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## **Interim condensed financial statements for the period from 1 January 2017 to 30 June 2017 RAIFFEISEN BANK POLSKA S.A.**

**The Management Board presents the interim condensed financial statements of Raiffeisen Bank Polska S.A. for the period from 1 January 2017 to 30 June 2017**

Piotr Czarnecki	President of the Management Board	Signed on the Polish original .....
<i>name and surname</i>	<i>position/function</i>	<i>signature</i>
Maciej Bardan	First Vice-President of the Management Board	Signed on the Polish original .....
<i>name and surname</i>	<i>position/function</i>	<i>signature</i>
Jan Czeremcha	Vice-President of the Management Board	Signed on the Polish original .....
<i>name and surname</i>	<i>position/function</i>	<i>signature</i>
Witold Broniszewski	Member of the Management Board	Signed on the Polish original .....
<i>name and surname</i>	<i>position/function</i>	<i>signature</i>
Łukasz Januszewski	Member of the Management Board	Signed on the Polish original .....
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Piotr Konieczny	Member of the Management Board	Signed on the Polish original .....
<i>name and surname</i>	<i>position/function</i>	<i>signature</i>
Werner Georg Mayer	Member of the Management Board	Signed on the Polish original .....
<i>name and surname</i>	<i>position/function</i>	<i>signature</i>
Patrycja Zenik-Rychlik	Head of Financial Accounting and Taxes Department	Signed on the Polish original .....
<i>name and surname</i>	<i>position/function</i>	<i>signature</i>

Warsaw, 9 August 2017



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## Statement of profit or loss

	Note	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Interest income		783 037	782 249
Interest expense		-236 768	-296 717
<b>Net interest income</b>	3	<b>546 269</b>	<b>485 532</b>
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items	4	-89 551	-54 917
<i>including Proceeds from sale of receivables</i>		61 836	157
Fee and commission income		324 804	335 492
Fee and commission expense		-34 197	-40 360
<b>Net fee and commission income</b>	5	<b>290 607</b>	<b>295 132</b>
Net income from financial instruments measured at fair value and net foreign exchange result		9 963	109 497
Dividend income		8 931	0
Result on sale of shares in subsidiary	12	0	202 313
General administrative expenses	6	-560 792	-603 040
Other operating income		11 976	5 355
Other operating expenses		-142 690	-33 460
Tax on financial institutions		-69 298	-68 509
<b>Profit before tax</b>		<b>5 415</b>	<b>337 903</b>
Income tax expense	7	-29 323	-102 637
<b>Net profit/loss</b>		<b>-23 908</b>	<b>235 266</b>
Weighted average number of ordinary shares (in units)	17	170 870 089	248 260
Profit/loss attributable to the Bank's equity holders per one ordinary share (in PLN)		0	948
Weighted average number of diluted shares (in units)	17	170 870 089	248 260
Profit/loss attributable to the Bank's equity holders per one diluted share (in PLN)		0	948

Notes presented on pages 11- 56 are an integral part of the interim condensed financial statements.

## Statement of comprehensive income

	<i>Note</i>	<b>For the financial period from 1 January 2017 to 30 June 2017</b>	<b>For the financial period from 1 January 2016 to 30 June 2016</b>
<b>Net profit/loss</b>		<b>-23 908</b>	<b>235 266</b>
<b>Other taxable income that may be reclassified to profit or loss, including:</b>		<b>26 944</b>	<b>-26 346</b>
Valuation of cash-flow hedge derivatives, gross	17	7 040	19 536
Income tax on cash-flow hedge derivatives	17	-1 338	-3 712
Valuation of available for sale financial assets, gross	17	26 225	-52 062
Income tax on available for sale financial assets	17	-4 983	9 892
<b>Total comprehensive income</b>		<b>3 036</b>	<b>208 920</b>

Notes presented on pages 11- 56 are an integral part of the interim condensed financial statements.

## Statement of financial position

<b>Assets</b>	<b>Note</b>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>	<b>As at 30 June 2016</b>
Cash and balances with Central Bank		2 062 068	1 731 869	1 379 764
Amounts due from banks	8	169 567	315 252	318 498
Financial assets held for trading	9	2 773 188	8 047 342	8 883 562
Derivative financial instruments		422 667	466 720	589 985
Investment securities	10	10 167 454	7 947 954	7 533 291
Loans and advances to customers	11	33 489 257	33 868 005	34 312 207
Investments in subsidiaries	12	45 495	40 495	38 495
Intangible assets	13	263 032	384 023	506 118
Tangible fixed assets		92 898	118 067	131 225
Deferred income tax assets		113 115	129 338	89 038
Other assets	14	232 082	217 653	247 084
<b>Total assets</b>		<b>49 830 823</b>	<b>53 266 718</b>	<b>54 029 267</b>
<b>Liabilities and equity</b>	<b>Note</b>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>	<b>As at 30 June 2016</b>
Amounts due to banks and other monetary institutions	15	7 016 675	7 433 406	7 963 171
Derivative financial instruments		1 041 232	1 546 175	1 571 142
Amounts due to customers	16	33 781 809	36 361 807	36 538 599
Subordinated liabilities		317 228	332 096	332 187
Liabilities from debt securities issued		501 830	501 830	501 790
Other liabilities		632 948	512 731	475 414
Current tax liabilities		5 933	63 279	28 437
Provisions		160 944	146 206	161 845
<b>Total liabilities</b>		<b>43 458 599</b>	<b>46 897 530</b>	<b>47 572 585</b>
<b>Equity</b>				
Share capital	17	2 256 683	2 256 683	2 256 683
Supplementary capital		2 287 790	2 287 790	2 287 790
Other capital and reserves	17	1 059 432	1 002 488	1 017 531
Retained earnings		768 319	822 227	894 678
<b>Total equity</b>		<b>6 372 224</b>	<b>6 369 188</b>	<b>6 456 682</b>
<b>Total liabilities and equity</b>		<b>49 830 823</b>	<b>53 266 718</b>	<b>54 029 267</b>

Notes presented on pages 11- 56 are an integral part of the interim condensed financial statements.

## Statement of changes in equity

	Note	Share capital	Supplementary capital	Other capital and reserves	Retained earnings		Total
					Prior years result	Net profit/(loss) for the period	
<b>As at 1 January 2017</b>		<b>2 256 683</b>	<b>2 287 790</b>	<b>1 002 488</b>	<b>659 412</b>	<b>162 815</b>	<b>6 369 188</b>
Valuation of available for sale financial assets, net		0	0	21 242	0	0	21 242
Valuation of cash-flow hedge derivatives, net		0	0	5 702	0	0	5 702
Net loss for the period		0	0	0	0	-23 908	-23 908
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>26 944</b>	<b>0</b>	<b>-23 908</b>	<b>3 036</b>
Transfer of net result to retained earnings		0	0	0	162 815	-162 815	0
<b>Transactions with owners</b>		<b>0</b>	<b>0</b>	<b>30 000</b>	<b>-30 000</b>	<b>0</b>	<b>0</b>
Transfer of net result to general banking risk reserve		0	0	30 000	-30 000	0	0
<b>As at 30 June 2017</b>	<b>17</b>	<b>2 256 683</b>	<b>2 287 790</b>	<b>1 059 432</b>	<b>792 227</b>	<b>-23 908</b>	<b>6 372 224</b>

Notes presented on pages 11- 56 are an integral part of the interim condensed financial statements.

## Statement of changes in equity (cont.)

	Note	Retained earnings					Total
		Share capital	Supplementary capital	Other capital and reserves	Prior years result	Net profit/(loss) for the period	
<b>As at 1 January 2016</b>		<b>2 256 683</b>	<b>2 287 790</b>	<b>1 018 877</b>	<b>524 336</b>	<b>160 075</b>	<b>6 247 761</b>
Valuation of available for sale financial assets, net		0	0	-42 170	0	0	-42 170
Valuation of cash-flow hedge derivatives, net		0	0	15 824	0	0	15 824
Net profit for the period		0	0	0	0	235 266	235 266
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>-26 346</b>	<b>0</b>	<b>235 266</b>	<b>208 920</b>
Transfer of net result to retained earnings		0	0	0	160 075	-160 075	0
<b>Transactions with owners</b>		<b>0</b>	<b>0</b>	<b>25 000</b>	<b>-25 000</b>	<b>0</b>	<b>0</b>
Transfer of net result to general banking risk reserve		0	0	25 000	-25 000	0	0
<b>As at 30 June 2016</b>		<b>2 256 683</b>	<b>2 287 790</b>	<b>1 017 531</b>	<b>659 412</b>	<b>235 266</b>	<b>6 456 682</b>

Notes presented on pages 11- 56 are an integral part of the interim condensed financial statements.



## Statement of cash flows

<b>Operating activities</b>	<b>Note</b>	<b>For the financial period from 1 January 2017 to 30 June 2017</b>	<b>For the financial period from 1 January 2016 to 30 June 2016</b>
<b>Profit before tax</b>		<b>5 415</b>	<b>337 903</b>
<b>Adjustments:</b>		<b>-258 721</b>	<b>124 918</b>
Depreciation and amortization	6	36 511	53 142
Impairment of tangible and intangible fixed assets and investment securities		17 573	6 493
Unrealized foreign exchange differences		-383 340	253 192
(Gains) on sale of shares in subsidiary		0	-202 313
Transfer of interest and dividend from investing and financing activities		-43 543	5 808
Loss on sale, liquidation of tangible and intangible fixed assets		114 078	8 596
<b>Changes in assets and liabilities</b>		<b>2 938 620</b>	<b>2 088 594</b>
Interbank placements, loans and advances to other banks		51 146	849 705
Financial assets held for trading		5 247 931	3 620 673
Derivative financial instruments		-537 107	-9 859
Loans and advances to customers		-170 108	-1 150 660
Other assets		-14 710	-8 397
Amounts due to banks and other monetary institutions		255 452	226 062
Amounts due to customers		-2 385 775	-1 962 329
Other liabilities		120 192	127 479
Provisions		14 738	12 675
Dividends received		8 931	0
Income tax paid/received		-76 486	-2
Interest received		671 114	700 531
Interests paid		-246 698	-317 284
<b>Net cash flow from operating activities</b>		<b>2 685 314</b>	<b>2 551 415</b>

## Statement of cash flows (cont.)

	Note	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Investing activities</b>			
Proceeds from sale of investment securities		1 899 526	666 451
Proceeds from sale of fixed assets and intangible assets		61	236
Proceeds from sale of shares in subsidiaries		0	695 000
Purchase of investment securities		-4 013 508	-4 370 199
Purchase of investments in subsidiaries		-5 000	-3 600
Purchase of fixed assets and intangible assets		-17 867	-45 624
<b>Net cash flow from investing activities</b>		<b>-2 136 788</b>	<b>-3 057 736</b>
<b>Financing activities</b>			
Inflows from subordinated liabilities and long-term bank loans		0	1 843 458
Outflows from repayment of subordinated liabilities and long-term bank loans		-294 819	-2 679 371
Outflows from payment of interest on debt securities issued		-7 710	-7 730
<b>Net cash flow from financing activities</b>		<b>-302 529</b>	<b>-843 643</b>
<b>Net decrease in cash and cash equivalents</b>		<b>245 997</b>	<b>-1 349 964</b>
Cash and cash equivalents at the beginning of the period	19	1 865 666	2 789 986
<b>Cash and cash equivalents at the end of the period</b>	<b>19</b>	<b>2 111 663</b>	<b>1 440 022</b>

## Notes to the interim condensed financial statements

### 1. General information

The financial statements have been prepared by **Raiffeisen Bank Polska S.A.** with its registered office in Warsaw, 00-844, Grzybowska 78 Street, registered in the National Court Register as a joint-stock company under the reference number KRS 0000014540 by the District Court for the capital city of Warsaw, XII Commercial Department of National Court Register.

The Bank has been established for an indefinite period of time.

The Bank operates in retail banking, corporate banking and investment banking as well as in factoring area in Poland and employed 4 751 people as at 30 June 2017 (4 948 people as at 31 December 2016).

These interim condensed financial statements should be read in conjunction with the interim condensed consolidated financial statements of the Raiffeisen Bank Polska S.A. Capital Group for the period from 1 January 2017 to 30 June 2017 to obtain complete information on the financial standing, results and cash flows of the Group as a whole.

#### Approval of these interim condensed financial statements

The Bank's Management Board approved these interim condensed financial statements on 9 August 2017.

#### As at 30 June 2017 the Bank's Management Board consisted of:

Piotr Czarnecki	– President of the Management Board
Maciej Bardan	– First Vice-President of the Management Board
Jan Czeremcha	– Vice-President of the Management Board
Witold Broniszewski	– Member of the Management Board
Łukasz Januszewski	– Member of the Management Board
Piotr Konieczny	– Member of the Management Board
Werner Georg Mayer	– Member of the Management Board

## Notes to the interim condensed financial statements (cont.)

### As at 30 June 2017, the Bank's Supervisory Board consisted of:

Johann Strobl	- Chairman of the Supervisory Board
Martin Grill	- Deputy Chairman of the Supervisory Board
Klemens Breuer	- Member of the Supervisory Board
Peter Lennkh	- Member of the Supervisory Board
Andreas Gschwenter	- Member of the Supervisory Board
Hannes Mösenbacher	- Member of the Supervisory Board
Władysław Gołębiowski	- Member of the Supervisory Board
Selcuk Sari	- Member of the Supervisory Board

In the period from 1 January 2017 to 30 June 2017 the following changes in the Management and Supervisory Boards took place.

