

**CAPITAL GROUP  
GETIN HOLDING S.A.**

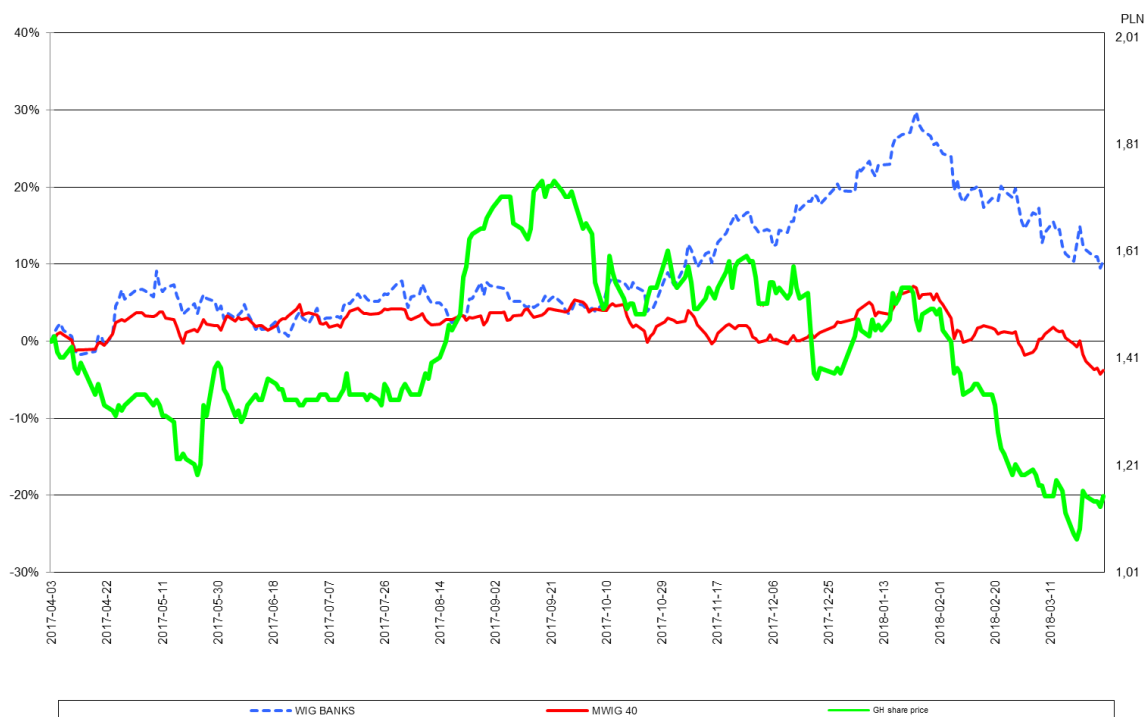
**REPORT ON OPERATIONS OF THE CAPITAL GROUP AND ISSUER  
FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2018**

Wrocław, May 17<sup>th</sup>, 2018

## 1. Operations of the Issuer and Getin Holding Capital Group in Q1 2018

### a. The main successes and failures of Getin Holding Capital Group in Q1 2018

Getin Holding share price:



In Q1 2018, the Issuer carried on pursuing the strategy aimed at achieving the Group's business growth and high return rate from investment of its subsidiaries that provide services in the financial sector (in particular to small and medium-sized companies). The Issuer's strategy allows for limiting its presence in low potential markets with high risk levels. The Issuer actively influenced the strategy and management of the controlled companies so as to ensure growth of the value of the assets held, their security and to utilize potential synergy opportunities emerging within the Group. The effect of the undertaken activities is a clear improvement of the Group's effectiveness on most foreign markets, i.e. in Ukraine, Romania and Russia, which contributed to an increase in the contribution of foreign entities in the net result attributed to the shareholders of the parent entity of the Getin Holding Group in Q1 2018 63%.

As part of the implementation of activities aimed at reducing the Issuer's debt, on 31.01.2018, the Issuer concluded with Getin International S.A. (100% controlled by the Issuer) the debt set-off agreement. Under the agreement the Parties on 31.01.2018 set off the following debt:

- (i) PLN 217,6 mln owed to the Issuer by Getin International as the compensation for the Issuer as the sole shareholder in Getin International in connection with the decrease of the share capital of Getin International that was adopted on 10.11.2016 by the Extraordinary General Meeting of Shareholders of Getin International and entered to the KRS Register of Entrepreneurs on 27.07.2017; and

(ii) PLN 217,6 mln owed to Getin International by the Issuer that includes PLN 157,4 mln loans and PLN 60,3 mln debt owed to Getin International by the Issuer under the agreement dated 05.12.2008 on termination of the contract on sale of share in Carcade.

As at the date of the set-off, all claims resulting from the aforementioned debt were deemed to have been satisfied. As a result of the abovementioned agreement, the Issuer's debt towards Getin International amounting to PLN 219.4 million as at 31.12.2017 has been settled by 31.03.2018.

**b. The consequences of changes to the Issuer's structure**

On 17.01.2018, the increase in the share capital of Getin Investment sp. z o. o. from PLN 70,000 to PLN 130,000 was registered. The increase was effected pursuant to the resolution of the Meeting of Shareholders dated 12.09.2017.

On 19.03.2018, the Extraordinary General Meeting of Shareholders of Getin Investment Sp. z o. o., the Issuer's subsidiary based in Wroclaw, in which the Issuer holds 100% share capital, adopted a resolution concerning winding-up of the company and opening its liquidation. The resolution became effective on the date of its adoption. The opening of the liquidation was reported to the court on 19.03.2018.

The decision on the liquidation was taken due to the fact that Getin Investment sp. z o. o. does not conduct any business operations. As at the date preceding the liquidation opening date, i.e. 18.03.2018, the balance sheet value of Getin Investment sp. z o.o. totalled PLN 37 thousand, and the equity – PLN 24 thousand.

