

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

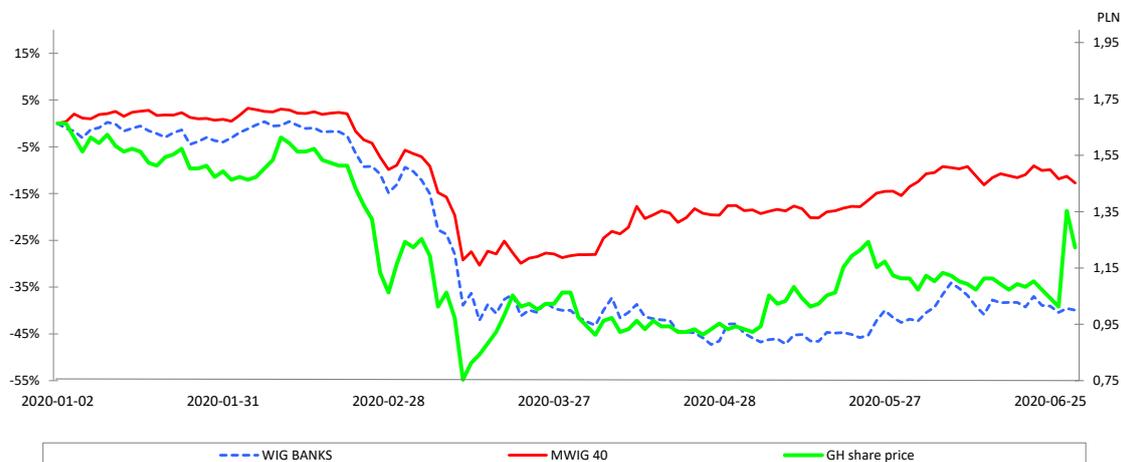
**REPORT ON OPERATIONS OF THE CAPITAL GROUP AND ISSUER
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

1. Operations of the Issuer and Getin Holding Capital Group in H1 2020

a. The main successes and failures of Getin Holding Capital Group in H1 2020

Stock price

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



Finalising sale of assets in Russia

On 29.11.2019, a conditional agreement to sell Carcade group was signed. On 20.03.2020, having satisfied all conditions precedent, the Issuer signed with investors an agreement to sell the Russian assets for the price amounting to RUB 2,933.4 million (that was equivalent of nearly PLN 154.9 million). The payment of the purchase price was effected by means of letters of credit opened by the investors, and the funds were released to the Issuer on 04.06.2020, i.e. after the participatory interest in Carcade was registered in the relevant register on 30.03.2020. Part of the purchase price amounting to RUB 800.0 million was transferred to the escrow account in order to secure the purchasers' potential claims resulting from the Issuer's warranties and restrictions.

Selling of the Ukrainian segment assets

On 25.06.2020, conditional agreements to sell 100% interest in Idea Bank (Ukraine) and 100% interest in New Finance Service signed in December 2019 with:

- Dragon Capital Investments Limited (Cyprus), Dragon Capital New Ukraine Fund L.P. (Jersey) and an individual person, and
- Napalor Holdings Limited (Cyprus) - a company designated by the aforementioned investors were terminated.

The reason for failure to complete the transaction was failure to satisfy the condition precedent, i.e. the parties failed to sign the sale price certificate within the deadline specified in the agreement. Nor has the Issuer obtained a notification about issuing a consent for the transaction by the National Bank of Ukraine, which was one of the conditions for transferring the title in shares of Idea Bank.

Loan repayment in Getin Noble Bank S.A.

On 10.04.2020, the Issuer repaid PLN 83.1 million loan granted by Getin Noble Bank S.A. under the agreement dated 14.12.2018.

Coronavirus SARS-CoV-2

The key factor shaping the business environment in all markets where Getin Holding Capital Group operated in H1 2020 was the SARS-CoV-2 pandemic that shook most of the world economies.

The pandemic's effects will influence both financial results in the subsequent quarters and decisions concerning the shape and rules for the Group business operations.

The nature of the Company's operations allows for nearly 90% of all tasks to be carried out remotely, which allowed for implementing hybrid (home-/office-bound) work for all employees, with no risk of disrupting current projects and other processes essential for the Company's operations, such as assets management or current reporting, both internal and external. The management model in Getin Holding assumes remote cooperation with use of modern ICT solutions.

The hybrid working model has proved very efficient in the Company so far.

Potential risks may incur in case of regulatory changes caused by further negative development of the situation and necessary reactions of relevant authorities in the areas of the Group operations. The main risks that Getin Holding may potentially face include restrictions in payment of dividends from subsidiary companies, which may cause disruptions in financial flows on the Company level.

The SARS-CoV-2 pandemic is present in all markets where Getin Holding operates. The scale of the pandemic varies from country to country, and so does reaction of local authorities, their recommendations and restrictions for various economic sectors. The Group companies are implementing adequate to such restrictions regulations that cover work organisation changes and special procedures that ensure uninterrupted workflow in the pandemic. The common element of those efforts is making it possible for as many Getin Holding Group employees to work at home in order to assure the highest possible level of security and to mitigate risk of spreading virus and to ensure uninterrupted processes in each organisation.

The management board of Getin Holding expects that adverse economic consequences will strike all markets where the Group operates and diminishing demand for financial services, especially loans, and therefore materially affecting interest and commission income.

In H1 2020, due to COVID-19 the Group companies disclosed an additional impairment loss of their loan portfolios, being the result of diminishing loan repayment discipline. Adding to the increased credit risk, the Group's profitability will also suffer from reduced interest rates in particular markets. The Group is striving to keep the diminishing profitability of working assets by gradual reduction of costs of raising capital and further deeper restructuring processes in Idea Bank Group (Poland).

At the same time, the management board of Getin Holding S.A. indicates the risk of failure to accomplish planned business goals. The said risk may concern internal factors related to the restructuring of Idea Bank Group (Poland) and the impact of highly changeable business cycles on achieved financial results. The outbreak of the SARS-CoV-2 pandemic brought about unrecalled changeability and concerns about the economy's condition and foundations for further economic growth, both globally and locally.

The negative impact of the aforementioned factors will affect performance and equity of the Group companies, which may in turn materialize the risk of non-compliance with capital requirements by some of the companies.

Ultimate the impact of the pandemic for markets where Getin Holding Capital Group operates cannot be at the present moment precisely measured and evaluated. The company's management board is closely looking at measures employed by local governments, adapting the Group's operations to current situation.

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

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

- the SARS-CoV-2 pandemic related situation, its impact on income and loan portfolio quality;
- the regulatory risk related to non-compliance with capital requirements by Idea Bank Group (Poland), possibility of launching the compulsory restructuring scheme;
- the reputation risk; the impact of potential loss of reliability in one area to other markets, investment valuation or potential capital acquisition in local markets;
- the market situation (globally and locally); macroeconomic indicators in economies (where the Group is or will make investment) that affect return on investment; hardly predictable fluctuations in economic markets;
- the ability of the Group companies to adapt 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 for innovative projects, is exposed to start-up risk or risks related to assets disinvestment;
- the liquidity risk resulting from financing investment assets with debt instruments and loans; potentially insufficient funds to pay liabilities or lack of marketability of assets to raise funds or assume new liabilities to pay debt;
- the portfolio concentration, the majority interest in Idea Bank (Poland) as the lion share of the Issuer's portfolio;
- care that the Company applies in acquiring diversified investments portfolio and matching financing sources and/or in disinvestment on good conditions.

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

Besides those specified herein and in the financial statements of Getin Holding Capital Group S.A. for the six-month period ended on 30.06.2020, in H1 2020 there occurred no other 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

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

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

In H1 2020, there were no changes or any consequences thereof in the structures of the Issuer or Getin Holding Capital Group, other than the ones reported herein (selling assets in Russia) and in section 2 hereof.

2. Business operations of Getin Holding Capital Group by territorial segments in H1 2020

Presentation of business operations of Getin Holding Capital Group by territorial segments. As the segment in Russia – sold by the Issuer in Q1 2020 – qualifies as discontinued operations according to the ISFR, it is not included in the following description.

2.1 Sector of banking services in Poland

The segment of banking services of the Issuer's Capital Group in Poland in H1 2020 comprised among others:

- Idea Bank S.A., an SME bank offering a wide variety of credits, loans and deposits (including the Firma+ bank account for clients who used the Anti-Crisis Shield solutions, the bank account is presently the main account addressed to small and medium-sized enterprises);
- Idea Money S.A., operating in the factoring and debt collection market, offering products that may be addressed both to large manufacturing, transport, construction as well as trade and service companies; in H1 2020, the company offered standard products (global factoring, single factoring, debt factoring) as well as so called 'express' products that are easy universal products with quick loan award decisions (as a result of an agreement between Idea Bank (Poland) and the Jolanta and Leszek Czarnecky Foundation and Idea Getin Leasing S.A. concerning sale of 65% of shares in Idea Money S.A., Idea Bank Group classified assets and liabilities of Idea Money S.A. as items for sale);
- Idea Getin Leasing S.A. – specializes in lease of vehicles and machinery (an associated company);
- Development System sp. z o.o., a company that sells and administrates property located in Sky Tower in Wrocław;
- Open Finance S.A., a company that provides financial consultancy, offers individual clients products of several banks, investment funds and insurance companies (an associated company); (in connection with the planned sale of Idea Money S.A. that holds 17.22% of shares in Open Finance S.A., the company was classified in the balance sheet of Idea Bank Group (Poland) as at 30.06.2020 as fixed assets intended for sale);
- Idea Box Alternatywna Spółka Inwestycyjna S.A., an incubator for selected financial enterprises (an associated company); (in connection with the planned sale of Idea Box ASI, the company was classified in the balance sheet of Idea Bank Group (Poland) as at 30.06.2020 as fixed assets intended for sale).

