GETIN HOLDING S.A.
CAPITAL GROUP

REPORT ON OPERATIONS OF THE CAPITAL GROUP AND ISSUER
FOR Q1 2020

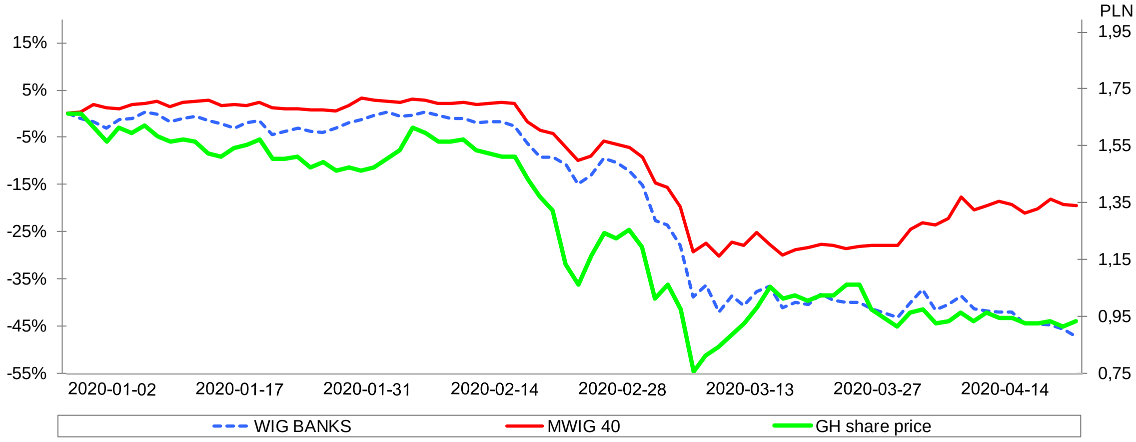
Wrocław, dated 25 May 2020

1. Operations of the Issuer and Getin Holding Capital Group in Q1 2020

a. The main successes and failures of Getin Holding Capital Group in Q1 2020

Stock price

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



Finalizing the sale of assets in Russia

Attracted by the fast growing business managed by Getin Holding in Russia Gazprombank Leasing JSC (Russia) and Novfintekh LLC (Russia) became interested in their acquisition.

Consequently, on 29.11.2019, the parties signed a conditional agreement to sell Carcade group. On 20.03.2020, having satisfied all conditions precedent, the Issuer signed with investors an agreement to sell its Russian assets for the price amounting to RUB 2,933.4 million (i.e. equivalent of nearly PLN 154.9 million). The price was paid through letters of credit opened by the investors and the payment was made upon the registration of the transfer of the title in the participatory interest in Carcade in the relevant register. The transfer of the title in the participatory interest was registered in the relevant register on 30.03.2020. Part of the purchase price amounting to RUB 800 million was transferred to an escrow account in order to secure the purchasers' potential claims resulting from the Issuer's warranties and restrictions.

Sale of the Ukrainian segment assets

The improving condition of the Ukrainian economy in 2019 contributed to increased interest of investors in the local market, including the financial sector that reported considerably growing profitability.

In connection with the purchase of assets in Ukraine, on 20.12.2019 the management board of Getin Holding got the approval of the supervisory board for accepting an acquisition offer for 100% shares and the participatory interest in the Ukrainian companies. On the same date, the Issuer executed conditional agreements to sell 100% shares in Idea Bank (Ukraine) and 100% participatory interest in New Finance Service with:

- Dragon Capital Investments Limited (Cyprus), Dragon Capital New Ukraine Fund L.P. (Jersey) and an individual person (agreement 1), and
- Napalor Holdings Limited (Cyprus) – a company designated by the aforementioned investors (agreement 2).

Under the conditional sale agreement the price for the shares in Idea Bank (Ukraine) shall amount to UAH 1,368 million (i.e. equivalent of nearly PLN 224.8 million PLN at the NBP average exchange rate as at the transaction date) less: the total dividend paid or allocated by companies to the Issuer in the period from 01.01.2020 to the transaction closing date and the price for 100% share in New Finance Service.

Under the conditional sale agreement the price for the participatory interest in New Finance Services shall amount to UAH 5 million (i.e. equivalent of nearly PLN 0.8 million at the NBP average exchange rate on 20.12.2019).

Presently, a team in Getin Holding S.A. is working to satisfy all contractual conditions and to complete the sale transaction that depends on obtaining relevant decisions from Ukrainian authorities.

The transaction is the effect of the strong position and attractiveness of the assets managed by Getin Holding in the local financial market. Idea Bank (Ukraine) is still one of leaders in the sector of cash loans in the Ukrainian banking market. Furthermore, the bank is among the most stable and effective banks operating in the Ukrainian market.

Coronavirus SARS-CoV-2

The key factor that is shaping the business environment in all markets where the Group operated in Q1 2020 was undoubtedly the SARS-CoV-2 coronavirus pandemics that shook operations of 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 specific nature of the Company's operations allows for nearly 90% of all tasks to be performed remotely, so all employees could work from home, with no risk of disrupting current projects or other processes essential for the Company's operations.

In its management practice so far Getin Holding has developed instructions for teleworking with use of modern telecommunication solutions that ensure highest confidentiality and security standards for communicated information.

In the face of spreading SARS-CoV-2 coronavirus pandemic implementing telework substantially limits risk of interruption of asset management processes or current reporting, both internal and external.

Teleworking proved very efficient in the Company so far.

Nevertheless, the Company's management board sees potential risks that may occur in case of regulatory changes caused by further negative development of the situation and necessary reactions of relevant authorities to the threat of spread of the SARS-CoV-2 coronavirus pandemic.

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.

Potentially adverse changes in the regulatory environment, in the management board's opinion, may be treated by the Company contractors as material adverse change and jeopardize finalization of the transaction of selling assets in Ukraine that the Company reported in current report number 42/2019 (and subsequent reports concerning satisfaction of conditions precedent for those transactions).

The SARS-CoV-2 pandemic is present in all markets where Getin Holding operates. The scale of the pandemic obviously varies from country to country, so does the reaction of local authorities, their recommendations and restrictions for various economic sectors.

In response to announcements and recommendations issued by institutions responsible for combating the pandemic in a respective countries, Getin Holding Group companies have implemented relevant regulations concerning changes in their work organization and special procedures that ensure uninterrupted work in the existing conditions.

The common element is to enable the largest possible group of Getin Holding Group employees to work from home so as to ensure the highest level of security and mitigate risk of spreading the virus as well as to ensure uninterrupted processes in each organization.

The management board of Getin Holding expects that the adverse economic consequences will affect all markets where the Group is present and will result in lower demand for financial services, especially loans, and therefore lower interest and commission interest.

In Q1 2020, due to COVID 19 the Group companies disclosed additional provisions for loan impairment loss, which was a result of diminishing loan repayment discipline. Adding to the increased credit risk, the Group's profitability will also suffer from reduced interest rates in individual markets.

The Group is aiming to keep the profitability of working assets, which is diminishing with reduction of reference interest rates, by cutting cost of liabilities acquisition and further restructuring process in Idea Bank Group (Poland), increasing efficiency and cutting costs of the Group's operations.

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

The adverse impact of the aforementioned factors may translate to the Group companies' performance and equity, which may in turn materialize risk of non-compliance with capital requirements by some of the Group companies.

Final pandemic's effects for markets where Getin Holding Group operates cannot be at the present moment precisely measured or evaluated. The management board of Getin Holding S.A. is closely looking at measures employed by governments of countries where it operates adapting the Group's operations to current situation.

Depending on needs and the situation developments as well as possible new waves of SARS-CoV-2 infections, the Issuer's management board expects that governments will be implementing further relief packages for business to mitigate those effects, which will be complementary to the already existing pandemic regulations. As at the date hereof, their form and impact remain unknown.

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.

Other material events concerning Getin Holding Group companies are reported in 2 hereof.

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

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

- SARS-CoV-2 coronavirus pandemic, reaction of individual governments and adapting to the changes in national economies by the Group companies;
- market situation (global and local); macroeconomic indicators in economies where the Group is or will be investing that affect return on investment; hardly predictable fluctuations in economic markets;
- the Group companies adaptability of 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;
- liquidity risk inherent in investment instruments and loans; potentially insufficient funds to pay liabilities or lack of marketability of assets to raise funds or take loans to pay debt;
- the Issuer's ability to apply consistent policy to prevent cash flow crisis;
- portfolio concentration, majority interest in Idea Bank (Poland) as the lion share of the Issuer's portfolio;
- care applied by the Issuer in ensuring diversified investments and matching financing;
- reputation risk; the impact of potential loss of reliability in one area on other markets, investment valuation or potential funds raising in local markets;
- regulation risk related to the failure to satisfy capital requirements by Idea Bank Group (Poland), possibility of initiating compulsory restructuring.

c. Description of material unusual events or factors that had a material impact on Getin Holding Group's financial results

Besides the events related to the SARS-CoV-2 pandemic, in Q1 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 in Q3 2019

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

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

In Q1 2020, there were no changes or any consequences thereof in the structures of the Issuer or Getin Holding S.A. Group, other than the ones reported in section 2 hereof.

