

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

**REPORT ON OPERATIONS OF THE CAPITAL GROUP AND ISSUER
FOR Q3 2019**

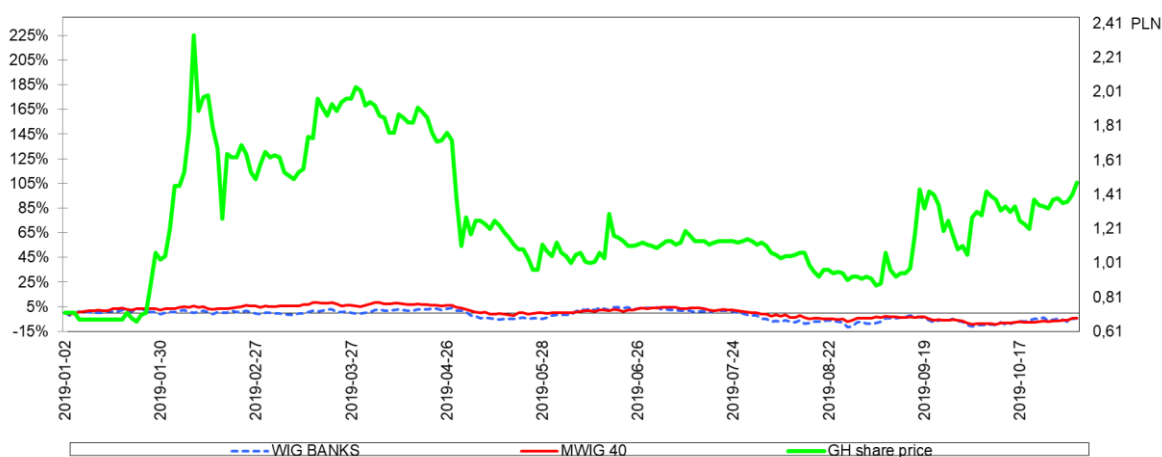
Wrocław, dated 20 November 2019

1. Operations of the Issuer and Getin Holding Capital Group in Q3 2019

a. The main successes and failures of Getin Holding Capital Group in Q3 2019

Stock price

Getin Holding S.A. stock price and its change v. WIG BANKI & MWIG40 % changes



In Q3 2019, the Issuer consistently carried on with the strategy aimed at the Group's business growth and at achieving high return rate from investment in its subsidiaries. The company was engaged in long-horizon projects and creating the management style in controlled units and shaping business models in order to ensure:

- asset appreciation;
- efficient use of their potential;
- business structure optimisation, e.g. by diversification; and
- investment security.

For the three quarters to 30.09.2019, all foreign markets posted either considerably better or stable results compared to the corresponding period in the previous year. The net results generated by Idea Bank (Ukraine) and Idea Bank (Belarus) surged respectively 65% and 40% and both companies recorded balance sheet totals surpassing the results reported for the corresponding period in 2018. Whereas the segments in Russia and Romania, in spite of constantly growing competition in their local markets and additional regulatory and tax burdens, managed to keep growth. All foreign segments were consistently building their balance sheet totals while keeping their sales figures growing. These positive tendencies are reflected also in their performance indicators.

In the Polish market the reported period was marked by voluntary recovery endeavours that the Polish companies took to regain liquidity and ensure compliance with capital requirements.

The Management Board of Idea Bank (Poland) focuses on developing a strategy that will help to rebuilding the group's profitability. The presented strategy will require finding an investor by the bank and getting the KNF's approval for the bank's further operations in spite of the failure to satisfy relevant capital requirements before recapitalization.

In Q3 2019, neither the Issuer nor Getin Holding S.A. Group made other successes or failures than the ones reported in section 2 hereof.

b. Description of and risk factors common for the Issuer's Capital Group that in the Issuer's opinion will affect the Capital Group's results in at least one quarter to come

The Issuer forecasts that the subsequent periods the following factors will affect the Issuer's and the Group's consolidated results:

- the market situation (global and local); macroeconomic indicators in economies where the Group is or will be investing that affect return on investment; hardly predictable economic fluctuations in markets;
- the Group companies adaptability of the risk management mechanisms to existing market trends;
- the unique nature of the business activity of Getin Holding S.A.; the parent company, as a business incubator is exposed to start-up risk;
- the liquidity risk inherent in investment instruments and loans; potentially insufficient funds to pay liabilities or lack of marketability of assets to raise funds or take loans to pay debt;
- the Issuer's ability to apply consistent policy to prevent cash flow crisis;
- the portfolio concentration, the majority interest in Idea Bank (Poland) as the lion share of the Issuer's portfolio;
- care applied by the Issuer in ensuring diversified investments and matching stable financing;
- the reputation risk; the impact of the potential loss of reliability in one area on other markets, investment valuation or potential capital acquisition in local markets;
- the regulation risk related to the failure to satisfy relevant capital requirements by Idea Bank Group (Poland), initiating proceedings by the Polish financial regulator and possible implementation of the Resolution Plan.

c. Description of material unusual events or factors that considerably affected Getin Holding Group's financial results

In Q3 2019, there occurred no factors or events of unusual nature that had a material impact on the financial results generated by Getin Holding Group in the reporting period.

d. Seasonality of the Group's operations in Q3 2019

Getin Holding S.A. Capital Group does not identify seasonality in its operations.

e. The consequences of changes to the structure of the Issuer and the Issuer's Capital Group

In Q3 2019, there were no changes or any consequences thereof in the structures of the Issuer or Getin Holding S.A. Group, other than the ones reported in section 2 hereof.

2. Business operations of Getin Holding Capital Group by territorial segments in Q3 2019

2.1 Sector of banking services in Poland

The segment of banking services of the Issuer's Capital Group in Poland comprises among others:

- Idea Bank S.A. – the bank for small and medium-sized companies that offers a wide range of loans and deposits;
- Idea Money S.A. – operates in factoring and debt collection markets;
- Idea Getin Leasing S.A. – specializes in lease of vehicles and machinery (an associated company).

Idea Bank Group (Poland) addresses its products to small and medium-sized enterprises, as well as to sole proprietors.

Idea Bank S.A. Group (Poland) focuses on providing the following services:

- issuing loans and credit facilities;
- granting bank guarantees;
- taking deposits;
- financial agency and counselling;
- leasing;
- factoring.

Idea Bank S.A. (Poland) responds to entrepreneurs needs for financing their current business activity and investments – the offered products reflect current trends in the corporate loans market. Another goal of Idea Bank (Poland) is to support resourceful individuals starting with business.

The bank's products are distributed through traditional branches, complex Internet platforms and mobile banking, as well as by financial agents.

a. Presentation of the segment's financial result after three quarters of 2019

Segment's result:

	kPLN		% Change
	9M 2019	9M 2018	
Net interest income	412 951	462 243	-10,7%
Interest income	799 178	807 001	-1,0%
Interest expense	(386 227)	(344 758)	12,0%
Net fee and commission income	81 487	(170 458)	-
Fee and commission income	137 060	234 268	-41,5%
Fee and commission expense	(55 573)	(404 726)	-86,3%
Net operating income	(72 298)	(166 641)	-56,6%
Net impairment losses	(253 809)	(230 820)	10,0%
Administrative expenses	(273 495)	(335 980)	-18,6%
Share in net profit (loss) of associates	4 440	32 640	-86,4%
Income tax	35 237	12 624	179,1%
Net profit (loss) on continued operations	(65 487)	(396 392)	-83,5%
Net profit (loss) on discontinued operations	(2 043)	(9 697)	-78,9%
Net profit (loss)	(67 530)	(406 089)	-83,4%

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Selected balance sheet data:

	kPLN		% Change
	30.09.2019	31.12.2018	
Balance sheet total	18 650 523	20 471 580	-8,9%
Credit and leasing receivables	14 597 841	16 283 267	-10,4%
Deposits	16 501 833	17 082 836	-3,4%

Key financial performance indicators*:

Ip.	Financial performance indicator	Value of the ratio as at Q3 2019	Value of the ratio as at Q3 2018	Change	Method for calculating the ratio
1	ROA Return on assets	-0,46%	-2,29%	1,83 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/3)$
2	ROE Return on equity	-37,20%	-25,35%	-11,86 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/3)$
3	NIM Net interest margin	2,94%	2,83%	0,11 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/3)$
4	COF Cost of financing	2,71%	2,18%	0,53 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/3)$
5	COR Cost of risk	2,19%	1,80%	0,39 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/3)$
6	C/I Cost-to-income ratio	64,79%	268,47%	-203,69 p.p.	General administrative expenses / net operating income

* items 1 - 2 in the table include Tax Care S.A., items 3 - 6 - continued operations

During the three quarters, Idea Bank (Poland) group was implementing a recovery programme that included thorough changes in the business model and scale. The recovery procedure implemented in the sector aims at improving its profitability and redirecting the group to the growth path. As a result of the recovery endeavours Idea Bank Group managed to generate a positive financial result for Q3 2019. With each quarter the loss incurred in the segment of banking services in Poland is shrinking.