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

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

- issuing loans and credit facilities;
- bank guarantees, letters of credit;
- taking deposits;
- keeping bank accounts;
- financial brokerage and advisory and consultation services in financial matters;
- providing other financial services related to insurance and pension funds;
- leasing;
- factoring;

- real estate trade;
- trading in securities;
- managing securitized debt of securitisation funds.

Idea Bank S.A. (Poland) caters for current entrepreneurs' needs of financing business and growth, its products and services 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 a network of traditional branches as well as through a complex Internet platform and mobile banking system, and through financial brokers.

The underlying concept of the business carried out by Idea Bank (Poland) Group is the idea of 'Entrepreneur for Entrepreneurs' that emphasises the understanding of clients needs and developing relevant products that meet their current needs and expectations and lead to building long-term relations with clients. The segment has been growing along with its clients offering them financial products adequate for the stage of their business development.

a. Presentation of the segment's financial result in H1 2020

Segment's result:

	kPLN		% Change
	H1 2020	H1 2019	
Net interest income	250 734	268 357	-6,6%
Interest income	393 279	547 182	-28,1%
Interest expense	(142 545)	(278 825)	-48,9%
Net fee and commission income	7 491	16 604	-54,9%
Fee and commission income	34 150	55 175	-38,1%
Fee and commission expense	(26 659)	(38 571)	-30,9%
Net operating income	(7 883)	(59 090)	-86,7%
Net impairment losses	(155 022)	(146 090)	6,1%
Administrative expenses	(122 871)	(187 022)	-34,3%
Share in net profit (loss) of associates	(6 296)	3 393	-
Income tax	34 093	23 711	43,8%
Net profit (loss) on continued operations	246	(80 137)	-
Net profit (loss) on discontinued operations	2 456	(3 499)	-
Net profit (loss)	2 702	(83 636)	-

Selected balance sheet data:

	kPLN		% Change
	30.06.2020	31.12.2019	
Balance sheet total	15 654 288	17 323 307	-9,6%
Credit and leasing receivables	12 191 424	13 423 675	-9,2%
Deposits	14 015 835	15 508 490	-9,6%

Key financial performance indicators:

Ip.	Finansowy wskaźnik efektywności	Wartość wskaźnika wg. stanu na Q2 2020 r.	Wartość wskaźnika wg. stanu na Q2 2019 r.	Zmiana	Metoda obliczenia wskaźnika
1	ROA Return on assets	0,00%	-0,78%	0,79 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/2)$
2	ROE Return on equity	0,31%	-106,23%	106,54 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/2)$
3	NIM Net interest margin	3,21%	2,74%	0,46 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/2)$
4	COF Cost of financing	1,77%	2,80%	-1,03 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/2)$
5	COR Cost of risk	2,42%	1,84%	0,58 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/2)$
6	C/I Cost-to-income ratio	49,08%	82,80%	-33,72 p.p.	General administrative expenses / net operating income

In 2019, the bank carried out complex restructuring that included deep reductions of operating costs and changes in the business model and scale; the bank reduced and stabilised its cost of risk and transformed its business and organization, including the sales network. The recovery procedure implemented by the sector aims at improving profitability and redirecting business to the growth path.

Thanks to those changes Idea Bank (Poland) Group closed the reporting period with a net profit amounting to PLN 2.7 million (incl. PLN 0.3 million generated by continued business) compared to the loss of PLN 83.6 million incurred in the corresponding period in the previous year (among others in connection with reduced operating costs and lower interest costs).

The net interest income generated by Idea Bank (Poland) Group in H1 2020 totalled PLN 250.7 million being 6.6% lower than in the corresponding period. The main reason being the decline in the interest income resulting from the NBP interest rates reduction by the Monetary Policy Council in Q2 2020 and the shrinking loan portfolio. The decline was partially mitigated by a substantial reduction (48.9%) of interest costs.

The net commission and fee income earned on the banking activity in Poland totalled PLN 7.5 million (as compared to PLN 16.6 million earned in the previous year).

In H1 2020, the loss in the item of other net operating income and costs totalled PLN 7.9 million compared to PLN 59.1 million in the corresponding year in 2019 (which means an 86.7% decline).

The sector of banking services in Poland is deeply cutting its operating costs, also by the reorganisation of its outlets network. As a consequence, a substantial fall (34.3%) of the operating costs in the banking sector was reported, from PLN 187.0 million to PLN 122.9 million year over year. In the restructuring process in 2020 the segment substantially reduced the employee benefits, rental and lease costs and promotion campaign costs. As a result the costs of Idea Bank (Poland) Group were substantially reduced from 82.80% to 49.08% at the end of H1 2020 compared to H1 2019.

The segment's loan portfolio in the discussed period diminished by 9.2% to PLN 12.2 billion, whereas the deposit portfolio dropped (by 9.6%) to PLN 14.0 billion, which is the outcome of matching the deposit portfolio to the diminishing loan portfolio. The balance sheet total of Idea Bank S.A. (Poland) Group as at the end of the reported period totalled PLN 15.7 billion. The main reason for the

reduction of the balance sheet total in assets were lower receivables from clients caused among others by lower sale of loans.

In spite of the pandemic crisis Idea Bank (Poland) Group improved its NIM. As at 30.06.2020, the margin was 3.21% (compared to 2.74% reported in H1 2019). Similarly, the cost level reflected positive trends, decreasing by 33.72 p.p. to 49.08%.

The TCR for Idea Bank (Poland) Group calculated in accordance with the binding CRR/CRD IV regulations as at balance sheet date totalled 0.86%, while the Tier 1 equity ratio reached 0.3%.

Being aware of the obligations to comply with relevant capital requirements and to assure security of deposit holders and other stakeholders, the bank's management board takes all efforts to fulfil those obligations, and takes intense efforts to capitalize Idea Bank (Poland) Group. In H2 2020, the bank is planning to issue new shares worth PLN 100 million.

b. The main successes and failures of the segment companies in H1 2020

Idea Bank S.A. has been consistently implementing its recovery strategy adopted in 2019. Thanks to the earlier initiated restructuring process the bank's authorities were prepared to take further difficult decisions in the pandemic situation. Thanks' to the flexibility and ability to optimise business operations the bank could offer SME clients modern and cost-effective products.

The onset of the pandemic forced the bank to accelerate its organisational changes such as the process automation and digitalisation of services, or implementation of new models of cooperation both with clients and among staff members. The bank went to partially remote working model. The Internet has become the strategic direction for the business growth.

Simultaneously, Idea Bank (Poland) team have been working on presenting the regulatory a precise plan of recovery of capital ratios and sustainable profitability. Its implementation would be tantamount with the completion of the voluntary recovery process. Since H2 2019, the bank has been reporting positive financial results and gradually have been improving its capital ratios, while being open to negotiations with potential investors.

Implementation of the bank's strategy, that may be described as 'through profitability to capital', aims at reaching profitability in a secure manner. Additional complex solutions and internal regulations have been introduced that put protection of the client's interest as a priority.

Since the beginning of its business activity Idea Bank (Poland) specializes in providing service to owners of micro and small companies. In H1 2020, the bank took up several initiatives to streamline its processes, improve customer service and ensure compliance. At the same time, in the reported period the bank adapted its loans price policy taking into account changes of the reference interest rates and risk factors related to the COVID-19 pandemic. In H1 2020, the bank – just like the entire financial sector – offered its clients so called 'credit holidays' for repayment of principal instalments.

In spite of a difficult market situation in the reported period the bank acquired over 2,400 new clients. In February 2020, the bank initiated sale of accounts to companies with the use of courier process.

Presently, corporate clients may use a very convenient iPOS terminal. This solution is a combination of a sales application, cash register and a payment terminal for cashless transactions (including payment cards and BLIK). Moreover, in cooperation with Planet Pay the bank offers standard payment terminals. During the pandemic the bank's corporate clients could use reliable Planet Pay products – telephone orders of mobile payment terminals delivered 'to the door'. That solution perfectly provided for needs of companies that had to adapt quickly to the lockdown conditions.

Deposit products offered by the bank in H1 2020 proved attractive both to the existing and potential clients. The bank competed in the market offering cost-effective and available products (e.g. to clients who do not hold a checking account). While implementing strategic changes to the customer service channels in H1 2020 the bank started the process of increasing the significance of remote channels (mostly the Internet and mobile banking) in deposits acquisition. Simultaneously, the bank took steps to withdraw servicing term deposits in traditional branches.

In H1 2020, the bank did not offer sale of structured deposits. Presently, the bank provides only post-sale service for such deposits.

The number of users of Idea Cloud and the mobile application in the reported period remained constant. The bank also launched works at developing a new mobile application. There were implemented a few projects that made the use of the bank's services on the Internet and mobile applications substantially easier for clients.

The quality of services offered by the bank was appreciated. In 2020, Idea Bank (Poland) won:

- The Clients/Customers' Golden Laurel 2020 and the first award in the category of 'corporate accounts and the Clients/Customers' Silver Laurel 2020 and the second award in the category of 'deposits' for the Happy Deposit. The Clients / Customers Laurel is the biggest consumer programme in Poland that has been awarding best products and services in several categories), and
- the silver and second place in the Innovation 2020 competition in the category 'Innovative Business' for the Video Bot solution (i.e. the bank's website interactive assistant that is to support clients in using services and products). The competition jury appreciated the Video Bot for its intuitive use and modern design, including adaptation of the website to the season of the year.