2. Business operations of Getin Holding Capital Group by territorial segments in Q1 2020

Presentation of business operations of Getin Holding Capital Group by territorial segments. As in accordance with the IFRS the segment in Russia qualifies as discontinued, 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 comprises among others:

- Idea Bank S.A. – a bank for small and medium-sized companies that offers a wide range of loans and deposits;
- Idea Money S.A. – operates in factoring and debt collection markets;
- Idea Getin Leasing S.A. – specializes in lease of vehicles and machinery (associated company);
- Development System sp. z o.o. – sells and administrates property located in Sky Tower in Wrocław;
- Open Finance S.A. – provides financial consultancy, offers products of several banks, investment funds and insurance companies to individual clients (affiliated company);
- Idea Box Alternatywna Spółka Inwestycyja S.A. – serves as a business incubator for selected financial ventures (an associated company).

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

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

- issuing loans and credit facilities;
- 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;
- lease services;
- factoring;
- real estate trade;
- trading in securities;
- managing securitized debt of securitization funds.

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

The bank's products were distributed in traditional branches as well as through the complex Internet platform, mobile banking and through financial agents.

The Group's business is founded on the concept of "Entrepreneur for Entrepreneurs" that emphasizes understanding of clients needs and developing a relevant offer that meets their current needs and expectations and leads to building long-term relations with clients. The Group was growing along with its clients offering them financial products adequate for their current stage of business development.

a. Presentation of the segment's financial result in Q1 2020

Segment's result:

	kPLN		% Change
	3M 2020	3M 2019	
Net interest income	133 606	106 526	25,4%
Interest income	209 385	248 051	-15,6%
Interes expense	(75 779)	(141 525)	-46,5%
Net fee and comission income	16 501	31 024	-46,8%
Fee and commission income	29 715	48 813	-39,1%
Fee and commission expense	(13 214)	(17 789)	-25,7%
Net operating income	619	(16 662)	-
Net impairment losses	(74 955)	(90 757)	-17,4%
Administrative expenses	(75 919)	(108 869)	-30,3%
Share in net profit (loss) of associates	1 291	1 193	8,2%
Income tax	510	(4 489)	-
Net profit (loss) on continued operations	**1 653**	**(82 034)**	**-**

Selected balance sheet data:

	kPLN		% Change
	31.03.2020	31.12.2019	
Balance sheet total	16 696 662	17 323 307	-3,6%
Credit and leasing receivables	13 051 651	13 423 675	-2,8%
Deposits	14 821 925	15 508 490	-4,4%

Key financial performance indicators:

lp.	Financial performance indicator	Value of the ratio as at Q1 2020	Value of the ratio as at Q1 2019	Change	Method for calculating the ratio
1	ROA Return on assets	0,04%	-1,60%	1,64 p.p.	(Net profit / [(Total assets at the end of the current period + Total assets at the end of the previous year)/2])*(4/1)
2	ROE Return on equity	4,18%	-218,33%	222,51 p.p.	(Net profit / [(Total equity at the end of the current period + Total equity at the end of the previous year)/2])*(4/1)
3	NIM Net interest margin	3,26%	2,18%	1,09 p.p.	(Net interest income / [(Total interest-earning assets at the end of the current period + Total interest-earning assets at the end of the previous year)/2])*(4/1)
4	COF Cost of financing	1,82%	2,84%	-1,02 p.p.	(Interest expenses / [(Total interest-bearing liabilities at the end of the current period + Total interest-bearing liabilities at the end of the previous year)/2])*(4/1)
5	COR Cost of risk	2,26%	2,26%	0,00 p.p.	(Net impairment result on loans, advances and leasing receivables / [(Total receivables from loans, advances, leasing at the end of the current period + Total receivables from loans, advances and leasing at the end of the previous year)/2])*(4/1)
6	C/I Cost-to-income ratio	50,37%	90,06%	-39,69 p.p.	General administrative expenses / net operating income

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

Those changes allowed Idea Bank Group (Poland) to close the previous period with a profit of PLN 1.7 million compared to the loss of PLN 82.0 million generated in the corresponding period last year. Q1 2020 was the fourth subsequent quarter when Idea Bank Group (Poland) generated a profit, which is of particular importance presently in the face of the threats posed by the epidemic crisis and enormous challenges for the national economy.

The net interest income generated by Idea Bank (Poland) Group in Q1 2020 totaled PLN 133.6 million being 25.4% higher compared to the corresponding year.

The net commission and fee income in the Polish segment totaled PLN 16.5 million (as compared to PLN 31.0 million in the previous year).

The sector of banking services in Poland is deeply cutting operating costs, also by the reorganization of its outlets network. As a result, a substantial q/q drop (30.3%) of the operating costs in the banking sector was reported, from PLN 108.9 million to PLN 75.9 million. As a result, costs at quarterly rate were substantially reduced from 90.06% to 50.37% at the end of Q1 2020.

The segment's loan portfolio in the discussed period slightly diminished by 2.8% to PLN 13.1 billion, whereas the deposit portfolio dropped (by 4.4%) to PLN 14.8 billion. The balance sheet total of Idea Bank S.A. (Poland) Group as at the end of the reported period totaled PLN 16.7 billion.

In spite of the pandemic crisis Idea Bank (Poland) Group improved its net interest margin. As at 31.03.2020 it stood at 3.26% (compared to 2.18% reported in Q1 2019). Whereas the CET 1 for Idea Bank (Poland) as at 31.03.2020 totaled 0.06%, and the Tier 1 equity ratio – 0.06%.

b. The main successes and failures of the segment companies in Q1 2020

2019 saw intensive changes in the bank. The bank started to develop its voluntary recovery plan to rebuild its profitability and gradually reinforce its capital position. The implementation of the recovery plan quickly brought about positive effects improving the bank's economic standing and financial performance that were reported as soon as in Q2 2019 in subsequent periods.

In order to reduce costs several complex and uneasy reorganization measures (including personnel changes) were taken, and the business model was updated focusing on products addressed to micro, small and medium-sized enterprises. The introduced changes in particular concerned:

- Progressing digitalization and enhancing Internet services as the main channels of communication with clients and providing services for them. The bank’s strategic approach in this area corresponds to the most recent global trends that indicate growing interest of clients in mobile and online banking;
- Changes in the customer service model in branches and reorganization of the sales network. Those measures contributed to reduction of the number of expensive and therefore not very efficient traditional branches and reduction of number of services that are relatively less popular with clients but make the bank incur high costs.

Thanks to consequently and quickly implemented voluntary recovery the bank closed Q1 2020 with a PLN 1.7 million worth profit (being the fourth quarter in a row when the bank recorded a positive financial result).

All restructuring activities aim at building foundations for long-lasting, stable profitability of the bank and the group. Accomplishing foundations for permanent profitability is necessary to protect the bank's low capital base. The ability to generate recurrent income is also a decisive factor in restoring and keeping trust in the bank and Idea Bank (Poland) Group in medium- and long-term horizon.

Trust of investors is a key factor for the planned capital raising. Since once the planned profitability is restored the bank intends to continue the process of looking for an investor in order to increase the capital or merge with another bank. Successful completion of the process would allow in medium-term horizon to restore capital ratios to levels required by the CRR and joint buffer requirements.

At the same time, there is the risk of failure to accomplish the planned business goals. The said risk may concern internal factors related to the restructuring process and the impact of highly changeable market business cycles on its financial results.

The outbreak of the SARS-CoV-2 coronavirus pandemic brought about unrecalled changeability and concerns about the economy's condition and foundations for further economic growth, both globally and locally. Final pandemic's effects for the Polish economy cannot be at the present moment precisely measured or evaluated.

In spite of the pandemic, Idea Bank (Poland) Group's operations are not disrupted – all branches of the bank are open with nearly 80% employees working from home (nearly 92% employees of the bank's headquarters).

It seems that coordinated and diversified measures to implement the anti-crisis shield are successful. The initial data published by the Polish Statistical Office indicate that in Q1 2020 the national economy recorded economic slowdown of 1.9%. According to the EU forecasts, published on 11.05.2020 by Bloomberg, this year Poland's GDP will shrink by 4.3% and it will be the smallest drop among all countries of the community.

Idea Bank (Poland) analyses needs of its clients on a current basis offering them support. The bank was one of the first that offered loan repayment holiday where entrepreneurs can postpone loan repayment. The bank’s clients can also apply for partially refundable subventions that are to mitigate negative effects of the economic crisis. However, it should be assumed that the pandemic crisis has a direct adverse impact on the profitability of the bank's operations and its capital base. In Q1 2020, due to COVID -19 the Group companies disclosed additional provisions for loan impairment loss in the amount of PLN 9.6 million. Further developments will be monitored on a current basis.

Adding to the increased credit risk, the Group's profitability will also suffer from reduced NPB and WIBOR interest rates. The Group will aim at keeping profitability of working assets, which is diminishing due to reduction of reference interest rates, by cutting cost of liabilities acquisition and further restructuring processes to increase efficiency and reduce costs of the Group's operations.

The management board presented measures taken to eliminate identified threats. They are complex in nature and focus on developing a strategy that will help to rebuilding capital ratios and profitability. The presented strategy will require finding external sources of capital and the KNF's approval for the bank's further operations in spite of the failure to satisfy relevant capital requirements until it raises sufficient funds.

Furthermore, in Q1 2020, the following material events occurred in Idea Bank Group that affected the present situation of the segment:

- On 03.02.2020 the Office for Competition and Consumer Protection issued a decision stating that the bank used practices that breached collective interests of consumers, i.e. offered for sale bonds of GetBack S.A. to consumers to consumers for whom conditions of issuing such bonds as regards their investment risk were not appropriate. The Office for Competition and Consumer Protection decided that the bank should remedy those breaches according to the following principles:

- payment of public compensation amounting to 20% of invested funds up to PLN 50,000, i.e. maximum PLN 10,000 for an individual client, yet it shall not apply to clients who as at the date of filing a claim for compensation payment have signed an arrangement with the bank, have got the final and binding decision issued by a court, arbitration court or another institution authorised to out-of-court settlement of consumers disputes, or based on other proceedings have got back all or part of funds in such an amount that along with the compensation it would be higher than the invested funds;
- informing bondholders about being ready to pay compensation in the proceedings specified in the decision;
- publishing a statement as specified in the decision.