The net interest income generated by Idea Bank (Poland) group after the three quarters 2019 totalled PLN 413.0 million being 10.7% lower than the net interest income generated in the corresponding period in 2018.

The net commission and fee income in the Polish segment totalled PLN 81.5 million (compared to the loss of PLN 170.5 million in the previous year). To the result contributed mainly several times lower costs in this category (-86.3%), primarily refunds of agency commissions (sale of investment and insurance products) and reduction of write-offs.

For the three quarters in 2019, Idea Bank S.A. Group (Poland) recorded a loss of PLN 67.5 million compared to the loss of PLN 406.1 million generated in the corresponding period in the previous year.

The financial result for the reported period was affected by such factors as, among others, the payment of PLN 22.1 million to the compulsory bank reorganisation fund and making provisions for

layoffs and reorganisation of branches of PLN 9.2 million and PLN 25.9 million, respectively. On the other hand, the fee and commissions costs were substantially reduced.

The sector of banking services in Poland is deeply cutting its operating costs, also by the reorganisation of its outlets network. As a consequence, the operating costs in the three quarters of 2019 fell by 18.6% compared to the corresponding period in 2018.

The segment's loan portfolio after the three quarters of 2019 fell 10.4% to PLN 14.6 billion, whereas the deposit portfolio slipped by 3.4% to PLN 16.5% billion. The balance sheet total of Idea Bank (Poland) as at the end of the reported period totalled PLN 18.7 billion.

The TCR for Idea Bank group calculated in accordance with the binding CRR/CRD IV regulations as at 30.09.2019 totalled 2.22%, and Tier 1 equity ratio – 1.31%.

Since the second half of 2018 the capital adequacy ratios stood below the minimum values recommended by the KNF both for stand-alone and consolidated balance sheets. As a result of the loss incurred in 2018, the bank's and the group's capital ratios fell below the requirements specified in Art. 92 of the CRR Regulation.

b. The main successes and failures of the segment companies in Q3 2019

In 2018, Idea Bank S.A. group (Poland) had to make provisions and write-offs for receivables and other group assets. Most of the adjustments were one-off events related to Idea Bank group (Poland) operations in the previous years. As a result of the loss incurred in 2018, in 2019 the bank's and the group's capital ratios fell below relevant regulatory requirements.

In Q3 2019, the recovery endeavours were carried on aimed at stabilizing the situation in Idea Bank group. They are complex in nature and focus on developing a strategy supporting recovery of the capital ratios and profitability. They consist in remodelling the sales network (to a new, more cost effective format). The new business formula is expected to reduce substantially the organisational costs.

In Q3 2019, the following material events occurred in Idea Bank Capital Group:

- on 16.07.2019, the bank was notified of initiating by the KNF administrative proceedings in the case of breaching banking law by the bank;
- on 30.07.2019, Tax Care S.A. performing the obligations of the bankruptcy law filed for bankruptcy; it was part of the recovery process pursued by Idea Bank Group (the Group decided that it had lost control over the company and disposed of it); on 14.08.2019, an application was submitted in the court to initiate the restructuring proceedings in Tax Care S.A.;
- on 01.08.2019, the Office for Competition and Consumer Protection issued a decision in the proceedings against the bank, whereby it decided that the bank had used practices that breached collective interests of consumers, i.e. spreading false or misleading information about GetBack bonds (the decision is a partial one, in the remaining part of it the bank may be imposed with a penalty amounting to 10% of its turnover for the year preceding the year when the penalty is imposed for each breach; presently the Office for Competition and Consumer Protection is carrying out proceedings concerning the remaining charges, and the bank provides all information and materials required by the authority);

- on 16.08.2019, the bank was notified that the KNF had initiated an administrative proceedings as a consequence of the bank's failure to satisfy the minimum capital requirements (if the authority finds that the bank actually failed to satisfy those requirements the authority may impose on the bank a penalty amounting to 10% of the income reported in the last audited financial report, and in case when there is no such a financial report, a penalty amounting to 10% of the income forecast based of the economic and financial standing of the bank);
- on 16.09.2019, the Management Board of the bank decided to admit to the extended due diligence process a private equity fund – that had participated in the restricted due diligence – interested in the acquisition of the bank;
- after the balance sheet date, i.e. on 28.10.2019, the bank was informed by a transaction advisor that after the investigation the fund had resigned from the potential transaction.

At the same time, the bank authorities developed and presented to the KNF the recovery plan based on cutting down considerably its business scale. In the reorganisation process the bank focuses on reduction of financial costs, operating costs, including the reduction of employment costs and stabilising the risk costs. Along with the afore described measures the bank will substantially cut down the balance sheet total, rebuild the business model and remodel the sales network. The basic goal of the reorganisation is to build long-term foundations for stable profitability of the bank and its group and regaining investors' trust, which is in turn the key success factor for the planned increase of the bank's capital. Because with rebuilt profitability the bank will continue the process of looking for an investor in order to increase the capital and merge with another bank. In this way the bank will restore capital requirements to the required levels.

A detailed description of endeavours taken by the bank management and its standpoint concerning threats and risks is included in the periodic report of Idea Bank Capital Group for Q3 2019.

c. List of factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come

In the Issuer's opinion, the following factors will affect the performance of the banking segment in Poland in the subsequent periods:

- raising capital;
- the reputation risk, specifically the risk related to the situation around Getback S.A., filing by Tax Care S.A. for opening voluntary reorganisation, and appealing by the Bank Guarantee Fund for revoking resolutions concerning granting a vote of acceptance to part of the bank's authorities for discharging their duties, adopted by the Annual General Meeting of the bank;
- initiating by the KNF administrative proceedings concerning possibility of imposing supervisory measure, namely limiting the bank's business operations;
- the economic, political and legal situation in Poland;
- potential downturn in European markets;
- clients credit standing;
- clients readiness to invest;
- the liquidity risk;
- the potential threat of withdrawing deposits by clients;

- the regulation risk resulting from the failure to satisfy capital requirements and initiating proceedings by the KNF and possible implementation of the Resolution Plan;
- clients credit risk and the risk of credit scoring adjustment;
- the fx risk;
- the interest rate risk (including the risk of mismatched revaluation dates, the base risk, the clients options risk, the yield curve risk),
- the risk related to the loan portfolio quality;
- the operational risk, including human error related risk;
- the major engagement concentration risk;
- the risk related to the adequacy of the capital model;
- the risk due to floating interest rate;
- the compliance risk;
- the models risk;
- the risk of investments in subsidiaries;
- the risk related to derivatives.

d. The consequences of the changes to the segment structure

On 30.07.2019, after the satisfaction of contractual conditions precedent, Idea Money S.A. sold all its shares in the associated company Idea 24/7 Inc.

On 30.07.2019, in compliance with the bankruptcy law Tax Care S.A. filed a bankruptcy petition. Idea Bank group decided that it had lost control over the company and deconsolidated it.

