CAPITAL SERVICE S.A.

Consolidated annual report

of Capital Service Capital Group for 2016

(data for the period of 12 months which ended on December, 31 2016 and for comparative periods)

Dear Sirs and Madams, Dear Investors!

When assessing 2016, we need to consider some important facts and events, which exerted significant influence on the operations of the Company and decisions taken:

1. In March 2016 a new amendment of the Act on consumer loan entered into force. As a result, the Company adapted its offer to the requirements of the Act and started offering mainly installment loans. In case of customers, who do not wish to borrow money for a short period, this is the most advantageous solution since they have a possibility to repay low-value monthly installments. Before, the Company offered mainly the so-called payday loans, namely loans that are relatively high cost loans. This transformation beneficial for customers has caused a significant reduction in unit revenue. A reaction of the Company to such changes was a significant increase of revenue by serving a greater number of customers and offering higher amounts of loans and additional services.

2. During the period covered, the competition was very active and also offered product compliant with the amended act in all available distribution channels, namely the Internet, call center, mobile agents and a network of local branches. Therefore, the battle for customers has exacerbated and the product offer has unified.

3. In December last year, the Ministry of Justice presented a proprietary draft amendment of the provisions of the Criminal Code and other Acts, the main idea of which is *combating usury.* This draft created a lot of confusion and at the end of the year left in consternation not only the money lending business, but also a number of other stakeholders: investors, issuers of bonds, banks offering mortgage loans etc. In the course of public consultation, a great number of well-justified reservations, including from institutions subordinate to the government, were made. Considering that these reservations will be subjected to substantive evaluation and well-justified will be taken into account, the amendment of provisions of law should not have a material adverse effect on the operation of the entire branch of business.

4. Alterations in the Management Board of the Company. The management team was joined by **Łukasz Jędrzejczyk,** who has been related to the Company practically from the early beginning of its activity and responsible for its IT systems and the development division, who creates new products and services and at the same time is responsible for the all fundamental processes related to customer service, sales and distribution of products. Apart from Łukasz Jędrzejczyk, the team was also joined by **Tomasz Kaźmierski**, who is responsible for sales and who, before joining CAPITAL SERVICE S.A., had been related to Deutsche Bank – mainly to its retail division – for the majority of his working life. I am of the opinion that the reinforcement of the Team will translate into the growth of the Company and the quality of this growth, namely respective high profitability.

Consolidated data in PLN thousands	for the period of 12 months			change	change
Category:	2016	2015	2014	% 2016/15	% 2016/14
Operating revenue	74 347	39 996	26 983	86%	176%
Profit before tax	8 450	4 697	2 945	80%	187%
Net profit	5 757	8 449	2 275	-32%	153%
Total equity	22 015	16 258	7 744	35%	184%
Total assets	79 190	57 720	16 216	37%	388%
Number of active customers	51 594	35 498	19 795	45%	161%

Referring to results – we are pleased with growth – **the Company sells much more than 2 years ago,** the structure of sales has also changed, which in current legal and competitive environment needs to be considered a huge achievement. We are aware that the Company does not use in full its sales opportunities, which are hidden in external distribution channels (brokers) and the Internet, and that is why there is still a perspective of its high growth. **The reinforcement of the position of the Company and its better performance is also visible in its total equity and assets**, which are many times higher than 2 years ago.

However, we cannot be fully satisfied with the quality of growth earned in 2016, namely profit margin. It is difficult not to be satisfied with an increase in sales year-on-year by nearly 90%. Nevertheless, it turned out not to be enough to ensure a sufficiently high level of profitability. Apart from a further increase in revenues in 2017, the motto of the Company shall be improvement of efficiency and carried out operations, namely inter alia a great deal of attention to costs incurred, optimization of operations by elimination of unnecessary actions and a better organization of activities providing value to customers.

What is more, the offer of the network of local branches shall be enriched with the most sought-after insurance products, such as home contents insurance (including cars) and property insurance and other services dedicated to individual customers. In the second half of 2017, the Company plans to significantly increase direct selling in remote channels (online, call center). The main competitive advantage and characteristic feature shall be technology and processing of customer applications.

We hope that the implementation of the above mentioned objectives will ensure further sustainable growth. **According to the 2017 budget, we plan:**

	2017 – ESTIMATION *(data in PLN thousands)*
Net revenues from sales	113 600
Profit before tax	18 500
Total equity	33 100
Total assets	122 900
Number of active customers of KredytOK	133 300
Active loan portfolio of KredytOK	104 000

We thank you very much for your support of the development of the Company. We believe that you will continue to support it. For our part, we promise to work engage ourselves in intensive efforts to develop further, paying special attention to quality.

