

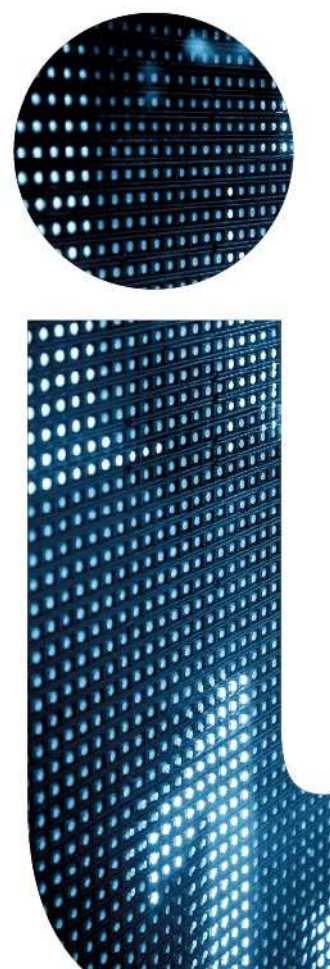
IPOPEMA Securities S.A.

Financial statements

for the year ended
December 31st 2016

Warsaw, March 21st 2017

ipopema



Statement of compliance

The Management Board of IPOPEMA Securities S.A. hereby represents that:

- to the best of our knowledge, the full-year separate financial statements for the year ended December 31st 2016 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial conditions and financial performance of IPOPEMA Securities S.A.
- BDO Sp. z o.o., registered office at ul. Postępu 12, Warsaw, a qualified auditor of financial statements, entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors (NCSA) under Reg. No. 3355, which audited the full-year separate and consolidated financial statements, was appointed in compliance with applicable laws. BDO Sp. z o.o and the Auditor who audited the full-year financial statements of IPOPEMA Securities S.A. as at December 31st 2016 meet the criteria for issuing an objective and independent auditor's opinion on the full-year financial statements, in accordance with the applicable laws and professional standards.
- The Directors' Report for 2016 gives a true picture of the Company's development, achievements and position; it also includes a description of key risks and threats.

Warsaw, March 21st 2017

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

Financial highlights

Financial highlights	PLN '000		EUR '000	
	2016	2015	2016	2015
Revenue from core activities	37,458	47,425	8,560	11,333
Cost of core activities	37,238	42,986	8,510	10,272
Profit on core activities	220	4,439	50	1,061
Operating profit	1,710	5,515	391	1,318
Profit before tax	1,027	4,156	235	993
Net profit	1,046	3,493	239	835
Earnings per ordinary share (weighted average) (PLN/ EUR)	0.03	0.12	0.01	0.03
Net cash from operating activities	-100,143	99,568	- 22,886	23,793
Net cash from investing activities	- 3,672	-1,005	- 839	- 240
Net cash from financing activities	- 4,897	1,908	-1,119	456
Total cash flows	-108,712	100,471	- 24,844	24,009

Financial highlights	PLN '000		EUR '000	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
Total assets	305,012	323,575	68,945	75,930
Current liabilities	239,162	254,254	54,060	59,663
Equity	61,405	63,627	13,880	14,931
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.05	2.13	0.46	0.50

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

- For the statement of profit or loss and statement of cash flows items:

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in a given period	2016	2015
EUR	4.3757	4.1848

- For the balance sheet:

Exchange rate as at	Dec 31 2016	Dec 31 2015
EUR	4.4240	4.2615

- The lowest and the highest EUR exchange rate in the period:

EUR	2016	2015
Lowest exchange rate	4.2355	3.9822
Highest exchange rate	4.5035	4.3580

Introduction to the financial statements

Information on the Company

The Company (under the name Dom Maklerski IPOPEMA S.A.) was established on March 2nd 2005 under Notarial Deed No. Rep. A 2640/2005, which included also the Company's Articles of Association, prepared by Janusz Rudnicki, Notary Public of Warsaw, ul. Marszałkowska 55/73, suite 33, Warsaw, Poland. According to the Articles of Association, the Company has been established for indefinite time.

The Company's registered office is at ul. Próżna 9, Warsaw, Poland.

Pursuant to a decision issued by the District Court for the Capital City of Warsaw, 19th (currently 12th) Commercial Division of the National Court Register, on March 22nd 2005 the Company was entered into the Register of Entrepreneurs of the National Court Register under KRS No. 0000230737.

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

The Company conducts brokerage activities on the basis of a brokerage licence granted by the Polish Securities and Exchange Commission (currently, the Polish Financial Supervision Authority, or the „PFSA”) on June 30th 2005, and on the basis of other authorisations which it was required to obtain in connection with amendments to applicable laws and regulations.

Currently, the Company holds licences for a majority of the activities classified in the Act on Trading in Securities as brokerage activities, excluding the activities specified in Art. 69.4.8 of the Act.

The Company's principal business activities comprise brokerage activities and the provision of business and management advisory services.

The Company conducts brokerage activity on the basis of a brokerage licence granted by the Polish Securities and Exchange Commission (currently, the Polish Financial Supervision Authority) on June 30th 2005, and on the basis of an additional licence, for the preparation of investment and financial analyses as well as recommendations, granted by the Polish Financial Supervision Authority on June 28th 2010. The additional licence had to be obtained in connection with amendments to applicable laws and regulations (prior to the amendments, such activities had not been classified as brokerage activities requiring a licence). Moreover, in April 2014 the Company received the PFSA's authorisation to conduct foreign exchange activities.

The name of the Company was changed from Dom Maklerski IPOPEMA S.A. to IPOPEMA Securities Spółka Akcyjna under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

All Company shares (a total of 29,937,836 shares) outstanding as at the date of publication of these financial statements are admitted to trading on the regulated market operated by the Warsaw Stock Exchange and have been introduced to trading on the main market. May 26th 2009 was the first listing date.

Going concern assumption

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, that is for the 12 months following the reporting date. As at the date of approval of these financial statements, no circumstances were identified which would threaten the Company continuing as a going concern, as a result of voluntary or involuntary discontinuation or material limitation of its existing operations, within at least 12 months from the reporting date, that is December 31st 2016.

Composition of the Management Board and the Supervisory Board

As at the date of these financial statements, the composition of the Company's Management Board was as follows:

Jacek Lewandowski – CEO and President of the Management Board,
Mirosław Borys – Vice-President of the Management Board,
Mariusz Piskorski – Vice-President of the Management Board,
Stanisław Waczkowski – Vice-President of the Management Board.

As at the reporting date, the Management Board comprised also Mr Daniel Ścigała. On January 4th 2017, Mr Ścigała tendered his resignation as a Management Board Member, with effect from January 31st 2017.

As at the date of these financial statements, 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,
Michał Dobak – Member of the Supervisory Board.

Basis of preparation

These financial statements cover the period January 1st–December 31st 2016 and contain comparative data for the period January 1st–December 31st 2015.

Pursuant to Art. 50.3 of the Polish Accountancy Act, if there is no reportable information on an item of financial statements in the financial year and in the preceding year, the item is disregarded when preparing the financial statements.

These financial statements for the financial year ended December 31st 2016 were authorised for issue by the Management Board on March 21st 2017.

Identification of financial statements

All financial data contained in these financial statements is presented in PLN '000.

These financial statements were prepared in accordance with the historical cost convention, save for financial instruments held for trading and some financial instruments available for sale, which are measured at fair value.

These financial statements were prepared in compliance with the Polish Accounting Standards ('PAS'), including:

- The Polish Accountancy Act of September 29th 1994 – Dz. U. of 2016, item 1047 (the 'Accountancy Act');
- The Regulation of the Minister of Finance on special accounting principles for brokerage houses of December 28th 2009 – Dz.U. of 2017, item 123;
- The Regulation of the Minister of Finance on detailed recognition principles, method of measurement, scope of disclosure and presentation of financial instruments of December 12th 2001 – Dz.U. of 2017, item 277;
- The Act on Trading in Financial Instruments of July 29th 2005 – Dz.U. of 2016, item 1636, as amended;
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for investment institutions and firms, amending Regulation (EU) No. 648/2012 (OJ L 176 of June 27th 2013, as amended) ('CRR');
- The Regulation of the Minister of Finance on the scope of information to be disclosed in financial statements and consolidated financial statements required to be included in prospectuses of issuers with registered offices in Poland to whom the Polish accounting standards apply, of October 18th 2005 – Dz.U. of 2014, item 300, as amended;
- The Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 – Dz.U. of 2014, item 133, as amended.

Information on subsidiaries

IPOPEMA Securities S.A. is the parent of the following companies: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. of Warsaw, IPOPEMA Business Consulting Sp. z o.o. of Warsaw, IPOPEMA Financial Advisory Sp. z o.o. of Warsaw, IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa of Warsaw, and IPOPEMA Business Services Srl. of Bucharest, Romania. The parent and its subsidiaries make up the IPOPEMA Securities Group (the 'IPOPEMA Securities Group', the 'Group').

IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ('IPOPEMA TFI') was established on March 14th 2007 and operates under the licence issued by the Polish Financial Supervision Authority (PFSA) on September 13th 2007. Its business profile comprises: (i) operation of an investment fund company, as well as creation and management of investment funds, (ii) discretionary management of securities portfolios, (iii) advisory services in the area of securities trading, (iv) intermediation in the sale and redemption of investment fund units, and (v) representation service for foreign funds. As at December 31st 2016, IPOPEMA TFI's share capital amounted to PLN 10,599,441.00 and comprised 3,533,147 registered shares. The composition of the Management Board was as follows: Jarosław Wikaliński (President), Maciej Jasiński and Jarosław Jamka (Vice-Presidents), and Renata Wanat-Szelenbaum (Member). The board members have many years of practice and experience in the financial market, including in asset management and creation of investment funds. On March 14th 2017, Maciej Jasiński resigned as Vice-President of the Management Board of IPOPEMA TFI due to personal reasons, but has remained with the IPOPEMA Group and continues to be engaged in the activities of IPOPEMA TFI. IPOPEMA Securities S.A. holds 100% of shares and votes at the General Meeting of IPOPEMA TFI.

On November 30th 2015, IPOPEMA Asset Management S.A. ("IPOPEMA AM") was merged with IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. pursuant to Art. 492.1.1 of the Commercial Companies Code (merger by acquisition), with IPOPEMA TFI as the acquirer and IPOPEMA AM as the acquiree. Accordingly, under Art. 494 of the Commercial Companies Code, as of November 30th 2015 IPOPEMA TFI as the acquirer assumed all rights and obligations of IPOPEMA AM as the acquiree. As of the merger date, investment fund portfolios and client portfolios have been managed by IPOPEMA TFI.

IPOPEMA Business Consulting Sp. z o.o. ('IPOPEMA BC', 'IBC') was established on August 26th 2008. Its share capital amounts to PLN 100,050 and comprises 2,001 shares, of which 1,001 are held by IPOPEMA Securities S.A., and the remaining 1,000 shares are held in equal parts by its partners: Eliza Łoś-Strychowska and Tomasz Rowecki, who are the Management Board of IPOPEMA BC. The company's business profile comprises: (i) other business and management consulting services (ii) computer facilities management activities, (iii) IT consultancy services, (iv) software-related activities, (v) wholesale of computers, computer peripheral equipment and software.

IPOPEMA Financial Advisory Sp. z o.o. ("IFA") – In May 2016, the Company purchased from IBC all shares in IPOPEMA Outsourcing Sp. z o.o. In August, the company's name was changed to IPOPEMA Financial Advisory Sp. z o.o. (IFA). IFA is wholly owned by the Company. By the date of these financial statements, IFA had not commenced operations.

IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa ("IFA SK") – in July 2016, IPOPEMA Financial Advisory spółka z ograniczoną odpowiedzialnością spółka komandytowa, with the Company and Jarosław Błaszczak as limited partners and IFA as the general partner, was entered in the Business Register. The Company's maximum liability for IFA SK's liabilities to creditors is PLN 7,750. The structure comprising IFA and IFA SK was established in connection with the transfer to IFA SK of consultancy services related to corporate financial restructuring and fund raising for infrastructure projects, previously provided by IPOPEMA Securities. The transfer was made in February 2017 (Jarosław Błaszczak, the limited partner in IFA SK, currently cooperates with the Company in this business area).

IPOPEMA Business Services Srl of Bucharest, Romania ("IBS Srl"), is a commercial company under Romanian law, established on September 24th 2014. IBS Srl is wholly owned by IPOPEMA Securities S.A. The share capital of IBS Srl amounts to RON 200 (PLN 196). The company's principal business consists in the provision of office and business support services for IPOPEMA Securities S.A. agents and other entities. The company has a one-person Management Board, with Marcin Kurowski as its President.

Given changes to the model of operating in foreign markets, the process of winding up IPOPEMA Business Services Kft. ("IBS") and IBS Srl began in Q4 2015 and 2016, respectively. On April 1st 2016, IBS Kft was deleted from the court register. Irrespective of the above, the two companies, as well as IFA and IFA SK, were not consolidated due to the immateriality of their financial data (in accordance with Art. 58.1 of the Polish Accountancy Act).

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards.

Business combinations

In the periods covered by these financial statements, there were no business combinations as referred to in Art. 44.b and Art. 44.c of the Polish Accountancy Act.

Correction of errors and corrections resulting from qualifications contained in auditor's opinions

No corrections of errors were made in these financial statements.

Applied accounting standards, methods of valuation of assets, equity and liabilities (including depreciation/amortisation), measurement of profit (loss):

1) Cash and cash equivalents

Cash and cash equivalents disclosed in the balance sheet include cash in hand and at banks, as well as short-term deposits.

The balance of cash and cash equivalents shown in the statement of cash flows comprises the same cash and cash equivalent items.

Cash is measured at nominal value.

2) Property, plant and equipment, and intangible assets

Property, plant and equipment, and intangible assets are measured at cost less depreciation/ amortisation charges and impairment losses, if any.

Costs incurred after a given asset has been placed in service, such as costs of maintenance or repair, are charged to the statement of profit or loss when incurred.

Depreciation/amortisation is charged using the straight-line method over the estimated useful life of an asset. The depreciation/amortisation rates applied by the Company are presented in the table below:

Type of asset	Depreciation/amortisation rate
Plant and equipment	10%
Office equipment	20%
Computers	30%
Buildings and premises	14.29%
Intangible assets	20% - 50%

If the initial value of an item of property, plant and equipment or an intangible asset is less than PLN 3,500, such asset is expensed on a one-off basis. However, if required by the Company's interest, items of property, plant and equipment, and intangible assets with the value lesser than PLN 3,500 may be entered into the register of non-current assets.