Besides changes in the structure of companies that belong to individual segments of Getin Holding Capital Group specified herein below, no other changes to the Issuer's structure took place.

**c. Description of risks and factors common for the Issuer Capital Group that in the Issuer's opinion will affect the Capital Group's performance in at least one quarter to come**

The business risk to which Getin Holding Capital Group is exposed is largely depended on business cycles in economy. Slump in national economies, where capital investments are being or will be made, may have a negative impact on return on such investments. Fluctuations in the economic situation in markets where the investments are made are currently hardly foreseeable. Getin Holding Group companies adapt their risk management mechanisms to the current economic situation.

Getin Holding in principle, as a holding company, focuses on performance of its role as a business incubator for start-ups and innovative enterprises. Therefore, the risks and threats that it is exposed to include risk related to launching new projects.

**d. Description of events and factors, in particular of unusual nature, that considerably affected Getin Holding Group's financial results**

Factors that may affect the operations of entities comprising the Issuer's Capital Group as part of their business are risk factors, in particular as regards credit risks, disruptions of cash flows and loss of financial liquidity of their contractors.

**e. Seasonality of the Group's operations in Q1 2018**

Not applicable to Getin Holding Capital Group.

**2. Business operations of Getin Holding Capital Group in Q1 2018 by segments**

**2.1 Segment of banking services in Poland**

The segment of banking services in Poland of the Issuer Capital Group in Poland includes Idea Bank Group (Poland) that comprises among others Idea Bank S.A. (that focuses on offering a wide range of loans, savings and deposit products to small and medium-sized companies), Idea Money S.A. (factoring and debt recovery), and Tax Care S.A. (accounting and financial advisory services to small companies). Idea Getin Leasing S.A. (lease of vehicles and machinery) is a company associated with Idea Bank (Poland).

**a. Presentation of the segment's financial result for Q1 2018**

Segment's financial result:

	kPLN		% Change
	Q1 2018	Q1 2017	
Net interest income	137 955	185 153	-25,5%
Interest income	244 992	278 964	-12,2%
Interest expense	(107 037)	(93 811)	14,1%
Net fee and commission income	49 785	103 670	-52,0%
Fee and commission income	80 517	135 155	-40,4%
Fee and commission expense	(30 732)	(31 485)	-2,4%
Net operating income	13 833	(15 743)	-
Net impairment losses	(58 990)	(61 815)	-4,6%
Administrative expenses	(130 299)	(152 706)	-14,7%
Share in net profit of associates	11 671	8 678	34,5%
Income tax	(9 359)	(16 083)	-41,8%
<b>Net profit</b>	<b>14 596</b>	<b>51 154</b>	<b>-71,5%</b>

Selected balance sheet items:

	kPLN		% Change
	31.03.2018	31.03.2017	
Balance sheet total	23 804 654	22 277 474	6,9%
Credit and leasing receivables	16 451 991	15 149 242	8,6%
Deposits	17 986 283	15 686 312	14,7%

**b. The consequences of changes to the segment's structure**

In Q1 2018, the following changes to the segment's structure took place:

On 02.01.2018, the merger of Idea Leasing S.A. and Getin Leasing S.A. was registered. The companies were merged under the procedure envisaged in Art. 492 (1)(1) of the Code of Commercial Companies and Partnerships, i.e. by transferring all assets of Getin Leasing S.A. to Idea Leasing S.A., without increasing the share capital of the merging company. Upon the registration, the merging company operates as Idea Getin Leasing S.A.

Before the merger transaction Idea Leasing S.A. held 100% shares in Getin Leasing S.A.

On 08.03.2018 Idea Bank (Poland) annexed the agreement to sell 100% shares in Tax Care S.A. to Idea Money S.A. that prolonged the price payment date till 31.12.2018.

On 20.03.2018, LC Corp BV sold to Getin Noble Bank S.A. 3,040,075 shares in Idea Bank S.A. carrying 3,040,075 votes at General Meetings of Idea Bank S.A., accounting for 3.83% of all votes and 3.88% of the share capital.

After the said sale transaction, LC Corp BV holds 1,794,103 shares carrying 1,794,103 votes at General Meetings of Idea Bank S.A., accounting for 2.26% of all votes and 2.29% of the share capital.

**c. The main successes and failures of the segment companies in Q1 2018**

In Q1 2018, Idea Bank (Poland) reported an increase in banking income by 8% compared to the level at the end of the previous quarter. In the reported period, total credit sales were recorded at the level of PLN 2.3 billion, i.e. at a level close to the result of the previous quarter.

The Bank actively developed the offer of accounts for its clients, recording in the first quarter only an increase of 17% in the case of corporate accounts and 55% in the case of accounts for natural persons. There was also an increase in the sales of accounting services by 15% compared to the previous quarter.

Idea Bank (Poland) has maintained its operating costs at a level close to the level recorded in the previous quarter (PLN 98.5 million, which means an increase by 3.6% compared to the result in the previous quarter - PLN 95 million; these figures do not include regulatory burdens indicated below), however, in the current quarter the regulatory burdens on fees for BFG and PFSA increased significantly, from PLN 15.9 million to PLN 31.8 million).

Idea Bank (Poland) maintains stable capital ratios - CAR at 13.38% and Tier 1 at 11.69%, while liquidity ratios are maintained at the level at the end of 2017 (LCR at 111%, NSFR at 133 %)

**d. Factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come**

Reports concerning the financial situation of GetBack that appeared after the reporting date may affect future performance of Idea Bank Group. Nevertheless, as at the date hereof it is difficult to quantify the risk of outflow of part of clients to whom the bank offers investment products, or the risk of the necessity to make provisions for the company receivables, as well as the reputation risks.