Adam Kuszyk
President of the Management Board
CAPITAL SERVICE S.A.

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data in PLN thousands unless stated otherwise

I. THE REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITY OF CAPITAL SERVICE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

1. GENERAL INFORMATION ON CAPITAL SERVICE CAPITAL GROUP

1.1. Establishment and period of operation of the Capital Group

The capital group was established in 2015. The parent company, CAPITAL SERVICE S.A., and the other entities of the Capital Group have been established for an indefinite period of time.

1.2. Details of the parent company

The Parent Company	CAPITAL SERVICE S.A.
Legal form:	joint stock company (Polish: spółka akcyjna)
Registered office:	Ostrołęka, ul. J. Korczaka 73
Country of registration:	Poland
Area of core activity:	granting cash loans
Authority maintaining the register:	the District Court of the Capital City of Warsaw, Commercial Court, XIV Commercial and Registration Department, KRS 0000407127
REGON (Polish National Business Registry Number):	145914495
NIP (Tax Identification Number):	758-235-17-11
Telephone:	+48 29 694 4820
Fax:	+48 29 764 5988
E-mail address:	biurozarzadu@capitalservice.pl
Website:	http://www.capitalservice.pl

1.3. Current composition of bodies of the parent company and changes in it in the course of the reporting period until the date of preparing of the financial statement

1.3.1. The Management Board of the Company

As of 31 December 2016, the Management Board of the Company was constituted by one person. The President of the Management Board was Adam Kuszyk. By the decision of the Supervisory Board of CAPITAL SERVICE S.A., on 1 January 2017 changes in the composition of the Management Board of CAPITAL SERVICE S.A. were introduced. The Management Board was joined by new members: Łukasz Jędrzejczyk and Tomasz Kaźmierski.

As of the day of preparing of this statement the Management Board consists of:

- *Adam Kuszyk – the President of the Management Board responsible for finances, risk, marketing, HR, internal audit, support functions and other issues*

A graduate of the Faculty of Management of the University of Łódź, Management Courses at the Warsaw School of Economics, a Certified Internal Auditor (the Institute of Internal Auditors), an expert auditor. From 2011 to the first half of 2014 Chief Financial Officer and Vice President of the Management Board of SMT S.A., an IT and media holding (currently: iAlbatros, Intive). Earlier he held the positions of inter alia Chief Financial Officer of Rolmex S.A., the dominant shareholder of Indykpol S.A. (one of the largest producers of meat in Poland), a manager in Agora S.A. (one of the largest media holdings in Poland), Deloitte and BDO. He has been with CAPITAL SERVICE S.A. since 2014.

- *Łukasz Jędrzejczyk – a member of the Management Board responsible for IT systems and processes.*

A graduate of the Institute of Computer Science of Podlasie Academy in Siedlce (2006). In 2011 he was granted PhD at Open University, Milton Keynes, England. He has been speaker during a number of international conferences on privacy protection, UX, HCI and mobile technologies. An computer specialist with more than ten years of expertise in software engineering and implementation of projects. He has gained his professional experience when working for companies in the financial, energy and hotel industry. He has been with CAPITAL SERVICE S.A. for more than 12 years. At first, he was responsible for the technical aspects of operation of the Company, at present he runs the Development Department. He is responsible for products, business processes and technology. An author and coleader of Akademia Programowania CAPITAL SERVICE programme.

- *Tomasz Kaźmierski – a member of the Management Board responsible for sales.*

A graduate of Lazarski University in Warsaw. A practitioner in creation, processing and motivating external distribution channels. A creative and success-oriented manager who has developed his career of 15 years by cooperating with the largest financial intermediation and insurance companies. When being the manager and later the Director of the Sales Department in Deutsche Bank Poland, he was responsible for the results obtained by the network of agencies and intermediate distribution channels of the Bank. For more than a year he has been successively managing the Sales Department – dynamically responding to market needs and the changing business environment. He is responsible inter alia for the strategy of selling, the effectiveness of all distribution channels and the development of business in new areas.

1.3.2. The Supervisory Board

In the reporting period and from the balance sheet date to the date of preparing this statement no changes in the composition of the Supervisory Board were introduced.

