IPOPEMA Securities
Group

Interim condensed consolidated financial statements

for the nine months ended September 30th 2022

Warsaw, November 16th 2022

Contents

Financial highlights

Financial highlights	PLN '000		EUR '000		PLN '000		EUR '000	
	3 months ended Sep 30				9 months ended Sep 30			
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue from core activities	64,951	66,403	13,592	14,495	185,574	190,887	39,585	41,875
Cost of core activities	63,887	61,657	13,369	13,459	181,179	176,379	38,647	38,692
Profit/(loss) on core activities	1,064	4,746	223	1,036	4,395	14,508	938	3,183
Operating profit/(loss)	1,479	6,528	309	1,425	769	14,950	164	3,280
Profit/(loss) before tax	2,451	6,547	513	1,429	3,219	13,223	687	2,901
Net profit/(loss) from continuing operations	1,913	5,552	400	1,212	2,028	10,607	433	2,327
Net profit/(loss)	1,913	5,552	400	1,212	2,028	10,607	433	2,327
Earnings/(loss) per ordinary share (weighted average) (PLN/EUR)								
- basic	0.06	0.18	0.01	0.04	0.06	0.36	0.01	0.08
- diluted	0.06	0.18	0.01	0.04	0.06	0.36	0.01	0.08
Net cash from operating activities	- 32,904	14,140	- 6,886	3,087	6,536	- 121,234	1,394	- 26,595
Total cash flows	- 46,299	1,587	- 9,689	346	- 27,606	- 140,053	- 5,889	- 30,723

Consolidated financial highlights	PLN '000			EUR '000		
	Sep 30 2022	Jun 30 2022	Dec 31 2021	Sep 30 2022	Jun 30 2022	Dec 31 2021
Total assets	309,435	311,517	420,867	63,542	66,555	91,505
Total liabilities	200,933	204,852	304,709	41,261	43,766	66,250
Equity	108,502	106,665	116,158	22,281	22,789	25,255
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	3.62	3.56	3.88	0.74	0.76	0.84

The individual items of the financial highlights were translated into the euro at the following exchange rates:

- Items of the interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows:

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in the period	Jan–Sep 2022	Jan–Sep 2021
EUR	4.6880	4.5585

- Items of the interim condensed consolidated statement of financial position:

Exchange rate as at	Sep 30 2022	Dec 31 2021	Sep 30 2021
EUR	4.8698	4.5994	4.6329

Interim condensed consolidated statement of comprehensive income

for the nine months ended September 30th 2022

	Note	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
CONTINUING OPERATIONS					
Revenue from core activities	15	**185,574**	**64,921**	**190,887**	**66,403**
Cost of core activities	15	**181,179**	**63,887**	**176,379**	**61,657**
Profit/(loss) on core activities		**4,395**	**1,064**	**14,508**	**4,746**
Gain/(loss) on financial assets measured at fair value through profit or loss		- 2,586	302	- 668	- 45
Gain/(loss) on remeasurement of equity instruments		107	107	-	-
Other income	15	2,842	735	5,052	3,321
Other expenses	15	3,989	729	3,942	1,494
Operating profit/(loss)		**769**	**1,479**	**14,950**	**6,528**
Finance income		4,302	1,794	261	174
Finance costs		1,852	822	1,988	155
Profit/(loss) before tax		**3,219**	**2,451**	**13,223**	**6,547**
Income tax	16	1,191	538	2,616	995
Net profit/(loss) on continuing operations		**2,028**	**1,913**	**10,607**	**5,552**
DISCONTINUED OPERATIONS		-	-	-	-
Net profit/(loss) for period		**2,028**	**1,913**	**10,607**	**5,552**
Attributable to:					
Owners of the parent		1,830	1,886	10,784	5,321
Non-controlling interests		198	27	- 177	231
Net profit/(loss) for period		**2,028**	**1,913**	**10,607**	**5,552**
Other comprehensive income		**- 285**	**- 25**	**165**	**12**
Other comprehensive income before tax		**- 353**	**- 32**	**204**	**15**
Other comprehensive income that will not be reclassified to profit or loss		**- 353**	**- 32**	**204**	**15**
Gains and losses on remeasurement of equity instruments		- 353	- 32	204	15
Income tax on items of other comprehensive income		**68**	**7**	**- 39**	**- 3**
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss		68	7	- 39	- 3
Comprehensive income for period		**1,743**	**1,888**	**10,772**	**5,564**
Attributable to:					
Owners of the parent		1,545	1,861	10,949	5,333
Non-controlling interests		198	198	- 177	231

Earnings per share

	Note	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Earnings/(loss) per share on continuing operations (PLN)	10	0.06	0.06	0.36	0.18
Earnings/(loss) per share on discontinued operations (PLN)		-	-	-	-
Earnings/(loss) per share (PLN)		0.06	0.06	0.36	0.18
Diluted earnings/(loss) per share on continuing operations (PLN)		0.06	0.06	0.36	0.18
Diluted earnings/(loss) per share on discontinued operations (PLN)		-	-	-	-
Diluted earnings/(loss) per share (PLN)		0.06	0.06	0.36	0.18

Interim condensed consolidated statement of financial position

as at September 30th 2022

ASSETS	Note	Sep 30 2022	Jun 30 2022	Dec 31 2021	Sep 30 2021
Cash and cash equivalents	12	119,057	166,294	146,650	173,016
Trade and other receivables (including accrued income)	12, 14	164,904	130,552	256,318	241,014
Current tax assets		136	171	324	528
Financial assets measured at fair value through profit or loss		1,770	490	1,447	1,448
Equity instruments measured through other comprehensive income		14,607	2,965	3,494	3,873
Right-of-use assets		2,128	3,388	5,599	6,747
Property, plant and equipment		1,541	1,728	1,952	2,086
Intangible assets		2,511	2,630	1,621	1,667
Deferred tax assets		2,781	3,299	3,462	2,956
TOTAL ASSETS		**309,435**	**311,517**	**420,867**	**433,335**

EQUITY AND LIABILITIES	Note	Sep 30 2022	Jun 30 2022	Dec 31 2021	Sep 30 2021
Trade and other payables	14	185,517	189,645	281,204	296,389
Current tax liabilities		-	-	103	282
Financial liabilities measured at fair value through profit or loss		369	202	189	258
Lease liabilities	23	2,910	4,331	7,305	8,999
Deferred tax liabilities	16	854	876	448	384
Accrued expenses and deferred income	14	11,283	9,798	15,460	13,426
Total liabilities		**200,933**	**204,852**	**304,709**	**319,738**
Share capital	13	2,994	2,994	2,994	2,994
Share premium		10,351	10,351	10,351	10,351
Other components of equity		3,680	3,710	3,971	4,113
Retained earnings		86,276	84,390	93,727	91,407
Equity attributable to owners of the parent		**103,301**	**101,445**	**111,043**	**108,865**
Non-controlling interests		**5,201**	**5,220**	**5,115**	**4,732**
Total equity		**108,502**	**106,665**	**116,158**	**113,597**
TOTAL EQUITY AND LIABILITIES		**309,435**	**311,517**	**420,867**	**433,335**

Interim condensed consolidated statement of cash flows

for the nine months ended September 30th 2022

CASH FLOWS	Note	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Cash flows from operating activities					
Net profit		**2,028**	**1,913**	**10,607**	**5,552**
Total adjustments:	25	**4,437**	**- 34,816**	**- 123,683**	**8,587**
Adjustments related to income tax expense		1,191	538	2,616	995
Depreciation and amortisation		4,660	1,629	4,590	1,541
Foreign exchange gains/(losses)		- 13	938	133	- 140
Interest and dividends		980	411	772	238
Gain/(loss) on investing activities		- 108	- 107	- 78	- 64
Change in financial assets at fair value through profit or loss		- 322	- 1,279	- 1,327	904
Increase/(decrease) in receivables (excluding loans)		91,626	- 33,901	13,246	87,601
Increase/(decrease) in trade and other payables (excluding borrowings)		- 90,800	- 4,382	- 134,473	- 81,613
Increase/(decrease) in provisions and impairment losses on receivables (excluding loans)		1,557	168	811	- 264
Increase/(decrease) in accruals and deferrals		- 5,115	967	- 10,270	- 588
Other adjustments		781	202	297	- 23
Cash flows from (used in) operating activities		**6,465**	**- 32,903**	**- 113,076**	**14,139**
Income tax paid		71	- 1	- 8,158	1
Net cash from operating activities		**6,536**	**- 32,904**	**- 121,234**	**14,140**
Cash flows from investing activities					
Decrease in loans		133	38	337	42
Sale of property, plant and equipment and intangible assets		1	-	70	-
Increase in loans		- 127	- 96	- 206	-
Acquisition of property, plant and equipment and intangible assets		- 1,597	- 63	- 997	- 142
Acquisition of equity instruments measured through other comprehensive income		- 11,571	- 11,571	- 410	- 400
Sale of equity instruments measured through other comprehensive income		206	-	1	1
Interest received		-	-	9	9
Net cash from investing activities		**- 12,955**	**- 11,692**	**- 1,196**	**- 490**
Cash flows from financing activities					
Proceeds from issue of debt securities		2	-	3	-
Repayment of debt securities		- 1	-	- 2	-
Interest paid		- 1,043	- 394	- 547	- 171
Payment of lease liabilities		- 5,409	- 1,644	- 5,208	- 1,745
Proceeds from borrowings		-	-	-	-
Payment of borrowings		- 5,343	381	- 733	930
Dividends paid to owners of the parent		- 9,281	-	- 11,077	- 11,077
Dividends to non-controlling interests		- 112	- 46	- 59	-
Net cash from financing activities		**- 21,187**	**- 1,703**	**- 17,623**	**- 12,063**
Total cash flows		**- 27,606**	**- 46,299**	**- 140,053**	**1,587**
Increase/(decrease) in cash and cash equivalents		- 27,593	- 47,237	- 140,186	1,728
Effect of exchange rate fluctuations on cash held		13	- 938	- 133	141
Cash at beginning of period		146,650	166,294	313,202	171,288
Cash at end of period, including		**119,057**	**119,057**	**173,016**	**173,016**
*- restricted cash**		*79,547*	*79,547*	*117,346*	*117,346*