Idea Bank (Poland) operates in Poland therefore its operating profit, its financial standing, and growth prospects to a great extent depend on the economic, political, and legislative environment in Poland. Possible slump in the European economy may have a material negative impact on the condition of entrepreneurs that operate either in the Polish or the European market and who are the bank's main clients. For the bank's operating activities, and also debt recovery related to them, creditworthiness of the bank's clients and their willingness to invest are of the utmost importance.

Conducting business the segment companies, including Idea Bank (Poland), are exposed to risk factors, in particular credit risks, the risk of cash flow disruptions or loss of financial liquidity of their clients.

## 2.2 Segment of banking services in Ukraine

The segment of banking and debt recovery services of the Issuer Capital Group in Ukraine comprises Idea Bank (Ukraine) that offers products and services to individual clients, Gwarant Legal Support (previously SF Gwarant Plus), Idea Leasing (Ukraine) and New Finance Service Group that comprises New Finance Service and Seret Invest (acquisition, sale and recovery of own and third parties debt, and loan and insurance agency).

### a. Presentation of the segment's financial result for Q1 2018

Segment's financial result:

	kPLN			kUAH		
	Q1 2018	Q1 2017	% Change	Q1 2018	Q1 2017	% Change
Net interest income	29 283	19 479	50,3%	233 021	131 290	77,5%
Interest income	42 005	36 780	14,2%	334 257	247 899	34,8%
Interest expense	(12 722)	(17 301)	-26,5%	(101 236)	(116 610)	-13,2%
Net fee and commission income	6 848	4 081	67,8%	54 493	27 506	98,1%
Fee and commission income	8 194	4 994	64,1%	65 204	33 660	93,7%
Fee and commission expense	(1 346)	(913)	47,4%	(10 711)	(6 154)	74,1%
Net operating income	2 261	(2 753)	-	17 992	(18 555)	-
Net impairment losses	(10 097)	(25 557)	-60,5%	(80 347)	(172 256)	-53,4%
Administrative expenses	(14 519)	(11 829)	22,7%	(115 536)	(79 728)	44,9%
Income tax	(2 556)	2 987	-	(20 340)	20 133	-
<b>Net profit</b>	<b>11 220</b>	<b>(13 592)</b>	<b>-</b>	<b>89 284</b>	<b>(91 611)</b>	<b>-</b>

Selected balance sheet items:

	kPLN			kUAH		
	31.03.2018	31.03.2017	% Change	31.03.2018	31.03.2017	% Change
Balance sheet total	478 439	527 912	-9,4%	3 685 971	3 615 836	1,9%
Loans and advances	371 800	396 966	-6,3%	2 864 407	2 718 945	5,3%
Deposits	368 532	416 683	-11,6%	2 839 230	2 853 993	-0,5%

### b. The consequences of the changes to the segment's structure

By virtue of the resolution of the General Meeting of Shareholders dated 01.03.2018 the name and the objects of Spółka Finansowa Gwarant PLUS Sp. z o. o. were changed to Gwarant Legal Support Sp. z o. o., and since the company was deleted from the register of companies that carry out licensed financial operations, presently the main objects of Gwarant Legal Support include legal services.

### c. The main successes and failures of the segment companies in Q1 2018

The following factors contributed to the financial result in the reported period:

- the loans sale volume in Q1 2018 in UAH was 57% higher than in the corresponding period in 2017;
- the net interest margin increased by 10.2 p.p.; (from 16% in Q1 2017 to 26.2% in Q1 2018);
- the financing cost decreased by 3.2 p.p. (from 15.4% in Q1 2017 to 12.1% in Q1 2018);
- the discipline and control of administrative expenses allowed for decreasing the C/I rate from 56.7% in Q1 2017 to 39.2% at the end of the present period.

Due to implementation in Q1 2018 of the requirements of IFRS 9 Idea Bank (Ukraine) adopted its provisions amount to the new regulations. Idea Bank (Ukraine), in the whole reported period, did met with all requirements of the National Bank of Ukraine.

The bank is still one of the leaders in the cash loans sector in the Ukrainian banking market.

**d. Factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come**

As regards the Ukrainian market, material factors that will still affect the performance in the subsequent period is the political situation in the east of Ukraine, and the overall macroeconomic situation that comprises foreign exchange rates to the hryvnia, balance of payments, and loan of the International Monetary Fund. The risk of escalation of the crisis in eastern Ukraine that may have an adverse impact on the country's financial system. Further escalation of the conflict, plus linking the f/x rates to the IMF financing, may increase the liquidity risk and further outflow of funds deposited in the bank. The IMF financing may also be affected by slowing down economic and structural reforms required by the IMF.

Other factors that may have an impact on the performance of Idea Bank Group (Ukraine) include interest rates for loans and deposits in the interbank market, and the overall level of liquidity of the Ukrainian banking system.

The financial result generated by Idea Bank (Ukraine) in subsequent periods may be affected by the forecast improvement of macroeconomic indicators, including the growth of the Ukrainian GDP and further reduction of the inflation rate, which may have a positive impact on the overall economic situation in the country (in spite of the conflict in the east and the present political situation). Observing the increasing competition in loan products addressed to individual clients and the policy of credit risk assessment imposed by the National Bank of Ukraine on banks, Idea Bank (Ukraine) flexibly adapts to the market conditions.

Idea Bank (Ukraine) is evenly developing its banking activity by boosting efficiency of sale channels and penetrating new sale directions such as *Home Equity*.

The decreased growth rate of the main business partners of Ukraine (such as China, or Russia) may have a material impact on Ukraine's balance of payments and its major macroeconomic indicators. The operations of Idea Bank (Ukraine) may also be affected by growing business competition in the banking sector of cash loans, specifically from major banks.

While conducting their operations the segment companies, like other banks from the Issuer Capital Group, are exposed to risk factors, in particular credit risks, the risk of cash flow disruptions or loss of financial liquidity of their clients.