- On 22 December 2016 Ryszard Drużyński resigned from the position of the Vice-President of the Management Board responsible for the operations and IT management as of 31 January 2017.
- On 14 February 2017 Polish Financial Supervision Authority took a decision about the appointment of Witold Broniszewski as a Member of the Management Board supervising the management of the significant risk relating to the Bank's activities.
- On 7 March 2017 Karl Sevelda - Chairman of the Supervisory Board of the Bank and Herbert Stepic - Member of the Supervisory Board resigned from their duties effective from 9 March 2017.
- On 10 March 2017, the General Meeting of Shareholders of the Bank appointed Johanna Strobel to the position of Chairman of the Supervisory Board and appointed Hannes Mösenbacher as a Member of the Supervisory Board.
- On 29 April 2017, the Bank's Supervisory Board passed a resolution appointing Werner Georg Mayer as a member of the Management Board supervising the management of operations area and IT as of 1 June 2017. Earlier, Polish Financial Supervision Authority (PFSA) informed the Bank that "(...) appointment of the member of the Management Board supervising the management of operations area and IT does not require PFSA's approval, as long as the area of the supervision does not include significant risk for the Raiffeisen Bank Polska S.A. activity".

## Notes to the interim condensed financial statements (cont.)

### 2. Significant accounting policies

#### 2.1. Basis of preparation of the interim condensed financial statements

The interim condensed financial statements have been prepared as at 30 June 2017 and for the period from 1 January 2017 to 30 June 2017.

The interim condensed financial statements have been prepared in Polish zloty (PLN), and all amounts are presented in PLN thousand, unless indicated otherwise.

The interim condensed financial statements have been prepared on a going concern basis using the assumption that the Bank will continue its business operations substantially unchanged in scope for a period of at least one year from the reporting date. The loss generated in the reporting period does not constitute a threat to the above presented assumption.

Financial data presented in the interim condensed financial statements of the Bank were prepared assuring its comparability.

During the period covered by the interim condensed financial statements the Bank did not introduce significant changes in the accounting policy concerning valuation of assets and liabilities and profit measurement in comparison with previous period, and accounting policies used for the preparation of these interim condensed financial statements are consistent with policies used for the preparation of Raiffeisen Bank Polska S.A. Financial Statements for the year ended 31 December 2016.

#### 2.2. Statement of compliance

The interim condensed financial statements of the Bank have been prepared and presented in accordance with International Accounting Standard 34 "Interim financial reporting" (IAS 34) as adopted by the European Union.

These financial statements do not include all disclosures required for annual financial statements and it should be analyzed in conjunction with the Financial Statements of the Raiffeisen Bank Polska S.A. for the year ended 31 December 2016.

Raiffeisen Bank Polska S.A. Financial Statements for the year ended 31 December 2016 are available at District Court for Capital City Warsaw, XII Commercial Department of the National Court Register, Warsaw, 100 Czerniakowska Street or Bank's web site [www.raiffeisenpolbank.com](http://www.raiffeisenpolbank.com).

## **Notes to the interim condensed financial statements (cont.)**

### **2.3. New standards, interpretations and revisions to published standards**

New standards, interpretations and revisions to published standards were presented in the interim condensed consolidated financial statements of Raiffeisen Bank Polska S.A. Capital Group included in this consolidated half year report for the period from 1 January 2017 to 30 June 2017 ("interim condensed consolidated financial statements") in note 2.3.

## Notes to the statement of profit or loss

### 3. Net interest income

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Interest income</b>		
Loans and advances to banks	10 307	9 817
Loans and advances to customers	551 468	544 859
Financial assets held for trading	46 675	72 644
Derivative hedging instruments	85 627	95 267
Reverse repo	3 438	5 112
Investment securities	85 522	54 550
<b>Total</b>	<b>783 037</b>	<b>782 249</b>
<b>Interest expense</b>		
Banking deposits	-4 435	-6 534
Customer deposits	-176 720	-223 629
Derivative hedging instruments	-2 441	-2 602
Repo instruments	-2 261	-3 594
Loans and advances received (including subordinated loans)	-43 176	-52 663
From issuance of own bonds	-7 735	-7 695
<b>Total</b>	<b>-236 768</b>	<b>-296 717</b>
<b>Net interest income (including):</b>	<b>546 269</b>	<b>485 532</b>
Total interest income from financial assets other than designated at fair value through profit or loss	650 735	614 338
Total interest expense related to financial assets other than designated at fair value through profit or loss	-234 327	-294 115

## Notes to the statement of profit or loss (cont.)

### 4. Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items

For the financial period from 1 January 2017 to 30 June 2017	Increases			Decreases					At the end of the period	Proceeds from sale of Bank's receivables and other	Impact on the result for the period
	At the beginning of the period	Impairment allowance recorded	Foreign exchange differences	Impairment allowance reversal	Write-off of assets	Sale of receivables	Reclassification	Foreign exchange differences			
<b>Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items valued with individual method</b>											
Amounts due from banks	60	3	0	-58	0	0	0	-4	1	0	55
Amounts due from individuals	13 252	29 853	0	-28 796	0	0	-112	-3 839	10 358	0	-1 057
Amounts due from micro customers	16 756	5 109	0	-3 536	0	0	112	-852	17 589	0	-1 573
Amounts due from large enterprises	548 399	74 856	0	-20 881	0	-121 611	0	-24 642	456 121	55 548	1 573
Amounts due from SME	42 664	10 131	0	-2 154	-4 469	0	0	-88	46 084	0	-7 977
Off-balance sheet items	25 554	11 277	0	-16 005	0	0	0	-756	20 070	0	4 728
Investment securities	27 159	0	0	-4 196	0	0	0	0	22 963	0	4 196
Shares in subsidiaries	17 951	0	0	0	0	0	0	0	17 951	0	0
<b>Total</b>	<b>691 796</b>	<b>131 229</b>	<b>0</b>	<b>-75 626</b>	<b>-4 469</b>	<b>-121 611</b>	<b>0</b>	<b>-30 181</b>	<b>591 138</b>	<b>55 548</b>	<b>-55</b>
<b>Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items valued with group method (including IBNR)</b>											
Amounts due from banks	40	82	0	-31	0	0	0	-3	88	0	-51
Amounts due from individuals	677 888	196 934	0	-146 079	0	-3 374	-179	-23 378	701 812	4 803	-46 052
Amounts due from micro customers	352 139	76 738	7 966	-43 912	0	-10 998	310	0	382 243	1 484	-31 342
Amounts due from large enterprises	61 751	28 218	0	-20 114	0	0	-131	-2 056	67 668	0	-8 104
Amounts due from SME	4 000	2 700	0	-2 031	0	0	0	-36	4 633	0	-669
Amounts due from the public sector	449	217	0	-88	0	0	0	0	578	0	-129
Off-balance sheet items	5 444	5 125	0	-1 975	0	0	0	-99	8 495	0	-3 150
<b>Total</b>	<b>1 101 711</b>	<b>310 014</b>	<b>7 966</b>	<b>-214 230</b>	<b>0</b>	<b>-14 372</b>	<b>0</b>	<b>-25 572</b>	<b>1 165 517</b>	<b>6 287</b>	<b>-89 497</b>
<b>Total allowances and provisions</b>	<b>1 793 508</b>	<b>441 243</b>	<b>7 966</b>	<b>-289 856</b>	<b>-4 469</b>	<b>-135 983</b>	<b>0</b>	<b>-55 753</b>	<b>1 756 655</b>	<b>61 836</b>	<b>-89 551</b>



## Notes to the statement of profit or loss (cont.)

For the financial period from 1 January 2016 to 30 June 2016	Increases			Decreases					At the end of the period	Proceeds from sale of Bank's receivables and other	Impact on the result for the period
	At the beginning of the period	Impairment allowance recorded	Foreign exchange differences	Impairment allowance reversal	Write-off of assets	Sale of receivables	Reclassification	Foreign exchange differences			
<b>Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items valued with individual method</b>											
Amounts due from individuals	17 862	15 502	921	-14 096	0	0	0	0	20 189	0	-1 406
Amounts due from micro customers	23 761	5 321	658	-6 089	0	0	0	0	23 651	0	768
Amounts due from large enterprises	705 251	230 884	14 496	-206 219	-857	0	0	0	743 554	0	-24 665
Amounts due from SME	43 394	8 479	46	-1 725	-4 198	0	0	0	45 996	157	-6 597
Off-balance sheet items	41 228	22 255	536	-40 910	0	0	0	0	23 109	0	18 656
Shares in subsidiaries	17 951	0	0	0	0	0	0	0	17 951	0	0
<b>Total</b>	<b>849 448</b>	<b>282 440</b>	<b>16 657</b>	<b>-269 040</b>	<b>-5 055</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>874 451</b>	<b>157</b>	<b>-13 244</b>
<b>Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items valued with group method (including IBNR)</b>											
Amounts due from banks	165	45	5	-126	0	0	0	0	89	0	81
Amounts due from individuals	596 350	190 534	7 985	-164 256	0	0	-192	0	630 422	0	-26 278
Amounts due from micro customers	297 803	68 930	663	-37 692	0	0	194	0	329 897	0	-31 238
Amounts due from large enterprises	75 340	17 692	909	-28 649	0	0	0	0	65 292	0	10 957
Amounts due from SME	4 724	1 740	10	-2 569	0	0	-2	0	3 904	0	829
Amounts due from the public sector	96	6	0	-21	0	0	0	0	81	0	15
Off-balance sheet items	8 556	1 619	61	-5 580	0	0	0	0	4 655	0	3 961
<b>Total</b>	<b>983 034</b>	<b>280 566</b>	<b>9 633</b>	<b>-238 892</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 034 340</b>	<b>0</b>	<b>-41 673</b>
<b>Total allowances and provisions</b>	<b>1 832 482</b>	<b>563 006</b>	<b>26 290</b>	<b>-507 932</b>	<b>-5 055</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 908 791</b>	<b>157</b>	<b>-54 917</b>

## Notes to the statement of profit or loss (cont.)

### 5. Net fee and commission income

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Fee and commission income</b>		
From transaction margin on client's foreign exchange dealings and derivatives	130 171	140 541
From investment and insurance products	47 037	48 322
From debit and credit cards	40 351	38 220
From handling of cash and bank transfers	28 317	28 820
From loans and advances, not being part of the effective interest rate	23 511	29 493
From maintaining of bank accounts	20 194	19 908
From custody and brokerage activities	19 606	15 450
From handling of letters of credit and guarantees	14 454	13 782
Other	1 162	955
<b>Total</b>	<b>324 804</b>	<b>335 492</b>
<b>Fee and commission expense</b>		
From payment cards and atm transactions	-10 621	-15 285
From handling of cash and bank transfers	-6 906	-7 711
From transaction margin on client's foreign exchange dealings and derivatives	-4 516	-5 180
From investment and insurance products	-4 400	-3 691
From loans and advances, not being part of the effective interest rate	-3 685	-3 711
From custody and brokerage activities	-2 213	-2 027
From maintaining of bank accounts	-1 312	-1 980
Other	-544	-774
<b>Total</b>	<b>-34 197</b>	<b>-40 360</b>
<b>Net fee and commission income (including):</b>	<b>290 607</b>	<b>295 132</b>
Total commission income related to financial assets other than designated at fair value through profit or loss	175 027	179 501
Total commission expense related to financial assets other than designated at fair value through profit or loss	-27 468	-33 152

## Notes to the statement of profit or loss (cont.)

### 6. General administrative expenses

#### 6.1. Salaries, wages and other employee benefits

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Salaries, wages and other employee benefits</b>		
Salaries and wages	-230 504	-263 897
Social insurance costs, including:	-36 177	-38 409
Other employee benefits	-5 609	-5 911
<b>Total</b>	<b>-272 290</b>	<b>-308 217</b>

#### 6.2. Other administrative expenses

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Other administrative expenses</b>		
Maintenance and rental of buildings	-61 301	-71 922
including lease installments	-46 877	-55 492
IT and telecommunication costs	-46 244	-44 319
Contribution and payments to Bank Guarantee Fund	-60 354	-46 542
Consulting services	-26 885	-12 851
Marketing costs	-8 844	-8 250
Training costs	-2 428	-2 857
Costs of other lease installments	-2 091	-1 950
Other sundry costs	-43 844	-52 990
Depreciation cost including:	-36 511	-53 142
depreciation cost on tangible fixed assets	-16 838	-19 413
depreciation cost on intangible fixed assets	-19 673	-33 729
<b>Total</b>	<b>-288 502</b>	<b>-294 823</b>

In the first half of 2017 the Group recognized full annual contribution to resolution fund of banks for the year 2017 of PLN 48 483 thousand, presented in line Contribution and payments to Bank Guarantee Fund.