An item of property, plant and equipment or an intangible asset may be derecognised from the balance sheet following its disposal or if no further economic benefits are expected to be derived from its further use. The Company tests its non-current assets for impairment at least once a year. Impairment takes place when it is highly probable that an asset controlled by the entity will fail to deliver, in whole or in significant part, the expected future economic benefits. This warrants recognition of an impairment loss on the asset to bring its carrying amount to net realisable value or, if not available, to its fair value determined by other methods. Any income and costs resulting from a given asset being derecognised from the balance-sheet, are charged to the statement of profit or loss in the period the asset was derecognised.

Residual values, useful lives and methods of depreciation /amortisation of assets are reviewed and, if necessary, adjusted at the end of each financial year.

3) Receivables

Current receivables

Current receivables include all receivables from clients, related entities, banks conducting brokerage activity, other brokerage houses and commodity brokerage houses under executed transactions, as well as all or part of receivables related to other items, which are not classified as financial assets, in each case maturing within 12 months after the reporting date.

Receivables are measured at amounts receivable, subject to the prudent valuation principle. The amount of receivables is subsequently decreased by impairment losses, if any, which are recognised based on the analysis of collectability of receivables from individual debtors.

Impairment losses on receivables are estimated in the event of an increase in the risk that it will not be possible to collect the full amount receivable. Taking into consideration the nature of its business, the Company has adopted the following rules for estimating impairment losses on past due receivables:

- for receivables past due by up to six months – no impairment loss is recognised,
- for receivables past due by 6 months to 1 year – impairment loss of 50% of the receivables amount is recognised,
- for receivables past due by more than 1 year – impairment loss of 100% of the receivables amount is recognised.

The Company may also recognise impairment losses based on an individual assessment of a receivable.

Impairment losses on receivables are charged to other expenses and disclosed in the statement of profit or loss under increase in impairment losses on receivables. The cost connected with recognition of impairment losses at the time of confirming that particular receivables are uncollectible is a tax-deductible expense; in any other case, such cost is not tax-deductible.

Current receivables from clients, current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses

Current receivables from clients, current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses arise in connection with securities purchases and sales which have not yet been settled at the clearing houses due to the transaction clearing procedure (T+2). In the case of purchase transactions on stock exchanges made to execute orders placed by clients whose accounts are kept by custodian banks, the Company recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current receivables from the clients for whom the purchase transactions were executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current liabilities towards the clients for whom the sale transactions were executed.

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

Non-current receivables

Non-current receivables are receivables whose terms to maturity are longer than 12 months from the reporting date.

4) Financial instruments

Financial instruments are classified into the following categories:

- a) Financial assets
 - financial assets held for trading,
 - loans and receivables,
 - financial assets held to maturity,
 - financial assets available for sale.
- b) Financial liabilities
 - financial liabilities held for trading,

- other financial liabilities.

Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are financial instruments acquired for the Company's own account in connection with executed transactions, and are measured at fair value, determined by reference to their market value as at the reporting date.

Financial instruments held for trading include shares in companies listed both on the Warsaw Stock Exchange ("WSE") and on the Budapest Stock Exchange ("BSE").

Financial assets are carried as at the contract date at cost, i.e. at the fair value of expenses incurred or other assets transferred in return. When determining the fair value as at the contract date, the Company takes into account transaction costs.

For the purposes of the measurement, the Company takes into account closing prices quoted by the Warsaw Stock Exchange and Budapest Stock Exchange on the last business day of the reporting period. Changes in the value of financial instruments held for trading are recognised under income from or cost related to financial instruments held for trading, as appropriate.

The Company does not apply hedge accounting.

Loans advanced and receivables

Loans and receivables include financial assets arising when the Company delivers cash directly to the counterparty, irrespective of the maturity date of such assets. Loans advanced and receivables are measured at adjusted cost, which is estimated using the effective interest rate method. Non-interest bearing current receivables are measured at amounts receivable, subject to the prudent valuation principle. Current receivables include mainly bank deposits, cash and loans advanced. Loans advanced to IPOPEMA Securities S.A.'s employees and associates are classified under 'Loans advanced'.

Financial assets held to maturity

Financial assets held to maturity are investments with fixed or determinable payments and fixed maturities that the Company intends and is able to hold to maturity. Financial assets held to maturity are measured at amortised cost with the effective interest rate method.

Financial assets held to maturity are classified as non-current assets if their terms to maturity are longer than 12 months from the reporting date. The Company had no financial assets held to maturity in 2016 or 2015.

Financial assets available for sale

All other financial instruments are classified as financial assets available for sale. Financial assets available for sale are carried at fair value (without deducting the transaction costs), determined by reference to their market value as at the reporting date. Under financial assets available for sale the Company recognises investment certificates, investment fund units and, pursuant to the regulation on special accounting policies for brokerage houses, shares in subordinated entities.

Investment certificates and investment fund units are carried at fair value based on the net asset value per certificate/investment fund unit as published by the investment fund. Valuation results increase or decrease (as appropriate) the revaluation capital reserve.

Shares in subsidiaries are measured at cost less impairment.

Other financial liabilities

In this category, the Company classifies mainly bank borrowings, including overdrafts. Other financial liabilities are measured at amortised cost.

Financial instruments are derecognised when the Company loses control over the contractual rights constituting the given financial instrument; that usually happens when an instrument is sold or when all the cash flows attributable to an instrument are transferred onto an independent third party.

Acquisition and sale of financial instruments are recognised as at the transaction date. On initial recognition, they are measured at cost (fair value), including the transaction costs.

5) Impairment of financial instruments

As at each reporting date the Company assesses whether there is any objective indication of impairment of a financial asset or a group of financial assets, e.g. whether there are any circumstances indicating that the entity may not receive (for reasons beyond its control) any amounts, other financial assets, goods or benefits owed to it; whether the previously expected timing of cash inflows from a given asset has changed; whether the market of financial instruments or investments used by the entity has experienced any adverse value movements.

6) Prepayments and accrued income

Current

Costs incurred in the current reporting period but related to future periods are recognised under current prepayments and accrued income, provided the costs will be settled within 12 months from the reporting date.

Non-current

Deferred tax assets and other prepayments and accrued income which will be settled later than 12 months from the reporting date.

Deferred tax asset

Deferred tax assets are recognised in relation to all deductible temporary differences to the extent it is probable that the Company will generate taxable income sufficient to use the differences.

7) Liabilities

Current liabilities

Current liabilities are liabilities which are payable within 12 months from the reporting date. Current liabilities include all liabilities to clients, liabilities to related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the Central Securities Depository of Poland and exchange clearing houses and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as non-current liabilities, accruals and deferred income or provisions for liabilities.

Liabilities are measured at amounts payable. The recognition of current liabilities under executed transactions is discussed in Section 3 above.

Non-current liabilities

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

8) Provisions, accruals and deferred income

Accruals and deferred income

Costs attributable to the period but not yet incurred are recognised as accruals and deferred income, and disclosed under current liabilities.

Provisions include:

- a) deferred tax liability,
- b) other provisions.

Deferred tax liability

Deferred tax liability is recognised in relation to all taxable temporary differences.

Other provisions

Provisions are recognised if the Company has a legal or constructive obligation resulting from a past event and when it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Other provisions are presented in the balance-sheet broken down into long-term and short-term provisions. Provisions are classified as non-current or current depending on when a given item will become an actual liability (within 12 months or more than 12 months from the reporting date).

9) Equity

Equity comprises the following items:

- share capital,
- reserve funds,
- revaluation capital reserve,
- retained earnings (deficit),
- net profit (loss).

Equity is recognised at par value, broken down into its particular components, as stipulated by applicable laws and the Company's Articles of Association.

Share capital is recognised in the amount specified in the Company's Articles of Association and in the relevant National Court Register entry. **Reserve funds** are created pursuant to the regulations of the Commercial Companies Code. They comprise earnings retained by the Company under a relevant resolution of the General Meeting, and share premium.

Revaluation capital reserve is created from revaluation of financial assets available for sale – investment certificates and investment fund units.

Retained earnings / (deficit) comprises profit (loss) for the previous years.

Net profit (loss) comprises current financial year profit / (loss).

10) Recognition of revenue

Revenue from core activities is recognised if it is probable that the economic benefits associated with a transaction will flow to the Company and if the revenue and the related expenses can be reliably measured. Revenue comprises amounts received and receivable net of VAT. The amount of revenue is measured at fair value of the consideration received or receivable.

Where the date of commencement of a service and the date of its completion fall into different reporting periods, the related revenue and expenses are recognised by reference to the stage of completion of the service if the outcome of the transaction can be reliably measured, i.e. if (i) the degree of contract completion can be reliably measured, (ii) the total amount of revenue under the service contract and the amount of costs associated with the service can be measured reliably, and (iii) it is probable that the economic benefits associated with the contract will flow to the Company. If the above conditions cannot be met, revenue is recognised only to the extent of costs incurred as at a given date that are recoverable. If it is probable that the total contract costs will exceed the total contract revenue, the expected loss on a contract is immediately recognised as expense.

Revenue denominated in foreign currencies is translated into the Polish złoty at the mid-exchange rate quoted by the National Bank of Poland on a day preceding the revenue generation date.

11) Accrual basis of accounting and matching principle

In determining its net profit (loss), the Company takes into account all revenues and related expenses attributable to a given period, irrespective of the date of payment.

In order to match revenues to related expenses, expenses or revenues relating to future periods and expenses attributable to a given period which are yet to be incurred are posted under assets or liabilities, as applicable, of the given period. This means that expenses are accounted for on an accrual basis. Expenses not yet incurred in a given period are covered by provisions.

12) Determination of net profit (loss)

Components of net profit (loss)

According to Appendix 1 to the Regulation of the Minister of Finance on special accounting principles for brokerage houses of December 28th 2009 (Dz.U. of 2017, No. 123), net profit (loss) comprises:

- Profit/(loss) on core activities
- Operating profit (loss),
- Pre-tax profit (loss),
- Income tax and other mandatory decrease of profit (increase of loss).

Method of determination of profit/(loss) on core activities

Profit/(loss) on core activities is the difference between:

revenue from core activities, comprising revenue from:

- brokerage activities:
 - a) acceptance and transfer of orders to buy and sell financial instruments
 - b) execution of orders to buy and sell financial instruments for the account of the customer
 - c) management of portfolios comprising one or more financial instruments
 - d) investment advisory services
 - e) offering of financial instruments
 - f) provision of services in the performance of a standby or firm commitment underwriting agreements or execution and performance of other similar agreements involving financial instruments
 - g) keeping of cash accounts, safekeeping or registration of financial instruments, including keeping of accounts referred to in Art. 69.4.1 of the Act on Trading in Financial Instruments
 - h) other
- other core activities

and costs of core activities, comprising costs incurred to generate revenue from business activities. The Company uses by-nature format for expenses. Operating expenses are recorded under Group 4, expenses by nature and their settlement. The costs include:

- fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses,
- payments to CCP
- fees payable to commercial chamber,
- salaries and wages,
- social security and other benefits,
- employee benefits,
- raw material and consumables used,
- costs of maintenance and lease of buildings,
- services,
- other expenses,
- depreciation and amortisation expenses,
- taxes and other public charges,
- commissions and other charges,
- other.

Method of determination of operating profit (loss)

Operating profit (loss) comprises the profit (loss) on core activities adjusted for:

- gain (loss) on transactions in financial instruments held for trading,
- gain (loss) on transactions in financial instruments held to maturity,
- gain (loss) on transactions in financial instruments available for sale,
- other income,
- other expenses.

Other income and operating expenses are income and expenses related indirectly to the Company's operations, including in particular income and expenses related to:

- disposal of property, plant and equipment, and intangible assets,
- impairment losses on property, plant and equipment, and intangible assets,
- impairment losses on receivables,
- recognition/reversal of provisions,
- compensation, penalties and fines,
- free-of-charge transfer or receipt, including by way of donation, of assets, including cash, for purposes other than acquisition or production of intangible assets,
- other.

Method of determination of pre-tax profit (loss)

Profit (loss) before tax comprises operating profit (loss) adjusted for:

- finance income,
- finance costs.

The Company's finance income includes interest on deposits, interest on loans advanced, other interest and foreign-exchange gains. Interest income is recognised in the statement of profit or loss as it accrues.

The Company classifies as finance costs in particular: borrowing costs, interest on borrowings, other interest, and foreign-exchange losses.

Method of determination of net profit (loss)

Net profit (loss) comprises pre-tax profit (loss) adjusted for income tax and other mandatory decrease of profit (increase of loss).

Income tax

Income tax affecting net profit (loss) for a given reporting period includes:

- current income tax,
- deferred income tax.

Current income tax

Current tax assets and current tax liabilities for the current period and for previous periods are measured at the amount of the expected payment due to the tax authorities or expected refund from the tax authorities, as appropriate, with the use of tax rates and based on fiscal regulations legally or actually binding as at the reporting date.

Deferred income tax

For the purposes of financial reporting, the Company recognises deferred tax using the balance-sheet liability method in relation to temporary differences recorded as at the reporting date between the value of assets and liabilities computed for tax purposes and their carrying amounts disclosed in the financial statements. Deferred income tax disclosed in the statement of profit or loss is the difference between deferred tax liabilities and assets as at the end and as at the beginning of period.

13) Statement of cash flows

The statement of cash flows is prepared using the indirect method.

14) Translation of foreign-currency items

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

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

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

The following exchange rates were applied for the purposes of balance-sheet valuation:

Currency	Dec 31 2016	Dec 31 2015
USD	4.1793	3.9011
EUR	4.4240	4.2615
HUF 100	1.4224	1.3601
GBP	5.1445	5.7862
UAH	0.1542	0.1622
CZK	0.1637	0.1577
CHF	4.1173	3.9394
TRY	1.1867	1.3330
JPY 100	3.5748	3.2411
NOK	0.4868	0.4431
CAD	3.0995	2.8102
SEK	0.4619	0.4646
DKK	0.5951	0.5711
AUD	3.0180	2.8546
RON	0.9749	0.9421

Source: National Bank of Poland.

Changes in estimates

In 2016, there were no changes in estimates other than changes in provisions, depreciation/amortisation, and impairment losses on receivables, as discussed in Notes 2, 9, 11 and 16.