In the period from 01.01.2020 to 30.06.2020, the following material events occurred in Idea Bank (Poland) Group:

- On 03.02.2020, the bank received a decision of the President of the Office for Competition and Consumer Protection (UOKiK) concerning the bank's practices that breached collective interests of consumers. Details concerning regulatory proceedings are reported in note 2.31 to the Consolidated Financial Statement of Getin Holding Capital Group for the 6-month period ended on 30.06.2020.
- Because of the SARS-CoV-2 pandemic Idea Bank (Poland) Group introduced additional support instruments for clients who had been especially affected with the pandemic results. First of all, clients were offered 'loan repayment holidays'.
- In April 2020, the bank signed an agreement with the Polish Development Fund paving the path to the financial shield schedule to its clients. Clients could apply for subventions via the bank's electronic system.
- On 26.06.2020, the bank signed with the Jolanta and Leszek Czarnecki Foundation (the JLC Foundation) and Idea Getin Leasing S.A. (IGL) a Term Sheet for a sale transaction of 7,009,055 shares in Idea Money S.A. (IM), accounting to 65% of all IM shares. The parties intended to conclude by 31.07.2020 an agreement to sell 4,853,501 shares (accounting for 45.01% shares in IM) to the JLC Foundation for the total price of PLN 2.25 and 2,155,554 shares (accounting for 19.99% of IM shares) to IGL, for the total price of PLN 1.

Signing the sale agreement was conditional on getting consents of the bank's corporate authorities and raising no objections to resolutions of the bank's authorities by the Bank Guarantee Fund as a court-appointed administrator of the bank.

After the balance sheet date the following material events occurred in Idea Bank (Poland) Group:

- On 07.07.2020, the Extraordinary General Meeting of Shareholders of Idea Bank (Poland) adopted a resolution on increasing the company's registered capital by the amount not lower than PLN 20 million and not higher than PLN 150 million by issuing not less than 10,000,000 shares and not more than 75,000,000 shares with the face value of PLN 2 each, offered in closed subscription within public offering.
- On 10.07.2020, the bank received the UOKIK's decisions concerning the bank's unfair market practices and practices that breach collective interests of consumers, in the case of recognizing agreement templates used by the bank as abusive and in the case of the bank's practices that breach collective interests of consumers. Details concerning regulatory proceedings are reported in note 2.31 to the Consolidated Financial Statement of Getin Holding Capital Group for the 6-month period ended on 30.06.2020.
- On 17.07.2020 the bank received the decision of the Financial Supervision Authority (KNF) dated 16.07.2020 whereby the KNF refused to approve an updated Recovery Schedule for Idea Bank (Poland) Capital Group adopted by the bank's supervisory board in November 2019. The KNF called the bank to submit a new recovery schedule within three months from the date of receipt of the decision.
- On 24.07.2020, in execution of the Term Sheet provisions dated 26.06.2020, Idea Money S.A. prematurely bought out bearer bonds that had been issued by Idea Expert S.A. (presently Idea Money S.A.) worth PLN 101.3 million.
- On 27.07.2020, the bank signed with the Issuer and LC Corp BV a letter of intent concerning taking steps to sell by the bank to the Issuer, and with the participation of LC Corp BV, 25% shares in Idea Getin Leasing S.A. The parties intend to agree terms and conditions for the transaction and to close it by 31.12.2020.
- On 30.07.2020, in execution of the Term Sheet, the Jolanta and Leszek Czarnecy Foundation and Idea Getin Leasing S.A. concluded an agreement to sell shares in Idea Money S.A.
- On 13.08.2020, the bank signed with Getin Noble Bank S.A. a letter of intent concerning taking steps to sell by the bank to Getin Noble Bank S.A. lease and loan receivables with the gross nominal value not exceeding PLN 2.0 billion, that had been previously purchased by the bank from Idea Getin Leasing S.A. or Idea Getin Leasing S.A. capital group companies. The parties intend to complete the transition of selling all receivables by 31.12.2020.
- On 13.08.2020, the Bank Guarantee Fund as a court-appointed administrator of the bank, submitted to a relevant court an objection to resolutions adopted by the bank's management and supervisory boards concerning giving consent to selling shares in Idea Money S.A. and changing terms and conditions of issuing bonds held by the bank that had been issued by Idea Expert S.A. (presently Idea Money S.A.). As a result, the condition precedent set forth in the sale agreement dated 30.07.2020 was not satisfied.
- On 20.08.2020, Idea Money S.A. received an inspection report from the tax inspection concerning compliance with CIT law in 2018. In the opinion of the inspection authorities the difference in the due tax for the year 2018 to be paid by the company totals PLN 150,492,160. On 01.09.2020, the management board of Idea Money S.A. made a decision not to correct its CIT-8 tax return form on the income generated (loss incurred) in 2018. At the end of September 2020, the company was informed that the tax authorities had decided to transform the completed tax inspection to tax litigation. Details concerning regulatory proceedings are reported in note 2.31 to the

Consolidated Financial Statement of Getin Holding Capital Group for the 6-month period ended on 30.06.2020.

- On 03.09.2020, the bank filed in the KNF a motion to dismiss the Bank Guarantee Fund from the function of the court-appointed administrator of the bank due to improper performance of the function by the Fund. The motion filed by the bank covered also a demand to appoint by the KNF another person (individual or legal) that would actually realize the objectives of a court-appointed administrator, if in the KNF's opinion the appointment of a court-appointed administrator is grounded, and a potential motion to the BGF demanding that the BGF take actual efforts to improve the bank's situation and fulfil its tasks as the court-appointed administrator of the bank, if the BGF remains the court-appointed administrator of the bank.
- On 03.09.2020, the bank concluded with the Jolanta and Leszek Czarnecky and LC Corp BV an agreement to sell shares in Idea Money S.A. The bank obliged to sell 3,234,948 IM shares (accounting for 30% shares in IM) to JLC Foundation for the total price of PLN 1.5 and 3,774,107 IM shares (accounting for 35% of IM shares) to LC Corp, for the total price of PLN 1.75. The agreement was concluded under the condition precedent that the court-appointed administrator of the bank raises no objections.
- On the same date, i.e. 03.09.2020, the bank, Idea Money S.A. and Idea Getin Leasing S.A. concluded an agreement concerning mutual cooperation in the scope of acquiring by IM cash receivables from IGL, which will result in expanding the IM business model to a new business line generating additional income to IM from operating activities. Under the agreement IGL shall cooperate with IM for 10 years in offering IM on pre-emptive basis receivables from the product offered by IGL under the name 'loan', and IM shall acquire such receivables. Under the agreement the bank was to provide IGL financing for the new business line and buy receivables directly from IGL or indirectly from IM. The agreement was concluded under the condition precedent that the court-appointed administrator of the bank raises no objections.
- On 17.09.2020, the Bank Guarantee Fund lodged with the relevant court an objection to resolutions adopted by the bank's management and supervisory boards concerning giving consent to selling shares in Idea Money S.A. and starting cooperation between the bank, IGL, and IM in buying cash receivables from IGL. As a result the condition precedent set forth in the sale agreement dated 03.09.2020 was not satisfied, and the mutual cooperation agreement did not become effective.
- On 22.09.2020, the bank's management board decided about suspending the public offering of not less than 10,000,000 and not more than 75,000,000 ordinary bearer shares with the nominal value of PLN 2 each.
- On the same date, i.e. on 22.09.2020, the bank's management board adopted a resolution about issuing of not less than 12,500,000 and not more than 50,000,000 ordinary bearer shares with the nominal value of PLN 2 each in order to increase the bank's share capital by the amount not lower than PLN 25 million and not higher than PLN 100 million. At the same time, the Bank Guarantee Fund informed that it would not raise objections to that resolution. On 23.09.2020, the General Meeting of Shareholders of Idea Bank (Poland) was convened to decide in that matter.
- On 25.09.2020, Idea Bank (Poland) received a motion from the Financial Supervision Authority (KNF) addressed to the General Meeting of Shareholders demanding that Dr. Leszek Czarnecki, member of the supervisory board, holding the function of chairman of the bank's supervisory board, in connection with the failure to satisfy requirements set forth in Art. 22aa of the Banking

Law. In the justification the KNF referred to ITS information concerning the pending proceedings in the case of offering by Idea Bank (Poland) bonds of GetBack S.A., in which the relevant prosecutor decided to press charges against Mr. Leszek Czarnecki, as Chairman of the bank's Supervisory Board. Hence, the KNF decided that there had been premises for the failure to satisfy by the chairman of the bank's supervisory board requirements to guarantee fulfilling properly duties vested in him and honesty, reliability and independence of judgement while holding the function.

- On the same date, i.e. on 25.09.2020, the bank received also the KNF's notification about starting *ex officio* administrative proceedings to suspend Dr. Leszek Czarnecki in holding the function of chairman of the bank's supervisory board until the Issuer's General Meeting adopts a relevant resolution.