### 7. Income tax expense

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Calculation of effective tax rate</b>		
Profit before tax	5 415	337 903
Current income tax at the local tax rate on profit before tax (19%)	-1 029	-64 202
Tax effect of non-deductible expenses	-30 398	-38 436
Tax effect of non-taxable income	2 103	0
<b>Total income tax charge</b>	<b>-29 323</b>	<b>-102 637</b>

## Notes to the statement of profit or loss (cont.)

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Reconciliation of tax referred to income statement</b>		
Current income tax	-19 279	-28 688
Correction of current income tax regarding previous years	-141	-640
Deferred tax	<b>-9 903</b>	<b>-73 309</b>
<b>Total income tax charge</b>	<b>-29 323</b>	<b>-102 637</b>

## Notes to the statement of financial position

### 8. Amounts due from banks

	30 June 2017	31 December 2016	30 June 2016
Collateral deposits	89 449	139 126	196 591
Cash on current accounts	45 595	133 797	20 258
Loans and advances to banks	30 612	42 429	61 737
Deposits with other banks	4 000	0	40 000
<b>Gross amounts due from banks:</b>	<b>169 656</b>	<b>315 352</b>	<b>318 586</b>
Impairment allowance	-89	-100	-89
<b>Net amounts due from banks:</b>	<b>169 567</b>	<b>315 252</b>	<b>318 498</b>

### 9. Financial assets held for trading

Financial assets held for trading	30 June 2017	31 December 2016	30 June 2016
Bonds and bills issued by the State Treasury	971 555	371 779	591 119
Money bills NBP	1 399 643	7 393 915	8 000 000
Other financial bonds	361 163	0	0
Corporate bonds	36 498	278 225	285 931
Mortgage bonds	4 330	3 423	6 512
<b>Total</b>	<b>2 773 188</b>	<b>8 047 342</b>	<b>8 883 562</b>

### 10. Investment securities

	30 June 2017	31 December 2016	30 June 2016
<b>Investment securities held to maturity</b>			
Treasury bonds	3 255 963	3 475 082	3 462 591
<b>Total held to maturity</b>	<b>3 255 963</b>	<b>3 475 082</b>	<b>3 462 591</b>
<b>Investment securities available for sale</b>			
Equity investments	47 109	45 540	44 169
Financial instruments blocked for BFG*	230 223	229 409	229 482
Other financial bonds	149 053	0	0
Corporate bonds	246 682	293 895	348 291
Treasury bonds	6 238 424	3 904 028	3 448 758
<b>Total available for sale</b>	<b>6 911 491</b>	<b>4 472 872</b>	<b>4 070 700</b>
<b>Total</b>	<b>10 167 454</b>	<b>7 947 954</b>	<b>7 533 291</b>

\*including treasury bonds

## Notes to the statement of financial position (cont.)

### 11. Loans and advances to customers

Loans and advances to customers by borrower segment	30 June 2017			31 December 2016			30 June 2016		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
Individual customers	19 309 885	712 170	18 597 715	20 322 980	691 140	19 631 840	20 333 736	650 611	19 683 125
Micro customers	2 901 115	399 832	2 501 283	2 860 503	368 895	2 491 608	2 821 578	353 548	2 468 030
Large enterprises	11 492 839	523 789	10 969 050	10 955 875	610 151	10 345 724	11 623 722	808 845	10 814 877
SME	1 388 975	50 718	1 338 257	1 358 375	46 665	1 311 710	1 378 584	49 900	1 328 684
Public sector	83 530	578	82 952	87 572	449	87 123	17 573	82	17 491
<b>Total</b>	<b>35 176 344</b>	<b>1 687 087</b>	<b>33 489 257</b>	<b>35 585 305</b>	<b>1 717 300</b>	<b>33 868 005</b>	<b>36 175 193</b>	<b>1 862 986</b>	<b>34 312 207</b>

## Notes to the statement of financial position (cont.)

### Loans and advances to customers by quality

30 June 2017

	Loans and advances to customers -without impairment trigger and not impaired	Group impairment allowance IBNR	Loans and advances to customers -with impairment trigger but not impaired	Group impairment allowance IBNR	Impaired loans and advances valued with individual method	Individual impairment allowance	Impaired loans and advances to customers valued with group method	Group impairment allowance	Net amount
Individual customers	18 248 365	56 398	5 907	0	24 821	10 152	1 030 792	645 620	18 597 715
Micro customers	2 137 520	18 528	0	0	31 368	17 009	732 227	364 295	2 501 283
Large enterprises	10 038 104	41 850	636 817	25 601	817 918	456 338	0	0	10 969 050
SME	1 313 775	3 031	14 950	1 033	60 250	46 654	0	0	1 338 257
Public sector	83 530	578	0	0	0	0	0	0	82 952
<b>Total</b>	<b>31 821 294</b>	<b>120 385</b>	<b>657 674</b>	<b>26 634</b>	<b>934 357</b>	<b>530 153</b>	<b>1 763 019</b>	<b>1 009 915</b>	<b>33 489 257</b>

### Loans and advances to customers by quality

31 December 2016

	Loans and advances to customers -without impairment trigger and not impaired	Group impairment allowance IBNR	Loans and advances to customers -with impairment trigger but not impaired	Group impairment allowance IBNR	Impaired loans and advances valued with individual method	Individual impairment allowance	Impaired loans and advances to customers valued with group method	Group impairment allowance	Net amount
Individual customers	19 276 672	52 665	10 518	0	28 940	13 228	1 006 850	625 247	19 631 840
Micro customers	2 113 321	14 331	0	0	31 030	16 742	716 152	337 822	2 491 608
Large enterprises	9 456 907	46 018	527 026	15 695	971 942	548 438	0	0	10 345 724
SME	1 284 748	2 730	18 373	1 270	55 254	42 665	0	0	1 311 710
Public sector	87 572	449	0	0	0	0	0	0	87 123
<b>Total</b>	<b>32 219 220</b>	<b>116 193</b>	<b>555 917</b>	<b>16 965</b>	<b>1 087 166</b>	<b>621 073</b>	<b>1 723 002</b>	<b>963 069</b>	<b>33 868 005</b>

## Notes to the statement of financial position (cont.)

### Loans and advances to customers by quality

30 June 2016

	Loans and advances to customers -without impairment trigger and not impaired	Group impairment allowance IBNR	Loans and advances to customers -with impairment trigger but not impaired	Group impairment allowance IBNR	Impaired loans and advances valued with individual method	Individual impairment allowance	Impaired loans and advances to customers valued with group method	Group impairment allowance	Net amount
Individual customers	19 340 973	50 806	10 407	0	41 479	20 835	940 877	578 970	<b>19 683 125</b>
Micro customers	2 097 167	12 894	3 797	0	46 808	23 623	673 806	317 031	<b>2 468 030</b>
Large enterprises	10 100 946	50 382	475 776	15 431	1 047 000	743 032	0	0	<b>10 814 877</b>
SME	1 306 864	2 771	17 909	1 229	53 811	45 900	0	0	<b>1 328 684</b>
Public sector	17 573	82	0	0	0	0	0	0	<b>17 491</b>
<b>Total</b>	<b>32 863 523</b>	<b>116 935</b>	<b>507 889</b>	<b>16 660</b>	<b>1 189 098</b>	<b>833 390</b>	<b>1 614 683</b>	<b>896 001</b>	<b>34 312 207</b>



## Notes to the statement of financial position (cont.)

### 12. Investments in subsidiaries

	30 June 2017	31 December 2016	30 June 2016
Leasing Poland Sp. z o.o	14 600	14 600	14 600
Raiffeisen Financial Services Polska Sp. z o.o.	12 245	12 245	12 245
Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.	4 000	4 000	2 000
Raiffeisen Solutions Sp. z o.o.	14 650	9 650	9 650
<b>Total</b>	<b>45 495</b>	<b>40 495</b>	<b>38 495</b>

On 31 March 2016 the Parent Entity sold its shares of Raiffeisen-Leasing Polska S.A. („RLPL”) to Raiffeisen Bank International AG. The purpose of the transaction was to improve the Group’s capital ratios according to the PFSA recommendation. Result on sale of shares of PLN 202 313 thousand (before tax) was presented in line Result on sale of shares in subsidiary.

Book value of sold shares	492 687
Sale price	695 000
Result on sale of RLPL (before tax)	202 313
Income tax on result on sale of RLPL	-38 439
Result on sale of RLPL (after tax)	163 874

As a result the Group lost control of the RLPL and all other companies comprising the RLPL Group, namely Raiffeisen Insurance Agency Sp. z o.o., Raiffeisen-Leasing Services Sp. z o.o., Raiffeisen-Leasing Real Estate Sp. z o.o. and the special purpose entity, ROOF Poland Leasing 2014 DAC.

### 13. Intangible assets

	30 June 2017	31 December 2016	30 June 2016
Intangible assets, including:			
Goodwill	0	0	32 966
„Polbank” brand	0	114 000	200 000
Relations with customers	13 622	16 807	21 686
Computer software	225 080	202 988	206 917
Computer software under development	24 330	48 244	38 675
Advances for intangible assets	0	1 984	5 873
<b>Total</b>	<b>263 032</b>	<b>384 023</b>	<b>506 118</b>

Due to decision to perform Bank’s digital evolution and optimization in years 2017 – 2019, the Bank conducted an impairment test of “Polbank” brand, which resulted in write off in full of “Polbank” brand of PLN 114 000 thousand. The expensed relating to “Polbank” brand write off of PLN 114 000 thousand were presented in line Other operating expenses.

## Notes to the statement of financial position (cont.)

### 14. Other assets

	30 June 2017	31 December 2016	30 June 2016
Financial assets gross			
Collection of bills and cheques	54	2 451	183
Sundry debtors	100 718	81 578	98 248
Settlements with brokerage offices – receivables	5 446	4 757	5 025
Settlements of payment cards transactions - receivables	92 348	101 513	64 799
<b>Total financial assets, gross</b>	<b>198 566</b>	<b>190 299</b>	<b>168 255</b>
Impairment allowance	-8 329	-12 703	-9 304
<b>Total financial assets, net</b>	<b>190 237</b>	<b>177 596</b>	<b>158 951</b>
Non-financial assets gross			
Accruals and prepayments	37 952	35 911	40 840
Income receivable	1 313	1 566	2 706
Assets acquired for debt	2 580	2 580	2 580
Social and legal settlements	0	0	42 007
<b>Total non-financial assets, gross</b>	<b>41 845</b>	<b>40 057</b>	<b>88 133</b>
<b>Total non-financial assets, net</b>	<b>41 845</b>	<b>40 057</b>	<b>88 133</b>
<b>Total</b>	<b>232 082</b>	<b>217 653</b>	<b>247 084</b>

### 15. Amounts due to banks and other monetary institutions

	30 June 2017	31 December 2016	30 June 2016
Current accounts	367 629	140 168	411 197
Term deposits	162 772	194 067	205 387
Loans received	6 486 274	7 099 171	7 346 587
<b>Total</b>	<b>7 016 675</b>	<b>7 433 406</b>	<b>7 963 171</b>

### 16. Amounts due to customers

	30 June 2017	31 December 2016	30 June 2016
Amounts due to individuals	17 514 103	18 218 007	17 363 621
Amounts due to micro customers	2 493 844	2 565 414	2 137 738
Amounts due to large enterprises	10 748 930	12 358 879	13 418 380
Amounts due to SME	3 024 888	3 219 506	3 618 860
Amounts due to the public sector	45	1	0
<b>Total</b>	<b>33 781 809</b>	<b>36 361 807</b>	<b>36 538 599</b>

## Notes to the statement of financial position (cont.)

### 17. Equity

All shares have been paid in full. All shares have exactly the same voting and dividend rights. Raiffeisen Bank International AG (RBI) is the only shareholder, currently in possession of 100% of the Bank's share capital.

	Par value of shares held		Number of shares (in units)	
	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
<b>Registered share capital</b>				
At the beginning of the period	2 256 683	2 256 683	248 260	248 260
Split of existing shares	0	0	225 420 080	0
<b>At the end of the period</b>	<b>2 256 683</b>	<b>2 256 683</b>	<b>225 668 340</b>	<b>248 260</b>

The Extraordinary General Meeting convened for 29 September 2016 passed resolutions to amend the Bank's Articles of Association, which related among others to changing the number and par value of the Bank shares by split of the existing shares without changing the share capital amount so that the share capital shall be divided into 225 668 340 shares with a par value of PLN 10 and all existing shares shall become new Series AA shares.

An application for registration of the amendments was filed with the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, on 7 November 2016.

On 14 February 2017, the Bank was notified of the registration of the amendments to the Articles of Association by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register.

<b>Other capital and reserves</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
General banking risk reserve	1 025 019	995 019
Settlement of the purchase of the organized part of entity	-3 883	-3 883
Valuation of available for sale financial assets	15 851	-5 391
Valuation of derivatives hedging the net cash flow	-25 077	-30 779
Brokerage activities reserve	1 000	1 000
<b>Other reserves</b>	<b>46 522</b>	<b>46 522</b>
<b>At the end of the period</b>	<b>1 059 432</b>	<b>1 002 488</b>

## Other notes

### 18. Contingent liabilities

The table below presents contingent liabilities arising from the concluded contracts:

	30 June 2017	31 December 2016	30 June 2016
<b>Guarantees issued</b>			
Bank guarantees	1 793 362	1 739 565	2 025 681
Letters of credit and bank acceptances	239 615	188 697	206 969
<b>Total guarantees issued</b>	<b>2 032 977</b>	<b>1 928 262</b>	<b>2 232 651</b>
<b>Financial liabilities granted</b>			
Granted loan commitments:	6 501 487	7 136 072	7 782 830
<i>With initial maturity up to 1 year</i>	3 258 633	3 402 756	3 390 916
<i>With initial maturity above 1 year</i>	3 242 854	3 733 316	4 391 914
<b>Total financial liabilities granted</b>	<b>6 501 487</b>	<b>7 136 072</b>	<b>7 782 830</b>
<b>Total</b>	<b>8 534 464</b>	<b>9 064 334</b>	<b>10 015 480</b>
<b>Guarantees received</b>			
	5 735 065	5 871 309	5 676 344
<b>Total</b>	<b>5 735 065</b>	<b>5 871 309</b>	<b>5 676 344</b>

### 19. Supplementary information to statement of cash flows

	30 June 2017	31 December 2016	30 June 2016
<b>Cash and cash equivalents</b>			
Cash in hand at the Bank	688 828	667 808	817 624
Cash on the current account with the Central Bank	1 373 240	1 064 061	562 140
Cash on Nostro accounts in other banks	45 595	133 797	20 258
Deposits in other banks (due within 3 months)	4 000	0	40 000
<b>Cash and cash equivalents presented in the cash flow statement</b>	<b>2 111 663</b>	<b>1 865 666</b>	<b>1 440 022</b>

### 20. Fair value of assets and liabilities

The main assumptions and methods used by the Bank to measure the fair value of financial instruments were described in the financial statements for the year ended 31 December 2016.