On 03.03.2020, the bank appealed against the decision of the Office for Competition and Consumer Protection. The bank raises several objections, concerning in particular:

- wrongly establishing the bank's role in the process of GetBack S.A. distribution;
- groundless – in the bank's opinion – assumption that GetBack S.A. bonds did not meet clients' needs as regards risk;
- unjustified assumption that the bonds are a complex financial instrument, and
- groundless assumption that the decision of the Office for Competition and Consumer Protection is of prejudicatory nature.

Having the afore circumstances in mind, the bank decided not to make a provision for compensation payment.

The bank initially estimates that if the decision dated 03.02.2020 becomes final and binding, which will result in the bank's payment of compensations under the decision, the public compensation may amount to c. PLN 42 million.

- On 04.03.2020, the bank received a letter from the President of the Office for Competition and Consumer Protection demanding that the bank furnish several new information and documents in the proceedings carried out since 2017 concerning suspicion that the bank used practices that breach collective interests of consumers related to structured deposits. The charges of the Office for Competition and Consumer Protection concerned product documentation and focused on such charges as: (i) deposit terms and conditions specified in documents presented to clients before signing an agreement may differ from the final contractual terms and conditions; (ii) in documents presented by the bank there is no information that clients may not earn any interest and deposit related risks are not properly emphasized, (iii) the bank disclaimed any liability for any provided information and for expected results of deposits, (iv) the bank misled its clients about the guarantees of the Bank Guarantee Fund for deposits, (v) the bank obliged clients to get informed about tax issues by a tax advisor. The bank disagrees with the presented charges and responded to them in a letter addressed to the Office for Competition and Consumer Protection. The proceedings are pending. The bank would like to point out that the information and documents requested in the said letter go beyond previously examined questions, which in the bank's opinion may lead to starting another examination concerning other aspects of structured deposits by the President of the Office for Competition and Consumer Protection.
  Other proceedings with the bank's participation are reported in section 3 hereof.

A detailed description of measures taken by the bank's management board and its standpoint concerning threats and risks are included in the periodic report of Idea Bank (Poland) Group for Q1 2020.

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

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

- SARS-CoV-2 pandemic crisis and freezing the economy;
- ability to raise capital or merge with another bank;
- credit risk;
- market risk;
- liquidity risk;
- contractor's risk due to credit revaluation of derivatives;
- major engagement concentration risk;
- interest rate risk;
- fx risk;
- operational risk,
- model risk;
- risk of investments in subsidiaries;
- risk related to derivatives,
- risks related to the capital adequacy;
- need to raise capital;
- reputation risk, specifically related to the situation around GetBack S.A. and tax Care S.A.;
- initiating proceedings by the Polish financial regulator KNF;
- decision of the Office for Competition and Consumer Protection imposing on Idea Bank (Poland) S.A. the obligation to pay compensation to consumers who bought GetBack bonds from the bank;
- economic, political and legal situation in Poland;
- potential downturn in European markets;
- clients' credit standing;
- clients' readiness to invest;
- potential threat of withdrawing deposits;
- regulation risk resulting from non-compliance with capital requirements and initiating proceedings by the Polish regulator KNF and possible implementation of the Resolution Plan;
- risk related to the loan portfolio quality;
- compliance risk.

d. The consequences of the changes to the segment structure

On 31.01.2020, Idea Getin Leasing S.A. bought 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).

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 clients;
- New Finance Service sp. z o. o. that purchases, trades and recovers debt, provides loan and insurance agency services;
- Gwarant Legal Support sp. z o.o.

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

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

The bank channels its sale through the network of its own branches, 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 of partner banks and insurance agency services (through its own points of sale).

Gwarant Legal Support sp. z o. o. specializes in providing legal and financial services, including factoring and agency services and offering guarantees and sureties.

a. Presentation of the segment's financial result in Q1 2020

Segment's result:

	kPLN		% Change	kUAH		% Change
	3M 2020	3M 2019		3M 2020	3M 2019	
Net interest income	55 667	44 228	25,9%	358 141	318 569	12,4%
Interest income	81 574	59 677	36,7%	524 817	429 846	22,1%
Interes expense	(25 907)	(15 449)	67,7%	(166 676)	(111 277)	49,8%
Net fee and comission income	18 316	17 490	4,7%	117 838	125 978	-6,5%
Fee and commission income	23 282	19 759	17,8%	149 788	142 322	5,2%
Fee and commission expense	(4 966)	(2 269)	118,9%	(31 949)	(16 343)	95,5%
Net operating income	2 411	1 788	34,8%	15 511	12 879	20,4%
Net impairment losses	(30 288)	(19 571)	54,8%	(194 862)	(140 968)	38,2%
Administrative expenses	(25 501)	(18 279)	39,5%	(164 064)	(131 661)	24,6%
Income tax	(3 798)	(4 681)	-18,9%	(24 435)	(33 717)	-27,5%
Net profit (loss)	**16 807**	**20 975**	**-19,9%**	**108 130**	**151 080**	**-28,4%**

Selected balance sheet data:

	kPLN		% Change	kUAH		% Change
	31.03.2020	31.12.2019		31.03.2020	31.12.2019	
Balance sheet total	839 890	877 769	-4,3%	5 569 562	5 479 207	1,6%
Loans and advances	636 016	665 328	-4,4%	4 217 613	4 153 109	1,6%
Deposits	637 242	667 768	-4,6%	4 225 743	4 168 340	1,4%

Key financial performance indicators:

lp.	Financial performance indicator	Value of the ratio as at Q1 2020	Value of the ratio as at Q1 2019	Change	Method for calculating the ratio
1	ROA Return on assets	7,83%	13,20%	-5,37 p.p.	(Net profit / [(Total assets at the end of the current period + Total assets at the end of the previous year)/2])*(4/1)
2	ROE Return on equity	47,42%	83,13%	-35,71 p.p.	(Net profit / [(Total equity at the end of the current period + Total equity at the end of the previous year)/2])*(4/1)
3	NIM Net interest margin	27,65%	29,91%	-2,26 p.p.	(Net interest income / [(Total interest-earning assets at the end of the current period + Total interest-earning assets at the end of the previous year)/2])*(4/1)
4	COF Cost of financing	15,38%	12,35%	3,03 p.p.	(Interest expenses / [(Total interest-bearing liabilities at the end of the current period + Total interest-bearing liabilities at the end of the previous year)/2])*(4/1)
5	COR Cost of risk	18,62%	16,09%	2,53 p.p.	(Net impairment result on loans, advances and leasing receivables / [(Total receivables from loans, advances, leasing at the end of the current period + Total receivables from loans, advances and leasing at the end of the previous year)/2])*(4/1)
6	C/I Cost-to-income ratio	33,38%	28,78%	4,60 p.p.	General administrative expenses / net operating income

In Q1 2020, the Ukrainian segment generated the net profit of PLN 16.8 million and it was 19.9% 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, the quarantine and other related anti-pandemic measures. Any business activity of individuals and companies was drastically restricted, the demand for the Group's products and services offered in the Ukrainian market diminished, sales volumes dropped, and the loan portfolio deteriorated as a result of diminishing loan repayment discipline.

Nevertheless, the Ukrainian segment reached a considerably higher (+25.9%) net interest income that increased from PLN 44.2 million in Q1 2019 to PLN 55.7 million in the reported period.

Similarly, the net commissions and fees income increased (by 4.7%), from PLN 17.5 million in Q1 2019 to PLN 18.3 million in the first quarters in 2020.

Compared with Q1 2019 provisions for impairment loss increased considerably (by 54.8%) due to the increased loan portfolio (by 23.1% y/y) and the coronavirus pandemic that contributed to the deterioration of the loan portfolio and lower loan repayment discipline.

In the reported period the operating costs of the banking sector increased y/y by 39.5%, from PLN 18.3 million to PLN 25.5 million. The increase, in spite of strict control of administrative expenses, was caused by considerable expansion of the Group in Ukraine in 2019.

The segment's result was influenced by worse economic situation in Ukraine. The net interest margin (NIM) generated in the reported period reached 27.65%, and it was 2.26 p.p. lower than year before, with the cost of financing (COF) of 15.38% (compared to 12.35% at the end of the corresponding period). The cost of risk rate (COR) in the reported period was 18.62%. The C/I ratio stood at 33.38%, and it was higher than in the previous year (28.78%).

b. The main successes and failures of the segment companies in Q1 2020

The improving condition of the Ukrainian economy in 2019 contributed to increased interest of investors in the local market, including the financial sector, which reported surge in profitability.

In connection with the interest in the purchase of assets in Ukraine, on 20.12.2019 the management board of Getin Holding got the approval of the supervisory board for accepting an acquisition offer for 100% shares and the participatory interest in the Ukrainian companies. On the same date, the Issuer executed also conditional agreements to sell 100% shares in Idea Bank (Ukraine) and 100% participatory interest in New Finance Service with:

- Dragon Capital Investments Limited (Cyprus), Dragon Capital New Ukraine Fund L.P. (Jersey) and an individual person (agreement 1) and
- Napalor Holdings Limited (Cyprus) - a company designated by the aforementioned investors (agreement 2).