** Restricted cash includes primarily clients' funds held by the Company, as well as cash in escrow.*

Interim condensed consolidated statement of changes in equity

for the nine months ended September 30th 2022

	Share capital	Share premium	Revaluation capital reserve	Other components of equity	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Equity
As at Jan 1 2022	**2,994**	**10,351**	**757**	**3,214**	**93,727**	**111,043**	**5,115**	**116,158**
Net profit/loss for period	-	-	-	-	1,830	1,830	198	2,028
Other comprehensive income	-	-	- 291	-	-	- 291	-	- 291
Total comprehensive income	**-**	**-**	**- 291**	**-**	**1,830**	**1,539**	**198**	**1,767**
Dividend paid	-	-	-	-	- 9,281	- 9,281	- 112	- 9,393
Other increases/(decreases)	-	-	-	-	-	-	-	-
Change in equity during period	**-**	**-**	**- 291**	**-**	**- 7,451**	**- 7,742**	**86**	**- 7,656**
As at Sep 30 2022	**2,994**	**10,351**	**466**	**3,214**	**86,276**	**103,301**	**5,201**	**108,502**
As at Jan 1 2021	**2,994**	**10,351**	**734**	**3,214**	**91,699**	**108,992**	**4,968**	**113,960**
Net profit/loss for period	-	-	-	-	13,105	13,105	232	13,337
Other comprehensive income	-	-	23	-	-	23	-	23
Total comprehensive income	**-**	**-**	**23**	**-**	**13,105**	**13,128**	**232**	**13,360**
Dividend paid	-	-	-	-	- 11,077	- 11,077	- 85	- 11,162
Other increases/(decreases)	-	-	-	-	-	-	-	-
Change in equity during period	**-**	**-**	**23**	**-**	**2,028**	**2,051**	**147**	**2,198**
As at Dec 31 2021	**2,994**	**10,351**	**757**	**3,214**	**93,727**	**111,043**	**5,115**	**116,158**
As at Jan 1 2021	**2,994**	**10,351**	**734**	**3,214**	**91,699**	**108,992**	**4,968**	**113,960**
Net profit/loss for period	-	-	-	-	10,784	10,784	- 177	10,607
Other comprehensive income	-	-	165	-	-	165	-	165
Total comprehensive income	**-**	**-**	**165**	**-**	**10,784**	**10,949**	**- 177**	**10,772**
Dividend paid	-	-	-	-	- 11,076	- 11,076	- 59	- 11,135
Other increases/(decreases)	**-**	**-**	**-**	**-**	-	-	-	-
Change in equity during period	**-**	**-**	**165**	**-**	**- 292**	**- 127**	**- 236**	**- 363**
As at Sep 30 2021	**2,994**	**10,351**	**899**	**3,214**	**91,407**	**108,865**	**4,732**	**113,597**

Notes

1. IPOPEMA Securities Group

The IPOPEMA Securities Group (the “Group”, “IPOPEMA Group”) comprises entities controlled by IPOPEMA Securities S.A. (the “parent” or the “Company”).

The parent’s registered office is at ul. Próżna 9, Warsaw, Poland.

Company shares are listed on the main market of the Warsaw Stock Exchange.

As at September 30th 2022, the IPOPEMA Group comprised IPOPEMA Securities S.A. and its subsidiaries presented in Section 2 below.

The Group’s principal business comprises:

1. brokerage activities,
2. business and management advisory services,
3. operation of investment fund companies, creation and management of investment funds,
4. management of portfolios of broker-traded financial instruments,
5. computer facilities management,
6. computer consultancy services.

IPOPEMA Securities S.A. – the parent

The parent was established on March 2nd 2005, as Dom Maklerski IPOPEMA S.A., for indefinite time. The name was subsequently changed to IPOPEMA Securities S.A. under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

The parent is registered in the Business Register of the National Court Register maintained by the District Court, 12th Commercial Division of the National Court Register, under entry No. KRS 0000230737.

The parent was assigned Industry Identification Number (REGON) 140086881.

IPOPEMA Securities S.A. is authorised to conduct brokerage activities by the Polish Financial Supervision Authority (formerly the Polish Securities and Exchange Commission).

As part of its brokerage business the Company provides comprehensive services in the area of intermediation in securities trading on the secondary market, and intermediates in debt instruments trading outside the regulated market. The Company’s partners and clients include established and well known international financial institutions, as well as most of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers, as well as private individuals. The brokerage business of IPOPEMA Securities S.A. is supported by a team of analysts, who provide research coverage on several dozen companies listed on the WSE and foreign stock exchanges.

The Company’s investment banking services include comprehensive assistance in the preparation and execution of transactions on the equity capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). The Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A transactions and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities S.A. also assists companies listed on the Warsaw Stock Exchange in arranging share repurchase transactions, including tender offers and buyback programmes. It also provides financial restructuring advisory services.

Apart from the above business, the Company also conducts activities which consist in offering brokerage services and investment products, including active investment advisory services, targeting a broader base of retail clients. These activities are carried out directly by IPOPEMA Securities and through third parties acting as its agents.

2. Composition of the Group

IPOPEMA Securities S.A. is the parent of the IPOPEMA Group. Both the parent and the other Group companies have been established for indefinite time.

As at September 30th 2022, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

1) consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ('IPOPEMA TFI')	- operation of investment fund companies, creation and management of investment funds, - discretionary management of securities portfolios - securities trading advisory services - intermediation in the sale and redemption of investment fund shares - representation services for foreign funds	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o. ('IBC')	- other business and management consultancy services - computer facilities management - computer consultancy - software-related activities - wholesale of computers, computer peripherals and software	full	50.02%	50.02%
IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa ('IFA SK')	- advisory services related to corporate financial restructuring and finance raising for infrastructure projects	full	N/A	

2) non-consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Financial Advisory Sp. z o.o. ('IFA')	- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	not consolidated (due to immateriality of financial data)	100%	100%
MUSCARI Capital Sp. z o.o. ('MUSCARI')	- intermediation in offering the Company's brokerage services as an investment firm agent	not consolidated (due to immateriality of financial data)	100%	100%

IFA and MUSCARI are not consolidated as their effect on the Group's data is immaterial.

Furthermore, on March 23rd 2022, in connection with an investment agreement executed by the Company on the same date with ProService Finteco sp. z o.o. of Warsaw, a joint-stock company was established, whose principal business activity will be the provision of depositary services to closed-end investment funds. The company was registered with the National Court Register on July 12th 2022. For more information on the investment agreement, see Note 29.

On September 1st 2022, IPOPEMA TFI acquired 100% of shares in a limited liability company which will provide services related to keeping a register of investment fund unit holders. The company has operated under the name IPOPEMA Fund Services Sp. z o.o. since October 28th 2022.

3. Basis of preparation of the interim condensed consolidated financial statements

3.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRSs applicable to interim financial reporting, as endorsed by the European Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which have been endorsed recently or are pending endorsement, are not relevant to the Group's operations or their effect on the Group's financial statements would be immaterial.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These interim condensed consolidated financial statements of the Group cover the nine months ended September 30th 2022 and contain comparative data for the nine months ended September 30th 2021 and as at June 30th 2022 and December 31st 2021.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Securities Group for 2021.

3.2. Measurement currency and reporting currency

The measurement currency and the reporting currency of these interim condensed consolidated financial statements is the Polish złoty ("PLN") and all figures in these financial statements are presented in thousands of Polish złoty, unless stated otherwise.

3.3. Going concern assumption

These interim condensed consolidated financial statements were prepared on the assumption that the companies of the Group would continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements for issue, there were no circumstances which would indicate any threat to the Group's consolidated companies continuing as going concerns.

3.4. Comparability of data

There were no material presentation changes in the nine months to September 30th 2022.

4. Changes in applied accounting policies

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the policies applied in preparing the Company's consolidated financial statements for the year ended December 31st 2021, issued on March 29th 2022. The consolidated financial statements for 2021 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

5. Selected accounting policies

<u>Categories of financial assets</u>

Financial assets are classified by the Group into the following categories:

- financial assets measured at amortised cost,
- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income,
- investments in equity instruments measured at fair value through other comprehensive income.