The effect of estimated parameters on fair value calculation of financial instruments within Level III, which are measured to fair value in the statement of financial position as at 30 June 2017, was negligible and did not differ significantly from values disclosed in the financial statements for the year ended 31 December 2016.

The tables below presents fair values and book values of assets and liabilities analyzed in three levels of the fair value hierarchy:

## Other notes (cont.)

Position description	30 June 2017					31 December 2016				
	Book value	Fair value	Level I	Level II	Level III	Book value	Fair value	Level I	Level II	Level III
<b>Financial Assets</b>										
Cash and balances with Central Bank	2 062 068	2 062 068	0	0	2 062 068	1 731 869	1 731 869	0	0	1 731 869
Amounts due from banks	169 567	169 526	0	0	169 526	315 252	315 175	0	0	315 175
Financial assets held for trading	2 773 188	2 773 188	1 353 260	1 399 643	20 284	8 047 342	8 047 342	371 779	7 393 915	281 649
Derivative financial instruments:	422 667	422 667	0	419 926	2 741	466 720	466 720	0	463 054	3 666
Derivative financial instruments held for trading	389 031	389 031	0	386 290	2 741	466 720	466 720	0	463 054	3 666
Derivative financial instruments in cash flow hedges	33 636	33 636	0	33 636	0	0	0	0	0	0
Investment securities:	10 167 454	10 153 075	9 859 285	0	293 790	7 947 954	7 907 898	7 568 463	0	339 435
Investment securities held to maturity	3 255 963	3 241 584	3 241 584	0	0	3 475 082	3 435 026	3 435 026	0	0
Investment securities available for sale, including:	6 911 491	6 911 491	6 617 701	0	293 790	4 472 872	4 472 872	4 133 437	0	339 435
Equity interests	47 109	47 109	0	0	47 109	45 540	45 540	0	0	45 540
Debt securities	6 864 382	6 864 382	6 617 701	0	246 681	4 427 332	4 427 332	4 133 437	0	293 895
Loans and advances to customers, including:	33 489 257	31 073 451	0	0	31 073 451	33 868 005	31 444 830	0	0	31 444 830
Loans and advances granted to individuals	18 597 715	16 340 731	0	0	16 340 731	19 631 840	17 322 307	0	0	17 322 307
Loans and advances granted to micro customers	2 501 283	2 356 615	0	0	2 356 615	2 491 608	2 364 899	0	0	2 364 899
Loans and advances granted to large enterprises	10 969 050	10 956 858	0	0	10 956 858	10 345 724	10 358 775	0	0	10 358 775
Loans and advances granted to small and medium enterprises	1 338 257	1 336 315	0	0	1 336 315	1 311 710	1 311 722	0	0	1 311 722
Loans and advances granted to public sector entities	82 952	82 932	0	0	82 932	87 123	87 127	0	0	87 127
Other financial assets	190 237	190 237	0	0	190 237	177 596	177 596	0	0	177 596
<b>Total financial assets</b>	<b>49 274 438</b>	<b>46 844 212</b>	<b>11 212 545</b>	<b>1 819 569</b>	<b>33 812 097</b>	<b>52 554 738</b>	<b>50 091 431</b>	<b>7 940 242</b>	<b>7 856 969</b>	<b>34 294 220</b>

## Other notes (cont.)

Position description	30 June 2017					31 December 2016				
	Book value	Fair value	Level I	Level II	Level III	Book value	Fair value	Level I	Level II	Level III
<b>Financial liabilities</b>										
Amounts due to banks and other monetary institutions	7 016 675	6 939 972	0	0	6 939 972	7 433 406	7 325 622	0	0	7 325 622
Derivative financial instruments:	1 041 232	1 041 232	0	1 040 536	696	1 546 175	1 546 175	0	1 545 812	362
Derivative financial instruments held for trading	358 229	358 229	0	357 533	696	347 362	347 362	0	346 999	362
Derivative financial instruments in cash flow hedges	668 844	668 844	0	668 844	0	1 180 821	1 180 821	0	1 180 821	0
Derivative financial instruments in fair value hedges	14 159	14 159	0	14 159	0	17 992	17 992	0	17 992	0
Amounts due to customers, including:	33 781 809	33 784 677	0	0	33 784 677	36 361 807	36 401 866	0	0	36 401 866
Amounts due to individuals	17 514 103	17 515 192	0	0	17 515 192	18 218 007	18 239 621	0	0	18 239 621
Amounts due to micro customers	2 493 844	2 493 486	0	0	2 493 486	2 565 414	2 566 605	0	0	2 566 605
Amounts due to large enterprises	10 748 930	10 751 813	0	0	10 751 813	12 358 879	12 373 819	0	0	12 373 819
Amounts due to small and medium enterprises	3 024 888	3 024 141	0	0	3 024 141	3 219 506	3 221 820	0	0	3 221 820
Amounts due to the public sector	45	45	0	0	45	1	1	0	0	1
Subordinated liabilities	317 228	252 380	0	0	252 380	332 096	256 375	0	0	256 375
Liabilities from debt securities issued	501 830	501 830	0	0	501 830	501 830	501 843	0	0	501 843
Other financial liabilities	519 378	519 378	0	0	519 378	417 288	417 288	0	0	417 288
<b>Total financial liabilities</b>	<b>43 178 152</b>	<b>43 039 469</b>	<b>0</b>	<b>1 040 536</b>	<b>41 998 933</b>	<b>46 592 602</b>	<b>46 449 168</b>	<b>0</b>	<b>1 545 812</b>	<b>44 903 356</b>

## Other notes (cont.)

Position description	30 June 2016				
	Book value	Fair value	Level I	Level II	Level III
<b>Financial Assets</b>					
Cash and balances with Central Bank	1 379 764	1 379 764	0	0	1 379 764
Amounts due from banks	318 498	318 337	0	0	318 337
Financial assets held for trading	8 883 562	8 883 562	591 119	8 000 000	292 443
Derivative financial instruments:	589 985	589 985	0	573 520	16 465
Derivative financial instruments held for trading	589 985	589 985	0	573 520	16 465
Investment securities:	7 533 291	7 502 066	7 109 605	0	392 461
Investment securities held to maturity	3 462 591	3 431 366	3 431 366	0	0
Investment securities available for sale, including:	4 070 700	4 070 700	3 678 239	0	392 461
Equity interests	44 169	44 169	0	0	44 169
Debt securities	4 026 531	4 026 531	3 678 239	0	348 292
Loans and advances to customers, including:	34 312 207	32 222 708	0	0	32 222 708
Loans and advances granted to individuals	19 683 125	17 525 846	0	0	17 525 846
Loans and advances granted to micro customers	2 468 030	2 331 894	0	0	2 331 894
Loans and advances granted to large enterprises	10 814 877	11 014 503	0	0	11 014 503
Loans and advances granted to small and medium enterprises	1 328 684	1 332 916	0	0	1 332 916
Loans and advances granted to public sector entities	17 491	17 550	0	0	17 550
Other financial assets	158 951	158 951	0	0	158 951
<b>Total financial assets</b>	<b>53 176 258</b>	<b>51 055 373</b>	<b>7 700 724</b>	<b>8 573 520</b>	<b>34 781 129</b>

Position description	30 June 2016				
	Book value	Fair value	Level I	Level II	Level III
<b>Financial liabilities</b>					
Amounts due to banks and other monetary institutions	7 963 171	7 853 323	0	0	7 853 323
Derivative financial instruments:	1 571 142	1 571 142	0	1 571 040	102
Derivative financial instruments held for trading	458 321	458 321	0	458 219	102
Derivative financial instruments in cash flow hedges	1 091 225	1 091 225	0	1 091 225	0
Derivative financial instruments in fair value hedges	21 596	21 596	0	21 596	0
Amounts due to customers, including:	36 538 599	36 775 715	0	0	36 775 715
Amounts due to individuals	17 363 621	17 481 993	0	0	17 481 993
Amounts due to micro customers	2 137 738	2 142 389	0	0	2 142 389
Amounts due to large enterprises	13 418 380	13 514 527	0	0	13 514 527
Amounts due to small and medium enterprises	3 618 860	3 636 807	0	0	3 636 807
Subordinated liabilities	332 187	248 160	0	0	248 160
Liabilities from debt securities issued	501 790	503 250	0	0	503 250
Other financial liabilities	370 108	370 108	0	0	370 108
<b>Total financial liabilities</b>	<b>47 276 997</b>	<b>47 321 698</b>	<b>0</b>	<b>1 571 040</b>	<b>45 750 659</b>

## Other notes (cont.)

The below table presents changes in fair value for financial instruments measured by the Bank according to Level III principles.

For the financial period from 1 January 2017 to 30 June 2017	Financial assets held for trading	Derivative financial instruments - assets	Investment securities available for sale - debt securities	Derivative financial instruments - liabilities
<b>At the beginning of the period</b>	<b>281 649</b>	<b>3 666</b>	<b>293 895</b>	<b>362</b>
Increases, including:	4 481	406	122 479	40
Purchase	4 458	0	121 677	0
Derivatives opened during period	0	362	0	131
Income from financial instruments, included in:	23	44	802	-92
Net interest income	0	2	2	-84
Net income from financial instruments measured at fair value	23	42	0	-8
Revaluation reserves	0	0	800	0
Decreases, including:	-265 846	-1 331	-169 693	294
Settlement/redemption	0	-269	0	-294
Sale	-260 463	0	-159 695	0
Loss from financial instruments, included in:	-5 383	-1 062	-9 998	588
Net interest income	-516	-88	-124	6
Net income from financial instruments measured at fair value	-4 867	-974	0	582
Revaluation reserves	0	0	-9 874	0
Reclassification	0	0	0	0
<b>At the end of the period</b>	<b>20 284</b>	<b>2 741</b>	<b>246 681</b>	<b>696</b>
<b>Unrealized result on financial instruments held in the portfolio at the end of the period, included in statement of comprehensive income in:</b>	<b>-4 776</b>	<b>-925</b>	<b>-7 411</b>	<b>334</b>
Net interest income	68	0	1 663	0
Net income from financial instruments measured at fair value	-4 844	-925	0	334
Revaluation reserves	0	0	-9 074	0



## Other notes (cont.)

For the financial period from 1 January 2016 to 30 June 2016	Financial assets held for trading	Derivative financial instruments - assets	Investment securities available for sale - debt securities	Derivative financial instruments - liabilities
<b>At the beginning of the period</b>	<b>91 907</b>	<b>9 828</b>	<b>319 970</b>	<b>7</b>
Increases, including:	273 097	7 065	59 222	97
Purchase	272 077	0	32 870	0
Derivatives opened during the period	0	641	0	93
Income from financial instruments, included in:	1 020	2 122	26 352	-1
Net interest income	0	0	44	-1
Net income from financial instruments measured at fair value	1 020	2 122	0	0
Revaluation reserves	0	0	26 307	0
Reclassification	0	4 303	0	4
Decreases, including:	-72 560	-428	-30 900	-1
Settlement/redemption	0	-312	0	-7
Sale	-56 073	0	-21 007	0
Loss from financial instruments, included in:	-16 487	-116	-9 893	5
Net interest income	-203	0	-112	0
Net income from financial instruments measured at fair value	-16 284	-116	0	5
Revaluation reserves	0	0	-9 781	0
<b>At the end of the period</b>	<b>292 443</b>	<b>16 465</b>	<b>348 292</b>	<b>102</b>
<b>Unrealized result on financial instruments held in the portfolio at the end of the period, included in statement of comprehensive income in:</b>	<b>-14 462</b>	<b>6 637</b>	<b>19 215</b>	<b>96</b>
Net interest income	803	0	2 689	0
Net income from financial instruments measured at fair value	-15 264	6 637	0	96
Revaluation reserves	0	0	16 526	0

## Other notes (cont.)

### 21. Transactions with related parties

The Bank identifies the following related entities:

- Parent entities:
  - ultimate parent entity – Regional Raiffeisen Banks (which are parties to a syndicate agreement regarding RBI).
  - parent entity – Raiffeisen Bank International AG (RBI).
- The Bank's subsidiaries consolidated:
  - Raiffeisen-Leasing Polska S.A., Raiffeisen Insurance Agency Sp. z o.o., Raiffeisen-Leasing Service Sp. z o.o., Raiffeisen-Leasing Real Estate Sp z o.o., - till 31 March 2016
  - Raiffeisen Financial Services Polska Sp. z o.o., Raiffeisen Solutions Sp z o.o, Raiffeisen Investment Polska Sp. z o.o. , Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.,
- the Bank's subsidiaries not consolidated - Leasing Poland Sp. z o.o.,
- Members of the Bank's key personnel,
- Other entities - other related entities – entities controlled by the parent companies and subsidiaries, as well as entities having significant influence on Raiffeisen Bank International AG,
- Special purpose entity ROOF Poland Leasing 2014 DAC (till 31 March 2016).