Under the conditional sale agreement the price for the shares in Idea Bank (Ukraine) shall amount to UAH 1,368 million (i.e. equivalent of nearly PLN 224.8 million PLN at the NBP average exchange rate as at the transaction date) less: the total dividend paid or allocated by companies to the Issuer in the period from 01.01.2020 to the transaction closing date and the price for the 100% participatory interest in New Finance Service.

Under the conditional sale agreement the price for the participatory interest in New Finance Services shall amount to UAH 5 million (i.e. equivalent of nearly PLN 0.8 million at the NBP average exchange rate on 20.03.2019).

Presently, a team in Getin Holding S.A. is working to satisfy all contractual conditions and to complete the sale transaction of companies in Ukraine that depends on obtaining relevant decisions by Ukrainian authorities.

The transaction is the effect of the strong position and attractiveness of the assets managed by Getin Holding in the local financial market. Idea Bank (Ukraine) is still one of leaders in the sector of cash loans in the Ukrainian banking market. Furthermore, the bank is among the most stable and effective banks operating in the Ukrainian market.

In spite of freezing the Ukrainian economy because of the SARS-CoV-2 coronavirus pandemic, in Q1 2020 the bank managed to keep its position of one of the leaders in retail loans and it still – in quarantine – is issuing loans. The Ukrainian sector keeps high liquidity and resilience to the crisis.

Idea Bank (Ukraine) has been persistently working on implementing new solutions in the Internet banking. In 2019, O.Bank, a new digital bank started its operations. The mobile application established a new model of communication with clients who do not need to appear in traditional bank branches. Ultimately, O.Bank will ensure access to a full range of all banking products and services offered by Idea Bank (Ukraine).

The development strategy of Idea Bank (Ukraine) aims at constant improvement of efficiency and focuses on selling 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 (O.Bank) and addressing a new group of clients with a lower risk profile.

Idea Bank (Ukraine) stills ranks high in the survey carried out by the National Bank of Ukraine concerning:

- assessment of assets quality;

– assessment of capital adequacy;
– assessment of capital adequacy based on the analysis of emergency scenarios (stress tests in adverse macroeconomic scenarios).

The stability assessment carried out by the Central Bank confirmed high quality of the bank's assets and high capital adequacy in any scenario of national economy development, including crisis situations. Hence the bank complies with the regulator's requirements concerning capital adequacy, liquidity standards (quick, current and short-term liquidity ratios) as well as credit risk assessment requirements.

Good financial standing of the Ukrainian segment allows for periodic dividend payment. In Q1 2020, the Company was paid dividends of PLN 46.3 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

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 a mandatory quarantine and other anti-pandemic measures. It is estimated that macroeconomic indicators of the national economy have deteriorated. The Ukraine's GDP is forecast to drop to -3.3% or even -7.7% in 2020. It is expected that the unemployment rate will grow and wages will diminish, which may have an adverse impact on the quality and level of debt servicing by clients. The crisis caused devaluation of the hryvnia and substantial fluctuations in foreign currencies exchange rates (which determines liquidity of the country's banking system).

During the pandemic the market still observes large dependency of the economic stability and macroeconomic indicators on cooperation with the International Monetary Fund that is correlated with the country's ability to pay its obligations and the f/x 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 sales volumes), deteriorating quality of the portfolio and lower 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.

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

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

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

Other material factors that contribute to the 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 developing business competition in the banking sector of retail cash loans and deposits, specifically from major banks.

Possible negative changes in the regulatory environment (especially in the context of SARS-CoV-2), in the Issuer's management board's opinion, may be treated by clients as material adverse changes in the market and they may pose a threat to completion of transactions of selling assets in Ukraine.

At the present stage, the effects of the epidemic are hardly foreseeable and they will depend on further developments and decisions of the government.

d. The consequences of the changes to the segment structure

In Q1 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 is represented by:

- Idea Bank S.A. (Belarus), a universal bank that offers financial services to individual clients, comprehensive services to companies while specializing in cash loans, loans to SMEs and credit card);
- Idea Broker sp. z o.o. – insurance broker;
- Idea Finance sp. z o.o. – financial broker.

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

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

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 Q1 2020

Segment's result:

	kPLN		% Change	kBYN		% Change
	3M 2020	3M 2019		3M 2020	3M 2019	
Net interest income	7 245	10 766	-32,7%	4 151	6 086	-31,8%
Interest income	19 657	20 261	-3,0%	11 262	11 454	-1,7%
Interes expense	(12 412)	(9 495)	30,7%	(7 111)	(5 368)	32,5%
Net fee and comission income	1 791	3 464	-48,3%	1 026	1 958	-47,6%
Fee and commission income	5 647	6 117	-7,7%	3 235	3 458	-6,4%
Fee and commission expense	(3 856)	(2 653)	45,3%	(2 209)	(1 500)	47,3%
Net operating income	15 372	7 525	104,3%	8 807	4 254	107,0%
Net impairment losses	(1 117)	(1 099)	1,6%	(640)	(621)	3,0%
Administrative expenses	(15 139)	(14 565)	3,9%	(8 673)	(8 234)	5,3%
Income tax	(2 391)	(1 788)	33,7%	(1 370)	(1 011)	35,5%
Net profit (loss)	**5 761**	**4 303**	**33,9%**	**3 300**	**2 433**	**35,7%**

Selected balance sheet data:

	kPLN		% Change	kBYN		% Change
	31.03.2020	31.12.2019		31.03.2020	31.12.2019	
Balance sheet total	880 027	919 036	-4,2%	536 275	510 434	5,1%
Loans and advances	623 334	630 389	-1,1%	379 850	350 119	8,5%
Deposits	693 808	709 111	-2,2%	422 796	393 841	7,4%

Key financial performance indicators:

lp.	Financial performance indicator	Value of the ratio as at Q1 2020	Value of the ratio as at Q1 2019	Change	Method for calculating the ratio
1	ROA Return on assets	2,56%	2,16%	0,40 p.p.	(Net profit / [(Total assets at the end of the current period + Total assets at the end of the previous year)/2])*(4/1)
2	ROE Return on equity	15,94%	11,26%	4,68 p.p.	(Net profit / [(Total equity at the end of the current period + Total equity at the end of the previous year)/2])*(4/1)
3	NIM Net interest margin	3,47%	5,91%	-2,45 p.p.	(Net interest income / [(Total interest-earning assets at the end of the current period + Total interest-earning assets at the end of the previous year)/2])*(4/1)
4	COF Cost of financing	6,61%	6,00%	0,62 p.p.	(Interest expenses / [(Total interest-bearing liabilities at the end of the current period + Total interest-bearing liabilities at the end of the previous year)/2])*(4/1)
5	COR Cost of risk	0,71%	0,82%	-0,11 p.p.	(Net impairment result on loans, advances and leasing receivables / [(Total receivables from loans, advances, leasing at the end of the current period + Total receivables from loans, advances and leasing at the end of the previous year)/2])*(4/1)
6	C/I Cost-to-income ratio	62,02%	66,95%	-4,93 p.p.	General administrative expenses / net operating income

In Q1 2020, the Belarus based Group, against the global trends, recorded improved profitability to which contributed the change of the business model oriented to the digitalization of the bank processes and investment in new sale channels, while reducing costs related to the traditional sales network. The net income generated by the Belarusian segment in the reported period totaled PLN 5.8 million, which means a growth by 33.9% compared to Q1 2019.

To the positive result of the segment in Belarus contributed the income generate by other operating activities amounting to PLN 15.4 million. That 104.3% surge was the result of the bank's taking advantage of a temporary devaluation of the Belarusian ruble, which increased the turnover and doubled the margin on currency exchange transactions.

In the reporting period the bank generated sales volume totaled PLN 114.2 million, i.e. -9.0% compared to the corresponding period in the previous year. In Q1 2020, Idea Bank (Belarus) recorded a net interest income worth PLN 7.2 million, i.e. 32.7% lower than in the previous quarter, with growing costs of financing (6.61% v. 6.00%) and the diminishing net interest margin (3.47% v. 5.91%), which was caused by new changes to regulations in the Belarusian market.

The net lower margin was the consequence mainly of 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.

The net fee and commission income generated by the segment in Q1 2020 totaled PLN 1.8 million, being 48.3% lower than in the corresponding year in the previous year.

With substantially higher q/q net income, the operating costs in Belarus only slightly increased – by 3.9% compared to the corresponding period, to PLN 15.1 million. The main factor that contributed to the higher costs in the reported period was the devaluation of the Russian ruble, which affected IT costs that in Belarus are traditionally invoiced in EUR or USD.

The bank's loan portfolio hardly changed – dropping by 1.1% since the corresponding period in the previous year, likewise the deposit portfolio that lost only 2.2%.

The cost of risk rate (COR) as at the end of the reported period was 0.71% compared to 0.82% in the previous year.

b. The main successes and failures of the segment companies in Q1 2020

Out of concern of health of employees and clients and thanks to the advanced digitalization processed, the bank, as one among few, successfully implemented teleworking for most of its employees. Putting for years the emphasis on the implementation of remote communication with clients and expanding the portfolio of products offered in the transactional system that allows for remote access to bank accounts allowed the bank to keep uninterrupted processes and operations of all business lines. Although after the report date some the bank's employees contracted COVID-19, it did not affect the bank's operations because those employees were already working from home.

In Q1 2020, Idea Bank (Belarus) took further steps on the road to transform its business model from traditional to online banking. The bank is reorganizing its sales network by reducing the number of branches while intensifying development of the Internet banking functionalities. The demand for remote services and mobile banking supports the implementation of online banking solutions.