On 21.08.2019, the increase of the share capital of Idea Box ASI S.A. was registered. After the registration the interest of Idea Bank (Poland) in the company's capital dropped to 40.05%.

2.2 Segment of banking services in Ukraine

The segment of banking services of the Issuer's Capital Group in Ukraine comprises predominantly:

- Idea Bank S.A. (Ukraine) that offers banking products and services addressed to individual clients;
- New Finance Service sp. z o. o. that purchases, trades and recovers debt, provides loan and insurance agency services;
- Gwarant Legal Support sp. z o.o.

Idea Bank (Ukraine) offers retail products and services to individual clients. The main products offered by the bank comprise cash loans, credit and debit cards, deposits, and current accounts. Idea Bank (Ukraine) offers a complex range of services for individual clients while developing complex Internet banking services.

Idea Bank (Ukraine) provides also services to corporate clients, those include loans, credit facilities, deposits and cash and settlement services.

The bank channels its sales through its own branches network, the Internet and through partner banks (agents), as well as through New Finance Services sp. z o. o.

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Besides debt recovery and debt servicing New Finance Services sp. z o. o. offers also loans in partner banks and insurance agency services (through its own points of sale).

Gwarant Legal Support sp. z o. o. provides legal and financial services, including factoring, granting guarantees and sureties, agency.

a. Presentation of the segment's financial result after the three quarters of 2019

Segment's result:

	kPLN			kUAH		
	9M 2019	9M 2018	% Change	9M 2019	9M 2018	% Change
Net interest income	153 987	105 610	45,8%	1 046 265	798 329	31,1%
Interest income	209 238	143 970	45,3%	1 421 668	1 088 300	30,6%
Interest expense	(55 251)	(38 360)	44,0%	(375 403)	(289 971)	29,5%
Net fee and commission income	57 855	27 870	107,6%	393 096	210 675	86,6%
Fee and commission income	66 599	32 790	103,1%	452 507	247 867	82,6%
Fee and commission expense	(8 744)	(4 920)	77,7%	(59 411)	(37 191)	59,7%
Net operating income	5 398	5 823	-7,3%	36 677	44 017	-16,7%
Net impairment losses	(65 932)	(38 217)	72,5%	(447 975)	(288 890)	55,1%
Administrative expenses	(63 862)	(47 949)	33,2%	(433 911)	(362 457)	19,7%
Income tax	(15 955)	(9 830)	62,3%	(108 406)	(74 307)	45,9%
Net profit (loss)	71 491	43 307	65,1%	485 746	327 367	48,4%

Selected balance sheet data:

	kPLN			kUAH		
	30.09.2019	31.12.2018	% Change	30.09.2019	31.12.2018	% Change
Balance sheet total	883 742	594 830	48,6%	5 339 831	4 383 419	21,8%
Loans and advances	677 730	457 015	48,3%	4 095 045	3 367 833	21,6%
Deposits	677 436	444 387	52,4%	4 093 269	3 274 775	25,0%

Key financial performance indicators:

Ip.	Financial performance indicator	Value of the ratio as at Q3 2019	Value of the ratio as at Q3 2018	Change	Method for calculating the ratio
1	ROA Return on assets	12,89%	11,21%	1,68 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/3)$
2	ROE Return on equity	76,44%	93,06%	-16,63 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/3)$
3	NIM Net interest margin	29,69%	29,29%	0,39 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/3)$
4	COF Cost of financing	12,52%	11,69%	0,83 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/3)$
5	COR Cost of risk	15,49%	13,12%	2,37 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/3)$
6	C/I Cost-to-income ratio	29,40%	34,42%	-5,02 p.p.	General administrative expenses / net operating income

During the first nine months in 2019, the scale of the Group's operations in Ukraine was still expanding and the group improved its profitability. In the three quarters in 2019, the sales generated in the Ukrainian sector surged 32.4% to PLN 436.9 million, compared to PLN 330.1 million in the

corresponding period in the previous year. The sector recorded a substantial growth of both the net fee and commission income (+107.6%) and the net interest income (+45.8%) that totalled PLN 57.9 million and PLN 154.0 million, respectively.

The net result generated by the Ukrainian segment for the three quarters in 2019 totalled PLN 71.5 million being 65.1% higher than in the corresponding period in 2018.

The good economic situation in the Ukrainian market translated to the increase of the balance sheet total by 48.6% compared to the balance sheet total reported at the end of 2018.

The net interest margin (NIM) generated since the beginning of the year totalled 29.69% in the reported year, and it was 0.39 p.p. higher than a year before, with the cost of financing (COF) of 12.52% (11.69% at the end of the corresponding period). The cost of risk rate (COR) in the reported period was 15.49%. The C/I ratio stood at 29.40%, and it was substantially lower than in the previous year (34.42%).

To the aforementioned financial results contributed mainly substantially higher sales and NIM.

b. The main successes and failures of the segment companies in Q3 2019

Idea Bank (Ukraine) is still one of leaders in the cash loans sector in the Ukrainian banking market. Furthermore, the bank is one the most stable and effective banks operating in the Ukrainian market. As regards the ROE Idea Bank (Ukraine) with 76.4% is placed among the leading banks in the Ukrainian banking system.

Idea Bank (Ukraine) is systematically implementing new solutions in the online banking that will help to reinforce its position and allow for offering new products to its present and prospective clients.

The bank complies with all normative requirements of the National Bank of Ukraine and effectively implements guidelines for the organisation of the risk management system.

Furthermore, in Q3 2019 NFS (Ukraine) paid a dividend of PLN 11.1 million.

After the balance sheet date, i.e. on 22.10.2019, the Company signed with a private equity a letter of intent, whereby the fund expressed its intent to potentially purchase 100% interest in Idea Bank (Ukraine) and 100% interest in New Finance Service. The fund started a six-week due diligence investigation and after its positive result the parties are to start negotiations concerning the potential transaction. The fund got the exclusive right to the negotiations concerning sale of the interest in both companies till 01.01.2020. The parties agreed the transaction completion date for Q1 2020.

c. List of factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come

The growth strategy adopted by Idea Bank (Ukraine) aims at maintaining its highly efficient business model and enhancing stability. To implement the strategy Idea Bank (Ukraine) continues to:

- improve its sales efficiency, specifically through online channels;
- improve the quality of the customer service;
- optimise business processes;
- further enhance the risk management process.

Idea Bank (Ukraine) is developing a modern digital banking platform that allows for full online service.

In the perspective of the subsequent periods, the bank is planning to keep the position of one of the leaders in the sector of consumer loans, while keeping low operating costs and the high return on equity.

Idea Bank (Ukraine) finances all its investments solely with own funds ensuring implementation of the bank's investment and operating plans in 2019.

Due to strong competition and limited market for debt recovery services, in Q2 2019 90% of debt recovery services provided by New Finance Services sp. z o. o. were transferred to Idea Bank (Ukraine). In the subsequent periods New Finance Service is planning to develop loan agency services and offer insurance agreements for loan agreements.

Material factors that still determine the segment's performance in the subsequent period include among others the political situation, specifically the public mood in the east part of Ukraine and the risk of the conflict escalation. The 2019 elections and forming the new Supreme Council of Ukraine translated to insecurity in the macroeconomic situation (specifically the hryvnia exchange rate or the balance of payments). The geopolitical situation of Ukraine increases the liquidity risk and the risk of the outflow of bank deposits. It also affects the chances of getting a loan from the International Monetary Fund.

Other material factors that contribute to the performance of the Ukrainian sector include the interbank interest rates for loans and deposits, as well as interest rates established by the National Bank of Ukraine, and the overall liquidity level in the Ukrainian banking system.

The banking sector in Ukraine is expecting a decision concerning maximum interest rates that may translate to its performance in the subsequent periods.

The operations of Idea Bank (Ukraine) may also be affected by developing business competitors in the banking sector of retail cash loans and deposits, specifically major banks.

The segment companies, like other banks from the Issuer's Capital Group, are exposed to such risk factors, like the credit risk, cash flow disruptions or loss of financial liquidity of their clients.