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:

- the SARS-CoV-2 pandemic crisis and freezing the economy; a downward trend in the banking sector,
- the economic, political and legal situation in Poland: higher unemployment and inflation rates, lower GDP and interest rates;
- the ability to raise capital by Idea Bank (Poland) or merge with another bank;
- the credit risk – clients in default of loan repayment;
- the risk related to the deteriorating quality of the loan portfolio;
- the market risk and uncertainty as to interest rates, fx rates and prices of securities and other financial instruments held by Idea Bank (Poland) Group that may differ from those existing on the disclosure date, which may cause unexpected gain or loss on such items;
- the liquidity risk, i.e. the risk of incurring loss due to mandatory exchange of held assets to cash or cash equivalents in a situation of limited or no ability to finance such held assets and timely payment of liabilities;
- the client risk due to credit valuation of derivatives, i.e. risk that is identified with credit risk of financial clients with whom the bank makes transactions of selling CVA financial instruments;
- the risk of concentration of major exposure to single clients or groups of clients;
- the risk of interest rate that depends on the floating net interest income in limits that do not jeopardise the financial plan and the bank's capital adequacy, mitigating possible loss due to changes in market interest rates to the acceptable level by shaping the structure of both balance sheet and off-balance sheet items;
- the fx risk that depends on keeping the fx position within limits that do not require keeping capital requirements within regulatory capital requirements;
- the operational risk arising from incurring possible loss resulting from irrelevant or unreliable processes within the organisation, staff members and systems or external events, including also the compliance risk;
- the risk of models, i.e. the risk of incurring loss as a result of making wrong business decisions based on models used in the bank;
- the risk of investments in subsidiaries;

- the risk related to derivatives,
- the risks arising from non-compliance with the capital adequacy requirements resulting from the need to keep the equity of the bank and Idea Bank (Poland) Group companies at the level not lower than established regulatory requirements;
- the need to raise capital;
- the reputation risk;
- instigating proceedings by the Polish financial regulator KNF;
- the decision of the Office for Competition and Consumer Protection (UOKiK) imposing on Idea Bank (Poland) S.A. the obligation to pay damages to consumers who bought GetBack bonds from the bank;
- the possibility of launching the compulsory resolution;
- the downturn tenancy in European markets;
- the clients readiness to invest;
- the potential threat of withdrawing deposits;
- the risk related to the loan portfolio quality;
- the compliance risk.

d. The consequences of the changes to the segment structure

On 31.01.2020, Idea Getin Leasing S.A. acquired 100% shares in Idea Fleet S.A. from Idea SPV sp. z o. o. (99.99% shares) and from Idea Bank S.A. (one share).

After the balance sheet date, i.e. on 30.07.2020, Idea Bank (Poland) sold to Dr. Leszek Czarnecki all shares held in Idea Box ASI S.A., i.e. 608,418 shares accounting for 40.05% of share capital and of all votes in the company.

After the balance sheet date, i.e. on 18.08.2020, Dr. Leszek Czarnecki sold LC Corp BV all shares held in Idea Getin Leasing S.A., i.e. 3,525 shares accounting for 12.5% of share capital and 12.5% of all votes in the company. Consequently, presently the company shareholders include Idea Bank (Poland) (with a 49.99 % interest) and LC Corp BV (with a 50,01% interest).

A detailed description of Idea Bank S.A. Capital Group is available in the publicly available company's report for H1 2020.

2.2 Segment of banking services in Ukraine

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

- Idea Bank S.A. (Ukraine) that offers banking products and services addressed to individual and legal entities, and
- New Finance Service sp. z o. o. that purchases, trades and collects debt, provides loan and insurance agency services.

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 checking accounts. Idea Bank (Ukraine) offers a complex range of services for individual clients while continuing the development of complex Internet banking services.

Idea Bank (Ukraine) provides its services also to enterprises: it offers loans, credit facilities, deposits and cash and settlement services.

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

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

a. Presentation of the segment's financial result in H1 2020

Segment's result:

	kPLN			kUAH		
	H1 2020	H1 2019	% Change	H1 2020	H1 2019	% Change
Net interest income	105 969	94 875	11,7%	691 628	671 681	3,0%
Interest income	153 832	128 614	19,6%	1 004 016	910 542	10,3%
Interest expense	(47 863)	(33 739)	41,9%	(312 388)	(238 860)	30,8%
Net fee and commission income	25 398	36 212	-29,9%	165 765	256 368	-35,3%
Fee and commission income	35 210	41 117	-14,4%	229 805	291 094	-21,1%
Fee and commission expense	(9 812)	(4 905)	100,0%	(64 040)	(34 726)	84,4%
Net operating income	3 586	3 408	5,2%	23 405	24 127	-3,0%
Net impairment losses	(64 479)	(41 241)	56,3%	(420 835)	(291 972)	44,1%
Administrative expenses	(47 545)	(38 820)	22,5%	(310 312)	(274 832)	12,9%
Income tax	(4 048)	(9 933)	-59,2%	(26 420)	(70 322)	-62,4%
Net profit (loss)	18 881	44 501	-57,6%	123 231	315 051	-60,9%

Selected balance sheet data:

	kPLN			kUAH		
	30.06.2020	31.12.2019	% Change	30.06.2020	31.12.2019	% Change
Balance sheet total	776 304	877 769	-11,6%	5 199 625	5 479 207	-5,1%
Loans and advances	577 732	665 328	-13,2%	3 869 605	4 153 109	-6,8%
Deposits	616 016	667 768	-7,7%	4 126 028	4 168 340	-1,0%

Key financial performance indicators:

lp.	Finansowy wskaźnik efektywności	Wartość wskaźnika wg. stanu na Q2 2020 r.	Wartość wskaźnika wg. stanu na Q2 2019 r.		Metoda obliczenia wskaźnika
1	ROA Return on assets	4,57%	13,39%	-8,82 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/2)$
2	ROE Return on equity	26,54%	86,16%	-59,62 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/2)$
3	NIM Net interest margin	27,38%	30,59%	-3,21 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/2)$
4	COF Cost of financing	14,45%	12,63%	1,82 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/2)$
5	COR Cost of risk	20,75%	16,30%	4,45 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/2)$
6	C/I Cost-to-income ratio	35,23%	28,86%	6,37 p.p.	General administrative expenses / net operating income

In H1 2020, the Ukrainian segment generated a net profit of PLN 18.9 million that was 57.6% lower than in the corresponding period in 2019.

The main factor that directly translated to the financial results of the Ukrainian sector was freezing the economy caused by the SARS-CoV-2 pandemic, i.e. introducing the quarantine and other anti-

pandemic measures to mitigate the spread of the pandemic, that slowed down business. Business activity of individuals and companies was drastically restricted. The demand for the Group's products and services offered in the Ukrainian market diminished, the sales volume decreased, and the quality of the loan portfolio deteriorated as a result of diminishing loan repayment discipline.

Nevertheless, the Ukrainian segment's net interest income increased by 11.7% from PLN 94.9 million in H1 2019 to PLN 106.0 million in the reported period.

Whereas the net commissions and fees income dropped by 29.9%, from PLN 36.2 million in H1 2019 to PLN 25.4 million generated in H1 2020. The factors that contribute to the fall include higher costs incurred by the bank to double its operational online turnover, which proportionally increased costs of the processes.

Compared to H1 2019, the bank increased its revaluation allowances from PLN 41.2 million to PLN 64.5 million, which reflected the coronavirus pandemic situation that had an adverse impact on the quality of the loan portfolio.

In the reported period the operating costs of the banking sector increased by 22.5%, from PLN 38.8 million in H1 2019 to PLN 47.5 million in H1 2020. The reason for the increase of costs, in spite of strict control of administrative expenses, was considerable business expansion in Ukraine in 2019.

The sales volume for the segment in H1 2020 totalled PLN 191.5 million and it was 29.6% lower than in the corresponding period in the previous year.

The segment's result expressed in ratios was influenced by the deteriorating economic situation in Ukraine. The net interest margin (NIM) in the reported period reached 27.38%, and it was 3.21 p.p. lower than year before, with the cost of financing (COF) at 14.45% (compared to 12.63% at the end of the corresponding period). The cost of risk ratio (COR) for the reported period stood at 20.75%, which means that it was 4.45 p.p. higher than in the previous year. The C/I ratio stood at 35.23%, and it was 6.37 p.p. lower than in the previous year.

b. The main successes and failures of the segment companies in H1 2020

Idea Bank (Ukraine) is currently working to implement new solutions in online banking, which have had a positive impact on the segment's operations in the period when part of direct sale points of New Finance Services remained closed.

The new model of the bank-client communication established by O.Bank and a mobile banking application, with no need for the clients to appear in traditional branches, played a major role in the time of the pandemic. Ultimately, O.Bank will ensure access to a full range of banking products and services offered in Ukraine by Getin Holding Group bank. The growth strategy of Idea Bank (Ukraine) aims at constant improvement of efficiency and focusing on sale through remote channels using its new platform created from scratch by the bank for O.Bank. Ultimately, the bank's strategy assumes also expansion to the smart segment and reaching a new group of clients with a lower risk profile.

Idea Bank (Ukraine) keeps its high rating in the verification and assessment of the assets, capital adequacy carried out by the National Bank of Ukraine based on the analysis of emergency scenarios (tests in adverse macroeconomic scenarios). The bank conforms also with established liquidity standards and requirements for credit risk assessment.

The bank's standing attracted in December 2019 investors interested in the acquisition of the Ukrainian assets. In H1 2020, the Issuer finally did not sell its Ukrainian sector companies. On 25.06.2020, conditional agreements to sell by Getin Holding S.A. 100% share in Idea Bank (Ukraine) and 100% participatory interest in New Finance Service signed in December 2019 with:

- Dragon Capital Investments Limited (Cyprus), Dragon Capital New Ukraine Fund L.P. (Jersey) and an individual person, and
- Napalor Holdings Limited (Cyprus) - a company designated by the aforementioned investors were terminated.

The reason for the failure to complete the transaction was the failure to satisfy the condition precedent, i.e. the parties failed to sign the sale price certificate within the deadline specified in the agreement. Nor had the Issuer obtained a notification about issuing a consent for the transaction by the National Bank of Ukraine, which was one of the conditions for transferring the title in the bank's shares.