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

The development of new sales channels is expected to increase the bank’s loans portfolio as well as the number of current accounts and the volume of savings deposited by the SME sector.

In Q1 2020, Idea Bank (Belarus) continued sale of its services in the consumer finance area. Services provided in this area are addressed predominantly to clients of online shops – individual clients – offering 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 base of consumer finance partner agreements. Presently, the bank offers services through 455 cooperating entities, compared to 24 partners as at the beginning of 2019.

The bank also offers online standard loans and credit cards, which saves formalities and visits at the bank's branch. In Q3 2020, the ‘online banking’ strategy followed by Idea Bank (Belarus) allowed for increasing consistently the sale of loans and deposits through online channels.

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

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

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

– increasing sales of loans to SMEs.

On 18.03.2020, the National Bank of Belarus implemented several changes in the financial sector that will surely impact the strategy and performance of the Belarusian sector in subsequent periods.

The pandemic crisis increased the demand for foreign currencies, which led to considerable withdrawal of deposits from Idea Bank (Belarus), at the beginning of Q2 2020 the bank had temporary liquidity problems and suffered from insufficient funds for operational activities. Presently, the bank is resuming its sales.

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:

- SARS-CoV-2 coronavirus pandemic and sanctions imposed on the financial sector;
- 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 interest rate and deposit interest rate;
- further reduction of the local currency net interest margin;
- amendment introduced by the regulator in January 2020 prohibiting including in loan agreements any provisions that would allow for changing the agreed loan interest rate by banks;
- amendment introduced by the regulator in January 2020 capping the maximum commission paid by Internet shops to banks crediting purchases in such shops;
- liquidity deficit in the local currency in the banking system (affecting the cost of financing in ruble);
- low dynamics of the GDP and recession as a result of COVID-19;
- meager foreign currencies reserves,
- high external debt compared to the GDP;
- ruble devaluation;
- increased liquidity and credit risks;
- credit risk, risk of clients losing financial liquidity;
- limits for maximum loan burden for individual debtors imposed by the National Bank of Belarus – reduced the effective demand for bank's products,
- lifting restrictions concerning granting loans to clients with overdue debt;
- high dependency of the Belarusian economy on the economic situation in the Russian markets (e.g. possible further sanctions imposed on the Russian Federation).

d. The consequences of the changes to the segment structure

In Q1 2020, no material changes in the segment structure took place.

2.4 Banking and lease services sector in Romania

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

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

a. Presentation of the segment's financial result in Q1 2020

Segment's result:

	kPLN		% Change	kRON		% Change
	3M 2020	3M 2019		3M 2020	3M 2019	
Net interest income	17 484	17 696	-1,2%	19 115	19 546	-2,2%
Interest income	27 546	27 856	-1,1%	30 116	30 769	-2,1%
Interes expense	(10 062)	(10 160)	-1,0%	(11 001)	(11 222)	-2,0%
Net fee and comission income	8 023	6 454	24,3%	8 772	7 129	23,0%
Fee and commission income	10 089	8 997	12,1%	11 030	9 938	11,0%
Fee and commission expense	(2 066)	(2 543)	-18,8%	(2 259)	(2 809)	-19,6%
Net operating income	6 300	7 260	-13,2%	6 888	8 019	-14,1%
Net impairment losses	(3 543)	(4 486)	-21,0%	(3 874)	(4 955)	-21,8%
Administrative expenses	(23 773)	(22 923)	3,7%	(25 991)	(25 320)	2,6%
Income tax	(1 073)	(697)	53,9%	(1 173)	(770)	52,4%
Net profit (loss)	**3 418**	**3 304**	**3,5%**	**3 737**	**3 649**	**2,4%**

Selected balance sheet data:

	kPLN		% Change	kRON		% Change
	31.03.2020	31.12.2019		31.03.2020	31.12.2019	
Balance sheet total	2 443 469	2 317 423	5,4%	2 591 440	2 603 554	-0,5%
Credit and leasing receivables	1 600 175	1 515 675	5,6%	1 697 078	1 702 814	-0,3%
Deposits	1 890 395	1 769 922	6,8%	2 004 873	1 988 453	0,8%

Key financial performance indicators:

lp.	Financial performance indicator	Value of the ratio as at Q1 2020	Value of the ratio as at Q1 2019	Change	Method for calculating the ratio
1	ROA Return on assets	0,57%	0,58%	-0,01 p.p.	(Net profit / [(Total assets at the end of the current period + Total assets at the end of the previous year)/2])*(4/1)
2	ROE Return on equity	7,27%	7,85%	-0,58 p.p.	(Net profit / [(Total equity at the end of the current period + Total equity at the end of the previous year)/2])*(4/1)
3	NIM Net interest margin	3,10%	3,28%	-0,18 p.p.	(Net interest income / [(Total interest-earning assets at the end of the current period + Total interest-earning assets at the end of the previous year)/2])*(4/1)
4	COF Cost of financing	1,87%	1,98%	-0,12 p.p.	(Interest expenses / [(Total interest-bearing liabilities at the end of the current period + Total interest-bearing liabilities at the end of the previous year)/2])*(4/1)
5	COR Cost of risk	0,91%	1,17%	-0,26 p.p.	(Net impairment result on loans, advances and leasing receivables / [(Total receivables from loans, advances, leasing at the end of the current period + Total receivables from loans, advances and leasing at the end of the previous year)/2])*(4/1)
6	C/I Cost-to-income ratio	74,74%	72,98%	1,76 p.p.	General administrative expenses / net operating income

The net result generated in the Romanian segment in Q1 in 2020 totaled PLN 3.4 million and in spite of restrictions imposed by the government due to the SARS-CoV-2 pandemic it grew by 3.5% 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 1.2%) compared to the aggregated result in the corresponding period totaling PLN 17.5 million.

The net fee and commission income generated by the segment in the reported period grew q/q considerably by 24.3% totaling PLN 8.0 million.

The sales volume for the segment in Q1 2020 totaled PLN 226.6 million and it was 4.3% higher than in the corresponding period in the previous year. Sale of lease products totaled PLN 106.2 million, which means a 12.3% reduction (y/y).

The loan and lease receivables in the segment as at the end Q1 2020 totaled PLN 1.6 billion, which means a growth by 5.6% compared to the value of the portfolio as at the end of 2019. The deposits collected as at the end of the reported period totaled PLN 1.9 billion, growing 6.8% compared to 31.12.2019.

In the reported period the net interest margin (NIM) stood at 3.10% vs. 3.28%, with the dropping cost of financing (COF) to 1.87% v. 1.98% in the corresponding period in the previous year. The cost of risk (COR) in the reported period was 0.91% being 0.26 p.p. lower than in the previous year.

b. The main successes and failures of the segment companies in Q1 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 influence the segment's performance in the following periods.

The Romanian group is taking its best efforts to ensure that as large as possible number of employees could work from home. The remote access to the Group's services and products, that the Group is constantly developing, allowed the Group to keep uninterrupted operations in all business lines in these challenging circumstances.

Idea Bank (Romania) focuses on providing banking services to individual clients and the MSE sector companies. In Q1 2020, Idea Bank (Romania) continued to build its loan portfolio, specifically consumption loans, including the ‘Selfie’ loan that appeared to be extremely popular with clients.

The bank operates through the network of several dozen branches and leasing outlets as well as through several agents. Like other banks in the Issuer's Capital Group, Idea Bank (Romania) offers a wide range of Internet banking services. Besides loan products, Idea Bank (Romania) offers deposits, debit and credit cards, as well as several settlement and cash services and bancassurance services, and a new mortgage loan.

Idea Bank (Romania) initiated also a pilot campaign in cooperation with eMAG, the largest Internet shop in Romania. The platform’s clients get a quick access to products offered by the bank in simplified procedures.

In Q1 2020, Idea Leasing IFN (Romania) kept its position among the leading Romania-based lease companies offering lease agency for movable property (including loans) to small and medium-sized enterprises.

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

Furthermore, in Q1 2020 two investigations were carried out by state institutions with the participation of Idea Leasing IFN S.A.:

- In 2019, the State Tax Administration Agency (STAA) started an inspection in the company. The agency was provided with relevant documentation of the company's advertising campaigns. The inspection implies the risk of changing the qualification of marketing costs and imposing on the company additional tax dues, and possibly penalties. The inspection was finished on 11.02.2020. The company raised objections to the inspection report. At the same time the Romanian parliament is discussing the question of imposing a tax on marketing instruments that are the subject of the case. As at the date of filing this report the authority has not presented its opinion yet, and the reaction may be postponed because of freezing the economy.

- In 2019, the company received a report from the Romanian Competition Authority (Romanian Consiliul Concurentei) concerning the investigation carried out since November 2017. The authority verified all entities operating in the Romanian financial lease market (including the Romanian Leasing Association). The agency suspects that principles of fair competition were breached in the sector. The company authorities initiated a legal procedure. A team of lawyers drew up formal 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 Romanian Competition Authority 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 procedure may take several years and end with, depending on the result of the investigation, an opportunity to filing by the company (and other Romanian lease companies) reservations to a new report or request that the case be discontinued by the Competition Protection Agency imposing no sanctions on the entire sector.

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 Q1 2020, Idea Bank (Romania) continued the digitalization project that will finally facilitate offering for sale a wide range of services and products, including loans and deposits, online. The platform will also allow for using the digital signature. The new version of the Internet banking will be one of the most innovative in the Romanian market.