Furthermore, the company's performance may be affected by changes in the court practice, and possible changes in the debt recovery regulations.

d. The consequences of the changes to the segment structure

On 03.07.2019, there was initiated the process of reorganisation of Idea Leasing sp. z o. o. (Ukraine) and its merger with Gwarant Legal Support sp. z o. o., and on 12.09.2019, the formal process was finalized. The deletion of Idea Leasing Sp. z o. o. was entered into the register on 21.10.2019.

2.3 Segment of banking services in Belarus

The segment of banking services of the Issuer's Capital Group in Belarus is represented by:

- Idea Bank S.A. (Belarus), a universal bank that offers financial services to individual clients, comprehensive services to companies while specializing in cash loans, loans to SMEs and credit cards,

- Idea Broker sp. z o.o. – the insurance broker,
- Idea Broker sp. z o.o. – the financial broker.

Idea Bank S.A. (Belarus) is a universal financial institution that focuses on providing services to individual clients and small and medium-sized enterprises.

The bank is methodically developing loan products addressed to individual clients, while being one of the leaders of the retail banking sector in Belarus. The bank is successful in enhancing its market position in the segment of credit cards expanding its transactional banking services in cooperation with international payment institutions and partners in the local market.

The services offered by Idea Bank S.A. (Belarus) are supplemented by a wide range of services addressed to businesses.

Presently, the bank's main goal is to expand the Internet banking services.

a. Presentation of the segment's financial result after the three quarters of 2019

Segment's result:

	kPLN			kBYN		
	9M 2019	9M 2018	% Change	9M 2019	9M 2018	% Change
Net interest income	30 763	33 118	-7,1%	16 739	18 657	-10,3%
Interest income	64 580	57 671	12,0%	35 141	32 490	8,2%
Interest expense	(33 817)	(24 553)	37,7%	(18 401)	(13 832)	33,0%
Net fee and commission income	10 689	9 386	13,9%	5 816	5 288	10,0%
Fee and commission income	19 972	16 989	17,6%	10 868	9 571	13,5%
Fee and commission expense	(9 283)	(7 603)	22,1%	(5 051)	(4 283)	17,9%
Net operating income	27 246	23 171	17,6%	14 826	13 054	13,6%
Net impairment losses	(3 824)	(2 224)	71,9%	(2 081)	(1 253)	66,1%
Administrative expenses	(46 933)	(49 374)	-4,9%	(25 538)	(27 815)	-8,2%
Income tax	(5 266)	(5 052)	4,2%	(2 865)	(2 846)	0,7%
Net profit (loss)	12 675	9 025	40,4%	6 897	5 084	35,7%

Selected balance sheet data:

	kPLN			kBYN		
	30.09.2019	31.12.2018	% Change	30.09.2019	31.12.2018	% Change
Balance sheet total	924 224	789 815	17,0%	480 766	448 376	7,2%
Loans and advances	625 061	518 845	20,5%	325 146	294 547	10,4%
Deposits	728 603	588 320	23,8%	379 007	333 988	13,5%

Key financial performance indicators:

Ip.	Financial performance indicator	Value of the ratio as at Q3 2019	Value of the ratio as at Q3 2018	Change	Method for calculating the ratio
1	ROA Return on assets	1,97%	1,76%	0,21 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/3)$
2	ROE Return on equity	10,56%	8,88%	1,68 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/3)$
3	NIM Net interest margin	5,20%	7,21%	-2,01 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/3)$
4	COF Cost of financing	6,52%	6,07%	0,45 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/3)$
5	COR Cost of risk	0,89%	0,68%	0,21 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/3)$
6	C/I Cost-to-income ratio	68,32%	75,18%	-6,86 p.p.	General administrative expenses / net operating income

After the three quarters in 2019, the Belarus based Group companies recorded substantially improved profitability, which was the result of changing the business model oriented to the digitalisation of the bank processes and investment to sales channels, while reducing costs related to the traditional sales network. The net income generated by the Belarusian segment in the reported period totalled PLN 12.7 million, which means a growth of 40.4% compared to the three quartets in 2018.

In the reporting period the bank generated sales of PLN 381.8 million, i.e. 13.7% higher compared to the corresponding period of the previous year. In the three quarters in 2019, Idea Bank (Belarus) recorded PLN 30.8 million worth net interest income, i.e. 7.1% lower than in the corresponding period of the previous year, with growing costs of financing (6.5% v. 6.1%) and the diminishing net fee and commission income (5.2% v. 7.2%), which was caused by new changes in regulations.

The net fee and commission income generated by the segment in the reported period totalled PLN 10.7 million, being 13.9% higher than in the corresponding period in 2018.

The operating costs in Belarus fell by 4.9% compared to the corresponding period, to PLN 46.9 million. It was possible as a result of changing the business model of the bank, with the focus on digitalisation.

As at 30.09.2019, the segment's loan portfolio increased to PLN 625.1 million, which means a growth by 20.5% compared to the end of 2018, while the deposit portfolio increased by 23.8% to PLN 728.6 million.

The cost of risk (COR) as at 30.09.2019 stood at 0.89%, which means that it was 0.21 p.p. higher than in the previous year.

b. The main successes and failures of the segment companies in Q3 2019

Idea Bank (Belarus) is in the process of transforming its business model from traditional to online banking. The bank is reorganising its sales network by reducing the number of branches while

developing the Internet banking functionalities. The demand for remote services and mobile banking supports the implementation of the online banking solutions.

The expansion of the new sales channels is expected to enhance the loan portfolio, as well as current accounts and savings deposited by the SME sector.

In Q3 2019, Idea Bank (Belarus) continued its sale in the consumer finance area. Services provided in that area are addressed predominantly to individual clients of online shops. Their competitive edge is the quick verification procedure and credit decision. The process (including the client's identification and personal data verification) goes online (by interbank identification system) and does not require any paperwork.

In Q3 2019, the bank kept building its base of consumer finance partner agreements. Presently, the bank offers services through 338 cooperating entities, compared to 24 partners as at the beginning of the year.

The average monthly sale in online consumer finance from January to September was BYN 1.9 billion compared to the average monthly sale of BYN 0.9 billion in 2018.

The bank also offers online standard loans and credit cards, which saves formalities and visits at the bank's branch. In Q3 2019, the "online banking" strategy followed by Idea Bank (Belarus) allowed for increasing the sales of loans and deposits through online channels. The present share of online deposits in the overall sale of deposits is 58.3% compared to 41.7% in the corresponding period in the previous year, and the share of online loans in the overall sale of loans totalled 23.6% compared to 16.5%.

In 2019, the bank recorded an increase in the portfolio by 20.5% with substantially reduced network of traditional branched compared to previous years.

c. List of factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come

In the Issuer's opinion, the following factors will affect the performance of the banking segment in Belarus in the subsequent periods:

- imposing by the National Bank of Belarus new limits (estimated standard risk indicators) – within the three quarters in 2019 this new regulation caused over twofold decrease (from 3.6% to 1.66%) of the spread between the maximum acceptable loan interest rate and deposit rate in the local currency;
- the liquidity deficit in the local currency in the banking system (affecting the cost of funding in rouble);
- the GDP low dynamics;
- meagre foreign currencies reserves,
- high external debt compared to the GDP;
- the rouble devaluation;
- increased liquidity and credit risk;
- the credit risk, risk of clients losing financial liquidity;
- limits for the maximum loan burden for individual debtors imposed by the National Bank of Belarus – reduced the effective demand for bank's products,

- lifting the restrictions concerning granting loans to clients with overdue debt;
- high dependency of the Belarusian economy on the economic situation in the Russian markets (e.g. possible further sanctions imposed on the Russian Federation).

d. The consequences of the changes to the segment structure

In Q3 2019, there no material changes in the segment structure.

