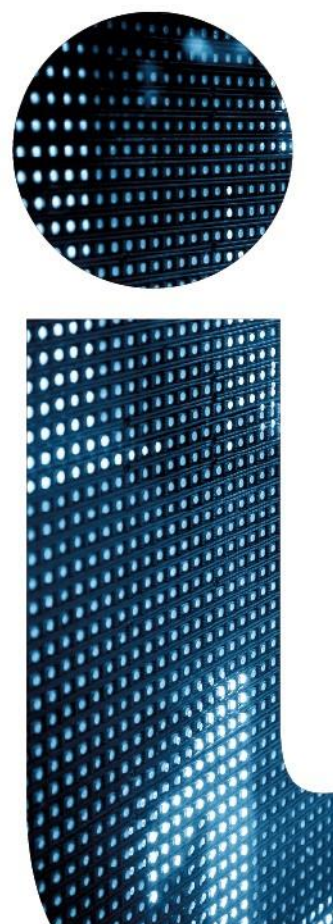


IPOPEMA Securities Group

# Directors' Report

**on the operations of IPOPEMA Securities S.A.  
and the IPOPEMA Securities Group  
in the first half of 2023**

Warsaw, September 6th 2023



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# PART I

## 1. Financial results

Consolidated financial highlights	2023			2022		
	Jan-Mar*	Apr-Jun*	Jan-Jun	Jan-Mar*	Apr-Jun*	Jan-Jun
Total revenue, including	70,167	78,942	<b>149,109</b>	63,201	57,422	<b>120,623</b>
<i>Brokerage and related services</i>	13,475	18,779	<b>32,254</b>	14,230	10,050	<b>24,280</b>
<i>Investment fund management</i>	49,842	53,751	<b>103,593</b>	41,850	39,704	<b>81,554</b>
<i>Advisory services</i>	6,850	6,412	<b>13,262</b>	7,121	7,668	<b>14,789</b>
Total operating expenses	68,163	74,017	<b>142,180</b>	59,519	57,773	<b>117,292</b>
Profit on core activities	2,004	4,925	<b>6,929</b>	3,682	-351	<b>3,331</b>
Net profit for period	1,817	5,275	<b>7,092</b>	9	106	<b>115</b>

\*Unaudited

### Revenue

In the six months ended June 30th 2023, the IPOPEMA Group's consolidated revenue reached PLN (149,109 thousand) and was 23.6% higher than in the first half of 2022 (PLN 120,623 thousand), driven mainly by an increase in revenue in the brokerage services and fund management segments, with a revenue drop recorded in the segment of advisory services.

The year-on-year increase in revenue posted by the brokerage services segment was 32.8% (PLN 32,254 thousand, or 21.6% of consolidated revenue, vs PLN 24,480 thousand the year before). The 33.2% growth in revenue from securities trading (PLN 20,073 thousand vs PLN 15,068 thousand in the first half of 2022) was largely attributable to higher revenue from bond trading (with a slightly lower share in the equity trading market of the WSE). In the six months ended June 30th 2023, similar revenue growth was recorded in the case of investment banking services (33.7%), which generated PLN 9,829 thousand in revenue (compared with PLN 7,354 thousand a year earlier).

In the six months ended June 30th 2023, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 103,593 thousand (69.5% of consolidated revenue), 27.0% more than the figure reported for the corresponding period of 2022 (PLN 81,554 thousand). The revenue increase posted by IPOPEMA TFI was mainly attributable to higher revenue from management of securitisation funds and variable management fees charged in the six months to June 30th 2023 with respect to capital market funds.

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 13,262 thousand (8.9% of consolidated revenue) in the six months ended June 30th 2023, relative to PLN 14,789 thousand in the corresponding period of the previous year (down 10.3%).

### Costs and expenses

The IPOPEMA Group's total operating expenses in the six months ended June 30th 2023 were up 21.2% year on year, amounting to PLN 142,180 thousand (vs PLN 117,292 thousand).

In January–June 2023, costs of operations in the brokerage services segment totalled PLN 29,600 thousand, having increased by 25.0% on the six months to June 30th 2022 (PLN 23,686 thousand), chiefly on higher costs of services (distribution of investment products) and staff costs.

Higher operating expenses in the investment fund and portfolio management segment (PLN 99,761 thousand vs PLN 80,117 thousand in the six months ended June 2022) were primarily driven by costs related to management of securitisation funds.

