

Letter from the President of the Management Board to the Shareholders of IPOPEMA Securities S.A.

Dear Shareholders,

I have the pleasure to present to you our Annual Report detailing the financial performance and achievements of the IPOPEMA Securities Group in 2017.

In that past year, market sentiment moderately improved on 2016, with trading volumes on the Warsaw and Budapest stock exchanges (“WSE”; “BSE”), of which IPOPEMA is a direct member, having increased by 26.5% and 17.1%, respectively. Over the same period, IPOPEMA strengthened its position both on the WSE, where its market share rose to 5.12% (from 4.86%), and on the BSE (where its market share was 2.65%, compared with 2.07% a year earlier). These factors drove a 10.2% growth in revenue from trading in securities reported by the brokerage services segment, to PLN 24,970 thousand.

Capital markets also saw improved sentiment, with the value of public offerings on the rise. The projects delivered by IPOPEMA Securities in 2017 produced revenue from investment banking services of PLN 19.0m, up over 30% year on year.

Despite a rise in revenue from the management of capital market funds (with the funds’ assets up from PLN 1.1bn at the end of 2016 to PLN 1.2bn at the end of 2017), the changes in law governing fund operations enacted at the end of 2016 had an adverse impact on revenue from the management of closed-end dedicated funds. Total revenue of the fund and portfolio management segment fell 7.3% year on year, from PLN 32.8m to PLN 30.4m). Despite an outflow of assets (PLN 50.3bn at the end of 2016 compared with PLN 48.7bn a year later), IPOPEMA TFI remains Poland’s largest fund manager by value of assets under management.

2017 was another strong year for IPOPEMA Business Consulting, as a larger number of consulting projects led to an almost 20% growth in the company’s revenue.

Last year, we continued to expand the business of offering brokerage services and investment products to a broad base of retail clients. We established relationships with five entities acting as investment firm agents, with more partnerships to be forged this year. In addition to revenue growth, another tangible effect of our efforts in this area were almost 1,300 new brokerage accounts opened with IPOPEMA Securities.

Like past years, 2018 will bring new challenges in the business and regulatory environments. These will include changes to the business of IPOPEMA Securities and IPOPEMA TFI triggered by MiFID II. Still, we will remain focused on strengthening our market position and enhancing our competitive advantage across all business segments while maintaining a consistent cost discipline. We hope that our expanding business lines will make ever more substantial contributions to earnings.

With best regards,

Jacek Lewandowski
President of the Management Board

Warsaw, March 27th 2018