2.4 Segment of lease and financial services in Russia

The segment of lease and financial services of the Issuer's Capital Group in the Russian Federation is represented by:

- Carcade sp. z o.o. – the car lease company;
- Centr Karawto sp. z o.o. – supports Carcade sp. z o.o. by selling post-lease cars; and
- Carcade Services sp. z o. o. – provides leasing-related legal, tax and accounting advisory services and broker services, supplementing services offered by Carcade sp. z o. o., as well as

Carcade sp. z o. o. is one of the largest Russia-based lease companies specializing in lease of cars and light commercial vehicles to small and medium-sized companies. With increased sales, Carcade sp. z o. o. is one of major lease companies operating in Russian Federation.

Centr Karawto sp. z o. o. and Carcade Service sp. z o. o. provide auxiliary services to Carcade sp. z o. o. The former one is engaged in increasing the post-lease car sales rate, while the latter provides leasing-related tax and accounting consultancy services and is an insurance broker for Carcade sp. z o. o. On 14.08.2019, the formal merger of those companies was initiated.

a. Presentation of the segment's financial result after the three quarters of 2019

Segment's result:

	kPLN			kRUB		
	9M 2019	9M 2018	% Change	9M 2019	9M 2018	% Change
Net interest income	52 454	43 847	19,6%	885 051	754 537	17,3%
Interest income	124 655	96 894	28,7%	2 103 290	1 667 392	26,1%
Interest expense	(72 201)	(53 047)	36,1%	(1 218 240)	(912 855)	33,5%
Net fee and commission income	18 854	17 335	8,8%	318 121	298 308	6,6%
Fee and commission income	18 854	17 335	8,8%	318 121	298 308	6,6%
Fee and commission expense	-	-	-	-	-	-
Net operating income	34 958	34 313	1,9%	589 843	590 472	-0,1%
Net impairment losses	(11 168)	(5 830)	91,6%	(188 436)	(100 325)	87,8%
Administrative expenses	(70 253)	(65 942)	6,5%	(1 185 371)	(1 134 757)	4,5%
Share in net profit (loss) of associates	2 522	2 857	-11,7%	42 553	49 164	-13,4%
Income tax	(6 973)	(5 987)	16,5%	(117 655)	(103 027)	14,2%
Net profit (loss)	20 394	20 593	-1,0%	344 106	354 373	-2,9%

Selected balance sheet data:

	kPLN			kRUB		
	30.09.2019	31.12.2018	% Change	30.09.2019	31.12.2018	% Change
Balance sheet total	1 287 261	1 014 100	26,9%	20 829 466	18 744 917	11,1%
Finance lease receivables	1 111 512	848 750	31,0%	17 985 631	15 688 540	14,6%

Key financial performance indicators:

Ip.	Financial performance indicator	Value of the ratio as at Q3 2019	Value of the ratio as at Q3 2018	Change	Method for calculating the ratio
1	ROA Return on assets	2,36%	3,13%	-0,77 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/3)$
2	ROE Return on equity	13,48%	14,13%	-0,65 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/3)$
3	NIM Net interest margin	6,82%	7,72%	-0,90 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/3)$
4	COF Cost of financing	11,14%	11,77%	-0,63 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/3)$
5	COR Cost of risk	1,52%	1,09%	0,43 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/3)$
6	C/I Cost-to-income ratio	66,11%	69,05%	-2,94 p.p.	General administrative expenses / net operating income

The performance of the Group in Russia was affected by increased competition typical for the Russian lease market.

The sales volume for the three quarters in 2019 totalled PLN 991.2 million, which means a growth by 21.4% compared to the corresponding period in 2018. Such high sales volume translated to the growth of the portfolio of lease receivables by 31.0% topping PLN 1.1 billion.

In the three quarters in 2019, the Russian sector generated a substantial increase in the interest income and commissions of 19.6% and 8.8%, respectively. The net result generated by the sector in the period totalled PLN 20.4 million compared to PLN 20.6 million generated in the corresponding period in 2018.

In the reported period, the balance sheet total for the segment surged to PLN 1.3 billion, i.e. by 26.9% compared to the result as at the end of 2018.

The cost of financing (COF) as at the end of Q3 2019 stood at 11.14% compared to 11.77% for the corresponding period in the previous year, whereas the costs of risk (COR) in the reported period was 1.52% compared to 1.09% after the three quarters in 2018.

b. The main successes and failures of the segment companies in Q3 2019

Carcade sp. z o.o. keeps its position among the TOP-4 major lease companies operating in Russia.

The segment is still improving its operating performance. The result generated in Q3 2019 is slightly lower than the result generated in the corresponding period in 2018 due to strong competition in the Russian lease market, the overall margin pressure in the financial and banking market, and the trend of gradually reducing interest rates.

Enhancing the company sales forces and launching new products and services, including innovative products such as the clients portal or sale through online channels allowed Carcade to compete with other companies (including state-owned companies) operating in Russia.

Carcade is presently implementing a new innovative sales platform which will allow for meeting clients' expectations better by introducing online verification. Clients will also be able to use a special client's zone where they will manage services under the Carcade brand umbrella. In the reported period the company launched also a mobile application that allows clients to manage services.

In Q3 2019, Carcade sp. z o. o. paid a dividend of PLN 7.8 million.

c. List of factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come

In the Issuer's opinion, the following factors will affect the performance of the segment in Russia in the subsequent periods:

- the USA sanctions imposed over the Russian Federation exerting pressure on the local financial market and business condition in the region;
- the threat of new sanctions;
- the changes introduced by the Central Bank of Russia in the base interest rate that determines interest rates for commercial loans and deposits and affects the inflation rate and costs of financing;
- availability of financing compared to the evaluation of the portfolio of Carcade sp. z o. o. and quality of its assets;
- the demand for lease products;
- potentially increased credit risk;
- the competition in the Russian lease market (including state-owned companies);
- keeping the Fitch's B+ rating for Carcade sp. z o. o., with stable outlook;
- Fitch rising the Russia's rating from "BBB-" to "BBB" with stable outlook;
- increasing the Moody's rating for Russia from Ba1 to Baa3 (reflecting the "positive impact of the recent reforms").

d. The consequences of the changes to the segment structure

On 01.07.2019, there was registered the sale of the interest held by Centr Karawto sp. z o. o. in Carcade Service sp. z o. o. to Idea Broker sp. z o. o. (Belarus). As a result of transferring the interest Centr Karawto sp. z o. o. holds 99.899% in Carcade Service sp. z o. o., Idea Broker sp. z o. o. (Belarus) – 0.1%, and Carcade sp. z o. o. – 0.001%.

On 09.07.2019 r., the formal liquidation of Assets Service Finance sp. z o.o. started.

On 14.08.2019, the merger of Centr Karawto sp. z o. o. and Carcade Service sp. z o. o. started.

2.5 Sector of banking and lease services Romania

The segment of financial services of the Issuer's Capital Group in Romania is represented by:

- Idea Bank (Romania) – the universal bank that provides services for individual clients and small and medium-sized enterprises;
- Idea Leasing IFN S.A. – provides lease services to corporate clients;
- Idea Finance IFN S.A. – provides financial lease services;
- Idea Investment S.A. – provides business consultancy services;
- Idea Broker de Asigurare sp. z o.o. – the insurance broker;

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- Idea Credite de Consum sp. z o.o.– the financial agent.

a. Presentation of the segment's financial result after the three quarters of 2019

Segment's result:

	kPLN			kRON		
	9M 2019	9M 2018	% Change	9M 2019	9M 2018	% Change
Net interest income	53 763	50 719	6,0%	59 202	55 486	6,7%
Interest income	84 876	76 503	10,9%	93 462	83 693	11,7%
Interes expense	(31 113)	(25 784)	20,7%	(34 260)	(28 207)	21,5%
Net fee and comission income	20 964	19 973	5,0%	23 085	21 850	5,7%
Fee and comission income	28 615	26 056	9,8%	31 510	28 505	10,5%
Fee and comission expense	(7 651)	(6 083)	25,8%	(8 425)	(6 655)	26,6%
Net operating income	22 675	19 399	16,9%	24 969	21 222	17,7%
Net impairment losses	(12 775)	(13 534)	-5,6%	(14 067)	(14 806)	-5,0%
Administrative expenses	(70 592)	(62 054)	13,8%	(77 733)	(67 886)	14,5%
Income tax	(2 653)	(2 755)	-3,7%	(2 921)	(3 014)	-3,1%
Net profit (loss)	11 382	11 748	-3,1%	12 533	12 852	-2,5%