Changes in applied accounting policies

Within the period covered by these financial statements, there were no changes in the applied accounting principles.

Seasonality of operations

The Company's operations are not subject to seasonality and the presented results do not show any material fluctuations during the year.

Comparability of the reported data

These financial statements were presented in a manner ensuring their comparability by applying uniform accounting policies in all the presented periods, consistent with the accounting policies applied by the Company.

In 2016, the Ministry of Finance amended the Regulation of the Minister of Finance on special accounting principles for brokerage houses, dated December 28th 2009. One of the amendments was change of the presentation of certain items of the balance sheet and the statement of profit or loss. The tables below show the effect of the amendments on the balance-sheet items as at December 31st 2015 and January 1st 2015.

	As at Dec 31 2015 (approved)	Presentation change	As at Dec 31 2015 (restated)
Current receivables	167,711	- 368	167,343
including:			
From the Central Securities Depository of Poland and from settlement and clearing houses	24,134	- 23,931	203
From CCP	-	23,931	23,931
Other	10,404	- 368	10,036
Short-term loans advanced	-	368	368
Current liabilities	254,254	-	254,254
Including:			

Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

To the Central Securities Depository of Poland and to settlement and clearing houses	844	- 806	38
To CCP	-	806	806

	As at Jan 1 2015 (approved)	Presentation change	As at Jan 1 2015 (restated)
Short-term receivables	237,513	- 208	237,305
including:			
From the Central Securities Depository of Poland and from settlement and clearing houses	30,197	- 29,999	198
From CCP	-	29,999	29,999
Other	6,950	- 208	6,742
Short-term loans advanced	-	208	208
Current liabilities	229,000	-	229,000
Including:			
To the Central Securities Depository of Poland and to settlement and clearing houses	198	- 92	106
To CCP	-	92	92

The tables below show the effect of the amendments on the statement of profit or loss for 2015.

	As at Dec 31 2015 (approved)	As at Dec 31 2015 (restated) (designation according to the numbering in the statement of profit or loss)				
		1 a)	1 b)	1 e)	1 g)	1 h)
I. Revenue from brokerage activities, including:	47,425	477	32,228	9,253	1	5,466
1. Fee and commission income	40,366					
a) from transactions in financial instruments made in the name of the Company but for the account of the party placing an order	31,864	477	31,387	-	-	-
b) from offering financial instruments	6,291	-	-	6,291	-	-
c) other	2,211	-	-	-	-	2,211
2. Other income	7,059					
a) from offering financial instruments	2,962	-	-	2,962	-	-
b) from maintenance of clients' securities accounts and cash accounts	1	-	-	-	1	-
c) other	4,096	-	841	-	-	3,255

	As at Dec 31 2015 (approved)	Presentation change	As at Dec 31 2015 (restated)
Cost of core activities	42,986	-	42,986
including:			
Services	-	8,554	8,554
Other	9,507	-8,554	953
Other income	1,180	437	1,617
including:			
Provisions reversed	-	58	58
Decrease in impairment losses on receivables	-	379	379
Other expenses	1,101	255	1,356
including:			

Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

Provisions recognised	-	50	50
Increase in impairment losses on receivables	-	205	205
Difference between provisions for and impairment losses on receivables	182	-182	-
Provisions reversed	58	- 58	-
Provisions recognised	50	- 50	-
Decrease in impairment losses on receivables	379	- 379	-
Increase in impairment losses on receivables	205	- 205	-

Indication and explanation of differences in amounts disclosed in these financial statements and comparative data prepared in accordance with Polish Accounting Standards, and amounts that would be disclosed in financial statements and comparative data prepared in accordance with IAS respectively

If the Company had prepared its separate financial statements in accordance with IAS, it would have recognised the cost of incentive schemes, discussed in Note 55, *in the financial statements for 2016 and 2015*. In separate financial statements prepared in accordance with the provisions of the Polish Accountancy Act, the cost of incentive schemes is not recognised as the Polish Accountancy Act stipulates no such requirement. However, the cost is recognised in the Group's consolidated financial statements, which the Group is required to prepare in compliance with the IFRS. Recognition of the cost of incentive schemes would increase the cost of salaries and wages and the reserve funds by the amount of the cost. This would not affect the value of net assets but would have an effect on their structure.

Except for the difference connected with the cost of incentive schemes discussed above, there are no material differences related to the applied accounting policies.

Warsaw, March 21st 2017

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Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

ASSETS (PLN '000)		Note	Dec 31 2016	Dec 31 2015
I.	Cash and cash equivalents	1.8	27,119	135,950
1.	In hand		1	1
2.	At banks		11,466	15,436
3.	Other cash		15,644	120,483
4.	Cash equivalents		8	30
II.	Current receivables	2	255,106	167,343
1.	From clients		124,551	66,058
2.	From related entities		209	41
3.	From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses		73,232	64,558
a)	under executed transactions		72,031	64,062
b)	other		1,201	496
4.	From the Central Securities Depository of Poland and from settlement and		213	203
4.a.	From CCP		34,694	23,931
5.	From investment and pension fund companies and from investment and pension funds		15	-
6.	Taxes, subsidies and social security receivable		40	166
7.	From issuers of securities or selling shareholders		-	2,332
8.	Other		22,152	10,054
III.	Financial instruments held for trading	3.18	126	1,214
1.	Equities		126	1,214
IV.	Current prepayments and accrued income	4	663	794
IV.a.	Short-term loans advanced	8	149	368
1.	Other		149	368
V.	Financial instruments held to maturity	5	-	-
VI.	Financial instruments available for sale	6.18	12,853	8,820
1.	Equities		8,631	8,638
	- shares in subordinated entities		8,631	8,638
2.	Debt securities		10	-
3.	Investment fund units		4,019	-
4.	Investment certificates		193	182
VII.	Non-current receivables	7	1,384	1,367
VIII.	Non-current loans advanced	7.8	54	1
1.	Other		54	1
IX.	Intangible assets	9	2,475	2,495
1.	Acquired permits, patents, licenses and similar assets, including:		2,475	2,495
	- software		2,475	2,495
X.	Property, plant and equipment	11	3,746	4,136
1.	Tangible assets, including:		3,736	4,092
a)	buildings and premises		464	531
b)	computer assemblies		2,265	2,364
c)	other tangible assets		1,007	1,197
2.	Tangible assets under construction		10	44
XI.	Non-current prepayments and accrued income		1,337	1,087
1.	Deferred tax assets	12	1,093	1,050
2.	Other non-current prepayments and accrued income		244	37

Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

XII. Called-up share capital not paid	-	-
XIII. Treasury shares	-	-
Total assets	305,012	323,575

Warsaw, March 21st 2017

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Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

EQUITY AND LIABILITIES (PLN '000)		Note	Dec 31 2016	Dec 31 2015
I.	Current liabilities	13	239,162	254,254
1.	To clients		89,490	166,605
2.	To related entities		20	33
3.	To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses		130,250	68,947
a)	under executed transactions		130,250	68,941
b)	other		-	6
4.	To entities operating regulated markets and commodity exchanges		602	563
5.	To the Central Securities Depository of Poland and to settlement and clearing houses		62	38
5.a.	To CCP		1,982	806
6.	Borrowings		14,784	15,138
a)	other	18	14,784	15,138
7.	Debt securities		3	6
7a.	Negative fair value of financial instruments held for trading		-	-
8.	Taxes, customs duties and social security payable		535	352
9.	Salaries and wages		1	-
10.	To investment and pension fund companies and to investment and pension funds		154	213
11.	Other		1,279	1,553
II.	Non-current liabilities	15	158	133
1.	Finance lease liabilities		156	129
	- from other entities		156	129
2.	Debt securities		2	4
III.	Accruals and deferred income	15	-	-
IV.	Provisions for liabilities	16	4,287	5,561
1.	Deferred tax liabilities		412	393
2.	Other		3,875	5,168
a)	non-current		382	393
b)	current		3,493	4,775
V.	Subordinated liabilities	17	-	-
VI.	Equity		61,405	63,627
1.	Share capital	19	2,994	2,994
2.	Reserve funds	21	57,352	57,152
a)	share premium		10,351	10,351
b)	statutory reserve funds		998	998
c)	reserve funds created pursuant to the Articles of Association		46,003	45,803
3.	Revaluation capital reserve	25	13	-12
4.	Net profit		1,046	3,493
Total equity and liabilities			305,012	323,575
Book value (PLN '000)			61,405	63,627
Number of shares as at end of period			29,937,836	29,937,836
Book value per share (PLN)			24 2.05	2.13
Diluted number of shares			29,937,836	29,937,836
Diluted book value per share (PLN)			2.05	2.13

Warsaw, March 21st 2017

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Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

OFF-BALANCE-SHEET ITEMS (PLN '000)		Note	Dec 31 2016	Dec 31 2015
I.	Contingent liabilities	43	-	-
II.	Third-party assets used		-	-
III.	Futures/forwards purchased or issued in the name and for the account of the brokerage house		-	-
IV.	Other off-balance sheet items		-	-

Warsaw, March 21st 2017

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Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

Statement of profit or loss (PLN '000)	Note	2016	2015
I. Revenue from core activities, including:	27	37,458	47,425
- from related entities		2	-
1. Revenue from brokerage activities, including:		37,458	47,425
a) acceptance and transfer of orders to buy and sell financial instruments		5	477
b) execution of orders to buy and sell financial instruments for the account of the customer		24,680	32,228
c) management of portfolios comprising one or more financial instruments		-	-
d) investment advisory services		-	-
e) offering of financial instruments		5,633	9,253
f) provision of services in the performance of a standby or firm commitment underwriting agreements or execution and performance of other similar agreements involving financial instruments		-	-
g) keeping of cash accounts, safekeeping or registration of financial instruments, including the keeping of accounts referred to in Art. 69.4.1 of the Act on Trading in Financial Instruments		9	1
h) other		7,131	5,466
2. Revenue from other core activities		-	-
II. Cost of core activities		37,238	42,986
- from related entities		334	800
1. Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses		6,221	8,316
2. Payments to CCP		479	443
3. Salaries and wages		15,341	17,652
4. Social security and other benefits		1,350	1,288
5. Employee benefits		307	210
6. Raw material and consumables used		262	293
7. Services		7,623	8,554
8. Costs of maintenance and lease of buildings		1,550	1,976
9. Depreciation and amortisation expenses		1,897	1,761
10. Taxes and other public charges		1,544	1,540
11. Other	27	664	953
III. Profit/(loss) on core activities		220	4,439
IV. Income from financial instruments held for trading	28	776	851
1. Dividends and other profit distributions		52	89
2. Revaluation adjustments		18	51
3. Gain on sale/redemption		706	711
V. Cost related to financial instruments held for trading	29	766	1,436
1. Revaluation adjustments		15	16
2. Loss on sale/redemption		751	1,420
VI. Gain (loss) on transactions in financial instruments held for trading		10	-585
VII. Income from financial instruments available for sale	32	1,509	1,400
1. Dividends and other profit distributions		1,470	1,400
- from related entities		1,470	1,400
2. Gain on sale/redemption		39	-
VIII. Cost related to financial instruments available for sale	33	-	-
IX. Gain (loss) on transactions in financial instruments available for sale		1,509	1,400

Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

X. Other income	35	771	1,617
1. Provisions reversed		-	58
2. Decrease in impairment losses on receivables		33	379
3. Other		738	1,180
XI. Other expenses	36	800	1,356
1. Provisions recognised		-	50
2. Increase in impairment losses on receivables		81	205
3. Other		719	1,101
XII. Operating profit		1,710	5,515
XII. Finance income		1,263	1,172
1. Interest on loans advanced, including:		14	24
- from related entities		-	-
2. Interest on deposits	37	278	431
3. Other interest		-	-
4. Foreign exchange gains		569	233
a) realised		394	233
b) unrealised		175	-
5. Other		402	484
XIV. Finance costs		1,946	2,531
1. Interest on borrowings, including:	38	1,236	1,008
- to related entities		-	-
2. Other interest		119	115
3. Foreign exchange losses		-	75
a) realised		-	-
b) unrealised		-	75
4. Other		591	1,333
XV. Profit before tax		1,027	4,156
XVI. Income tax	39	- 19	663
XVII. Net profit	41	1,046	3,493
Weighted average number of ordinary shares		29,937,836	29,937,836
Earnings per ordinary share (PLN)		0.03	0.12
Weighted average diluted number of ordinary shares		29,937,836	29,937,836
Diluted earnings per ordinary share (PLN)		0.03	0.12

Warsaw, March 21st 2017

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STATEMENT OF CASH FLOWS (PLN' 000)		Note	2016	2015
A.	NET CASH FROM (USED IN) OPERATING ACTIVITIES	50		
I.	Net profit		1,046	3,493
II.	Total adjustments		- 101,189	96,075
1.	Depreciation and amortisation expenses		1,897	1,761
2.	Foreign exchange gains/(losses)		97	79
3.	Interest and profit distributions (dividends)		- 309	- 521
4.	Gain (loss) on investing activities		- 40	-101
5.	Change in provisions and impairment losses on receivables		-1,263	1,406
6.	Increase/(decrease) in financial instruments held for trading		1,088	249
7.	Increase/(decrease) in receivables		-87,810	71,115
8.	Change in current liabilities (net of borrowings), including special accounts		-14,749	22,298
9.	Increase/(decrease) in accruals and deferrals		-122	-171
10.	Other adjustments		22	-40
III.	Net cash from (used in) operating activities (I + II)		-100,143	99,568
B.	NET CASH FROM (USED IN) INVESTING ACTIVITIES			
I.	Cash from investing activities		2,015	1,746
1.	Profit distributions (dividends) received		1,522	1,590
2.	Decrease in loans advanced		446	156
3.	Disposal of financial instruments available for sale		47	-
II.	Cash used in investing activities		5,687	2,751
1.	Acquisition of intangible assets		708	1,191
2.	Acquisition of property, plant and equipment		704	1,560
3.	Acquisition of financial instruments available for sale and held to maturity – subordinates		4,012	-
4.	Loans advanced		263	-
III.	Net cash from (used in) investing activities (I - II)		- 3,672	- 1,005
C.	NET CASH FROM (USED IN) FINANCING ACTIVITIES			
I.	Cash from financing activities		2	2,939
1.	Increase in short-term borrowings		-	2,931
2.	Proceeds from issue of long-term debt securities		1	2
3.	Proceeds from issue of short-term debt securities		1	6
II.	Cash used in financing activities		4,899	1,031
1.	Decrease in short-term borrowings		354	-
2.	Repayment of short-term debt securities		7	6
3.	Dividends and other payments to owners		3,293	-
4.	Payment of finance lease liabilities		42	10
5.	Interest paid		1,203	1,015
III.	Net cash from (used in) financing activities (I - II)		- 4,897	1,908

Financial statements of IPOPEMA Securities S.A. for 2016 (PLN '000)

D. TOTAL NET CASH FLOWS (A.III +/- B.III +/- C.III)		- 108,712	100,471
E. BALANCE-SHEET CHANGE IN CASH, including:		- 108,809	100,578
- change in cash resulting from foreign exchange differences		-97	107
F. CASH AT BEGINNING OF PERIOD	50	135,827	35,356
G. CASH AT END OF PERIOD (F +/- D), including:	50	27,115	135,827
- restricted cash*		12,411	108,574

* Restricted cash includes primarily clients' funds held by the Company.

