IDEA BANK S.A. GROUP

CONSOLIDATED QUARTERLY REPORT FOR 3 MONTHS PERIOD ENDED 31.03.2018

Warsaw, 14 May 2018

SELECTED FINANCIAL DATA

Data on consolidated income statement	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand	01.01.2018-31.03.2018 (unaudited) EUR thousand	01.01.2017-31.03.2017 (unaudited) EUR thousand
Net interest income	137 955	185 153	33 016	43 169
Net fee and commission income	49 785	103 670	11 915	24 171
Profit (loss) before income tax	23 955	67 237	5 733	15 676
Net profit (loss)	14 596	51 154	3 493	11 927
Net profit (loss) attributable to shareholders of parent company	14 596	51 154	3 493	11 927
Comprehensive income for the period	14 193	64 343	3 397	15 002
Net cash flows	33 682	469 462	8 061	109 456

Data on consolidated statement of financial position	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand	31.03.2018 (unaudited) EUR thousand	31.12.2017 EUR thousand
Total assets	23 804 654	23 953 664	5 656 327	5 743 044
Total equity	2 437 170	2 735 164	579 107	655 773
Equity attributable to shareholders of parent company	2 437 170	2 735 164	579 107	655 773
Share capital	156 804	156 804	37 259	37 595
Number of shares	78 401 981	78 401 981	78 401 981	78 401 981
Capital adequacy ratio	13,4%	14,0%	13,4%	14,0%

Data on standalone income statement	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand	01.01.2018-31.03.2018 (unaudited) EUR thousand	01.01.2017-31.03.2017 (unaudited) EUR thousand
Net interest income	125 285	141 730	29 984	33 044
Net fee and commission income	17 829	57 125	4 267	13 319
Profit (loss) before income tax	8 418	36 307	2 015	8 465
Net profit (loss)	778	23 302	186	5 433
Total comprehensive income	375	36 491	90	8 508
Net cash flows	49 747	485 351	11 906	113 160

Data on standalone statement of financial position	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand	31.03.2018 (unaudited) EUR thousand	31.12.2017 EUR thousand
Total assets	24 263 888	24 325 096	5 765 448	5 832 098
Total equity	2 150 339	2 323 316	510 951	557 030
Share capital	156 804	156 804	37 259	37 595
Number of shares	78 401 981	78 401 981	78 401 981	78 401 981
Capital adequacy ratio	12,9%	13,3%	12,9%	13,3%

Selected financial data containing basic items of the consolidated and standalone financial statements have been converted into euro according to the following rules:

- Individual items of assets, liabilities and equity were converted at the average exchange rates published by National Bank of Poland as at 31 March 2018: 1 EUR = PLN 4.2085 and as at 31 December 2017 1 EUR = PLN 4.1709.
- Individual items of the income statement and items related to statement of cash flows were converted at exchange rates representing the arithmetic mean of average exchange rates set by the National Bank of Poland on the last day of each month for the 3-month periods ended 31 March 2018 and 2017 (respectively 4.1784 PLN and 1 EUR = 4.2891 PLN).

Content

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM CONSOLIDATED INCOME STATEMENT

	Note	01.01.2018-31.03.2018 (Unaudited) PLN thousand	01.01.2017-31.03.2017 (Unaudited) PLN thousand
Continued operations			
I. Interest income	9	244 992	278 964
II. Interest expenses	9	-107 037	-93 811
III. Net interest income		**137 955**	**185 153**
IV. Fee and commission income	10	80 517	135 155
V. Fee and commission expenses	10	-30 732	-31 485
VI. Net fee and commission income		**49 785**	**103 670**
VII. Dividend income		0	1 073
VIII. Result on financial assets at fair value		19 216	-11 052
IX. Foreign exchange result		2 607	1 837
X. Other operating income	11	1 084	2 098
XI. Other operating expenses	11	-9 074	-9 699
XII. Net other operating income		**13 833**	**-15 743**
XIII. Impairment losses	13	-58 990	-61 815
XIV. General administrative costs	12	-130 299	-152 706
XV. Result from operating activity		**12 284**	**58 559**
XVI. Share in profits (losses) of associates		11 671	8 678
XVII. Profit (loss) before income tax		**23 955**	**67 237**
XVIII. Income tax	14	-9 359	-16 083
XIX. Net profit (loss) from continued operations		**14 596**	**51 154**
XX. Net profit (loss) from discontinued operations		**0**	**0**
XXI. Net profit (loss)		**14 596**	**51 154**
1. Attributable to shareholders of parent company		14 596	51 154
- continued operations		14 596	51 154
- discontinued operations		0	0
2. Attributable to non-controlling shareholders		0	0
- continued operations		0	0
- discontinued operations		0	0
Weighted average number of ordinary shares in the period		78 401 981	78 401 981
Basic earnings per share (PLN per share)		0,19	0,65
Diluted earnings per share (PLN per share)		0,19	0,65

2. INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Profit (loss) for the period		**14 596**	**51 154**
Exchange differences on the recalculation of foreign entities		-	-
Gains and losses on investments in debt instruments measured at fair value through Other Comprevensive Income		1 851	-
Valuation of available-for sale financial assets		-	10 957
Gains and losses on investments in equity instruments measured at fair value through Other Comprehensive Income		1 230	-
Change in fair value resulting from the change in the credit risk of a financial liability measured at fair value through the profit and loss		(1 390)	-
Effect of cash flow hedge accounting		(2 204)	5 326
Income tax on other comprehensive income		110	(3 094)
Other comprehensive net income	20	**(403)**	**13 189**
Total comprehensive income for the period		**14 193**	**64 343**
Attributable to shareholders of the company		14 193	64 343
Attributable to non-controlling interests		-	-

3. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand
ASSETS			
Cash and balances w ith Central Bank		221 818	138 061
Receivables from banks and financial institutions		151 362	191 847
Derivative hedging instruments		42 186	63 594
Derivative financial instrument at fair value through profit or loss		49 225	77 961
Amounts due from clients:	15	16 386 320	16 279 450
- Loans and advances to clients		16 385 945	16 278 990
- Financial assets at fair value through profit or loss		375	460
Finance lease receivables	16	65 671	57 489
Other loans and receivables		182 303	163 288
Financial instruments		4 099 789	4 268 404
- Available for sale		-	4 268 404
- Valued at fair value through other comprehensive income		4 099 789	-
Investments in associates		291 613	396 554
Intangible assets		653 917	673 397
Property, plant and equipment		144 113	143 884
Investment property		49 802	51 086
Fixed assets held for sale		1 461	1 487
Income tax assets		284 887	246 841
- Current tax assets		1 220	1 220
- Deferred tax assets		283 667	245 621
Other assets		1 180 187	1 200 321
TOTAL ASSETS		**23 804 654**	**23 953 664**
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to other banks and financial institutions		907 406	767 917
Derivative hedging instruments		3 182	0
Derivative financial instrument at fair value through profit or loss		5 388	5 375
Financial liabilities measured at fair value through profit or loss		1 772 339	1 989 613
Amounts due to clients	17	17 986 283	17 508 115
Debt securities in issue	18	521 679	521 869
Corporate income tax liabilities		198	85
Other liabilities		150 872	414 758
Deferred tax liabilities		0	233
Provisions		20 137	10 535
TOTAL LIABILITIES		**21 367 484**	**21 218 500**
Equity (attributable to shareholders of parent company)		**2 437 170**	**2 735 164**
Share capital		156 804	156 804
Retained earnings		-271 818	-189 083
Net profit (loss)		14 596	230 799
Other capital		2 537 588	2 536 644
Total equity		**2 437 170**	**2 735 164**
TOTAL LIABILITIES AND EQUITY		**23 804 654**	**23 953 664**

4. INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 3-month period ended 31 March 2018

(unaudited)	Note	Share capital	Retained earnings	Attributable to shareholders of parent company – Other capital: Supplementary capital	Revaluation reserve	Exchange differences	Other reserves	Net profit (loss)	Total	Non-controlling interest	Total equity
		PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 1 January 2018		**156 804**	**- 189 083**	**2 410 868**	**16 385**	**315**	**109 076**	**230 799**	**2 735 164**	**-**	**2 735 164**
Changes resulting from the implementation of IFRS 9	5.4	-	- 303 967	-	-	-	-	-	- 303 967	-	- 303 967
As at 1 January 2018 (adjusted)		**156 804**	**- 493 050**	**2 410 868**	**16 385**	**315**	**109 076**	**230 799**	**2 431 197**	**-**	**2 431 197**
Gains and losses on investments in debt instruments measured at fair value through Other Comprevensive Income	20	0	0	0	1 499	0	0	0	1 499	0	1 499
Gains and losses on investments in equity instruments measured at fair value through Other Comprehensive Income	20	0	0	0	-1 125	0	0	0	-1 125	0	-1 125
Change in fair value resulting from the change in the credit risk of a financial liability measured at fair value through the profit and loss		0	0	0	996	0	0	0	996	0	996
Hedge accounting	20	0	0	0	-1 773	0	0	0	-1 773	0	-1 773
Other comprehensive income		**0**	**0**	**0**	**-403**	**0**	**0**	**0**	**-403**	**0**	**-403**
Net profit (loss)		0	0	0	0	0	0	14 596	14 596		14 596
Comprehensive income for the period		**0**	**0**	**0**	**-403**	**0**	**0**	**14 596**	**14 193**	**0**	**14 193**
Transfer of the profit of the previous period to the retained financial result		0	230 799	0	0	0	0	-230 799	0	0	0
Distribution of net profit (loss)		0	-4 336	0	0	0	4 336	0	0	0	0
Other*		0	-5 231	0	-1 316	0	-1 673	0	-8 220	0	-8 220
As at 31 March 2018		**156 804**	**-271 818**	**2 410 868**	**14 666**	**315**	**111 739**	**14 596**	**2 437 170**	**0**	**2 437 170**

* The item "Other" includes changes in the results of subsidiaries for 2017 made by companies after the date of preparation of the consolidated financial statements of the Idea Bank Group for 2017.

for 3-month period ended 31 March 2017

(unaudited)	Note	Share capital	Retained earnings	Attributable to shareholders of parent company – Other capital: Supplementary capital	Revaluation reserve	Exchange differences	Other reserves	Net profit (loss)	Total	Non-controlling interest	Total equity
		PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 1 January 2017		**156 804**	**35 920**	**1 735 747**	**- 33 816**	**315**	**121 556**	**440 851**	**2 457 377**	**-**	**2 457 377**
Valuation of available-for-sale financial assets, net of deferred tax	19	0	0	0	8 875	0	0	0	8 875	0	8 875
Exchange differences on the valuation of units operating abroad	19	0	0	0	0	0	0	0	0	0	0
Hedge accounting	19	0	0	0	4 314	0	0	0	4 314	0	4 314
Other comprehensive income		**0**	**0**	**0**	**13 189**	**0**	**0**	**0**	**13 189**	**0**	**13 189**
Net profit (loss)		0	0	0	0	0	0	51 154	51 154		51 154
Comprehensive income for the period		**0**	**0**	**0**	**13 189**	**0**	**0**	**51 154**	**64 343**	**0**	**64 343**
Transfer profit of previous period to undistributed profit		0	440 851	0	0	0	0	-440 851	0	0	0
Split of result		0	-662 368	662 368	0	0	0	0	0	0	0
Other		0	-2 275	0	0	0	0	0	-2 275	0	-2 275
As at 31 March 2017		**156 804**	**-187 872**	**2 398 115**	**-20 627**	**315**	**121 556**	**51 154**	**2 519 445**	**0**	**2 519 445**

5. INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Cash flows from operating activities		
Net profit (loss)	14 596	51 154
Total adjustments:	4 083	425 333
Depreciation and amortization	10 440	11 105
Share in profits (losses) of associated entities	-11 671	-8 678
Foreign exchange (gain) loss	-2 607	-1 837
Interest and dividend	-17 869	-19 224
Changes in receivables from banks and financial institutions	5 095	35 504
Changes in derivative financial instruments (assets)	46 550	-63 958
Changes in loans and credits to customers	-322 306	-411 484
Change in receivables due to finance leases	-8 254	-141 581
Changes in other loans and receivables	2 297	14 667
Changes in available for sale financial assets	170 230	111 648
Changes in deferred tax assets	5 949	22 327
Changes in other assets	20 134	185 683
Changes in amounts due to banks and financial institutions	139 489	493 017
Changes in derivative financial instruments (liabilitiy) and financial liabilities at fair value through profit or loss	-214 079	7 151
Changes in amount due to clients	478 168	93 984
Changes in debt securities in issue	-190	-4 245
Changes in deferred tax liabilities and other provisions	-3 688	8 369
Changes in other liabilities	-263 886	111 475
Other adjustments	-3 804	0
Income tax paid	-3 530	-27 120
Current income tax recognized in the income statement	3 643	8 530
Net cash flows from operating activities	**18 679**	**476 487**
Cash flows from investment activities		
Inflows from investment activities	**54 975**	**30 190**
Disposal of investment securities	26 028	0
Disposal of intangible assets and property, plant and equipment	3 337	3 348
Interest received	25 610	26 842
Investment activity outflows	**-32 231**	**-29 597**
Acquisition of investment securities	-22 288	0
Acquisition of intangible assets and property, plant and equipment	-9 943	-29 597
Net cash flows from/used in investment activities	**22 744**	**593**
Cash flows from financial activities		
Interest paid	-7 741	-7 618
Net cash flows from/used in financial activities	**-7 741**	**-7 618**
Net increase (decrease) in cash and cash equivalents	33 682	469 462
Opening balance of cash and cash equivalents	302 052	263 688
Closing balance of cash and cash equivalents	**335 734**	**733 150**
Restricted cash and cash equivalents	**0**	**0**

II. ADDITIONAL NOTES AND EXPLANATIONS TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Idea Bank S.A. Group ("the Group") consists of the parent company - Idea Bank S.A. ("the Bank", "the parent company"), and its subsidiaries.

Idea Bank S.A. is located in Poland, with its registerd office in Warsaw, Przyokopowa 33, registered in the District Court for Warsaw, XII Economic Uni of the National Court Reistry under 0000026052 number**.**

The Bank was aslo assigned National Official Business Register number (REGON): 011063638.

The duration of the Bank and its subsidiaries is unlimited. The legal basis for the Bank's operations is its statutes drawn up in the form of notarial act of 23 March 1992.

The Group's operations include banking services provided by the parent company and financial and insurance agency services, sale of real estate and lease provided by the subsidiaries. Activities of the parent company include:

- accepting cash deposits payable on demand or on the due date; maintaining respective accounts,
- maintaining other bank accounts,
- granting loans and advances,
- issuing and confirming bank guarantees; L/C opening and confirmation,
- issuing bank securities,
- cash settlements,
- providing borrowings,
- transactions on cheques and bills of exchange; warranty operations,
- acquisition and disposal of receivables,
- custody services, bank safe services,
- issuing and confirming sureties,
- representing investors in transactions in securities,
- issuing and servicing payment cards,
- forward and futures transactions,
- purchasing and selling foreign currencies,
- intermediary services in cash transfers and FX transactions,
- issuing e-money instruments.

The Group's operations also include:

- acquiring and purchasing shares, rights, other legal entity's interests and investment funds' share units,
- incurring liabilities related to the issue of securities,
- debt for asset swap, as agreed upon with the debtor, with the Bank's obligation to sell the assets not later than 5 (five) years following the date of the acquisition for real estate and not later than 3 (three) years following the date of acquisition for other assets. The obligation mentioned above does not apply to assets which the Bank will use to conduct its own banking activities,

- financial advisory and consulting services,
- financial services related to insurance and pension and disability funds,
- finance leases,
- purchasing and selling real estate,
- trading in securities,
- managing securitized debts in securitization funds,
- insurance agency,
- performing, permanently or periodically, on behalf of and for the account of an investment firm, agency services in the scope of activities conducted by this investment company,
- performing the function of the representative bank and keeping the bond records within the meaning of the act on bonds,
- suppling of the following other financial services:
  - brokerage services for the conclusion of factoring agreements, forfaiting agreements and for the sale of financial leasing services,
  - brokerabge services in the field of lending,
  - brokerabge services in the field of conclusion of acquiring contracts.
- performing the non-brokerage activities consisting in:
  - acquiring and transfering purchase or sell orders of financial instruments in the form of participation units in collective investment undertakings,
  - offering financial instruments in the form of investment certificates and bonds with the reservation that the subject of the activities referred to in point a) - b) above, only the bonds issued by the State Treasury or the National Bank of Poland or financial instruments referred to in point a) may be properly issued. a) - b) above and the bonds referred to in art. 39p par. 1 of the Act of 27 October 1994 on toll motorways and on the National Road Fund.

The Group's parent company is Getin Holding S.A., with its registered office in Wrocław (Poland), Gwiaździsta 66.

The ultimate parent is dr Leszek Czarnecki.

