

### 35. Assets and liabilities for deferred income tax

Assets and liabilities for deferred income tax are calculated for all temporary differences in accordance with the balance sheet method, using an income tax rate, which will be in force in the year when the tax obligation arises (2017 and 2016: 19%).

Assets and liabilities for deferred income tax are not recognised as short term assets and liabilities.

Changes in assets and liabilities for deferred income tax are presented below.

Deferred income tax assets	As at 01.01.2017	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2017
Interest accrued	109 476	5 177	-	-	114 653
Valuation of derivative financial instruments	2 028	611	-	-	2 639
Valuation of investment securities	44 920	2 341	(14 979)	-	32 282
Provisions for impairment of loans and advances	274 812	4 819	-	-	279 631
Provisions for employee benefits	36 080	2 421	720	-	39 221
Other provisions	33 239	(75)	-	-	33 164
Prepayments/accruals	26 670	6 120	-	-	32 790
Tax losses carried forward	197	(119)	-	-	78
Differences between carrying and tax value of lease	260 437	89 687	-	-	350 124
Other negative temporary differences	71 750	3 040	(5)	1 311	76 096
<b>Total deferred income tax assets</b>	<b>859 609</b>	<b>114 022</b>	<b>(14 264)</b>	<b>1 311</b>	<b>960 678</b>
Deferred income tax liabilities	As at 01.01.2017	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2017
Interest accrued	(80 692)	2 742	-	-	(77 950)
Valuation of derivative financial instruments	(42 726)	15 745	857	-	(26 124)
Valuation of investment securities	(66 610)	(21 861)	(27 721)	-	(116 192)
Interest and fees received in advance	(20 896)	19 358	-	-	(1 538)
Difference between tax and book value of tangible and intangible assets	(48 360)	2 611	-	-	(45 749)
Prepayments regarding amortization of applied investment relief	(18 657)	-	-	-	(18 657)
Other positive temporary differences	(42 120)	(2 945)	2	(236)	(45 299)
<b>Total deferred income tax liabilities</b>	<b>(320 061)</b>	<b>15 650</b>	<b>(26 862)</b>	<b>(236)</b>	<b>(331 509)</b>
Deferred income tax assets	As at 01.01.2016	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2016
Interest accrued	102 469	7 007	-	-	109 476
Valuation of derivative financial instruments	841	1 187	-	-	2 028
Valuation of investment securities	43 856	(15 121)	16 185	-	44 920
Provisions for impairment of loans and advances	228 699	46 113	-	-	274 812
Provisions for employee benefits	35 258	887	(65)	-	36 080
Other provisions	43 463	(10 224)	-	-	33 239
Prepayments/accruals	26 823	(153)	-	-	26 670
Tax losses carried forward	263	(66)	-	-	197
Differences between carrying and tax value of lease	203 207	57 230	-	-	260 437
Other negative temporary differences	93 373	(21 652)	-	29	71 750
<b>Total deferred income tax assets</b>	<b>778 252</b>	<b>65 208</b>	<b>16 120</b>	<b>29</b>	<b>859 609</b>
Deferred income tax liabilities	As at 01.01.2016	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2016
Interest accrued	(76 858)	(3 834)	-	-	(80 692)
Valuation of derivative financial instruments	(42 259)	(1 031)	564	-	(42 726)
Valuation of investment securities	(152 689)	(1 750)	87 829	-	(66 610)
Interest and fees received in advance	(38 812)	17 916	-	-	(20 896)
Difference between tax and book value of tangible and intangible assets	(50 089)	1 729	-	-	(48 360)
Prepayments regarding amortization of applied investment relief	(18 657)	-	-	-	(18 657)
Other positive temporary differences	(33 781)	(8 343)	-	4	(42 120)
<b>Total deferred income tax liabilities</b>	<b>(413 145)</b>	<b>4 687</b>	<b>88 393</b>	<b>4</b>	<b>(320 061)</b>

Deferred income tax included in the income statement	31.12.2017	31.12.2016
Interest accrued	7 919	3 173
Valuation of derivative financial instruments	16 356	156
Valuation of securities	(19 520)	(16 871)
Provisions for impairment of loans and advances	4 819	46 113
Provisions for employee benefits	2 421	887
Other provisions	(75)	(10 224)
Prepayments/accruals	6 120	(153)
Interest and fees received in advance	19 358	17 916
Difference between tax and book value of tangible and intangible assets	2 611	1 729
Differences between carrying and tax value of lease	89 687	57 230
Tax losses carried forward	(119)	(66)
Other temporary differences	95	(29 995)
<b>Total deferred income tax included in the income statement (Note 14)</b>	<b>129 672</b>	<b>69 895</b>

Deferred tax assets are recognised, because it is probable that future taxable profit will occur.

A level of deferred tax asset for the year 2017 and 2016 does not include tax losses of the foreign branch in Slovakia. Potential including of the tax losses into deferred tax asset in years to come will depend upon an assessment of the corporate income tax base level in a future (including the periods scheduled for settlement of tax losses). Right to tax losses' settlement expires between 2018 and 2021 year.

Due to the improbability of occurrence of taxable income enabling to use tax losses incurred in Garbary Sp. z o.o. and BDH Development Sp. z o.o., the Group does not include those losses in the deferred tax asset calculation. The total amount of unused tax losses not included in the calculation of deferred tax assets amounted to PLN 28 022 thousand at the end of 31 December 2017 and PLN 53 755 thousand at the end of 31 December 2016. Right to tax losses' settlement expires between 2017 and 2021 year.

The Group recognizes deferred tax liabilities or assets related to temporary differences arising from investments in subsidiaries and associates except that the implementation of the temporary differences is controlled by the Group and it is probable that in the foreseeable future, these differences will not be reversed. At the end of 2017 the Group did not include settlements on temporary differences in the total amount of PLN 1 198 253 thousand incurred due to investments in subsidiaries and affiliated companies in deferred tax calculation and PLN 908 414 thousand at the end of 2016.