

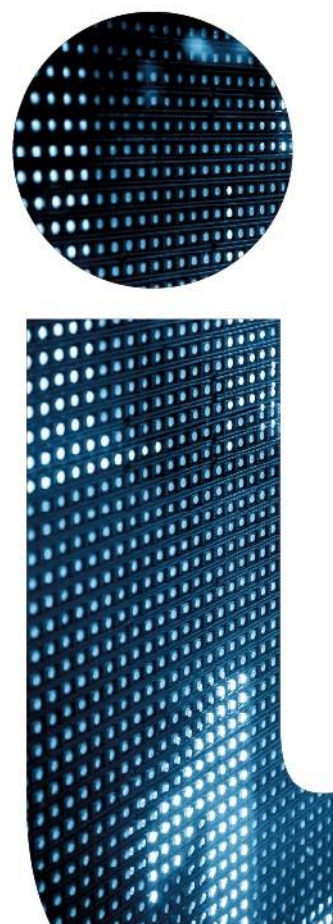
This document is not an official version of the Directors' Report on the operations of IPOPEMA Securities S.A. and the IPOPEMA Securities Group in the first half of 2022. The official Directors' Report on the operations of IPOPEMA Securities S.A. and the IPOPEMA Securities Group in the first half of 2022 has been prepared in accordance with the requirements of the ESEF Regulation.

The IPOPEMA Securities
Group

Directors' Report

**on the operations of IPOPEMA Securities S.A.
and the IPOPEMA Securities Group
in the first half of 2022**

Warsaw, 6 September 2022



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PART I

1. Financial results

Consolidated financial highlights	2022			2021		
	Jan-Mar*	Apr-Jun*	Jan-Jun	Jan-Mar*	Apr-Jun*	Jan-Jun
Total revenue, including	63,201	57,422	120,623	64,752	59,732	124,484
<i>Brokerage and related services</i>	14,230	10,050	24,280	19,076	11,758	30,834
<i>Investment fund management</i>	41,850	39,704	81,554	39,420	42,435	81,855
<i>Advisory services</i>	7,121	7,668	14,789	6,256	5,539	11,795
Total operating expenses	59,519	57,773	117,292	59,204	55,518	114,722
Profit on core activities	3,682	-351	3,331	5,548	4,214	9,762
Net profit for period	9	106	115	3,041	2,014	5,055

*Unaudited

Revenue

In the six months to June 30th 2022, the IPOPEMA Group's consolidated revenue (PLN 120,623 thousand) declined slightly year on year (PLN 124,484 thousand). Revenue generated by the advisory services segment grew 25.4%, but the growth was offset by lower revenue posted by the brokerage services segment (down 21.3%), with revenue from the fund management segment having remained broadly flat.

A year-on-year decline was seen in the revenue posted by the brokerage services segment (PLN 24,280 thousand, 20.1% of consolidated revenue), chiefly due to lower revenue from investment banking services (PLN 7,354 thousand vs PLN 14,353 thousand in the six months ended June 30th 2021). However, it should be considered that in the first six months of 2021 the Company posted record revenue from investment banking services, therefore this year's revenue (especially under such uncertain market conditions) can be viewed positively. Revenue from securities trading was maintained at a level close to that reported for the first half of 2021 (PLN 15,068 thousand vs PLN 15,385 thousand in the six months to June 30th 2021). The Company recorded a lower volume of trades executed on the WSE, leading to a slight decline in its market share (2.14% vs 2.24% a year earlier), mainly in favour of brokerage offices specialising in services for retail customers and foreign banks gaining an increasingly prominent market position.

In January to June 2022, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 81,554 thousand (67.6% of consolidated revenue), broadly flat on the figure reported for the corresponding period of 2021 (PLN 81,855 thousand). The revenue posted by IPOPEMA TFI was mainly attributable to higher revenue from management of securitisation funds. As a result of the market-wide trend of withdrawing funds from actively managed funds, the total value of assets in these funds at IPOPEMA TFI was PLN 1.8bn as at the end of June 2022, down PLN 0.7bn year on year. This translated into slightly lower revenue from capital market fund management. Taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company – as at the end of June 2022, total assets under its management amounted to PLN 60.6bn (compared with PLN 57.6bn at the end of June 2021).