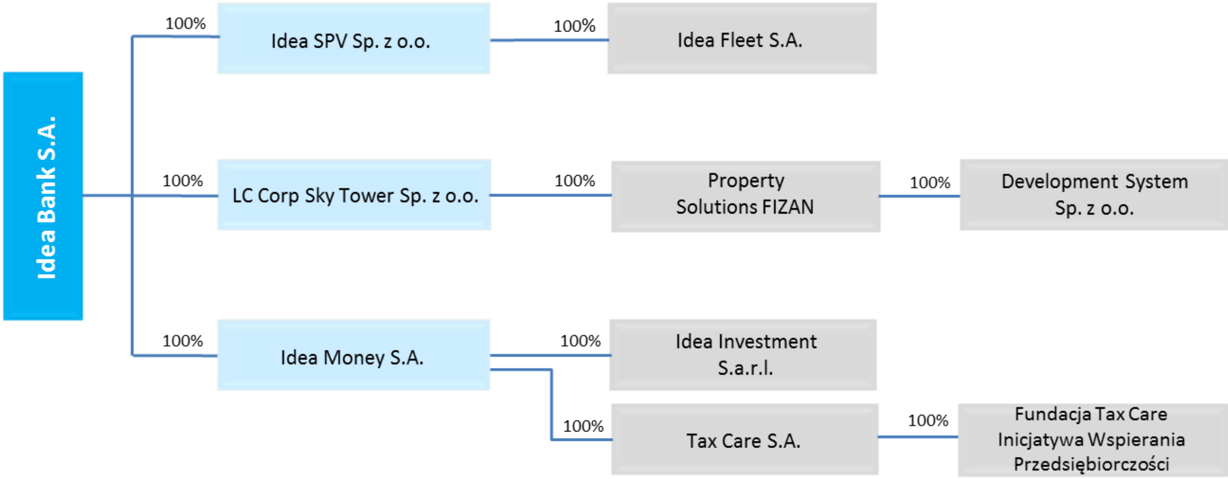
2. Composition of the Group

Bank conducted an analysis of the nature of its involvement in investments held to identify the entities over which the Bank exercises control and to determine the structure of the Group in accordance with the criteria resulting from IFRS 10 Consolidated Financial Statements.

All significant balances and transactions between Group's entities, including unrealized gains arising from Group transactions, have been fully eliminated. Unrealized losses are eliminated unless they are an impairment indicator.

Changes in the shareholding structure of the parent company, which do not lead to a loss of control over a subsidiary are stated as equity transactions. In such cases, in order to reflect the changes in shares in a subsidiary, the Group adjusts the carrying amount of the controlling and non-controlling shares. Any differences between the adjustment amount of non-controlling shares and the fair value of the amount paid or received are referred to equity and assigned to shareholders of parent company.

As at 31 March 2018 the Idea Bank S.A. Group consisted of the following entities:



In addition, as at 31 March 2018 in the consolidated statements of the Idea Bank SA Capital Group. the following associates have been identified:

- Idea Getin Leasing S.A. (on 1 February 2018 the companies Idea Leasing SA and Getin Leasing SA were merged, where the acquiring company was Idea Leasing SA, since that date the company operates under the name of Idea Getin Leasing S.A.)
- Open Finance S.A.
- Idea Box S.A.
- Idea 24/7, Inc.

3. Composition of the Parent's Management Board and Supervisory Board

Composition of the Bank's Management Board and Supervisory Board as at 31.03.2018 and until the date of the report:

Supervisory Board

Supervisory Board Chairman	dr Leszek Czarnecki
Supervisory Board Deputy Chairman	Remigiusz Baliński
Supervisory Board Members:	Dariusz Krawczyk
	Piotr Kamiński
	Krzysztof Bielecki
	Artur Gabor
	Izabela Lubczyńska

Management Board

Management Board President	Tobiasz Bury
Management Board Members:	Małgorzata Szturmowicz
	Dariusz Makosz
	Aneta Skrodzka-Książek
	Jaromir Frankowicz
	Magdalena Skwarzec
	Tomasz Górski (from 1 February 2018)

4. Approval of the financial statements

These interim condensed consolidated financial statements were approved by the Management Board on 14 May 2018.

5. Major accounting policies

5.1 Period covered by the statements

These consolidated financial statements cover the period of 3 months ended 31 March 2018 for the income statement, statement of changes in equity, statement of comprehensive income and cash flow statement together with comparative data for the period of 3 months ended 31 March 2017 and data as at 31 March 2018 for the statement of financial position together with comparative data as at 31 December 2017.

These condensed interim consolidated financial statements have not been audited or reviewed by an independent auditor.

5.2 Basis for preparation of the consolidated financial statements

These interim condensed consolidated financial statements were prepared on a historical cost basis except for financial assets measured at fair value, financial liabilities measured at fair value and investment property. Non-current assets or groups of assets classified as held for sale are recognized at the lower of the two: carrying amount or fair value less costs of sales.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue to operate their activities in the foreseeable future, i.e. at least one year from the balance sheet date. As at the date of approval of these condensed interim consolidated financial statements, there are no circumstances indicating a threat of continuing activities of the Group's companies for at least one year from the balance sheet date.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for 12 months ended on 31.12.2017.

5.3 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards approved by the EU ("IFRS"), in particular in accordance with IAS 34 Interim Financial Reporting and IFRS 7 Financial Instruments - Disclosure of Information, and in areas not covered by the above standards as required by the Accounting Act of 29 September 1994, subsequent amendments and executive regulations issued thereunder, as well as requirements relating to issuers of securities admitted or being the subject of an application for admission to trading on the official stock exchange market.

IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Group applies "carve out" in IAS 39 approved by the European Union as described in this report in the section on hedge accounting.

The Group has not decided to apply earlier any standard, interpretation or amendment that has been published but has not yet come into force.

Some entities of the Group keep their accounting books in accordance with the accounting policy (principles) set out in the Accounting Act of 29 September 1994 (the "Act"), as amended and regulations issued based on it ("Polish Accounting Standards"). In the event of differences between the rules applied by the abovementioned the Group and the principles applied by the Group, the Group makes appropriate adjustments.

5.4 Changes in accounting principles

In the first quarter of 2018 the Group did not change the accounting principles.

On 1 January 2018, the Group implemented IFRS 9 “Financial Instruments” approved in the EU on 22 November 2016, resulting in changes in accounting policy regarding the recognition, classification and measurement of financial assets and liabilities and impairment of financial assets and making it necessary to adjust the amounts previously presented in the financial statements. The changed accounting policies are described in note 5.6.

IFRS 9 introduces a number of significant changes in the presentation method and the scope of disclosures. The Group decided to use the provisions of IFRS 9 allowing exemption from the obligation to restate comparative data for prior periods in relation to changes resulting from classification, measurement and impairment.

Any differences in the carrying amount of financial assets and liabilities resulting from the application of IFRS 9 were recognized as part of the result from previous years in equity as at 1 January 2018.

Group, applying the provisions of par. 7.2.21 of IFRS 9, also decided to continue to apply the requirements of hedge accounting and hedging relationships under IAS 39.

ended 31 March 2018 (in PLN thousand)

Impact of IFRS 9 on the classification and measurement of financial instruments

The impact of the implementation of IFRS 9 on the classification and measurement of financial instruments is presented below.

Financial assets	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount in accordance with IAS 39	change in value resulting from:		Carrying amount in accordance with IFRS 9 as at 01/01/2018	Total impact of change in value on assets / liabilities	Impact on retained earnings
				change in classification	change in valuation			
Cash and balances with Central Bank	Loans and receivables	Valuation at amortized cost	138 061	0	0	138 061	0	0
Receivables from banks and financial institutions	Loans and receivables	Valuation at amortized cost	191 847	0	-296	191 551	-296	-296
Derivative financial instruments	Financial assets valued at fair value through profit or loss	Valuation at fair value through profit or loss	141 155	0	0	141 155	0	0
Amounts due from clients 1)	Loans and receivables	Valuation at amortized cost	16 279 450	0	-215 436	16 064 014	-215 436	-215 436
Finance lease receivables	-	Valuation at amortized cost	57 489	0	-72	57 417	-72	-72
Available-for-sale financial assets - debt instruments	Available-for-sale financial assets	Valuation at fair value through other comprehensive income	4 189 375	0	-1 466	4 187 909	-1 466	-1 466
Available-for-sale financial assets - equity instruments	Available-for-sale financial assets	Valuation at fair value through other comprehensive income	79 029	0	0	79 029	0	0
Investments in associates*	-	-	396 554		-116 610	279 944	-116 610	-116 610
Deferred tax assets	-	-	245 621	0	43 885	289 506	43 885	43 885
Other loans and receivables	Loans and receivables	Valuation at amortized cost	163 288	0	-976	162 312	-976	-976
Other assets	-	-	1 200 321	0	61	1 200 382	61	61

* change in the valuation of investments in associates in the amount of 116.6 million PLN is the effect of applying the requirements of IFRS 9 to the estimation of impairment losses on the portfolio of lease receivables in Idea Getin Leasing S.A. in the part attributable to the Group

Financial liabilities	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount in accordance with IAS 39	change in value resulting from:		Carrying amount in accordance with IFRS 9 as at 01/01/2018	Total impact of change in value on assets / liabilities	Impact on retained earnings
				change in classification	change in valuation			
Amounts due to other banks and financial institutions	Financial liablities valued at amortized cost	Valuation at amortized cost	767 917	0	0	767 917	0	0
Financial liabilities	Valuation at fair value through profit or loss	Valuation at fair value through profit or loss	1 989 613	0	0	1 989 613	0	0
Amounts due to clients	Financial liablities valued at amortized cost	Valuation at amortized cost	17 508 115	0	0	17 508 115	0	0
Debt securities in issue	Financial liablities valued at amortized cost	Valuation at amortized cost	521 869	0	0	521 869	0	0
Provisions for off-balance sheet items	-	-	10 535	0	13 057	23 592	13 057	13 057

1) The Group has recognized the portfolio of financial assets, whose interest structure is based on a multiplier greater than one, at amortized cost. Considering the ongoing discussions in the area of classification and measurement of financial instruments containing a multiplier greater than one in the construction of contractual interest, this approach may change in the future, which could lead to the valuation of a part of the credit card portfolio in

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which the interest rate structure is based on a multiplier greater than one at fair value through profit or loss. As at 31 March 2018, the Group had the above-mentioned portfolio of credit cards with a carrying value of PLN 157.4 million (PLN 162.7 million as at 31 December 2017), and its estimated fair value as at that date was PLN 162.3 million (31 December 2017: PLN 161.2 million).

Reconciliation of impairment allowance balance according to IAS 39 and IFRS 9

The table below presents the reconciliation of the balance of impairment allowances according to IAS 39 and IFRS 9:

Financial assets	Value of loss allowance in accordance with IAS 39 as at 31 December 2017	Impact of the implementation of IFRS 9	The value of loss allowance in accordance with IFRS 9 as at 1 January 2018	Total impact of change in value on assets	Impact on retained earnings
Receivables from banks and financial institutions	751	284	1 035	-284	-284
Amounts due from clients	758 889	413 559*	1 172 448	-413 559	-413 559
Finance lease receivables	1 014	72	1 086	-72	-72
Available-for-sale financial assets - debt instruments	0	1 466	1 466	-1 466	-1 466
Other loans and receivables	0	976	976	-976	-976
Provisions	8 099	13 057	21 156	-13 057	-13 057

* the amount includes 198 124 thousand PLN adjustments to impairment allowance resulting from a change in the definition of the gross carrying amount of receivables from customers

IFRS 9 introduces changes to the definition of the gross carrying amount of a financial asset. The change causes a difference in the calculation of the gross value of financial assets with impairment in relation to the previously applicable rules. From 1 January 2018, interest including penalty interest charged on the gross value of the exposure are included in the gross value (balance sheet). For the purposes of the income statement, interest income on impaired financial assets is charged on the net value of the exposure.

Impact of IFRS 9 on capital adequacy

On 12 December 2017, the European Parliament and the Council adopted Regulation No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. This Regulation entered into force on the next day following its publication in the Official Journal of the European Union and has been applicable since 1 January 2018. The European Parliament and the Council concluded that the application of IFRS 9 may lead to a sudden significant increase in expected credit loss provisions and consequently to a sudden decrease in institutions' Common Equity Tier 1 capital.

According to the Regulation on amortization of the impact of IFRS 9 on Tier 1, where an institution's opening balance e sheet on the day that it first applies IFRS 9 reflects a decrease in Common Equity Tier 1 capital as a result of increased expected credit loss provisions, including the loss allowance for lifetime expected credit losses for financial assets that are credit-impaired, compared to the closing balance sheet on the previous day, the institution should be allowed to include in its Common Equity Tier 1 capital a portion of the increased expected credit loss provisions for a transitional period. That transitional period should have a maximum duration of 5 years and should start in 2018. The portion of expected credit loss provisions that can be included in Common Equity Tier 1 capital should decrease over time down to zero to ensure the full implementation of IFRS 9 on the day immediately after the end of the transitional period.

Having analysed Regulation no. 2017/2395, the Group has decided to apply the transitional arrangements provided for therein, which means that the full impact of the introduction of IFRS 9 will not be taken into account for the purpose of capital adequacy assessment of the Group.

As a result of including the transitional solutions resulting from the Regulation in the Group's capital adequacy calculations, the Tier 1 capital ratio decreased by 22 basis points, and the Group's total capital ratio decreased by 20 basis points.

5.5 Major accounting estimates and judgments

5.5.1 Professional judgment

In the process of applying accounting principles (policy) to the issues described below, the biggest significance, apart from accounting estimates, was the professional judgment of the management.

Calculation of impairment allowance for expected credit losses

At each reporting date, the Group measures whether there is objective evidence of impairment of credit exposures, evidence of a material increase in risk and it determines the amount of impairment losses on credit exposures. The amount of the impairment loss equals the difference between the gross carrying amount of the asset and the present value of estimated future cash flows generated by the financial instrument, discounted using the original effective interest rate. The carrying amount of an asset is reduced through impairment losses.

Idea Bank Group recognises an allowance for expected credit losses compliant with IFRS 9.

The method of estimating the allowance for expected credit losses is based on proffesional judgment in the scope of setting assumptions concerning mainly:

1. significant increase in credit risk,
2. choosing the right models and assumptions for calculating the expected credit losses,
3. economic forecasts,
4. homogeneous groups of financial assets.

Detailed rules regarding the above assumptions for calculating expected credit losses are presented in Note 7 to these condensed consolidated financial statements.

Business models

The Group defines business models and assignes individual types of financial assets to them. The Group, by making professional judgment, identifies business models taking into account in particular such elements as:

- the method of assessing the effectiveness of a given financial asset,
- type and method of risk management related to a given financial asset,
- the method of remunerating management personnel, and
- the method of reporting results related to a given financial asset.

Detailed rules for defining business models are described in note 5.6.1.1. of these condensed consolidated financial statements.

Insurance and factoring commission income

The Group reviews the relation of loans and insurance/factoring products. In the case of direct linkage between a loan and insurance/factoring product without a classification as a complex product, the Group recognizes the whole remuneration based on the effective interest rate. For complex products, for which fair value of the offered financial asset has been separated and the insurance/factoring product sold jointly with this asset, the Group allocates based on the proportion of accordingly the fair value of a financial asset and the fair value of the intermediation service to the sum of both those values. Remuneration for intermediation service is settled using the straight-line method based on the level of service advancement, and the remaining portion is settled based on the effective interest rate over the period of the financial instrument. The Group also estimates part of the remuneration, which will be reimbursed (e.g. due to termination of insurance/factoring contracts by clients, prepayments, etc.) in the insurance/factoring product post-sales period. The estimated part of the remuneration is deferred in time to the amount of anticipated reimbursement.

Impairment of other non-current assets

On each reporting date, the Group assesses whether there are any objective indicators for the impairment of any non-current asset. If the Group identifies premises indicating impairment, then it determines whether the current book value of a given asset is higher than the value that can be obtained through its further use or sale, i.e. the recoverable amount of an asset is estimated. If the recoverable amount is lower than the current carrying amount of a given asset, impairment loss is recognized in the income statement.

Impairment of goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At each reporting date it is assessed whether there is any impairment of goodwill. The impairment test is conducted once a year by comparing the carrying value of cash-generating units, including goodwill, and their recoverable amount. The recoverable amount is estimated on the basis of value in use of cash generating units, which is the estimated value of future cash flows, taking into account the residual value of cash-generating units. Identified impairment loss is recognized in the financial result.

Impairment of trademark

At the moment of settlement of the acquisition of a subsidiary, the Group recognizes the fair value of significant trademarks based on the valuation of independent experts. At the reporting date, the Group assesses whether the useful life of the trademark is specified, or indefinite. Trademarks with an indefinite useful life are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired, by comparing its recoverable amount with the carrying amount. The excess of the carrying amount over the recoverable amount is recognized as an impairment loss.

Deferred tax assets

The Group recognizes a deferred tax asset assuming relevant future tax profit. Declining future taxable profits could make the assumption unjustified. As at the date of the financial statements, the Group has concluded that sufficient taxable profit will be available to utilize deferred tax assets.

Investment in associates

As a rule, associates are those entities in which the investor has significant influence. Significant influence is the power allowing participation in decision-making on financial and operating policy of the entity, in which the investment was made, but not referred to the control or joint control. If the Group holds, directly or indirectly (eg. through subsidiaries), 20% or more of the voting rights in the entity in which the investment is made, it is assumed that the Bank has significant influence over this entity, unless it can be proved that it is otherwise. If the Group holds, directly or indirectly (eg. through subsidiaries), less than 20% of the voting rights in the entity in which the investment is made, it can be assumed that the Group does not have significant influence over this entity, unless the significant influence can be easily proved.

As at 31 March 2018, using the professional judgment, the Group recognized the following associates:

- Open Finance S.A., in which the Group holds shares representing 17.72% of the share capital of this company,
- Idea Getin Leasing S.A., in which the Group holds shares representing 74.99% of the share capital.

Recognition of Open Finance S.A. as an associate

The Group considered that the conditions for exercising significant influence over Open Finance S.A. were met primarily due to the increasing capital involvement of the Group in the above-mentioned company and taking into account the fact that three members of the Bank's Management Board perform the functions of Members of the Supervisory Board of Open Finance S.A., and two other Members of the Supervisory Board of Open Finance S.A. also acts as Members of the Bank's Supervisory Board.