Financial assets are classified on initial recognition, depending on the Group's business model for managing financial assets and the nature of contractual cash flows from the instruments.

Financial liabilities are classified by the Group into the following categories:

- financial liabilities measured at fair value through profit or loss (including financial instruments),
- financial liabilities at amortised cost.

The Group classifies each financial instrument into a given category upon initial recognition.

Financial assets and financial liabilities measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

Financial assets acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e., at the fair value of the instrument, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the instrument.

As at each reporting date, financial assets measured at fair value through profit or loss are measured and any gains or losses are recognised as income or expense on finance instruments measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss held by the Group are shares listed on the Warsaw Stock Exchange ('WSE') and a currency forward. For the purpose of the measurement, the Group takes into account the closing prices quoted by the WSE on the last business day of the reporting period.

The Group does not apply hedge accounting.

Financial assets measured at fair value through other comprehensive income.

A financial asset is classified as a 'financial asset measured at fair value through other comprehensive income' if both of the following conditions are met:

- it is managed in accordance with the business model the objective of which is to both collect the contractual cash flows and sell the financial asset,
- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income are disclosed as at the transaction date at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and any changes in the fair value (other than impairment losses and foreign exchange gains and losses) are recognised in other comprehensive income and presented in equity as revaluation reserve. When an investment is derecognised, the gain or loss accumulated in revaluation reserve is reclassified to retained earnings as a reclassification adjustment.

The fair value of equity instruments traded on an active market is based on their current purchase price. If there is no active market for a given financial asset or unlisted securities, the Group determines their fair value using valuation techniques. These include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, and analysis of discounted cash flows, making maximum use of market inputs; in certain cases, the purchase price may be the best estimate.

Investments in equity instruments measured at fair value through other comprehensive income.

'Investments in equity instruments measured at fair value through other comprehensive income' include in particular investment fund units and investment certificates purchased for the purpose of investing surplus funds. They are disclosed under non-current assets unless the Group intends to sell them within 12 months of the reporting date.

Investment certificates and fund units are recognised at fair value, based on the net asset value per certificate/unit as published by the investment fund in consultation with the depositary. Remeasurement gains and losses are posted under other comprehensive income. Subsequent to initial recognition, they are measured at fair value, and changes in the fair value are recognised in other comprehensive income and presented in equity as revaluation reserve.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank borrowings and lease liabilities, are initially measured at fair value less transaction costs And subsequently at amortised cost (interest expense is recognised using the effective interest method). The effective interest method is a method of calculating the amortised cost of a liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments or receipts over the expected life of a financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

The Group derecognises a financial liability when, and only when, the Group's obligation specified in the contract is discharged or cancelled or expires.

Receivables

Short-term receivables

Short-term receivables are financial assets measured at amortised cost. This asset class includes receivables from clients, receivables from related entities other than consolidated entities, receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses on account of concluded transactions and all or part of receivables on account of other titles not carried as financial assets, which fall due within 12 months from the end of the reporting period.

Receivables are initially recognised in accordance with IFRS 15 and measured as at the end of the reporting period at amortised cost. The carrying amount of receivables is revised based on the expected credit losses model. As of January 1st 2018, allowance for expected credit losses is recognised at the time of initial recognition of receivables. As permitted by the standard, a simplified approach is applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the impairment loss measured at an amount equal to lifetime expected credit losses.

The Group applied a portfolio approach to recognition of impairment losses, with impairment losses ranging from 0.02% for non-delinquent receivables to 73.1% for receivables overdue more than one year. If there are indications that a credit loss may have occurred, the Group may recognise impairment losses for individual assets. Changes in allowances for expected credit losses are recognised in profit or loss.

Credit risk related to security deposits held at banks, receivables on account of stock-exchange transactions, deposits held at clearing houses and public receivables is assessed as low and the effect of the credit loss allowance on the consolidated financial statements has been disregarded.

A significant item among the Group's short-term receivables are receivables from clients arising from stock-market transactions. These include receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses arising in connection with transaction to buy or sell securities which have not yet been cleared given the nature of the transaction clearing procedure (T+2). In the case of buy transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (market counterparties)* and short-term receivables from the clients on behalf of whom such buy transactions are executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current liabilities towards the clients for whom the sale transactions were executed.

** Pursuant to Art. 45h of the amended Act on Trading in Financial Instruments, in the case of transactions executed on the WSE, KDPW CCP (the clearing agent) assumed the rights and obligations of the parties to the market transactions.*

Long-term receivables

Non-current receivables are receivables whose term to maturity is longer than 12 months from the end of the reporting period.

Impairment of assets

As at the end of each reporting period, the Group evaluates whether there is any indication that a non-financial asset may be impaired. Intangible assets which are not yet available for use are tested on an annual basis, regardless of whether there is an indication of impairment. These assets may be tested for impairment at any time during the year.

The following may indicate possible impairment of an asset:

- impairment of the market value of an asset during the period is much higher than it might have been expected as a result of passage of time and normal use,
- significant adverse technological, market, economic or legal changes have occurred during the reporting period or are likely to occur in the near future in the Group's operating environment or on the markets for which the asset is intended,
- market interest rates or other market rates of return on investment have increased during the period and the increase is likely to affect the discount rate applied to calculate the asset's value in use and reduce its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant adverse changes in the current or expected scope or manner of use of an asset have occurred during the reporting period or are likely to occur in the near future,

- there is evidence, originating from internal reporting, for poorer than expected, current or future, economic performance of an asset.

Liabilities

Current liabilities

Current liabilities are liabilities which are payable within 12 months from the end of the reporting period. Liabilities are measured at amortised cost.

Current liabilities include all liabilities to customers, liabilities to non-consolidated related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the Central Securities Depository of Poland (KDPW) and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as lease liabilities, non-current liabilities, accrued expenses and deferred income or provisions for liabilities.

Current liabilities include overdrafts, whose methods of measurement are described in "Financial liabilities measured at amortised cost" above.

Recognition of current liabilities under executed securities exchange transactions is discussed in ‘Short-term receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses’ above.

Non-current liabilities

Non-current liabilities are liabilities which are payable within more than 12 months from the end of the reporting period.

Leases

For each contract concluded on or after January 1st 2020, the Group decides whether the contract is or contains a lease. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset (the underlying asset) for a period of time in exchange for consideration. To this end, three main aspects are analysed:

- whether a contract refers to an identified asset which is either clearly identified in the contract or in an implied manner when the asset is made available to the Group,
- whether the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use specified in the contract,
- whether the Group has the right to direct the use of an identified asset throughout the period of use.

As at the lease commencement date, the Group recognises a right-of-use asset and a lease liability. A right-of-use asset is initially measured at cost consisting of the initial amount of the lease liability, initial direct costs, an estimate of the costs expected to be incurred to dismantle the underlying asset and the lease payments made at or before the commencement date, less any lease incentives.

The Group depreciates right-of-use assets on a straight-line basis from the commencement date to the end of the right-of-use period or to the end of the lease term, whichever is earlier. If there is any indication of that a right-of-use asset may have been impaired, the asset is tested for impairment in accordance with IAS 36.

At the commencement date, the Group measures the lease liability at the present value of outstanding lease payments using the interest rate lease, if the rate can be readily determined. If the rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

Lease payments included in the value of a lease liability consist of fixed lease payments, variable lease payments based on an index or rate, expected amounts to be paid as a guaranteed residual value, and payments for a call option if its exercise is reasonably certain.

In subsequent periods, lease liabilities are reduced by payments made and increased by accrued interest. Measurement of a lease liability is updated to reflect lease modifications and reassessment of the lease term, exercise of a purchase option, guaranteed residual value or lease payments based on an index or rate. As a rule, remeasurement is recognised as adjustment to the carrying amount of a right-of-use asset.

The Group applies standard-permitted practical expedients for short-term leases and leases with low-value underlying assets (i.e., the initial value of the leased asset does not exceed USD 5 thousand). In such contracts, instead of recognising a right-of-use asset and a lease liability, the lease payments are recognised in profit or loss on a straight-line basis over the lease term.

6. Accounting policies introduced in 2022

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2022:

- Amendments to IAS 16: *Property, Plant and Equipment*. The amended standard prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1st 2022;
- Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. The amended standard clarifies what costs an entity considers in assessing whether a contract is onerous. The amendments are effective for financial statements for periods beginning on or after January 1st 2022.
- Annual Improvements – 2018-2020 Cycle – the amendments explain and clarify the guidance on recognition and measurement provided in the standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and illustrative examples to IFRS 16 *Leases*; Effective for annual periods beginning on or after January 1st 2022.
- Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – effective for annual periods beginning on or after January 1st 2022.

The Group believes that the adoption of the above standards and amendments did not have a material effect on its interim condensed consolidated financial statements upon their initial adoption, and resulted only in changes to the applied accounting policies or broadening of the scope of required disclosures.