Warsaw, March 21st 2017

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STATEMENT OF CHANGES IN EQUITY (PLN '000)	2016	2015
I. EQUITY AT BEGINNING OF PERIOD	63,627	60,125
- changes in adopted accounting policies	-	-
- correction of errors	-	-
I.a. EQUITY AT BEGINNING OF PERIOD AFTER ADJUSTMENTS	63,627	60,125
1. Share capital at beginning of period	2,994	2,994
1.1. Changes in share capital	-	-
1.2. Share capital at end of period	2,994	2,994
2. Reserve funds at beginning of period	57,152	53,926
2.1. Changes in reserve funds	200	3,226
a) increase	200	3,226
- distribution of profit (above statutory minimum)	200	3,226
b) decrease	-	-
2.2. Reserve funds at end of period	57,352	57,152
3. Revaluation capital reserve at beginning of period	-12	-21
3.1. Changes in revaluation capital reserve	25	9
a) increase	116	24
- remeasurement of financial instruments	116	24
b) decrease	91	15
- remeasurement of financial instruments	91	15
3.2. Revaluation capital reserve at end of the period	13	-12
4. Retained earnings at beginning of period	3,493	3,226
4.1. Retained earnings at beginning of period	3,493	3,226
a) increase	-	-
b) decrease	3,493	3,226
- distribution of retained earnings (increase in reserve funds)	200	3,226
- distribution of retained earnings (dividend)	3,293	-
4.2. Retained earnings at end of period	-	-
5. Net profit (loss)	1,046	3,493
a) net profit	1,046	3,493
II. EQUITY AT END OF PERIOD	61,405	63,627
III. EQUITY AFTER PROPOSED DISTRIBUTION OF PROFIT	61,405	63,627

Warsaw, March 21st 2017

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Notes to the financial statements

Significant events relating to past years and disclosed in the financial statements for the financial year

No material events relating to the previous years occurred in the period covered by these financial statements.

Events subsequent to the reporting date, not disclosed in the financial statements

All events relating to the reporting period were disclosed in the accounting books and financial statements for the period January 1st–December 31st 2016. No events occurred after the reporting date which should have been but were not disclosed in the accounting books for the reporting period.

Changes in accounting policies and in the preparation of the financial statements

In 2016 and 2015, the Company did not change the accounting policies or the rules of preparing the financial statements.

Agreements not disclosed in the balance sheet

In 2016 and 2015, the Company disclosed all agreements which had an effect on the data presented in these financial statements.

Correction of errors

In 2016 and 2015, the Company did not correct any errors in the financial statements.

Operating segments

The Company does not distinguish separate operating segments within its structure and forms a single segment. IPOPEMA Securities S.A.'s segment comprises brokerage activities, as well as business and management consultancy services. Information disclosed in these financial statements comprises information regarding that operating segment.

No geographical segments are reported by the Company, as a vast majority of its revenue is generated in Poland. Foreign revenue earned in 2016 represents 9.68% (PLN 3,627 thousand) of total revenue earned in 2016 (2015: 9% or PLN 4,451 thousand). The Company's property, plant, equipment and intangible assets are located in Poland.

Significant events in 2016

No significant events occurred in 2016 other than those described in these financial statements and the accompanying Directors' Report.

Notes to the balance sheet (PLN '000)

Note 1

Cash and other assets	Dec 31 2016	Dec 31 2015
Cash and other assets of clients		
a) at banks and in hand	12,411	104,305
Total cash and other assets of clients	12,411	104,305
Cash and other assets:		
a) cash and other assets of the brokerage house, including:	14,708	31,645
- in hand	1	1
- at banks	11,466	15,436
- other cash*	3,233	16,178
- other cash equivalents	8	30
b) cash and other assets of clients deposited in cash accounts:	12,411	104,305
- at the brokerage house and paid towards acquisition of securities	12,411	104,305
- in an IPO or on the primary market	-	-
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total cash and other assets	27,119	135,950

* 'Other' and 'Other cash' items include cash in bank deposits and interest accrued on those deposits.

Cash by currency is presented in Note 13a.

Note 2

Selected current receivables (PLN '000)	Dec 31 2016	Dec 31 2015
1. Selected current receivables	231,698	154,295
a) from clients, including:	124,551	66,058
- under transactions executed on the Warsaw Stock Exchange	89,043	62,910
- under transactions executed on the Budapest Stock Exchange	21,049	602
- under transactions executed on the Prague Stock Exchange	2,674	-
- under transactions executed on the Vienna Stock Exchange	-	795
- under transactions executed on the Frankfurt Stock Exchange	2,252	220
- under transactions executed on the London Stock Exchange	116	-
- under transactions executed on the New York Stock Exchange	7,065	110
- other	2,352	1,421
b) from related entities, including:	209	41,
- from subsidiaries	209	41
c) from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, from executed transactions	72,031	64,062
- under transactions executed on the Warsaw Stock Exchange*	40,067	56,568
- under transactions executed on the Budapest Stock Exchange	6,163	4,027
- under transactions executed on the New York Stock Exchange	16,410	-
- under transactions executed on the Prague Stock Exchange	3,121	3,467
- under transactions executed on the Amsterdam Stock Exchange	6,270	-
d) from the Central Securities Depository of Poland and from settlement and clearing houses	213	203
- from the settlement guarantee fund	213	203
- other	-	-
e) receivables from CCP	34,694	23,931
- from the settlement guarantee fund	34,694	23,931
- other	-	-
f) under court proceedings, not covered by recognised impairment losses on receivables	-	-

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2. Net current receivables	255,106	167,343
- impairment losses on current receivables (positive value)	307	259
Gross current receivables	255,413	167,602
3.Changes in impairment losses on current receivables		
At beginning of period	259	514
a) increase (impairment losses on past-due receivables)	81	205
b) used	33	369
c) reversed	-	91
Impairment losses on current receivables at end of period	307	259
4.Current and non-current receivables by maturity as from the reporting date		
a) up to 1 month	240,846	156,624
b) over 1 month to 3 months	9,818	182
c) over 3 months to 1 year	3,982	9,500
d) over 1 year to 5 years	1,384	1,367
e) over 5 years	-	-
f) past due	767	1,296
Total gross receivables	256,797	168,969
g) impairment losses on receivables (negative value)	-307	-259
Total net receivables	256,490	168,710
5.Gross past due receivables by period of delay:		
a) up to 1 month	318	574
b) over 1 month to 3 months	86	14
c) over 3 months to 1 year	87	652
d) over 1 year to 5 years	276	56
e) over 5 years	-	-
Total gross receivables	767	1,296
f) impairment losses on receivables (negative value)	- 307	- 259
Total net receivables	460	1,037
6.Gross current receivables by currency		
a) in PLN	169,048	157,556
b) in other currencies (translated into PLN) **	86,365	10,046
Total gross current receivables	255,413	167,602

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

**Receivables by currency are presented in Note 13a.

The value of current receivables from clients under executed transactions and current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions represents the value of concluded and not cleared (including suspended) purchase and sale transactions in securities.

Note 3

Financial instruments held for trading	Dec 31 2016	Dec 31 2015
1. Financial instruments held for trading		
a) equities*	126	1,214
b) derivatives	-	-
c) commodities	-	-
d) other	-	-
Total financial instruments held for trading	126	1,214

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2. Financial instruments held for trading (by currency)		
a) in PLN	126	1,214
b) in other currencies (translated into PLN)	-	-
Total financial instruments held for trading	126	1,214
3. Financial instruments held for trading (by marketability)		
A. Freely marketable, listed (carrying amount)	126	1,214
a) equities (carrying amount)	126	1,214
- fair value	126	1,214
- market value	-	-
- value at cost	124	1,216
a) bonds (carrying amount)	-	-
c) other – derivative contracts (carrying amount)	-	-
- value at cost	-	-
B. Freely marketable, traded on OTC markets (carrying amount)	-	-
C. Freely marketable, not traded on regulated markets (carrying amount)	-	-
D. With limited marketability (carrying amount)	-	-
Total value at cost	124	1,216
Total carrying amount at beginning of period	1,214	1,463
Valuation as at the reporting date	2	-2
Total carrying amount	126	1,214

* "Equities" comprise only shares listed on the Warsaw Stock Exchange. Financial instruments held for trading are measured at fair value by reference to their market value as at the reporting date. For the purpose of the measurement, the Company takes into account closing prices quoted by the Warsaw Stock Exchange on the last business day of the financial year. Changes in the value of financial instruments held for trading are recognised under income from or cost related to financial instruments held for trading, as appropriate. As at the reporting date, the Company held 1,000 shares with a total carrying amount of PLN 126 thousand. All the shares are traded on the Warsaw Stock Exchange. As at December 31st 2015, the Company held 22,826 shares with a total carrying amount of PLN 1,214 thousand.

Financial assets

In 2016 and in 2015, the policies for measurement of financial assets at fair value or classification of financial assets did not change. Neither did the Group record any changes in its economic environment or trading conditions which would materially affect the fair value of its financial assets and liabilities.

The Company did not recognise any impairment losses on financial assets, nor did it reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables.

Note 4

Current prepayments and accrued income	Dec 31 2016	Dec 31 2015
a) prepayments, including:	663	794
cost of information service	42	57
membership fee	25	47
expenses to be re-invoiced	3	8
other costs	593	682
Total current prepayments and accrued income	663	794

Note 5

The Company did not carry any financial instruments held to maturity.

Note 6

Financial instruments available for sale	Dec 31 2016	Dec 31 2015
1. Financial instruments available for sale		
equities*	8,631	8,638
- debt securities	10	-
- investment fund units	4,019	-
- investment certificates	193	182
Total financial instruments available for sale	12,853	8,820
2. Available-for-sale financial instruments of subsidiaries and non-consolidated jointly-controlled entities other than commercial companies		
- equities	8,631	8,638
- debt securities	-	-
- investment fund units	-	-
- investment certificates	-	-
Total available-for-sale financial instruments of subsidiaries and non-consolidated jointly-controlled entities other than commercial companies	8,631	8,638
3. Financial instruments available for sale (by currency)		
a) in PLN	12,853	8,812
b) in other currencies (translated into PLN)	-	8
Total financial instruments available for sale	12,853	8,820
4. Equities		
a) shares in parent	-	-
b) shares in major investor	-	-
c) shares in subordinates	8,631	8,638
- shares in subsidiaries	8,631	8,638
d) shares in other entities	-	-
Total equities	8,631	8,638
<i>* Shares in subordinates are measured at cost less impairment losses. Investment certificates and investment fund units are carried at fair value based on the net asset value per certificate unit as published by the investment fund. Valuation results increase or decrease (as appropriate) the revaluation capital reserve.</i>		
5. Financial instruments available for sale (by marketability)		
A. Freely marketable, listed (carrying amount)	-	-
B. Freely marketable, traded on OTC markets (carrying amount)	-	-
C. Freely marketable, not traded on regulated markets (carrying amount)	-	-
D. With limited marketability (carrying amount)	12,853	8,820
- equities (carrying amount at cost)	8,631	8,638
- debt securities (carrying amount at cost)	10	-
- investment fund units (carrying amount at cost)	4,000	-
- investment certificates (carrying amount at cost)	200	200
Total value at cost	12,841	8,838
Total carrying amount at beginning of period	8,820	8,808
Revaluation adjustments (for the period)	30	12
Total carrying amount	12,853	8,820

6.6. Shares in subordinates

a) company name and form of incorporation	IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	
b) registered office	ul. Próźna 9, 00-107 Warsaw	
c) business profile	operation of an investment fund company, creation and management of investment funds, discretionary management of securities portfolios, advisory services in the area of securities trading, intermediation in the sale and redemption of investment fund units, and representation service for foreign funds	
d) type of capital link	subsidiary	
e) consolidation method applied	full	
f) control since	March 14th 2007	
g) shares at cost	5,630	5,630
h) valuation adjustments (total)	-	-
i) carrying amount of shares		5,630
j) percentage of share capital held	100%	100%
k) percentage of total vote at the general meeting	100%	100%
l) basis for control if other than specified in j) or k)		
m) entity's equity, including:	21,984	22,627
- share capital	10,599	10,599
- reserve funds	6,965	6,965
- other equity, including:	4,420	2,802
retained earnings /(deficit)	-	-
net profit (loss)	965	2,261
n) liabilities and provisions for liabilities of the entity, including:	9,080	8,255
- non-current liabilities	329	460
- current liabilities	3,435	3,598
o) entity's receivables, including:	3,666	7,167
- non-current receivables	3	10
- current receivables	3,663	7,157
p) entity's total assets	31,065	30,882
r) revenue	32,762	38,525
s) value of shares in entity not paid up by the issuer	-	-
t) dividend received or receivable from entity for previous financial year	1,470	-

a) company name and form of incorporation	IPOPEMA Business Consulting Sp. z o.o.	
b) registered office	ul. Próźna 9, 00-107 Warsaw	
c) business profile	other business and management consultancy services, computer facilities management activities, IT consultancy services, software-related activities, wholesale of computers, computer peripheral equipment and software.	
d) type of capital link	subsidiary	
e) consolidation method applied	full	
f) control since	August 26th 2008	
g) shares at cost	3,000	3,000
h) valuation adjustments (total)	-	-
i) carrying amount of shares	3,000	3,000
j) percentage of share capital held	50.02%	50.02%
k) percentage of total vote at the general meeting	50.02%	50.02%
l) basis for control / joint control / significant influence, if other than specified in j) or k)		