At the same time the bank invests in the growth of the traditional sales network expanding and optimizing its infrastructure and implementing a new arrangement of the existing network.

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

Like in other markets, the main factor that will determine the direction of the Romanian sector business will be consequences of freezing the economy related to the SARS-CoV-2 pandemic and subsequently related decisions of governmental authorities. Imposing the state of emergency by the Romanian government will with high probability cause substantial drop in sale of loans and leasing products offered by the Group companies, diminishing number of transactions and payments and the need to increase provisions for worsening loan portfolio, caused by among others deteriorating loan repayment discipline. Additionally, the Romanian government by an extraordinary order introduced a very liberal system of postponing repayment of loan installments for businesses suffering consequences of COVID-19.

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

The segment's operations will also be influenced in the nearest future by possible legal changes concerning the banking and financial sectors (long-term consequences of changes in regulations on consumer bankruptcy and mortgage loans), 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 of the loan portfolio and of the overall level of deposits from legal entities. Another factor that may have a material impact on the business performance is the seasonal liquidity risk in the deposit market.

Another factor that may have an impact on performance of Idea Bank (Romania) will be increased base interest rates as they may influence both the net interest income, and the trends in the deposit market.

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

While conducting their operations the segment companies, like other companies in the banking sector, are exposed to such factors as in particular as credit risks, cash flow disruptions or loss of financial liquidity of their clients, which during the pandemic is even more important.

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

d. The consequences of the changes to the segment structure

In Q1 2020, no material changes in the segment structure took place.

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 strategic goal of M.W. Trade S.A. is to increase the company's goodwill by specialisation in restructuring debt of public units and offering complex financial services. The typical feature of this niche market is concentration of demand and supply, which in turn leads to the company dependency on the market situation, specifically on changes in legislation and activities of competitors.

a. Presentation of the segment's financial result in Q1 2020

Segment's result:

	kPLN		% Change
	3M 2020	3M 2019	
Net interest income	1 054	1 843	-42,8%
Interest income	1 689	4 677	-63,9%
Interes expense	(635)	(2 834)	-77,6%
Net fee and comission income	(8)	17	-
Fee and commission income	7	108	-93,5%
Fee and commission expense	(15)	(91)	-83,5%
Net operating income	(15)	72	-
Net impairment losses	(422)	171	-
Administrative expenses	(944)	(1 150)	-17,9%
Income tax	(18)	(153)	-88,2%
Net profit (loss)	**(353)**	**800**	**-**

Selected balance sheet data:

	kPLN		% Change
	31.03.2020	31.12.2019	
Balance sheet total	134 702	138 868	-3,0%
Loans and receivables	99 713	104 225	-4,3%

Key financial performance indicators:

lp.	Financial performance indicator	Value of the ratio as at Q1 2020	Value of the ratio as at Q1 2019	Change	Method for calculating the ratio
1	ROA Return on assets	-1,03%	1,15%	-2,18 p.p.	(Net profit / [(Total assets at the end of the current period + Total assets at the end of the previous year)/2])*(4/1)
2	ROE Return on equity	-1,71%	3,76%	-5,47 p.p.	(Net profit / [(Total equity at the end of the current period + Total equity at the end of the previous year)/2])*(4/1)
3	NIM Net interest margin	3,15%	2,70%	0,45 p.p.	(Net interest income / [(Total interest-earning assets at the end of the current period + Total interest-earning assets at the end of the previous year)/2])*(4/1)
4	COF Cost of financing	4,73%	5,87%	-1,14 p.p.	(Interest expenses / [(Total interest-bearing liabilities at the end of the current period + Total interest-bearing liabilities at the end of the previous year)/2])*(4/1)
5	COR Cost of risk	1,66%	-0,26%	1,91 p.p.	(Net impairment result on loans, advances and leasing receivables / [(Total receivables from loans, advances, leasing at the end of the current period + Total receivables from loans, advances and leasing at the end of the previous year)/2])*(4/1)
6	C/I Cost-to-income ratio	91,56%	59,52%	32,04 p.p.	General administrative expenses / net operating income

In Q1 2020, the segment of financial services in Poland generated a negative net profit of PLN 0.4 million, which means a drop compared to the previous year when it reported a profit of PLN 0.8 million.

The sales volume for Q1 2020 totaled PLN 1.6 million, i.e. PLN 3.2 million less than in the corresponding period in the previous year, which means a fall by 67%. The decline in the income results mainly from lower value of the average monthly portfolio that in the reported period amounted to PLN 102.3 million (compared to PLN 264.2 million in the corresponding period in the previous year, which means a 61% fall) and no planned commission income on loans sale.

The aggregated expenses incurred by the company in Q1 2020 amounted to PLN 2.0 million, i.e. 48% less than in the corresponding period in the previous year. The lower costs, compared to the corresponding period in 2019, resulted predominantly from diminishing portfolio financing costs (that fell by 49%) and administrative costs (that fell by 18%).

In Q1 2020, as assumed, and similarly to Q1 2019, the company generated no balance sheet contracting. Whereas sale of loans substantially limited by the SARS-CoV-2 pandemic did not bring about any off-balance sheet contracting. The value of loan agency projects that are being now processed totals c. PLN 26.0 million.

The company's performance was influenced to a great extent by provisions for expected loss due to debt unpaid by dissolved gmina Ostrowice (negative result exceeding PLN 0.4 million).

The company's loan portfolio as at 31.03.2020 totaled PLN 99.7 million compared to PLN 104.2 million at the end of 2019.

The balance sheet total of the financial services segment in Poland as at the end of Q1 2020 fell slightly by 3.0% compared to the end of 2019 (from PLN 138.9 million at the end of 31.12.2019 to PLN 134.7million on 31.03.2020).

The company's debt ratio, i.e. the proportion of total liabilities and provisions to the balance sheet total as at 31.03.2020 stood at 39%, which means a fall by 1.6 p.p. compared to rate reported for the end of 2019.

b. The main successes and failures of the segment companies in Q1 2020

The key factors that affected the performance in Q1 2020 included the following two events:

- Because of the government's recommendations concerning the SARS-CoV-2 pandemic crisis the company ceased personal meetings of its representatives with clients – public healthcare units and the company had to restrict its operations to remote work and contacts only. Furthermore, medical units during the pandemic changed their priorities. Hospitals faced huge organizational and personnel challenges, the National Health Fund recommended that they ceased planned procedures.
  Some units 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 a negative impact on contracting and net commission income, and in consequence – on the financial results generated by the company. It is also impossible to reasonably predict possible difficulties in repayment of the company's financial assets.
  On 04.05.2020, according to recommendations of the Ministry of Health, hospitals started to thaw planned procedures. The path of resuming hospital procedures depends on hospital directors, various solutions depending on categories of procedures are expected.

- 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 recognized 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 5 July 2018 on special solutions concerning gmina Ostrowice in West Pomerania (Special Act), the State Treasury represented by the West Pomerania Governor assumed liability for the liquidated gmina. The solution was to relieve the neighboring gminas that inherited assets that had belonged to gmina Ostrowice. The Special Act was passed because of high debt of the gmina that could not perform its tasks resulting from law regulations. The company appealed against the Governor's decision.
  In consequence of the afore information, the company was obliged by provisions of the IFRS 9 to recalculate and make a provision for the expected loss amounting to PLN 0.4 million.
  The afore changes were disclosed in Q1 2020 books as charge to the company's financial result. After resolving the dispute by a court that will order the West Pomerania Governor's to pay the incriminated amount, the provision for the expected loss shall be reversed. Because presently all court proceedings are frozen the date of finalization of the proceedings is hardly foreseeable, which means that the company will have to wait for the final repayment of its receivables.

After the balance sheet date, i.e. on 15.05.2020, the Annual General Meeting of Shareholders of M.W. Trade S.A. adopted a resolution concerning the dividend payment. According to the resolution the dividend of PLN 2.10 per one share shall be paid. The dividend payment date shall be 29.05.2020.

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

In the Issuer's opinion, business risk is the key information needed for the evaluation of the satisfaction of obligations by M.W. Trade and the impact on its financial result. Business risk strictly depends on the market environment, where the company operates, other market players (including competitors) and external factors that shape the market.

The company recorded substantial negative influence 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 services offered by the company in medical units, on the other – the imposed restrictions make any personal contact with potential clients in medical units impossible. This key difficulty makes it impossible to finalize processed applications extending already complex loan issuing process and highly limiting possibilities of starting new projects. Hospitals struggle with extraordinary operational and personnel problems. Local governors interfere with the management of medical personnel by transferring necessary medical staff to fight the pandemic in indicated hospitals.

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

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

The factor that still influences credit risk is the hospital network formed by the Minister of Health, i.e. the system of ensuring elementary hospital care that aims to ensure wide access to healthcare services. The hospitals network established the classification of medical units in a system that ensures adequate protection system: profiles in which services are provided and scopes and types of services refunded by the National Health Fund. The system covers all units that ensure continuous access to medical services and their complexity. It is the confirmation of the strategy applied by the company concerning risk assessment methodology and focusing on major units in a region. According to the regulations, the units that are part of the hospitals network 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 debt, contracted loans and credit facilities and issued debt instruments. Discharge of the aforementioned liabilities and covering costs of the current activity generates current and future negative cash flows. The company covers them from positive cash flows from its receivables portfolio or new liabilities, if necessary. The amount and complexity of assets and liabilities results in timing mismatch of positive and negative cash flows, which may cause temporary liquidity gaps. The Company mitigates the risk by allocating concentration limit for each client and keeping adequate cash for the assets portfolio that is a liquidity buffer for the company. The possibility of intercompany transactions facilitates better matching of assets and liabilities, which gives the company the opportunity to enhance its liquidity buffer. It is hardly foreseeable how long the National Health Fund will be financing 100% of the amounts contracted by hospitals in spite of the fact that hospitals do not provide contracted procedures. Suspending performance of contracted procedures during the coronavirus pandemic does not mean that hospitals do not have to pay substantial costs of their operating, such as wages to personnel. As at the date hereof the company did not record any payment problems as regards balance sheet exposures.