7. New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not effective yet:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The effective date of the amended regulations has not been set by the International Accounting Standards Board.
- IFRS 17 *Insurance Contracts* – issued on May 18th 2017 and effective for annual periods beginning on or after January 1st 2023. The main objective of IFRS 17 is to ensure transparency and comparability of the insurers' financial statements. To this end, an entity will disclose quantitative and qualitative information to enable users of its financial statements to assess the impact of insurance contracts on the entity's financial position, financial performance and cash flows. IFRS 17 introduces a number of significant amendments to the existing IFRS 4 requirements.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – issued on January 23rd 2020 and effective for annual periods beginning on or after January 1st 2023. The amendments to IAS 1 affect the requirements for presentation of liabilities in the financial statements. The classification of financial liabilities as non-current liabilities will depend on the existence of rights to defer settlement of the liability by at least 12 months and on the satisfaction of conditions for the deferment at the end of the reporting period;
- Amendments to IAS 1 *Presentation of Financial Statements* and the IASB Practice Statement on Disclosure of Accounting Policies require entities to disclose their material accounting policy information. They are effective for annual periods beginning on or after January 1st 2023;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates. The amendments clarify the definition of accounting estimates, i.e.: monetary amounts in financial statements that are subject to measurement uncertainty. The amendments are effective for annual periods beginning on or after January 1st 2023;
- Amendments to IAS 12 Income Taxes – requirement to recognise deferred tax on transactions, i.e., leases – effective for annual periods beginning on or after January 1st 2023.

The Group did not opt for early application of the above standards, amendments, and interpretations. The Group will apply the amended standards as of January 1st 2023, unless a different effective date is provided. Upon initial application, the amended standards will have no material effect on the Group's consolidated financial statements.

8. Changes in estimates

In the nine months to September 30th 2022, there were no changes to estimates other than changes in accrued expenses and deferred income, depreciation/amortisation and impairment losses on receivables, as discussed in Note 14.

9. Translation of foreign-currency items

Transactions in currencies other than the Polish złoty are accounted for as at the transaction date, using the following exchange rates:

1) the exchange rate actually applied on the transaction date, resulting from the nature of the transaction – in the case of sale or purchase of foreign currencies and payment of receivables or liabilities,
2) the mid-rate quoted for a given currency by the National Bank of Poland (the "NBP") on the day preceding the transaction date – in the case of payment of receivables or liabilities, if the application of the exchange rate specified in item 1 is not justified, and in the case of other transactions.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish złoty are translated into the złoty at the mid-rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are disclosed as finance income or costs, as appropriate.

The following exchange rates were used to determine the carrying amounts:

Currency	Sep 30 2022	Dec 31 2021	Sep 30 2021
USD	4.9533	4.0600	3.9925
EUR	4.8698	4.5994	4.6329
HUF 100	1.1556	1.2464	1.2852
RON	0.9838	0.9293	0.9365
GBP	5.5560	5.4846	5.3653
CZK	0.1980	0.1850	0.1816
CHF	5.0714	4.4484	4.2725
TRY	0.2671	0.3016	0.4486
NOK	0.4640	0.4608	0.4531
CAD	3.6224	3.1920	3.1388
SEK	0.4465	0.4486	0.4543
DKK	0.6549	0.6184	0.6230
AUD	3.2245	2.9506	2.8758

Source: National Bank of Poland.

10. Earnings per share

For each period, earnings per share are computed as the quotient of the net profit attributable to the parent for the period and the weighted average number of shares in the period.

To obtain diluted earnings per share, the weighted average number of shares in the period is adjusted to account for all potentially dilutive ordinary shares. As there were no dilutive shares, the amounts of basic earnings per share and diluted earnings per share in the reporting period were the same.

	Jan 1–Sep 30 2022	Jan 1–Sep 30 2021
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Net profit/(loss) on continuing operations per share	0.06	0.36

11. Operating segments

For management purposes, the Group is divided into separate segments based on types of services provided. There are therefore the following reporting operating segments:

1. The segment of brokerage and related services, comprising the business of (i) IPOPEMA Securities, i.e., brokerage and investment banking activities, distribution of investment products, investment advisory services addressed to a broad range of retail investors, and (ii) IFA SK, i.e., advisory services related to corporate financial restructuring and finance raising for infrastructure projects.
2. The segment of investment fund and portfolio management, comprising the business of IPOPEMA TFI, i.e. creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.

3. The segment of advisory services, comprising the services of IPOPEMA Business Consulting, which focuses on business and management advisory, computer facilities management, computer advisory and software-related activities.

9 months ended September 30th 2022	Continuing operations				Discontinued operations	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	39,458	126,988	21,782	188,228	-	188,228
- from clients for each of whom the value of transactions in the period exceeds 10% of revenue, including:	-	70,925	-	70,925	-	70,925
Client 1	-	43,863	-	43,863	-	43,863
Client 2	-	27,062	-	27,062	-	27,062
Intersegment sales	- 2,391	-	-	- 2,391	-	- 2,391
Consolidation eliminations	- 263	-	-	- 263	-	- 263
Sales to external clients	**36,804**	**126,988**	**21,782**	**185,574**	**-**	**185,574**
Segment's costs						
Segment's costs – purchases from external suppliers	- 35,700	- 127,644	- 20,489	- 183,833	-	- 183,833
Segment's costs – intersegment purchases	-	2,391	-	2,391	-	2,391
Consolidation eliminations	263	-	-	263	-	263
Segment's total costs, including:	**- 35,437**	**- 125,253**	**- 20,489**	**- 181,179**	**-**	**- 181,179**
Depreciation and amortisation	- 2,229	**- 2,053**	**- 378**	**- 4,660**	**-**	**- 4,660**
Segment's profit/(loss) on core activities	**1,367**	**1,735**	**1,293**	**4,395**	**-**	**4,395**
Unallocated costs	-	-	-	-	**-**	-
Profit/(loss) from continuing operations before tax and finance costs	1,367	1,735	1,293	4,395	-	4,395
Interest income	1,504	193	33	1,730	-	1,730
Interest expense	- 1,135	- 66	- 13	- 1,214	-	- 1,214
Other finance income/costs, net	- 507	490	76	59	-	59
Other income/expenses	- 435	106	- 819	- 1,148	-	1,148
Consolidation eliminations	- 603	-	-	- 603		**- 603**
Profit/(loss) before tax and non-controlling interests	**191**	**2,458**	**570**	**3,219**	**-**	**3,219**
Income tax	423	327	441	1,191	-	1,191
Total corporate income tax	423	327	441	1,191	-	1,191
Net profit/(loss) for period	**- 232**	**2,131**	**129**	**2,028**	**-**	**2,028**
Assets and liabilities as at Sep 30 2022						
Segment's assets	227,736	65,439	16,260	309,435	-	309,435
Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**227,736**	**65,439**	**169,260**	**309,435**	**-**	**309,435**
Segment's liabilities	172,733	11,784	5,133	189,650	-	189,650
Accrued expenses and deferred income	6,074	5,184	25	11,283	-	11,283
Segment's net profit/(loss)	- 232	2,131	129	2,028	-	2,028
Equity (excluding net profit/(loss) for current period)	36,830	58,009	6,632	101,471	-	101,471

Non-controlling interests	21	-	4,982	5,003	-	5,003
Total equity and liabilities	**215,426**	**77,108**	**16,901**	**309,435**	**-**	**309,435**
Other segment data						
Capital expenditure, including:	1,441	86	69	1,596	-	1,596
property, plant and equipment	147	86	64	297	-	297
intangible assets	1,294	-	5	1,299	-	1,299
Depreciation of property, plant and equipment	363	528	62	953	-	953
Amortisation of intangible assets	289	110	10	409	-	409
Depreciation of right-of-use assets	1,577	1,415	307	3,299	-	3,299
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

9 months ended September 30th 2021	Continuing operations				Discontinued operations	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	46,858	129,035	18,123	194,016	-	194,016
- from clients for each of whom the value of transactions in the period exceeds 10% of revenue, including:	-	*45,870*	-	*45,870*	-	*45,870*
Client 1	-	*45,870*	-	*45,870*	-	*45,870*
Intersegment sales	- 2,866	-	-	- 2,866	-	- 2,866
Consolidation eliminations	- 263	-	-	- 263	-	- 263
Sales to external clients	**43,729**	**129,035**	**18,123**	**190,887**	**-**	**190,887**
Segment's costs						
Segment's costs – purchases from external suppliers	- 38,774	- 121,442	- 19,292	- 179,508	-	- 179,508
Segment's costs – intersegment purchases	-	2,866	-	2,866	-	2,866
Consolidation eliminations	263	-	-	263	-	263
Segment's total costs, including:	**- 38,511**	**- 118,576**	**- 19,292**	**- 176,379**	**-**	**- 176,379**
Depreciation and amortisation	- 2,224	- 1,954	- 412	- 4,590	-	- 4,590
Segment's profit/(loss) on core activities	**5,218**	**11,823**	**- 1,169**	**14,508**	**-**	**14,508**
Unallocated costs	-	-	-	-	-	-
Profit/(loss) from continuing operations before tax and finance costs	3,854	10,459	- 1,169	14,508	-	14,508
Interest income	35	-	61	96	-	96
Interest expense	- 675	- 114	- 61	- 850	-	- 850
Other finance income/costs, net	- 1,324	- 91	- 31	- 1,446	-	- 1,446
Other income/expenses	- 15	191	934	1,110	-	1,110
Consolidation eliminations	195	-	-	- 195		- 195
Profit/(loss) before tax and non-controlling interests	**3,044**	**10,445**	**- 266**	**13,223**	**-**	**13,223**
Income tax	985	1,890	- 259	2,616	-	2,616
Total corporate income tax					-	
Net profit/(loss) for period	**2,059**	**8,555**	**- 7**	**10,607**	**-**	**10,607**