In case of New Finance Services the f/x risk was identified as the major risk factor that may affect the company's operations as regards the amount of liabilities expressed in foreign currencies. Other risks that may affect the company's performance include changes in court practice, possible changes in debt recovery regulations.

## 2.3 Segment of banking services in Belarus

The segment of banking services of the Issuer Capital Group in Belarus comprises Idea Bank (Belarus), as well as Idea Broker and Idea Finance. Bank offers financial services to retail clients and comprehensive services to corporate clients, specializing in sale of cash loans, loans to small and medium-sized companies and credit cards.

### a. Presentation of the segment's financial result for Q1 2018

Segment's financial result:

	kPLN			kBYN		
	Q1 2018	Q1 2017	% Change	Q1 2018	Q1 2017	% Change
Net interest income	10 156	15 559	-34,7%	5 886	7 309	-19,5%
Interest income	17 640	26 084	-32,4%	10 223	12 253	-16,6%
Interest expense	(7 484)	(10 525)	-28,9%	(4 337)	(4 944)	-12,3%
Net fee and commission income	3 475	2 617	32,8%	2 014	1 229	63,8%
Fee and commission income	5 708	4 618	23,6%	3 308	2 169	52,5%
Fee and commission expense	(2 233)	(2 001)	11,6%	(1 294)	(940)	37,7%
Net operating income	5 919	6 693	-11,6%	3 430	3 144	9,1%
Net impairment losses	(729)	1 657	-	(422)	778	-
Administrative expenses	(16 159)	(17 879)	-9,6%	(9 364)	(8 399)	11,5%
Income tax	(1 523)	(1 946)	-21,7%	(883)	(914)	-3,4%
<b>Net profit</b>	<b>1 139</b>	<b>6 701</b>	<b>-83,0%</b>	<b>660</b>	<b>3 148</b>	<b>-79,0%</b>

Selected balance sheet items:

	kPLN			kBYN		
	31.03.2018	31.03.2017	% Change	31.03.2018	31.03.2017	% Change
Balance sheet total	642 405	627 970	2,3%	369 156	300 134	23,0%
Loans and advances	427 167	334 979	27,5%	245 470	160 101	53,3%
Deposits	478 350	381 348	25,4%	274 882	182 263	50,8%

### b. The consequences of the changes to the segment's structure

In Q1 2018, no changes in the segment structure took place.

### c. The main successes and failures of the segment companies in Q1 2018

Since the beginning of 2018 Idea Bank (Belarus) applies IFRS 9 in financial reporting. In order to switch to IFRS 9 the bank had to develop and implement a new methodology of calculation of impairment provisions for instruments that are exposed to credit risk, hence after switching to IFRS 9 the bank's provisions slightly increased.

Idea Bank (Belarus) recorded a significant increase in sales compared to previous year. The Bank's sales increased by 167% in Q1 2018, reaching the level of 119.5 million BYN (vs. 44.7 million BYN in the corresponding period of the previous year).

The loan portfolio of the Bank increased in Q1 2018 by 53.3% in BYN, with a simultaneous strong increase in deposits by 50.8%. The balance sheet total of the Bank increased by 23%, thus reaching 369.2 million BYN.



As a result of abolishing the interest rate limitation of deposits in national currency for more than one year, the cost of financing (COF) decreased to 5.8% (8.8% as at the end of Q1 2017). At the same time, the Central Bank pursues a policy of consistently lowering the interest rates on loans granted, which translated into lowering the net interest margin (NIM) to 6.9% (11% as at the end of the Q1 2017).

**d. Factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come**

The National Bank of Belarus is consistently pursuing its policy aiming at the reduction of interest rates for both loans and deposits. The policy is implemented by means of specifying maximum deviation in interest rates, i.e. by means of interfering the free market pricing. The overnight interest rate was reduced in Q1 2018 from 12% to 11.75%, and the refinance rate from 11% to 10.5%.

Additionally, the National Bank of Belarus introduced a new procedure for limiting interest rates for USD, EUR and RUB deposits. Since 19.02.2018, the maximum interest rates for deposits in the mentioned currencies are related to the key interest rates of relevant regulators, namely: US Federal Reserve, European Central Bank, and Russian Federation Central Bank.

For Idea Bank (Belarus), the weakness of the Belarusian economy, to which contribute low or negative GDP growth, slight foreign currency provisions and high external debt to GDP ratio, may result in the national currency devaluation, which in turn might have an adverse effect on the liquidity risk and deposits value, and consequently – on the Group's operations and the result generated in the segment.

While conducting their operations the segment companies, like other companies in the banking sector, are exposed to risk factors, in particular credit risks, the risk of cash flow disruptions or loss of financial liquidity of their clients. In particular, the National Bank of Belarus, on 29.03.2018 approved the instruction on loan issuing and repayment procedure. One of the material changes that it introduces is the maximum loan burden for individual debtors, namely the ratio of the total monthly instalments to the monthly income of an individual person should not exceed 40%. This change may result in consequence in diminishing demand for loans in the banking system in Belarus.

Furthermore, the instruction lifts all restrictions concerning issuing loans to clients with overdue debt.

## **2.4 Segment of lease and financial services in Russia**

The lease and financial segment of the Issuer Capital Group in the Russian Federation comprises the Carcade Group and Assets Service Finance. Carcade Group comprises Carcade (lease of vehicles), Centr Karawto, and Carcade Service. Assets Service Finance services the portfolio of overdue receivables.