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 14,789 thousand (12.3% of consolidated revenue) in the six months ended June 30th 2022, relative to PLN 11,795 thousand in the corresponding period of the previous year (up 25.4%).

Costs and expenses

The IPOPEMA Group's total operating expenses in the first half of 2022 were up 2.2% year on year and amounted to PLN 117,292 thousand (vs PLN 114,722 thousand).

In January to June 2022, operating expenses of the brokerage services segment totalled PLN 23,686 thousand, having declined by 12.1% on the six months ended June 30th 2021 (PLN 26,949 thousand), chiefly on lower costs of services related to transactions then executed.

Higher operating expenses in the investment fund and portfolio management segment (PLN 80,117 thousand vs PLN 75,350 thousand in the six months ended June 2021) were primarily driven by costs related to management of securitisation funds.

In the advisory services segment, operating expenses went up 8.6% year on year in the six months ended June 30th 2022 (to PLN 13,489 thousand from PLN 12,423 thousand the year before).

Financial results

Operating profit on core activities delivered by all segments translated into consolidated operating profit on core activities of PLN 3,331 thousand (vs PLN 9,762 thousand a year earlier). Net profit delivered by the fund management and advisory services segments (despite net loss reported by the brokerage services segment) translated into consolidated net profit of PLN 115 thousand (compared with net profit of PLN 5,055 thousand posted for the six months to June 30th 2021).

As IPOPEMA Securities' respective equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 77%, net loss attributable to owners of the parent amounted to PLN 56 thousand, while profit attributable to non-controlling interests was PLN 171 thousand.

With a 21.3% decrease in revenue (despite a 12.1% decline in operating expenses), the brokerage services segment earned a profit on core activities of PLN 594 thousand for the six months to June 30th 2022 (compared with PLN 3,885 thousand the year before). However, higher finance costs led to a net loss of PLN 1,513 thousand (vs a PLN 1,143 thousand net profit for January to June 2021). On a separate basis (net of intra-group sales and other consolidation eliminations), in the six months ended June 30th 2022 IPOPEMA Securities reported a net loss of PLN 305 thousand (vs a net profit of PLN 2,895 thousand the year before).

Flat revenue and a 6.3% growth in operating expenses posted by the fund management segment drove down the segment's profits, with profit on core activities at PLN 1,437 thousand (compared with PLN 6,505 thousand in the six months ended June 30th 2021) and net profit at PLN 1,557 thousand (compared with PLN 4,526 thousand in the six months ended June 30th 2021).

Despite an 8.6% increase in operating expenses, a revenue increase of 25.4% enabled the advisory services segment to earn higher profits, with profit on core activities at PLN 1,300 thousand (compared with a loss of PLN 628 thousand the year before) and net profit at PLN 71 thousand (compared with a net loss of PLN 614 thousand the year before).

2. Material events and factors with a bearing on financial result

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 and June, with total trading volumes down 3.2% year on year in the six months to June 30th 2022. IPOPEMA Securities also recorded a slightly lower share in the total market trading volumes (2.14% vs 2.24%). Revenue from transactions executed jointly with the investment banking segment was lower than in the previous year. All in all, in the six months to June 30th 2022 the Company reported PLN 15,068 thousand in revenue from securities trading (compared with PLN 15,385 thousand a year earlier).

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 7,354 thousand. Although the revenue fell significantly year on year (from PLN 14,353 thousand), it should be noted that in the first half of 2021 the Company posted record revenue from investment banking services.

These factors led to a net loss of PLN 1,513 thousand posted by the brokerage segment for January to June 2022, compared with a net profit of PLN 1,143 thousand reported the year before. On a separate basis (net of intra-group sales and other consolidation eliminations), in the six months ended June 30th 2022 IPOPEMA Securities reported a net loss of PLN 305 thousand (vs a net profit of PLN 2,895 thousand the year before).