Assets and liabilities as at Dec 31 2021						
Segment's assets	332,647	71,636	16,584	420,867	-	420,867
Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**332,647**	**71,636**	**16,584**	**420,867**	**-**	**420,867**
Segment's liabilities	267,566	16,367	5,316	289,249	-	289,249
Accrued expenses and deferred income	7,889	7,283	288	15,460	-	15,460
Segment's net profit/(loss)	2,187	10,072	1,078	13,337	-	13,337
Equity (excluding net profit/(loss) for current period)	44,015	48,228	5,695	97,938	-	97,938
Non-controlling interests	43	-	4,840	4,883	-	4,883
Total equity and liabilities	**321,700**	**81,950**	**17,217**	**420,867**	**-**	**420,867**
Other segment data						
Capital expenditure, including:	711	426	74	1,211	-	1,211
property, plant and equipment	202	353	52	607	-	607
intangible assets	509	73	22	604	-	604
Depreciation of property, plant and equipment	466	757	104	1,327	-	1,327
Amortisation of intangible assets	358	120	33	511	-	511
Depreciation of right-of-use assets	2,103	1,734	409	4,246	-	4,246
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

12. Notes to the interim condensed consolidated statement of financial position – assets

Cash and cash equivalents

Cash and other assets	Sep 30 2022	Dec 31 2021
Cash and other assets of the Group		
a) at banks and in hand	30,062	53,969
b) other cash	88,995	92,681
c) cash equivalents		-
Total	**119,057**	**146,650**
Cash and other assets		
a) own cash and other own assets of the Group	39,509	61,123
b) cash and other assets of clients deposited in cash accounts at the brokerage house and paid towards acquisition of securities in an IPO or on the primary market	70,748	75,527
c) cash in escrow account	8,800	10,000
d) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**119,057**	**146,650**

Free cash is deposited in bank accounts and invested in term and overnight deposits. Short-term deposits are placed for periods ranging from one day to several months, depending on the Group's cash requirement at a given time, and bear interest at variable or fixed interest rates, set by reference to the interest rate for overnight bank deposits. Short-term deposits are presented under other cash. Deposits maturing in more than three months are presented under cash equivalents.

The item 'other cash' includes clients' cash deposited in the parent's bank account, amounting to PLN 70,748 thousand as at September 30th 2022 and PLN 75,527 thousand as at December 31st 2021.

Receivables

Trade and other receivables	Sep 30 2022	Dec 31 2021
Short-term receivables	152,615	245,375

Long-term receivables	9,096	8,691
Long-term loans	109	106
Prepayments and accrued income	3,084	2,146
short-term	3,060	2,131
long-term	24	15
Trade and other receivables	**164,904**	**256,318**

Short-term receivables	Sep 30 2022	Dec 31 2021
From clients / trade receivables	42,091	102,421
- under deferred payment arrangements	-	-
- under past due receivables and disputed claims for which no impairment losses were recognised	-	-
- under transactions executed on the Warsaw Stock Exchange	22,277	85,830
- under transactions executed on the Prague Stock Exchange	-	-
- under transactions executed on the London Stock Exchange	1,868	149
- under transactions executed on the Frankfurt Stock Exchange	227	-
- under transactions executed on the New York Stock Exchange	2,263	-
- under transactions executed on the Amsterdam Stock Exchange	362	-
- other	15,094	16,442
From related entities	5	-
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	59,495	72,415
- under transactions executed on the Warsaw Stock Exchange*	22,282	64,904
- under transactions executed on the New York Stock Exchange	298	-
- under transactions executed on the Budapest Stock Exchange	19,948	-
- under transactions executed on the Prague Stock Exchange	12,643	225
- under transactions executed on the Istanbul Stock Exchange	-	2,395
- under transactions executed on the Milan Stock Exchange	-	454
- under transactions executed on the London Stock Exchange	-	314
- other	4,324	4,123
From entities operating regulated markets and commodity exchanges	12	18
From the Central Securities Depository of Poland and exchange clearing houses	25,506	47,119
- from the settlement guarantee fund	25,453	47,119
From investment and pension fund companies and from investment and pension funds	22,637	21,169
Taxes, subsidies and social security receivable	207	178
Under litigation, not covered by recognised impairment losses on receivables	-	-
Under framework securities lending and short sale agreements	-	-
Other	2,662	2,055
- loans	920	900
- other	1,742	1,155
Total short-term receivables	**152,615**	**245,375**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, where such transactions are executed on the WSE, include receivables from KDPW CCP (the clearing agent, which has assumed the rights and obligations of the parties to the transactions).*

Short-term receivables and current liabilities are recognised predominantly in connection with executed buy and sell transactions in securities, not yet settled at clearing houses.

In the case of buy transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises liabilities towards the parties to market transactions (banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, known as anonymous transaction counterparties) and receivables from the clients on behalf of whom such buy transactions have been executed. In the case of sell transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises receivables from the parties to market transactions and liabilities towards the clients on behalf of whom such sell transactions have been executed.

Financial assets and liabilities

In the nine months to September 30th 2022 and in the comparative period, the policies for measurement of financial assets at fair value or classification of financial assets did not change.

As at September 30th 2022 and December 31st 2021, the carrying amounts of financial assets and financial liabilities approximated their fair values.

Financial instruments and item of	Sep 30 2022	Dec 31 2021

the consolidated statement of financial position	carrying amount	fair value	carrying amount	fair value
Financial assets measured at amortised cost	**290,877**	**290,877**	**400,822**	**400,822**
- cash and cash equivalents	119,057	119,057	146,650	146,650
- loans	1,029	1,029	1,006	1,006
- short- and long-term receivables	160,791	160,791	253,166	253,166
Financial assets measured at fair value through profit or loss	**1,770**	**1,770**	**1,447**	**1,447**
- shares in listed companies	1,770	1,770	1,447	1,447
- other securities	-	-	-	-
Equity instruments measured through other comprehensive income	**14,607**	**14,607**	**3,494**	**3,494**
- shares and bonds (unlisted)	11,743	11,743	76	76
- investment fund units/investment certificates	2,864	2,864	3,418	3,418
Financial liabilities measured at amortised cost	**185,866**	**185,866**	**281,393**	**281,393**
- overdraft facility	11,228	11,228	16,549	16,549
- subsidy	182	182	347	347
- liabilities (other than credit facilities and subsidy)	185,684	185,684	264,308	264,308
Financial liabilities measured at fair value through profit or loss	**369**	**369**	**189**	**189**
- derivative financial instruments	369	369	189	189

The Group uses derivatives to mitigate the risk of exchange rate changes for currencies in which some of the Group's securities sale and purchase transactions are denominated. While the derivative instruments held by the Group hedge it against currency risk, they are not security within the meaning of IFRS 9. Therefore, they are recognised as financial assets measured at fair value through profit or loss. All derivatives are measured at fair value, determined based on market data.

Shares in non-consolidated subsidiaries (not listed companies) as well as fund shares and investment certificates are designated as measured at fair value through other comprehensive income because the objective is to obtain cash flows from the financial assets or cash flows from its sale. In the nine months ended September 30th 2022, losses on this category of financial assets were PLN 353 thousand (nine months ended September 30th 2021: gains of PLN 204 thousand).

The table below presents financial instruments measured at fair value classified in the three-level hierarchy:

- Level 1 – where fair value is measured based on quoted (unadjusted) prices for identical assets or liabilities in active markets,
- Level 2 – where fair value is measured based on market inputs other than quoted market prices (e.g., estimated by direct or indirect reference to similar instruments in the market),
- Level 3 – where fair value is measured using different valuation techniques which are not based on observable market inputs.

As at September 30th 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Financial assets measured at fair value other than derivatives	1,770	-	-	1,770
Total financial assets measured at fair value through profit or loss	**1,770**	**-**	**-**	**1,770**
Equity instruments measured through other comprehensive income				
Investment certificates and investment fund units	-	2,864	-	2,864
Debt instruments	-	10,147	-	10,147
Total equity instruments through other comprehensive income *	**-**	**13,011**	**-**	**13,011**

Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	369	-	369
Total financial liabilities measured at fair value through profit or loss	**-**	**369**	**-**	**369**

** Net of assets measured at cost.*

In the reporting period, there were no material transfers between Level 1 and Level 2 of the instruments' fair value.

