

**REPORT
OF THE SUPERVISORY BOARD OF IPOPEMA SECURITIES S.A.
FOR 2014**

[adopted by virtue of a Supervisory Board resolution of June 2nd 2015]

This Report of the Supervisory Board was prepared for submission to the General Meeting of IPOPEMA Securities S.A. (the “Company”), pursuant to Art. 382.3 of the Commercial Companies Code and Section III.1.1) of the Code of Best Practice for WSE-Listed Companies.

I. Composition of the Supervisory Board

As at the date of this Report, the composition of the Company’s Supervisory Board was as follows:

Jacek Jonak – Chairman of the Supervisory Board,
Janusz Diemko – Secretary of the Supervisory Board,
Bogdan Kryca – Member of the Supervisory Board,
Zbigniew Mrowiec – Member of the Supervisory Board, and
Michał Dobak – Member of the Supervisory Board.

The previous term of office of the Supervisory Board expired on the date of the Annual General Meeting which approved the Company’s financial statements for the previous financial year, that is on June 17th 2014. On the same day, the General Meeting passed resolutions appointing Supervisory Board members for a new term.

II. Activities of the Supervisory Board in 2014

In the previous year, the Supervisory Board held five meetings and adopted resolutions by circulation (written ballot). All the meetings were held in Warsaw, with a composition enabling the Supervisory Board to adopt resolutions.

The recurring matters falling within the remit of the Supervisory Board and discussed during its meetings included the Company’s current business matters, such as financial performance and compliance with capital adequacy requirements. As in previous years, the Supervisory Board discussed the budget and met with the Company’s auditor to discuss the results of an audit of the Company’s and Group’s financial statements. Also, the auditor submitted to the Supervisory Board a representation on its independence and objectivity, in accordance with the letter and the spirit of the Act on Qualified Auditors. Furthermore, the Supervisory Board issued opinions and recommendations to the General Meeting concerning approval of financial statements, profit allocation and granting discharge to Management Board members. The results of periodic inspections carried out by regulatory bodies and changes in the internal audit system were also discussed during the Supervisory Board meetings.

In the course of its work, the Supervisory Board issued opinions on amendments to the Company’s internal control rules, met with the Compliance Officer, and examined periodic internal control and risk management reports. As part of its remuneration committee functions, the Supervisory Board receives review reports on the implementation of the Company’s variable remuneration components policy. As part of the policy implementation process, the Supervisory Board issues opinions and monitors payments of the variable remuneration components to persons who come within the scope of the policy.

As the previous term of the Management Board expired in 2014, the Supervisory Board appointed Management Board members for a new term of office last year. In 2014, the Supervisory Board discussed and approved amendments to the rules of procedure for the Company’s Management Board, and considered amendments to the rules of procedure for the Supervisory Board, which are to be recommended for approval by the General Meeting.

This past year, the Supervisory Board also worked to agree the scope and the form of implementation of the Polish Financial Supervision Authority’s (PFSA) recommendation on corporate governance rules for regulated entities, coming into force as of January 1st 2015.

III. Supervisory Board Committees

On March 12th 2010, an Audit Committee was established within the Supervisory Board, which, as a rule, operates in compliance with applicable provisions of Annex I to the Commission Recommendation of February 15th 2005. The Audit Committee operated as a separate body until June 20th 2013, when the General Meeting resolved to assign the audit committee function to the Supervisory Board. No other committees have been established, and the tasks otherwise assigned to such committees are substantially within the powers of the Supervisory Board as a whole. The abovementioned Commission Recommendation permits this for small supervisory boards, which is the case with the Company's Supervisory Board. The Supervisory Board also performs the functions of a remuneration committee.

IV. Evaluation of the internal control system and the material risk management system

The Company has in place an internal control and risk management system whose scope is rather complex and is stipulated by the laws and regulations governing brokerage houses as institutions subject to oversight by the PFSA. The various system components are reviewed periodically, taking into account changes within the Company and its regulatory environment. In order to reflect the findings of one such review and also to implement the PFSA's recommendations issued after a routine inspection, in 2014 the Company made amendments to its internal control and risk management systems, to better align them with regulatory requirements and the Company's current risk profile.