**a. Presentation of the segment's financial result for Q1 2018**

Segment's financial result:

*Getin Holding S.A. Capital Group*  
*Consolidated Quarterly Report for the 3-month period ended 31.03.2018.*  
*(in PLN thousand)*  
*Report on operations of the Capital Group and Issuer*

	kPLN			kRUB		
	Q1 2018	Q1 2017	% Change	Q1 2018	Q1 2017	% Change
Net interest income	13 819	16 328	-15,4%	230 958	235 387	-1,9%
Interest income	31 482	37 251	-15,5%	526 162	537 016	-2,0%
Interes expense	(17 663)	(20 923)	-15,6%	(295 203)	(301 629)	-2,1%
Net fee and comission income	5 028	5 696	-11,7%	84 033	82 114	2,3%
Fee and commission income	5 028	5 696	-11,7%	84 033	82 114	2,3%
Fee and commission expense	-	-	-	-	-	-
Net operating income	8 270	8 757	-5,6%	138 217	126 242	9,5%
Net impairment losses	(4 192)	(7 629)	-45,1%	(70 061)	(109 981)	-36,3%
Administrative expenses	(22 233)	(21 892)	1,6%	(371 582)	(315 598)	17,7%
Share in net profit of associates	228	-	-	3 811	-	-
Income tax	(348)	(413)	-15,7%	(5 816)	(5 954)	-2,3%
<b>Net profit</b>	<b>572</b>	<b>847</b>	<b>-32,5%</b>	<b>9 560</b>	<b>12 210</b>	<b>-21,7%</b>

Selected balance sheet items:

	kPLN			kRUB		
	31.03.2018	31.03.2017	% Change	31.03.2018	31.03.2017	% Change
Balance sheet total	830 910	875 890	-5,1%	13 988 384	12 441 619	12,4%
Finance lease receivables	648 074	689 957	-6,1%	10 910 337	9 800 526	11,3%

**b. The consequences of the changes to the segment's structure**

In Q1 2018, no changes in the segment structure took place.

**c. The main successes and failures of the segment companies in Q1 2018**

Since the beginning of 2018, Carcade Group has managed to keep stable and diversified liquidity.

The sales of the Carcade group in the first quarter of 2018 exceeded the budget indicators by almost 3.7 billion rubles (the equivalent of PLN 216.7 million), thus recording an improvement of 90% compared to the same period last year. The cost of provisions in the first quarter of 2018 decreased in the Carcade Group in annual terms by 36.3%, while the COR ratio at the end of Q1 2018 was at the level of 2.6%.

**d. Factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come**

Restrictions in the form of USA sanctions imposed over Russian Federation again exert pressure on the financial market and liquidity of businesses operating in the region. On 06.04.2018, the US Treasury Department imposed new sanctions on several Russian businessmen and major companies. In the present geopolitical situation, we cannot rule out the possibility of imposing additional sanctions on Russian Federation or companies that are based in its territory.

The Russian Federation Central Bank may stop cuts of the key interest rate in 2018 (i.e. the minimum interest rate at which the Russian Central Bank issues loans to commercial banks for the period of one week and the maximum interest rate at which the Russian Federation Central Bank is ready to accept deposits from commercial banks). Due to the fact that the key interest rate determines interest rates for commercial loan and deposit and it affects the inflation rate and costs of financing,

the declared cuts may have a considerable impact on the Issuer companies operating in the Russian Federation in the subsequent period.

Further growth of Carcade depends on its access to operational financing sources, whereas financing depends on the assessment of Carcade's portfolio and the quality of its assets. The economic situation in the Russian Federation may affect the demand for lease products. Another factor that may affect the business is potential growth of credit risk.

## 2.5 Sector of banking and lease services in Romania

The segment comprises Idea Bank (Romania), a universal bank, Idea Leasing IFN S.A. (leasing services), and Idea Finance IFN S.A., Idea Investment S.A., and Broker de Asigurare S.R.L. (insurance broker). Products and services offered by Idea Bank (Romania) are targeted at individual clients and small and medium-sized companies.

### a. Presentation of the segment's financial result for Q1 2018

Segment's financial result:

	kPLN			kRON		
	Q1 2018	Q1 2017	% Change	Q1 2018	Q1 2017	% Change
Net interest income	15 576	10 968	42,0%	17 369	11 564	50,2%
Interest income	23 681	18 656	26,9%	26 407	19 670	34,3%
Interes expense	(8 105)	(7 688)	5,4%	(9 038)	(8 106)	11,5%
Net fee and comission income	6 279	7 429	-15,5%	7 002	7 833	-10,6%
Fee and commission income	7 827	8 653	-9,5%	8 728	9 123	-4,3%
Fee and commission expense	(1 548)	(1 224)	26,5%	(1 726)	(1 291)	33,8%
Net operating income	4 883	3 466	40,9%	5 445	3 654	49,0%
Net impairment losses	(3 659)	(1 624)	125,3%	(4 080)	(1 712)	138,3%
Administrative expenses	(19 922)	(19 565)	1,8%	(22 215)	(20 628)	7,7%
Income tax	(684)	(484)	41,3%	(763)	(510)	49,5%
<b>Net profit</b>	<b>2 473</b>	<b>190</b>	<b>1201,6%</b>	<b>2 758</b>	<b>200</b>	<b>1276,6%</b>

Selected balance sheet items:

	kPLN			kRON		
	31.03.2018	31.03.2017	% Change	31.03.2018	31.03.2017	% Change
Balance sheet total	2 034 913	1 742 226	16,8%	2 252 505	1 878 006	19,9%
Credit and leasing receivables	1 378 886	1 206 808	14,3%	1 526 329	1 300 861	17,3%
Deposits	1 461 139	1 256 002	16,3%	1 617 378	1 353 888	19,5%

### b. The consequences of the changes to the segment's structure

In Q1 2018, no changes in the segment's structure took place.

### c. The main successes and failures of the segment companies in Q1 2018

In case of Idea Bank (Romania), in spite of the fact that January and February are less busy months in the Romanian economy, Idea Bank (Romania) reported the upward trend in the following items:

- the loans sale volume in March exceeded RON 88 million, beating the single month record;
- the upward trend of the monthly net profit, with unchanged administrative costs;
- increasing number of clients;

- Moreover, Idea Bank (Romania) in the first two months in 2018, the bank noted increased competition in loans sale and increased volume of prematurely repaid loans;

In March, as a result of an enhanced campaign targeted at present and prospective clients in which the bank offered debt refinancing, the bank managed to reach the loan sale volume expected for Q1.