As of the date of preparing of this statement, the Supervisory Board of the parent company consists of:

- *Adam Kowalczuk - the Chairman of the Supervisory Board*

A graduate of the Faculty of Management at Warsaw University and Executive MBA Programme of Warsaw University and the University of Illinois, the President of the Management Board of Podlaski Fundusz Kapitałowy Sp. z o.o. in Białystok and the Vice President of the Management Board of Podlaska Fundacja Rozwoju Regionalnego in Białystok, the Chairman of the Supervisory Board of Stekop S.A. in Warsaw, Limiere Sp. z o.o. in Białystok, ABZ Consulting Sp. z o.o. in Warsaw PCD Bia-Net Sp. z o. o. in Białystok. Adam Kowalczuk has been with Podlaska Fundacja Rozwoju Regionalnego Group since 1995. He is the Financial Director of PFRR group and the Director administering the capital fund (VC).

- *Tomasz Filipiak - the Deputy Chairman of the Supervisory Board*

A graduate of the Department of Finance and Banking of the University of Łódź. Since 1995 he has gained experience as a financial analyst, working inter alia for HSBC G&A Securities Poland S.A., BOŚ S.A. Brokerage House, Pioneer PTS S.A. From 2001 he managed assets – at first in Pekao Pioneer PTE S.A., from 2005 in Millennium TFI S.A., from 2007 to 2009 in DWS TFI S.A. He holds a stockbroker license (no. 900). A member of the Management Board of Krynicki Recykling S.A., Arteria S.A., Lark.pl S.A. Since 2012 he has been a co-owner of InvestSight Consulting Company.

- *Artur Saturnin Kozioł – a member of the Supervisory Board*

A graduate of the Central School of Planning and Statistics (currently The Warsaw School of Economics). He gained his professional experience when working as a director in PKO BP S.A., NBP, Bank Turystyki S.A., Raiffeisen – Centrobank S.A., Bank Śląski S.A. and as the President of the Management Board and the Managing Director in BSK Leasing S.A., the Managing Director and a co-owner in Krakowski Instytut Technologii Sp. z o.o. and Fintech Sp. z o.o., as well as as the President of the Management Board of AmerBrokers S.A.

- *Jadwiga Suchecka - a member of the Supervisory Board*

An economist with rich professional experience which she gained when working as an economist in production facilities, including 5 years at management level, then in Bank PKO BP, the branch in Ostrołęka. From 1985 up to the present she has run her own business activity. Since 1987 she has been in the Supervisory Board of Spółdzielnia Dom Handlowy "KUPIEC" in Ostrołęka, where she has acted as the Chairman of the Supervisory Board.

- *Kazimierz Dziełak - a member of the Supervisory Board*

An experienced and creative manager. He studied management at Koźmiński Academy in Warsaw. Continuously from 1999 to 2015, he has successively managed CAPITAL SERVICE S.A. The creator the strong and recognizable brand on the market of personal finances – KredytOK. He has experience of 6 years on the banking market (he is a partner managing one branch of his banks) and experience of several years in running an entity on the market for financial services.

1.4. Major shareholders of the parent company

Fundamental information on the shareholders of the company as of the date of preparing of this statement has been presented on the figure and the table below:

Figure. The shareholding structure of the company

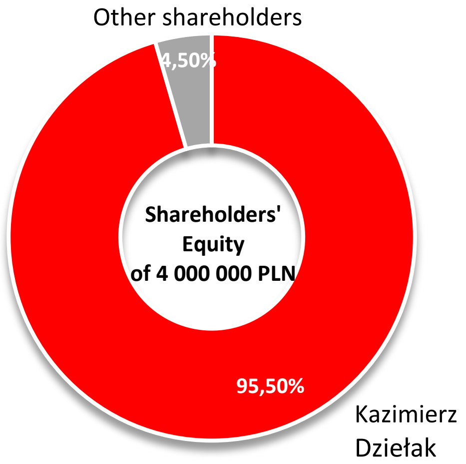


Table. Information on shareholders

	Number of shares (in thousand pieces)	Nominal value of shares (in PLN thousands)	Share in equity
Kazimierz Dziełak	3 820	3 820	95,50%
Other shareholders	180	180	4,50%
Shareholders' equity	**4 000**	**4 000**	**100,00%**

1.5. Subsidiaries

As of the date of preparing of this statement, CAPITAL SERVICE S.A. Company is the parent company of the following companies:

a) **KOMTOD Spółka z ograniczoną odpowiedzialnością SKA** (stake in the share capital of 100%); a company with no operational importance,

b) **CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o.** (stake in the share capital of 100%); an operating unit the subject of whose activity is marketing strategies, trademarks and other intellectual property rights.

c) **FINLO Sp. z o. o.** (stake in the share capital of 100%); a loan company whose loan products will be offered thorough a channel of intermediaries (agents and brokers) and the online channel.