Recognition of Idea Getin Leasing S.A as an associate

With respect to Idea Getin Leasing SA ("IGL"), the Group carried out a detailed analysis of the criteria under IFRS 10 "Consolidated financial statements" in order to determine whether the fact of concluding the agreement to sell 25.01% stake in Idea Getin Leasing S.A. and to give LC Corp B.V. the right to request the sale by the Bank (call option) of another 25% of Idea Getin Leasing SA shares at any time after the closure of the above transactions, as well as corporate changes at the same time (in the scope of making decisions and managing significant operations of the Company) in Idea Leasing S.A., affect the Bank's control over Idea Getin Leasing S.A.

In particular, in the above analysis, the Bank took into account the following areas:

a. determination of authority over Idea Getin Leasing S.A.
b. identification of exposures to changeable financial results of the company,
c. determining the Bank's influence on the company's returns.

According to the IGL statute, the Company's Supervisory Board is appointed (and its members may be removed) by the General Meeting of Shareholders, whereas the right to appoint the majority of Supervisory Board members is granted to LC Corp B.V.

In addition, LC Corp B.V. has additional rights resulting from the company's statute, i.e. in particular:

- the right to nominate, by representatives of the company's Supervisory Board, the majority of Management Board Members,
- the right to approve, by representatives of the Company's Supervisory Board and the Company's Management Board, the terms of employment of the key management personnel of the above mentioned company,
- the right to accept contracts and transactions of major significance to the Company.

Each time, the opposition of LC Corp B.V. in the abovementioned matters means the lack of approval of the shareholders or the Supervisory Board respectively, regardless of the number of votes cast.

In addition, in relation to the Call option issued by the Bank for LC Corp B.V. concerning sale of another 25% of shares of IGL, the Bank carried out a detailed analysis of whether the above-mentioned option is a significant right within the meaning of IFRS 10. In particular, the Bank took into consideration the following facts:

- performance of the Call Option does not require obtaining any additional approvals, eg the General Meeting, the Supervisory Board or the Management Board of any entity involved in the transaction,
- the implementation of the Call Option is unconditional, which means that LC Corp B.V. is entitled to submit a request to implement this Option at any time,
- records specifying the share sale price, i.e. the fair value of IL as of the date of execution of this Call Option less a 5% discount, provide the investor with real financial benefits from its implementation.

Taking into consideration the above information, the Bank decided that this Call Option is a significant right. As a result, voting rights (25.01%) and potential rights (Call option at 25%) owned by LC Corp B.V. together account for over 50% of votes (ie 50.01%), which means that the authority over IGL (and thus the entire IGL Group) on the basis of significant voting rights (granted on the basis of contractual arrangements with other shareholders) is held by LC Corp BV.

With respect to the exposure to the IGL's changing financial results, Bank considered that both the Bank and LC Corp B.V. will be exposed to the volatility of investment income from IGL shares. This volatility will result from a proportionate share in the company's shares held in the company's financial results, the right to receive a proportional part of the dividend paid from the financial results of IGL and from the financing of the above-mentioned activities of the company.

As a result of the analysis - in accordance with the criteria set out above - the Group concluded that as a result of the transaction conducted on the terms presented above, the Group lost control over IGL. In these financial statements, the Group recognized IGL as an associated entity and settled the resulting loss of control over IGL.

5.5.2 Significant accounting estimates

Recognition of expected losses

The Group calculates the loss allowance for expected credit losses in accordance with IFRS 9. The method of estimating the loss allowance for expected credit losses is based on the change in the credit risk level since the initial recognition.

The value of granted loans, advances and receivables as well as leasing receivables is subject to periodic assessment in order to properly classify credit exposures into three main stages for recognising expected losses:

a) Stage 1: exposures with no significant increase in credit risk since initial recognition, i.e. exposures for which the likelihood of the exposure being downgraded to the impaired portfolio (Stage 3 exposures) has not increased. For such exposures, the expected losses are calculated for a 12-month horizon.
b) Stage 2: exposures with a significant increase in credit risk since initial recognition, but with no objective evidence of default. For such exposures, lifetime expected losses are recognised.
c) Stage 3: exposures for which the risk of default has materialised (indicators of impairment have been identified). For such exposures, lifetime expected losses are recognised.

In order to estimate loss allowance for expected credit losses, the Group uses its own estimates of risk parameters based on developed internal models.

Expected credit losses are equal to the estimated PD parameter multiplied by the estimated LGD and EAD parameters. The final value of expected credit losses is the sum of expected losses from all periods (depending on the stage, either in 12 months or in the lifetime) discounted using the effective interest rate.

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5.6. Transactions in foreign currencies

5.6.1. Functional and reporting currency

The functional currency of the Bank (parent company), the reporting currency of the consolidated financial statements and the functional currency of companies from the Group is Polish zloty.

5.6.2. Transactions and balances in foreign currencies

Transactions denominated in currencies other than Polish zloty are converted into Polish zloty using the exchange rate applicable at the date of the transaction.

As at the balance sheet date, assets and liabilities denominated in currencies other than Polish zloty are converted into Polish zloty using the average exchange rate established for a given currency by the National Bank of Poland at the end of the reporting period. Foreign exchange differences are recognized in the financial income (expense) or, in the case of defined accounting policies, capitalized in the value of the assets. Non-monetary assets and liabilities disclosed at historical cost expressed in foreign currency are stated at the historical exchange rate of the transaction date. Non-monetary assets and liabilities measured at fair value in foreign currency are converted at the exchange rate at the date of valuation to fair value.

For the purposes of the balance sheet valuation, the following rates were adopted in the consolidated financial statements:

Day of valuation	EUR	CHF	RUB	USD	GBP	CZK	DKK	NOK	SEK
31.03.2018	4,2085	3,5812	0,0594	3,4139	4,7974	0,1659	0,5646	0,4361	0,4097
31.12.2017	4,1709	3,5672	0,0604	3,4813	4,7001	0,1632	0,5602	0,4239	0,4243
31.03.2017	4,2198	3,9461	0,0704	3,9455	4,913	0,1559	0,5674	0,4601	0,4419

5.7. Financial assets and liabilities

5.7.1. Classification and recognition

From 1 January 2018, the Group divides financial assets into the following categories: financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and financial assets measured at amortized cost. Financial liabilities are classified into the following categories: financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost.

The Group recognizes a financial asset or financial liability in a financial statement when it becomes bounded to the provisions of the instrument's agreement. Purchase and sale transactions of financial assets, including standardized purchase and sale transactions of financial assets, are recognized in financial statement always on the date of the transaction. Loans and receivables are recognized when the borrower's cash is withdrawn.

All financial instruments at the moment of initial recognition are measured at fair value adjusted for transaction costs that can be assigned directly to the acquisition or issue of a financial asset or financial liability.

The Group classifies a financial asset as measured after its initial recognition at amortized cost or at fair value through other comprehensive income or at fair value through profit or loss on the basis of:

- the Group’s effective business model regarding financial assets management
- characteristics of cash flows resulting from the contract for a financial asset.

5.7.2. Defining business models

The Group detremines the business model to reflect the system in which it jointly manages the groups of financial assets in order to achieve a defined business goal.
The Group's business model regarding financial asset management results from the actions undertaken by the Group to achieve the goal of the business model. To determine the business models the Group analyzes the following elements in the first place:
1) the method of assessing the effectiveness of a given asset, i.e. determining whether the Group is expected to obtain specific cash flows resulting from the contract or whether the Group's objective is to achieve a specific level of return on assets through various types of activities, in particular sales,
2) the types of risk and the manner of managing these risks in relation to a given group of assets,
3) assessment of how the managers of a given activity are remunerated, i.e. in particular, determine if their remuneration is based on the fair value of managed assets or on cash flows resulting from the contract), and
4) the reporting method, i.e. how the results of the business model and financial assets held under this business model are assessed and reported to key management personnel of the Group.

Considering the criteria described above, the Group distinguishes three types of business models:
1) the business model assuming the maintenance of financial assets in order to obtain cash flows resulting from the contract. This model includes financial assets that are managed with the intention of realizing cash flows by receiving payments under the contract throughout the life of the instrument,
2) a business model whose purpose is achieved both by obtaining cash flows resulting from the contract and through the sale of financial assets,
3) other business models that do not meet the features of the two models mentioned above.

5.7.2.1. Cash flow characteristics

The Group classifies a financial asset based on the its contractual cash flows' characteristics, if it is maintained as a part of business model which assumes the maintenance of assets to obtain cash flows resulting from a contract or business model, the purpose of which is realized both by obtaining cash flows resulting from the contract, and through the sale of financial assets. To do this, the Group determines whether the contractual cash flows from this asset constitute solely a repayment of the principal amount and interest from the principal amount remained to repay.

Cash flows resulting from the contract are only repayment of principal amount and interest from the principal amount remained to be repaid when interest is determined to cover the following:
a) payment for the time value of money,
b) credit risk,
c) remuneration for liquidity risk,
d) remuneration for administrative costs incurred by the Group to maintain a financial asset for a specified period of time,
e) profit margin.

The Group evaluates the contractual cash flows to confirm that these financial assets meet the above conditions for each financial instrument classified to a business model assuming the maintenance of assets to obtain cash flows resulting from a contract or business model, the purpose of which is achieved both by obtaining cash flows resulting from the contract, and through the sale of financial assets.

5.7.2.2. Financial assets measured at fair value through profit or loss

At the moment of initial recognition, the Group may irrevocably choose specific investments in equity instruments that would otherwise be measured at fair value through profit or loss to recognize subsequent changes in fair value through other comprehensive income. The Group may irrevocably determine a financial asset at fair value through profit or loss if it eliminates or significantly reduces the inconsistency of the measurement or recognition (sometimes referred to as the "accounting mismatch") which otherwise would have arisen as a result of assets or liabilities valuation or the recognition of related gains or losses according to different rules.

Financial assets are measured at fair value through profit or loss if they are not maintained as a part of business model that assumes maintaining assets to obtain cash flows resulting from the contract or a business model whose purpose is achieved both by obtaining cash flows resulting from the contract, as well as through the sale of financial assets.

As at 31 March 2018, the Group classified derivative instruments to the category of financial assets measured at fair value through profit or loss.

5.7.2.3. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are financial assets for which both of the following conditions are met:

1) the financial asset is maintained in accordance with the business model, the aim of which is both to receive cash flows resulting from the agreement and through the sale of financial assets,
2) the contractual terms relating to a financial asset cause cash flows to occur on specified dates, which are only repayment of the principal amount and interest from the principal amount remaining to be repaid.

In addition, at the moment of initial recognition the Group may make an irrevocable selection in relation to specific investments in equity instruments that would otherwise be measured at fair value through profit or loss to recognize subsequent changes in fair value through other comprehensive income. In the case of equity instruments for which the Group made an irrevocable choice regarding the presentation of changes in their fair value in other comprehensive income, the amounts presented in other comprehensive income can not be later transferred to the financial result. However, the Group may transfer accumulated profit or loss within its equity.

Financial assets measured at fair value through other comprehensive income are measured in the financial statement at fair value. The gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gain or loss, foreign exchange gains or losses and interest income and expense, until the recognition is discontinued financial assets or its reclassification. If the financial asset is ceased to be recognized, the accumulated profits or losses previously recognized in other comprehensive income are reclassified from equity to financial result in the form of an adjustment resulting from reclassification.

As at 31 March 2018, the Group decided that the shares in BIK SA. and Noble Funds TFI will be classified to the category of financial assets measured at fair value through other comprehensive income due to the long-term nature of the investment.

5.7.2.4. Financial assets measured at amotrized cost

Financial assets measured at amortized cost are financial assets for which both of the following conditions are met:

1) the financial asset is maintained in accordance with the business model, the purpose of which is to maintain financial assets for obtaining cash flows resulting from the contract,
2) the contractual terms relating to a financial asset cause the occurrence on specified dates of cash flows, which are only the repayment of the principal amount and interest from the principal amount remaining to be repaid.

financial assets valued at amortized cost are valued in the financial statement at amortized cost using the effective interest rate method, taking into account impairment losses. Accrued interest along with a commission settled in time according to the effective interest rate are recognized in interest income. Commissions that are not part of interest income settled linearly are classified as commission income. Impairment losses are recognized in the income statement as a result of impairment losses on loans and advances.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at the time of initial recognition less principal repayments and increased or decreased determined by the effective interest rate method accumulated depreciation of any difference between the the initial and the amount at maturity, and - in the case of financial assets - adjusted for any impairment allowances for expected credit losses.

The effective interest rate is the rate at which are estimated future payments or cash inflows throughout the entire life expectation of a financial asset or financial liability are discounted exactly to the gross carrying amount of the financial asset or to the amortized cost of a financial liability.

As at 31 March 2018, the Group classified the following items of the statement of financial position to the category of financial assets measured at amortized cost: cash and funds at the Central Bank, receivables from banks and financial institutions, loans to customers and other loans and receivables.

A special type of financial assets measured at amortized cost are purchased or created financial assets that are impaired due to credit risk. Such instruments are measured at amortized cost using the effective interest rate adjusted for credit risk.

5.7.2.5. Financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss are financial liabilities, including derivatives that are liabilities, measured after initial recognition at fair value. At the moment of initial recognition, the Group may determine irrevocably the financial liability as measured at fair value through the financial result when it leads to obtaining more useful information, because:

1) it eliminates or significantly reduces the inconsistency in the scope of valuation or recognition (sometimes referred to as "accounting mismatch"), which would otherwise arise from the valuation of assets or liabilities or the recognition of related gains or losses according to different rules, or
2) a group of financial liabilities or financial assets and financial liabilities is managed and its results are evaluated on the basis of fair value, in accordance with the documented risk management strategy or investment strategy, and information about this group prepared on this basis is transferred within the Group to key management personnel.

At the moment of initial recognition, the Group may also irrevocably designate the liability as measured at fair value through profit or loss in the case of hybrid contracts concluding basic contracts, if the agreement contains one or more embedded derivatives, and the main contract is not a component of financial assets, if:

1) the embedded derivative (embedded derivatives) does not significantly change cash flows that would otherwise be required under the terms of the contract, or
2) it is self-evident without an analysis or after a cursory analysis carried out while considering a similar hybrid instrument for the first time, that separation of the embedded derivative (embedded derivatives) is prohibited, such as the option of early repayment built into the loan and allowing the holder for early repayment of the loan for an amount close to its amortized cost.

5.7.2.6. Financial liabilities measured at amortized cost

Financial liabilities at amortized cost are all financial liabilities except for financial liabilities measured at fair value through profit or loss, financial liabilities resulting from the transfer of a financial asset that does not meet the derecognition criteria, or when is applied the maintenance approach, financial guarantee contracts, loan-giving obligations below the market interest rate and conditional consideration recognized by the acquirer as part of the business combination.

5.7.3. Reclassification of financial instruments

When and only when the Group changes its business model for managing financial assets it it shall reclassify all affected financial assets:

1) if the Group reclassifies a financial asset, it does so prospectively, starting from the date of reclassification. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest,
2) if the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss,
3) if the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount,
4) if the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.,
5) if the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.,
6) if the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value,
7) if the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Group does not reclassify its financial liabilities.

5.7.4. Derecognition of financial instruments

A financial asset is derecognized from the statement of financial position of the Group when the contractual rights to cash flows related to it expire or when the Group transfers contractual rights to receive cash flows or when the Group retains the contractual rights to receive cash flows, but at the same time assumes a contractual obligation to transfer cash flows to one or more recipients, while meeting the following conditions:

1) the Group is not obliged to pay out amounts to final recipients until they receive the corresponding amounts that result from the original asset. Short-term advances made by the Bank with the right to recover the full amount borrowed plus accrued interest based on market rates do not constitute a breach of this condition,
2) pursuant to the transfer agreement, the Group may not sell or pledge the original asset other than as a security for the obligation to transfer cash flows to the final recipients,
3) the Group is required to transfer all cash flows received by it on behalf of final recipients without significant delay.

The Group assesses the extent in which it retains the risks and rewards related to ownership of a financial asset during the transference the rights. In this case:

- if the Group transfers substantially all of the risks and benefits associated with holding a financial asset, it ceases to recognize a financial asset and recognizes separately as an asset or liability all rights and obligations arising or retained as a result of the transfer, if the Group retains substantially all the risks and benefits related to the possession of a financial asset, it continues to recognize a financial asset in the financial statement,
- if the Group does not transfer or retain substantially all the risks and benefits associated with holding a financial asset, the Group determines whether it retained control over this financial asset. If control is maintained, the financial asset is still recognized in the statement of financial position of the Group.

The Group ceases to recognize a financial asset when it loses control over it, i.e. when it realizes its rights to benefits defined in the agreement, such rights expire or the Group remises these rights.

If the Group transfers a financial asset that qualifies it to cease to recognize in full, and retains the right to charge this financial asset service, then it recognizes assets or liabilities resulting from the service contract.

If it is expected that the remuneration due will not be sufficient to compensate for the service provided by the Group, then the liability resulting from the contractual service obligation in the amount of its fair value is recognized. If it is expected that the remuneration due will be greater than sufficient compensation for the service provided by the Group, the asset resulting from the right of servicing is recognized in the amount determined based on the assignment of the carrying amount of the major financial asset.

If, as a result of the transfer, the entire financial asset is removed, but the transfer results in a new financial asset or financial liability for the Group, or the service obligation, the Group recognizes a new financial asset, financial liability or service obligation in the amount of its fair value.
At the moment of derecognition of a financial asset as a whole, the difference between:
1) the carrying amount (measured at the date of derecognition), and
2) payment received (taking into account the newly created asset less any new liabilities),

is recognized in financial result.
The Group derecognizes from the statement of financial positions a financial liability (or its part) when the obligation specified in the contract has been fulfilled, cancelled or expired.