Selected balance sheet data:

	kPLN			kRON		
	30.09.2019	31.12.2018	% Change	30.09.2019	31.12.2018	% Change
Balance sheet total	2 375 009	2 285 793	3,9%	2 579 569	2 476 750	4,2%
Credit and leasing receivables	1 591 136	1 538 661	3,4%	1 728 181	1 667 202	3,7%
Deposits	1 789 572	1 667 903	7,3%	1 943 708	1 807 241	7,6%

Key financial performance indicators:

Ip.	Financial performance indicator	Value of the ratio as at Q3 2019	Value of the ratio as at Q3 2018	Change	Method for calculating the ratio
1	ROA Return on assets	0,65%	0,76%	-0,11 p.p.	(Net profit / [(Total assets at the end of the current period + Total assets at the end of the previous year)/2])*(4/3)
2	ROE Return on equity	8,71%	10,25%	-1,55 p.p.	(Net profit / [(Total equity at the end of the current period + Total equity at the end of the previous year)/2])*(4/3)
3	NIM Net interest margin	3,23%	3,46%	-0,23 p.p.	(Net interest income / [(Total interest-earning assets at the end of the current period + Total interest-earning assets at the end of the previous year)/2])*(4/3)
4	COF Cost of financing	1,96%	1,85%	0,11 p.p.	(Interest expenses / [(Total interest-bearing liabilities at the end of the current period + Total interest-bearing liabilities at the end of the previous year)/2])*(4/3)
5	COR Cost of risk	1,09%	1,28%	-0,19 p.p.	(Net impairment result on loans, advances and leasing receivables / [(Total receivables from loans, advances, leasing at the end of the current period + Total receivables from loans, advances and leasing at the end of the previous year)/2])*(4/3)
6	C/I Cost-to-income ratio	72,47%	68,88%	3,60 p.p.	General administrative expenses / net operating income

The net result generated in the Romanian segment after the three quarters in 2019 totalled PLN 11.4 million and it was 3.1% lower than the net income generated in the corresponding period in 2018. The decrease was caused by higher contributions to the local Bank Guarantee Fund (PLN 1.8 million in the reported period compared to PLN 0.5 million in the corresponding period in the previous year), the new assets tax (PLN 1.0 million), and currency conversion of Idea Investment S.A. bonds in the amount PLN 0.5 million.

Putting the one-off events aside, the normalised result generated by the Romanian Group would have been PLN 14.7 million, i.e. it would have been c. 20% higher than in the corresponding period in 2018.

The sales figure for the segment in the three quarters in 2019 totalled PLN 700.2 million and it was 11.4% lower than in the corresponding period in 2018. The material factor that determined the sale in the reported period was decreasing the maximum allowable DTI by the National Bank of Romania and the effect of refinancing loans by other banks. The sales of banking products in the three quarters in 2019 totalled PLN 317.5 million and it was 18.5% lower than in the corresponding period in 2018. Sales of lease products (in the same period) totalled PLN 382.7 million, which means a 4.5% reduction (y/o/y).

The loan and lease receivables in the segment as at the end of 30.09.2019 totalled PLN 1.6 billion, which means a growth by 3.4% compared to the corresponding period in 2018. The deposit volume at the end of the reported period totalled PLN 1.8 billion, growing substantially by 7.3% compared to 31.12.2018.

In the reported period the NIM stood at 3.23% v. 3.46%, with the cost of financing (COF) of 1.96% v. 1.85% in the corresponding period in the previous year. The cost of risk (COR) in the reported period was 1.09% being 0.19 p.p. lower than in the previous year.

b. The main successes and failures of the segment companies in Q3 2019

Idea Bank (Romania) focuses on providing banking services to individual clients and the small and medium-sized companies. In Q3 2019, Idea Bank (Romania) continued to expand its loan portfolio, specifically consumption loans, including extremely popular with clients „Selfie”.

The bank operates through the network of several dozen branches and leasing outlets as well as through several agents. Like other banks in the Issuer's Capital Group, Idea Bank (Romania) offers a wide range of Internet banking services. Besides loan products, Idea Bank (Romania) offers deposits, debit and credit cards, as well as several settlement and cash services and bancassurance services. In the reported period, Idea Bank (Romania) was working at the implementation of a new product – a "Mortgage" loan. In Q3 2019, the bank included the new product to its offer.

In order to minimize and diversify the credit risk in Q3 2019 Idea Bank (Romania) initiated also a pilot campaign in cooperation with eMAG, the largest Internet shop in Romania. The platform clients get a quick access to the products offered by the bank in simplified procedures.

In 2019, Idea Leasing IFN (Romania) keeps its position among the leading Romania-based lease companies offering lease of movable property (including loans) to small and medium-sized enterprises.

In the reported sector, the Romanian segment was working at optimising its costs, increasing the segment's efficiency and matching the financing structure (redemption of bonds issued by Idea Investment S.A.). In Q1 2019 (27.01.2019), the Romanian Group redeemed bonds of Idea Investment S.A. worth PLN 26.3 million. The transaction required currency conversion of the obligation since the bonds had been issued in PLN, which had an adverse impact on the segment's performance for the three quarters in 2019, charging it with the amount of PLN 0.5 million. The bonds redemption was one of the elements of optimising the group's financial structure in Romania.

Furthermore, there are two cases pending carried out by state institutions with the participation of Idea Leasing IFN S.A. In April, the National Agency of Tax Administration started an inspection in the company. The agency was provided with relevant documentation of the company's advertising campaigns. The inspection implies the risk of changing the qualification of marketing costs and imposing additional tax dues on the company, and possibly penalties. As at the date hereof the agency has not given its opinion in the case.

After the balance sheet date, i.e. on 18.10.2019, the company received a report from the Romanian Competition Authority (Romanian Consiliul Concurentei) concerning the investigation carried out since November 2017. The authority verified all entities operating in the Romanian financial lease market (including the Romanian Leasing Association). The agency expressed a suspicion of breaching principles of fair competition in the sector. The company authorities initiated a legal procedure. A team of lawyers are drawing up formal comments clarifying refuting the charges. The final outcome and the question of any potential penalties are hardly foreseeable.

c. List of factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come

Idea Bank (Romania) continues the digitalisation project that will finally facilitate sale of a wide range of services and products, including loans and deposits, online. The platform will also allow for using the digital signature. The new version of the Internet banking will be one of the most innovative in the Romanian market.

The bank is also investing in the growth of the traditional sales network. The extension of the infrastructure is carried out parallelly to the optimisation and remodelling of the existing network.

The segment's main strategic goal is to ensure business efficiency by enhancing its market position and expanding its product range while improving the quality of customer service and cooperation with business partners. With this end in view the bank took several endeavours promoting sustainable growth of the institution, increasing its profitability and expanding the customer base.

Idea Bank (Romania) is going to constantly master its products in order to meet the local market expectations, especially as regards products sold through digital channels to SME clients. In the subsequent years Idea Bank (Romania) is going to adjust its business operations to the changeable macroeconomic environment, taking into account both the market and business conditions as well as possible changes in regulations.

Whereas Idea Leasing (Romania) is planning to develop cooperation with car suppliers and dealers in order to enhance its market position by expanding the range of offered vehicles and the ways of financing their purchases. The company is also considering the possibility of starting operations as an insurance broker for lessees.

Another factor that may have a material impact on the bank's performance is the expected economic slow-down, reflected in the lower annual GDP. It is caused by diminishing internal consumption that had been growing so far thanks to the fiscal policy of the Romanian government, but slowed down because of diminishing purchasing power caused by the inflation. Furthermore, the segment's performance may also be affected by expected increase of interest rates for the local currency and the exchange rate of the local currency to the euro.