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 June 2022 was PLN 1.8bn vs PLN 2.5bn a year earlier). This has translated into lower revenue from capital market fund management. However, total revenue posted by the segment was bolstered by revenue from securitisation fund management and remained broadly flat 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 June 2022, total assets under its management amounted to PLN 60.6bn (compared with PLN 57.6bn at the end of June 2021).

IPOPEMA Business Consulting

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 14,789 thousand in the six months ended June 30th 2022, relative to PLN 11,795 thousand in the corresponding period of the previous year (up 25.4%). Despite higher operating expenses (up 8.6%), the company managed to improve its performance, with profit on core activities of PLN 1,300 thousand (vs a loss of PLN 628 thousand in the first half of 2021) and net profit of PLN 71 thousand (compared with a net loss of PLN 614 thousand a year earlier).

3. Factors that may affect performance in the second half 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. It is still too early to assess the actual impact of the current developments on the Company's and its Group's business in subsequent periods of the current year.

WSE secondary market

As regards operations in the secondary market, market sentiment is far from optimistic – at the end of August the main index of the Warsaw Stock Exchange (WIG) was almost 30% below the levels seen at the end of 2021 and approximately 20% below the levels observed immediately after Russia's invasion of Ukraine. In the first seven months of 2022 investor activity on the WSE was slightly lower than in January to July 2021 (down 1.6% in total). It is therefore hard to predict how the situation on the WSE will evolve in the remaining months of this year.

Capital market

Despite relatively good conditions in the capital market in 2021, the war in Ukraine has significantly changed the sentiment of both investors and companies themselves. The situation is not helped by the high inflation and further interest rate hikes. The Company expects some of the transactions that are currently being prepared may be postponed or suspended, and new mandates may be difficult to obtain. Nevertheless, IPOPEMA Securities continues to execute transactions for entities in sectors that are relatively unlikely to be adversely affected by the economic impact of the war in Ukraine.

Investment fund management segment

The first six months of 2022 offered little optimism for the investment fund segment. The prospects of continuing high inflation and interest rate hikes erode returns and lead to a gradual outflow of assets from the funds – July was the tenth consecutive month of net redemptions. In addition, the high uncertainty about how the war in Ukraine unfolds may adversely affect the performance of funds actively managed by IPOPEMA TFI and thus the Management Company's revenue from their management. However, a proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on the prevailing economic climate and stock market sentiment.

Advisory services segment

In the advisory services segment, IPOPEMA Business Consulting continues the execution of ongoing projects and begins new ones, which should improve its financial performance. However, demand for services in the sector in which IPOPEMA Business Consulting operates may decline in the coming months of 2022 as a result of the prolonged armed conflict in Ukraine and the related turbulence in the Polish and international markets.

SARS-CoV-2 epidemic

In previous periods, especially in 2020, but also in 2021, the SARS-CoV-2 epidemic was a factor with potentially the strongest bearing on the economy and financial markets and, consequently, on the Company's business. At present, the COVID-19 risk seems to be slightly lower, as evidenced by the formal lifting of the state of pandemic emergency in Poland. Although the pandemic situation may deteriorate in the coming months due to the possible emergence of new coronavirus waves and mutations, at present the Company has not identified any significant adverse effect of the epidemic on its operations.

Variable fee for fund and portfolio management (investment fund and portfolio management segment)

In subsequent periods of the current year, IPOPEMA TFI may recognise revenue from variable fees for managing selected funds (and costs of managing such funds). Variable fees are settled as at the last day of the financial year and cannot be recognised in the statement of profit or loss until December 2022. Therefore, prior to their settlement, the total amount of the fees is only an estimate subject to ongoing updates depending on the performance of investments funds and the amount of assets under management, and, as such, the fees are not included in revenue of the investment fund and portfolio management segment reported in interim financial statements. As at the end of the last calendar month preceding the date of this report, i.e. August 31st 2022, the variable management fee would not have been recognised.