5.7.5. Modifications of contractual terms of financial assets

If the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizeson the modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, at the updated effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

5.7.6. Derivative instruments

Derivatives transactions are measured at fair value. The fair value of currency futures contracts is determined in relation to parameters such as: forward rates, current exchange rates, transaction parameters, interest rate curves. Fair value of interest rate swap contracts is determined based on a model based on quotes of relevant interest rates.

In the fair value measurement of derivative instruments not covered by mutual collateralisation in the form of a security deposit, the credit risk component in the form of a revaluation adjustment is also taken into account. The valuation adjustment is estimated individually at the level of a single contractor, taking into account the expected exposures due to the pre-settlement counterparty credit risk and the corresponding risk generated by the Group. This approach assumes the possibility of a risk of not settling future payments on both sides of the transaction. The adjustment of the counterparty credit risk assessment takes into account the probability of its bankruptcy implied from individual CDS quotes or, if there are none, from CDS quotes for comparable entities. The correction of the Group's credit risk appraisal takes into account the Bank's probability of bankruptcy implied from CDS quotes for comparable financial institutions.

In cases where the Group does not apply hedge accounting, gains and losses arising from changes in the fair value of the hedged item and the hedging instrument are recognized directly in the income statement for the reporting period.

Derivative instruments used by the Group to hedge against risks associated with interest rate and foreign currency exchange rate fluctuations (without applying hedge accounting) include primarily currency forwards and interest rate swaps.

Group may classify an instrument comprising one or more embedded derivatives if the following conditions are met:

1) the embedded derivative does not significantly change the cash flows that would be required by the contract, or
2) it is obvious without conducting or after a brief analysis that if a similar hybrid (instrument) was first considered, separation of the built-in instrument would be forbidden.

5.7.7. Hedge accounting

The Group has adopted the accounting policy related to cash flow hedging accounting of cash flow hedging interest rate risk in compliance with IAS 39 approved by the EU. “Carve out” in IAS 39 approved by the EU enables the company to determine a group of derivative instruments as a hedging instrument and lifts some of the limitations resulting from IAS 39 in the area of deposit hedging and adoption of the strategy for hedging less than 100% of cash flows. According to IAS 39 approved by the EU, hedge accounting can be applied to deposits and ineffective hedges are reported only when the revalued cash flows in a given period of time is lower than the hedged value relating to the relevant period.

Hedges are classified as follows under hedge accounting:

- fair value hedges to mitigate the risk of fair value fluctuations of an asset or liability, or
- cash flow hedges, hedging against fluctuations of cash flows, which are attributable to particular risk type related to an asset, liability, or forecasted transaction, or
- net investment hedges in a foreign unit.

The Group manages interest rate risk by extending the interest rate on assets, i.e. swapping floating interest rates to fixed interest rates. Therefore, the Group applied a cash flow hedge model to the PLN-denominated loan portfolio with floating interest rates which generates interest rate risk and to the related IRS transactions hedging against this risk. The hedging instrument is the IRS transaction portfolio in PLN, in which the Group is the payer of the floating rate and receives payment based on a fixed rate.

The Group manages foreign exchange risk by extending to change the flow of foreign currency cash flows into cash flows in PLN. Therefore, Group has applied a cash flow hedging model for its foreign currency loan portfolio generating currency risk by entering into CIRS (Currency Interest Rate Swap) hedging against currency risk. The hedging instrument is the CIRS trading portfolio in which the Group makes payments in foreign currencies and receives cash flows in PLN.

IRS / CIRS transactions meet the requirements allowing them to be designated as hedging instruments (individually or as a transaction group) since those transactions are carried out with entities from outside the Bank's group (meeting the external transaction requirements). The effective portion of the fair value change in the IRS / CIRS hedging instruments is recorded in other comprehensive income of the Group. At each reporting date the Bank reclassifies from other comprehensive income the amounts of interest expense accrued over the relevant reporting period, compensating for changes in cash flows arising on the hedged items, recognized in a given reporting period in the income statement. The ineffective portion of fair value change of the hedging instrument should be recognized in the Group's income statement on an ongoing basis.

5.7.8. Impairment of financial instrument

At each reporting day, the Group assesses whether there is objective evidence of impairment of a financial asset. If such premises exist, the Group determines the amount of impairment losses. An impairment loss is incurred when there is objective evidence of impairment resulting from one or more events occurring after the initial recognition of the asset, and the event causing the loss has an impact on the expected future cash flows resulting from the financial asset or group of financial assets, for which reliable estimate is possible.

5.7.8.1. Loans and advances to clients, lease receivables and other receivables

The Group calculates the loan loss allowance for expected credit losses in accordance with IFRS 9. The method of estimating the loan loss allowance for expected credit losses depends on the change in the level of risk that occurred since the initial recognition.

The value of granted loans, advances and receivables as well as lease receivables is subject to periodic assessment in order to properly classify credit exposures into three main stages for recognising expected losses:
a) Stage 1 - exposures which at the balance sheet date do not meet the criterion of a significant increase in credit risk and there is no indication of impairment in relation to them. For such exposures, a write-down for expected credit losses is set in a 12-month horizon.
b) Stage 2 - exposures which meet the criterion of a significant increase in credit risk at the given balance sheet date and there is no indication of impairment in relation to them. For such exposures, a write-down for expected credit losses is determined in the exposure's lifetime horizon.
c) Stage 3 - exposures for which at least one indication of impairment occurred at the balance sheet date. For such exposures, a write-down for expected credit losses is determined in the exposure's lifetime horizon.

In addition, for the POCI (purchased or originated credit impaired) exposure, a write-off for expected credit losses is determined in the exposure's lifetime horizon.

The Group identifies a group of financial assets that are characterized by low credit risk and for this reason they have been qualified to the low risk portfolio. These include Treasury bonds and bills. For this group of assets, the Group does not perform credit risk increase assessment.

The carrying amount of an asset is reduced by the calculated loan loss allowance. The amount of the loss is recognized in the income statement. First, it is considered whether there is objective evidence of impairment of individual financial assets that are individually significant, as well as individually (in the case of restructuring) or jointly in the case of financial assets that are not significant. If it is determined that there is no objective evidence of impairment of the individually assessed financial asset, irrespective of whether it is significant or not, then this component is included in the group of financial assets with similar credit risk characteristics and jointly assessed in terms of impairment, as well as in terms of the criterion of a significant increase in credit risk.

Identification of a significant increase in credit risk is based on qualitative and quantitative criteria, which include:

- delay in repayment exceeding 30 days,
- placing the customer on the Watch List,
- identification of negative signals based on reports from the Credit Reporting Office.

Loans, advances and receivables as well as lease receivables are assessed in terms of impairment. Impairment of a given loan, advance, receivable or lease receivables is recognized and, consequently, an impairment allowance is recognized for expected credit losses over the lifetime when there are objective indications of impairment as a result of one or more events that will have an impact on future estimated cash flows from these loans, advances or receivables. Such events include:

a) delay in repayment exceeding 90 days with regard to capital, ordinary interest or penalty interests regarding the amount of materiality,
b) the Group filed an application to initiate enforcement proceedings or got a message about the execution of the debtor,
c) the credit exposure is contested by the debtor through court proceedings,
d) the debt became due as a whole as a result of the termination of the loan agreement,
e) an application has been made for the bankruptcy of the debtor or a request for the institution of recovery proceedings,
f) restructuring of the credit exposure,
g) a credit exposure agreement,
h) there is a high probability of bankruptcy or other financial reorganization resulting in the inability to recover the exposure,
i) financial problems of a retail contractor (job loss, income reduction, increase in debt, non-payment of debt in other institutions) resulting in the inability to service debt in the Group,
j) unknown location and undisclosed counterparty property,
k) significant financial difficulties of the contractor,
l) fraud,
m) settlement agreement in the history of credit exposure.

In addition, when impairment is recognized in relation to a single credit exposure of a debtor, all other exposures of a given debtor are also treated as impaired.

An impairment allowance for expected credit losses in the case of a credit (loan, lease receivable) subject to an individual assessment is determined as the difference between the carrying amount of the loan / lease receivable and the present value of estimated future cash flows discounted based on the original effective interest rate on the loan for exposures with fixed interest rate or current effective interest rate, determined in accordance with the contract, for variable interest rate exposures, i.e. the interest rate from the date of the occurrence of the event causing the loss (default dates). In the case of loans or lease receivables for which a hedge has been established, the current value of estimated future cash flows includes cash flows that may be obtained from enforcement of the collateral, less the costs of enforcement and sale of the collateral suject if enforcement is probable. The carrying amount of the loan (advance) or lease receivable is reduced by the amount of the corresponding loss allowance for expected credit losses.

Homogenous groups of loans that are individually insignificant and individually significant loans for which objective evidence of impairment have not been identified are subject to a group assessment . In order to determine group impairment, the Group divides loans into portfolios with similar credit risk characteristics.

The group assessment process consists of two elements:

- determination of group loss allowances for expected credit losses for individually insignificant exposures (stage 3),
- determining the amount of loss allowances for expected credit losses for exposures for which no indicators of impairment were found (stage 1 and stage 2).

In order to estimate loss allowances for expected credit losses, the Group uses its own estimates of risk parameters based on developed internal models.

Expected credit losses are equal to the estimated PD parameter multiplied by the estimated LGD and EAD parameters. The final value of expected credit losses is the sum of expected losses from all periods (depending on the stage, either in 12 months or in the entire lifetime) discounted using the effective interest rate.

The models and parameters generated for the needs of IFRS 9 are subject to model management process and are consistent with this standard.

5.7.8.2. Financial assets measured at fair value through other comprehensive income

At each reporting day, the Griup performs the analysis whether there is objective evidence that the individual assets and/ or the portfolio of financial assets measured at fair value through other comprehensive income have been impaired. Objective evidence for impairment of financial assets measured at fair value through other comprehensive income includes:

1. significant financial difficulties of the issuer or debtor,
2. failure to meet the contract terms, e.g. non-payment or default to pay interest or denomination,
3. granting to the borrower by the lender, for economic or legal reasons resulting from the financial difficulties of the borrower, a facility which the lender would not otherwise provide,
4. high probability of bankruptcy or other financial reorganization of the borrower,
5. disappearance of an active market for a given financial asset due to financial difficulties,
6. information on significant negative changes taking place in the technological, market, economic, legal or other environment in which the issuer operates, indicating that the costs of investing in an equity instrument may not be recovered,
7. significant (over 30%) or prolonged (over 12 months) decrease in the fair value of investments in the equity instrument below cost.

If there are objective indications of impairment of a financial asset measured at fair value through other comprehensive income mentioned above and there are no other circumstances or premises indicating the impairment of this financial asset, the amount being the difference between the purchase price of that asset (less any repayment of principal and interest) and its current fair value, less any impairment losses on this asset previously recognized in the income statment, are derecognised from equity and transferred to the income statement.

The amount presented in other comprehensive income on equity instruments irrevocably designated by the Group to present changes in their fair value in other comprehensive income, the Group never transfers it to the financial result.

5.5.3 Contingent liabilities

As part of its operational activity the Group executes transactions which are not recognized in the financial statement as assets or liabilities but which result in contingent liabilities. A contingent liability is:

- a possible obligation that arises as a result of past events, the existence of which will be established only by the occurrence or non-occurrence of one or more uncertain future events that cannot be wholly controlled by the Group,
- a present obligation that arises from past events but is not recognized in the financial statement because it is not probable that an outflow of cash or other assets will be required to settle the obligation; or the amount of the liability cannot be measured with sufficient reliability.

The Bank recorded provisions for off-balance sheet liabilities granted, including unused credit lines. The provision is set as the difference between the expected value of balance sheet exposure that will arise from the off-balance sheet liability and the present value of the estimated future cash flows from the balance sheet exposure arising from the liability given as at the impairment identification date.

Financial guarantee contracts which are not classified as insurance contracts are initially recognized at fair value and subsequently measured at the higher of the two: the amount being the closest estimate of outlays necessary to meet the present obligation arising from the financial guarantee given the likelihood of its performance and the amount recognized upon initial recognition, adjusted by the settled commission received for giving the guarantee.

5.8. Financial result

5.8.1. Net interest income

Interest income and expenses generated by financial assets and liabilities are recognized in the income statement and calculated at amortized cost using the effective interest rate.

The settlement of interest coupons (according to the effective interest rate or linear method), fee and commissions as well as other costs related to financial instruments depend on the type of financial instrument. Financial instruments with a specified cash flow schedule are valued at the effective interest rate method. The effective interest rate cannot be calculated for financial instruments with an unspecified cash flow schedule and the fee and commissions are settled using the linear method.

Disclosing particular types of fee/commissions settled over time in the income statement as interest or commission income as well as the need to settle them over time instead of as a one-off payment included in the profit or loss depends on the economic nature of the commission/fee.

Fee/commissions settled over time include i.e. fees for accepting a loan application, loan granting commission, loan draw-down commission, additional security fee, etc. These payments are an integral part of the return generated by a particular financial instrument. This category also includes payments and expenses related to amendments in the agreement which result in an adjustment of the initial effective interest rate.

Net interest income includes also interest income from accrued and paid interest related to financial assets classified as available for sale as well as loans, advances to customers, receivable from lease and other receivables.

5.8.2. Net fee and commission income

5.8.2.1. Fee and commission income

The Group recognizes fee and commission income in accordance with IFRS 15 5-stage model and in accordance with other standards, in particular IFRS 9 and IAS 17:

Step 1: Identification of the contract with the client

In accordance with IFRS 15, in principle, an agreement is a contract between two or more parties that creates enforceable rights and obligations.
The Group recognises a contract with a customer within the scope of IFRS 15 if all the following conditions are met:

- the contract has been approved in writing, orally, or in accordance with other customary business practices and the parties are committed to perform their obligations in the contract,
- the Group can identify each party’s rights regarding the assets,
- the Group can identify payment terms for the assets,
- the contract has commercial substance,
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the assets that will be transferred to the customer.

In evaluating whether collectability of the contract consideration is probable, the Group considers only the customer’s ability and intention to pay the consideration when it is due.

The Group combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer), and accounts for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective,

- the amount of consideration to be paid in one contract depends on the price or performance of the other contract,
- the assets promised in contracts are a single performance obligation.

Step 2.: Identifying the performance obligations

At this step is necessary to identify performance obligations under the contract which are distinct. An asset is distinct if the customer can benefit from the asset either on its own or together with other resources that are readily available to the customer, and at the same time the asset is separately identifiable from other assets in the contract. In such a case, the Group is dealing with separate performance obligations.

Step 3.: Determining the transaction price

In accordance with IFRS 15, the transaction price is the amount of consideration that the Group expects to be entitled to in exchange for assets promised. It represents the amount of the revenue that will be recognized as a result of performance of the contract. In addition to the amount of consideration, the transaction price should also reflect any highly probable variable consideration (including bonuses or penalties), a discounting factor, amounts paid to customers or noncash consideration.

Step 4.: Allocating the transaction price to the performance obligations

As individual performance obligations may be recognised at different times and in different ways (at a point in time or over time), in the case of multiple performance obligations in a contract, the transaction price needs to be allocated to identified performance obligations. The allocation should be based on the stand-alone selling price.

Step 5.: Recognizing revenue at the moment of satisfying each performance obligation

In the sense of IFRS 15 revenue is recognised when assets are transferred to a customer and the customer acquires control over the subject matter of the contract.

5.8.2.2. Revenues and costs related to sale of insurance products linked to loans

In the case of offering insurance products together with a loan product, the Group recognizes revenues in accordance with the IFRS 15 described above and in accordance with the guidelines resulting from the Recommendation U.

The Group recognizes that fees obtained by the Group from the sale of an insurance product constitute an integral part of remuneration from the offered financial instrument when the insurance product is directly related to the financial instrument.

In order to determine the manner of recognisisng transactions in the accounting books, the Group determines the degree of direct link between the insurance product and the financial instrument, taking into account the economic substance of the transaction.

The Group applies the following approach to related transactions:

- the remuneration received by or due to the Group for an insurance product directly linked (without extraction of compound financial instrument) to financial assets (loans and advances to clients) measured at amortized cost is accounted for using the effective interest rate method and recognized in interest income,
- the remuneration received by or due to the Group for intermediation services which should be evaluated in view of its economic substance should be recognized in commission income at the time the insurance product is sold or renewed with the exception of situations when an analysis of the direct linkage of the insurance product with the financial instrument results in the extraction of a complex product, i.e. separation of the fair value of the financial instrument offered and the fair value of the insurance product sold together with that instrument.

In the above situation the transaction is split into elements to which income is allocated, and the remuneration due to the Group for the sale of the insurance product is divided between a portion constituting an element of the amortized cost of the financial instrument and a portion constituting remuneration for the intermediation services. The Group analyzes fair value of both the financing transaction and the insurance intermediation service and on this basis it divides the remuneration in proportion: of the fair value of the financial instrument and the fair value of the intermediation service to the sum of both those values.

Furthermore part of the remuneration for the sale of insurance products is deferred in time in case the client terminates the agreement before the due date.

5.9. New standards and interpretations

Standards and Interpretations applied for the first time in 2018

- **IFRS 9 "Financial Instruments"** approved in the EU on 22 November 2016 (effective for annual periods beginning on 1 January 2018 or after that date)

The IFRS 9 "Financial Instruments" standard was published by the International Accounting Standards Board on 24 July 2014, and approved by the European Commission Regulation No. 2016/2067 / EU of 22 November 2016 for use in EU member states. The standard is mandatory for financial statements drawn up for financial periods beginning on and after 1 January 2018 except for insurance companies that may apply the standard from 1 January 2021. IFRS 9 replaces IAS 39 "Financial instruments: the recognition and measurement" however, it allows reporting entities to be able to stick to the provisions regarding hedge accounting under IAS 39.