In the advisory services segment, operating expenses in the six months ended June 30th 2023 were down 5.0% year on year (to PLN 12,819 thousand vs PLN 13,489 thousand the year before).

## Financial results

Profit on core activities and net profit delivered by all segments in the six months to June 30th 2023 translated into consolidated profit on core activities of PLN 6,929 thousand (vs PLN 3,331 thousand a year earlier) and consolidated net profit of PLN 7,092 thousand (vs PLN 115 thousand in the first half of 2022).

As IPOPEMA Securities' equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 77%, respectively, net profit attributable to owners of the parent was PLN 7,128 thousand, while net loss attributable to non-controlling interests was PLN 36 thousand.

With a 32.8% increase in revenue (despite a 25.0% rise in operating expenses), the brokerage services segment earned a profit on core activities of PLN 2,654 thousand for the six months to June 30th 2023 (compared with PLN 594 thousand the year before) and net profit of PLN 3,299 thousand (vs a net loss of PLN 1,513 thousand for January to June 2022). On a separate basis (net of intersegment revenue and other consolidation eliminations), in the six months ended June 30th 2023 IPOPEMA Securities reported a net profit of PLN 4,916 thousand (vs a net loss of PLN 305 thousand the year before).

The fund management segment recorded a 27.0% increase in revenue. With 24.5% growth in operating expenses, this led to an increase in the segment's profits – profit on core activities reached PLN 3,832 thousand (vs PLN 1,437 thousand in the six months ended June 30th 2022) and net profit amounted to PLN 3,621 thousand (vs PLN 1,557 thousand the year before).

In the advisory services segment, a 10.3% drop in revenue, despite lower operating expenses (down 5.0%), led to lower profit on core activities (at PLN 443 thousand vs PLN 1,300 thousand a year earlier). At the same time, the segment's net profit came in at PLN 172 thousand (vs PLN 71 thousand in the first half of 2022).

## 2. Material events and factors with bearing on financial results

### Equity market and investment banking

In the six months to June 30th 2023, investor activity on the equity market of the WSE was significantly lower than the year before – the total trading volume from January to June fell 17.7% on the first half of 2022. IPOPEMA Securities recorded a slightly lower share in the total market trading volumes (2.00% vs 2.14%). However, given the growth in revenue from bond brokerage and transactions executed jointly with the investment banking segment, the overall revenue from securities trading for January to June 2023 (PLN 20,073 thousand) was 33.2% higher than in the previous year (PLN 15,068 thousand).

Despite the still elevated inflation and interest rates, the capital transaction market saw a slight recovery in the second quarter of 2023. As a result, the Company was able to generate PLN 9,829 thousand in revenue from investment banking services, up by 33.7% year on year (from PLN 7,354 thousand).

These factors led to a net profit of PLN 3,299 thousand posted by the brokerage services segment for January to June 2023, compared with a net loss of PLN 1,513 thousand reported the year before. On a separate basis (net of intersegment revenue and other consolidation eliminations), in the six months ended June 30th 2023 IPOPEMA Securities reported a net profit of PLN 4,916 thousand (vs a net loss of PLN 305 thousand the year before).

### IPOPEMA TFI

In the six months ended June 30th 2023, IPOPEMA TFI's revenue went up 27.0% year on year, mainly on the back of higher revenue from management of securitisation funds. Even with higher operating expenses, the fund management segment recorded a marked improvement in net profit (to PLN 3,621 thousand, from PLN 1,555 thousand a year earlier). Assets in actively managed funds as at June 30th 2023 amounted to PLN 1.1bn (compared with PLN 1.2bn the year before). Taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company – as at the end of June 2023, total assets under its management amounted to PLN 55.7bn (compared with PLN 60.6bn at the end of June 2022).

## IPOPEMA Business Consulting

With relative challenges persisting in the advisory services market, IPOPEMA Business Consulting saw a slight drop in revenue (to PLN 12,819 thousand vs PLN 13,489 thousand in the first half of 2022). However, thanks to lower operating expenses (down 5.0%), the segment of advisory services reported a slight improvement in net profit for the six months ended June 30th 2023 (to PLN 172 thousand vs PLN 71 thousand the year before).

## 3. Factors that may affect performance in the second half of 2023

### War in Ukraine

Currently, a significant risk factor impacting the economic and other aspects remains the war in Ukraine. 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 continue to exert a negative impact on the European economy and situation on the Polish market. The consequences of this war can be seen in some areas of the Company's operations, as evidenced by increased caution among clients in investment decision-making. The actual impact of the present situation on the operations of the Company and its Group in subsequent periods is extremely difficult to assess given the unpredictability of further developments and war operations.