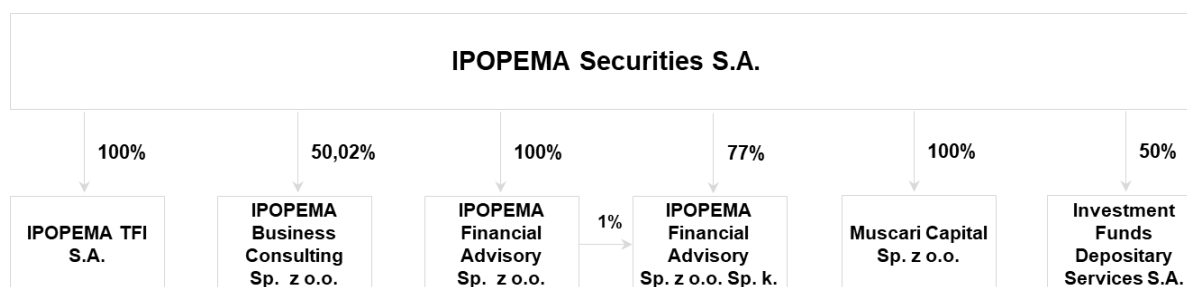
4. Performance against forecasts

The Company has not published any performance forecasts (separate or consolidated).

PART II

1. Organisational structure of the IPOPEMA Securities Group

As at June 30th 2022, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. (the Parent) and its subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o. Sp. k., Muscari Capital Sp. z o.o. and Investment Funds Depository Services S.A. (please refer to Note 23 of the financial statements of the Company and Note 29 of the consolidated financial statements). IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. are consolidated, while IPOPEMA Financial Advisory Sp. z o.o., Muscari Capital Sp. z o.o. and Investment Funds Depository Services S.A. were excluded from consolidation based on the immateriality of their financial data.



2. Changes in the Group's organisational structure

On March 23rd 2022, Investment Funds Depository Services S.A. was established jointly with ProService Finteco Sp. z o.o. The principal business of the new company will be the provision of depository services to closed-end investment funds (for more information, see Note 23 of the financial statements of the Company and Note 29 of the consolidated financial statements). There were no changes in the Group's organisational structure in the six months ended June 30th 2022. 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. As at the date of these financial statements, IPOPEMA TFI was in the process of registering certain corporate changes, including changes to the company's name, management board and the amount of its share capital.

3. Shareholding structure of IPOPEMA Securities S.A.

As at June 30th 2022 (and as at the date of this report), the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights	% of total voting rights at GM
OFE PZU Złota Jesień*	2,993,684	9.99%
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.98%
IPOPEMA 10 FIZAN ²	2,851,420	9.52%
Value FIZ*	2,750,933	9.18%
QUERCUS Funds ^{3*}	2,256,200	7.54%
Katarzyna Lewandowska	2,136,749	7.13%
Jarosław Wikaliński ⁴	1,499,900	5.01%
Shareholders holding over 5% of the share capital – total	17,479,675	58.38%

* Based on notifications received by the Company from the shareholders.

¹ The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

² The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

³ QUERCUS Parasolowy SFIO and QUERCUS Multistrategy FIZ.

⁴ Pursuant to an oral agreement on unanimous voting at the General Meeting, Jarosław Wikaliński and Małgorzata Wikalińska hold a total of 2,990,789 voting rights, or 9.98% of total voting rights at the General Meeting.

4. Changes in the number of shares held by members of management and supervisory personnel

As at June 30th 2022 (and until the date of this report), the management and supervisory personnel listed below held, directly or indirectly through their subsidiaries or related parties (including dedicated funds), shares in IPOPEMA Securities S.A. The holdings of the management and supervisory personnel did not change vs those presented in the report for the first quarter of 2022.