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m) entity's equity, including:	8 824	7 018
- share capital	100	100
- reserve funds	2 950	2 950
- other equity, including:	5 774	3 968
retained earnings /(deficit)	-	-
net profit (loss)	1 806	154
n) liabilities and provisions for liabilities of the entity, including:	4 964	1 027
- non-current liabilities	-	-
- current liabilities	4 182	873
o) entity's receivables, including:	10 133	3 873
- non-current receivables	-	-
- current receivables	10 133	3 873
p) entity's total assets	13 788	8 045
r) revenue	17 918	12 178
s) value of shares in entity not paid up by the issuer	-	-
t) dividend received or receivable from entity for previous financial year	-	400

a) company name and form of incorporation	IPOPEMA Financial Advisory Sp. z o.o. (formerly IPOPEMA Outsourcing Sp. z o.o.)	
b) registered office	ul. Próżna 9, 00-107 Warsaw	
c) business profile	support of IFA SK's operations	
d) type of capital link (subsidiary, jointly-controlled, or associate, direct or indirect)	subsidiary	indirect subsidiary (IBC was the parent)
e) consolidation method applied	Not consolidated due to immaterial effect on the Group's financial information	
f) direct control since	May 2016	January 19th 2012
g) shares at cost (in 2015 held by IBC)	16	16
h) valuation adjustments (total)	-	-
i) carrying amount of shares	4	4
j) percentage of share capital held by IBC	100%	100% held by IBC; IS indirectly holds 50.02%
k) percentage of total vote at the general meeting	100%	100% held by IBC; IS indirectly holds 50.02%
l) basis for control / joint control / significant influence, if other than specified in j) or k)		
m) entity's equity, including:	- 4	1
- share capital	5	5
- reserve funds	-	-
- other equity, including:	-	- 4
retained earnings /(deficit)	- 4	- 3
net profit (loss)	- 5	- 1
n) liabilities and provisions for liabilities of the entity, including:	6	-
- non-current liabilities	-	-
- current liabilities	6	-
o) entity's receivables, including:	2	1
- non-current receivables	-	-
- current receivables	2	1
p) entity's total assets	2	1
r) revenue	-	-
s) value of shares in entity not paid up by the issuer	-	-
t) dividend received or receivable from entity for previous financial year	-	-

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a) company name and form of incorporation	IPOPEMA Business Services Kft.	
b) registered office	1134 Budapest, Váci útca 33, Hungary	
c) business profile	office and business support	
d) type of capital link	subsidiary	
e) consolidation method applied	Not consolidated due to immaterial effect on the Group's financial information	
f) control since	December 10th 2009	
g) shares at cost	-	8
h) valuation adjustments (total)	-	-
i) carrying amount of shares	-	8
j) percentage of share capital held	-	100%
k) percentage of total vote at the general meeting	-	100%
l) basis for control / joint control / significant influence, if other than specified in j) or k)		
m) entity's equity, including:	-	62
- share capital	-	7
- reserve funds	-	-
- other equity, including:	-	55
retained earnings /(deficit)	-	37
net profit (loss)	-	17
n) liabilities and provisions for liabilities of the entity, including:	-	35
- non-current liabilities	-	-
- current liabilities	-	35
o) entity's receivables, including:	-	44
- non-current receivables	-	-
- current receivables	-	44
p) entity's total assets	-	96
r) revenue	-	187
s) value of shares in entity not paid up by the issuer	-	-
t) dividend received or receivable from entity for previous financial year	-	-
a) company name and form of incorporation	IPOPEMA Business Services Srl (in liquidation)	
b) registered office	Calea Floreasca 169a, Bucharest, Romania	
c) business profile	office and business support	
d) type of capital link	subsidiary	
e) consolidation method applied	Not consolidated due to immaterial effect on the Group's financial information	
f) control since	September 24th 2014	
g) shares at cost	-	-
h) valuation adjustments (total)	-	-
i) carrying amount of shares	-	-
j) percentage of share capital held	100%	95%
k) percentage of total vote at the general meeting	100%	95%
l) basis for control / joint control / significant influence, if other than specified in j) or k)		
m) entity's equity, including:	40	24
- share capital *	-*	-*
- reserve funds	-	-
- other equity, including:	40	24
retained earnings /(deficit)	24	32
net profit (loss)	16	- 8
n) liabilities and provisions for liabilities of the entity, including:	-	36
- non-current liabilities	-	-

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- current liabilities	-	36
o) entity's receivables, including:	44	-
- non-current receivables	-	-
- current receivables	44	-
p) entity's total assets	55	60
r) revenue	263	509
s) value of shares in entity not paid up by the issuer	-	-
t) dividend received or receivable from entity for previous financial year	-	-

**IBS Srl's share capital totals RON 200, i.e. PLN 190 (PLN 0 thousand)*

a) company name and form of incorporation	IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa
b) registered office	ul. Próżna 9, 00-107 Warsaw
c) business profile	advisory services
d) type of capital link	direct subsidiary
e) consolidation method applied	Not consolidated due to immaterial effect on the Group's financial information
f) control since	Jun 23 2016
g) shares at cost	
h) valuation adjustments (total)	-
i) carrying amount of shares	-
j) percentage of share capital held	78%
k) percentage of total vote at the general meeting	N/A
l) basis for control / joint control / significant influence, if other than specified in j) or k)	
m) entity's equity, including:	10
- share capital	10
- called-up share capital not paid (negative value)	-
- reserve funds	-
- other equity, including:	-
retained earnings /(deficit)	-
net profit (loss)	-
n) liabilities and provisions for liabilities of the entity, including:	-
- non-current liabilities	-
- current liabilities	-
o) entity's receivables, including:	10
- non-current receivables	-
- current receivables	10
p) entity's total assets	10
r) revenue	-
s) value of shares in entity not paid up by the issuer	-
t) dividend received or receivable from entity for previous financial year	-
6.7. Shares and other equity interests in other entities	-

Note 7

As at December 31st 2016, the Company's long-term receivables totalled PLN 1,384 thousand (December 31st 2015: PLN 1,367 thousand).

As at December 31st 2016, the non-current portion of loans advanced amounted to PLN 54 thousand (December 31st 2015: PLN 1 thousand).

Note 8

As at December 31st 2016, the Company carried the following loans advanced and receivables:

Loans advanced and receivables	Dec 31 2016	Dec 31 2015
Loans advanced, including:	203	369
- non-current portion	54	1
- current portion	149	368
Cash and cash equivalents, including:	27,119	135,950
- in hand	1	1
- at banks	27,110	135,919
- deposit (for a period exceeding three months) and other cash equivalents	8	30
Interest on loans advanced and receivables	330	465
- realised	319	427
- unrealised, including with payment dates falling in:	11	38
up to 3 months	6	13
from 3 to 12 months	-	25
over 12 months	5	-

Loans advanced and receivables bear interest at variable rates. In 2016 and 2015, no impairment losses were recognised on loans advanced and receivables, but some loans were amortised. Income from interest on loans advanced and receivables amounted to PLN 292 thousand in 2016 (of which PLN 11 thousand was interest accrued but not received) (2015: PLN 455 thousand, of which PLN 28 thousand was interest accrued but not received).

Note 9

Intangible assets	Dec 31 2016	Dec 31 2015
1.Intangible assets		
a) goodwill	-	-
b) acquired permits, patents, licenses and similar assets, including:	2,475	2,495
- computer software	2,475	2,495
c) other intangible assets	-	-
d) prepayments for intangible assets	-	-
Total intangible assets	2,475	2,495
2.Movements in intangible assets (by category)		
a) gross value of intangible assets at beginning of period	8,249	6,940
b) additions – purchases and lease returns	710	1,309
c) decrease:	-	-
d) gross value of intangible assets at end of period	8,959	8,249
e) accumulated amortisation at beginning of period	5,754	4,910
f) lease returns	-	113
g) amortisation for period	730	731
h) accumulated amortisation at end of period	6,484	5,754
i) impairment losses at beginning of period	-	-

j) impairment losses at end of period	-	-
k) net value of intangible assets at end of period	2 475	2 495
3.Intangible assets (by ownership)		
a) owned	2 475	2 495
b) used under rental or similar agreement, including lease agreement	-	-
Total intangible assets	2 475	2 495

Note 10

The Company did not carry any goodwill related to subordinates.

Note 11

Property, plant and equipment	Dec 31 2016	Dec 31 2015
1.Property, plant and equipment		
a) tangible assets, including:	3,736	4,092
- land (including perpetual usufruct rights)	-	-
- buildings and premises	464	531
- plant and equipment	2,265	2,364
- vehicles	165	148
- other tangible assets	842	1,049
b) tangible assets under construction	10	44
c) prepayments for tangible assets under construction	-	-
Total property, plant and equipment	3,746	4,136
2.Change in property, plant and equipment (by category)		
a) Gross value of property, plant and equipment at beginning of period	8,416	6,834
- additions – purchases and lease returns	777	1,771
- decrease	-	189
b) gross value of property, plant and equipment at end of period	9,193	8,416
c) accumulated depreciation at beginning of period	4,280	3,379
- depreciation for period	1,167	1,030
- lease returns	-	46
- liquidation of property, plant and equipment	-	173
- accumulated depreciation at end of period	5,447	4,280
e) impairment losses at beginning of period	-	-
- increase	-	-
- decrease	-	-
f) impairment losses at end of period	-	-
Net value of property, plant and equipment at end of period	3,746	4,136
3.Property, plant and equipment (by ownership)		
a) owned	3,581	3,988
b) depreciated leased assets	165	148
c) value of property, plant and equipment used under rental, lease or similar agreement, not depreciated by the brokerage house *	-	-
Total property, plant and equipment	3,746	4,136

* In the periods covered by these financial statements, the Company leased office space under a lease contract. The address of the Company's registered office in 2016 was ul. Próźna 9, Warsaw, Poland. The leased space comprised 1,259.27 square meters. The total amount of lease payments (including additional charges) for 2016 was PLN 1,550 thousand (2015: PLN 1,976 thousand). The Company does not have a valuation report regarding the leased premises.

Production cost of tangible assets under construction and tangible assets for own needs:

In the periods covered by these financial statements the Company did not incur any production cost of tangible assets under construction or tangible assets for own needs.

Material purchase or sale transactions in property, plant and equipment

In 2016 and 2015, the Company did not purchase or sell any material items of property, plant and equipment.

Material liabilities under purchases of property, plant and equipment

The Company has no material liabilities under purchases of property, plant and equipment. In 2016 and 2015, the Company did not purchase or sell any material items of property, plant and equipment.

Impairment of non-current assets

No impairment of non-current assets was identified in 2016 or 2015.

Note 12

Change in deferred tax assets	Dec 31 2016	Dec 31 2015
Change in deferred tax assets		
1.Assets at beginning of period, including:	1,050	821
a) charged to net profit/(loss)	1,047	816
b) charged to equity	3	5
c) charged to (negative) goodwill	-	-
2.Increase	1,540	1,385
a) charged to net profit/(loss) for period in connection with deductible temporary differences	1,540	1,383
b) charged to net profit/(loss) for period in connection with tax loss	-	-
a) charged to equity in connection with deductible temporary differences	-	2
d) charged to equity in connection with tax loss	-	-
e) charged to (negative) goodwill in connection with deductible temporary differences	-	-
3.Decrease	1,497	1,156
a) charged to net profit/(loss) for period in connection with deductible temporary differences	1,494	1,152
b) charged to net profit/(loss) for period in connection with tax loss	-	-
a) charged to equity in connection with deductible temporary differences	3	4
d) charged to equity in connection with tax loss	-	-
e) charged to (negative) goodwill in connection with deductible temporary differences	-	-
4.Deferred tax assets at end of period, including:	1,093	1,050
a) charged to net profit/(loss)	1,093	1,047
b) charged to equity	-	3
c) charged to (negative) goodwill	-	-
Increase, including:	1,540	1,385
- temporary differences	1,540	1,385
Decrease, including:	1,497	1,156
- reversal of temporary differences	1,497	1,156

Note 13

Current liabilities	Dec 31 2016	Dec 31 2015
13.1.Selected current liabilities	4,480	3,345
1.To related entities	20	33
- to subsidiaries	20	33
2.To entities operating regulated markets and commodity exchanges	602	563
a) to the Warsaw Stock Exchange	536	488
b) to the Budapest Stock Exchange	16	44

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c) to the Prague Stock Exchange	-	21
d) to the Chicago Stock Exchange	6	-
e) to the Bucharest Stock Exchange	-	6
f) other	44	4
3.To the Central Securities Depository of Poland and to settlement and clearing houses	62	38
a) under additional payments to the settlement guarantee fund	-	-
b) other	62	38
3a. To CCP	1,982	806
- under additional payments to the settlement guarantee fund	1,881	728
- other	101	78
4.Taxes, customs duties and social security payable	535	352
- including under ownership right to buildings and structures	-	-
5.Other	1,279	1,553
a) dividends payable	-	-
b) other liabilities, including:	1,279	1,553
- financial liabilities (lease)	37	24
- other liabilities	1,242	1,529
13.2.Current liabilities (by currency)		
a) in PLN	163,620	243,171
b) in other currencies (translated into PLN) **	75,542	11,083
Total current liabilities	239,162	254,254
13.3.Liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses		
a) under executed stock-exchange transactions (broken down into liabilities under clearing of transactions concluded on each stock exchange):	130,250	68,941
- under transactions executed on the Warsaw Stock Exchange*	97,968	67,216
- under transactions executed on the Prague Stock Exchange	2,670	-
- under transactions executed on the Budapest Stock Exchange	20,191	602
- under transactions executed on the Vienna Stock Exchange	-	795
- under transactions executed on the Frankfurt Stock Exchange	2,250	219
- under transactions executed on the London Stock Exchange	116	-
- under transactions executed on the New York Stock Exchange	7,055	109
Liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	130,250	68,941
13.4.Current liabilities by maturity as from the reporting date		
a) up to 1 month	238,456	253,251
b) over 1 month to 3 months	159	730
c) over 3 months to 1 year	251	120
d) over 1 year to 5 years	-	-
e) past due	296	153
Total current liabilities	239,162	254,254
13.5.Current liabilities under borrowings	14,784	15,138
a) non-bank loan		-
b) bank credit facility	14,784	15,138
- outstanding amount	14,784	15,138
- interest rate: O/N WIBOR + bank's margin	-	-
- repayment date– agreement terms described below	-	-
- security – a security deposit in the form of a term deposit of PLN 4m; blank promissory note with a promissory note declaration;		

13.6. Current liabilities under debt instruments in issue	3	6
13.7. Special accounts	-	-

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

**Liabilities by currency are presented in Note 13a.

As at December 31st 2016, the Company's liabilities under borrowings related to its brokerage business amounted to PLN 14,784 thousand (December 31st 2015: PLN 15,138 thousand). The liabilities arise under:

1. Two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland in connection with the brokerage activities; their current term expires on September 15th 2017:
 - i. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland in respect of the settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, and a PLN 4m security deposit placed in a term deposit account as joint collateral securing also the credit facility specified in item ii.
 - ii. Revolving credit facility of up to PLN 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Central Securities Depository of Poland. The facility is secured with a blank promissory note with a promissory note declaration and a power of attorney over accounts held with the bank. As stated in item i above, both credit facilities are also jointly secured with a security deposit of PLN 4m.
2. HUF 409m current account overdraft facility from Raiffeisen Bank Zrt, used to settle transactions on the Budapest Stock Exchange in connection with brokerage activities, expiring on March 14th 2018. The facility is secured with a security deposit of HUF 409m.