Thanks to reduction of the risk cost and higher turnover Idea Leasing (Romania) managed to reach in Q1 2018 the result in RON higher by 49% compared to Q1 2017.

**d. Factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come**

The forecast Romanian GDP growth may have a positive impact on the national economy in the macroeconomic perspective (along with the low inflation rate, low budget deficit and slackened fiscal policy). The forecasts for the Romanian GDP growth for 2018 is 4.4%, and for 2019 – 4.1%, which should translate into better condition of the Romanian economy. The bank's result may also be affected by prognosed increase of interest rate for RON and RON/EUR exchange rate.

In case of Idea Leasing (Romania), the company's performance will be affected by the growth of the automotive market and the vehicle lease market, as well as possible legal and tax changes.

One of the factors that may impact the operations of Idea Bank (Romania) in the nearest future is unpredictability of legal changes concerning the banking and financial sectors (including long-term consequences of changes in regulations on consumer bankruptcy and mortgage loans), the fiscal policy aiming at the reduction of the budget deficit, and the EU economic situation, specifically the potential impact of the Greek banking sector on Romanian banks. Operations of Idea Bank (Romania) may be affected by seasonal fluctuation in the deposit market.

A material factor that may have an impact on the result generated by Idea Bank (Romania) will be increased base interest rates as they may influence both the net interest income and the trends in the deposit market.

While conducting their operations the segment companies, like other companies in the banking sector, are exposed to risk factors, in particular credit risks, the risk of cash flow disruptions or loss of financial liquidity of their clients. The amendments enacted in the tax law in 2017 that will become effective with the beginning of 2018 and imposes an income tax on debt sale (exceeding 30% of the debt value) will have a negative impact on raising funds by Idea Leasing IFN. In spite of the fact that the said amendment did not affect the company's performance in Q1 2018, yet it may affect it later on in case of financing through debt repurchase.

## **2.6 Segment of financial services in Poland**

The segment of financial services of the Issuer Capital Group in Poland comprises M.W. Trade. M.W. Trade focuses on offering financial services to healthcare units and local government units. The characteristic feature of this market niche is the concentration of demand and supply, which leads to conditioning the company's income on the market environment, in particular on changes in law regulations and the competition.

**a. Presentation of the segment's financial result for Q1 2018**

Segment's financial result:

*Getin Holding S.A. Capital Group*  
*Consolidated Quarterly Report for the 3-month period ended 31.03.2018.*  
*(in PLN thousand)*  
*Report on operations of the Capital Group and Issuer*

	kPLN		% Change
	Q1 2018	Q1 2017	
Net interest income	3 355	3 776	-11,1%
Interest income	8 448	10 363	-18,5%
Interest expense	(5 093)	(6 587)	-22,7%
Net fee and commission income	(323)	(105)	207,6%
Fee and commission income	4	237	-98,3%
Fee and commission expense	(327)	(342)	-4,4%
Net operating income	22	24	-8,3%
Net impairment losses	(7)	-	-
Administrative expenses	(1 603)	(1 906)	-15,9%
Income tax	(301)	(343)	-12,2%
<b>Net profit</b>	<b>1 143</b>	<b>1 446</b>	<b>-21,0%</b>

Selected balance sheet items:

	kPLN		% Change
	31.03.2018	31.03.2017	
Balance sheet total	434 572	566 843	-23,3%
Other loans and receivables	414 664	545 893	-24,0%

**b. The consequences of the changes to the segment's structure**

In Q1 2018, no changes in the segment's structure took place.

**c. The main successes and failures of the segment companies in Q1 2018**

The strategic goal of M.W. Trade is to increase the goodwill of M.W. Trade by providing within the capital group complex specialised financial services for public units, especially to healthcare units and local government units while keeping high operating profitability.

M.W. Trade optimises on an ongoing basis its financing resources, adapting to the current market situation and its assets portfolio as well as to the sale targets in that market.

The structure of income generated by M.W. Trade depends on the concentration on sale of the main product, i.e. the Hospital Fund. The main objects of M.W. Trade still include activities aiming at restructuring of debt of medical units and local government units, whereas income generated on other operations is only auxiliary.

The net income generated by the company is lower than the result for the corresponding period in 2017 mainly because of the lower average monthly portfolio value which in the discussed period totalled PLN 431.2 million (compared to PLN 553.7 million in the corresponding period in 2017, which means a fall by 22%).

The sale volumes for Q1 2018 totalled PLN 8.4 million, i.e. PLN 2.2 million less than in Q1 2017, which means a fall by 21%.

The income's structure remained unchanged compared to previous periods. M.W. Trade generates income on selling portfolio products offered to medical entities and to local government units that constitute the lion share in the overall income. The share of the latter in the reported period amounted to 3.1% of the overall sale volume (compared to 7.7% at the end of Q1 2017).

The claims portfolio of M.W Trade, that includes short- and long-term loans, on the last day of the reporting period totalled PLN 417.1 million compared to PLN 550.8 million generated in the corresponding period in 2017, which means a fall by 24%, and by 8% compared to the end of 2017.

The leverage ratio, i.e. the proportion of total liabilities and provisions to the balance sheet total as at 31.03.2018 stood at 80% and it is comparable to the ratio reported at the end of the previous year.

The volume of the balance sheet contracting in M.W. Trade totalled PLN 7 million, which means a fall by 77% growth compared to Q1 2017 (at the end of Q1 2018 it amounted to PLN 30.7 million). In Q1 2018, the Company did not intermediate in sale of loans, while in Q1 2017 such sale totalled PLN 12 million.