Details regarding the implementation of the above standard by the Group has been presented in note 5.4.

- **IFRS 15 "Revenues from contracts with customers" and amendments to IFRS 15 "Date of entry into force of IFRS 15"** - approved in the EU on 22 September 2016 (effective for annual periods beginning on 1 January 2018 or after that date)

IFRS 15 introduces new principles of revenue recognition replacing the existing guidelines resulting from IAS 18.

Details regarding the implementation of the above standard by the Group has been presented in note 5.7.2.1.

New standards and changes to existing standards, which have already been issued by the International Accounting Standards Board (IASB), but have not yet come into force.
When approving these financial statements, the following new standards and amendments to standards were issued by the IASB and approved for use in the EU, but have not yet entered into force**:**

- **IFRS 16 "Leases"** - approved in the EU on 31 October 2017 (effective for annual periods beginning on 1 January 2019 or after that date)

IFRS 16 introduces new principles of leases recognition primarily by eliminating the division into operating and financial lease used so far. According to the new standard, in the case of almost any contract that meets the definition of lease, with the exception of contracts lasting less than 12 months and regarding assets of low value, the lessee will be required to recognize the "right to use the asset" in the balance sheet and pay rentals. In addition, the lessee in his income statement will be required to recognize the cost of depreciation of the leased asset in a separate manner from the costs of interest due to the above-mentioned leasing liabilities. With regard to the lessee, this standard should not have a material impact on the accounting treatment applied so far, i.e. the lessor will continue to recognize two types of lease separately, depending on the nature of the lease.

The Group believes that the application of the above mentioned standard will not have a material impact on the financial recognition of financial lease agreements applied by the Group in the financial statements of the Group. In addition, the Group estimates that the entry into force of the abovementioned standard will have an impact on the recognition, presentation, measurement and disclosures regarding assets and liabilities resulting from operating lease agreements in which the Group acts as a lessee. The Group is in the process of estimating the impact of the above changes.

- **Amendment to IFRS 9 "Financial Instruments"** - prepayment right with negative compensation (effective for annual periods beginning on 1 January 2019 or after that date).

Amendments to IFRS 9 introduce the statements with reference to contractual prepayment feature, when the lender could be forced to accept the prepayment amount that is substantially less than unpaid amounts of principal and interest. Such a prepayment amount would be a payment to the borrower from the lender, instead of compensation from the borrower to the lender. Such a financial asset would be eligible to be measured at amortized cost or fair value through other comprehensive income (subject to an assessment of the business model in which they are held), however, the negative compensation must be reasonable compensation for early termination of the contract.

Standards and Interpretations adopted by the IASB, but not yet approved for use in the EU:
IFRS in the form approved by the EU does not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and interpretations, which as at 24 April 2018 have not yet been adopted application in the EU (the following dates of entry into force refer to the full version):

- **IFRIC 23 Uncertainty over Income Tax Treatments** (effective to annual periods beginning on 1 January 2019 or after that date),
- **Amendments to IAS 28 „Investments in Associates and Joint Ventures"**- Long-term Intereste in Associates and Joint Ventures (effective to annual periods beginning on 1 January 2019 or after that date),
- **Annual improvements to IFRS Standard 2015-2017 cycle** – changes as part of the procedure of introducing annual amendments to IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) mainly focused on solving incompatibilities and clarifying vocabulary (effective to annual periods beginning on 1 January 2019 or after that date),
- **Amendments to IAS 19 „Employee benefits"** – Plan Amendment, Curtailment or Settlement (effective to annual periods beginning on 1 January 2019 or after that date),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective to annual periods beginning on 1 January 2020 or after that date),
- **IFRS 17 „Insurance contracts" -** introduces a number of changes in relation to the existing requirements of IFRS 4 (effective to annual periods beginning on 1 January 2021 or after that date).

According to the Group's estimates, the above-mentioned standards, interpretations and amendments to standards, with the exception of IFRS 16, would not have significant impact on the Group's financial statements if they had been applied by the Group as at the balance sheet date.

The Group is in the process of estimating the impact of the implementation of the IFRS 16 standard on the financial statements.

5.10. Fair value of assets and liabilities

Valuation at fair value

Fair value is fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value valuation is based on the assumption that an asset sale or liability transfer occurs on either the primary market for the asset or liability, or, in the absence of a major market, on the most favorable market for the asset or liability.

The fair value of an asset or liability is measured on the assumption that the market participants, in determining the price of an asset or liability, act in their best economic interest.

The fair value measurement of a non-financial asset recognizes the ability of a market participant to generate economic benefits by making the best and most efficient use of an asset or its disposal to another market participant that ensures the greatest possible and optimal use of the asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient fair value measurement data are available to maximize the use of relevant observable inputs and minimal use of unobservable input data.

All assets and liabilities that are measured at fair value or their fair value disclosed in the financial statements are classified in the fair value hierarchy on the basis of the lowest level of input data that is relevant for the fair value measurement treated as a whole.

At each balance sheet date, the Group assesses whether there has been a transfer between levels of the hierarchy by re-evaluating the classification to the individual levels, guided by the relevance of the input data from the lowest level that is relevant to the fair value measurement treated as a whole.

Independent experts are involved in the valuation of significant assets such as investment properties at each balance sheet date.

Group has determined the classes of assets and liabilities based on the type, characteristics and risks associated with each asset and liability, and the level of fair value as described above for disclosures of fair value measurements.

Amounts due from banks and financial institutions

Deposits placed on the interbank market are short-term deposits with maturity up to three months. For this reason, it is estimated that the fair value of amounts due from banks does not significantly differ from their carrying amount. Receivables of over three months are measured at fair value using the discounted cash flow method taking into account information available on the loan margin for a given business partner.

Loans, advances and lease receivables

The fair value was calculated for loans with a fixed payment schedule. For contracts where such payments have not been defined (e.g. overdrafts) it is estimated that the fair value is equal to the carrying amount (fair value does not significantly differ from the carrying amount). A similar assumption is accepted for due payments and contracts classified as impaired.

In order to calculate the fair value, based on the information stored in the transaction systems, for each contract a schedule of principal and interest cash flows is identified. For fixed interest contracts, the contract flow schedule available in the given transaction system is used. For variable interest contracts a contract schedule is generated based on the current interest and forward rates (for contract currency and interest index) for subsequent interest periods. The cash flow established has been discounted using interest rates to accordingly the contract currency taking into account current margins of residual contract maturity. Comparison of the sum of discounted cash flows attributable to a given contract with its book value allows determining the differences between the fair value and the carrying amount. The identification of the relevant discount rate is based on the currency of the contract, the product type and cash flow date.

Amounts due to banks and financial institutions

Because most liabilities to banks and financial institutions represent short-term liabilities (up to one month), it is estimated that the fair value of these liabilities does not significantly differ from their carrying amount. For amounts due to banks and financial institutions above one month and non-current liabilities, the Group has made a measurement to fair value based on the discounted cash flow method taking into account the information available on the margin received on deposits run.

Amounts due to clients

Fair value is calculated only for fixed rate deposits with a fixed maturity. It is estimated that fair value of current deposits is equal to their book value.

In order to calculate the fair value based on data from the transaction systems future, cash flows of principal and interest are determined. Thus calculated, future cash flows are grouped by currency, the original maturity, the product type and date of cash flows. The calculated cash flows are discounted with the interest rate constructed as the sum of the market interest rate for the currency and margins received on deposits run. The discounted value calculated as mentioned above is compared to the book value. As a result, the difference between the book value and the fair value of the relevant portfolio of contracts is calculated.

Liabilities from issue of debt securities

The fair value of own bonds has been calculated in accordance with the principles set for the fair value of amounts due to customers.

As at 31 March 2018:

(unaudited)	Book value PLN thousand	Fair value PLN thousand	Excess / deficit of fair value over the book value PLN thousand
Assets:			
Cash, receivables from the Central Bank	221 818	221 818	0
Receivables from banks and financial institutions	151 362	151 362	0
Derivative hedging instruments	42 186	42 186	0
Derivative financial instrument at fair value through profit or loss	49 225	49 225	0
Amounts due from clients	16 386 320	16 343 644	-42 676
Receivables from finance leases	65 671	65 483	-188
Other loans and receivables	182 303	183 501	1 198
Financial instruments measured at fair value through other comprehensive income	4 099 789	4 099 789	0
Liabilities:			
Amounts due to other banks and financial institutions	907 406	941 384	33 978
Derivatve hedging instruments	3 182	3 182	0
Derivative financial instrument at fair value through profit or loss	5 388	5 388	0
Financial liabilities measured at fair value through profit or loss	1 772 339	1 772 339	0
Amounts due to clients	17 986 283	17 900 607	-85 676
Debt securities in issue	521 679	519 421	-2 258

As at 31 December 2017:

(unaudited)	Book value PLN thousand	Fair value PLN thousand	Excess / deficit of fair value over the book value PLN thousand
Assets:			
Cash, receivables from the Central Bank	138 061	138 061	0
Receivables from banks and financial institutions	191 847	191 847	0
Derivative hedging instruments	63 594	63 594	0
Derivative financial instrument at fair value through profit or loss	77 961	77 961	0
Amounts due from clients	16 279 450	16 019 433	-260 017
Receivables from finance leases	57 489	57 249	-240
Other loans and receivables	163 288	164 080	792
Investment estates	51 086	51 086	0
Available-for-sale financial assets	4 268 404	4 268 404	0
Liabilities:			
Derivative financial instrument at fair value through profit or loss	5 375	5 375	0
Amounts due to other banks and financial institutions	767 917	770 186	2 269
Financial liabilities measured at fair value through profit or loss	1 989 613	1 989 613	0
Amounts due to clients	17 508 115	17 499 434	-8 681
Debt securities in issue	521 869	519 402	-2 467

The Group classifies individual assets and liabilities measured at fair value using the following hierarchy:

Level 1

Assets and liabilities are valued based on market quotations available on active markets.

Level 2

Financial assets and financial liabilities which fair value is measured using valuation techniques based on inputs, which can be directly (as a price) or indirectly (based on prices) observed. In this category the Group classifies financial instruments for which there is no active market.

Ordinal	Description	Valuation method	Inputs
1	Central Bank bills	Discounted cash flow method	WIBOR rates from 1D to 1Y Quotations for depo, FRA and IRS
2	IRS	Discounted cash flow method	WIBOR rates from 1D to 1Y EURIBOR rates from 1D to 1Y MOSPRIME rates from 1D to 6M Quotations for depo, FRA and IRS
3	CIRS	Discounted cash flow method	The average foreign exchange rates of the National Bank of Poland WIBOR rates from 1D to 1Y EURIBOR rates from 1D to 1Y MOSPRIME rates from 1D to 6M Quotations for depo, FRA and IRS Swap Points, CCS quotes
4	FX SWAP	Discounted cash flow method	The average foreign exchange rates of the National Bank of Poland WIBOR rates from 1D to 1Y EURIBOR rates from 1D to 1Y MOSPRIME rates from 1D to 6M Quotations for depo, FRA and IRS Swap Points, CCS quotes

Level 3

Financial assets and liabilities whose fair value is measured using valuation models in which the input data is not based on observable market data (unobservable input data).

Structured Deposits are complex financial instruments containing a debt instrument and an embedded derivative. The debt instrument is the Group's obligation to return the denomination on the deposit maturity date - zero-coupon instrument (term deposit) with a denomination equal to the amount of payment guaranteed by the Group. The embedded derivative is an option acquired by the Group's client and issued by the Group giving the client the right to additional payment set based on a change in the value of the base instrument. The fair value of the debt instrument deposited in the Group is calculated based on a valuation method taking into account the following factors:

- the risk-free rate determined on the basis of the market forward interest rate curve on the money market (IRS / FRA) with the period closest to the maturity date of the valued debt instrument,
- credit spread determined as the weighted average of the difference between the risk-free rate and the cost of acquiring deposits from retail clients Idea Bank S.A. acquired within the last 6 months (for the funds covered by the BGF guarantee) and the current value of CDS quotes for the class consistent with the hypothetical rating of the Bank (for funds not covered by the BGF guarantee),
- liquidity margin reflecting the Bank's cost of acquiring liquidity in the money market.

ended 31 March 2018 (in PLN thousand)

The Bank also uses the following volatilities for measurements to fair value:

Ordinal	Option	Model	Volatility	
1	Top Giganci	Option model	Adidas AG	22,87%
			Hyundai Motor Co	2,75%
			MCDONALD'S CORP	14,46%
			Sony Corporation	33,69%
			THE COCA-COLA CO	17,73%
2	Absolute Selection	Option model	NXSRSAF Index	4,50%
3	Lokata Indywidualna 01	Option model	S&P 500	42,55%
4	Lokata Indywidualna 02	Option model	WIBOR 3M	1,57%
			FIXNBP EUR/PLN	3,61%
5	Lokata Indywidualna 03	Option model	S&P 500	16,86%
6	Liderzy Technologii	Option model	Samsung Electronics CO LTD	25,33%
			Intel Corp	25,39%
			CISCO SUSTEMS INC	20,68%
			LG ELECTRONICS	36,68%
			FUJIFILM HOLDINGS	24,50%
			HITACHI LTD	21,76%
7	Total Perspective	Option model	Altus Total Perspective	10,00%
8	e-Rentier2	Option model	Facebook, Inc	27,05%
			Amazon.com, Inc.	15,48%
			Netflix, Inc.	31,01%
			eBay, Inc.	95,81%
			Yahoo! Inc.	48,30%
9	e-Rentier 30M	Option model	Facebook, Inc	27,05%
			Amazon.com, Inc.	15,48%
			Netflix, Inc.	31,01%
			eBay, Inc.	95,81%
			Apple Inc.	140,28%
10	KIDS2	Option model	Hasbro Inc	23,39%
			Mattel Inc	132,27%
			Danone SA	19,68%
			Nestle SA	17,57%
			21st Century Fox Inc	49,18%
			The Walt Disney Co	19,48%
11	KIDS3	Option model	Electronic Arts Inc	29,32%
			Microsoft Corp	22,72%
			Danone SA	29,11%
			Nestle SA	18,86%
			21st Century Fox Inc	35,80%
			The Walt Disney Co	23,29%

12	Momentum V	Option model	NXS Momentum Fund Stars ER	3,50%
13	Momentum VI	Option model	NXS Momentum Fund Stars ER	3,50%
14	Optimum Funds	Option model	NXS Momentum Fund Stars ER	3,50%
15	Optimum Funds 140%	Option model	NXS Momentum Fund Stars ER	3,50%
16	AAA	Option model	Alphabet Inc	33,37%
			Amazon.com, Inc.	40,39%
			Apple Inc.	36,52%
17	AAA 12M	Option model	Alphabet Inc	27,02%
			Amazon.com, Inc.	35,63%
			Apple Inc.	26,47%
18	Best Funds	Option model	Best Select Fund Index	4,00%
19	Elite Funds	Option model	NXS Elite Funds Selection Index	3,50%
20	Elite Funds Go!	Option model	NXS Elite Funds Selection Index	3,50%

In this category the Group also classified investment property:

Ordinal	Descirption	Valuation in PLN thousand	Model	Volatility	
1	Investment Property	49 802	A comparative approach using the average price adjustment method	Average price of 1m^2 usable area of residential premises on local market based on representantive sample	19 655 PLN/m^2 - 34 783 PLN/m^2
				Correction coefficient	0,620 – 1,375 for premises up to 80 m^2 0,818 – 1,502 for permises above 80 m^2 0,740 – 1,288 for penthouses

In level 3 the Group also classifies BIK S.A. shares, which are measured at fair value based on a valuation model based on the discounted dividends method as well as Noble Funds TFI, for which the Group applied a valuation being the average of two methods: the discounted cash flow method and the comparative method.

The carrying amount of assets and liabilities measured at fair value as at 31 March 2018 per individual measurement levels:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatve hedging instruments	0	42 186	0	**42 186**
Derivative financial instrument at fair value through profit or loss	0	49 225	0	**49 225**
Financial instruments measured at fair value through other comprehensive income	4 021 222	0	78 567	**4 099 789**
Liabilities:				
Derivatve hedging instruments	0	3 182	0	**3 182**
Derivative financial instrument at fair value through profit or loss	0	5 388	0	**5 388**
Financial liabilities measured at fair value through profit or loss	0	0	1 772 339	**1 772 339**

The carrying amount of assets and liabilities measured at fair value as at 31 December 2017 per individual measurement levels:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatve hedging instruments	0	63 594	0	**63 594**
Derivative financial instrument at fair value through profit or loss	0	77 961	0	**77 961**
Available-for-sale financial instruments	3 647 774	541 977	78 653	**4 268 404**
Liabilities:				
Derivatve hedging instruments	0	0	0	**0**
Derivative financial instrument at fair value through profit or loss	0	5 375	0	**5 375**
Financial liabilities measured at fair value through profit or loss	0	0	1 989 613	**1 989 613**

In the 3-month period ended 31 March 2018 and in year ended 31 December 2017, the Group did not make any changes in the classification of assets and liabilities to the different fair value levels.