As at December 31st 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Financial assets measured at fair value other than derivatives	1,447	-	-	1,447
Total financial assets measured at fair value through profit or loss	**1,447**	**-**	**-**	**1,447**
Equity instruments measured through other comprehensive income				
Investment certificates and investment fund units	-	3,418	-	3,418
Total equity instruments measured through other comprehensive income*	**-**	**3,418**	**-**	**3,418**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	189	-	189
Total financial liabilities measured at fair value through profit or loss	**-**	**189**	**-**	**189**

** Net of assets measured at cost.*

Recognition and reversal of impairment losses on financial assets, property, plant and equipment, intangible assets or other assets.

In the nine months to September 30th 2022 and in 2021, the Group companies did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did they reverse any impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 14).

Acquisition and sale of property, plant and equipment and intangible assets

In the nine months ended September 30th 2022, the Group acquired property, plant and equipment and intangible assets with a value of PLN 1,596 thousand (nine months ended September 30th 2021: PLN 997 thousand).

Material transactions to purchase or sell property, plant and equipment

The Group did not purchase or sell any material items of property, plant and equipment in the nine months to September 30th 2022 or in 2021.

Material liabilities under purchases of property, plant and equipment

The Group has no material liabilities under purchases of property, plant and equipment.

13. Notes to the interim condensed consolidated statement of financial position – equity

Share capital

As at September 30th 2022, the Group's share capital was PLN 2,993,783.60 (no change on December 31st 2021).

The share capital comprised 7,000,000 Series A ordinary bearer shares, 21,571,410 Series B ordinary bearer shares, and 1,366,426 Series C ordinary bearer shares.

14. Notes to the interim condensed statement of financial position – liabilities and accruals and deferred income

Increase/(decrease) in accrued expenses and deferred income

	Jan 1–Sep 30 2022	Jan 1–Sep 30 2021	2021
As at beginning of reporting period	**15,460**	**23,534**	**23,534**
Recognised in period	21,856	21,440	29,639
Used	25,901	31,542	37,711
Reversed	132	6	2
As at end of reporting period	**11,283**	**13,426**	**15,460**

Impairment losses on receivables

In the nine months ended September 30th 2022, impairment losses on receivables increased PLN 1,570 thousand (up PLN 1,136 thousand in the nine months ended September 30th 2021).

Liabilities

	Sep 30 2022	Dec 31 2021
Current liabilities (excluding leases)	185,516	281,076
Non-current liabilities (excluding leases)	1	128
Trade and other payables	**185,517**	**281,204**

Current liabilities (excluding leases)	**Sep 30 2022**	**Dec 31 2021**
To clients	140,076	154,749
To related entities	258	310
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	28,016	93,045
- to the Warsaw Stock Exchange *	23,292	92,883
- to the London Stock Exchange	1,865	149
- to the Frankfurt Stock Exchange	227	-
- to the New York Stock Exchange	2,260	-
- to the Amsterdam Stock Exchange	316	-
- liabilities under transactions executed on over-the-counter market	11	13
To entities operating regulated markets and commodity exchanges	197	251
- to the Warsaw Stock Exchange	197	251
To the Central Securities Depository of Poland and exchange clearing houses	327	10,357
Borrowings and subsidies	11,411	16,768
- from related entities	-	-
- other	11,411	16,768
Debt securities	1	1
Taxes, customs duties and social security payable	2,281	2,059
Salaries and wages	-	27
To investment and pension fund companies and to investment and pension funds	1,415	1,604
Other	1,533	1,905
a) dividends payable	400	400
b) other	1,133	1,505
- other liabilities	1,133	1,505
Total current liabilities	**185,516**	**281,076**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, the following balance sheet items: current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, where they relate to transactions executed on the WSE, include receivables from and liabilities to KDPW CCP (the agent clearing the transactions which has assumed the rights and obligations of the parties to the transactions).*

With the exception of bank borrowings and leases, liabilities do not bear interest.

Interest-bearing bank borrowings

Current liabilities under bank borrowings	Sep 30 2022	Dec 31 2021
Bank borrowings	11,228	16,549
- outstanding amount	11,228	16,549
Current liabilities under bank borrowings	**11,228**	**16,549**

As at September 30th 2022, the Group's liabilities under bank borrowings related to its brokerage business amounted to PLN 11,228 thousand (December 31st 2021: PLN 16,549 thousand). The liabilities arose under two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland/KDPW CCP (the clearing agent) and related to the brokerage activities. The current facilities expire on December 12th 2022:

i. Revolving credit facility of up to PLN 8m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland/KDPW CCP in respect of the clearing and settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, a declaration of voluntary submission to enforcement with respect to cash payments in favour of the bank, and a PLN 4m security deposit placed in a term deposit account. The same instruments also secure the credit facility specified in item ii.

ii. Revolving credit facility of up to PLN 25m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Transactions Settlement Guarantee Fund operated by KDPW CCP. The facility is secured by a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank and a declaration of voluntary submission to enforcement with respect to cash payments in favour of the bank with the bank. As stated in item i above, both credit facilities are also jointly secured by a security deposit of PLN 4m.

Subsidies

On June 3rd 2020, IBC received PLN 1,751 thousand in subsidy under a governmental programme run by the Polish Development Fund ("PDF") to provide financial support to micro, small and medium-sized enterprises in order to mitigate the impact of the COVID-19 epidemic in Poland (the "Programme"). Under the Programme, up to 75% of the subsidy was eligible for forgiveness, subject to fulfilment of relevant conditions. These conditions were met, and by a decision of the PDF of July 1st 2021 IBC was released from the obligation to repay PLN 1,313 thousand, representing 75% of the subsidy amount.

The repayable balance of the subsidy amounting to PLN 437.7 thousand does not bear interest and is repaid in 24 equal monthly instalments of PLN 18.2 thousand, starting from August 25th 2021. As at September 30th 2022, the outstanding amount of the subsidy was PLN 182 thousand.

Bonds

In 2022, by the date of issue of these financial statements, the Company issued 12 bonds with a total nominal value of PLN 2.4 thousand, due in 2022–2024. In the comparative period of the nine months to September 30th 2021, the Company issued 14 bonds with a total nominal value of PLN 2.8 thousand, due in 2021–2024. The total amount of liabilities payable by the Company on redemption of the bonds will not exceed the bonds' nominal value and is not significant to the Company. The bonds were issued in connection with the variable remuneration components policy, implemented by the Company as part of its risk management system, in compliance with the applicable regulations.

Up to the date of issue of these financial statements, the Company redeemed PLN 1.6 thousand worth of bonds (including PLN 0.8 thousand worth of bonds redeemed in the three months ended September 30th 2022), compared with PLN 2.4 thousand redeemed in the nine months ended September 30th 2021.

Defaults under credit facilities or loans or breach of material credit covenants, with respect to which no remedial action was taken by the end of the reporting period

None.

15. Notes to the interim condensed consolidated statement of comprehensive income

Revenue from core activities

Revenue from core activities	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Revenue from brokerage activities, including:	36,804	12,524	43,729	12,895
- revenue from trading in securities	21,718	6,650	21,680	6,295
- revenue from investment banking services	13,099	5,745	20,245	5,800
- other revenue from core activities	1,987	129	1,804	800
Revenue from investment fund and portfolio management services	126,988	45,434	129,035	47,180
Revenue from advisory services	21,782	6,993	18,123	6,328
Total revenue from core activities	**185,574**	**64,951**	**190,887**	**66,403**

Operating expenses

Cost of core activities	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	3,336	935	3,528	1,088
Payments to CCP	227	56	200	56
Trade organisation membership fees	68	22	68	22
Salaries and wages	47,671	16,503	47,607	16,041
Social security	4,311	1,019	3,869	847
Employee benefits	845	255	792	263
Raw material and consumables used	493	150	461	133
Depreciation and amortisation	4,660	1,629	4,590	1,541
Taxes and other public charges	5,421	5,115	5,351	5,048
Other costs, including:	114,147	38,203	109,913	36,618
- fund management and distribution costs	91,524	30,486	84,196	28,397
- transaction costs other than cost of clearance through clearing houses or stock exchanges	6,127	2,281	8,837	2,075
- ICT and information services	5,317	1,817	5,352	1,784
- marketing, representation and advertising	1,174	515	794	290
- software purchases (for recharge)	1,819	802	2,081	1,275
- other services	8,186	2,302	8,653	2,797
Total cost of core activities	**181,179**	**63,887**	**176,379**	**61,657**

Other income

Other income	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Income from re-invoicing	2,005	703	2,101	755
Reversal of impairment losses on receivables	185	- 45	1,241	1,089
Reversed provisions	132	-	-	-
Cancellation of PFR subsidies	-	-	1,313	1,313
Gain from sale of property, plant and equipment	1	-	116	65
Other income	519	77	281	99
Total other income	**2,842**	**735**	**5,052**	**3,321**

Other expenses

Other expenses	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Costs of re-invoicing	1,483	505	1,575	499
Recognition of impairment loss on receivables	1,770	151	2,052	825
Other expenses	736	73	315	170
Total other expenses	**3,989**	**729**	**3,942**	**1,494**

16. Income tax

The key components of income tax expense as disclosed in the interim condensed consolidated statement of comprehensive income are as follows:

	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Profit before tax	**3,219**	**2,451**	**13,223**	**6,547**
Tax calculated at 19% rate	**612**	**466**	**2,512**	**1,244**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	295	151	151	- 763
Tax losses for which no deferred tax assets were recognised − other	127	- 101	176	- 1
Tax loss carryforwards for which no deferred tax assets were recognised	-	-	-	-
Use of unrecognised tax losses	-	-	-	-
Non-deductible expenses	4,384	2,700	1,042	610
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-	-	-
Non-taxable income	- 1,758	- 2,370	- 802	- 1,135
Tax base for current and deferred income tax	**6,267**	**2,831**	**13,790**	**5,258**
Reductions, exemptions	-	-	-	-
Income tax expense	**1,191**	**538**	**2,616**	**995**

Tax settlements

Tax settlements and other regulated areas of activity are subject to inspection by administrative authorities, which are authorised to impose significant fines and other sanctions. As there is no possibility of referring to an established regulatory framework in Poland, the applicable regulations often lack clarity and consistency. Frequent discrepancies in opinions concerning the legal construction of tax regulations, both between different governmental agencies, and between governmental agencies and enterprises, create areas of uncertainty and conflict. Consequently, tax risk in Poland is substantially higher than in countries with more mature and stable tax systems.