The sale volume generated in Q1 2018 was the result of market conditions, such as fierce price competition, as well as lower demand for financing due to the payment by the National Health Fund for services exceeding contracted limits accrued over 2017 and 2018 settlement periods, as well as due to higher contract limits (increased by 7-15% depending on the nature of the public medical unit) compared to contracts concluded with the National Health Fund on old terms.

**d. Factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come**

M. W. Trade is exposed to liquidity risk, i.e. the risk of the company having no cash to cover its current liabilities and /or the inability to raise cash by liquidating assets or incurring new liabilities to cover current and maturing liabilities. M. W. Trade by liquidity risk management prevents the emergence of crisis situations in cash flows, maintaining a portfolio of liquid and diversified assets and the corresponding stable sources of financing.

M. W. Trade finances its activity with debt capital, incl. among others by issuing bonds. Commitments of M.W. Trade results from deferred payments for purchased receivables, loans and credits taken, debt instruments issued and sold installments as part of the purchase of receivables. The necessity of repayment of the above liabilities and covering the costs of current operations creates current and future negative cash flows. M.W. Trade covers them from positive cash flows from the portfolio of receivables. The amount and complexity of assets and liabilities means that the schedules of positive and negative cash flows are not fully synchronized, which may create temporary liquidity gaps.

The liquidity risk is also an asymmetrical risk with only a negative impact on the functioning of M.W. Trade. The creation of a liquidity gap results in the release of sales, while the creation of overliquidity involves incurring additional costs.

The company expects that the demand will increase in the nearest future. Growing interest in financing investments has been observed (both own contribution and majority financing) that will allow to comply with the requirements of the Ministry of Health concerning improvement of infrastructure and patients' stay conditions. The implementation of individual adaptation schedules has been postponed several times. In 2017, no further prolongation, as expected by public healthcare units, was allowed. Negative consequences of failing to adapt units include reduction of contracted funds, and in extreme cases even excluding from so called hospital network. The wedge pressure is another argument that affects the demand for M.W. Trade services and impedes units'

cash-flow. Meeting demands of the medical staff in face of considerably insufficient funds in Poland for each level means a dramatic growth of this key cost item.

M.W. Trade provides financial services to public sector units. This market is known for high level of concentration and dependence of the income on the situation and changes in the healthcare sector and public finance. Therefore changes that the sector is undergoing will materially affect operations of MW Trade. It should be emphasized that healthcare sector is a specific sector of the economy. It is highly regulated and highly dependent on changing law regulations. The business risk is symmetrical, since theoretically any changes in the market environment may prove both advantageous and disadvantageous to M.W. Trade. The present system materially determines operations of M.W. Trade, affecting the demand for its services, possible profitability levels and the risk level related to financing medical units. Thorough changes of the system may cause significant changes in M.W. Trade business affecting all three aforementioned elements. Any possible system reorganization plans cause strong political and public emotions, which additionally add up to unpredictability of the nature and direction of the changes. At the same time, it is difficult to determine operation and financing models for the public healthcare system in Poland.

Implementation of so called networks of hospitals in 2017 certainly affected the credit risk. It had no doubt a positive impact on the stability of settlements between healthcare institutions and the National Health Fund (NFZ). The network is a classification of medical units in a system that includes adequate level of security system, profiles in which medical procedures are provided, and it describes scopes and types of medical procedures. The system covers all units that ensure continuous access to medical services and their complexity. It proves that the strategy applied by M.W. Trade in risk assessment methodology and focusing on major units in a region was right.

M.W. Trade's performance is also affected by increased operating costs of medical units, mainly labour costs increasing due to the increase of the minimal wage. Another factor that may have an impact on the performance of M.W. Trade in the future is increasing debt of local government units incurred to co-finance EU projects and reduction of the local government units' income.

### **3. Other information concerning Getin Holding Capital Group in Q1 2018**

#### **a. Information about changes of ownership of significant blocks of shares**

Structure of ownership of significant blocks of shares as of the date of publication of 2017 report to the Issuer's knowledge:

**SHAREHOLDERS ENTITLED DIRECTLY OR INDIRECTLY TO AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE COMPANY GENERAL MEETING OF SHAREHOLDERS AS AT THE DATE OF PUBLICATION OF THE 2017 REPORT**

No.	Shareholder	Number of shares held	Number of votes arising from the shares held	Share in the share capital (%)	Share of votes at GM (%)
1	Leszek Czarnecki directly and indirectly*	417 275 107	417 275 107	54.97%	54.97%

*Getin Holding S.A. Capital Group  
Consolidated Quarterly Report for the 3-month period ended 31.03.2018.  
(in PLN thousand)  
Report on operations of the Capital Group and Issuer*

including:					
	LC Corp B.V. based in Amsterdam	335 220 459	335 220 459	44.16%	44.16%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz					
2	Emerytalny	73 516 574	73 516 574	9.69%	9.69%

\*Dr. Leszek Czarnecki holds directly 81,872,327 shares accounting for 10.79% of the share capital and conferring the right to 10.79% votes at GMs and indirectly through his subsidiaries 335,402,780 shares accounting for 44.19% of the share capital and conferring the right to 44.19% votes at GMs. Companies directly and indirectly controlled by Dr. Leszek Czarnecki: LC Corp B.V., based in Amsterdam, which holds 335,220,459 shares accounting for 44.16% of the share capital and conferring the right to 44.16% votes at general meetings, RB Investcom Sp. z o.o., based in Wrocław, which holds 32,922 shares accounting for 0.004% of the share capital and conferring the right to 0.004% votes at GMs, Idea Money S.A., the company based in Warsaw, which holds 2,521 shares accounting for 0.0003% of the share capital and conferring the right to 0.0003% votes at GMs, and the Jolanta and Leszek Czarnecki Foundation which holds 119,878 shares accounting for 0.016% of the share capital and conferring the right to 0.016% votes at GMs, as well as Open Finance Fundusz Inwestycyjny Otwarty Subfundusz Akcji Małych i Średnich Spółek managed by Finance TFI S.A which holds 27,000 shares accounting for 0.0036% of the share capital and conferring the right to 0.0036% votes at GMs.