6. Capital Requirements (Pillar I)

The value of the consolidated capital ratio of Idea Bank Group as at 31 March 2018 and 31 December 2017 is presented below:

Capital adequacy ratio (consolidated)	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand
Tier 1 (core funds)	1 683 123	1 740 644
Tier 2 (supplementary funds)	243 479	203 564
Risk-w eighted assets and off-balance sheet liabilities	13 010 872	12 746 746
Capital adequacy ratio (CAR)	**13,38%**	**14,04%**

Capital adequacy ratio (consolidated)	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand
Core funds	**2 758 308**	**2 764 598**
Share capital	155 543	155 753
Supplementary capital	2 145 808	2 428 275
Audited net profit	109 859	109 859
Other reserves	70 711	70 711
Decreases in core funds	**-1 075 185**	**-1 023 954**
Adjustment for intangibles	-638 854	-658 793
Adjustments to core funds for unrealized losses on debt financial instruments classified as available for sale - 80%	21 451	35 366
Adjustment for shares in financial institutions	-158 639	-198 472
Correction of AVA	-9 484	0
Correction about DTA	-87 604	0
Profit (loss) from previous years	-202 055	-202 055
Total core funds of the bank (Tier 1)	**1 683 123**	**1 740 644**
Supplementary funds	**243 479**	**224 584**
Subordinated debt w ith the approval of the Polish Financial Supervision Authority	243 479	224 584
Deceases in supplementary funds	**0**	**-21 020**
Adjustment for shares in financial institutions	0	-21 020
Total supplementary funds (Tier 2)	**243 479**	**203 564**
Short-term capital (Tier 3)	**-**	**-**
Total own funds	**1 926 602**	**1 944 208**
Risk-weighted assets		
Risk exposure at 0%	5 129 546	5 196 802
Risk exposure at 20%	121 963	118 112
Risk exposure at 35%	858 222	968 336
Risk exposure at 50%	457 965	559 177
Risk exposure at 75%	13 144 955	12 538 169
Risk exposure at 100%	4 077 171	4 172 074
Risk exposure at 150%	402 770	260 927
Risk exposure at 250%	252 231	289 473
Total risk-weighted assets	**12 794 751**	**12 469 249**
Risk-weighted off-balance sheet liabilities		
Risk exposure at 20%	0	14 000
Risk exposure at 35%	3 148	3 712
Risk exposure at 50%	206 410	317 671
Risk exposure at 75%	527 600	589 841
Risk exposure at 100%	686	726
Total liabilities off-balance sheet risk-weighted	**216 121**	**277 497**
Total risk-weighted assets and off-balance sheet liabilities	**13 010 872**	**12 746 746**
Capital requirements for:		
Credit risk	1 040 870	1 019 740
Operating risk	101 223	76 984
Other risks	9 880	11 220
Solvency ratio	**13,38%**	**14,04%**

7. Credit risk management

The quality of the portfolio
The Group examines the quality of the loan portfolio through the share of exposures over 90 days in the portfolio balance.

At the end of March 2018, the share of exposures 90 days past due in the Bank's loan production was 8.90%. Compared to 2017, this index increased by 0.6 percentage points.

The share of the 90 DPD capital balance in the Bank's portfolio as at the end of the first quarter of 2018 and at the end of 2017 is presented below.

	31.03.2018	31.12.2017
Share of 90+ balance*	8.9%	8.3%

* calculated according to the value of the capital remaining to repay

At the end of the first quarter of 2018 the total carrying amount of loan loss impairment allowance in the Bank amounted to 1 219.2 million and was 64.7% higher compared to 2017, which ended with the balance of 740.2 million mainly because of the implementation of IFRS 9.

The coverage ratio for the loans 90 DPD, at the end of the first quarter of 2018 amounted to 41% and decreased slightly compared to the end of 2017.

	31.03.2018	31.12.2017
Coverage of 90+ balance with allowances for impairment*	41.0%	41.4%

* calculated as the quotient of the allowances for impairment and the capital remaining to repay

The tables below present the division of financial assets by the credit exposure quality class as of 31.03.2018. Low credit risk includes exposures classified to the low risk portfolio. Increased monitoring means credit exposures on the Watch List subject to more frequent monitoring.

Receivables from customers	Stage				31.03.2018
	Stage 1 PLN thousand	Stage 2 PLN thousand	Stage 3 PLN thousand	POCI PLN thousand	Total PLN thousand
Exposures with low credit risk	0	0	0	0	0
Expositions subject to standard monitoring	13 726 463	675 748	0	0	14 402 211
Exposures subject to increased monitoring (the so-called Watchlist)	0	633 967	0	0	633 967
Impaired exposures	0	0	2 609 361	2 977	2 612 338
Gross carrying amount	**13 726 463**	**1 309 715**	**2 609 361**	**2 977**	**17 648 516**
Allowance for impairment	-139 798	-148 373	-974 400	0	-1 262 571
Net carrying amount	**13 586 665**	**1 161 342**	**1 634 961**	**2 977**	**16 385 945**

Receivables from banks	Stage				31.03.2018
	Stage 1 PLN thousand	Stage 2 PLN thousand	Stage 3 PLN thousand	POCI PLN thousand	Total PLN thousand
Exposures with low credit risk	0	0	0	0	0
Expositions subject to standard monitoring	152 326	0	0	0	152 326
Exposures subject to increased monitoring (the so-called Watchlist)	0	0	0	0	0
Impaired exposures	0	0	0	0	0
Gross carrying amount	**152 326**	**0**	**0**	**0**	**152 326**
Allowance for impairment	-964	0	0	0	-964
Net carrying amount	**151 362**	**0**	**0**	**0**	**151 362**

Receivables from finance leases	Stage				31.03.2018
	Stage 1 PLN thousand	Stage 2 PLN thousand	Stage 3 PLN thousand	POCI PLN thousand	Total PLN thousand
Exposures with low credit risk	0	0	0	0	0
Expositions subject to standard monitoring	59 425	0	0	0	59 425
Exposures subject to increased monitoring (the so-called Watchlist)	0	5 128	0	0	5 128
Impaired exposures	0	0	2 249	0	2 249
Gross carrying amount	**59 425**	**5 128**	**2 249**	**0**	**66 802**
Allowance for impairment	-18	-19	-1 094	0	-1 131
Net carrying amount	**59 407**	**5 109**	**1 155**	**0**	**65 671**

Other loans and receivables	Stage 1 PLN thousand	Stage 2 PLN thousand	Stage 3 PLN thousand	POCI PLN thousand	31.03.2018 Total PLN thousand
Exposures with low credit risk	171 197	0	0	0	171 197
Expositions subject to standard monitoring	0	11 671	0	0	11 671
Exposures subject to increased monitoring (the so-called Watchlist)	0	0	0	0	0
Impaired exposures	0	0	0	0	0
Gross carrying amount	**171 197**	**11 671**	**0**	**0**	**182 868**
Allowance for impairment	-407	-158	0	0	-565
Net carrying amount	**170 790**	**11 513**	**0**	**0**	**182 303**

Impairment of credit exposures

The method of calculating the loss allowance for expected credit losses is presented in note 5.6.7.1 to these condensed consolidated financial statements.

Loss allowances on loans and advances to customers

The table presents the changes in the impairment allowances' balance in the period:

01.01.2018-31.03.2018 (unaudited) PLN thousand	Receivables from banks and financial institutions				
	Stage 1	Stage 2	Stage 3	POCI	Total
Opening balance as at 1.01.2018					**751**
Change due to the initial application of IFRS 9					**296**
Opening balance as at 31.01.2018 (adjusted)	**1 047**	**0**	**0**	**0**	**1 047**
Change in provisions recognized in the income statement:					
Increase/decrease	-60	0	0	0	**-60**
Change in net provisions recognized in the income statement	**-60**	**0**	**0**	**0**	**-60**
Other changes in provisions*	**-23**	**0**	**0**	**0**	**-23**
Balance at the end of the period - 31.03.2018	**964**	**0**	**0**	**0**	**964**

* relate to impairment allowance for interest and correction of impairment interests

01.01.2018-31.03.2018 (unaudited) PLN thousand	Amounts due from clients				
	Stage 1	Stage 2	Stage 3	POCI	Total
Opening balance as at 1.01.2018					**758 889**
Change due to the initial application of IFRS 9					**413 559**
Opening balance as at 31.01.2018 (adjusted)	**133 177**	**175 807**	**863 464**	**0**	**1 172 448**
Change in provisions recognized in the income statement:					
Increase/decrease	19 597	5 683	27 575	0	**52 855**
Transfers	-12 869	-33 006	55 570	0	**9 695**
Change in net provisions recognized in the income statement	**6 728**	**-27 323**	**83 145**	**0**	**62 550**
Other changes in provisions*	-107	-111	27 791	0	27 573
Balance at the end of the period - 31.03.2018	**139 798**	**148 373**	**974 400**	**0**	**1 262 571**

* relate to impairment allowance for interest and correction of impairment interests

01.01.2018-31.03.2018 (unaudited) PLN thousand	Finance lease receivables				
	Stage 1	Stage 2	Stage 3	POCI	Total
Opening balance as at 1.01.2018					**1 014**
Change due to the initial application of IFRS 9					**72**
Opening balance as at 31.01.2018 (adjusted)	**11**	**19**	**1 056**	**0**	**1 086**
Change in provisions recognized in the income statement:					
Increase/decrease	5	1	19	0	**25**
Transfers	2	-1	19	0	**20**
Change in net provisions recognized in the income statement	**7**	**0**	**38**	**0**	**45**
Other changes in provisions*	**0**	**0**	**0**	**0**	**0**
Balance at the end of the period - 31.03.2018	**18**	**19**	**1 094**	**0**	**1 131**

* relate to impairment allowance for interest and correction of impairment interests

01.01.2018-31.03.2018 (unaudited) PLN thousand	Other loans and receivables				
	Stage 1	Stage 2	Stage 3	POCI	Total
Opening balance as at 1.01.2018					**0**
Change due to the initial application of IFRS 9					**407**
Opening balance as at 31.01.2018 (adjusted)	**407**	**158**	**0**	**0**	**407**
Balance at the end of the period - 31.03.2018	**407**	**158**	**0**	**0**	**565**

01.01.2018-31.03.2018 (unaudited) PLN thousand	Off-balance sheet				
	Stage 1	Stage 2	Stage 3	POCI	Total
Opening balance as at 1.01.2018					**8 099**
Change due to the initial application of IFRS 9					**13 057**
Opening balance as at 31.01.2018 (adjusted)	**14 248**	**4 693**	**2 215**	**0**	**21 156**
Change in provisions recognized in the income statement:					
Increase/decrease	-1 417	-530	-1 094	0	**-3 041**
Transfers	-140	-1 354	994	0	**-500**
Change in net provisions recognized in the income statement	**-1 557**	**-1 884**	**-100**	**0**	**-3 541**
Other changes in provisions*	**38**	**0**	**0**	**0**	**38**
Balance at the end of the period - 31.03.2018	**12 729**	**2 809**	**2 115**	**0**	**17 653**

* relate to impairment allowance for interest and correction of impairment interests

8. Segement reporting

The Group's reporting by business segments was prepared in accordance with IFRS 8.11 and IFRS 8.12 based on the financial data for combined business lines and units due to the similarity of economic characteristics, products and services, process services, type or category of client, distribution model and the nature of the regulatory environment.

The Management monitors the operating results of separate segments in order to make decisions regarding the allocation of resources, assessment of the allocation and performance. The basis for performance assessment is gain or loss on operating activities. Group's operating activity is divided into four segments:

Banking services in the field of loans and advances, guarantees and sureties offered by Idea Bank S.A.

Financial intermediation covering the activities of planning and financial advisory services and distribution of investment and credit products provided by the Tax Care S.A.

Leasing includes services provided by Idea Fleet S.A. in the field of temporary transfer of leased assets by one entity to another in exchange for periodical payments.

Other includes revenues and expenses of the Group, which by their nature can not be assigned to any of the above four business segments of the Group, especially from factoring (Idea Money S.A., Property Solutions FIZAN, LC Corp Sky Tower S.A., Development System S.A., Idea Investment sarl, Idea SPV).

Revenues and costs of segment revenue and expenses derived from sales to external customers or from transactions with other segments of the Group. They can be, directly or on a reasonable basis, allocated to the segment. Segment results are presented after attributable to segment and intersegment consolidation. In distinguishing transactions between segments we applied accounting principles for preparing the financial statements of the Group companies, the amounts of eliminations of internal derived from consolidated companies and internal prices in transactions between segments do not differ significantly from market prices.

The activities of the Group companies show no regional differentiation in terms of risk and return on investment.

ended 31 March 2018 (in PLN thousand)

Consolidated income statement for the 3 months ended 31.03.2018 by business segments:

01.01.2018-31.03.2018 (unaudited)	Banking	Financial intermediation	Lease	Other	Adjustments	Total
Interest income	**235 012**	**173**	**2 246**	**3 745**	**3 816**	**244 992**
external	*235 989*	*6 286*	*2 246*	*471*	*0*	*244 992*
internal	*(977)*	*(6 113)*	*0*	*3 274*	*3 816*	*0*
Interest expenses	**(109 776)**	**(39)**	**(1 381)**	**(293)**	**4 452**	**(107 037)**
external	*(109 726)*	*(39)*	*538*	*2 190*	*0*	*(107 037)*
internal	*(50)*	*0*	*(1 919)*	*(2 483)*	*4 452*	*0*
Net interest income	**125 236**	**134**	**865**	**3 452**	**8 268**	**137 955**
external	*126 263*	*6 247*	*2 784*	*2 661*	*0*	*137 955*
internal	*(1 027)*	*(6 113)*	*(1 919)*	*791*	*8 268*	*0*
Fee and commission income	**43 159**	**20 837**	**841**	**92**	**15 588**	**80 517**
external	*43 159*	*11 654*	*841*	*21 560*	*0*	*77 214*
internal	*0*	*9 183*	*0*	*(21 468)*	*15 588*	*3 303*
Fee and commission expenses	**(25 330)**	**(4 442)**	**(33)**	**(95)**	**(832)**	**(30 732)**
external	*(23 873)*	*(4 327)*	*(33)*	*(2 378)*	*0*	*(30 611)*
internal	*(1 457)*	*(115)*	*0*	*2 283*	*(832)*	*(121)*
Net fee and commission income	**17 829**	**16 395**	**808**	**(3)**	**14 756**	**49 785**
external	*19 286*	*7 327*	*808*	*19 182*	*0*	*46 603*
internal	*(1 457)*	*9 068*	*0*	*(19 185)*	*14 756*	*3 182*
Dividend income	**0**	**0**	**0**	**0**	**0**	**0**
external	*0*	*0*	*0*	*0*	*0*	*0*
internal	*0*	*0*	*0*	*0*	*0*	*0*
Result on financial instruments at fair value	**19 216**	**0**	**0**	**(45)**	**45**	**19 216**
external	*19 216*	*0*	*0*	*0*	*0*	*19 216*
internal	*0*	*0*	*0*	*(45)*	*45*	*0*
FX gains (losses)	**2 838**	**0**	**0**	**(194)**	**(37)**	**2 607**
external	*2 838*	*0*	*0*	*(231)*	*(231)*	*0*
internal	*0*	*0*	*0*	*37*	*37*	*(37)*
Other operating income	**1 066**	**103**	**246**	**1 130**	**(1 461)**	**1 084**
external	*1 060*	*103*	*246*	*(325)*	*0*	*1 084*
internal	*6*	*0*	*0*	*1 455*	*(1 461)*	*0*
Other operating expenses	**(5 519)**	**(1 199)**	**(112)**	**(724)**	**(1 520)**	**(9 074)**
external	*(5 519)*	*(1 199)*	*(112)*	*(2 244)*	*0*	*(9 074)*
internal	*0*	*0*	*0*	*1 520*	*(1 520)*	*0*
Net other operating income	**17 601**	**(1 096)**	**134**	**167**	**(2 973)**	**13 833**
external	*17 595*	*(1 096)*	*134*	*(2 800)*	*0*	*13 833*
internal	*6*	*0*	*0*	*2 967*	*(2 973)*	*0*
Result on impairment of loans and advances	**(51 729)**	**0**	**(45)**	***0***	***(7 216)***	***(58 990)***
external	*(52 437)*	*0*	*(45)*	*(6 508)*	*0*	*(58 990)*
internal	*708*	*0*	*0*	*6 508*	*(7 216)*	*0*
General administrative costs	**(100 572)**	**(16 309)**	**(1 354)**	**(3 049)**	**(9 015)**	**(130 299)**
external	*(100 572)*	*(16 309)*	*(1 354)*	*(12 064)*	*0*	*(130 299)*
internal	*0*	*0*	*0*	*9 015*	*(9 015)*	*0*
Result from operating activities	**8 365**	**(876)**	**408**	**567**	**3 820**	**12 284**
external	*10 135*	*(3 831)*	*2 327*	*471*	*0*	*12 284*
internal	*(1 770)*	*2 955*	*(1 919)*	*96*	*3 820*	*0*
Share in profits (losses) of associates	**0**	**0**	**0**	**0**	**11 671**	**11 671**
external	*0*	*0*	*13 037*	*(1 366)*	*0*	*11 671*
internal	*0*	*0*	*(13 037)*	*1 366*	*11 671*	*0*
Profit (loss) before income tax	**8 365**	**(876)**	**408**	**567**	**15 491**	**23 955**
external	*10 135*	*(3 831)*	*15 364*	*(895)*	*0*	*23 955*
internal	*(1 770)*	*2 955*	*(14 956)*	*1 462*	*15 491*	*0*
Income tax	**(7 640)**	**91**	**(149)**	**0**	**(1 661)**	**(9 359)**
external	*(7 640)*	*(1 287)*	*(386)*	*(46)*	*0*	*(9 359)*
internal	*0*	*1 378*	*237*	*46*	*(1 661)*	*0*
Net profit (loss)	**725**	**(785)**	**259**	**567**	**13 830**	**14 596**
external	*2 495*	*(5 118)*	*14 977*	*(941)*	*0*	*14 596*
internal	*(1 770)*	*4 333*	*(14 718)*	*1 508*	*13 830*	*0*

ended 31 March 2018 (in PLN thousand)