As a part of ordinary operations, a number of transactions was concluded with members of the Bank's key personnel. The Bank's key personnel includes members of Bank's Management Board and members of the Bank's Supervisory Board, listed in Note 1 to the interim condensed financial statements. Transactions with members of the Bank's key personnel can comprise mainly loans, deposits and foreign currency transactions.

Transactions with the Bank's Parent Entity comprised transactions aimed at providing financing for the Bank's operations (mainly interbank deposits, loans received and subordinated loans) and closing of open positions resulting from derivative transactions.

As a result interest income and expense, net income from financial instruments and general administrative expenses were recognized in the statement of profit or loss.

## Other notes (cont.)

Statement of financial position items	Parent Company		Consolidated Subsidiaries		Members of the Bank's and the Parent Entity key personnel		Other related entities	
	31 December 2016		31 December 2016		31 December 2016		31 December 2016	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Amounts due from banks	99 727	146 551	0	0	0	0	1 671	13 343
Derivative financial instruments (assets)	250 152	277 752	1	11	0	0	110	506
Loans and advances to customers	0	0	2 989	2 888	206	1 749	0	0
Other assets	2	95	35	0	0	0	153	1 325
Amounts due to banks and other monetary institutions	5 314 993	5 368 872	0	0	0	0	1 382 993	1 764 593
Derivative financial instruments (liabilities)	919 402	1 477 686	0	9	0	0	115	2 009
Amounts due to clients	0	0	35 988	32 471	4 718	5 430	15 982	15 848
Subordinated liabilities	317 228	332 096	0	0	0	0	0	0
Other liabilities	20 265	26 383	148	193	0	0	48	581
Provisions for liabilities	2 352	2 407	0	0	7 734	8 400	0	1

Statement of profit and loss items	Parent Company		Consolidated Subsidiaries		Members of the Bank's and the Parent Entity key personnel		Other related entities	
	For the financial period from 1 January 2017 to 30 June 2017		For the financial period from 1 January 2016 to 30 June 2016		For the financial period from 1 January 2017 to 30 June 2017		For the financial period from 1 January 2016 to 30 June 2016	
	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Interest income	86 665	82 400	65	2 400	13	21	98	2 592
Interest expenses	-35 256	-43 556	-156	-3 415	-27	-25	-11 091	-11 043
Commission income	583	500	52	48	3	4	1 867	1 610
Commission expenses	-365	-422	0	-12	-1	-5	-1 125	-76
Net income from financial instruments measured at fair value and net foreign exchange result	589 822	-230 636	0	10	0	2	-253	0
Result on sale of shares in subsidiary	0	202 313	0	0	0	0	0	0
Income from dividend	0	0	8 764	0	0	0	0	0
General administrative expenses	-19 910	-5 574	-1 458	-3 210	-5 711	-6 292	-852	-3 220
Other operating income	189	0	233	537	0	0	1 094	3 942

## Other notes (cont.)

Off-balance sheet commitments	Parent Company		Consolidated Subsidiaries		Members of the Bank's and the Parent Entity key personnel		Other related entities	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Guarantees and letters of credit	121 222	109 315	0	0	0	0	36 098	38 293
Financial liabilities granted	0	0	6 011	6 112	0	0	0	0
Guarantees received	127 030	77 483	0	0	0	0	15 524	13 422

  

Statement of financial position items	Parent Company	Consolidated Subsidiaries	Members of the Bank's and the Parent Entity key personnel	Other related entities
	30 June 2016	30 June 2016	30 June 2016	30 June 2016
Amounts due from banks			192 464	0
Financial assets held for trading			0	0
Derivative financial instruments (assets)			326 586	3
Loans and advances to customers			0	2 944
Other assets			38	0
Amounts due to banks and other monetary institutions			5 515 034	0
Derivative financial instruments (liabilities)			1 529 316	13
Amounts due to clients			0	16 713
Subordinated liabilities			332 187	0
Other liabilities			10 928	356
Provisions for other liabilities			2 043	0

  

Off-balance sheet commitments	Parent Company	Consolidated Subsidiaries	Members of the Bank's and the Parent Entity key personnel	Other related entities
	30 June 2016	30 June 2016	30 June 2016	30 June 2016
Guarantees and letters of credit			111 980	0
Financial liabilities granted			0	4 056
Guarantees received			88 708	0

## Other notes (cont.)

### 22. Seasonality or cyclicity of interim operations

No significant events of a seasonal or cyclical character were observed within operations of the Bank.

### 23. Events after reporting date

#### **Suspension of the Initial Public Offering of Bank's shares**

On 6 July 2017 Raiffeisen Bank International AG (RBI) after the consultations with Global Coordinators of the Initial Public Offering (IPO), decided to suspend the IPO due to insufficient level of interest in the offer on terms that meet the parameters of RBI's commitment to the Polish Financial Supervision Authority (PFSA) to float shares of the Bank on the Warsaw Stock Exchange.

On 1 August 2017, as a result of discussion between RBI and PFSA in relation to this issue, PFSA published an announcement relating to the Initial Public Offering of the Bank, in which PFSA informed that it expects RBI to float shares of the Bank on the Warsaw Stock Exchange, assuring actual liquidity of 15% or higher, no later than on 15 May 2018. PFSA expects that RBI will undertake concrete actions to improve attractiveness of the Bank's shares offering.

#### **Changes in the Supervisory Board of Raiffeisen Bank Polska S.A.**

On 21 July 2017 the Extraordinary General Meeting of Shareholders of the Bank appointed Beata Mońka and Krzysztof A. Rozen as Members of the Supervisory Board of the Bank as of 1 August 2017.

According to the statements received from Beata Mońka and Krzysztof A. Rozen, they meet the criteria for independent members of audit committees stated in the Act on auditors, audit companies and public supervision dated 11 May 2017 and fulfill requirements of article 22aa of Banking Law dated 29 August 1997, in particular they have knowledge, skills and experience appropriate to be member of the Bank's Supervisory Boards and assure proper execution of this function.

At the same time Selcuk Sari resigned from his position as a Member of Bank's Supervisory Board.

No other events having significant influence on the Raiffeisen Bank Polska S.A. interim condensed financial statements have occurred after the reporting date.

## Risk management

### 24. The nature and scope of risk associated with financial instruments

In its activity, the Bank follows an active approach to the risk management, involving its identification, measurement, monitoring and mitigating. The Bank follows the principle that an effective risk management and control system is based on three well-adjusted elements:

- the organizational structure, comprising a segregation of duties and competences, including a clear indication of functions performed by specific organizational units in the risk management and control process,
- the methods for monitoring, measurement and estimation of risk, which are necessary for the Bank to correctly identify the risks undertaken,
- actions focused on using modern techniques for hedging and transferring risks in order to adjust the type and profile of the risks undertaken by the Bank to the risk appetite described in the adopted strategic plans.

Risk management procedures were consistent with procedures described in the financial statements for the year ended 31 December 2016.

#### Capital management process

The main objective of capital management process is to maintain stable capital adequacy in the long term by ensuring a proper process of identification, measurement, monitoring, mitigation and capital risk reporting.

Regulatory requirements in respect of capital adequacy is total capital ratio defined in article 92 par. 1 point c of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013.

Moreover the Bank is obliged to maintain an additional requirements in respect of own funds:

- based on article 138 par. 1 point 2a The Banking Law Act:

- 1) since October 2015 the Bank is obliged by Financial Supervision Authority to maintain an additional capital adequacy equal to 2.08 p.p to cover risk resulting from portfolio of currency mortgage loans; in October 2016 as a result of review of the process the bank received a decision updating the amount of requirement - currently capital requirement amounts to 2.56 p.p;

## Risk management (cont.)

- based on article 19 in relation to article 84 the act on macro-prudential supervision over the financial system and crisis management in financial system:

2) since January 2016 the Bank is obliged to maintain additional equity amount of safety buffer amounted to 1.25 p.p:

- based on article 39 par.1 in relation to article 38 par.1 and 2 the act on macro-prudential supervision over the financial system and crisis management in financial system:

3) The Bank was identified by Financial Supervision Authority as other institution of system relevance and as a result since August 2016 the Bank was imposed with a buffer amounted to 0.25 p.p.

Therefore the minimal level of total capital ratio should not be lower than:

	Requirements regulation	Supervision recommendation
The minimum for the total capital adequacy	8,00%	12,00%
Cover risk resulting from portfolio of currency mortgage loans	2,56%	2,56%
The safety buffer	1,25%	1,25%
The buffer other institution of system relevance	0,25%	0,25%
<b>The total capital adequacy (%)</b>	<b>12,06%</b>	<b>16,06%</b>

The amounts of regulatory capital and capital requirement determined for the purposes of calculating the total capital ratio were as follows:

	Method of calculating the requirement	30 June 2017	31 December 2016	30 June 2016
Credit and counterparty risk	Standard	2 585 359	2 613 173	2 657 613
Market risk	Standard	28 471	44 066	65 920
Operational risk	Standard	258 855	271 001	271 001
<b>Regulatory capital</b>		<b>2 872 685</b>	<b>2 928 240</b>	<b>2 994 534</b>
<b>Own funds</b>		<b>6 328 775</b>	<b>6 111 419</b>	<b>5 924 366</b>
<b>Total capital ratio (%)</b>		<b>17,62</b>	<b>16,70</b>	<b>15,83</b>

The main source of own funds to cover the capital requirements is Tier I capital (core capital), which is supplemented with subordinated liabilities (Tier II capital). Tier I capital amounted to PLN 6 113 631 thousand as at 30 June 2017 (PLN 5 875 197 thousand at the end of 2016), and Tier II capital amounted to PLN 215 144 thousand (PLN 236 221 thousand at the end of 2016)

At the end of the first half of 2017 the Tier 1 capital ratio amounted to 17.03%, and the total capital ratio (TCR) amounted to 17.62%, the Bank met both regulatory requirements and supervisory recommendations. The most important factor affecting change of the capital ratios in the second quarter of 2017 was change in assignment of credit conversion factor (CCF). At the end of March 2017 due to recommendations received from Polish Financial Supervision Authority after the inspection, the Bank changed CCF 0% to

## Risk management (cont.)

factors of 20% and 50% according to requirements of Appendix I point 4 of the Regulation No 575/2013 of the European Parliament and of the Council. Starting from 30 June 2017, after finalization by the Bank of the actions addressing PFSA's recommendations presented after the inspection, the Bank re-assigned 0% CCF to off balance exposures.

### **Higher risk requirements for exposures secured with mortgage on real estate**

On 1 June 2017 the Resolution of Minister of Economic Development and Finance dated 25 May 2017 relating to higher risk requirements for exposures secured with mortgage on real estate was presented. According to this resolution, exposures secured with mortgage on housing real estate, for which level of capital and interest installment depends on changes in the foreign currency rate or rates other than currency in which debtor receives income, are charged with the risk requirement of 150%. Exposures secured with mortgage on office or other commercial real estate, located in Poland, are charged with the risk requirement of 100%. The resolution will come into force within 6 months from its publication.

## **25. Credit risk**

Credit risk is the possibility to incurring a loss due to debtor not meeting the liabilities the Bank. The aim of credit risk management is to increase the safety of the Bank's lending activity by ensuring the highest quality of credit risk assessments and effectiveness of the decision-making process, as well as an effective credit exposure monitoring with regard to the individual customers and the Bank's loan portfolio.

The Bank's exposure to credit risk arises mainly from its lending activity and, to a lesser extent, from the sales and operations on the trading portfolio, derivative instruments and participation in payment transactions and settlements of securities on the Bank's own account and its customer's accounts.

For the period covered by these interim condensed financial statements there were no significant changes in the credit risk management.