The Ukrainian sector remains profitable and regularly pays dividends. In H1 2020, the Issuer was paid in total PLN 46.3 million dividends by Idea Bank (Ukraine) and New Finance Service.

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 main factor that the Ukrainian sector struggles with, like the global economy, is the SARS-CoV-2 pandemic. The government froze the market imposing quarantine and other anti-pandemic measures. It is estimated that macroeconomic indicators of the national economy are going to deteriorate. According to forecasts for 2020, the Ukraine's GDP may reach 7%, whereas the inflation rate – 11.6%. It is expected that the unemployment rate is going to grow and wages are going to diminish, which may have an adverse impact on the quality and level of debt servicing by the segment's clients. There is observable devaluation of the hryvnia and substantial fluctuations in foreign exchange rates (which determine liquidity of the country banking system).

During the pandemic the market still observes large dependency of the economic stability and macroeconomic indicators on the cooperation with the International Monetary Fund. It is correlated with the country's ability to pay its obligations and fx rate stability.

As a consequence of the pandemic crisis the Ukrainian sector is exposed to the risk of diminishing demand for products and services offered by the group (diminishing sale volumes) and deteriorating quality of the portfolio and worsening debt repayment discipline. Those risks may in turn cause lower commission and fees income and increased provisions due to deteriorating financial situation of debtors and higher unemployment rate.

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

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

A vital factor that will determine the business cycle in Ukraine in the nearest future are local government elections planned for 25.10.2020.

Nevertheless the growth strategy of Idea Bank (Ukraine) persistently aims at maintaining its highly efficient business model and at enhancing its stability (while optimising operational costs) and at keeping its position of one of market leaders.

To implement the strategy Idea Bank (Ukraine) continues to:

- boost its sales efficiency, specifically through online channels;
- improve the quality of its customer service;
- optimise business processes;

– further enhance the risk management process.

d. The consequences of the changes to the segment structure

In H1 2020, no material changes in the segment structure took place.

2.3 Segment of banking services in Belarus

The segment of banking services of the Issuer's Capital Group in Belarus in H1 2020 comprised among others:

- 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, as well as
- Idea Broker sp. z o.o. – an insurance broker,
- Idea Finance sp. z o.o. – a financial broker,

Idea Bank S.A. (Belarus) focuses on providing services to individual clients and small and medium-sized enterprises.

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

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

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

a. Presentation of the segment's financial result in H1 2020

Segment's result:

	kPLN			kBYN		
	H1 2020	H1 2019	% Change	H1 2020	H1 2019	% Change
Net interest income	15 511	20 807	-25,5%	9 042	11 541	-21,7%
Interest income	39 036	41 825	-6,7%	22 755	23 199	-1,9%
Interest expense	(23 525)	(21 018)	11,9%	(13 713)	(11 658)	17,6%
Net fee and commission income	2 942	6 716	-56,2%	1 715	3 725	-54,0%
Fee and commission income	9 773	12 536	-22,0%	5 697	6 953	-18,1%
Fee and commission expense	(6 831)	(5 820)	17,4%	(3 982)	(3 228)	23,4%
Net operating income	24 919	16 419	51,8%	14 526	9 107	59,5%
Net impairment losses	(4 357)	(2 100)	107,5%	(2 540)	(1 165)	118,0%
Administrative expenses	(29 510)	(30 354)	-2,8%	(17 202)	(16 836)	2,2%
Income tax	(2 985)	(3 457)	-13,7%	(1 740)	(1 917)	-9,3%
Net profit (loss)	6 520	8 031	-18,8%	3 801	4 454	-14,7%

Selected balance sheet data:

	kPLN			kBYN		
	30.06.2020	31.12.2019	% Change	30.06.2020	31.12.2019	% Change
Balance sheet total	856 209	919 036	-6,8%	515 292	510 434	1,0%
Loans and advances	552 583	630 389	-12,3%	332 561	350 119	-5,0%
Deposits	670 871	709 111	-5,4%	403 750	393 841	2,5%

Key financial performance indicators:

lp.	Finansowy wskaźnik efektywności	Wartość wskaźnika wg. stanu na Q2 2020 r.	Wartość wskaźnika wg. stanu na Q2 2019 r.		Metoda obliczenia wskaźnika
1	ROA Return on assets	1,47%	1,96%	-0,49 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/2)$
2	ROE Return on equity	8,94%	10,40%	-1,46 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/2)$
3	NIM Net interest margin	3,76%	5,52%	-1,76 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/2)$
4	COF Cost of financing	6,37%	6,36%	0,02 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/2)$
5	COR Cost of risk	1,47%	0,77%	0,70 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/2)$
6	C/I Cost-to-income ratio	68,04%	69,08%	-1,04 p.p.	General administrative expenses / net operating income

The net income generated by the Group in Belarus in H1 2020 totalled PLN 6.5 million, which means a fall by 18.8% compared to H1 2019.

The net interest income generated by Idea Bank Group (Belarus) in H1 2020 totalled PLN 15.5 million being 25.5% lower than in the corresponding period in 2019.

The net commission and fees income generated by the segment in H1 2020 totalled PLN 2.9 million, being 56.2% lower than in the corresponding year in the previous year.

The result generated on other operating operations totalled PLN 24.9 million and it was 51.8% higher than in the corresponding period in 2019. It was the effect of taking by the bank advantage of the BYN devaluation which allowed for boosting sales and increasing fx transactions margin.

The operating costs in Belarus were reduced by 2.8% compared to the corresponding period, to PLN 29.5 million, which was dictated by the segment's cost discipline.

The value of the loan portfolio fell by 12.3%, whereas the value of deposits fell by 5.4%, compared to the corresponding period.

In H1 2020, the bank generated sales worth PLN 140.6 million, i.e. 43.5% less compared to the corresponding period in 2019.

The NIM margin fell from 5.52% to 3.76%, which was caused both by the pandemic and subsequent regulatory changes in the Belarusian market, such as new limits imposed by the National Bank of Belarus that in result caused substantial reduction of the spread between permissible interest rates for local currency loans and deposits. Whereas the COF remained nearly unchanged (6.37% vs. 6.36%).

b. The main successes and failures of the segment companies in H1 2020

Out of concern of health of employees and clients, and thanks to advanced digitalisation processes, the bank, as one of a few in the Belarusian market, successfully implemented home-bound work for most of its employees. Putting over the years the emphasis on development of remote communication with clients and expanding the portfolio of products offered in the Internet transactional system allowed the bank to keep uninterrupted processes and operations of all business lines. A few cases of COVID-19 cases that appeared in the reported period among the bank's

employees did not interrupt the bank's operations, as the infected persons had already worked from home.

In H1 2020, Idea Bank (Belarus) took further measures to transform its business model from traditional to online banking. The bank has been reorganising its sales network by reducing the number of branches while developing the Internet banking functionalities. The development of the modern sales channels is expected to increase the loans portfolio as well as the number of current accounts and the volume of savings deposited by the SME sector.

The demand for remote services (growing during the pandemic) and mobile banking in the local market supports the implementation of the online banking solutions.

The Internet bank clients have an access to the Internet currency exchange services NEMBO that was launched in October 2019. The NEMBO application allows for exchange of the following currencies in any combinations: BYN, EUR, USD, PLN, RUB.

In H1 2020, Idea Bank (Belarus) continued its sale in the consumer finance area. Those services are addressed predominantly to clients of online shops – individual clients. The product's main advantages are a quick verification procedure and credit decision. The process (including the client's identification and personal data verification) goes online (by the interbank identification system) and does not require any paperwork.

The bank is still building its partners agreements base of the consumer finance business line. Presently, the bank offers services through 410 cooperating entities (compared to 24 partners at the beginning of 2019).

The bank also sells standard loans and credit cards through its online channels, which saves formalities and visits at the bank's branches. In H1 2020, the digitalisation strategy followed by Idea Bank (Belarus) allowed for gradually increasing sale of loans and deposits through online channels. At the end of the reported period the Internet sale share reached 55.7% of the total sales volume generated by the bank.

The bank's strategy assumes the operating model as a universal financial institution focused on development (first of all technologically) of the existing business lines and transformation to the online model.

The key assumptions of the strategy of Idea Bank (Belarus) remain unchanged:

- development of the Internet banking;
- reduction of the number of POS;
- increasing the share of online sale of new loans to individual clients (to 50% in 2020-2021);
- increasing sale of loans to SMEs.

Since 18.03.2020, the National Bank of Belarus has implemented several changes in the financial sector that will impact the strategy and performance of the Belarusian sector in subsequent periods. The pandemic crisis boosted the demand for foreign currencies, which resulted in withdrawal of substantial deposits from Idea Bank (Belarus). At the beginning of Q2 2020, the bank had temporary liquidity problems and insufficient funds to run its operational activity. In subsequent months the bank resumed its operations and presently it complies with all regulatory requirements (i.e. CAR, liquidity, risk concentration limits). However, in September, in the period of particular political and economic unrest in Belarus, when most businesses in the local market suspended sale of loans, the bank limited its operations to offering only online loans.