Consolidated income statement for the 3 months ended 31.03.2017 by business segments:

01.01.2017-31.03.2017 (unaudited)	Banking	Financial intermediation	Lease	Other	Adjustments	Total
Interest income	**235 699**	**305**	**58 931**	**62 336**	**-78 307**	**278 964**
external	*199 987*	*4 857*	*58 931*	*15 189*	*0*	*278 964*
internal	*35 712*	*-4 552*	*0*	*47 147*	*-78 307*	*0*
Interest expenses	**-93 969**	**-26**	**-47 204**	**-58 793**	**106 181**	**-93 811**
external	*-92 182*	*-26*	*-1 312*	*-291*	*0*	*-93 811*
internal	*-1 787*	*0*	*-45 892*	*-58 502*	*106 181*	*0*
Net interest income	**141 730**	**279**	**11 727**	**3 543**	**27 874**	**185 153**
external	*107 805*	*4 831*	*57 619*	*14 898*	*0*	*185 153*
internal	*33 925*	*-4 552*	*-45 892*	*-11 355*	*27 874*	*0*
Fee and commission income	**83 248**	**39 013**	**17 741**	**25 116**	**-29 963**	**135 155**
external	*83 248*	*9 404*	*17 387*	*25 116*	*0*	*135 155*
internal	*0*	*29 609*	*354*	*0*	*-29 963*	*0*
Fee and commission expenses	**-26 123**	**-10 927**	**-49**	**-3 193**	**8 807**	**-31 485**
external	*-17 407*	*-10 836*	*-49*	*-3 193*	*0*	*-31 485*
internal	*-8 716*	*-91*	*0*	*0*	*8 807*	*0*
Net fee and commission income	**57 125**	**28 086**	**17 692**	**21 923**	**-21 156**	**103 670**
external	*65 841*	*-1 445*	*17 338*	*21 923*	*0*	*103 657*
internal	*-8 716*	*29 518*	*354*	*0*	*-21 156*	*0*
Dividend income	**0**	**0**	**0**	**1 073**	**0**	**1 073**
external	*0*	*0*	*0*	*1 073*	*0*	*1 073*
internal	*0*	*0*	*0*	*0*	*0*	*0*
Result on financial instruments at fair value	**-11 052**	**0**	**0**	**0**	**0**	**-11 052**
external	*-11 052*	*0*	*0*	*0*	*0*	*-11 052*
internal	*0*	*0*	*0*	*0*	*0*	*0*
Result on financial instruments	**0**	**0**	**0**	**0**	**0**	**0**
external	*0*	*0*	*0*	*0*	*0*	*0*
internal	*0*	*0*	*0*	*0*	*0*	*0*
FX gains (losses)	**2 308**	**0**	**117**	**-588**	**0**	**1 837**
external	*2 308*	*0*	*117*	*-588*	*0*	*1 837*
internal	*0*	*0*	*0*	*0*	*0*	*0*
Other operating income	**392**	**123**	**3 026**	**656**	**-2 099**	**2 098**
external	*383*	*123*	*3 023*	*-1 431*	*0*	*2 098*
internal	*9*	*0*	*3*	*2 087*	*-2 099*	*0*
Other operating expenses	**-2 749**	**-3 054**	**-2 101**	**-1 796**	**1**	**-9 699**
external	*-2 749*	*-3 054*	*-2 101*	*-1 795*	*0*	*-9 699*
internal	*0*	*0*	*0*	*-1*	*1*	*0*
Net other operating income	**-11 101**	**-2 931**	**1 042**	**-655**	**-2 098**	**-15 743**
external	-11 110	-2 918	1 039	-2 741	0	-15 730
internal	*9*	*0*	*3*	*2 086*	*-2 098*	*0*
Result on impairment of loans and advances	**-49 934**	**0**	**-7 439**	**-4 442**	**0**	**-61 815**
external	*-49 934*	*0*	*-7 439*	*-4 442*	*0*	*-61 815*
internal	*0*	*0*	*0*	*0*	*0*	*0*
General administrative costs	**-101 513**	**-21 055**	**-17 262**	**-15 390**	**2 514**	**-152 706**
external	*-101 513*	*-21 055*	*-17 262*	*-12 876*	*0*	*-152 706*
internal	*0*	*0*	*0*	*-2 514*	*2 514*	*0*
Result from operating activities	**36 307**	**4 379**	**5 760**	**4 979**	**7 134**	**58 559**
external	*11 089*	*-20 587*	*51 295*	*16 762*	*0*	*58 559*
internal	*25 218*	*24 966*	*-45 535*	*-11 783*	*7 134*	*0*
Share in profits (losses) of associates	**0**	**0**	**5 300**	**0**	**3 378**	**8 678**
external	*0*	*0*	*5 300*	*3 378*	*0*	*8 678*
internal	*0*	*0*	*0*	*-3 378*	*3 378*	*0*
Profit (loss) before income tax	**36 307**	**4 379**	**11 060**	**4 979**	**10 512**	**67 237**
external	*11 089*	*-20 587*	*56 595*	*20 140*	*0*	*67 237*
internal	*25 218*	*24 966*	*-45 535*	*-15 161*	*10 512*	*0*
Income tax	**-13 005**	**-983**	**-1 050**	**-1 606**	**561**	**-16 083**
external	*-13 005*	*-217*	*-1 219*	*-1 643*	*0*	*-16 083*
internal	*0*	*-766*	*169*	*37*	*561*	*0*
Net profit (loss)	**23 302**	**3 396**	**10 010**	**3 373**	**11 073**	**51 154**
external	*-1 916*	*-20 804*	*55 377*	*18 497*	*0*	*51 154*
internal	*25 218*	*24 200*	*-45 367*	*-15 124*	*11 073*	*0*

Data from the statement of financial position by business segments as at 31.03.2018 and 31.12.2017:

Assets by segment	31.03.2018 (unaudited)	31.12.2017
Banking	24 263 888	24 325 096
Financial intermediation	130 155	133 394
Lease	157 141	141 164
Other	3 284 484	3 342 675
Adjustments	-4 031 014	-3 988 665
Total	**23 804 654**	**23 953 664**

9. Interest income and expenses

Interest income	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Income from deposits and receivables from other banks	1 050	849
Income from other deposits on money market	1 923	117
Income from loans and advances to clients	135 134	183 981
Income from financial assets, including:	25 421	25 576
- measured at fair value through other comprehensive income	13 380	14 100
Interest on finance lease	80 342	51 609
Interest on mandatory reserve	922	2 104
Other interest	200	14 728
Total	**244 992**	**278 964**

Interest expenses	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Cost of other banks' deposits	607	197
Costs of amounts due to clients	98 678	84 139
Cost of debt securities in issue	7 181	6 239
Interest on finance lease	31	17
Interest on loans	285	1 874
interest on debt purchase agreements	108	0
Other interest	147	1 345
Total	**107 037**	**93 811**

10. Fee and commission income

Fee and commission income	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Loans and advances granted	21 328	20 271
Intermediation in the sale of insurance and investment products	10 383	63 835
Finance lease	62	6 576
Accounting services	10 303	9 740
Factoring services	21 459	23 146
Current accounts and credit cards services	11 022	6 955
Other	5 960	4 632
Total	**80 517**	**135 155**

Fee and commission expenses	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Debit and credit cards	4 080	3 150
Loans and advances	12	224
Comissions paid to agents	18 759	21 398
Accounting services	1 817	2 622
Factoring services	1 638	2 098
Other	4 426	1 993
Total	**30 732**	**31 485**

11. Other operating income and expenses

Other operating income	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Rental income	10	183
Penalties, compensation and fines received	0	277
Revenues from sale of products and services	662	566
Profit from the sale of non-financial fixed assets	278	114
Income from lease	90	926
Other	44	32
Total	**1 084**	**2 098**

Other operating expenses	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Rental costs	4	3
Penalties, compensation and fines paid	249	507
Costs of sale of products and services	106	113
Debt collection and monitoring	3 289	2 203
Impairment losses for bad debts	1 069	2 851
Loss on sale of non financial fixed assets	2 013	45
Provisions for liabilities	0	969
Cost of administrative proceedings	1 480	886
Costs for accounting services	9	-10
Other	855	2 132
Total	**9 074**	**9 699**

12. General administrative costs

General administrative costs	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Employee benefits	50 331	62 327
Materials and energy consumption	2 304	3 280
External services, including:	31 104	40 517
- marketing, entertainment and advertising	3 981	7 589
- IT services	4 879	4 652
- rent	14 596	16 201
- security and cash processing	1 433	1 190
- service, maintenance and repairs	778	762
- telecommunication and mail services	2 213	2 646
- legal services	333	403
- consulting services	976	3 556
- insurance	460	525
- other external services	1 455	2 993
Other material costs	387	804
Taxes and charges	2 546	3 400
Tax on assets	15 942	15 226
Contribution and contributions to the Bank Guarantee Fund and the Polish Financial Supervision Authority*	15 893	15 404
Depreciation and amortization	10 440	11 105
Other	1 352	643
Total	**130 299**	**152 706**

* The amount includes PLN 6.6 million provision for BGF fee costs for the Compulsory Restructuring Fund in accordance with IFRIC 21 "Levies".

13. Impairment losses and provisisons for off-balance sheet items

01.01.2018-31.03.2018 (unaudited) PLN thousand	Loans and advances to clients											
	investment	operational	car	purchased debt	lease loans	factoring	Total	Receivables from banks and financial	Finance lease receivables	Other loans and receivables	Off-balance sheet liabilities	Total
Opening balance as at 01.01.2018	**166 701**	**532 058**	**25 545**	**3 811**	**0**	**30 774**	**758 889**	**751**	**1 014**	**0**	**8 099**	**768 753**
Changes resulting from the implementation of IFRS 9	170 349	213 279	13 364	58	0	16 509	413 559	296	72	407	13 057	427 391
Opening balance as at 01.01.2018 (adjusted)	**337 050**	**745 337**	**38 909**	**3 869**	**0**	**47 283**	**1 172 448**	**1 047**	**1 086**	**407**	**21 156**	**1 196 144**
Increase	37 314	131 886	3 167	841	0	6 508	179 716	0	45	0	5 978	185 739
Decrease	-29 812	-82 522	-3 378	-1 447	0	0	-117 159	-71	0	0	-9 519	-126 749
Result on impairment losses on loans, advances and lease receivables	**7 502**	**49 364**	**-211**	**-606**	**0**	**6 508**	**62 557**	**-71**	**45**	**0**	**-3 541**	**58 990**
Allowances for imairment	0	0	0	0	0	0	0	0	0	0	0	0
Other increases*	11 809	20 609	902	553	0	0	33 873	0	0	0	38	33 911
Other decreases*	-3 003	-3 161	-142	0	0	-1	-6 307	-12	0	0	0	-6 319
Balance at the end of the period - 31.03.2018	**353 358**	**812 149**	**39 458**	**3 816**	**0**	**53 790**	**1 262 571**	**964**	**1 131**	**407**	**17 653**	**1 282 726**

* "Other increases" and "Other decreases" mainly include changes in impairment allowances for impairment interest

01.01.2017-31.03.2017 (unaudited) PLN thousand	Loans and advances to clients										
	investment	operational	car	purchased debt	lease loans	factoring	Total	Receivables from banks and financial	Finance lease receivables	Off-balance sheet liabilities	Total
Opening balance as at 31.01.2017	**103 421**	**355 958**	**25 975**	**5 945**	**21 635**	**19 154**	**532 088**	**729**	**170 608**	**2 988**	**706 413**
Increase	37 953	128 230	9 171	7 907	419	4 442	188 122	167	7 020	1 068	**196 377**
Decrease	-25 122	-97 023	-6 049	-6 270	0	0	-134 464	-63	0	-35	**-134 562**
Valuation of purchased debts	0	0	0	0	0	0	0	0	0	0	**0**
Result on impairment losses on loans, advances and lease receivables	**12 831**	**31 207**	**3 122**	**1 637**	**419**	**4 442**	**53 658**	**104**	**7 020**	**1 033**	**61 815**
Allowances for imairment	**0**	**0**	**0**	**0**	0	0	0	0	0	0	**0**
Other increases	0	0	0	0	0	0	0	0	0	0	**0**
Other decreases	-127	0	0	0	0	-3 735	-3 862	0	0	0	**-3 862**
Balance at the end of the period - 31.03.2017	**116 125**	**387 165**	**29 097**	**7 582**	**22 054**	**19 861**	**581 884**	**833**	**177 628**	**4 021**	**764 366**

14. Income tax

Reconciliation of income tax on pre-tax profit at the statutory tax rate, with income tax calculated at the effective tax rate for the period ended 31 March 2018 and 31 March 2017:

Components of income tax expense	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Profit (loss) gross	23 955	67 237
Current income tax	3 643	8 530
Current tax charge	3 500	9 550
Adjustments for current tax from previous years	143	-1 020
Deferred income trax	5 716	7 553
Related to arising and reversal of temporary differences	5 716	7 553
Tax charge recognized in consolidated income statement	**9 359**	**16 083**
Consolidated equity		
Deferred income tax	-110	3 094
Related to arising and reversal of temporary differences, including:	-110	3 094
- revaluation of financial instruments at fair value through other comprehensive income	-110	2 082
Tax charge recognized in the consolidated equity	**-110**	**3 094**
Total tax charge in income statement and equity	**9 249**	**19 177**

	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Pre-tax profit (loss) from continued operations	**23 955**	**67 237**
- for 19% tax rate	23 298	43 384
- for 29% tax rate*	1 525	15 743
- tax free	-868	8 110
Tax at 19% rate	4 427	8 243
Tax at 29% rate	442	4 565
Non-taxable income	-2 468	-1 305
Non-deductible costs	8 255	8 072
Unrecognized tax losses	-1 470	-3 886
Adjustments to current income tax from previous years	0	-234
Other items affecting tax charge	108	629
Total tax charge in the consolidated income statement relating to continued operations	**9 294**	**16 084**
Effective tax rate (continued and discontinued operations)	**38,80%**	**23,92%**

*tax rate paid by Idea Investment Sarl (Luxembourg).

The effective tax regulations are subcject to frequent changes causing significant differences in their interpretation as well as significant doubts in their application. Tax authority have many control instruments which enable them the verification of tax basis (in most cases within a period of previous 5 fiscal year) as well as imposing penalties and fines. From 15 June 2016 the Tax Ordinance also takes into account the provisions of General Anti-Avoidace Rule (GAAR), which is intended to prevent the creation and use of artificial legal structures created to avoid taxation. The GAAR clause should be applied to both transactions after its entry into force and transactions that were carried out prior to the entry into force of the GAAR clouse, but for which benefits have been or are still being achieved after the date of entry into force of the clouse. As a consequence, the determination of tax liabilities may require significant judgement, including transactions that have alreasy occurred, and the amounts of tax charges presented and disclosed in the finanscial statement may change in the future as a result of the inspection of tax authorities.

Idea Bank S.A. together with its subsidiaries made an arrangement signed on 29 September 2016 regarding the rules of settlements of corporate income tax as a part of Tax Capital Group, which was to be in force from 1 January 2016 to 31 December 2019. According to the fact that the Tax Capital

Group ceased to meet the critieria set out in the Corporate Income Tax Act, in March 2018 it lost its taxpayer status.

Due to the above, as at 31 March 2018 the Bank and its subsidiaries are obliged to independently calculate, collect and deposit into the appropriate Tax Office's account the advance tax payment as well as annual corporate income tax.