## Risk management (cont.)

As at 30 June 2017	Financial assets presented in the statement of financial position							
	Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	Total
<b>Cash and cash equivalents</b>	<b>0</b>	<b>688 828</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>688 828</b>
<b>Exposures to governments and central banks</b>	<b>0</b>	<b>1 373 240</b>	<b>2 371 198</b>	<b>0</b>	<b>9 724 610</b>	<b>0</b>	<b>0</b>	<b>13 469 048</b>
Balances with the Central Bank	0	1 373 240	0	0	0	0	0	1 373 240
Treasury bonds and bills	0	0	971 555	0	9 724 610	0	0	10 696 165
NBP bills	0	0	1 399 643	0	0	0	0	1 399 643
<b>Exposures to banks</b>	<b>169 567</b>	<b>0</b>	<b>365 593</b>	<b>270 462</b>	<b>149 053</b>	<b>0</b>	<b>0</b>	<b>954 675</b>
Cash on current and term accounts with other banks	139 044	0	0	0	0	0	0	139 044
Loans and advances granted to other banks	30 523	0	0	0	0	0	0	30 523
Derivative financial instruments	0	0	0	270 462	0	0	0	270 462
Other financial institution bonds	0	0	361 163	0	149 053	0	0	510 216
Corporate bonds	0	0	100	0	0	0	0	100
Mortgage backed securities	0	0	4 330	0	0	0	0	4 330
<b>Exposures to customers</b>	<b>0</b>	<b>0</b>	<b>36 398</b>	<b>152 205</b>	<b>293 791</b>	<b>33 489 257</b>	<b>0</b>	<b>33 971 651</b>
Loans and advances granted to individuals	0	0	0	0	0	18 597 715	0	18 597 715
Loans and advances granted to micro customers	0	0	0	0	0	2 501 283	0	2 501 283
Loans and advances granted to large enterprises	0	0	0	0	0	10 969 050	0	10 969 050
enterprises	0	0	0	0	0	1 338 257	0	1 338 257
Loans and advances granted to public sector entities	0	0	0	0	0	82 952	0	82 952
Equity investments	0	0	0	0	47 109	0	0	47 109
Derivative financial instruments	0	0	0	152 205	0	0	0	152 205
Corporate bonds	0	0	36 398	0	246 682	0	0	283 080
<b>Other financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>190 237</b>	<b>190 237</b>
<b>Total</b>	<b>169 567</b>	<b>2 062 068</b>	<b>2 773 188</b>	<b>422 667</b>	<b>10 167 454</b>	<b>33 489 257</b>	<b>190 237</b>	<b>49 274 438</b>

## Risk management (cont.)

As at 31 December 2016	Financial assets presented in the statement of financial position							
Classes of maximum exposure with instrument types assigned to them	Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	Total
<b>Cash and cash equivalents</b>	0	<b>667 808</b>	0	0	0	0	0	<b>667 808</b>
<b>Exposures to governments and central banks</b>	<b>0</b>	<b>1 064 061</b>	<b>7 765 694</b>	<b>317</b>	<b>7 608 519</b>	<b>0</b>	<b>0</b>	<b>16 438 591</b>
Balances with the Central Bank	0	1 064 061	0	0	0	0	0	1 064 061
Treasury bonds and bills	0	0	371 779	0	7 608 519	0	0	7 980 298
NBP bills	0	0	7 393 915	0	0	0	0	7 393 915
Derivative financial instruments	0	0	0	317	0	0	0	317
<b>Exposures to banks</b>	<b>315 252</b>	<b>0</b>	<b>8 831</b>	<b>283 197</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>607 280</b>
Cash on current and term accounts with other banks	272 923	0	0	0	0	0	0	272 923
Loans and advances granted to other banks	42 329	0	0	0	0	0	0	42 329
Derivative financial instruments	0	0	0	283 197	0	0	0	283 197
Corporate bonds	0	0	5 408	0	0	0	0	5 408
Mortgage backed securities	0	0	3 423	0	0	0	0	3 423
<b>Exposures to customers</b>	<b>0</b>	<b>0</b>	<b>272 817</b>	<b>183 206</b>	<b>339 435</b>	<b>33 868 005</b>	<b>0</b>	<b>34 663 463</b>
Loans and advances granted to individuals	0	0	0	0	0	19 631 840	0	19 631 840
Loans and advances granted to micro customers	0	0	0	0	0	2 491 608	0	2 491 608
Loans and advances granted to large enterprises	0	0	0	0	0	10 345 724	0	10 345 724
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 311 710	0	1 311 710
Loans and advances granted to public sector entities	0	0	0	0	0	87 123	0	87 123
Equity investments	0	0	0	0	45 540	0	0	45 540
Derivative financial instruments	0	0	0	183 206	0	0	0	183 206
Corporate bonds	0	0	272 817	0	293 895	0	0	566 712
<b>Other financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>177 596</b>	<b>177 596</b>
<b>Total</b>	<b>315 252</b>	<b>1 731 869</b>	<b>8 047 342</b>	<b>466 720</b>	<b>7 947 954</b>	<b>33 868 005</b>	<b>177 596</b>	<b>52 554 738</b>

## Risk management (cont.)

As at 30 June 2016	Financial assets presented in the statement of financial position							Total
	Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	
<b>Classes of exposure with instrument types assigned to them</b>								
<b>Cash and cash equivalents</b>	0	<b>817 624</b>	0	0	0	0	0	<b>817 624</b>
<b>Exposures to governments and central banks</b>	<b>0</b>	<b>562 140</b>	<b>8 591 119</b>	<b>4</b>	<b>7 140 831</b>	<b>0</b>	<b>0</b>	<b>16 294 094</b>
Balances with the Central Bank	0	562 140	0	0	0	0	0	562 140
Treasury bonds and bills	0	0	591 119	0	7 140 831	0	0	7 731 950
NBP bills	0	0	8 000 000	0	0	0	0	8 000 000
Derivative financial instruments	0	0	0	4	0	0	0	4
<b>Exposures to banks</b>	<b>318 498</b>	<b>0</b>	<b>14 635</b>	<b>357 204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>690 337</b>
Cash on current and term accounts with other banks	256 849	0	0	0	0	0	0	256 849
Loans and advances granted to other banks	61 649	0	0	0	0	0	0	61 649
Derivative financial instruments	0	0	0	357 204	0	0	0	357 204
Corporate bonds	0	0	8 123	0	0	0	0	8 123
Mortgage backed securities	0	0	6 512	0	0	0	0	6 512
<b>Exposures to customers</b>	<b>0</b>	<b>0</b>	<b>277 808</b>	<b>232 777</b>	<b>392 460</b>	<b>34 312 207</b>	<b>0</b>	<b>35 215 252</b>
Loans and advances granted to individuals	0	0	0	0	0	19 683 125	0	19 683 125
Loans and advances granted to micro customers	0	0	0	0	0	2 468 030	0	2 468 030
Loans and advances granted to large enterprises	0	0	0	0	0	10 814 877	0	10 814 877
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 328 684	0	1 328 684
Loans and advances granted to public sector entities	0	0	0	0	0	17 491	0	17 491
Equity investments	0	0	0	0	44 169	0	0	44 169
Derivative financial instruments	0	0	0	232 777	0	0	0	232 777
Corporate bonds	0	0	277 808	0	348 291	0	0	626 099
<b>Other financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158 951</b>	<b>158 951</b>
<b>Total</b>	<b>318 498</b>	<b>1 379 764</b>	<b>8 883 562</b>	<b>589 985</b>	<b>7 533 291</b>	<b>34 312 207</b>	<b>158 951</b>	<b>53 176 257</b>

  

Maximum exposure to credit risk for off-balance sheet amounted to:	30 June 2017	31 December 2016	30 June 2016
Guarantees	2 032 977	1 928 262	2 232 651
Off balance liabilities of a financial nature	6 501 487	7 136 072	7 782 830
<b>Total</b>	<b>8 534 464</b>	<b>9 064 334</b>	<b>10 015 480</b>

## Risk management (cont.)

Loan exposures to banks and customers as well as other financial assets presented in the statement of financial position are regularly tested for impairment (on an individual or group basis). For the purpose of disclosure they are classified to one of the three categories of receivables: unimpaired not-overdue, unimpaired overdue and impaired. The above mentioned assets are presented in the following table by the gross value and by the customer sectors:

30 June 2017	Exposure amount			Value of collateral reducing the maximum exposure to credit risk
	Analysed on an individual basis	Analysed on a group basis	Total	
<b>Not overdue receivables without identified impairment</b>	<b>196 144</b>	<b>32 383 292</b>	<b>32 579 436</b>	<b>15 451 481</b>
Amounts due from Central Bank and other banks	0	1 542 896	1 542 896	25 253
Individual customers	5 907	16 862 543	16 868 450	9 157 104
Micro customers	0	1 966 334	1 966 334	1 122 716
Large enterprises	0	10 614 052	10 614 052	4 526 174
Small and medium enterprises	0	1 313 937	1 313 937	620 234
Public sector	0	83 530	83 530	0
Other financial assets	190 237	0	190 237	0
<b>Overdue receivables without identified impairment</b>	<b>0</b>	<b>1 632 665</b>	<b>1 632 665</b>	<b>826 588</b>
Individual customers	0	1 385 822	1 385 822	645 007
Micro customers	0	171 186	171 186	116 350
Large enterprises	0	60 869	60 869	56 915
Small and medium enterprises	0	14 788	14 788	8 316
<b>Receivables with identified impairment</b>	<b>942 686</b>	<b>1 763 019</b>	<b>2 705 705</b>	<b>1 054 650</b>
Individual customers	24 821	1 030 792	1 055 613	348 964
Micro customers	31 368	732 227	763 595	348 474
Large enterprises	817 918	0	817 918	343 583
Small and medium enterprises	60 250	0	60 250	13 629
Other financial assets	<b>8 329</b>	<b>0</b>	<b>8 329</b>	<b>0</b>
<b>Total other financial assets, gross</b>	<b>1 138 830</b>	<b>35 778 976</b>	<b>36 917 806</b>	<b>17 332 719</b>
<b>Impairment allowances on amounts due from Central Bank and other banks</b>	<b>0</b>	<b>89</b>	<b>89</b>	<b>0</b>
<b>Impairment allowances on loans and advances</b>	<b>530 153</b>	<b>1 156 934</b>	<b>1 687 087</b>	<b>0</b>
<b>Impairment allowances on other financial assets</b>	<b>8 329</b>	<b>0</b>	<b>8 329</b>	<b>0</b>
<b>Total other financial assets, net</b>	<b>600 348</b>	<b>34 621 953</b>	<b>35 222 301</b>	<b>17 332 719</b>

## Risk management (cont.)

31 December 2016	Exposure amount			Value of collateral reducing the maximum exposure to credit risk
	Analysed on an individual basis	Analysed on a group basis	Total	
<b>Not overdue receivables without identified impairment</b>	<b>186 854</b>	<b>32 258 097</b>	<b>32 444 951</b>	<b>15 489 393</b>
Amounts due from Central Bank and other banks	0	1 375 894	1 375 894	31 041
Individual customers	9 258	17 655 503	17 664 761	9 305 900
Micro customers	0	1 961 456	1 961 456	1 151 691
Large enterprises	0	9 887 206	9 887 206	4 404 196
Small and medium enterprises	0	1 290 466	1 290 466	596 565
Public sector	0	87 572	87 572	0
Other financial assets	177 596	0	177 596	0
<b>Overdue receivables without identified impairment</b>	<b>8 991</b>	<b>1 874 702</b>	<b>1 883 693</b>	<b>917 341</b>
Amounts due from Central Bank and other banks	0	17	17	0
Individual customers	1 259	1 621 170	1 622 429	732 899
Micro customers	0	151 865	151 865	102 397
Large enterprises	7 732	88 995	96 727	71 180
Small and medium enterprises	0	12 655	12 655	10 865
<b>Receivables with identified impairment</b>	<b>1 103 371</b>	<b>1 723 002</b>	<b>2 826 373</b>	<b>1 144 455</b>
Amounts due from Central Bank and other banks	3 502	0	3 502	0
Individual customers	28 940	1 006 850	1 035 790	355 566
Micro customers	31 030	716 152	747 182	363 311
Large enterprises	971 942	0	971 942	412 993
Small and medium enterprises	55 254	0	55 254	12 585
Other financial assets	12 703	0	12 703	0
<b>Total other financial assets, gross</b>	<b>1 299 216</b>	<b>35 855 801</b>	<b>37 155 017</b>	<b>17 551 189</b>
<b>Impairment allowances on amounts due from Central Bank and other banks</b>	<b>60</b>	<b>40</b>	<b>100</b>	<b>0</b>
<b>Impairment allowances on loans and advances</b>	<b>621 072</b>	<b>1 096 228</b>	<b>1 717 300</b>	<b>0</b>
<b>Impairment allowances on other financial assets</b>	<b>12 703</b>	<b>0</b>	<b>12 703</b>	<b>0</b>
<b>Total other financial assets, net</b>	<b>665 381</b>	<b>34 759 533</b>	<b>35 424 914</b>	<b>17 551 189</b>

## Risk management (cont.)

30 June 2016	Exposure amount			Value of collateral reducing the maximum exposure to credit risk
	Analysed on an individual basis	Analysed on a group basis	Total	
<b>Not overdue receivables without identified impairment</b>	<b>169 494</b>	<b>32 309 784</b>	<b>32 479 278</b>	<b>15 058 915</b>
Amounts due from Central Bank and other banks	0	880 707	880 707	0
Individual customers	8 473	17 702 318	17 710 791	9 261 081
Micro customers	2 070	1 920 339	1 922 409	1 134 777
Large enterprises	0	10 475 567	10 475 567	4 083 170
Small and medium enterprises	0	1 313 280	1 313 280	579 887
Public sector	0	17 573	17 573	0
Other financial assets	158 951	0	158 951	0
<b>Overdue receivables without identified impairment</b>	<b>3 661</b>	<b>1 928 150</b>	<b>1 931 811</b>	<b>972 644</b>
Amounts due from Central Bank and other banks	0	19	19	0
Individual customers	1 934	1 638 655	1 640 589	757 155
Micro customers	1 727	176 828	178 555	120 244
Large enterprises	0	101 155	101 155	87 326
Small and medium enterprises	0	11 493	11 493	7 919
<b>Receivables with identified impairment</b>	<b>1 198 402</b>	<b>1 614 683</b>	<b>2 813 085</b>	<b>962 537</b>
Individual customers	41 479	940 877	982 356	340 912
Micro customers	46 808	673 806	720 614	342 672
Large enterprises	1 047 000	0	1 047 000	271 162
Small and medium enterprises	53 811	0	53 811	7 791
Other financial assets	9 304	0	9 304	0
<b>Total other financial assets, gross</b>	<b>1 371 557</b>	<b>35 852 617</b>	<b>37 224 174</b>	<b>16 994 096</b>
<b>Impairment allowances on amounts due from Central Bank and other banks</b>	<b>0</b>	<b>89</b>	<b>89</b>	<b>0</b>
<b>Impairment allowances on loans and advances</b>	<b>833 391</b>	<b>1 029 595</b>	<b>1 862 986</b>	<b>0</b>
<b>Impairment allowances on other financial assets</b>	<b>9 304</b>	<b>0</b>	<b>9 304</b>	<b>0</b>
<b>Total other financial assets, net</b>	<b>528 862</b>	<b>34 822 933</b>	<b>35 351 795</b>	<b>16 994 096</b>

The ageing analysis of overdue assets without identified impairment is presented in the following table.