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:

- the SARS-CoV-2 pandemic and additional regulations imposed on the financial sector;
- the political situation after the presidential elections and its social and political consequences;
- potential transaction of selling its assets in Belarus by the Issuer; after the balance sheet date the Issuer received indicative offers to purchase shares in Idea Bank (Belarus) and decided to take steps to sell its Belarusian assets, such as due diligence;
- introducing by the National Bank of Belarus new limits (estimated standard risk indicators) – this new regulation caused significant reduction of the spread between the maximum permitted local currency loan and deposit interest rates;
- further reduction of the local currency interest margin;
- the amendment introduced by the regulator in January 2020 that prohibits any provisions in loan agreements that would allow for changing agreed loan interest rates by banks;
- the amendment introduced by the regulator in January 2020 that caps the maximum commission paid by Internet shops to banks crediting purchases in such shops;
- the local currency liquidity deficit in the banking system (determining the cost of funding in rouble);
- the GDP low dynamics and recession as a result of the pandemic;
- meagre foreign currencies reserves,
- high external debt compared to GDP;
- the rouble devaluation;
- increased liquidity and credit risk;
- the credit risk, risk of clients losing financial liquidity;
- the limits for 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 sanctions imposed on the Russian Federation).

d. The consequences of the changes to the segment structure

On 22.06.2020, Idea Finance sp. z o. o. merged with Idea Broker sp. z o. o. After the merger the share capital of the merged companies totals BYN 108,471.53.

2.4 Banking and lease services sector in Romania

In H1 2020, the segment of financial services of the Issuer's Capital Group in Romania was represented by:

- Idea Bank S.A. (Romania) – providing services to individual clients and small and medium-sized companies (such as consumer loan under the 'Selfie' brand, or mortgage loans 'Mortgage'), deposit products (including those sold through the Internet platform dedicated to saving products called 'Idea::WebDepo'), payment and credit cards, as well as several cash settlement services and bancassurance services;

- Idea Leasing IFN S.A. – offering lease of movable property (including loans) to small and medium-sized enterprises;
- Idea Finance IFN S.A. – providing financial lease services;
- Idea Investment S.A. – providing business consultancy services;
- Idea Broker de Asigurare sp. z o.o. – an insurance broker;
- Idea Credite de Consum sp. z o.o. – a financial agent.

a. Presentation of the segment's financial result in H1 2020

Segment's result:

	kPLN			kRON		
	H1 2020	H1 2019	% Change	H1 2020	H1 2019	% Change
Net interest income	34 598	35 045	-1,3%	37 588	38 805	-3,1%
Interest income	55 019	55 497	-0,9%	59 774	61 451	-2,7%
Interes expense	(20 421)	(20 452)	-0,2%	(22 186)	(22 646)	-2,0%
Net fee and comission income	17 595	13 782	27,7%	19 116	15 260	25,3%
Fee and commission income	21 864	18 580	17,7%	23 754	20 573	15,5%
Fee and commission expense	(4 269)	(4 798)	-11,0%	(4 638)	(5 313)	-12,7%
Net operating income	12 219	14 308	-14,6%	13 275	15 843	-16,2%
Net impairment losses	(9 806)	(8 712)	12,6%	(10 653)	(9 647)	10,4%
Administrative expenses	(47 317)	(46 363)	2,1%	(51 406)	(51 337)	0,1%
Income tax	(1 673)	(1 631)	2,6%	(1 818)	(1 806)	0,6%
Net profit (loss)	5 616	6 429	-12,6%	6 101	7 119	-14,3%

Selected balance sheet data:

	kPLN			kRON		
	30.06.2020	31.12.2019	% Change	30.06.2020	31.12.2019	% Change
Balance sheet total	2 453 163	2 317 423	5,9%	2 660 697	2 603 554	2,2%
Credit and leasing receivables	1 604 237	1 515 675	5,8%	1 739 953	1 702 814	2,2%
Deposits	1 931 070	1 769 922	9,1%	2 094 436	1 988 453	5,3%

Key financial performance indicators:

lp.	Finansowy wskaźnik efektywności	Wartość wskaźnika wg. stanu na Q2 2020 r.	Wartość wskaźnika wg. stanu na Q2 2019 r.		Metoda obliczenia wskaźnika
1	ROA Return on assets	0,47%	0,56%	-0,09 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/2)$
2	ROE Return on equity	5,99%	7,58%	-1,59 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/2)$
3	NIM Net interest margin	3,06%	3,21%	-0,15 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/2)$
4	COF Cost of financing	1,89%	1,95%	-0,06 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/2)$
5	COR Cost of risk	1,26%	1,13%	0,13 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/2)$
6	C/I Cost-to-income ratio	73,46%	73,43%	0,03 p.p.	General administrative expenses / net operating income

The net result generated in the Romanian segment in H1 in 2020 totalled PLN 5.6 million, due to restrictions imposed by the government because of the SARS-CoV-2 pandemic it fell by 12.6% compared to the net income generated in the corresponding period in the previous year.

The net interest income generated by the Romanian segment dropped slightly (by 1.3%) compared to the aggregated result in the corresponding period totalling PLN 34.6 million.

The net commission and fees income generated by the segment in the reported period increased by 27.7% y/o/y reaching nearly PLN 17.6 million, mainly due to lower cash costs of transactions (which was caused by lower volumes of fx transactions), as well as the higher income generated on Internet banking transactions. Restrictions related to fx transactions had a major impact on the segment's performance in H1 2020.

The loan and lease receivables in the segment as at the end H1 2020 totalled PLN 1.6 billion, which means a growth by 5.8% compared to the value of the portfolio at the end of 2019. The deposits collected as at the end of the reported period totalled PLN 1.9 billion, growing by 9.1% compared to 31.12.2019.

The sales volume for the segment in H1 2020 totalled PLN 443.4 million and it was 2.3% lower than in the corresponding period in the previous year. The value of banking products sold in H1 2020 totalled PLN 233.2 million showing a 15.2% increase (compared to H1 2019), whereas the value of lease products sold decreased by 16.4% (compared to H1 2019) totalling PLN 210.1 million.

In June 2020, the segment resumed full sales operations.

In the reported period the net interest margin (NIM) stood at 3.06% vs. 3.21% in the corresponding period, with the cost of financing (COF) dropping to 1.89% vs. 1.95% in the corresponding period in the previous year. The cost of risk (COR) in the reported period was 1.26% being 0.13 p.p. higher than a year before.

b. The main successes and failures of the segment companies in H1 2020

On 16.03.2020, the President of Romania announced the state of emergency because of the threat of the COVID-19 pandemic. Part of the economy was 'frozen'. The anti-pandemic measures will have negative effect on the segment's performance in the following periods.

On 17.05.2020, the Romanian government started thawing the economy. The Romanian Group reacted to the loosening more quickly than the competition, which translated to a positive result generated in June 2020.

The Romanian segment operates through a network of several branches and lease points, as well as through agents whose operations in the pandemic were substantially limited (before announcing the state of emergency on the expansion of the infrastructure of the traditional sale network combined with optimisation and introduction of a new arrangement of the already existing infrastructure).

Authorities of the Romanian companies took their best efforts to ensure that as many employees as possible could work from home. At the same time they implemented and constantly developed systems of electronic access to the Group's products and services allowed to keep uninterrupted operations of all business lines in that difficult time for the Romanian economy. For the entire time of the pandemic all liquidity and capital adequacy ratios remained at the required levels.

In H1 2020, the state of emergency (and related restrictions) had a major negative effect on the ability of building the loan portfolio by Idea Bank (Romania), including consumer loans ('Selfie') and mortgage loans, or loans offered to small and medium-sized companies. It also hindered the

potential of building the lease portfolio by the Group in Romania. Nevertheless, the segment keeps stable results and strong market position.

Idea Bank (Romania) continued to cooperate with eMAG, the largest Internet shop in Romania. eMAG clients get a quick access to products offered by the bank (credit lines) in simplified procedures.

In the competitive local market, strategic directions for the bank's growth focus on improving efficiency and enhancing its market position by product diversification (innovations: Internet banking, electronic signature or Idea::WebDepo), improving customer service quality and expanding cooperation with agents.

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 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 Romanian segment takes several efforts aiming at sustainable growth of the institution, increasing its profitability and expanding the existing customer base.

In H1 2020, Idea Bank (Romania) continued the digitalisation project that allows to sell a wide range of services and products online and to use an electronic signature. The final version of the Internet banking will be one of the most innovative in the Romanian market. Digital sale systems, in spite of the difficult situation, ensured stable performance in the segment.

Like in other markets, the main factor that will determine the shape of the Romanian sector business will be consequences of freezing the economy related to the SARS-CoV-2 pandemic and subsequent decisions of governmental authorities. Imposing the state of emergency by the Romanian government did not cause drop in sale of loans (compared to H1 2019), but it slowed down sale of leasing products (compared to H1 2019) offered by the Group companies in Romania, and it still may cause the need to increase provisions for the worsening loan portfolio. Additionally, the Romanian government by an extraordinary order introduced a very liberal system of postponing repayment of loan instalments for businesses suffering consequences of COVID-19. Idea Bank (Romania) implemented that solution in case of clients who need help because their businesses had been "frozen".

The segment's operations may also be affected by possible legal changes concerning the banking and financial sectors (long-term consequences of changes in regulations concerning consumer bankruptcy and mortgage loans), fiscal policy aiming at reduction of the budget deficit, and the EU economic situation. In the perspective of the following periods, with the present fiscal policy, the bank expects diminishing growth dynamics in the loan portfolio and the overall level of deposits vested in the bank. Another factor that may have an impact on business results generated by Idea Bank (Romania) will be base interest rates that influence the net interest income.

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

While conducting their operations the segment companies are exposed to credit risks, i.e. among others cash flow disruptions or loss of financial liquidity of their clients, which during the pandemic is even more important.

Results of Idea Leasing IFN (Romania) depend on the direction of the development of the automotive and lease markets. The sector may also be affected with possible legal or fiscal changes, specifically

as regards buying out debt. For Idea Leasing (Romania), another crucial issue is ensuring uninterrupted financing for the company's core operations. Furthermore, in H1 2020 two investigations were carried out by state institutions with the participation of Idea Leasing IFN S.A., specified herein below.