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 the company is fully capable to continue its operations, to service the balance and off-balance portfolio, and has full operational capability and competences to continue its operations in providing loan brokerage services for Getin Holding Group bank. The company continuously analyses needs of its prospective clients, presents them with offered services and collects documentation necessary for potential loan applications.

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

- market conditions, including robust price competition;
- situation in the financial market in Poland;
- refinancing the sector by the National Health Fund (NFZ);
- very strong wage pressure with limited resources of medical staff in Poland;
- implementation of individual adaptation programmes by SPZOZ medical units;
- outcomes of sanitary inspections at medical units 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:

- experience and expertise in the market of financing healthcare units (knowledge base concerning hospitals and their financial standing);
- access to financing and services offered by Getin Holding Capital Group companies;
- providing services responding to the market demand;
- 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 development of the pandemic situation in Poland.

External factors that materially affect growth of the company:

- liquidity situation of the medical sector units related to the medical procedures contracting by the National Healthcare Fund (NFZ) and the amount of funds collected from health insurance contributions;
- change of the way of settlement of medical units 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 flat fee by hospitals
- functioning of the hospitals network;

- sanitary and structural requirements of the Minister of Health that force healthcare units to incur substantial outlays, increasing operating costs, mainly labour costs increasing due to the increase of the minimal wages;
- growing wage pressure of healthcare units personnel, expectation of a substantial raise;
- liquidity of suppliers of hospitals;
- opportunities of increasing contract volumes in Getin Holding S.A. Capital Group companies;
- situation in financial markets and the cost of external financing and its availability;
- competition in the market;
- implementation of legal restrictions for trading debt of healthcare units that will affect the sale structure of products directly financing healthcare units;
- level of debt of local government units caused by higher investment expenses incurred in the EU-cofinanced projects;
- statutory changes regulating operations of local government units, their income from paid taxes and earned on their property, in relation to expenses on implementing own and delegated tasks;
- sanitary and structural requirements of the Minister of Health that force healthcare units to incur substantial outlays, increasing operating costs, mainly labor costs increasing due to the increase of the minimal wages;
- growing wage pressure at each level of hospital personnel, substantial pay rise expectations, increasing tension between hospital staff and directors, real possibilities of providing sufficient personnel for hospital departments;
- liquidity of suppliers of hospitals;
- situation in financial markets and the cost of external financing and its availability;
- competition in the market;
- implementation of legal restrictions for trading debt of hospitals that will affect the sale structure of products directly financing hospitals;
- level of debt of local government units caused by higher investment expenses incurred in the EU-cofinanced projects;
- statutory changes regulating operations of local government units, level of their income and expenses;
- potential statutory changes, administrative decisions reshaping solutions in health service;
- successful resumption of relations with medical units after they have adapted to the pandemic situation.

A detailed description of factors that affect operations of M.W. Trade S.A. are available in the publicly available company's report for Q1 2020.

d. The consequences of the changes to the segment structure

In Q1 2020, no material changes in the segment structure took place.

3. Other information concerning Getin Holding Capital Group in Q1 2020

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

Structure of ownership of significant blocks of shares in Getin Holding S.A. as of the date of Y 2019 report and as of the date of this statement, to the Issuer's knowledge:

SHAREHOLDERS ENTITLED DIRECTLY OR INDIRECTLY TO AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETINGs OF SHAREHOLDERS OF GETIN HOLDING S.A. AS OF THE DATE OF FILING Y 2019 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 Y 2019 report (pcs.)	change	as of the date of publication of Q1 2019 report (pcs.)
Piotr Kaczmarek	President of Management Board	6 000	-	6 000
Krzysztof Jarosław Bielecki	Deputy President of Management Board	0	-	0
Izabela Lubczyńska	Member of Management Board	1 130	-	1 130
Krzysztof Florczak	Member of Management Board	0	-	0
Leszek Czarnecki	Chairman of Supervisory Board	20 468 082 1)	-	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

1) directly
2) indirectly

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

Neither the Issuer, nor its subsidiaries published financial forecasts for Q1 2020.

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

In Q1 2020, neither the Issuer nor its subsidiaries granted any substantial value loan or credit guarantees or guarantees.

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

In the reported period in Getin Holding Capital Group there were no 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 concerning liabilities or debt

In Q1 2020, the Lower Silesian Customs and Taxes Authority in Wrocław carried out an inspection in Getin Holding S.A. The inspection is to verify compliance with corporate income tax regulations for the financial year 2015. By a letter dated 13.03.2020 the head of the Lower Silesian Customs and Tax Authority informed the Company about prolonging the inspection till 17.06.2020. As at the date hereof the inspection was still pending.

There were other two proceedings with participation of Idea Leasing (Romania) that are described in section 2 hereof and the following cases concerning Idea Bank (Poland):

- By virtue of his decision dated 10.10.2018, the President of the Office for Competition and Consumer Protection initiated proceedings against the bank concerning suspected practices that breach collective interests of consumers. The bank was presented with five charges that basically are divided into two groups concerning:
  - misleading information was provided to consumers claiming that GetBack S.A. bonds would yield a guaranteed annual profit or that they are as secure as bank deposits or state treasury bonds and claiming that the access to GetBack S.A. bonds was limited and the offer was unique and that they would be offered for sale only for a short period of time in order to exert pressure to purchase such bonds immediately;
  - GetBack S.A. bonds were offered to individuals in spite of the fact that they did not meet such individuals' needs as regards acceptable risk.

On 01.08.2019, the Office for Competition and Consumer Protection issued a partial decision in the aforementioned case whereby it stated that the bank had used practices that breach collective interests of consumers, i.e. insemination of false or misleading information about GetBack S.A. bonds. The partial decision was not connected with imposing a financial penalty on the bank.

On 02.09.2019 the bank appealed against the decision of the Office for Competition and Consumer Protection. During further proceedings on 03.02.2020 the Office for Competition and Consumer Protection issued a decision stating that the bank used practices that breached collective interests of consumers, i.e. offered for sale GetBack S.A. bonds to consumers for whom conditions of issuing such bonds as regards their investment risk were not appropriate. The Office for Competition and Consumer Protection decided that the bank should remedy those pending breaches according to the following principles:

- payment of public compensation amounting to 20% of invested funds up to PLN 50,000, i.e. maximum PLN 10,000 for an individual client, yet it shall not apply to clients who as at the date of filing a claim for compensation payment have signed an arrangement with the bank, have got the final and binding decision issued by a court, arbitration court or another institution authorised to out-of-court settlement of consumers disputes, or based on other proceedings have got back all or part of funds in such an amount that along with the compensation it would be higher than the invested funds;
- informing bondholders about being ready to pay compensation in the proceedings specified in the decision;

– publishing a statement as specified in the decision.

On 03.03.2020, the bank appealed against the decision of the Office for Competition and Consumer Protection. The bank raises several objections, concerning in particular:

- wrongly establishing the bank's role in the process of GetBack S.A. distribution;
- groundless – in the bank's opinion – assumption that GetBack S.A. bonds did not meet clients' needs as regards risk;
- unjustified assumption that the bonds are a complex financial instrument, and
- groundless assumption that the decision of the Office for Competition and Consumer Protection is of prejudicatory nature.

Having the afore circumstances in mind, the bank decided not to make a provision for payment of compensation.

Issuing the second partial decision means that the administrative proceedings carried out by the Office for Competition and Consumer Protection against Idea Bank (Poland) concerning the offering for sale GetBack S.A. bonds is completed, yet neither decision is final and binding.

The bank initially estimates that if the decision dated 03.02.2020 becomes final and binding, which will result in the bank's payment of the compensations resulting from the decision, the public compensation will amount to c. PLN 42 million.

- The President of the Office for Competition and Consumer Protection informed on 18.06.2019 about instigating proceedings to consider contractual documents used by the bank as abusive. The Office for Competition and Consumer Protection questions provisions of modification clauses specified in bylaws and contracts used by the bank in relations with clients.

The bank disagrees with the presented charges and responded to them in a letter addressed to the Office for Competition and Consumer Protection. In the subsequent letters both the Office for Competition and Consumer Protection and the bank upheld their positions. The proceedings are pending.

- By a letter dated 16.07.2019 the Polish financial regulator KNF informed the bank about instigating proceedings concerning imposing a fine specified in Art. 138(3)(3a) of the Act dated 29 August 1997 Banking Law. The proceedings were instigated in connection with a suspected breach by the bank of the Articles of Association and the following regulations:

- Banking Law;
- Regulation of the Minister of Development and Finance dated 06.03.2017 concerning risk management and internal control systems, remuneration policy and specific methods for estimating internal capital in banks;
- Regulation of the Minister of Finance dated 24.09.2012 concerning the mode and conditions of conduct of investment firms, banks, which are referred to in Article70(2) of the Act on Trading in Financial Instruments, and Custodian banks;
- Regulation of the Minister of Development and Finance dated 25.04.2017 concerning detailed technical and organisational conditions for investment firms, banks that are specified Article70(2) of the Act on Trading in Financial Instruments, and Custodian banks;

and in connection with posing by the bank threat to interests of participants in trading in financial instruments.