Person	No. of shares and voting rights	% of ownership interest and total voting rights
Jacek Lewandowski – CEO and President of the Management Board ¹	3,330,079	11.12%
Stanisław Waczkowski – Vice President of the Management Board	3,142,855	10.49%
Mirosław Borys – Vice President of the Management Board	696,428	2.32%
Mariusz Piskorski – Vice President of the Management Board	515,000	1.72%
Total	7,684,362	25.66%

¹ As disclosed in item 3, shares in IPOPEMA Securities S.A. were also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

5. Issue, redemption and repayment of equity and non-equity securities

Implementing its variable remuneration policy in 2022, up to the date of this report the Company issued bonds with a total value of PLN 2.4 thousand (vs PLN 2.8 thousand in the first half of 2021). Over the same period, it redeemed bonds with a total value of PLN 1.6 thousand (vs PLN 1.6 thousand in the first half of 2021). For more information on the issue and redemption of bonds, see Note 11 to the financial statements of IPOPEMA Securities S.A. and Note 14 to the consolidated financial statements.

6. Loans, guarantees and sureties

In the six months ended June 30th 2022, the Company did not receive or provide any sureties or loans (other than loans to Group companies, employees and independent contractors). For information on guarantees provided to the Company, see Note 12 to the separate financial statements of IPOPEMA Securities.

7. Selected corporate events in the first half of 2022

Execution of an investment agreement and establishment of a company

On March 23rd 2022, IPOPEMA Securities entered into an investment agreement with ProService Finteco sp. z o.o. under which Investment Fund Depository Services S.A. ("IFDS") was established. The principal business of the company will be the provision of depository 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 company has been registered with the National Court Register. As a next step, IFDS will apply to the Polish Financial Supervision Authority for authorisation to conduct brokerage activities, to the extent enabling it to provide depository services. 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.

8. Court 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.

9. Related-party transactions

In the first half of 2022, the Company did not execute any material related-party transactions. For details of related party-transactions, see Note 24 to the interim condensed consolidated financial statements.

10. Material events subsequent to the reporting date

In the period between June 30th 2022 and the date of the financial statements, there were no material events which would affect the Company's business.

11. Risk factors

The most important and dominant factor with a direct impact on the activities of almost all businesses is the ongoing war in Ukraine. Given the uncertainty as to the outcome of the war, it has triggered volatility and concerns about the state of the economy which have not been seen for years. While we have not yet seen a Europe-wide economic crisis, it is difficult to accurately predict how the war in Ukraine will affect the economic landscape. Given the unprecedented nature of the situation, including the energy crisis caused by the war and Russia's behaviour, the Company continues to identify it as potentially the largest risk to the economic situation, including situation on the Polish financial market, and thus as a threat to the Group's operations and future financial condition.

Notwithstanding the above dominant risk pertaining to the war in Ukraine, the existing risk factors specific to the business of the IPOPEMA Group and its individual companies have remained unchanged and may have an adverse effect on the business, financial condition, results or development prospects of the Company and the IPOPEMA Group. Those of the risk factors which in the opinion of the Management Board are the most significant are presented below.

Risk related to the situation on capital markets

The Company's financial results depend primarily on capital market conditions, especially in Poland. An economic slowdown adversely affects global stock markets and the CEE stock markets where the Company operates. Any downturn on the capital market affects the Company's revenue through lower trading volumes on stock exchanges and challenging conditions for public offerings of securities.

With respect to IPOPEMA TFI, such adverse market conditions discourage investment in listed securities (mainly equities) and thereby affect revenue from active management services. In past years, this had a limited effect on the performance of IPOPEMA TFI, as it focused on creating closed-end private equity funds. However, as the company is expanding its active asset management services, a prolonged market downturn may erode revenues and earnings of IPOPEMA TFI (particularly due to difficulties in acquiring new assets for management or even maintaining their current volumes). Likewise, in the asset management business, the factor of crucial importance to its operations is the market sentiment, which drives equity and debt instrument prices, thus affecting the value of assets under management and revenue from portfolio management services.

Risk of deterioration of trading partners' financial condition

Businesses are at risk of being exposed to liquidity problems due to adverse economic conditions (high interest rates, high inflation, rising commodity prices, etc.). Clients of the IPOPEMA Group companies may also face liquidity pressures. If they do, payments from trading partners may be delayed or suspended, which would adversely affect cash flows of the IPOPEMA Group companies (especially in areas where long-term advisory and implementation projects are carried out and where remuneration is paid only after the contracted work has been completed).