In 2019, the State Tax Administration Agency (STAA) started an inspection in the company. The agency had been provided with relevant documentation of the company's advertising campaigns. The inspection implied the risk of changing the qualification of marketing costs and imposing additional tax dues on the company, and possibly penalties. The investigation was closed on 11.02.2020. The company raised objections to the investigation report. At the same time the Romanian parliament has been discussing the question of imposing a tax on marketing instruments that are the subject of the case. Any possible changes to taxing marketing instruments may not be applied retrospectively, but will become effective after they are passed by the parliament.

Furthermore, in 2019, the company received a report from the Romanian Competition Protection Agency (Romanian Consiliul Concurenței) concerning the investigation that had been carried out since November 2017. The authority verified all entities operating in the Romanian financial lease market (including the Romanian Leasing Association). The agency presented a suspicion of breaching principles of fair competition in the sector. The company authorities initiated a legal proceedings. A team of lawyers drew up formal comments clarifying and explanatory comments refuting the charges. On 25.02.2020, in connection with reservations expressed by the entire lease sector in Romania, the plenum of the Competition Protection Agency decided to refer the statement of reservations to the investigation team that deals with the case with a request for supplementing the analysis. The deadline for issuing a new report is not regulated by law. The proceeding may be pending for several years and end with, depending on the result of investigation, an opportunity to filing by the company (and other Romania based lease companies) reservations to the new report or the case discontinuation by the Competition Protection Agency imposing no sanctions on the entire sector.

d. The consequences of the changes to the segment structure

In H1 2020, the following changes in the segment structure took place:

- 07.05.2020, the General Meeting of Idea Finance IFN S.A. agreed for suspending operations of the company for 3 years, i.e. from 01.06.2020 to 31.05.2023. The decision was officially registered in the relevant register on 05.06.2020.
- On 18.06.2020, the General Meeting of Idea Credit de Consum S.R.L agreed for the liquidation of the company. On 01.07.2020, the afore decision was officially registered. 20.07.2020, the resolution was published in the Journal of Laws. On that date began the 30-day period for filing in claims. If no claims are filed within the period the company will be liquidated and stroke off the register. As at the date no information of the company liquidation had been provided.
- After the balance sheet date, i.e. on 02.09.2020, the share capital of Idea Bank (Romania) was increased by RON 10.0 million to RON 252.0 million, by issuing 100 new million shares.

2.5 Segment of financial services in Poland

The segment of financial services of the Issuer's Capital Group in Poland is represented by M.W. Trade S.A. The company's specialisation in restructuring debt of public units and offering complex financial services. The typical feature of that niche market is concentration of demand and supply,

which in turn leads to the company's dependency on the market situation, specifically on changes in legislation and the competition.

The main goal that the company for future periods is expanding the cooperation with Getin Holding S.A. Capital Group companies as an agent offering services to the public healthcare sector.

a. Presentation of the segment's financial result in H1 2020

Segment's result:

	kPLN		% Change
	H1 2020	H1 2019	
Net interest income	1 432	3 759	-61,9%
Interest income	2 644	9 161	-71,1%
Interes expense	(1 212)	(5 402)	-77,6%
Net fee and comission income	(276)	138	-
Fee and commission income	(236)	306	-
Fee and commission expense	(40)	(168)	-76,2%
Net operating income	(15)	93	-
Net impairment losses	(411)	233	-
Administrative expenses	(1 835)	(2 302)	-20,3%
Income tax	122	(325)	-
Net profit (loss)	(983)	1 596	-

Selected balance sheet data:

	kPLN		% Change
	30.06.2020	31.12.2019	
Balance sheet total	112 865	138 868	-18,7%
Loans and receivables	94 846	104 225	-9,0%

Key financial performance indicators:

Ip.	Finansowy wskaźnik efektywności	Wartość wskaźnika wg. stanu na Q2 2020 r.	Wartość wskaźnika wg. stanu na Q2 2019 r.		Metoda obliczenia wskaźnika
1	ROA Return on assets	-1,56%	1,18%	-2,74 p.p.	$(\text{Net profit} / [(\text{Total assets at the end of the current period} + \text{Total assets at the end of the previous year})/2]) * (4/2)$
2	ROE Return on equity	-2,68%	3,73%	-6,41 p.p.	$(\text{Net profit} / [(\text{Total equity at the end of the current period} + \text{Total equity at the end of the previous year})/2]) * (4/2)$
3	NIM Net interest margin	2,33%	2,83%	-0,51 p.p.	$(\text{Net interest income} / [(\text{Total interest-earning assets at the end of the current period} + \text{Total interest-earning assets at the end of the previous year})/2]) * (4/2)$
4	COF Cost of financing	4,68%	5,85%	-1,17 p.p.	$(\text{Interest expenses} / [(\text{Total interest-bearing liabilities at the end of the current period} + \text{Total interest-bearing liabilities at the end of the previous year})/2]) * (4/2)$
5	COR Cost of risk	0,83%	-0,18%	1,01 p.p.	$(\text{Net impairment result on loans, advances and leasing receivables} / [(\text{Total receivables from loans, advances, leasing at the end of the current period} + \text{Total receivables from loans, advances and leasing at the end of the previous year})/2]) * (4/2)$
6	C/I Cost-to-income ratio	160,82%	57,69%	103,13 p.p.	General administrative expenses / net operating income

In H1 2020, the segment of financial services in Poland generated a negative net profit of PLN 1.0 million, which means a fall compared to the previous year when it reported a profit of PLN 1.6 million.

The following events and factors contributed to the loss:

- making provisions for the expected loss due to debt unpaid by the dissolved by Gmina Ostrowice (negative result exceeding PLN 0.4 million).
- substantially limited possibilities of new contracts (offering loans of Getin Holding Group bank as an agent) being the effect of the SARS-CoV-2 coronavirus;
- adjustments to the net commission and fees income on agency services due to premature repayment of a secured loan (minus PLN 0.3 million).

The sales volume generated by M. W. Trade in H1 2020 totalled PLN 2.2 million, i.e. PLN 7.2 million less than in the corresponding period in the previous year, which means a fall by 76%. The lower income resulted mainly from lower value of the average monthly portfolio that in the reported period amounted to PLN 99.9 million (compared to PLN 257.0 million in the corresponding period in the previous year, which means a 61% fall) and no planned commission income generated from selling loans.

The aggregated expenses incurred by the company in H1 2020 amounted to PLN 3.5 million, i.e. 54% less than in the corresponding period in the previous year. The lower total expenses resulted predominantly from diminishing portfolio financing cost (that fell by 78%) and administrative costs (that fell by 18%).

In H1 2020, as assumed, and similarly to H1 2019, the company generated no balance sheet contracting. Similarly, the substantially limited by the SARS-CoV-2 pandemic sale of loans did not bring about any off-balance sheet contracting.

The company's loan portfolio as at 30.06.2020 totalled PLN 94.8 million compared to PLN 104.2 million year at the end of 2019.

The balance sheet total of the financial services segment in Poland as at the end of H1 2020 fell by 18.7% compared to the end of 2019 (from PLN 138.9 million at 31.12.2019 to PLN 112.9 million on 30.06.2020).

The company's debt ratio, i.e. the proportion of the total liabilities and provisions to the balance sheet total as at 30.06.2020 stood at 43% (which means an increase by 2.8 p.p. compared to rate reported for the end of 2019). The debt ratio increased because of the dividend paid in the presented period.

b. The main successes and failures of the segment companies in H1 2020

The key factors that affected the company's performance in H1 2020 included the following events:

- Operating in the medical sector, the company was directly affected by the effects of the pandemic. Because of the government's recommendations concerning the crisis caused by the SARS-CoV-2 pandemic the company had to cease any personal contacts of its representatives with clients – public healthcare units and the company had to restrict its operations to remote work and contacts only. During the pandemic medical centres changed their priorities. Hospitals faced huge organisational and personnel challenges, the National Health Fund recommended that they cease planned procedures.

Some institutions decided to postpone preparation of financial reports for 2019 that are the key source of information for credit analysis when offering agency services by the company.

Those circumstances had and will have negative impact on the contracting and commission income, and finally on the financial results generated by the company. Also potential problems with debt repayment by the medical sector are difficult to assess.

In May 2020, hospitals started to 'thaw' planned procedures in medical units.

In June 2020 the Company felt first positive effects of loosening restrictions in the public healthcare sector. Contacts with many potential clients are now being made directly, which allows for filling in and filing loan applications in banks while providing agency services.

At the same time after the balance sheet date, i.e. on 01.07.2020, the National Health Fund (NFZ) provided medical units with additional support amounting to 3% of the value of invoices paid by the NFZ outside the lump sum, to support the coming back to providing normal procedures.

- On 09.04.2020, the company received a statement of the West Pomerania Governor concerning evasion of legal consequences of agreements concluded in 2016 by the company with Gmina Ostrowice in which it recognised its debt of PLN 35.4 million towards the company.

The West Pomerania Governor's statement is in the company's opinion entirely groundless, and furthermore ineffective. According to the Act dated 05.07.2018 on special solutions concerning Gmina Ostrowice in West Pomerania (the Special Act), the State Treasury represented by the West Pomerania Governor assumed the debts of the liquidated Gmina. That solution was to relieve the neighbouring Gminas that inherited assets that had belonged to Gmina Ostrowice. The Special Act was passed because of the Gmina's high debt that could not perform its tasks resulting from law regulations. The company appealed against the Governor's decision.