Tax settlements are subject to inspection for five years from the end of the year in which the respective tax was paid. Such inspections may result in additional tax liabilities being imposed on the Group companies.

Deferred tax

Deferred tax liabilities grew PLN 406 thousand in the nine months ended September 30th 2022 (down PLN 22 thousand in the three months to September 30th 2022), and decreased PLN 259 thousand in the nine months ended September 30th 2021 (down PLN 109 thousand in the three months to September 30th 2021).

In the nine months to September 30th 2022, deferred tax assets decreased by PLN 681 thousand (including by PLN 518 thousand in the three months to September 2022). In the comparative period of the nine months to September 30th 2021, they decreased by PLN 1,132 (including by PLN 501 thousand in the three months to September 30th 2021).

17. Dividends paid and proposed

On May 25th 2022, the Annual General Meeting resolved to distribute the entire 2021 profit of PLN 9,454 thousand as a dividend. The dividend per share was PLN 0.31. The dividend record date was set for June 3rd 2022, and the dividend payment date – for June 10th 2022. PLN 9,280 thousand in total was paid out as dividend on the dividend payment date, with the difference of PLN 174 thousand resulting from the rounding-off of the dividend per share transferred to statutory reserve funds.

On April 27th 2022, the General Meeting of IFA SK resolved to distribute a portion of the profit for 2019 and 2020 of PLN 450 thousand in total. The Company received the full amount of its share in the profit of IFA SK on April 27th 2022.

On August 19th 2022, the General Meeting of IFA SK resolved to distribute a portion of the 2021 profit of PLN 154 thousand. The Company received the full amount of its share in the profit of IFA SK on August 22nd 2022.

18. Issue, redemption and repayment of debt and equity securities

No equity securities were issued by the Group companies in 2022 to the date of issue of these interim condensed consolidated financial statements or in the nine months to September 30th 2021.

For information on the issue and redemption of debt securities, see Note 14.

19. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRSs when the effect of such departure is immaterial, IFA and MUSCARI were not consolidated in these interim condensed consolidated financial statements.

PLN '000	IFA	MUSCARI
Total assets as at Sep 30 2022	13	366
% of parent's total assets	-	0.16
Revenue in Jan 1–Sep 30 2022	11	2,207
% share in Parent's revenue	0.03	5.95
Net assets as at Sep 30 2022	6	- 632
Net profit/(loss) in Jan 1–Sep 30 2022	7	- 283

PLN '000	IFA	MUSCARI
Total assets as at Dec 31 2021	6	665
% of parent's total assets	-	-
Revenue in Jan 1–Sep 30 2021	11	60
% share in Parent's revenue	-	0.17
Net assets as at Dec 31 2021	- 1	- 303
Net profit/(loss) in Jan 1–Sep 30 2021	3	- 353

20. Seasonality of operations

The operations of the Group companies are not subject to seasonality, therefore the presented results do not show any material fluctuations during the year.

21. Contingent liabilities and contingent assets

The Company issued promissory notes as security for a credit facility (see Note 14) and paid: (i) a deposit of EUR 1.5m as security for settlement of transactions on foreign stock exchanges; (ii) a deposit as security for the guarantee discussed in Note 14; (iii) security of PLN 0.2m under a framework agreement for treasury transactions, executed with Alior Bank.

22. Guarantees

In January 2012, the Company received from PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) a guarantee of up to EUR 268 thousand, secured by a security deposit with a current amount of PLN 1,791 thousand. Under an amendment of 2020, the guarantee amount was increased to EUR 308 thousand. The guarantee, provided until April 16th 2023, secures liabilities related to the lease of office space.

23. Leases

The Group as a lessee

In 2022, the most significant lease contracts were leases of office space. The right to use the building for the term of the contract was classified by the Group as lease. The contract was originally executed for a period of five years (starting from 2013) and was subsequently extended under relevant amending annexes, with the most recent annex extending the contract until 2028.

In December 2020, the Group companies signed an agreement containing a lease of IT equipment. The agreement was executed for a period of three years, with an option to extend its term for further periods.

The Group companies are parties to vehicle lease agreements. The financing party has the right to recalculate its fee in the event of changes in the 1M EURIBOR/WIBOR interest rate or regulatory changes (notably tax regime changes). The agreements provide for a mileage limit for the vehicles, which will be accounted for in respect of the entire lease term. If the mileage limit agreed by the parties is exceeded, the lessee has to pay an additional excess mileage charge.

In 2017, a Group company concluded a 60-month lease agreement for IT equipment, to support hosting services provided to the company's trading partner. As per the agreement, the company will have the option to extend the lease or purchase the equipment after the lease term expires. Subject to the consent of the equipment supplier, the company may assign the rights and obligations of the agreement to a third party, and 18 months after the start of the lease the company may terminate the lease without the supplier's consent, provided that the equipment is purchased for a price equivalent to the sum of remaining lease payments. The same terms are set forth in the hosting agreement concluded with the company's trading partner.

Minimum lease payments are presented in the table below.

Lease liabilities	**Sep 30 2022**		**Dec 31 2021**	
Net carrying amount	2,910		7,305	
Present value of minimum lease payments	**Lease payments**	**Finance charge**	**Lease payments**	**Finance charge**
Within 1 year	2,563	21	6,023	105
In 1 to 5 years	347	-	1,282	21
Over 5 years	-	-	-	-
Depreciation expense recognised in 9M	**3,542**		**3,424**	

The Group as a lessor

Finance lease receivables	**Sep 30 2022**	**Dec 31 2021**
Net carrying amount	119	610
Present value of minimum lease payments	**119**	**610**
Within 1 year	119	610
In 1 to 5 years	-	-
Over 5 years	-	-

24. Related-party transactions

IPOPEMA Securities is the parent of the Group. The composition of the Group and equity interests are presented in Note 2.

The Group did not conclude any material non-arm's length transactions with its related parties in the nine months to September 30th 2022 or in 2021.

Related-party transactions – income and expenses (PLN '000)

Related party	**Revenue** Jan 1–Sep 30 2022	**Purchases** Jan 1–Sep 30 2022	**Revenue** Jan 1–Sep 30 2021	**Purchases** Jan 1–Sep 30 2021
IFA	-	-	-	-
MUSCARI	-	2,038	-	1,442
Members of the Management and Supervisory Boards	-	-	-	2
Total	**-**	**2,038**	**-**	**1,444**

Related-party transactions – receivables and liabilities

Related party	**Receivables**		**Liabilities**	
	Sep 30 2022	**Dec 31 2021**	**Sep 30 2022**	**Dec 31 2021**
IFA	5	-	10	4
MUSCARI	726	714	248	306
Members of the Management and Supervisory Boards	-	-	-	-
Total	**731**	**714**	**258**	**310**

Under IAS 24, related parties include also members of the Management Board and the Supervisory Board and persons related to them.

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are incurred directly by the funds. Members of the Management and Supervisory Boards used fund management services in the nine months ended September 30th 2022 and 2021; two funds in which some members of the Company's Management Board or their related persons are investors were exempted from administration fees.

25. Items of the consolidated statement of cash flows

Operating activities – provision of brokerage and advisory services, fund and asset management services and securities trading in the capacity of a broker.

Investing activities – purchase and sale of intangible assets, property, plant and equipment and long-term securities.

Financing activities – acquisition or loss of sources of financing (changes in the amount of and relation between equity and external capital at the entity) and any related monetary costs and benefits.