Risk related to competition in the markets on which IPOPEMA Securities and other Group companies operate

IPOPEMA Securities is exposed to strong competition across all its markets, both from well-established Polish brokerage houses and foreign financial institutions, which are increasingly active in the CEE region, including Poland (operating both as foreign-based brokerage houses and through their local offices). The intensifying competition may result in further loss of the Company's market share and in higher pressure on prices, which may have an adverse effect on the Company's financial performance.

Similarly, IPOPEMA TFI and IPOPEMA Business Consulting compete against companies with established market positions and against new market entrants. IPOPEMA TFI is the largest investment fund management company in terms of total assets under management, and one of the market leaders in creating closed-end investment funds. Moreover, IPOPEMA TFI continues to expand its offering and consolidate its position on the market of actively managed funds. IPOPEMA Business Consulting is consistently expanding its client base and order book. Nonetheless, there can be no assurance that the competitors' activities will not stand in the way of the development plans of IPOPEMA TFI and IPOPEMA Business Consulting; if so, this may have an adverse effect on the future performance of the IPOPEMA Securities Group as a whole.

Risk related to dependence on the management personnel, necessity to retain key employees, acquisition of highly qualified specialists and level of remuneration

The IPOPEMA Securities Group's business and development prospects largely depend on the expertise, experience and qualifications of the management personnel. Their work for the Group has been a key factor behind its success to date. Hence, if any members of the Group's management or other key personnel decide to leave, this may have an adverse effect on the operations and financial condition of the Company and its subsidiaries, as well as on their financial performance and development prospects.

Furthermore, in order to deliver an adequate quality of service, the Group companies must retain highly qualified staff. The nature of the Group's business requires that part of IPOPEMA Securities' and IPOPEMA TFI's employees, in addition to having relevant experience, meet formal requirements to be able to provide brokerage or investment advisory services. Besides, to ensure continued development of the Group, it is necessary to hire new employees with relevant expertise and experience. Given the strong competition and limited availability of qualified professionals that guarantee the required level of service, with a view to ensuring stability of the key staff, the Company's Management Board seeks to apply appropriate incentives to motivate employees to link their future with the Group. However, the pursuit of those plans may require increased expenditure on employee remuneration, which, given the considerable share of salaries and wages in total operating expenses, may have an adverse effect on the financial results of the Group companies in the future.

Risk related to clearing of stock-exchange transactions

The Company is a clearing member of the Polish national securities depository KDPW_CCP, which means that on the clearing date it is required to pay for executed buy transactions and deliver securities in order to clear executed sell transactions. The Company executes transactions for clients (holding accounts with custodian banks), who should deliver cash for executed buy transactions or securities for executed sell transactions on the clearing date. However, a client may fail to provide the cash or securities on time. In such a case, until the client has settled the relevant liabilities, for the purpose of the transaction clearing the Company must use its own resources (buy transactions) or deliver securities acquired on the market (sell transactions). Additionally, if the client fails to pay for a buy transaction, there is also a risk that the Company may acquire securities which it may be unable to sell on equally favourable terms or which it may be unable to sell at all. In the case of sell transactions, there is a risk that the Company may need to acquire the securities on the market at a price higher than the price at which the client was supposed to deliver such securities or that it will be impossible to acquire such securities. Such a situation does not limit the Company's right to assert claims against the client on account of the client's failure to perform obligations under an agreement (order) concerning a transaction in securities.

Risk related to the nature of investment banking services

The Company's services in the area of investment banking, in particular advisory services to companies seeking introduction of their shares to trading on the WSE as well as M&A transactions, are characterised by relatively long execution periods (typically not less than several months). Given the volatile nature of capital markets and changes of investment plans by the Company's clients, there is a risk that some of the projects commenced by the Company may be postponed or the clients may decide to abandon execution of the transaction (in particular when faced with adverse market conditions). As success fees account for a substantial portion of the Company's consideration in the case of such projects, any such decisions may have an adverse effect on the Company's financial performance.