The segment's operations will also be affected in the nearest future by possible legal changes concerning the banking and financial sectors (long-term consequences of changes in regulations on consumer bankruptcy and mortgage loans), the fiscal policy aiming at reduction of the budget deficit, and the EU economic situation. In the perspective of the subsequent periods, with the present fiscal policy, the bank expects diminishing growth of the loan portfolio and of the overall level of deposits from legal entities. Another factor that may have a material on the companies' performance is the seasonal risk of liquidity risk in the deposit market.

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

Similarly, the debt/income ratio regulation introduced by the National Bank of Romania may affect the future loan portfolio in the Romanian market.

While conducting their operations the segment companies, like other companies in the banking sector, are exposed to such factors as, in particular the credit risk, cash flow disruptions or loss of financial liquidity of their clients.

In case of Idea Leasing (Romania), the company's performance will be affected by the development of the automotive market and vehicle lease market. The markets may also be affected by possible legal or fiscal changes, specifically as regards buying out debt. For Idea Leasing (Romania), another crucial issue is ensuring continuous financing for the company's core operations.

d. The consequences of the changes to the segment structure

After the balance sheet date, i.e. on 15.11.2019, the Company took up 47,649,240 new shares in Idea Bank S.A. (Romania), for the total price of RON 4.76 million. After the registration of the capital increase, the bank's share capital totals RON 284,859,925.9.

2.6 Segment of financial services in Poland

The segment of financial services of the Issuer's Capital Group in Poland comprises M. W. Trade S.A. The strategic goal of M. W. Trade S.A. is to increase the company's goodwill by its specialisation in restructuring debt of public units and offering complex financial services while keeping high operating profitability. The typical feature of this niche market is concentration of demand and supply, which leads to the dependency of the company on the market situation, specifically on changes in legislation and competition.

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a. Presentation of the segment's financial result after the three quarters of 2019

Segment's result:

	kPLN		% Change
	9M 2019	9M 2018	
Net interest income	3 556	9 099	-60,9%
Interest income	10 924	22 727	-51,9%
Interes expense	(7 368)	(13 628)	-45,9%
Net fee and comission income	170	(881)	-
Fee and commission income	411	(192)	-
Fee and commission expense	(241)	(689)	-65,0%
Net operating income	(3)	38	-
Net impairment losses	282	254	11,0%
Administrative expenses	(3 339)	(4 302)	-22,4%
Income tax	(2 766)	(752)	267,8%
Net profit (loss)	(2 100)	3 456	-

Selected balance sheet data:

	kPLN		% Change
	30.09.2019	31.12.2018	
Balance sheet total	166 515	289 514	-42,5%
Loans and receivables	121 768	267 689	-54,5%

Key financial performance indicators:

lp.	Financial performance indicator	Value of the ratio as at Q3 2019	Value of the ratio as at Q3 2018	Change	Method for calculating the ratio
1	ROA Return on assets	-1,23%	1,13%	-2,36 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/3)$
2	ROE Return on equity	-3,35%	5,28%	-8,62 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/3)$
3	NIM Net interest margin	2,12%	3,04%	-0,92 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/3)$
4	COF Cost of financing	6,86%	5,70%	1,16 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/3)$
5	COR Cost of risk	-0,19%	-0,09%	-0,11 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/3)$
6	C/I Cost-to-income ratio	89,69%	52,11%	37,58 p.p.	General administrative expenses / net operating income

During the three quarters in 2019, the segment of financial services in Poland generated a negative net profit of PLN 2.1 million, which means a fall compared to the corresponding period in the previous year, when the company reported a profit of PLN 3.5 million.

The total operating expenses incurred by the company in the three quarters in 2019 amounted to PLN 3.3 million, i.e. 22.4% less than in the corresponding period in the previous year. The reduction was the result to a great extent of lower costs of financing the portfolio (fall by 49%) that included less assets.

In Q3 2019, the company did not generate any new balance sheet contracting (in the corresponding period in 2018, there was no balance sheet contracting, either). The company intermediated in sale of loans worth PLN 6.0 million (v. PLN 7.0 million in the corresponding period in the previous year).

After the three quarters in 2019, the company's loan portfolio was worth PLN 112.8 million, compared to PLN 267.7 million at the end of 2018. Whereas the segment's balance sheet total at the end of Q3 2019 was 42.5% lower than at the end of 2018 (fell from PLN 289.5 million to PLN 166.5 million as at 30.09.2019).

b. The main successes and failures of the segment companies in Q3 2019

M. W. Trade S.A. focuses on building a high quality portfolio for the bank belonging to Getin Holding Capital Group S.A. and keeping its own portfolio based on restructuring debt of medical entities and local government units. The company provided financial services taking into account available funds and the risk related to timely repayment by the restructured entities. All risks related to the company's operations are analysed on a current basis, both at the initial stage, before any obligations within a new financial project are assumed, and during the cooperation with clients.

In Q3 2019, the company generated a negative net result of PLN 3.7 million. The negative net result for the three quarters in 2019 was PLN 2.1 million, compared to the profit of PLN 3.5 million generated in the corresponding period in the previous year.

The key factors that affected the performance in Q3 2019 included the following:

- making a provision for deferred tax of PLN 2.7 million;
- PLN 0.4 million write-offs as a result of applying IFRS9;
- settlement of the expected total loss for the entire portfolio amounting to PLN 0.8 million, and
- closing transactions with the hospital in Grudziądz (debt repayment) in the total amount of PLN 112.5 million.

The sales volume for Q3 2019 totalled PLN 1.8 million, i.e. PLN 4.5 million less than in the corresponding period in the previous year, which means a fall by 71.0%. Since the beginning of the year the company's income from sales totalled PLN 11.3 million compared to PLN 22.5 million in the corresponding period in 2018.

The diminishing income was caused predominantly by the lower average monthly portfolio value that in the reported period that totalled PLN 236.8 million.

The total operating expenses incurred by the company in Q3 2019 amounted to PLN 3.1 million, i.e. 39.0% less than in the corresponding period in the previous year. The lower total expenses resulted predominantly from the lower portfolio financing costs (that fell by 49.0%) and administrative costs (that fell by 14.0%).

In Q3 2019, the Company, as intended, did not generate any new balance sheet contracting (in the corresponding period in 2018, there was no balance sheet contracting, either). In the reported period, the company intermediated in sale of loans worth PLN 6.0 million compared to PLN 7.0 million in the corresponding period in the previous year. The company assumes that the upward trend as regards the number of applications and disbursing loans will continue in the quarters to come.

The claims portfolio of the Company, that includes short- and long-term receivables and loans, on the last day of the reporting period totalled PLN 123.0 million compared to PLN 321.5 million generated in the corresponding period in 2018, which means a fall by 62%. The value of the portfolio fell by 54% compared to the end of 2018 when it was PLN 269.4 million.

In Q3 2019, the company recorded repayment of material debt by the company's major client the hospital in Grudziądz. After the balance sheet date, i.e. on 30.10.2019, the hospital repaid the entire debt amounting to PLN 134.0 million, and all transactions were finally settled and closed.

The earlier repayment, compared to the initial repayment schedules, had a positive impact on:

- long-term liquidity of the company;
- mitigation of the financial portfolio credit risk;
- substantially improved match of assets and liabilities;
- substantial reduction of financing costs and liabilities.

Consequently, the company's vulnerability to the hardly predictable environment in the Polish financial market is presently slight.

However, liquidation of such a considerable exposure has also negative effects, such as:

- a loss of potential future income generated by the portfolio of the hospital debts;
- changing estimates (including the write-offs as a result of applying IFRS9);
- tax settlements resulting from the previous transactions at the side of liabilities for the repaid exposure (generating a substantial tax loss).

The company optimises on an ongoing basis its financing resources, adapting to the current market situation and its assets portfolio, by the end of 2019 it intends to redeem all issued bonds.

The company's debt ratio, i.e. the proportion of the total liabilities and provisions to the assets as at 30.09.2019 stood at 50%, which means a fall by 20.4 p.p. compared to rate reported for the end of the year.