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

None

Bonds

In 2016, the Company issued ten registered bonds with a total nominal value of PLN 2 thousand (2015: PLN 7.6 thousand), with various series maturing in 2016–2019. The total amount of liabilities payable by the Company on redemption of the bonds will not exceed the bonds' par value and is not significant to the Company. The bond issues are related to the Variable Component Remuneration Policy implemented at the Company pursuant to the Minister of Finance's Resolution on the rules for establishment of a variable component remuneration policy for persons holding management positions at brokerage houses, dated December 2nd 2011. For more details, see the updated version of the document entitled 'Disclosure of information on IPOPEMA Securities S.A.'s capital adequacy', available on the Company's website. In 2016, the Company redeemed PLN 6.4 thousand worth of bonds (2015: PLN 5.6 thousand).

Note 13a

Definition, objectives and rules of managing risks to which a brokerage house is exposed

Operations on capital markets inherently involve various risks which may have a material effect on the Company's operations, as outlined below. All types of risk are monitored and controlled with respect to the profitability of the Company's business and the level of capital necessary to ensure security of executed transactions in the context of the capital adequacy requirements.

Credit risk

The Company is exposed to credit risk understood as the risk that the Company's debtors may fail to fulfil their obligations and thus cause losses to the Company. In view of the above, the credit risk was accounted for in the financial statements through recognition of impairment losses. Receivables by maturity and amounts of recognised impairment losses are presented in Note 2.

In the Management Board's opinion, there is no significant concentration of credit risk as the Company renders its services to a large number of clients.

With respect to the Company's other financial assets, such as cash and cash equivalents and financial assets available for sale, credit risk is related to the potential inability of a counterparty to meet its payment obligation, and the maximum exposure to the risk is equal to the carrying amount of those assets. Credit risk connected with bank deposits, financial instruments and other investments is considered low as the Company executed the transactions with institutions of sound financial condition.

Credit risk – value at risk

As at December 31st 2016, the value at risk under credit risk for instruments carried as loans advanced and receivables (specified in Note 8) was PLN 27,322 thousand (December 31st 2015: PLN 136,319 thousand), while for instruments held for trading, the amount was PLN 126 thousand (December 31st 2015: PLN 1,214 thousand).

Credit risk related to financial instruments held for trading is low because they comprise exchange-traded shares. Similarly, credit risk related to deposits is considered low, because the agreements are executed with banks that have stable financial position.

Interest rate risk

The Company has liabilities under working capital facilities on which interest accrues at variable rates. This gives rise to the risk that interest rates may increase over their level as at the agreement date. Moreover, the Company invests free cash in variable-rate assets, which may result in reduced return on the investment if interest rates decline. For information on assets and liabilities subject to the interest rate risk, see Note 1 and Note 13.

Given that in the reporting period the Company held both assets and liabilities bearing interest at variable rates (which mitigated the risk) and that interest rates moved only slightly in the past periods and no dramatic changes in interest rates are expected in the following reporting periods, the Company did not hedge its exposure to the interest rate risk, as in its opinion the risk is not significant.

Currency risk

The Company is exposed to limited currency risk as it incurs most of its operating expenses in the zloty. Currency risk is primarily related to fluctuations in the USD, HUF, EUR, RON, and CZK exchange rates. The Company holds foreign-currency cash at bank and a foreign-currency overdraft facility. The Company operates in Hungary, the Czech Republic and Romania, as well as on other foreign stock exchanges and uses foreign currencies (HUF, CZK, RON, EUR, USD, and other) to settle stock-exchange transactions and other operating expenses in those markets (including fees payable to the clearing bank and the Czech, Hungarian and Romanian stock exchanges, as well as the costs of associates). Owing to the nature of the transaction settlements (with the Company acting as an intermediary), the share of this risk in the overall risk is immaterial.

	Dec 31 2016	Dec 31 2015
Foreign-currency receivables		
- EUR	4,326	293
- HUF	2,446,153	340,342
- USD	6,322	184
- CZK	36,435	22,985
- RON	48	48
Foreign-currency liabilities		
- EUR	3,683	374
- HUF	1,885,380	346,602
- USD	6,372	322
- CZK	35,343	22,185
- GBP	2	2
- RON	1	9
Cash in foreign currencies		
- CZK	76	293
- EUR	612	2,168
- HUF	2,267	58,019
- RON	283	626
- USD	254	1,118
- GBP	7	19

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- SEK	3	27
- JPY	2	350
- DKK	1	67
- NOK	12	231
- CHF	7	30
- TRY	222	214
- AUD	1	-

Price risk

The Company holds financial instruments traded on a regulated market (the Warsaw Stock Exchange). The Company is exposed to the risk connected with the volatility of prices of financial instruments listed on the WSE. Such instruments are disclosed as financial instruments held for trading in the financial statements. The Company also holds investment certificates and investment fund units, which are exposed to the risk of volatility of the current price, but the aggregate value of these instruments is immaterial (see Note 6).

The risk related to prices of financial instruments is limited, as the Company invests only a relatively small portion of its cash in financial instruments – for details on the size of investments in financial instruments held for trading, see Note 3.

Liquidity risk

The Company is exposed to liquidity risk understood as the risk of failure to meet its liabilities as they fall due. The risk is connected with a potentially limited access to financial markets, resulting in the Company's inability to raise new financing or refinance its debt. The Company's objective is to balance its liquidity position by managing its receivables, liabilities and financial instruments and by using debt financing in the form of short-term bank borrowings.

In the Company's opinion, given the significant amount of cash held as at the end of the reporting period (Note 1), access to credit facilities to finance the Company's operations on stock exchanges (Note 13), and the sound financial condition of the Company, the liquidity risk is insignificant.

Note 13 includes a table setting forth liabilities by maturity. The vast majority of the liabilities (98%) relate to transactions executed on stock exchanges, in the majority of which the Company acted as intermediary in the purchase or sale of financial instruments on behalf of its clients. Thus, a liability under a stock exchange transaction is to a large extent offset by a transaction generating receivables. As at December 31st 2016, the balance of stock exchange transactions (receivables vs. liabilities) stood at PLN 437 thousand (December 31st 2015: PLN (-)279 thousand). Transactions executed on the WSE may be financed with proceeds from the available credit facilities. In view of the foregoing, the liquidity risk is considered low.

Note 14

Fair value of instruments not measured at fair value

Loans advanced, receivables and liabilities as at Dec 31 2016	carrying amount	balance-sheet item	fair value
Loans advanced and receivables			
- loan	203	Loans advanced	203
- cash	27,119	Cash	27,119
Financial liabilities (bank loan)	14,784	Liabilities	14,784

Loans advanced, receivables and liabilities as at Dec 31 2015	carrying amount	balance-sheet item	fair value
Loans advanced and receivables			
- loan	369	Loans advanced	369
- cash	135,950	Cash	135,950
Financial liabilities (bank loan)	15,138	Liabilities	15,138

Note 15

Non-current liabilities of PLN 2 thousand are related to the issue of bonds referred to in Note 13 (2015: PLN 4 thousand) and lease liabilities of PLN 156 thousand (December 31st 2015: PLN 129). No accruals or deferred income were carried as at December 31st 2016 or December 31st 2015.

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Non-current liabilities	Dec 31 2016	Dec 31 2015
a) up to 1 year	41	28
b) over 1 year to 3 years	117	105
c) over 3 years to 5 years	-	-
d) over 5 years	-	-
Total non-current liabilities	158	133

Note 16

Provisions for liabilities	Dec 31 2016	Dec 31 2015
1.Change in long-term provision for retirement and similar benefits	-	-
2.Change in short-term provision for retirement and similar benefits	-	-
3.Change in other long-term provisions	-11	285
4.Change in other short-term provisions	-1,280	1,302
Other short-term provisions at beginning of period	4,775	3,473
a) recognised	3,898	5,468
b) used	5,180	4,108
c) reversed	-	58
Other short-term provisions at end of period	3,493	4,775
Other short-term provisions at end of period (by items)		
Audit and preparation of financial statements	80	77
Employee benefits*	2,435	4,066
Telecommunications services	-	-
Other	978	632
Total other short-term provisions at end of period	3,493	4,775

* As provided for in the Polish Accountancy Act and IAS 19, employee benefits include wages, salaries, social security contributions, paid annual leave, paid sick leave, profit-sharing and bonuses, as well as post-employment benefits including pensions, other retirement benefits, termination benefits and non-cash benefits for current employees.

Change in deferred tax liability	Dec 31 2016	Dec 31 2015
1. Deferred tax liability at beginning of period, including:	393	327
a) charged to net profit/(loss)	393	327
- property, plant and equipment, and intangible assets	310	249
- valuation of financial instruments	26	-
- receivables	57	78
b) charged to equity	-	-
c) charged to (negative) goodwill	-	-
2. Increase	470	287
a) charged to net profit (loss) of the period under taxable temporary differences:	454	287
- property, plant and equipment, and intangible assets	67	94
- valuation of financial instruments	102	103
- receivables	285	90
b) charged to equity	16	-
c) charged to (negative) goodwill	-	-
3. Decrease	451	221
a) charged to net profit (loss) of the period under taxable temporary differences:	438	221
- property, plant and equipment, and intangible assets	69	33
- valuation of financial instruments	103	77
- receivables	266	111
b) charged to equity	13	-

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c) charged to (negative) goodwill	-	-
4. Deferred tax liability at end of period, including:	412	393
a) charged to net profit (loss) of the period under taxable temporary differences:	409	393
- property, plant and equipment, and intangible assets	307	310
- valuation of financial instruments	25	26
- receivables	77	57
b) charged to equity	3	-
c) charged to (negative) goodwill	-	-

Note 17

Subordinated liabilities – none

Note 18

Changes in individual categories of financial instruments

	Financial instruments available for sale	Financial instruments held for trading		Loans advanced and receivables		Other financial liabilities
		Financial assets	Financial liabilities	Loan advanced	Cash and cash equivalents	Short-term bank borrowings
As at Jan 1 2016	8,820	1,214	153	369	135,950	15,138
Increase:	4,113	26,978	73	279	-	-
- acquisition of shares	-	26,978	-	-	-	-
- acquisition of debt securities	11	-	-	-	-	-
- purchase of investment fund units	4,000	-	-	-	-	-
- valuation of	102	-	-	-	-	-
- valuation of shares	-	3	-	-	-	-
- lease	-	-	73	-	-	-
- advance of a loan	-	-	-	263	-	-
- interest on loan and foreign-exchange differences	-	-	-	16	-	-
Decrease:	80	28,069	31	445	108,831	354
- sale of shares	-	28,069	-	-	-	-
- company liquidation	7	-	-	-	-	-
- sale of debt securities	1	-	-	-	-	-
- valuation of shares	-	-	-	-	-	-
- valuation of	72	-	-	-	-	-
- repayment	-	-	31	445	-	354
- loan amortisation	-	-	-	-	-	-
- change in cash	-	-	-	-	108,831	-
- foreign exchange differences	-	-	-	-	-	-
As Dec 31 2016	12,853	126	195	203	27,119	14,784

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	Financial instruments available for sale	Financial instruments held for trading		Loans advanced and receivables		Other financial liabilities
		Financial assets	Financial liabilities	Loan advanced	Cash and cash equivalents	Short-term bank borrowings
As at Jan 1 2015	8,808	1,463	-	572	35,342	12,206
Increase:	22	30,708	161	209	100,608	2,932
- acquisition of shares	-	30,673	-	-	-	-
- valuation of certificates	22	-	-	-	-	-
- valuation of shares	-	35	-	-	-	-
- lease	-	-	161	-	-	-
- advance of a loan	-	-	-	-	-	2,932
- change in cash	-	-	-	-	100,608	-
- interest on loan and foreign-exchange differences	-	-	-	209	-	-
Decrease:	10	30,957	8	412	-	-
- sale of shares	-	30,957	-	-	-	-
- valuation of shares	-	-	-	-	-	-
- valuation of certificates	10	-	-	-	-	-
- repayment	-	-	8	156	-	-
- loan amortisation	-	-	-	71	-	-
- foreign exchange differences	-	-	-	185	-	-
As Dec 31 2015	8,820	1,214	153	369	135,950	15,138

Note 19

Share capital	Dec 31 2016	Dec 31 2015
a) par value per share (PLN)	0.10	0.10
b) series/issue	A, B, C	A, B, C
c) type of shares	ordinary bearer shares	ordinary bearer shares
d) preference attached to shares	none	none
e) restrictions on rights attached to shares	none	none
f) number of shares	29,937,836	29,937,836
g) total par value of series/issue (PLN '000)	2,994	2,994
h) type of contribution	cash	cash
i) dividend right since:	the shares carry the right to profit distribution for 2016	the shares carry the right to profit distribution for 2015

There were no changes in the Company's share capital in 2016 or 2015.

As at December 31st 2016, the share capital was PLN 2,993,783.60 and comprised 7,000,000 Series A ordinary bearer shares, 21,571,410 Series B ordinary bearer shares, and 1,366,426 Series C ordinary bearer shares. The par value of all issued shares is PLN 0.10 per share. All issued shares have been paid for in full.