Structure of ownership of significant blocks of shares as of the date of publication of Q1 2018 report to the Issuer's knowledge:

**SHAREHOLDERS ENTITLED DIRECTLY OR INDIRECTLY TO AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE COMPANY GENERAL MEETING OF SHAREHOLDERS AS OF THE DATE OF PUBLICATION OF THE REPORT FOR Q1 2018**

No.	Shareholder	Number of shares held	Number of votes arising from the shares held	Share in the share capital (%)	Share of votes at GM (%)
1	Leszek Czarnecki directly and indirectly*	417 275 107	417 275 107	54.97%	54.97%
including:					
	LC Corp B.V. based in Amsterdam	259 389 429	259 389 429	34.17%	34.17%
	Getin Noble Bank S.A. based in Warsaw	75 831 030	75 831 030	9.99%	9.99%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz					
2	Emerytalny	73 516 574	73 516 574	9.69%	9.69%

\*\*Dr. Leszek Czarnecki holds directly 81,872,327 shares accounting for 10.79% of the share capital and conferring the right to 10.79% votes at GMs and indirectly through his subsidiaries 335,402,780 shares accounting for 44.19% of the share capital and conferring the right to 44.19% votes at GMs. Companies directly and indirectly controlled by Dr. Leszek Czarnecki: LC Corp B.V., based in Amsterdam, which holds 259,389,429 shares accounting for 34.17% of the share capital and conferring the right to 34.17% votes at GMs, Getin Noble Bank, based in Warsaw, which holds 75,831,030 shares accounting for 9.99% of the share capital and conferring the right to 9.99% votes at GMs, RB Investcom Sp. z o.o., based in Wrocław, which holds 32,922 shares accounting for 0.004% of the share capital and conferring the right to 0.004% votes at GMs, Idea Money S.A., the company based in Warsaw, which holds 2,521 shares accounting for 0.0003% of the share capital and conferring the right to 0.0003% votes at GMs, and the Jolanta and Leszek Czarnecki Foundation which holds 119,878 shares accounting for 0.016% of the share capital and conferring the right to 0.016% votes at GMs, as well as Open Finance Fundusz Inwestycyjny Otwarty Subfundusz Akcji Małych i Średnich Spółek managed by Finance TFI S.A which holds 27,000 shares accounting for 0.0036% of the share capital and conferring the right to 0.0036% votes at GMs.



**b. List of changes of the number of shares owned by members of management and supervisory boards**

Person	Position	Number of shares held			As of the date of publication of Q1 2018 report
		As of the date of publication of 2017 report	Increases	Decreases	
<b>Management Board Members</b>					
Piotr Kaczmarek	President of Management Board	24 000	-	-	24 000
Krzysztof Jarosław Bielecki	Deputy President of Management Board	0	-	-	0
Izabela Lubczyńska	Member of Management Board	4 518	-	-	4 518
Krzysztof Florczak	Member of Management Board	0	-	-	0
<b>Supervisory Board Members</b>					
Leszek Czarnecki	Chairman of Supervisory Board	81 872 327 <sup>1)</sup>	-	-	81 872 327 <sup>1)</sup>
		335 402 780 <sup>2)</sup>	75 831 030	75 831 030	335 402 780 <sup>2)</sup>
Remigiusz Baliński	Vice-Chairman of Supervisory Board	197 637	-	-	197 637
Marek Grzegorzewicz	Member of Supervisory Board	101 963	-	-	101 963
Adam Maciejewski	Member of Supervisory Board	0	-	-	0
Wojciech Kostrzewa	Member of Supervisory Board	0	-	-	0
Stanisław Wlazło	Member of Supervisory Board	0	-	-	0

1) Shares directly held by Mr. Leszek Czarnecki.

2) Shares indirectly held by Mr. Leszek Czarnecki.

**c. The Management Board's position concerning potential accomplishment of previously published forecasts for the given year and comparison of the data presented in the quarterly report to the forecasts**

Neither the Issuer, nor its subsidiaries published financial forecasts.

**d. Information about granting by the Issuer or its subsidiary of any loan or credit guarantees or a guarantee with the material value**

In Q1 2018, neither the Issuer nor its subsidiaries granted any loan or credit guarantees or a guarantee with the value equal to at least 10% of the Issuer's equity.

**e. Other information the Issuer finds important for assessment of its employment, property, financial situation, financial result and their changes as well as information important for assessment of the Issuer's ability to pay its liabilities**

Apart from the events reported hereinabove, in the reported period in the Capital Group there occurred no events important for assessment of its employment, property, financial situation, financial result and their changes as well as information important for assessment of the Issuer's ability to pay its liabilities.

**f. List of material pending court proceedings**

In Q1 2018, there was no single proceeding concerning Getin Holding or its subsidiaries' liabilities or claims of substantial nature or with value at least equal to 10% of the Issuer's equity. There were no pending proceedings concerning the Issuer's or its subsidiaries' liabilities or claims of substantial nature or with the total value of at least 10% of the Issuer's equity.

**g. Information about conclusion by the Issuer or its subsidiary of a single or more transactions with a related entity, if the transaction or transactions were material and concluded on terms other than the arm's length principle**

In Q1 2018, neither the Issuer nor its subsidiaries concluded any substantial transactions with a related entity on terms other than the arm's length principle.

\_\_\_\_\_  
Piotr Kaczmarek  
President of Management Board

\_\_\_\_\_  
Krzysztof Jarosław Bielecki  
Deputy President of Management Board

\_\_\_\_\_  
Izabela Lubczyńska  
Member of Management Board

\_\_\_\_\_  
Krzysztof Florczak  
Member of Management Board

Wrocław, May 17<sup>th</sup>, 2018

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