15. Loans and advances to customers

Loans and advances to customers	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand
Loans and advances	9 166 200	8 497 995
Factoring receivables	461 627	430 676
Purchased debt	7 821 863	7 919 620
Debit card receivables	198 826	189 588
Financial assets at fair value through profit or loss	375	460
Total	**17 648 891**	**17 038 339**
Impairment losses on receivables (-)	-1 262 571	-758 889
Total net amount	**16 386 320**	**16 279 450**

As at 31 March 2018 (unaudited)	Gross Value Stage 1 PLN thousand	Gross Value Stage 2 PLN thousand	Gross Value Stage 3 PLN thousand	POCI PLN thousand	Impairment provisions for loans and advances in Stage 1 PLN thousand	Impairment provisions for loans and advances in Stage 2 PLN thousand	Impairment provisions for loans and advances in Stage 3 PLN thousand	Total net value PLN thousand
- investment loans	2 670 917	369 495	1 052 832	661	-37 737	-41 054	-274 567	3 740 547
- operating loans	3 144 248	498 587	1 409 826	2 316	-94 188	-97 588	-620 373	4 242 828
- car loans	138 147	18 794	59 897	0	-1 834	-2 660	-34 964	177 380
- factoring receivables	47 995	329 911	83 721	0	-3 391	-6 722	-43 677	407 837
- purchased debt	7 725 156	92 928	3 085	0	-2 648	-349	-819	7 817 353
Total	**13 726 463**	**1 309 715**	**2 609 361**	**2 977**	**-139 798**	**-148 373**	**-974 400**	**16 385 945**

As at 31 December 2017	Gross value of non-impaired loans PLN thousand	Gross value of impaired loans PLN thousand	Impairment provisions for non-impaired loans and advances (IBNR) PLN thousand	Impairment provisions for impaired loans and advances PLN thousand	Total net value PLN thousand	Total gross value of loans PLN thousand	Individual provision for impairment losses PLN thousand	Collective provision for impairment losses PLN thousand	Total net value PLN thousand
- investment loans	3 676 365	445 697	-30 494	-136 207	3 955 361	4 122 062	-33 039	-133 662	3 955 361
- operating loans	3 615 647	1 154 870	-81 786	-450 272	4 238 459	4 770 517	-46 998	-485 060	4 238 459
- car loans	180 788	44 892	-3 415	-22 130	200 135	225 680	-3 535	-22 010	200 135
- factoring receivables	399 902	30 774	-26 891	-3 883	399 902	430 676	0	-30 774	399 902
- lease receivables	0	0	0	0	0	0	0	0	0
- financial assets at fair value through profit or loss	460	0	0	0	460	460	0	0	460
- purchased debt	7 484 346	4 598	-2 960	-851	7 485 133	7 488 944	-87	-3 724	7 485 133
Total	**15 357 508**	**1 680 831**	**-145 546**	**-613 343**	**16 279 450**	**17 038 339**	**-83 659**	**-675 230**	**16 279 450**

16. Finance lease receivables

Finance lease receivables as at 31 March 2018 (unaudited) PLN thousand	Gross lease investment	Present value of minimum lease payments
Up to 1 year	19 323	15 875
From 1 year to 5 years	54 783	50 927
Above 5 years	-	-
Total	**74 106**	**66 802**
Unrealized finance income (-)	(7 304)	-
Present value of minimum lease payments	**66 802**	**66 802**
Impairment losses on receivables (-)	(1 131)	-
Carrying amount	**65 671**	-
including unguaranteed residual value to the lessor	-	-

Finance lease receivables as at 31 March 2017 (unaudited) PLN thousand	Gross lease investment	Present value of minimum lease payments
Up to 1 year	21 625	17 968
From 1 year to 5 years	42 782	40 535
Above 5 years	-	-
Total	**64 407**	**58 503**
Unrealized finance income (-)	(5 904)	-
Present value of minimum lease payments	**58 503**	**58 503**
Impairment losses on receivables (-)	(1 014)	-
Carrying amount	**57 489**	-
including unguaranteed residual value to the lessor	-	-

17. Amounts due to clients

Amounts due to clients	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand
Liabilities due to corporates	**2 231 437**	**2 112 617**
Current accounts and overnight deposits	1 365 197	1 278 133
Term deposits	866 223	834 467
Other	17	17
Liabilities due to government and local authorities	**6 443**	**8 932**
Current accounts and overnight deposits	2 036	1 850
Term deposits	4 407	7 082
Liabilities due to individuals	**15 748 403**	**15 386 566**
Current accounts and overnight deposits	1 514 501	1 658 431
Term deposits	14 233 902	13 728 135
Total liabilities due to clients	**17 986 283**	**17 508 115**

Structure of liabilities to customers by maturity	31.03.2018 (unaudited) PLN thousand	31.12.2017 PLN thousand
Current accounts and overnight deposits	2 881 734	2 938 414
Liabilities with maturity period:	15 104 532	14 569 684
up to 1 month	2 965 385	6 329 192
from 1 month to 3 months	6 054 063	4 630 196
from 3 month to 6 months	3 667 559	1 334 750
from 6 month to 1 year	1 638 898	1 022 097
From 1 year to 5 years	708 664	1 187 774
Above 5 years	69 963	65 675
Other	17	17
Total	**17 986 283**	**17 508 115**

18. Issues and redemptions of debt securities

In the reporting period, there were no issues and redemptions of debt securities in the Group.

19. Contingent liabilities

Investment liabilities

In the current and comparative periods, the Group did not enter into any material agreements with contractors for the execution of planned capital expenditure on property, plant and equipment as well as intangible assets.

Contingent liabilities and off-balance sheet items

Contingent liabilities granted and off-balance sheet items	31.03.2018 (unaudited) PLN	31.12.2017 PLN thousand
1. Contingent liabilities granted	**644 371**	**719 281**
a) financial	641 494	715 614
a) guarantees	2 877	3 667
2. Contingent liabilities received	**3 049**	**3 042**
a) financial	0	0
a) guarantees	3 049	3 042
3. Liabilities related to purchase/sale	**0**	**0**
4. Other off-balance sheet items	**1 035 689**	**1 041 317**
Total contingent liabilities and off-balance sheet items	**1 683 109**	**1 763 640**

ended 31 March 2018 (in PLN thousand)

20. Other comprehensive income

Other comprehensive income	01.01.2018-31.03.2018 (unaudited) PLN	01.01.2017-31.03.2017 (unaudited) PLN
Exchange differences on foreign operations	-	-
Financial assets measured at fair value through other comprehensive income, including:	-	8 875
- Profit (loss) for the period	-	8 875
- Reclassification adjustments profits (losses) recognized in profit or loss	-	-
Effect of cash flow hedge accounting	(1 773)	4 314
Gains and losses on investments in debt instruments measured at fair value through other comprehensive income	1 499	-
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income	996	-
Change in fair value resulting from the change in the credit risk of a financial liability designated at fair value through the profit and loss account	(1 125)	-
Total other comprehensive income	**(403)**	**13 189**

Income tax on other comprehensive income	01.01.2018-31.03.2018 (unaudited) PLN	01.01.2017-31.03.2017 (unaudited) PLN
Exchange differences on foreign operations	-	-
- Result before tax	-	-
- Income tax	-	-
Financial assets measured at fair value through other comprehensive income, including:	-	8 875
- Result before tax	-	10 957
- Income tax	-	(2 082)
Effect of cash flow hedge accounting	(1 773)	4 314
- Result before tax	(2 204)	5 326
- Income tax	431	(1 012)
Gains and losses on investments in debt instruments measured at fair value through other comprehensive income	2 495	-
- Result before tax	3 081	-
- Income tax	(586)	-
Change in fair value resulting from the change in the credit risk of a	(1 125)	-
- Result before tax	(1 390)	-
- Income tax	265	-
Income tax relating to components of other comprehensive income in total	**110**	**(3 094)**

21. Dividend paid and proposed for payment

In the current as well as comparative period, the Group's parent company has not paid nor proposed any dividend for payment.

22. Seasonal or cyclical nature of business

In the Group's operations there are no significant seasonal fluctuations or cyclical fluctuations. Group's results are not subject to material fluctuations throughout the year.

23. Events which occurred subsequently to the end of the interim period

On 24 April 2018 the Ordinary General Meeting of Shareholders of the Bank took place during which the resolution on the distribution of profit for the financial year of 2017 was approved. The entire profit generated in the period from 1 January 2017 to 31 December 2017 was allocated to the Bank's supplementary capital.

In April 2018 there were media reports regarding liquidity situation of GetBack SA (“GetBack”) - an entity that by 15 June 2016 (ie. until the date of fulfillment of the conditions of the Conditional Share Purchase Agreement), it was an Idea Bank S.A. Group subsidiary. On 26 April 2018 GetBack published a current report informing about a non-repayment of the bonds and interest due, and then on 2 May 2018 it announced that it had filed an application for the opening of expedited settlement proceedings (“Application”). According to the Application published by the competent District Court, GetBack proposed restructuring the debt which indludes i.a. bonds issued by GetBack S.A., the acquisition of which the Bank enabled to its clients through the intermediary of a brokage house. On 9 May, the District Court issued a decision on instituting the restructuring proceedings in an accelerated mode. As at 31 March 2018 the receivables of Idea Bank Capital Group from GetBack SA amounted to PLN 14.3 million, including bonds worth PLN 8.3 million recognized in the statement of financial position as Financial Instruments, as well as trade receivables amounting to PLN 6 million presented as Other Assets. What is more, Getback S.A. is the owner of investment certificates od funds, whose portfolios include PLN 73.2 million of debts sold by Idea Bank in 2016. The receivables for the sold debts are included in Other Assets line item.

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Management Board President

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Małgorzata Szturmowicz
Management Board Member

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Dariusz Makosz
Management Board Member

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Aneta Skrodzka-Książek
Management Board Member

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Jaromir Frankowicz
Management Board Member

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Magdalena Skwarzec
Management Board Member

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Tomasz Górski
Management Board Member

Warsaw, 14 May 2018

III. INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

1. INTERIM STANDALONE INCOME STATEMENT

	01.01.2018-31.03.2018 (Unaudited) PLN thousand	01.01.2017-31.03.2017 (Unaudited) PLN thousand
Continued operations		
I. Interest income	235 012	235 699
II. Interest expenses	-109 727	-93 969
III. Net interest income	**125 285**	**141 730**
IV. Fee and commission income	43 159	83 248
V. Fee and commission expenses	-25 330	-26 123
VI. Net fee and commission income	**17 829**	**57 125**
VII. Dividend income	0	0
VIII. Result on financial assets at fair value	19 216	-11 052
IX. Foreign exchange result	2 838	2 308
X. Other operating income	1 066	392
XI. Other operating expenses	-5 515	-2 749
XII. Net other operating income and expenses	**17 605**	**-11 101**
XIII. Impairment losses	-51 729	-49 934
XIV. General administrative costs	-100 572	-101 513
XV. Result from operating activity	**8 418**	**36 307**
XVI. Profit (loss) before income tax	**8 418**	**36 307**
XVII. Income tax	-7 640	-13 005
XVIII. Net profit (loss)	**778**	**23 302**
1. Attributable to shareholders of parent company	778	23 302
2. Attributable to non-controlling shareholders	0	0
Weighted average number of ordinary shares	78 401 981	78 401 981
Basic earnings per share (PLN per share)	0,01	0,30
Diluted earnings per share (PLN per share)	0,01	0,30

In the 3-month periods of 2018 and 2017 there were no discontinued operations.

2. INTERIM STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Profit (loss) for the period	**778**	**23 302**
Valuation of available-for sale financial assets	-	10 957
Gains and losses on investments in debt instruments measured at fair value through other comprevensive income	1 851	-
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income	1 230	-
Change in fair value resulting from the change in the credit risk of a financial liability measured at fair value through the profit and loss	(1 390)	-
Effect of cash flow hedge accounting	(2 204)	5 326
Income tax on other comprehensive income	110	(3 094)
Other comprehensive net income	**(403)**	**13 189**
Total comprehensive income for the period	**375**	**36 491**
Attributable to shareholders of the company	375	36 491
Attributable to non-controlling interests	-	-

Components of other comprehensive income, i.e. foreign exchange differences on translation of foreign operations, gains and losses on investments in debt instruments measured at fair value through other comprehensive income and the effect of cash flow hedge accounting may be transferred to the income statement in the future.

3. INTERIM STANDALONE STATEMENT OF FINANCIAL POSITION

	31.03.2018 (Unaudited) PLN thousand	31.12.2017 PLN thousand
ASSETS		
Cash and balances with Central Bank	221 818	138 061
Receivables from banks and financial institutions	103 203	136 395
Amounts due from clients	16 371 504	16 233 800
Investments in subsidiaries	293 727	293 727
Investments in associates	12 159	12 159
Other loans and receivables	594 822	595 966
Financial instruments	4 083 080	4 250 380
- Available for sale	-	4 250 380
- Valued at fair value through other comprehensive income	4 083 080	-
Derivative hedging instruments	42 186	63 594
Derivative financial instrument at fair value through profit or loss	49 225	77 961
Intangible assets	187 664	204 865
Tangible fixed assets	65 101	70 579
Fixed assets held for sale	1 461	1 487
Income tax assets	173 092	136 922
- Current tax assets	1 220	1 220
- Deferred tax assets	171 872	135 702
Other assets	2 064 846	2 109 200
TOTAL ASSETS	**24 263 888**	**24 325 096**
LIABILITIES AND EQUITY		
Liabilities		
Amounts due to other banks and financial institutions	766 722	760 748
Derivative hedging instruments	3 182	0
Derivative financial instrument at fair value through profit or loss	5 388	5 375
Debt securities in issue	511 662	512 297
Financial liabilities measured at fair value through profit or loss	1 772 339	1 989 613
Amounts due to clients	18 848 803	18 385 315
Other liabilities	186 400	338 933
Income tax liability	0	0
Provisions	19 053	9 499
TOTAL LIABILITIES	**22 113 549**	**22 001 780**
Share capital	156 804	156 804
Retained earnings	160 680	0
Net profit (loss)	778	334 032
Other capital	1 832 077	1 832 480
Total equity	**2 150 339**	**2 323 316**
TOTAL LIABILITIES AND EQUITY	**24 263 888**	**24 325 096**

4. INTERIM STANDALONE STATEMENT OF CHANGES IN EQUITY

for 3-month period ended 31 March 2018:

(unaudited)	Attributable to shareholders of parent company								
			Other capital						
	Share capital	Retained earnings	Supplementary capital	Revaluation reserve	Other reserves	Net profit (loss)	Total	Non-controlling interest	Total equity
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 1.01.2018	**156 804**	**-**	**1 744 859**	**16 911**	**70 710**	**334 032**	**2 323 316**	**-**	**2 323 316**
Changes resulting from the implementation of IFRS 9	-	- 173 352		-	-	-	- 173 352	-	- 173 352
As at 1.01.2018 (adjusted)	**156 804**	**- 173 352**	**1 744 859**	**16 911**	**70 710**	**334 032**	**2 149 964**	**-**	**2 149 964**
Gains and losses on investments in debt instruments measured at fair value through other comprevensive income	0	0	1 499	0	0	0	1 499	0	1 499
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income	0	0	996	0	0	0	996	0	996
Change in fair value resulting from the change in the credit risk of a financial liability measured at fair value through the profit and loss	0	0	-1 125	0	0	0	-1 125	0	-1 125
Hedge accounting	0	0	-1 773	0	0	0	-1 773	0	-1 773
Other comprehensive income	**0**	**0**	**-403**	**0**	**0**	**0**	**-403**	**0**	**-403**
Net profit (loss)	0	0	0	0	0	778	778	0	778
Comprehensive income for the period	**0**	**0**	**-403**	**0**	**0**	**778**	**375**	**0**	**375**
Issue of shares	0	0	0	0	0	0	0	0	0
Distribution of net profit (loss)	0	334 032	0	0	0	-334 032	0	0	0
As at 31.03.2018	**156 804**	**160 680**	**1 744 456**	**16 911**	**70 710**	**778**	**2 150 339**	**0**	**2 150 339**

for 3-month period ended 31 March 2017:

(unaudited)	Attributable to shareholders of parent company								
			Other capital						
	Share capital	Retained earnings	Supplementary capital	Revaluation reserve	Other reserves	Net profit (loss)	Total	Non-controlling interest	Total equity
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 1.01.2018	**156 804**	**0**	**1 566 983**	**- 33 928**	**70 710**	**177 244**	**1 937 813**	**-**	**1 937 813**
Valuation of available-for-sale financial assets, net of deferred tax	0	0	0	8 875	0	0	8 875	0	8 875
Hedge accounting	0	0	0	4 314	0	0	4 314	0	4 314
Other comprehensive income	**0**	**0**	**0**	**13 189**	**0**	**0**	**13 189**	**0**	**13 189**
Net profit (loss)	0	0	0	0	0	23 302	23 302	0	23 302
Comprehensive income for the period	**0**	**0**	**0**	**13 189**	**0**	**23 302**	**36 491**	**0**	**36 491**
Transfer profit of previous period to undistributed profit	0	177 244	0	0	0	-177 244	0	0	0
Split of result	0	-177 244	177 244	0	0	0	0	0	0
Sale of Tax Care S.A.	0	0	187 001	0	0	0	187 001	0	187 001
As at 31.03.2018	**156 804**	**0**	**1 931 228**	**-20 739**	**70 710**	**23 302**	**2 161 305**	**0**	**2 161 305**

5. INTERIM STANDALON STATEMENT OF CASH FLOW

	01.01.2018-31.03.2018 (unaudited) PLN thousand	01.01.2017-31.03.2017 (unaudited) PLN thousand
Cash flows from operating activities		
Net profit (loss)	778	23 302
Total adjustments:	3 231	455 523
Depreciation and amortization	8 148	7 251
Foreign exchange (gain) loss	-2 838	-2 308
Interest and dividend	-20 673	-19 224
Changes in receivables from banks and financial institutions	-1 902	35 504
Changes in derivative financial instruments (assets)	46 550	-69 284
Changes in loans and credits to customers	-336 430	-269 284
Changes in other loans and receivables	737	2 440
Changes in available for sale financial assets	168 915	111 657
Changes in deferred tax assets	4 540	10 446
Changes in other assets	44 354	-248 847
Changes in amounts due to banks and financial institutions	5 974	38 298
Changes in derivative financial instruments (libilitiy) and financial liabilities at fair value through profit or loss	-214 079	12 477
Changes in amount due to clients	463 488	928 446
Changes in debt securities in issue	-635	-1 303
Changes in deferred tax liabilities and other provisions	-3 503	1 034
Changes in other liabilities	-152 533	-66 622
Other adjustments	-6 882	0
Income tax paid	-3 100	-23 109
Current income tax recognized in the income statement	3 100	7 951
Net cash flows from operating activities	**4 009**	**478 825**
Cash flows from investment activities		
Inflows from investment activities	**54 644**	**27 041**
Disposal of investment securities	26 028	0
Interest received	28 317	26 842
Disposal of intangible assets and property, plant and equipment	299	199
Investment activity outflows	**-1 262**	**-12 897**
Acquisition of intangible assets and property, plant and equipment	-1 262	-12 897
Net cash flows from/used in investment activities	**53 382**	**14 144**
Cash flows from financial activities		
Interest paid	-7 644	-7 618
Net cash flows from/used in financial activities	**-7 644**	**-7 618**
Net increase (decrease) in cash and cash equivalents	49 747	485 351
Opening balance of cash and cash equivalents	237 828	142 095
Closing balance of cash and cash equivalents	**287 575**	**627 446**
Restricted cash and cash equivalents	**0**	**0**

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Warsaw, 14 May 2018