If the Polish financial regulator KNF finds that the said breaches took place the regulator may impose on the bank a penalty amounting to 10% of the income reported in the last audited financial statements, and in case when there are no such financial statements, a penalty amounting to 10% of income forecast on the basis of the economic and financial standing of the bank. In calculating the penalty the Polish financial regulator takes into account in particular significance of such a breach and the time thereof, reasons for such a breach, the financial situation of a bank on which such a penalty is to be imposed as well as previous breaches, if any.

The proceedings are pending and the bank furnishes any information and materials requested by the regulator.

- By a letter dated 16.08.2019 the Polish financial regulator KNF informed the bank about instigating administrative proceedings concerning imposing on the bank supervisory measures specified in Art. 138(3)(3) of the Act dated 29.08.1997 Banking Law. The administrative proceedings are to find whether possible supervisory measures in form of restricting the bank's operations may diminish the risk of business operations and therefore support the bank's recovery efforts. This type of measure may restrict either some of the bank's operations or impose conditions for such operations. The proceedings are pending.
- In a letter dated 30.12.2019 the Office for Competition and Consumer Protection informed the bank about instigating proceedings concerning practices that breach collective interests of consumers as a result of the previously carried out proceedings to explain initially whether in connection with the issue or offering consumers investment certificates of investment funds created, managed or represented by Trigon TFI S.A. there occurred a breach of law regulations giving grounds for instigating proceedings concerning use of practices that breach collective interests of consumers or taking measures specified in relevant legal acts. The Office for Competition and Consumer Protection accused the bank of providing consumers with misleading information about a product and offering certificates of Trigon Profit NS FIZ, in spite of the fact that conditions for issuing those certificates as regards acceptable risk did not meet needs of such clients. The bank disagrees with the presented charges and responded to them in a letter addressed to the Office for Competition and Consumer Protection. The proceedings are pending. The bank may not rule out that in future a possible decision to the detriment of the bank may have an adverse impact on the financial performance of the bank, yet currently it is not possible to forecast any amounts in that respect.
- By a letter dated 30.12.2019, the Office for Competition and Consumer Protection informed the bank about instigating by the President of the Office for Competition and Consumer Protection proceedings concerning practices that breach collective interests of consumers as a result of previously carried out proceedings explaining the scope of offered by the bank insurance with capital fund. The Office for Competition and Consumer Protection accused the bank of providing unreliable information about investment risks connected with possible loss of invested funds, delays in redemption and earning no profit. The practices that the bank is accused of concern offered insurance with insurance capital fund that was invested in certificates of non-standardised closed investment funds. The bank disagrees with the presented charges and responded to them in a letter addressed to the Office for Competition and Consumer Protection. The proceedings are pending. The bank may not rule out that in future a possible decision to the detriment of the bank may have an adverse impact on the financial performance of the bank, yet currently it is not possible to forecast any amounts in that respect.
- On 04.03.2020, the bank received a letter from the President of the Office for Competition and Consumer Protection demanding that the bank furnish several new information and documents in the proceedings carried out since 2017 concerning suspicion that the bank used practices that breach collective interests of consumers related to structured deposits. The charges of the Office for Competition and Consumer Protection concerned product documentation and focused on such charges as: (i) deposit terms and conditions specified in documents presented to clients before signing an agreement may differ from the final contractual terms and conditions; (ii) in documents presented by the bank there is no information that clients may not earn any interest and deposit related risks are not properly emphasized, (iii) the bank disclaimed any liability for any provided information and for expected results of deposits, (iv) the bank misled its clients about the guarantees of the Bank Guarantee Fund for deposits, (v) the bank obliged clients to get informed about tax issues by a tax advisor. The bank disagrees with the presented charges and responded to them in a letter addressed to the Office for Competition and Consumer Protection. The proceedings are pending. The bank would like to point out that the information and documents requested in the said letter go beyond previously examined questions,

which in the bank's opinion may lead to starting another examination concerning other aspects of structured deposits by the President of the Office for Competition and Consumer Protection.

- On 16.04.2020, the bank was informed by the President of the Office for Competition and Consumer Protection about instigating an investigation to initially establish whether conditions on which banks postpone repayment of consumer and mortgage loans (so called loan repayment holidays offered by banks) due to the pandemic's effects in Poland connected with spread of SARS-CoV-2 virus may justify initiation of proceedings concerning breaching collective interests of consumers or proceedings to regard template agreement provisions as abusive. The proceedings are pending.
- In Q1 2020, the bank was a party to no single material court proceedings concerning the bank's liabilities or claims. Whereas the value of court disputes in which the bank was a party as at 31.12.2019 totaled PLN 101.3 million, including PLN 88.7 million in civil law cases for payment filed against the bank by clients who had bought bonds of GetBack S.A. As at 19.05.2020 those amounts totaled respectively PLN 114.0 million, and PLN 100.7 million, in the GetBack S.A. bonds case.

Presently (most of the cases are being examined at first instance courts) and taking into account presented evidence and the fact that the arrangement agreement signed by GetBack S.A. with its creditors became final and binding, the bank decided not to make any provisions for the above said cases. In pending court disputes the bank each time verifies all case factual findings and based on the information estimates the probability of issuing a detrimental decision and related need for making provisions. In the pending disputes the bank bears in mind that the actual state for each case is generally different and it results from both circumstances of the product purchase transaction and unique features of each purchaser. The bank monitors the status of all cases connected with GetBack S.A. bonds and will review the necessity of making provisions in case of any changes.

The bank is conducting also appeal cases against the administrative decision issued by the President of the Office for Competition and Consumer Protection dated 17.12.2015 imposing on a bank a penalty of PLN 413,000 and the complaint against the decision of the Financial Ombudsman dated 01.07.2019 imposing on the bank a penalty of PLN 100,000. The afore information does not cover debt recovery cases pending in courts.

- The Head of the Lower Silesia Customs and Tax Office by an authorisation dated 19.04.2018 instigated an inspection in Idea Bank S.A. Tax Capital Group (as regards accuracy and reliability of declared taxable basis and correctness of calculation and payment of corporate income tax in 2016. The inspection concerns Idea Bank tax group existing in 2013-2016 that included: Idea Bank (Poland), Idea Money S.A. (prev. Idea Expert S.A.), Tax Care S.A., Idea Leasing S.A., Idea SPV sp. z o. o. (prev. Ellisa Investment sp. z o. o. and Carlise Investment sp. z o. o.), Development System sp. z o.o. (prev. Lion's House sp. z o. o. and LC Corp Sky Tower sp. z o. o.) represented by Idea Bank (Poland).
- On 11.12.2019, Idea Bank (Poland) received from the Head of the Lower Silesia Customs and Tax Office an inspection report. The inspection found irregularities in disclosing corporate income tax for 2016 by the tax group. The authorities' position was that the income, net income and loss that were reported to the tax group by the group companies and were reported and that are the basis for completing the CIT-8A return form should be changed. In consequence, the corporate income tax for 2016 in the tax group should be changed. The difference between the income tax disclosed in the tax return for 2016 by the tax group and the due income tax according to the authorities was PLN 26.9 million.

The management board of Idea Bank (Poland), as the company that represents the tax group, after tax and legal analysis decided not to use its right to correct CIT-8A tax return for 2016, i.e. the report on the generated income (incurred loss for the financial year from 01.01.2016 to 31.12.2016). The group companies disagree with the inspection findings and therefore they intend to challenge the inspection findings in tax proceedings. The bank assumes that in case of issuing a decision to the detriment of the bank, the inspection results may affect the bank's financial performance. Nevertheless as at 31.12.2019 the bank does not identify any grounds for making provisions for a possible negative decision in the dispute with tax authorities. By the date of approving these financial statements the bank did not receive a decision of the Head of the Tax Chamber specifying the tax obligation of the tax group for 2016.

In 2019, the Head of the Lower Silesia Customs and Tax Office in Wrocław by authorisation dated 30.08.2019 instigated in Idea Bank S.A. and Idea Bank S.A. Capital Group companies an inspection concerning corporate

income tax law compliance for 2018 against Idea Bank S.A., Idea Money S.A., Idea SPV. sp. z o. o. and Development System sp. z o. o. The said inspections were not finished by the date hereof.
On 19.07.2019, the bank requested the Head of the Second Mazovian Tax Office in Warsaw to state and return the overpaid corporate income tax calculated for the tax period from 01.11.2013 to 31.01.2014 and filed corrected tax return CIT-8A on behalf of Idea Bank S.A. Tax Capital Group for the aforementioned period. The Head of the Second Mazovian Tax Office (first instance) and the Head of the Tax Administration Chamber (second instance) refused to start tax proceedings to state and return the said overpaid corporate income tax for 2013/2014. The bank disagreed with the decision and on 13.02.2020 filed a complaint with the Provincial Administrative Court. Irrespective of the aforesaid appeal, simultaneously on 23.12.2019, the bank along with other tax group companies requested the first instance authorities for stating and returning the overpaid corporate tax. Based on the request the Head of the Second Mazovian Tax Office in Warsaw instigated tax proceedings. As at the date hereof the tax proceedings were not finished.

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

In Q1 2020, Getin Holding Capital Group companies concluded any substantial transactions with a related entity on terms other than the arm's length principle.

Piotr Kaczmarek President of Management Board	Krzysztof Jarosław Bielecki Deputy President of Management Board
Izabela Lubczyńska Member of Management Board	Krzysztof Florczak Member of Management Board

Wrocław, dated 25 May 2020

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