The Company's Articles of Association provide for a conditional share capital increase for the purpose of implementation of the Company's incentive scheme, for the maximum amount of PLN 485,714, through the issue of up to 4,857,140 shares. A total of 1,366,426 shares had been issued for the purpose of the incentive scheme by December 31st 2016, of which 185,714 shares were issued in 2013, 197,321 shares were issued in 2012, 212,500 shares were issued in 2011, 413,748 shares were issued in 2010, and 357,143 shares were issued in 2009. For more information on the Company's incentive scheme, see Note 55.

Share capital structure as at December 31st 2016 and December 31st 2015

Shareholder	Number of shares and voting rights at GM	Value of shares subscribed for (PLN)
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	299,079
JLC Lewandowski S.K.A. ²	2,990,789	299,079
OFE PZU Złota Jesień*	2,950,000	295,000
IPOPEMA 10 FIZAN ³	2,851,420	285,142
Katarzyna Lewandowska	2,136,749	213,675
Quercus Parasolowy SFIO*	1,754,164	175,416
Total shareholders holding over 5% of the share capital	15,673,911	1,567,391

* 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, his wife.

² Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

³ The only investor in the Fund is Stanisław Waczkowski, Vice-President of the Company's Management Board.

Note 20

Treasury shares

Except for transactions executed as part of the Company's brokerage activities (intermediation in equities trading on the WSE), the Company did not purchase any of its own shares.

Note 21

Reserve funds	Dec 31 2016	Dec 31 2015
a) share premium	10,351	10,351
b) statutory reserve funds	998	998
c) reserve funds created pursuant to the Articles of Association (above statutory minimum)	46,003	45,803
Total reserve funds	57,352	57,152

Note 22

Distributions from net profit in the financial year – none

Note 23

Negative goodwill of subordinates – none

Note 24

Book value per share	Dec 31 2016	Dec 31 2015
Equity (PLN '000)	61,405	63,627
Number of shares outstanding	29,937,836	29,937,836
Book value per share (PLN)	2.05	2.13

Book value per share is equal to the ratio of the value of equity as at the reporting date to the number of shares outstanding as at the reporting date.

Note 25

Revaluation capital reserve

Changes in revaluation capital reserve	2016	2015
Revaluation capital reserve as at Jan 1	- 12	- 21
Remeasurement of financial assets available for sale		
As at Jan 1	- 15	- 26
Gain from periodic valuation	31	11
As at Dec 31	16	- 15
Deferred tax assets		
As at Jan 1	- 3	- 5
Change in deferred tax assets	6	2
As at Dec 31	3	- 3
Revaluation capital reserve as at Dec 31	13	- 12

Note 26

Clients' financial instruments

As at December 31st 2016, the value of stock-exchange listed financial instruments in book-entry form registered in clients' accounts was PLN 408,272 thousand (24,434 thousand instruments) (December 31st 2015: PLN 658,465 thousand (96,011 instruments)). As at December 31st 2016, the Company kept 40 thousand bonds in certificated form for its clients, valued at PLN 40m, and 162,583 thousand shares, valued at PLN 16,258 thousand. In the comparative period, i.e. as at December 31st 2015, the Company kept 90 thousand bonds in certificated form for its clients, valued at PLN 90m, and 12 thousand shares, valued at PLN 165 thousand.

The Company also operates an issue sponsor's account. As at December 31st 2016, 291 thousand WSE-listed financial instruments in book-entry form (shares) were registered in the account, worth PLN 560 thousand (December 31st 2015: 291 thousand shares with a value of PLN 632 thousand).

Notes to the statement of profit or loss

Note 27

Revenue from brokerage activities	2016	2015
Revenue from trading in securities	22,666	28,715
Revenue from investment banking services, including:	14,460	18,565
- arrangement and execution of public offerings	5,633	9,125
- M&A advisory and other financial advisory services	8,827	9,440
Other revenue	332	145
Total revenue	37,458	47,425

Revenue from acceptance and transfer of orders to buy or sell investment fund units or units in collective investment undertakings was PLN 5 thousand in 2016, compared with PLN 477 thousand in 2015.

Revenue by country	2016	2015
Poland	33,832	42,974
Hungary	909	1,174
Czech Republic	59	390
Romania	5	61
United Kingdom	2,653	2,826
Total revenue	37,458	47,425

Cost of services	2016	2015
------------------	------	------

- transaction costs other than cost of clearance through clearing houses or stock exchanges	3,034	3,763
- ICT and information services	2,956	2,955
- other services	1,633	1,836
Total services	7,623	8,554

Note 28

In 2016, income from financial instruments held for trading was PLN 776 thousand (2015: PLN 851 thousand).

Note 29

In 2016, costs related to financial instruments held for trading were PLN 766 thousand (2015: PLN 1,436 thousand).

Note 30

Income from financial instruments held to maturity – none

Note 31

Costs related to financial instruments held to maturity – none

Note 32

Income from financial instruments available for sale

Income from financial instruments available for sale was PLN 1,509 thousand in 2016, compared with PLN 1,400 thousand in 2015. Income from financial instruments available for sale comprised dividend from subsidiaries in the amounts of PLN 1,470 thousand in 2016 and PLN 1,400 thousand in 2015.

Note 33

Cost related to financial instruments available for sale

No cost related to financial instruments available for sale was recognised in 2016 or 2015.

Note 34

Gain (loss) on sale of all or some of shares in subordinates –none

Note 35

Other income	2016	2015
a) provisions reversed	-	58
b) decrease in impairment losses on receivables	33	379
c) other, including:	738	1,180
- re-invoicing of costs	671	997
- other	67	183
Total other income	771	1,617

Note 36

Other expenses	2016	2015
a) provisions recognised	-	50
b) increase in impairment losses on receivables	81	205
c) other, including:	719	1 101
- lease	-	4
- re-invoicing of costs	653	997
- decommissioning of property, plant and equipment	-	14
- other	66	86
Total other expenses	800	1 356

Note 37

Interest on deposits	2016	2015
interest on own deposits, including:	278	431
- unrealised – up to 3 months	2	9
- unrealised – from 3 to 12 months	-	-

Note 38

Interest on borrowings	2016	2015
a) realised	1,158	1,008
b) unrealised	78	-
- unrealised – up to 3 months	78	-
- unrealised – from 3 to 12 months	-	-
Total interest on borrowings	1,236	1,008

Note 39

Income tax	2016	2015
Current corporate income tax		
1.Pre-tax profit (loss)	1,027	4,156
2.Differences between pre-tax profit (loss) and taxable income, by item	-2,600	12
a/ non-tax-deductible costs	4,955	6,837
entertainment costs	122	245
State Fund for the Disabled	75	62
membership fees	120	76
balance-sheet valuations of financial instruments and settlements	328	603
impairment losses on receivables	81	205
amortisation of loans	-	70
provisions	3,871	5,022
other	358	554
b/ non-taxable income	2,548	3,308
released provisions	-	58
reversal of impairment losses on receivables	33	379
interest on deposit, loans and receivables	85	149

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dividend	1 522	1 489
balance-sheet valuations of financial instruments and settlements	506	749
proceeds from the CSDP	402	481
Other	-	3
c/ costs added statistically	5 512	3 980
use of provision for employee benefits	3 378	2 497
released provisions	1 419	713
audit of financial statements	113	107
tax amortisation/depreciation	81	171
VAT adjustment	58	63
interest paid	418	363
other	45	66
d/ income added statistically	505	723
interest on investments	77	133
proceeds from the CSDP	394	537
other	34	53
e/ deduction of loss	-	260
3. Donation made	-	-
4. Taxable income	- 1 573	4 168
5. Corporate income tax at 19% rate	-	792
6. Increases, reliefs, exemptions, allowances, and reductions in/of corporate income tax – tax paid on dividend received	11	36
7. Current corporate income tax disclosed in tax return for period, including:	11	828
- disclosed in statement of profit or loss	11	828
- referring to items decreasing or increasing equity	-	-
Deferred income tax disclosed in statement of profit or loss:		
- decrease (increase) related to temporary differences and reversal of temporary differences	- 1 540	- 1 383
- decrease (increase) related to changes in tax rates	-	-
- decrease (increase) related to tax loss not recognised earlier, tax relief or temporary differences brought forward	-	-
- decrease (increase) in deferred tax assets	1 494	1 152
- change in deferred tax liabilities	16	66
Total deferred income tax	- 30	- 165

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

Tax settlements are subject to inspection for five years from the end of the year in which the payment deadline expired.

Note 40

Other mandatory decrease of profit (increase of loss) – none

Note 41

Proposed distribution of profit for the current year and profit distributed for the previous year

Distribution of profit	2016	2015
Net profit/loss	1,046	3,493
Reserve funds	-	-
Dividend	-	-

As at the date of preparation of these financial statements, no final decision had been made by the Management Board concerning the recommended distribution of the 2016 profit. This decision will be made at a later date, however not later than by the date of convening of the Annual General Meeting, which pursuant to the Commercial Companies Code must be held within six months from the end of a given financial year.

Note 42

Liabilities secured with the brokerage house's assets:

Both in 2016 and 2015, the Company's assets were used as security for working capital overdraft facilities (see Note 13). The facilities are secured with a PLN 4m and HUF 409m security deposits in bank accounts (as at December 31st 2016), blank promissory notes with promissory note declarations and powers of attorney over bank accounts.

In March 2016, mBank S.A. issued a guarantee in respect of the Company's liabilities for the benefit of Raiffeisen Polbank S.A., which is IPOPEMA Securities S.A.'s clearing bank for transactions executed on foreign stock exchanges. The guarantee was issued for EUR 1.5m and secures timely payment of the Company's liabilities towards Raiffeisen Polbank arising in connection with the services provided by the bank, consisting in settlement and clearing of stock exchange transactions. The guarantee, expiring on March 31st 2018, is secured with a security deposit of EUR 0.9m (as of March 13th 2017, the security deposit was increased to EUR 1.5m).

In January 2012, Nordea Bank Polska S.A. (currently PKO Bank Polski S.A.) issued to the Company a guarantee of up to EUR 268 thousand, secured with a security deposit of PLN 1,384 thousand. Under an annex executed in 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 15th 2018, secures liabilities related to the lease of office space.

Note 43

Contingent liabilities and assets, including guarantees and sureties provided, underwriting agreements, liabilities under promissory notes:

The Company issued promissory notes as security for a credit facility (for a detailed description see Note 13), and paid a deposit of PLN 0.9m as security for settlement of transactions on foreign stock exchanges.

Note 44

Security granted:

In the periods covered by these financial statements the Company did not grant any security.

Note 45

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

In 2016 and in 2015, the Company did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did it reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 2).

Note 46

Income, expenses and profit (loss) from discontinued operations or operations intended to be discontinued:

The Company did not identify any discontinued operations in 2016 or 2015. All information presented in the 2015 financial statements relates to continuing operations.

Note 47

Leases

The Company leases office space under a lease agreement. The right to use the building for the term of the agreement was classified by the Company as operating lease. The lease agreement providing for the right to use the building was executed for a period of five years, with an option to extend its term for another two years. Pursuant to an annex to the agreement, executed in January 2016, the lease was extended until January 2023.

Minimum lease payments are presented in the table below.

Lease liabilities	Dec 31 2016	Dec 31 2015
	Present value of minimum lease payments	
Within 1 year	1,070*	1,447*
Within 1 to 5 years	4,281*	4,398*
Over 5 years	1,116*	-
Total lease liabilities	6,467	5,845

* Value calculated by recognising the cost on a straight-line basis over the lease term.

The Company as a lessee – finance leases

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

The lease agreements have been classified as finance leases. Minimum lease payments are presented in the table below.

Finance lease liabilities	Dec 31 2016	Dec 31 2015
Net carrying amount	165	148
Present value of minimum lease payments	193	153
Within 1 year *	37	24
Within 1 to 5 years *	156	129
Over 5 years *	-	-
Contingent lease payments recognised as expense in the period	42	10

Note 48

Amounts and type of any extraordinary or one-off income or expense items:

In the periods covered by these financial statements the Company did not carry any extraordinary gains or losses.

Note 49

Future income tax liabilities:

In the periods covered by these financial statements the Company did not carry any future income tax liabilities.

Note 50

Items of the statement of cash flows

Breakdown of the Company's activities as assumed for the statement of cash flows:

Operating activities – provision of brokerage and consultancy services, acquisition and disposal of securities.

Investing activities – purchase and disposal of intangible assets, property, plant and equipment and non-current securities.

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

Structure of cash

	Presentation in the balance sheet		Presentation in the statement of cash flows	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
Cash and cash equivalents	27,119	135,950	27,115	135,827
1. In hand	1	1	1	1
2. At banks	11,466	15,436	11,466	15,436
3. Other cash	15,644	120,483	15,644	120,483
4. Cash equivalents (deposit for a period exceeding three months)	8	30	-	-
5. Accrued foreign exchange differences	-	-	4	- 93

The difference between the presentation of cash in the balance sheet and the statement of cash flows in 2016 and in 2015 follows from presentation of cash net of the effect of foreign exchange differences and received gift cards presented under cash and cash equivalents.

The item 'Cash and cash equivalents at end of period' comprises the Group's own and its clients' cash and cash equivalents – for more information on the structure of cash see Note 1.

Differences in changes in balance-sheet items

	Presentation in the balance sheet		Change as shown by the balance sheet	Presentation in the statement of cash flows – change
	Dec 31 2016	Dec 31 2015		2016
Gross current and non-current receivables	256,797	168,969	- 87,828	- 87,810
Net receivables	256,490	168,710		
Impairment losses on receivables	307	259		48
Provisions (net of deferred tax related to equity and provision for unpaid interest)	4,206	5,517		- 1,311
Total change in impairment losses and provisions				- 1,263

The difference between the change in gross receivables disclosed in the balance sheet and the amount disclosed in the statement of cash flows is attributable to the presentation of receivables as at December 31st 2016 net of the interest receivable from a security deposit, disclosed under investing activities.

Differences in changes in balance-sheet items

	Presentation in the balance sheet		Change as shown by the balance sheet	Presentation in the statement of cash flows – change 2015
	Dec 31 2015	Dec 31 2014		
Gross current and non-current receivables	168,969	240,167	71,198	71,115
Net receivables	168,710	239,653		
Impairment losses on receivables	259	514		- 255
Provisions (net of deferred tax related to equity and provision for unpaid interest)	5,517	3,856		1,661
Total change in impairment losses and provisions				1,406

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows results from the presentation of receivables as at December 31st 2015 net of receivables under dividends receivable and interest receivable under a security deposit paid, which were disclosed under investing activities, and from the reclassification of the security deposit to short-term receivables.