As at 30 June 2017	Past due for					Total
	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	
<b>Gross loans and advances - overdue but not impaired</b>	<b>1 174 202</b>	<b>420 898</b>	<b>6 603</b>	<b>2 647</b>	<b>28 315</b>	<b>1 632 665</b>
Individual customers	1 036 977	344 095	933	804	3 013	1 385 822
Micro customers	96 260	74 014	561	166	185	171 186
Large enterprises	33 732	1 318	3 523	139	22 157	60 869
Small and medium enterprises	7 233	1 471	1 586	1 538	2 960	14 788
<b>Total</b>	<b>1 174 202</b>	<b>420 898</b>	<b>6 603</b>	<b>2 647</b>	<b>28 315</b>	<b>1 632 665</b>

## Risk management (cont.)

As at 31 December 2016	Past due for					Total
	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	
<b>Gross loans and advances - overdue but not impaired</b>	<b>1 383 144</b>	<b>427 037</b>	<b>3 501</b>	<b>3 223</b>	<b>66 788</b>	<b>1 883 693</b>
Central Bank and other banks	0	0	0	0	17	17
Individual customers	1 268 951	346 757	235	1 270	5 216	1 622 429
Micro customers	93 753	57 851	23	54	184	151 865
Large enterprises	15 638	21 564	139	1 850	57 536	96 727
Small and medium enterprises	4 802	865	3 104	49	3 835	12 655
<b>Total</b>	<b>1 383 144</b>	<b>427 037</b>	<b>3 501</b>	<b>3 223</b>	<b>66 788</b>	<b>1 883 693</b>

As at 30 June 2016	Past due for					Total
	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	
<b>Gross loans and advances - overdue but not impaired</b>	<b>1 426 890</b>	<b>427 790</b>	<b>2 324</b>	<b>33 574</b>	<b>41 233</b>	<b>1 931 811</b>
Central Bank and other banks	0	0	4	0	15	19
Individual customers	1 304 736	329 784	256	1 249	4 564	1 640 589
Micro customers	97 346	79 505	1 468	44	192	178 555
Large enterprises	19 158	18 215	45	30 499	33 238	101 155
Small and medium enterprises	5 650	286	551	1 782	3 224	11 493
<b>Total</b>	<b>1 426 890</b>	<b>427 790</b>	<b>2 324</b>	<b>33 574</b>	<b>41 233</b>	<b>1 931 811</b>

In order to control credit portfolio risk in terms of expected and unexpected loss (capital and impairment allowance), the Bank sets for the purpose of internal control concentration limits as well as manages the exposure within those limits through regular monitoring.

In the period covered by these interim condensed financial statements the Bank had no exposures exceeding any of the relevant concentration limit.

## Risk management (cont.)

### „Forbearance“ Practices

In the first half of 2017 there were no significant changes in respect of identification and presentation of forbore exposures.

<b>Forborne exposures</b>				
<b>30 June 2017</b>	<b>Gross value</b>	<b>Impairment allowance</b>	<b>Net value</b>	<b>Value of received collateral</b>
<b>Not impaired exposures</b>	<b>614 205</b>	<b>16 172</b>	<b>598 033</b>	<b>460 813</b>
<b>Non past due</b>	<b>374 264</b>	<b>6 122</b>	<b>368 142</b>	<b>293 212</b>
Individual customers	171 250	911	170 339	97 420
Micro customers	65 018	481	64 537	62 198
Large enterprises	133 117	4 399	128 718	128 807
Small and medium enterprises	4 879	331	4 548	4 787
<b>Past due</b>	<b>239 941</b>	<b>10 050</b>	<b>229 891</b>	<b>167 601</b>
Individual customers	161 848	6 115	155 733	92 927
Micro customers	51 517	2 098	49 419	48 017
Large enterprises	23 148	1 600	21 548	23 214
Small and medium enterprises	3 428	237	3 191	3 443
<b>Impaired exposuers</b>	<b>841 015</b>	<b>433 801</b>	<b>407 214</b>	<b>413 640</b>
<b>Group method</b>	<b>348 773</b>	<b>175 517</b>	<b>173 256</b>	<b>179 283</b>
Individual customers	175 720	97 902	77 818	77 330
Micro customers	173 053	77 615	95 438	101 953
<b>Individual method</b>	<b>492 242</b>	<b>258 284</b>	<b>233 958</b>	<b>234 357</b>
Individual customers	13 038	7 284	5 754	5 754
Micro customers	15 821	10 234	5 587	5 587
Large enterprises	451 783	231 764	220 019	220 406
Small and medium enterprises	11 600	9 002	2 598	2 610
<b>Total</b>	<b>1 455 220</b>	<b>449 973</b>	<b>1 005 247</b>	<b>874 453</b>



## Risk management (cont.)

<b>Forborne exposures</b>				
<b>31 December 2016</b>	<b>Gross value</b>	<b>Impairment allowance</b>	<b>Net value</b>	<b>Value of received collateral</b>
<b>Not impaired exposures</b>	<b>809 570</b>	<b>18 596</b>	<b>790 974</b>	<b>587 725</b>
<b>Non past due</b>	<b>513 232</b>	<b>6 499</b>	<b>506 733</b>	<b>386 679</b>
Individual customers	265 713	1 317	264 396	145 678
Micro customers	112 146	633	111 513	106 080
Large enterprises	132 398	4 370	128 028	132 342
Small and medium enterprises	2 975	179	2 796	2 579
<b>Past due</b>	<b>296 338</b>	<b>12 097</b>	<b>284 241</b>	<b>201 046</b>
Individual customers	182 560	5 683	176 877	94 202
Micro customers	55 802	2 408	53 394	49 023
Large enterprises	53 708	3 711	49 997	53 708
Small and medium enterprises	4 268	295	3 973	4 113
<b>Impaired exposuers</b>	<b>932 106</b>	<b>512 060</b>	<b>420 046</b>	<b>422 208</b>
<b>Group method</b>	<b>341 804</b>	<b>166 114</b>	<b>175 690</b>	<b>180 500</b>
Individual customers	172 711	96 030	76 681	74 374
Micro customers	169 093	70 084	99 009	106 126
<b>Individual method</b>	<b>590 302</b>	<b>345 946</b>	<b>244 356</b>	<b>241 708</b>
Individual customers	21 764	9 763	12 001	10 055
Micro customers	15 336	10 011	5 325	4 701
Large enterprises	543 763	319 577	224 186	224 108
Small and medium enterprises	9 439	6 595	2 844	2 844
<b>Total</b>	<b>1 741 676</b>	<b>530 656</b>	<b>1 211 020</b>	<b>1 009 933</b>

## Risk management (cont.)

<b>Forborne exposures</b>				
<b>30 June 2016</b>	<b>Gross value</b>	<b>Impairment allowance</b>	<b>Net value</b>	<b>Value of received collateral</b>
<b>Not impaired exposures</b>	<b>848 942</b>	<b>19 390</b>	<b>829 552</b>	<b>557 145</b>
<b>Non past due</b>	<b>533 336</b>	<b>6 937</b>	<b>526 399</b>	<b>344 219</b>
Individual customers	258 468	1 273	257 196	133 612
Micro customers	122 671	685	121 986	113 880
Large enterprises	149 024	4 800	144 223	94 914
Small and medium enterprises	3 173	179	2 993	1 813
<b>Past due</b>	<b>315 606</b>	<b>12 453</b>	<b>303 153</b>	<b>212 926</b>
Individual customers	184 631	4 875	179 756	95 991
Micro customers	64 379	3 009	61 370	50 421
Large enterprises	62 994	4 321	58 673	62 994
Small and medium enterprises	3 602	247	3 355	3 520
<b>Impaired exposuers</b>	<b>898 732</b>	<b>546 005</b>	<b>352 727</b>	<b>348 200</b>
<b>Group method</b>	<b>307 532</b>	<b>150 797</b>	<b>156 736</b>	<b>162 314</b>
Individual customers	156 486	86 863	69 623	68 985
Micro customers	151 046	63 934	87 113	93 329
<b>Individual method</b>	<b>591 200</b>	<b>395 208</b>	<b>195 992</b>	<b>185 886</b>
Individual customers	34 215	17 541	16 674	16 674
Micro customers	26 370	14 643	11 728	11 728
Large enterprises	520 883	355 576	165 307	155 202
Small and medium enterprises	9 731	7 448	2 283	2 282
<b>Total</b>	<b>1 747 674</b>	<b>565 395</b>	<b>1 182 279</b>	<b>905 345</b>

<b>Forborne exposures - gross</b>	<b>Past due</b>						<b>Total</b>
	<b>Not past due</b>	<b>Less than 30 days</b>	<b>Between 30 and 90 days</b>	<b>Between 90 and 180 days</b>	<b>Between 180 days and 1 year</b>	<b>More than 1 year</b>	
<b>30 June 2017</b>							
<b>Not impaired exposures</b>	<b>374 263</b>	<b>126 183</b>	<b>98 384</b>	<b>1 121</b>	<b>651</b>	<b>13 603</b>	<b>614 205</b>
Individual customers	171 249	90 670	71 178	0	0	0	333 097
Micro customers	65 018	24 311	27 206	0	0	0	116 535
Large enterprises	133 117	11 201	0	186	1	11 761	156 266
Small and medium enterprises	4 879	1	0	935	650	1 842	8 307
<b>Impaired exposuers</b>	<b>200 658</b>	<b>11 794</b>	<b>25 096</b>	<b>24 719</b>	<b>49 597</b>	<b>529 151</b>	<b>841 015</b>
Individual customers	6 255	9 196	16 136	16 266	19 693	121 212	188 758
Micro customers	1 677	1 807	8 960	6 954	13 359	156 117	188 874
Large enterprises	191 197	0	0	1 491	16 545	242 549	451 782
Small and medium enterprises	1 529	791	0	8	0	9 273	11 601
<b>Total</b>	<b>574 921</b>	<b>137 977</b>	<b>123 480</b>	<b>25 840</b>	<b>50 248</b>	<b>542 754</b>	<b>1 455 220</b>

## Risk management (cont.)

Forborne exposures - gross		Past due					Total
		Not past due	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	
<b>31 December 2016</b>							
<b>Not impaired exposures</b>	<b>513 233</b>	<b>150 682</b>	<b>100 036</b>	<b>1 989</b>	<b>0</b>	<b>43 630</b>	<b>809 570</b>
Individual customers	265 713	120 312	62 221	0	0	27	<b>448 273</b>
Micro customers	112 146	30 105	25 697	0	0	0	<b>167 948</b>
Large enterprises	132 399	265	12 118	0	0	41 325	<b>186 107</b>
Small and medium enterprises	2 975	0	0	1 989	0	2 278	<b>7 242</b>
<b>Impaired exposuers</b>	<b>315 321</b>	<b>10 899</b>	<b>35 643</b>	<b>37 347</b>	<b>29 368</b>	<b>503 528</b>	<b>932 106</b>
Individual customers	8 290	8 481	24 157	27 717	11 753	114 076	<b>194 474</b>
Micro customers	6 084	2 418	11 486	9 630	17 335	137 476	<b>184 429</b>
Large enterprises	300 335	0	0	0	0	243 429	<b>543 764</b>
Small and medium enterprises	612	0	0	0	280	8 547	<b>9 439</b>
	<b>828 554</b>	<b>161 581</b>	<b>135 679</b>	<b>39 336</b>	<b>29 368</b>	<b>547 158</b>	<b>1 741 676</b>

Forborne exposures - gross		Past due					Total
		Not past due	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	
<b>30 June 2016</b>							
<b>Not impaired exposures</b>	<b>533 336</b>	<b>149 178</b>	<b>114 488</b>	<b>0</b>	<b>28 792</b>	<b>23 148</b>	<b>848 942</b>
Individual customers	258 468	120 113	64 490	0	0	28	<b>443 099</b>
Micro customers	122 671	27 704	36 675	0	0	0	<b>187 050</b>
Large enterprises	149 024	0	13 138	0	28 710	21 145	<b>212 018</b>
Small and medium enterprises	3 173	1 361	185	0	81	1 974	<b>6 775</b>
<b>Impaired exposuers</b>	<b>246 915</b>	<b>23 300</b>	<b>33 356</b>	<b>35 076</b>	<b>59 015</b>	<b>501 071</b>	<b>898 732</b>
Individual customers	15 192	18 947	21 207	19 705	12 829	102 821	<b>190 701</b>
Micro customers	8 293	4 353	11 808	15 370	11 163	126 429	<b>177 417</b>
Large enterprises	222 976	0	308	0	34 769	262 830	<b>520 883</b>
Small and medium enterprises	454	0	33	0	253	8 992	<b>9 731</b>
	<b>780 251</b>	<b>172 478</b>	<b>147 844</b>	<b>35 076</b>	<b>87 806</b>	<b>524 218</b>	<b>1 747 674</b>

### Retail mortgage loans denominated in foreign currencies

The CHF mortgage loans portfolio is a significant subject of credit risk management due to its value and share in the total loans portfolio of the Bank. The share of loans denominated in CHF was equal to 32.31% of all loans of the Bank as at the end of the first half of 2017, of which 30.54 % concerned individual clients and 1.27% micro-enterprises.