Risk related to retail client business

In 2016, the Company began to offer brokerage services and investment products to a broader base of retail clients. These activities are carried out largely through distributors cooperating with the Company as investment firm's agents, with the distributor network continually expanded. The retail business depends heavily on the general economic climate and stock market sentiment, which makes it difficult to conclusively assess how such operations will develop in the coming periods and, consequently, to assess their impact on the Company's performance.

Activities of IPOPEMA TFI

Given the strong competition on the market of investment funds as well as the dependence of individual funds' performance on the economic situation (in particular the situation on the capital markets) and correctness of investment decisions made by the IPOPEMA TFI fund managers, there is a risk that the funds may not yield the expected rate of return (or, in an extreme case, they may incur losses) and the clients may lose confidence in the fund managers, which may eventually lead to some clients discontinuing their relationship with the funds managed by IPOPEMA TFI or make attracting new clients more difficult. In view of the above and the fact that in some funds a part of IPOPEMA TFI's remuneration depends on its investment performance and delivery of returns above the benchmark, the risk of the manager failing to meet the set targets and clients' decisions to discontinue using the services offered by IPOPEMA TFI may result in the Management Company not being able to achieve the planned volume of revenues.

The rate of IPOPEMA TFI's business growth depends to a certain extent on whether the company is able to secure relevant administrative approvals, as well as the direction of possible changes in the legal environment relevant to the business of investment funds and taxation of investment funds and unit holders.

As regards asset management, IPOPEMA TFI's business is primarily exposed to investment risk. It cannot be ruled out that the IPOPEMA TFI's managers will not make wrong decisions or pursue wrong investment strategies, which may result in the loss of current clients and difficulties in winning new clients, and may thus have an adverse effect on IPOPEMA TFI's performance.

Risk related to the level of equity and financial requirements of IPOPEMA Securities and the Group

In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Settlement Guarantee Fund managed by KDPW_CCP. Currently, each day the Company makes a contribution to the Fund using a credit facility. In the case of any events with an adverse effect on the Company's financial performance, the Company's ability to use debt financing may be limited and it may be necessary for the Company to scale down its business or increase its equity base.

To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and the present amount available under the credit facility ensures safe continuation of business on the current scale or even a substantial increase in business volumes. It should also be noted that, if the Company's clients fail to settle transactions concluded on the basis of their orders in a timely manner, the Company may be required to execute such transactions using its own funds if the available credit facility is not sufficient to cover the liabilities.

Moreover, as a brokerage house, the Company is obliged to meet the capital requirements, including the separate and consolidated capital adequacy requirements, which to a large extent depend on the scope and scale of brokerage activities. Equity is maintained at a level which ensures adequate surplus over the capital requirements referred to above. However, it cannot be ruled out that as a result of change in the scope or scale of operations, a significant loss or changes in the regulatory and legal framework equity will need to be increased. Such need to increase the equity may also extend to IPOPEMA TFI, which may be subject to additional risk estimation and capital requirement obligations as a result of potential regulatory changes affecting investment fund companies.

Risk related to activities of the payment bank

In order to be able to start and conduct operations on the WSE, the Company (as well as other brokerage houses which are direct members of the WSE) is required to have a valid agreement on payment bank services with a bank which is a member of the CSDP. The Company's payment bank is currently Alior Bank S.A. If the agreement on payment bank services was terminated, the Company would need to enter into a new agreement with another bank, which would take time and require the Company to agree new terms of business. Any difficulties in finding a successor payment bank could even pose a risk that the Company might have to temporarily suspend its brokerage until a new agreement is signed.

A similar risk also applies to Austria's Raiffeisen Bank International, which provides the Company with clearing services in relation to transactions executed on foreign stock exchanges.