Note 51

Workforce structure

The average workforce (employees and regular associates) in the period January 1st–December 31st 2016 was 78 persons, compared with 70 in the comparative period of January 1st–December 31st 2015.

Department	Workforce as at December 31st 2016	Workforce as at December 31st 2015
Management Board	5	4
Other	76	72
Total	81	76

Note 52

Remuneration of members of the Management Board and the Supervisory Board (including profit distribution)

The table below presents the amount of remuneration paid and potentially payable to members of the Supervisory and Management Boards, as well as additional benefits (healthcare services, to the extent they are financed by the Company) from IPOPEMA Securities:

Total remuneration (including bonuses)	2016	2015
Management Board	2,266	3,473
Jacek Lewandowski	617	1,239
Mirosław Borys	424	468
Mariusz Piskorski	398	838
Daniel Ścigala	368	243
Stanisław Waczkowski	459	685
Supervisory Board	117	88
Jacek Jonak	33	30
Janusz Diemko	16	10
Bogdan Kryca	18	16
Michał Dobak	24	24
Zbigniew Mrowiec	26	8

In addition to the remuneration, the Management and Supervisory Board members who are the Company's shareholders receive dividend on the same terms as other shareholders.

Agreements with Mariusz Piskorski and Mirosław Borys, dated November 4th 2008

Two of the Management Board members, Mariusz Piskorski and Mirosław Borys, entered into agreements with the Company, whereby each of them is entitled to compensation equal to three times their monthly salary if they are removed from the Management Board or not reappointed for another term of office (subject to conditions set forth in the agreements) or their remuneration terms are changed to less favourable.

Note 53

Loans, advances and guarantees granted to members of the Management Board and the Supervisory Board:

In the periods covered by these financial statements the Company did not grant any loans, advances or guarantees to any of the members of the Management Board and the Supervisory Board.

Note 54

Material transactions executed by the Company (in 2016 and 2015, i.e. in the period for which the comparative data was prepared) with:

a) the parent

not applicable

b) major shareholder

not applicable

c) subordinates

Transactions with IPOPEMA Business Services Srl

In connection with the launch of operations in Romania, conducted in cooperation with local partners acting as investment firm agents, in 2014 the Company entered into an agreement with IPOPEMA Business Services Srl. ("IBS Srl") for the provision of services ("Services Agreement"), whereby IBS Srl provided the Company and its Romanian partners with office and equipment support services. In 2016, the total value of transactions under that agreement was PLN 262 thousand (expense) (2015: PLN 507 thousand (expense)), as presented in the table below.

d) members of the Management Board and Supervisory Board

none

e) spouses or relatives of members of the Management Board and the Supervisory Board

none

f) persons related to members of the Management Board and the Supervisory Board through custody, adoption or guardianship

none

related-party transactions – income and expenses

Related party	Revenue	Purchases	Revenue	Purchases
	Jan 1–Dec 31 2016		Jan 1–Dec 31 2015	
IPOPEMA BC	29	72	28	71
IPOPEMA TFI	373	-	341	25
IPOPEMA Business Services Kft.	-	-	-	197
IPOPEMA Business Services Srl.	-	262	-	507
IPOPEMA Financial Advisory	-	-	-	-

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IPOPEMA Financial Advisory SK	-	-	-	-
Total	402	334	369	800

Related party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
IPOPEMA BC	-	1	20	29
IPOPEMA TFI	209	40	-	4
IPOPEMA Business Services Kft.	-	-	-	-
IPOPEMA Business Services Srl.	-	-	-	-
IPOPEMA Financial Advisory	-	-	-	-
IPOPEMA Financial Advisory SK	-	-	-	-
Total	209	41	20	33

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are charged directly to the funds.

In 2016, the Company received dividend of PLN 1.5m from IPOPEMA TFI S.A. (2015: PLN 1m from IPOPEMA Asset Management S.A., currently IPOPEMA TFI). In 2015, the Company received dividend of PLN 0.4m from IBC. For detailed information on dividends received, see Note 60.

Note 55

Incentive scheme

On March 23rd 2009, by virtue of a resolution, the Company's Management Board adopted the Rules of the Incentive Scheme (as amended), which were also subsequently approved by the Company's Supervisory Board. The Rules were adopted as a result of a resolution passed by the Extraordinary General Meeting on December 5th 2007 (and amended by a resolution of March 20th 2009) concerning implementation of an incentive scheme for the key employees of the Company and its subsidiary, IPOPEMA TFI, as well as other persons of key importance to the execution of the IPOPEMA Securities Group's strategy. The scheme is based on Series C shares in the Company, which can be issued within the limit of conditional share capital, in a maximum number of 4,857,140 shares, on or before November 30th 2017. The scheme is equity-settled.

No eligible persons subscribed for any shares under the Company's incentive scheme in 2016 or in the comparative period.

In addition to the completed Share Option Plan I and Share Option Plan II, the Company has also granted conditional rights to subscribe for 297,522 shares by November 30th 2017. The shares are from the remainder of the Series C shares pool covered by the conditional share capital, amounting to 2,976,188 ('Share Option Plan III'). The issue price of those shares is PLN 6.01, as determined in accordance with the terms and conditions of the Incentive Scheme for Share Option Plan III as the average of Company stock prices on the WSE over a specified period. As at the date of these financial statements, the list of persons eligible to subscribe for the remainder of the Series C shares under Share Option Plan III has not been determined, neither have any decisions been made as to whether such shares will be offered.

The cost of the share option plans is not recognised in the separate financial statements as the Polish Accountancy Act stipulates no such requirement. However, this cost is recognised in the consolidated financial statements of the Group. In connection with the transition to financial reporting compliant with the International Financial Reporting Standards, it was necessary to account for the effect of valuation of the option plans in the Group's consolidated financial statements.

In total, on a consolidated basis, the cost of the option plans increased the cost of salaries and wages in 2015 by PLN 48 thousand (2016: no cost).

Share Option Plan II was measured using the Black-Scholes model, adjusted by continuous yield dividend and the dilution effect (decrease in the value of individual shares as a result of issuing new shares at a price below market). Share Option Plan III was measured using the binomial tree model.

Note 56

Transactions with related entities not covered by the financial statements

In the periods covered by these financial statements, there were no material transactions with related entities other than the transactions disclosed in Note 54.

Note 57

Material related-party transactions other than arm's length transactions

In the periods covered by these financial statements, the Company did not enter into any material related-party transactions which were not transactions at arm's length.

Note 58

Under a contract of July 19th 2016, the entity authorised to audit the Company's full-year separate and consolidated financial statements for 2016 and to review the financial statements for H1 2016 is BDO Sp. z o.o., with its registered office at ul. Postępu 12, Warsaw, Poland.

Auditor's fees payable, in PLN '000 (exclusive of VAT):

Type of service	2016	2015
mandatory audit of financial statements	47	47
other assurance services	56	50
tax advisory services	-	-
other services	-	-

Note 59

Name and registered office of the parent preparing the consolidated financial statements

Not applicable.

Note 60

Dividends paid and proposed

By the date of preparation of these financial statements, no final decision had been made by the Company's Management Board concerning recommended distribution of the 2016 profit. Any decisions in this respect will be made at a later date, however not later than by the date of convening of the Annual General Meeting, which pursuant to the Commercial Companies Code must be held within six months from the end of a given financial year.

On June 29th 2016, the General Meeting resolved to distribute dividend of PLN 3.5m. The 2015 profit of PLN 3,493 thousand was allocated to dividend payment. The dividend per share was PLN 0.11. The dividend record date was set for July 8th 2016, and the dividend payment date – for July 27th 2016. On the dividend payment date, a total of PLN 3,293 thousand was paid out to the shareholders. The difference between the distributed amount and the PLN 3.5m approved by the General Meeting results from rounding off the amount of dividend per share. Pursuant to the General Meeting's resolution, the difference was contributed to the Company's reserve capital.

Dividend received

On April 29th 2016, the General Meeting of IPOPEMA TFI S.A. resolved to pay total dividend of PLN 1,470 thousand, i.e. approximately PLN 0.42 per share. By the date of these financial statements, the dividend had been paid to the Company in full.

On June 19th 2015, the General Meeting of IPOPEMA Asset Management S.A. resolved to pay dividend of PLN 1m, i.e. approximately PLN 17.85 per share. The dividend was paid out to the Company in full.

On June 30th 2015, the General Meeting of IPOPEMA Business Consulting Sp. z o.o. resolved to pay dividend for 2014 of PLN 800 thousand (of which PLN 400 thousand payable to IPOPEMA Securities, holding a 50.02% interest in IBC), i.e. approximately PLN 400 per share. The full amount of the dividend was paid out.

Note 61

Information on unconsolidated joint ventures

In the periods covered by these financial statements, the Company did not participate in any joint ventures.

Note 62

Information on court proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of claim is PLN 49.2 thousand. The proceedings are pending.

Note 63

Pending administrative proceedings and inspections

In 2016, there were three external inspections at the Company. The first inspection was carried out by representatives of the Warsaw Stock Exchange and related to the Company's compliance with the WSE rules applicable to its members and to the fulfilment of the requirements related to access to the WSE IT systems. The post-inspection statements received by the Company contained two recommendations, both of which were implemented. The second inspection was performed by BondSpot S.A. and concerned the Company's compliance with the ATS market regulations and with the conditions of access to the ATS transaction platform. The inspection report delivered to the Company contained two recommendations, both of which were implemented. The last inspection was carried out by the Central Securities Depository of Poland and concerned records of financial instruments and the operation of the IT systems used to maintain the records. The Company received one post-inspection recommendation from the CSDP, which was implemented.

One external inspection was carried out in 2015, by the Central Securities Depository of Poland (KDPW). It concerned securities record-keeping and IT systems used for that purpose. No follow-up recommendations were issued by the Central Securities Depository of Poland as a result of the inspection.

Note 64

The Company's own funds by item

As an investment firm, the Company is obliged to calculate its own funds and prudential requirements in compliance with the CRR. Key data is presented in the tables below.

Item	Dec 31 2016	Dec 31 2015	Average monthly data											
			sty-16	lut-16	mar-16	kwi-16	maj-16	cze-16	lip-16	sie-16	wrz-16	paź-16	lis-16	gru-16
Own funds – (PLN '000)	57,519	57,589	57,540	56,687	55,490	55,936	57,551	57,851	57,226	57,199	56,391	57,390	57,509	57,584
Tier 1 Capital	57,519	57,589	57,540	56,687	55,490	55,936	57,551	57,851	57,226	57,199	56,391	57,390	57,509	57,584
Common Equity Tier 1	57,519	57,589	57,540	56,687	55,490	55,936	57,551	57,851	57,226	57,199	56,391	57,390	57,509	57,584
Additional Tier 1 Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tier 2 Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total risk exposure (PLN '000)	220,280	236,314	210,048	204,227	197,194	207,160	199,857	216,693	204,457	203,314	246,117	221,543	232,872	294,141
Risk-weighted exposure amounts for credit risk, counterparty credit risk, dilution risk and free deliveries	107,169	143,388	114,681	103,637	99,067	106,072	96,393	112,815	101,051	102,45	145,877	119,352	132,254	192,720
Total exposure to settlement/delivery risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to position risk, currency risk and commodity price risk	18,956	16,962	21,212	26,435	23,972	26,933	29,309	29,723	29,251	26,704	26,085	28,036	26,463	27,266
Total exposure to operational risk	74,155	75,964	74,155	74,155	74,155	74,155	74,155	74,155	74,155	74,155	74,155	74,155	74,155	74,155
Additional exposure to risk related to fixed indirect costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to risk related to credit valuation adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to risk related to large exposures in the trading book	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures to risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tier 1 common equity ratio	28.72	24.37	27.60	28.06	28.45	27.10	29.12	26.83	28.17	28.49	24.94	26.16	24.80	21.35
Tier 1 capital surplus(+)/shortfall(-) (PLN '000)	48,506	46,954	48,088	47,496	46,616	46,614	48,557	48,100	48,025	48,049	45,316	47,421	47,030	44,348
Tier 1 capital ratio	28.72	24.37	27.60	28.06	28.45	27.10	29.12	26.83	28.17	28.49	24.94	26.16	24.80	21.35
Tier 1 capital surplus(+)/shortfall(-) (PLN '000)	45,502	43,410	44,937	44,433	43,658	43,507	45,559	44,850	44,959	45,000	41,624	44,098	43,537	39,936
Total capital adequacy ratio	28.72	24.37	27.60	28.06	28.45	27.10	29.12	26.83	28.17	28.49	24.94	26.16	24.80	21.35
Total capital surplus(+)/shortfall(-) (PLN '000)	41,497	38,683	40,736	40,348	39,714	39,363	41,562	40,516	40,870	40,933	36,702	39,667	38,879	34,053

Item	Dec 31 2016
Initial capital	3,222
Deviation of own funds from initial capital	54,297

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

In the period covered by these financial statements, the Company did not identify any breach of capital adequacy ratios on a separate or consolidated basis. In the reporting period, the Company reported the following instances of exceeding large exposure limits under Article 392 of the CRR:

Date of not meeting capital adequacy requirements	Reasons for not meeting capital adequacy requirements	Was the PFSA notified in advance that the Company may not meet the capital adequacy requirements?
Jun 3– Jun 6 2016	Significant cash inflows to the Company's bank accounts in connection with the public offering	Application for permit to exceed the concentration limit was filed with the PFSA on May 10th 2016. On May 19th 2016, the PFSA issued the permit.
Aug 30– –Sep 5 2016	Significant cash inflows to the Company's bank accounts in connection with a tender offer for the Company shares	Application for permit to exceed the concentration limit was filed with the PFSA on August 17th 2016. On August 29th 2016, the PFSA issued the permit.

The above instance of not meeting the requirements was intended and the PFSA was notified in advance in accordance with applicable laws.

Note 65

Events subsequent to the reporting date

All events with effect on the 2016 financial statements are disclosed in the accounting books for 2016.

These financial statements contain 59 (fifty-nine) consecutively numbered pages.

Warsaw, March 21st 2017

Jacek Lewandowski
President of the
Management Board

Mariusz Piskorski
Vice-President of the
Management Board

Stanisław Waczkowski
Vice-President of the
Management Board

Miroslaw Borys
Vice-President of the
Management Board

Danuta Ciosek
Chief Accountant