The below table presents the carrying value of the mortgage loans portfolio of the Bank analyzed by denomination currencies and sub-portfolios as at 30 June 2017 and 2016 and 31 December 2016.

## Risk management (cont.)

Loans for individuals and micro customers mortgage loans portfolio by denomination currencies	30 June 2017		31 December 2016		30 June 2016	
	Gross amount	Share in portfolio	Gross amount	Share in portfolio	Gross amount	Share in portfolio
<b>Individual customers</b>						
PLN	2 067 164	12,0%	1 954 915	10,6%	1 873 108	10,0%
EUR	3 362 325	19,5%	3 657 369	19,8%	3 782 086	20,2%
CHF	10 538 343	61,0%	11 538 547	62,4%	11 707 804	62,6%
USD	5 968	0,0%	5 673	0,0%	5 604	0,0%
<b>Total</b>	<b>15 973 799</b>	<b>92,5%</b>	<b>17 156 504</b>	<b>92,8%</b>	<b>17 368 602</b>	<b>92,9%</b>
<b>Micro customers</b>						
PLN	854 205	4,9%	832 755	4,5%	802 337	4,3%
EUR	74 796	0,4%	84 461	0,5%	90 488	0,5%
CHF	359 772	2,1%	407 544	2,2%	433 039	2,3%
<b>Total</b>	<b>1 288 773</b>	<b>7,5%</b>	<b>1 324 760</b>	<b>7,2%</b>	<b>1 325 865</b>	<b>7,1%</b>
<b>Total</b>						
PLN	2 921 369	16,9%	2 787 670	15,1%	2 675 446	14,3%
EUR	3 437 121	19,9%	3 741 830	20,2%	3 872 574	20,7%
CHF	10 898 115	63,1%	11 946 091	64,6%	12 140 844	64,9%
USD	5 968	0,0%	5 673	0,0%	5 604	0,0%
<b>Total</b>	<b>17 262 573</b>	<b>100,0%</b>	<b>18 481 264</b>	<b>100,0%</b>	<b>18 694 467</b>	<b>100,0%</b>

The table presents only retail loans (individuals and micro) and mortgages (loans arising from the restructuring and consolidation among others of mortgages have not been presented in the table above).

As at 30 June 2017 the impairment allowance on mortgage loans in CHF for individual customers amounted to PLN 121 865 thousand and decreased by PLN 9 882 thousand compared to the end of the year 2016.

The average LTV weighted using exposure value on the portfolio of loans secured by mortgages denominated in foreign currencies at 30 June 2017 amounted to 116.6 % (as at 30 June 2016 127.42%).

The below table presents quality of mortgage loans portfolio analyzed by denomination currencies and sub-portfolios by past due days (DPD) as at 30 June 2017.

## Risk management (cont.)

Gross loans for individual and micro customers secured by mortgage by dpd (in PLN thous)		Past due (DPD)			
		<1 - 90>	<91 - 180>	above 180	Total
Currency	not overdue				
<b>Individual customers</b>					
PLN	1 432 397	95 269	4 896	534 602	2 067 164
EUR	3 221 058	125 713	8 776	6 779	3 362 325
CHF	9 514 474	870 392	47 317	106 161	10 538 343
USD	5 968	0	0	0	5 968
<b>Total</b>	<b>14 173 896</b>	<b>1 091 373</b>	<b>60 988</b>	<b>647 542</b>	<b>15 973 799</b>
<b>Micro customers</b>					
PLN	565 495	31 180	3 841	253 689	854 205
EUR	70 258	4 236	0	302	74 796
CHF	314 991	38 274	3 281	3 227	359 772
<b>Total</b>	<b>950 744</b>	<b>73 690</b>	<b>7 122</b>	<b>257 217</b>	<b>1 288 773</b>
<b>Total</b>					
PLN	1 997 893	126 449	8 737	788 290	2 921 369
EUR	3 291 316	129 948	8 776	7 081	3 437 121
CHF	9 829 464	908 666	50 597	109 388	10 898 115
USD	5 968	0	0	0	5 968
<b>Total</b>	<b>15 124 640</b>	<b>1 165 063</b>	<b>68 110</b>	<b>904 759</b>	<b>17 262 573</b>

Proposals for systemic solutions with respect to the currency risk relate to portfolios denominated in CHF, presented by different state and supervisory agencies, may have a negative influence on the financial results and equity of the Bank. The analysis of the draft impact on the financial statements of the Bank could not be finalized at the moment of publication of these financial statements due to the significant differences in draft projects submitted for processing by the Parliament and being developed by the supervisory authorities.

### Exposures from Renewable Energy Sources segment

Due to changing legal environment and changes in legislative process, in particular:

- changes in acts regulating Renewable Energy Sources (RES) market,
- amendment of regulations relating to installation of RES, i.e. Act on Investments in Wind farms (called distance act) dated 20 May 2016,

there were changes, which have direct impact on the RES market, including Wind farms market. Negative impact on the RES market has also temporary oversupply of Green certificates and its consequences.

According to the Bank's policy, the Bank does not finance new projects from Wind farms segment, and existing Bank's exposure is under constant monitoring and credit reviews on quarterly basis, including detailed analysis of cash flows. All exposures from Wind farms segment are in the repayments period and

## Risk management (cont.)

are financed as a part of project finance. Bank's exposure to the Wind farms is decreasing from quarter to quarter. The above described strategy will be continued.

In calculation of impairment on Renewable Energy portfolio, Bank prepares scenario estimations taking into account expected developments in prices of green certificates in the future. Bank takes into account scenarios with highest probabilities assigned and calculates both scenarios where the market price significantly increases above current market values of green certificates and scenarios where market price, according to experts judgments, decreases significantly in the future, i.e. the financing period.

## 26. Liquidity risk

The main purpose of the liquidity risk management process is to develop a structure of financial statement positions in Bank that allows the Bank to achieve profit targets defined in the financial plan and, at the same time, maintain Bank's ability to timely settle its liabilities and comply with the both internal and external (regulatory) liquidity risk limits.

In the period covered by these interim condensed financial statements there were no significant changes in the liquidity risk management.

The following table presents an ageing analysis of financial liabilities in the form of undiscounted cash flows.

<b>30 June 2017</b>		<b>Contractual cash flows</b>					
<b>Type of liability</b>	<b>Nominal amount</b>	<b>Carrying amount</b>	within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	<b>Total</b>
<b>Liabilities in respect of derivative financial instruments</b>	<b>898 474</b>	<b>1 041 232</b>	<b>112 366</b>	<b>221 400</b>	<b>375 870</b>	<b>24 836</b>	<b>734 472</b>
inflows	17 406 565	-	9 426 851	3 623 080	4 780 239	21 280	17 851 450
outflows	18 305 040	-	9 539 217	3 844 480	5 156 109	46 116	18 585 922
<b>Financial liabilities</b>	<b>42 095 076</b>	<b>42 136 920</b>	<b>33 057 834</b>	<b>5 943 925</b>	<b>3 365 889</b>	<b>275 665</b>	<b>42 643 313</b>
<i>Amounts due to banks and other monetary institutions</i>	7 011 224	7 016 675	909 843	3 124 966	3 281 895	0	7 316 703
<i>including received loans</i>	6 481 677	6 486 274	392 812	3 123 443	3 268 131	0	6 784 386
<i>Amounts due to customers</i>	33 747 525	33 781 809	31 737 543	2 136 114	39 856	295	33 913 808
<i>Subordinated liabilities</i>	316 950	317 228	3 275	112 916	37 317	232 140	385 648
<i>Liabilities from issuance of debt securities</i>	500 000	501 830	0	507 775	0	0	507 775
<i>Other financial liabilities</i>	519 378	519 378	407 173	62 154	6 821	43 230	519 378
<b>Guarantee liabilities granted</b>	<b>2 032 977</b>	<b>-</b>	<b>0</b>	<b>2 032 977</b>	<b>0</b>	<b>0</b>	<b>2 032 977</b>
<b>Financial liabilities granted</b>	<b>6 501 487</b>	<b>-</b>	<b>0</b>	<b>3 258 633</b>	<b>3 242 854</b>	<b>0</b>	<b>6 501 487</b>

## Risk management (cont.)

31 December 2016							
Type of liability	Nominal amount	Carrying amount	Contractual cash flows				Total
			within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	
<b>Liabilities in respect of derivative financial instruments</b>	<b>1 422 175</b>	<b>1 546 175</b>	<b>266 961</b>	<b>147 254</b>	<b>590 338</b>	<b>7 899</b>	<b>1 012 452</b>
inflows	25 708 330	-	13 554 027	3 091 540	9 413 096	375 199	26 433 862
outflows	27 130 505	-	13 820 988	3 238 795	10 003 434	383 098	27 446 315
<b>Financial liabilities</b>	<b>45 032 600</b>	<b>45 046 427</b>	<b>35 001 410</b>	<b>5 164 379</b>	<b>5 575 265</b>	<b>283 597</b>	<b>46 024 651</b>
<i>Amounts due to banks and other monetary institutions</i>	7 426 757	7 433 406	304 025	2 293 250	5 344 063	0	7 941 338
<i>including received loans</i>	7 094 115	7 099 171	0	2 254 237	5 331 004	0	7 585 241
<i>Amounts due to customers</i>	36 356 751	36 361 807	34 330 304	2 345 517	63 505	340	36 739 666
<i>Subordinated liabilities</i>	331 804	332 096	3 373	10 120	146 119	251 197	410 809
<i>Liabilities from issuance of debt securities</i>	500 000	501 830	7 775	507 775	0	0	515 550
<i>Other financial liabilities</i>	417 288	417 288	355 933	7 717	21 578	32 060	417 288
<b>Guarantee liabilities granted</b>	<b>1 928 262</b>	<b>-</b>	<b>0</b>	<b>1 928 262</b>	<b>0</b>	<b>0</b>	<b>1 928 262</b>
<b>Financial liabilities granted</b>	<b>7 136 072</b>	<b>-</b>	<b>0</b>	<b>3 402 756</b>	<b>3 733 316</b>	<b>0</b>	<b>7 136 072</b>

30 June 2016							
Type of liability	Nominal amount	Carrying amount	Contractual cash flows				Total
			within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	
<b>Liabilities in respect of derivative financial instruments</b>	<b>1 433 433</b>	<b>1 571 142</b>	<b>340 291</b>	<b>131 730</b>	<b>1 093 377</b>	<b>10 965</b>	<b>1 576 362</b>
inflows	24 864 777	-	16 528 693	2 079 353	6 403 170	12 302	25 023 518
outflows	26 298 210	-	16 868 984	2 211 083	7 496 547	23 266	26 599 880
<b>Financial liabilities</b>	<b>45 619 061</b>	<b>45 705 855</b>	<b>33 932 043</b>	<b>5 472 192</b>	<b>6 318 345</b>	<b>491 771</b>	<b>46 214 350</b>
<i>Amounts due to banks and other monetary institutions</i>	7 955 563	7 963 171	1 234 972	987 742	5 554 752	237 011	8 014 476
<i>including received loans</i>	7 341 830	7 346 587	764 335	964 818	5 541 669	237 011	7 507 833
<i>Amounts due to customers</i>	36 461 494	36 538 599	32 505 215	4 276 794	97 301	782	36 880 092
<i>Subordinated liabilities</i>	331 896	332 187	3 476	10 428	150 792	253 978	418 674
<i>Liabilities from issuance of debt securities</i>	500 000	501 790	7 600	7 600	507 600	0	522 800
<i>Other financial liabilities</i>	370 108	370 108	328 746	4 622	8 150	28 591	370 108
<b>Guarantee liabilities granted</b>	<b>2 232 651</b>	<b>-</b>	<b>0</b>	<b>2 232 651</b>	<b>0</b>	<b>0</b>	<b>2 232 651</b>
<b>Financial liabilities granted</b>	<b>7 782 830</b>	<b>-</b>	<b>0</b>	<b>3 390 916</b>	<b>4 391 914</b>	<b>0</b>	<b>7 782 830</b>

## **Risk management (cont.)**

### **27. Other market risks**

#### **27.1. Market risk**

Market risk is a risk of changes in market value of financial instruments related to changing market factors such as interest rate and exchange rates.

For the purpose of market risk management Bank identifies, measures and monitors this risk and determines level of maximum risk appetite. To ensure this limit would not be exceeded, the Bank implemented limits system including limit for maximum loss limit (stop-loss), limit of maximum open foreign exchange position, sensitivity limit for the change of interest rate curves and VaR limits.

The market risk management process is subject to continuous assessment and evolution in order to adjust it to the changing market conditions. In the period covered by these interim condensed financial statements there were no significant changes in the Bank's market risk management.

#### **27.2. Currency risk**

Currency risk is a risk of changes in value of individual financial instruments due to fluctuations in foreign exchange rates. In connection with its activity, the Bank is exposed to the effect of fluctuations in foreign exchange rates on its financial position and cash flows.

The main purpose of currency risk management is to identify areas prone to currency risk and take actions aimed at reducing the risk an acceptable level. In the period covered by these interim condensed financial statements there were no significant changes in currency risk management.