### Secondary market

As regards activity on the secondary market of the WSE, market sentiment continues to be rather gloomy. Despite the rebound observed since mid-October 2022, at the end of August 2023 the value of the WIG index was approximately 7% below the peaks recorded in January 2022. In the first half of 2023, equity trading volumes on the WSE declined 17.7% year on year, while IPOPEMA Securities' market share in equity trading on the WSE fell to 2.00% (from 2.14% in the first half of 2022). At the same time, the Company's bond trading activity remained high. It is, however, hard to predict how the situation will evolve over the remaining months of this year.

### Capital market

The first months of 2023 saw unfavourable developments also on the capital markets – both investors and companies showed a highly cautious attitude. Although the second quarter brought signs of a slight uptick in market sentiment, it is difficult to make any definite predictions of how it will develop in the coming months. The situation is also made worse by the continued high inflation and interest rate levels. The above factors may affect the execution of transactions in the pipeline or the ability to secure new ones.

### Investment fund management segment

Since the beginning of this year, the investment fund market has seen a reversal of the previous year's sentiment – August was the seventh consecutive month with an excess of fund subscriptions over redemptions. However, the continuing prospects of high inflation and uncertainty as to interest rate levels in the future may dampen investors' optimism in the coming months. Moreover, the situation in Ukraine may still affect market sentiment and inflows to funds. 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 is engaged in ongoing projects while beginning new ones, which may improve its financial performance. However, in 2023, as a result of the prolonged armed

conflict in Ukraine and the related turbulence in the Polish and international markets, demand for services in the sector in which IPOPEMA Business Consulting operates may decline.

### **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 2023. 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 2023, the potential effect of variable management fees on the segment's pre-tax profit was PLN 9.8m.

## **4. Performance against forecasts**

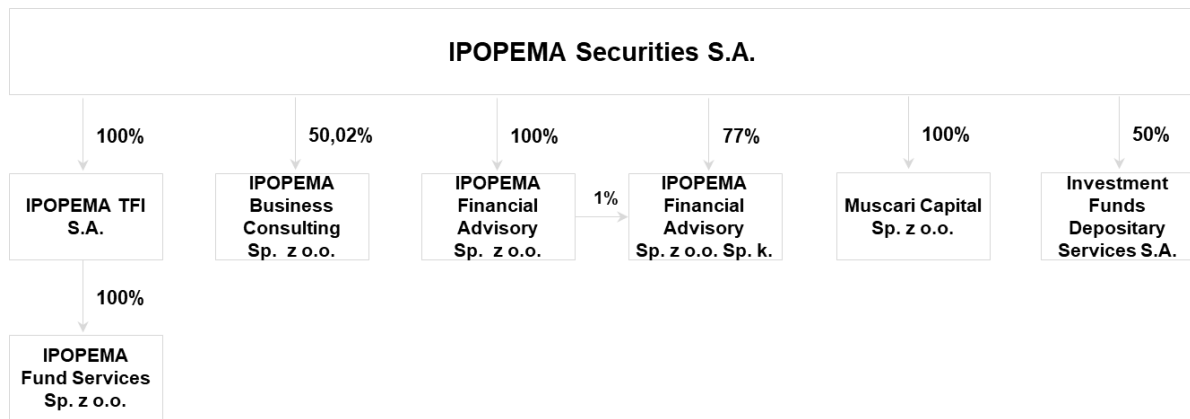
The Company has not published any performance forecasts (separate or consolidated).

## PART II

### 1. Organisational structure of the IPOPEMA Securities Group

As at June 30th 2023, 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., Investment Funds Depositary Services S.A. and IPOPEMA Funds Services Sp. z o.o.

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., Investment Funds Depositary Services S.A. and IPOPEMA Funds Services Sp. z o.o. were excluded from consolidation based on the immateriality of their financial data.



### 2. Changes in the IPOPEMA Securities Group's organisational structure

In the six months ended June 30th 2023, there were no material changes in the organisational structure of the IPOPEMA Securities Group.