The Supervisory Board, relying on the opinion from the Company's auditor, assesses the quality of the financial statements preparation process as very good. The Company's auditor did not identify any irregularities in this area, and found the financial statements accurate and reliable.

V. Assessment of the Company's business standing

In business terms, 2014 was another difficult year for brokerage companies. In 2014, investor activity on all Company markets was lower than in 2013, with the trading value on the Warsaw Stock Exchange, Budapest Stock Exchange and Prague Stock Exchange down by 6.5%, ca. 20% and ca. 15%, respectively. Given these difficult market conditions and growing competition from remote brokers, the fact that the Company was the third most active broker on the WSE last year can be considered a success (although its share on the WSE market fell from 8.88% in 2013 to 6.98%).

The challenging market conditions also affected the Company's capital raising business. Capital market uncertainty, which manifested itself in investor scepticism, led to the cancellation of several transactions prepared by the Company. Nonetheless, IPOPEMA's active efforts to acquire and execute new transactions (including as global coordinator in the sale of Globe Trade Centre shares and as arranger and bookrunner in the public offering of bonds for Raiffeisen Polbank) allowed the Company to keep revenue from investment banking services close to 2013 levels.

Considering the challenging market conditions, the Supervisory Board gives a positive assessment of the Company's business activities in 2014. As in previous years, the excellence of IPOPEMA Securities' teams and the high quality of its services were recognised in various industry ranking tables. Despite these positive aspects, it should be noted that the market factors discussed earlier drove revenue and earnings from brokerage operations below the levels reported in 2013.

VI. Assessment of the Directors' Report on the operations of IPOPEMA Securities and the IPOPEMA Securities Group, and the separate and consolidated financial statements for 2014

Acting pursuant to Art. 382.3 of the Commercial Companies Code and Art. 16.3a)–c) of the Articles of Association of IPOPEMA Securities S.A., the Supervisory Board assessed the Company's operations in 2014 based on the following submitted documents:

1. Introduction to the financial statements;
2. Balance sheet as at December 31st 2014;
3. Income statement for the period January 1st–December 31st 2014;

4. Statement of changes in equity for the period January 1st–December 31st 2014;
5. Statement of cash flows for the period January 1st–December 31st 2014;
6. Notes to the financial statements;
7. Directors' Report on the operations of IPOPEMA Securities S.A. and the IPOPEMA Securities Group in 2014.

According to the documents listed above:

- a) balance sheet as at December 31st 2014 shows total assets amounting to:
 - PLN 293,035 thousand – in the separate financial statements,
 - PLN 324,660 thousand – in the consolidated financial statements;
- b) income statement for the period January 1st–December 31st 2014 shows net profit amounting to:
 - PLN 3,226 thousand – in the separate financial statements,
 - PLN 5,293 thousand – in the consolidated financial statements;
- c) statement of changes in equity for the period January 1st–December 31st 2014 shows equity as at the end of the period amounting to:
 - PLN 60,125 thousand – in the separate financial statements,
 - PLN 80,723 thousand – in the consolidated financial statements;
- d) statement of cash flows shows a net decrease in cash in the period January 1st–December 31st 2014 by:
 - PLN 6,404 thousand – in the separate financial statements,
 - PLN 2,334 thousand – in the consolidated financial statements.

In assessing the financial statements, the Supervisory Board, in addition to the documents listed above, took into account the auditor's opinion and report on the audit of the Company's financial statements for 2014 and the auditor's opinion and report on the audit of the IPOPEMA Securities Group's financial statements for 2014.

Based on the documents listed above, particularly the auditor's opinion and report, the Supervisory Board gives a positive opinion on the Company's financial statements for the financial year ended December 31st 2014, the IPOPEMA Securities Group's consolidated financial statements for the financial year ended December 31st 2014, Directors' Report on the operations of IPOPEMA Securities and the IPOPEMA Securities Group for 2014, and recommends that the General Meeting approve said documents.

The Supervisory Board further recommends that the General Meeting grant discharge in respect of performance of duties in 2014 to all members of the Company's Management Board.