In the subsequent periods the company is planning to focus on expanding its cooperation with Idea Bank S.A. by offering loans, providing services to the bank's and its own clients and optimising its sales processes.

c. List of factors and risks that in the Issuer's opinion will affect performance of the segment companies in at least one quarter to come

In the Issuer's opinion, the key information for the evaluation of meeting obligation by M. W. Trade and affecting its business is the business risk, strictly related to its market environment, where the company operates, other market players (including competitors) and external factors that shape the market.

Whereas the factor that influences the credit risk is the hospital network formed by the Minister of Health, i.e. the system of ensuring elementary hospital care that aims to ensure wide access to healthcare services. The hospitals network established the classification of medical units in a system that ensures adequate protection system: profiles in which services are provided and scopes and types of services refunded by the National Health Fund. The system covers all units that ensure continuous access to medical services and their complexity. It is the confirmation of the strategy

applied by the company concerning risk assessment methodology and focusing on major units in a region.

Furthermore, the company is exposed to the risk of delays in debt servicing by public entities that it cooperates with. Shifts in positive cash flows or lack of such cash flows may cause that the company periodically may have no cash to pay its current dues. The Company's liabilities result from deferred repayments of purchased debts, contracted loans and credit facilities and issued debt instruments. Discharge of the aforementioned liabilities and covering costs of the current activity generates current and future negative cash flows. The company covers them from positive cash flows from its receivables portfolio or new liabilities, if necessary. The amount and complexity of assets and liabilities results in timing mismatch of positive and negative cash flows, which may cause temporary liquidity gaps. The Company mitigates the risk by assigning a concentration limit to each client and keeping adequate cash for the assets portfolio that is a liquidity buffer for the company. The possibility of intercompany transactions facilitates better matching of assets and liabilities, which gives the company the opportunity to enhance its liquidity buffer.

Furthermore, the scale of the influence of the following factors will have a material impact on the company's performance:

- the market conditions, including robust price competition;
- the situation in the financial market in Poland;
- refinancing the sector by the national health Fund (NFZ);
- very strong wage pressure with limited resources of medical staff in Poland;
- implementation of individual adaptation programmes by SPZOZ medical units;
- outcomes of sanitary inspections at medical centres concerning safety and hygiene for patients;
- increased total debt of medical units, growing need for revolving credit among suppliers and healthcare entities.

Critical success factors and factors that will ensure achievement of the company's strategic goals:

- the experience and expertise in the market of financing healthcare entities (knowledge base concerning hospitals and their financial standing);
- the access to financing and services offered by Getin Holding S.A. Capital Group companies;
- providing services responding to the market demand;
- the ability to develop mix of services ensuring higher added value to clients;
- good relations with clients throughout the country (also providers of services and goods to healthcare entities).

External factors that materially affect growth of the company:

- the liquidity situation of the medical sector units related to the medical procedures contracted by the National Healthcare Fund (NFZ) and the amount of funds from health insurance contributions;
- change of the way of settlement of medical units with NFZ (or other funds responsible for financing healthcare system under the supervision of the Minister of Health);
- functioning of the network of hospitals;

- sanitary and structural requirements of the Minister of health that force healthcare units to incur substantial outlays, increasing operating costs, mainly labour costs increasing due to the increase of the minimal wages;
- increasing wage pressure at all levels of healthcare units personnel, expectation of a substantial raise;
- the liquidity of suppliers of hospitals;
- the situation in financial markets and the cost of external financing and its availability;
- competition in the market;
- implementation of legal restrictions for trading debt of healthcare units that will affect the sale structure of products directly financing healthcare units;
- the level of debt of local government units caused by higher investment expenses incurred in the EU-cofinanced projects;
- statutory changes regulating operations of local government units, their income from paid taxes and earned on their property, in relation to expenses on implementing own and delegated tasks.

A detailed description of factors that affect operations of M. W. Trade S.A. are available in the publicly available company's report for Q3 2019.

d. The consequences of the changes to the segment structure

In Q3 2019, there no material changes in the segment structure.

3. Other information concerning Getin Holding Capital Group in Q3 2019

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

Structure of ownership of significant blocks of shares as of the date of the H1 2019 report and as of the date of this statement, to the Issuer's knowledge:

SHAREHOLDERS ENTITLED DIRECTLY OR INDIRECTLY TO AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETINGS OF SHAREHOLDERS OF GETIN HOLDING S.A. AS OF THE DATE OF FILING H1 2019 AND AS AT THE DATE OF FILING THIS REPORT

Shareholder	Number of shares held/ number of votes arising from shares held (pcs.)	% share in the share capital / votes at GMs (pcs.)
*Leszek Czarnecki directly and indirectly**, including among others:	104 316 454	54.97%
LC Corp B.V. based in Amsterdam	64 845 032	34.17%
Getin Noble Bank S.A. based in Warsaw	18 957 758	9.99%

*to the Issuer's knowledge, Dr. Leszek Czarnecki holds:

- directly 20,468,082 shares accounting for 10.79% of the share capital (% of all votes at the company's GMs), and
 - indirectly, through subsidiary companies – 83,848,372 shares accounting for 44.18% of the share capital (% of all votes at the company's GMs);
- the companies controlled by Dr. Leszek Czarnecki that hold shares in Getin Holding S.A. include:
- LC Corp B.V. based in Amsterdam and Getin Noble Bank S.A. based in Warsaw, whose interest is presented hereinabove;
 - RB Investcom sp. z o. o. based in Wrocław holding 8,231 shares accounting for 0.004% of the share capital (% of all votes at the company's GMs);
 - Idea Money S.A. based in Warsaw holding 631 shares accounting for 0.0003% of the share capital (% of all votes at the company's GMs);
 - Jolanta and Leszek Czarnecki's Foundation holding 29,970 shares accounting for 0.016% of the share capital (% of all votes at the company's GMs);
 - Open Finance Fundusz Inwestycyjny Otwarty Subfundusz Akcji Małych i Średnich Spółek (managed by Open Finance TFI S.A.) holding 6,750 shares accounting for 0.0036% of the share capital (% of all votes at the company's GMs).

b. List of changes of the number of shares owned by members of Management and Supervisory Boards

Person	Position	as of the date of publication of H1 2019 report (pcs.)	change	as of the date of publication of Q3 2019 report (pcs.)
Piotr Kaczmarek	President of Management Board	6 000	-	6 000
Krzysztof Jarosław Bielecki	Deputy President of Management Board	0	-	0
Izabela Lubczyńska	Member of Management Board	1 130	-	1 130
Krzysztof Florczak	Member of Management Board	0	-	0
Leszek Czarnecki	Chairman of Supervisory Board	20 468 082 ¹⁾ 83 848 372 ²⁾	-	20 468 082 ¹⁾ 83 848 372 ²⁾
Remigiusz Baliński	Vice Chairman of Supervisory Board	49 410	-	49 410
Adam Maciejewski	Member of Supervisory Board	0	-	0
Stanisław Wlazło	Member of Supervisory Board	0	-	0
Bogdan Frąckiewicz	Member of Supervisory Board	0	-	0

1) directly

2) indirectly

c. The Management Board's position concerning the probability of meeting previously published forecasts for the given year

Neither the Issuer, nor its subsidiaries published any financial forecasts for Q3 2019.

d. Information about granting by the Issuer or its subsidiary of a substantial value loan or credit guarantee or a guarantee

In Q3 2019, neither the Issuer nor its subsidiaries granted a loan or credit guarantee or a guarantee of the value of 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

In the reported period in Getin Holding Capital Group there were 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 or administrative proceedings concerning liabilities or debts

In Q3 2019, there was no single proceeding concerning Getin Holding or its subsidiaries' liabilities or claims of substantial nature. 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 Q3 2019, 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, dated 20 November 2019

Getin Holding S.A. Capital Group
Consolidated Quarterly Report for the 9-month period ended 30.09.2019.
Report on operations of the Capital Group and Issuer

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