### 3. Shareholding structure of IPOPEMA Securities S.A.

As at June 30th 2023 (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*	2,990,000	9.99%
IPOPEMA PRE-IPO FIZAN <sup>1</sup>	2,990,789	9.98%
JLC Lewandowski S.K.A. <sup>2</sup>	2,990,789	9.98%
Value FIZ*	2,992,824	9.99%
Quercus Funds*	2,912,236	9.72%
IPOPEMA 10 FIZAN <sup>3</sup>	2,851,420	9.52%
Katarzyna Lewandowska	2,136,749	7.13%
Jarosław Wikaliński <sup>4</sup>	1,499,900	5.01%
<b>Shareholders holding over 5% of the share capital – total</b>	<b>21,368,391</b>	<b>71.37%</b>

\* Based on notifications received by the Company from the shareholders; updated based on information submitted for the Company's most recent General Meeting.

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

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

<sup>3</sup> Total funds managed by QUERCUS TFI.

<sup>4</sup> Pursuant to an oral agreement to vote in concert 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 2023 (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 2023.

Person	No. of shares and voting rights	% of ownership interest and total voting rights
Jacek Lewandowski – CEO and President of the Management Board <sup>1</sup>	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%
<b>Total</b>	<b>7,684,362</b>	<b>25.66%</b>

<sup>1</sup> 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

In the six months ended June 30th 2023, IPOPEMA Securities S.A. did not issue any equity or non-equity securities. However, the Company did redeem bonds (worth a total of PLN 0.8 thousand) to implement its variable remuneration components policy (in the comparative period, the Company issued PLN 2.4 thousand and redeemed PLN 1.6 thousand worth of bonds).

## 6. Loans, guarantees and sureties

In the six months ended June 30th 2023, 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 2023

### 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. 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. As at June 30th 2023, the share capital of IFDS amounted to PLN 4,125,000 (partly paid up), with IPOPEMA and ProService having each subscribed for shares representing 50% of the share capital and total voting rights (as at the date of this report, the existing share capital was paid up in full and another share capital increase was effected, as described in Section 10 below). The investment agreement 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 payments towards the share capital, the agreement does not provide for any other obligations relating to the financing of IFDS by IPOPEMA Securities or ProService.

IFDS was registered with the National Court Register on July 12th 2022, and subsequently applied to the Polish Financial Supervision Authority for an authorisation to conduct brokerage activities. The proceedings before the PFSA initiated in connection with IFDS' application were pending as at the date of this report.

## 8. Litigation and administrative proceedings

In 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 20.6m 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 unfounded 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. Until the date of this report, several hearings had been 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 December 2022 and January 2023 three legal actions were brought against IPOPEMA TFI, concerning funds previously managed by Saturn TFI and Lartiq TFI, whose management was taken over by IPOPEMA TFI following a decision of the Polish Financial Supervision Authority to withdraw the business licences held by these investment fund management companies. The total amount of claims under these actions is PLN 2.6m. IPOPEMA TFI contests the claims in their entirety since the actions brought against IPOPEMA TFI concern circumstances that were a consequence of the funds' management and situation in the period before their management was taken over by IPOPEMA TFI. Currently, the Management Board of IPOPEMA TFI is taking legal steps to have the claims dismissed and protect IPOPEMA TFI's reputation.

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, supported by 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 has taken steps to obtain remuneration due from the client for the work completed and handed over to the client, filing a claim for a total amount of PLN 12.6m.

Save for the above, the IPOPEMA Group was not party to any material court or administrative proceedings concerning potential liabilities or receivables of the Company or other Group companies.

## 9. Related-party transactions

In the six months ended June 30th 2023, 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 third quarter of 2023, by the date of this report, the shareholders of IFDS (the company referred to in Section 7 above), i.e. IPOPEMA Securities and ProService, made payments covering 100% of the company's share capital. Furthermore, they decided (by way of resolutions of the extraordinary general meeting of IFDS) to increase its share capital by a total of PLN 4,800,000 through the issue of Series B shares. The shares were subscribed for and fully paid up in equal parts, of PLN 2,400,000 by each shareholder, and the resulting increase in the IFDS share capital was registered by the competent court. Following these changes, IPOPEMA Securities and ProService hold shares which continue to represent 50% of the share capital and total voting rights in IFDS.

Save for the above, there were no other material events in the period between June 30th 2023 and the date of the financial statements 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, 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 clients' 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 clients 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 tie 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 licences 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, September 6th 2023

## Management Board of IPOPEMA Securities S.A.:

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Jacek Lewandowski  
President of the  
Management Board

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Mariusz Piskorski  
Vice President of the  
Management Board

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Stanisław Waczkowski  
Vice President of the  
Management Board

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Mirosław Borys  
Vice President of the  
Management Board