On 22.06.2020, in response to the objections expressed by the company, the company was informed by the Attorney General of the Treasury, about a lawsuit lodged by the State Treasury, represented by the West Pomerania Governor, dated 31.03.2020, to establish invalidity of mediation agreements from 2016, and about the notification of the State Treasury represented by the West Pomerania Governor dated 31.03.2020 about suspicion of committing a crime consisting of attempting to obtain under false pretences payment of funds from the State Treasury by claiming by the company debts that were nonexistent and to which the company was not entitled to. The company filed a response in which it presented its standpoint concerning the arguments of the State Treasury.

Presently, it is not possible to precisely specify the date when the entire debt of the liquidated Gmina Ostrowice will be repaid.

As at the date hereof, the company disclosed in its Balance Sheet and P&L Account a provision for the expected loss on the questioned exposure amounting to PLN 0.5 million (at the same time resolving the expected loss on the remaining part of the portfolio amounting to PLN 0.1 million).

After the court's final and binding decision concerning the charges that will result in the West Pomerania Governor's obligation to pay the incriminated amount, the provision for the expected loss shall be reversed.

After the balance sheet date, i.e. on 16.09.2020, the company was informed about setting the date of a court hearing concerning the afore specified liabilities to the company for 16.02.2021. In connection with the pending court proceedings and no certainty that the debt will be repaid by Gmina Ostrowice in 2020, and hence impossibility to settle the deferred corporate tax asset of the expected amount of PLN 1.7 million that originated from the tax loss incurred in years 2016 - 2020, the company authorities decided to release the asset. The asset will increase the income tax reported in the financial report of M.W. Trade for Q3 2020, and hence it will decrease the company's net result.

- On 29.05.2020, the company paid the dividend amounting to PLN 2.10 per one share, i.e. PLN 17.6 million in total.
- In June 2020, the PLN 40.2 million loan issued by Idea Bank S.A. was repaid. The loan was secured by the company. As a result the off-balance sheet liabilities as at the balance sheet date decreased to PLN 55.5 million. The company made an adjustment to the commission for the said transaction disclosed as a one-off item in 2015 in the amount of PLN 0.3 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 key information for the evaluation of the impact on the financial risk of M.W. Trade is business risk, strictly related to its market environment, where the company operates, the activity of other market players (including competition) and external factors that shape the market.

The company recorded a material negative impact of the SARS-CoV-2 pandemic on its operations and financial performance in form of no income from loan brokerage. On the one hand there is a limited demand for the services offered by the company in medical institutions, on the other – the imposed restrictions made any personal contact with potential clients in medical centres impossible. This key impediment makes it impossible to finalize processed applications extending already complex loan issuing process and highly limiting possibilities of realizing new projects. Hospitals struggle with extraordinary operational and personnel problem.

Whereas the uncertainty caused by the coronavirus in financial markets may cause destabilisation of the banking sector and introduce a negative tendency in its willingness to finance the healthcare sector.

Because of the pandemic development and implementation of new business concepts for the company growth or changing its profile are limited.

Whereas the factor that influences credit risk remains the network of hospitals formed by the Minister of Health, i.e. the system of ensuring elementary hospital care that aims to ensure a wide access to healthcare services. The network of hospitals established the classification of medical units in a system that ensures adequate protection system: profiles in which procedures are provided and scopes and types of services refunded by the National Health Fund. The system covers all units that ensure uninterrupted access to medical services and their complexity. For the company it is the confirmation of the applied by it strategy concerning risk assessment methodology and focusing on major units in a region. According to the regulations, entities that are part of the network of hospitals will be redefined next year – new scopes and values of contracts with the National Health Fund will be specified. The approach to the contract calculation method is unknown.

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 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 allocating concentration limit with 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 an opportunity to enhance its liquidity buffer. It is hardly foreseeable how long the National Health Fund will be financing hospitals in 100% of contracted amounts in spite of the actual performance of contracted procedures and the lump sum. Non-performance of specific procedures during the coronavirus pandemic does not mean that hospitals do not have to pay substantial costs of their operating, such as personnel salaries.

On 01.04.2020, became retroactively effective from 14.03.2020 amendments to Art. 59(2) of the Act on therapeutic activities prolonging deadlines for making a decision about liquidation of a medical unit in cases specified by law. Implementation of the said regulation was to ensure additional protection for hospitals during the pandemic. For some of founders the regulations allowed to postpone for next 12 months the obligation to liquidate a unit that was required by previous regulations.

In spite of all macroeconomic changes, in H1 2020 the company did not face any material payment problems in balance sheet exposure and it is fully capable to continue its operations, both in the scope of servicing the balance sheet and off-balance sheet portfolio, and has full operational capability and competences to continue its operations in providing loan brokerage services.

Furthermore, 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 in the public healthcare sector with limited resources of medical staff in Poland;
- implementation of individual adaptation programmes by medical units;
- outcomes of sanitary inspections at medical centres concerning safety and hygiene for patients;
- increased total debt of medical units, increasing 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 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);
- stabilization and 'thawing' business and the development of the pandemic situation in Poland.

External factors that materially affect the company growth:

- the liquidity situation of the medical sector units related to medical procedures contracted by the National Health Fund (NFZ) and the amount of funds from health insurance contributions;
- changing the way of settlement of public hospitals with the NFZ (or other funds responsible for financing healthcare system under the supervision of the Minister of Health), including settlements during and after the pandemic crisis;
- successful resumption of planned procedures financed outside the lump sum by hospitals;

- functioning of the network of hospitals;
- the new legislative solution in connection with the sentence of the Constitutional Tribunal that revokes the obligation of founders to cover negative results of medical units;
- sanitary and infrastructural requirements of the Ministry of Health forcing healthcare units to incur substantial investment outlays, and increasing their operating costs;
- growing hospital personnel wage pressure at each level, expectation of substantial pay rise, growing tensions between hospital staff and managers, real possibilities of providing sufficient personnel for hospital departments;
- liquidity of suppliers of hospitals;
- the situation in financial markets and cost of external financing and its availability;
- competition in the market;
- implementation of legal restrictions for trading hospital debts that will affect the sale structure of products directly financing hospitals;
- the level of debt of local government units caused by higher investment expenses incurred in the EU-co financed projects;
- statutory changes regulating operations of local government units, level of their income and expenses;
- potential statutory changes, administrative decisions reshaping solutions in health service;
- successful resumption of relations with medical units after their adaptation to the pandemic situation;

d. The consequences of the changes to the segment structure

In H1 2020, no material changes in the segment structure took place.

M.W. Trade S.A. operations are disclosed in detail in the publicly available company's report for H1 2020.

3. Other information concerning Getin Holding Capital Group in H1 2020

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

The structure of ownership of significant blocks of shares as at the date of Q1 2020 report and as at the date hereof, 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 Q1 2020 REPORT 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 Q12020 report (pcs.)	change	as of the date of publication of H12020 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⁾	-	20 468 082 ¹⁾
		83 848 372 ²⁾	-	83 848 372 ²⁾
Remigiusz Baliński	Vice Chairman of Supervisory Board	49 410	-	49 410
Bogdan Frąckiewicz	Member of Supervisory Board	0	-	0
Adam Maciejewski	Member of Supervisory Board	0	-	0
Stanisław Wlazło	Member of Supervisory Board	0	-	0

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

Getin Holding Capital Group companies did not publish any financial forecasts for H1 2020.

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

In H1 2020, neither the Issuer nor its subsidiaries granted a substantial value loan or credit guarantee or a guarantee.

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 occurred no other 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 (including those concerning liabilities or debts)

In H1 2020, in Getin Holding S.A. there was an inspection of the Lower Silesian Customs and Tax Authority in Wrocław. The inspection is to verify compliance with corporate income tax regulations for the financial year 2015. On 15.09.2020, the Issuer received the inspection report from the Head of the Lower Silesia Customs and Tax Office. The authority decreased the tax loss for 2015. In the Tax and Customs Office's opinion, the classification of expenses for purchasing shares in Idea Bank Russia amounting to PLN 47.7 million as tax deductible costs was against provisions of Art. 16(1)(8) of the Corporate Income Tax Act. The Company made a correction to the tax return for 2015. After the correction the loss amounted to PLN 28.7 million. The loss incurred in 2015 was not used by Getin Holding in any of the tax years 2016-2019. The decrease of the loss does not affect the company's cash flows. The correction does not result in any additional tax liability.

After the balance sheet date, i.e. on 24.08.2020, the Issuer was notified about initiating by the KNF administrative proceedings concerning breaching Art. 25n(5a) of the Banking Law in connection with the suspicion /possibility of failing to satisfy after 21.04.2018 the obligation set forth in Art. 25h(3) of the Banking Law, made on 10.05.2011 in connection with the intention of taking up directly shares in Idea Bank S.A. (Poland) concerning the obligation to keep satisfactory and stable levels of the bank's liquidity, capitals and solvency.

The proceedings with the participation of Idea Leasing IFN S.A. (Romania) and M.W. Trade are reported in section 2 hereof.

Proceedings with the participation of Idea Bank (Poland) are reported in note 2.31 to the Financial Statement of Getin Holding Capital Group for the 6-month period ended on 30.06.2020.

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 H1 2020, neither the Issuer nor its subsidiaries concluded any substantial transactions with a related entity on terms other than the arm's length principle.

h. Statement of the Management Board

Management Board of Getin Holding states that to their best knowledge:

- the Semi-annual Condensed Financial Statements and the comparable data have been drawn up according to the applicable accounting principles and they give a true, reliable and fair view of the economic and financial standing of Getin Holding Capital Group and its financial result;
- the Semi-annual Report on Operations reflects faithfully the development and achievements and the position of Getin Holding Capital Group, including the description of basic threats and risks.

Wrocław, dated 30 September 2020

Piotr Kaczmarek
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