Risk related to the IT and telecommunications systems

A particularly significant aspect of the Company's activities is the need to ensure uninterrupted and secure operation of its IT and telecommunications systems. Any serious system failure may not only expose the Company to the risk of financial liability to clients for not executed or incorrectly executed orders, but may also undermine the client's confidence in the long term. The Company purchased and implemented a dedicated IT system for providers of brokerage services, which has been upgraded and modified on a continual basis. The objective behind the purchase of the system and the ongoing steps taken by the Company in order to ensure the best possible security solutions for its IT and telecommunications infrastructure is to mitigate the risk of adverse effects of possible failure of the IT systems, unauthorised access to the data stored on the servers used by the Company, or loss of such data. Despite the measures taken by the Company, there can be no assurance that a risk in this area would not materialise, leading to a risk of claims against or penalties, including fines, imposed on the Company (or other Group companies).

Risk related to mistakes and errors of IPOPEMA Securities' employees and breaches of law

The IPOPEMA Securities Group's position on the markets on which it is present depends primarily on the degree of client confidence in the Group companies and their employees. The nature and scope of the Group's services require its employees not only to possess the relevant expertise and experience, but also to comply with the procedures in place at each company of the Group, designed to limit the risk of mistakes and errors in the course

of the Group's operations. Although each employee of the IPOPEMA Securities Group is obliged to know and apply the operational procedures in effect at a given company, there can be no assurance that mistakes or errors will not occur in day-to-day operations. Any such errors or mistakes may, depending on their scale, affect the financial standing and financial performance of the IPOPEMA Securities Group. Given the nature of the Group's operations, the risk of mistakes is particularly relevant in the case of staff operating directly on the secondary market. Moreover, as the Company develops its operations consisting in offering investment products to a broad retail audience, there is also a growing risk of potential claims against the Company, particularly if products purchased by an investor generate a loss – both as a result of potential failure by the Company and for reasons beyond its control (i.e. attributable to the issuer or manager of a given instrument).

In line with the applicable laws, a company authorised to conduct brokerage activities is required to have a unit which exercises ongoing supervision over compliance of the employees who provide brokerage and investment advice services with legal regulations and internal rules of procedure. Nevertheless, there can be no assurance that such events will not occur in the future. Any such incident may expose the Company to administrative sanctions from competent authorities, including the Polish Financial Supervision Authority, and may lead to financial losses and loss of reputation.

Risk associated with claims against IPOPEMA TFI and IPOPEMA Business Consulting

Legal actions have been filed against IPOPEMA TFI and IPOPEMA Business Consulting, as described in Section 8 above. The management boards of the defendant companies consider the actions to be entirely unfounded and have taken steps to have the claims dismissed. Furthermore, IPOPEMA Business Consulting has taken steps to bring a claim against the plaintiff for payment of remuneration due for completed work. Although the management boards of the two companies have formulated a clear position on the claims brought against them and have taken relevant steps, there can be no assurance that unfavourable judgments will not be issued in these cases. Their current status and the protracted nature of legal proceedings prevent reliable estimates of when the cases would be finally decided.

Legal and regulatory risk

The Company, as a brokerage house, and its subsidiary, as an investment fund company, carry out their activities under a licence granted by the Polish Financial Supervision Authority, operating on a highly complex market and in a changing regulatory landscape affecting many areas of their business. This leads to an increased risk of non-compliance with legal requirements and potential violations of laws, regulations or administrative provisions governing the operations of the Group companies, IPOPEMA Securities and IPOPEMA TFI in particular. As a consequence, regulatory authorities (including the Polish Financial Supervision Authority) may impose sanctions such as fines or, in extreme cases, revoke the licence to conduct a particular type of activity.

Frequent legal changes, the overall quality of legislation, as well as imposition of new obligations affect not only the IPOPEMA Group's business, but also the conduct of business activities and business management in general. These factors increase the risk of non-compliance or incorrect compliance with certain regulations, aggravating the risk of fines and penalties for business entities. The number and maximum amounts of such fines and penalties, enforced under various legal acts, are also on the rise, particularly in view of ambiguities in many regulations.

Notwithstanding the above formal aspect, further changes in law and new regulations may affect various areas of the IPOPEMA Group's operations and its profitability, forcing it to incur additional costs or negatively impacting its revenue.

Warsaw, 6 September 2022

Management Board of IPOPEMA Securities S.A.:

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