Differences in changes in balance sheet items

	Presentation in the condensed consolidated statement of financial position**Sep 30 2022**	Presentation in the condensed consolidated statement of financial position **Dec 31 2021**	Presentation in the condensed consolidated statement of cash flows – change**Sep 30 2022**
Gross receivables	166,756	257,541	91,626
Net receivables	161,711	254,066	
Impairment losses on receivables	5,045	3,475	1,557
Prepayments and accrued income	3,084	2,146	
Accrued expenses and deferred income (net of deferred tax related to equity and provision for unpaid interest)	11,283	15,460	- 5,115
Total change in impairment losses and accruals and deferrals			- 3,558

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the removal from gross receivables as at September 30th 2022 of receivables under loans advanced and interest on a security deposit, which are disclosed under investing activities. The difference between the change in impairment losses on receivables and the amount disclosed in the statement of cash flows is a result of some impairment losses on loans having been included in other operating adjustments.

	Presentation in the condensed consolidated statement of financial position**Sep 30 2021**	Presentation in the condensed consolidated statement of financial position **Dec 31 2020**	Presentation in the condensed consolidated statement of cash flows – change**Sep 30 2021**
Gross receivables	243,285	255,849	13,246
Net receivables	239,354	253,053	
Impairment losses on receivables (excluding impairment losses on loans)	3,931	2,796	811
Prepayments and accrued income	1,514	1,352	
Accrued expenses and deferred income (net of deferred tax related to equity and provision for unpaid interest)	13,426	23,534	- 10,270

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the removal from gross receivables as at September 30th 2021 of receivables under loans advanced and interest on a security deposit, which are disclosed under investing activities. The difference between the change in impairment losses on receivables and the amount disclosed in the statement of cash flows is a result of some impairment losses on loans having been included in other operating adjustments.

26. Material litigation and administrative proceedings

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice (“GPW”), in which GPW sought payment of PLN 20,554,900.90 for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI considers GPW’s claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. By the date of this report, several hearings were held, with some of the witnesses heard. Given the complex factual and legal circumstances and the operation of the Polish judicial system, it is not possible at this point to predict the date of conclusion or the outcome of the proceedings.

In the six months to June 30th 2022, a client of IPOPEMA Business Consulting filed an action against the company relating to an implementation contract between the parties, performed in the ordinary course of IPOPEMA Business Consulting’s business. The plaintiff estimated the amount of the claim at PLN 14.5m. Given the facts and the obtained legal opinions, the Management Board of IPOPEMA Business Consulting considers the claim to be entirely unfounded and without factual and legal merit. Moreover, IPOPEMA Business Consulting will seek remuneration due from the client for the work completed and handed over to the client.

27. Clients’ financial instruments

Clients’ financial instruments	Sep 30 2022	Dec 31 2021
Securities admitted to official listing		
- quantity	316,692	296,402
- amount	1,988,169	2,291,414
Securities not admitted to official listing		
- quantity	4,669	4,348
- amount	218,174	172,973
Designated sponsor		
(i) shares		
- quantity	841	979
- amount	13,143	44,803
(ii) bonds		
- quantity	173	19,000
- amount	86,458	2,874
(iii) investment certificates		
- quantity	98,176	94,212
- amount	35,606,212	35,597,600

28. Capital adequacy requirements

IPOPEMA Securities S.A. is an investment firm required to calculate its own funds and prudential requirements under Regulation (EU) No. 2019/2033 of the European Parliament and of the Council of November 27th 2019 on the prudential requirements of investment firms and amending Regulations (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014 (“IFR”).

The Group’s prudential consolidation comprises the Company and IPOPEMA TFI.

Data as at September 30th 2022 regarding own funds, own funds requirements and capital ratios provided in the IFR Regulation are presented below. The capital requirement calculated in accordance with the IFR is the highest of:

- fixed overheads requirement,
- permanent minimum initial capital requirement,
- K-factor capital requirement.

As at September 30th 2022, the Company’s K-factor capital requirement was the highest of these amounts.

Item (PLN ‘000)	Sep 30 2022	Sep 30 2021
Own funds	**92,825**	**73,323**
Own funds requirements	**21,495**	**20,302**
- permanent minimum capital requirement	3,450	3,461
- fixed overheads requirement	17,456	17,208

ipopema

- K-factor requirement	21,495	20,302
Tier 1 common equity ratio	431.85%	361.15%
Surplus(+)/deficit(-) of common equity Tier 1 capital	80,788	61,953
Tier 1 capital ratio	431.85%	361.15%
Surplus(+)/deficit(-) of Tier 1 capital	76,704	58,096
Total capital adequacy ratio	431.85%	361.15%
Surplus(+)/deficit (-) of total capital	71,330	53,020

Information on breach of capital adequacy ratios and limits on large exposures

In the reporting period, the Group did not identify any non-compliance with capital adequacy ratios on a consolidated basis.

29. Material events and factors in the first nine months of 2022

War in Ukraine

Currently, the single biggest risk factor affecting the economic and other aspects is the war in Ukraine. For obvious reasons, it is difficult to reliably predict how the war will unfold and how long it will last, let alone what its aftermath will be. However, one can expect that it will have an extremely negative impact on the European economy and situation on the Polish market. The consequences of this war can already be seen in some areas of the Company's operations, as evidenced by customers' increased caution in investment decision-making.

Equity market and investment banking

After a slight rebound in the opening months of 2022, investor activity on the WSE slowed down sharply in May, with total trading volumes down 2% year on year in the nine months to September 30th 2022. IPOPEMA Securities also recorded a slightly lower share in the total market trading volumes (2.12% vs 2.24%). Revenue from transactions executed jointly with the investment banking segment was lower than in the previous year. But given growth in revenue from foreign markets and in revenue from bond brokerage, the overall revenue from securities trading for January to September 2022 (PLN 21,718 thousand) remained on the previous year's level (PLN 21,680 thousand).

The equity market saw volatile sentiment – concerns about an economic downturn combined with high inflation and the war in Ukraine significantly dampened investor and corporate activity, which led to a smaller number and scale of transactions executed by the Company. As a result, revenue from investment banking services reached PLN 13,099 thousand. Although the revenue fell significantly year on year (from PLN 20,245 thousand), it should be noted the investment banking segment performed particularly well in the previous year.

These factors led to a net loss of PLN 232 thousand posted by the brokerage segment for January to September 2022, compared with a net profit of PLN 695 thousand reported the year before. On a separate basis (excluding intragroup sales and other consolidation eliminations), IPOPEMA Securities posted a net profit of PLN 1,487 thousand in the nine months to September 30th 2022 (compared with a net profit of PLN 4,257 thousand a year earlier).

IPOPEMA TFI

For several months now, IPOPEMA TFI has seen major outflows from actively managed investment funds (the value of assets in these funds as at the end of September 2022 was PLN [1.8bn] vs [PLN 2.5bn] a year earlier). This has translated into lower revenue from capital market fund management. But with an increase in revenue from management of securitisation funds, the segment's total revenue remained broadly unchanged year on year. Regardless of the outflows, taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company – as at the end of September 2022, total assets under its management amounted to PLN 63.9bn (compared with PLN 59.5bn the year before).

IPOPEMA Business Consulting

IPOPEMA Business Consulting posted revenue of PLN 21,782 thousand in the nine months ended September 30th 2022, including from projects launched in prior periods, relative to PLN 18,123 thousand of revenue reported in the corresponding period of the previous year (up 20.2%) The company managed to improve its performance despite higher operating expenses (up 6.2%), with profit on core activities of PLN 1,293 thousand (vs a loss of PLN 1,169 thousand in the first nine months of 2021) and net profit of PLN 129 thousand (compared with a net loss of PLN 7 thousand a year earlier).

Investment agreement with ProService Finteco Sp. z o.o.

On March 23rd 2022, IPOPEMA Securities entered into an investment agreement with ProService Finteco sp. z o.o. of Warsaw ("ProService") under which Investment Fund Depositary Services S.A. ("IFDS") was established. The principal business of the company will be the provision of depositary services to closed-end investment funds. IFDS' share capital amounts to PLN 4,125,000 (with one-fourth of that paid up as the date of this report), and IPOPEMA and ProService have each subscribed for shares representing 50% of the company's share capital and total voting rights. The investment agreement between IPOPEMA Securities and ProService grants the parties the same rights as regards appointment of members of the Management Board and the Supervisory Board of IFDS, and includes the customary provisions for agreements of this type, concerning, among other things, the right of pre-emption (if the other shareholder decides to dispose of the shares) and exit scenarios in the event of any significant disagreement between the shareholders. Apart from the obligations to subscribe for shares and make contributions for the share capital of the above amount, the agreement does not provide for any other obligations relating to the financing of IFDS by IPOPEMA Securities or ProService.

The company was registered with the National Court Register on July 12th 2022, and it subsequently applied to the Polish Financial Supervision Authority for authorisation to conduct brokerage activities whose scope would enable it to provide depositary services. The proceedings before the PFSA initiated in connection with IFDS' application were pending as at the date of these financial statements.

30. Events subsequent to the end of reporting period

All events relating to the reporting period are disclosed in the accounting records and the condensed consolidated financial statements for the period January 1st–September 30th 2022.

No material events occurred after the reporting period that should have been but were not disclosed in the accounting records for the reporting period.

Warsaw, November 16th 2022

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice President of the Management Board	Stanisław Waczkowski Vice President of the Management Board	Mirosław Borys Vice President of the Management Board	Danuta Ciosek Chief Accountant