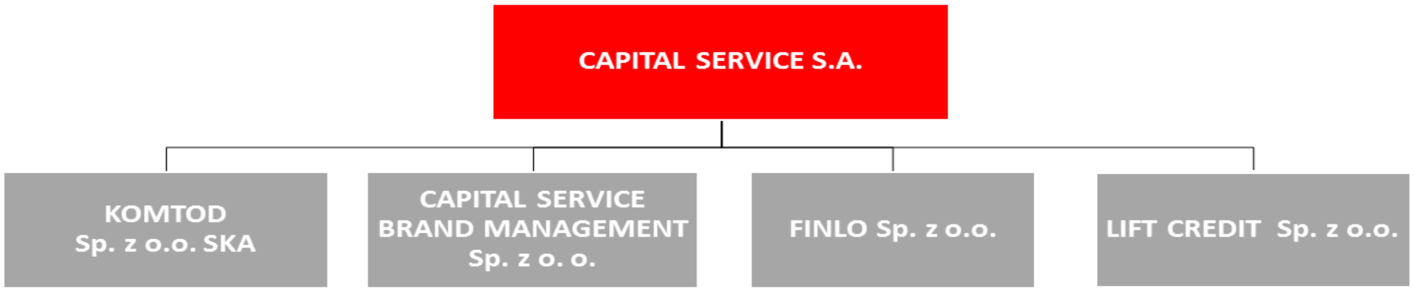
d) **LIFT CREDIT Sp. z o. o.** (stake in the share capital of 100%); a company whose core business activity is financial intermediation. The company was established in connection to the planned separation of sales structure from CAPITAL SERVICE S.A. and transferring it to an external company.

The table and figure below present fundamental information on the Capital Group:

Table. Information on subsidiaries

Subsidiary name	Registered office	Registration data	Core activity	Equity (in PLN thousands)	% share in equity	% share in voting rights
KOMTOD Spółka z ograniczoną odpowiedzialnością SKA	03-301 Warszawa ul. Jagiellońska 78	KRS 0000486631 NIP 5213660591	Other credit granting	342,9	100	100
CAPITAL SERVICE BRAND MANAGEMENT Spółka z o. o.	03-301 Warszawa ul. Jagiellońska 78	KRS 0000583477 NIP 1132897358	Leasing of intellectual property	5,0	100	100
FINLO Sp. z o. o.	03-301 Warszawa ul. Jagiellońska 78	KRS 0000666714 NIP 1132932876	Other credit granting	200,0	100	100
LIFT CREDIT Sp. z o. o.	03-138 Warszawa Ul. Strumykowa 28A/35	KRS 0000648047 NIP 5242813838	Other credit granting	5,0	100	100

Figure. The structure of the Capital Group



1.6. Information on held General Meetings

Last year, one Ordinary General Meeting (on 17 May 2016) and three Extraordinary General Meetings (on 27 January 2016, 19 August 2016 and 29 December 2016) were held respectively. All meetings were held in Krystyna Załuska Notary Office located at ul. Bogusławskiego 23 in Ostrołęka.

1.7. Information on an auditor

The audit of the attached consolidated financial statement of the Capital Group for 2016 was commissioned to BDO Sp. z o.o. with seat in Warsaw. The resolution no. 8/2016 of the Supervisory Board of CAPITAL SERVICE S.A. on the selection of an expert auditor entered into force on the date of resolution, namely 25 November 2016.

BDO is a global company providing auditor, consultancy and advisory services and was established in 1963 as a result of the merger of consultancy companies from Great Britain, the Netherlands, Germany, Canada and the United States which joined their strength, knowledge and experience, giving rise to an international network of experts – Binder Seidman International Group. After ten years of a dynamic development, the company, following the accession of new partners, was converted into Binder Dijker Otte & Co.

BDO started its activity in 1991. It was one of the first auditing and advisory companies. The portfolio of customers of BDO consist above all from entities from "Lista 500", a list of the largest companies of Polish economies included in the ranking of "Rzeczpospolita" daily paper as well as medium Polish and international companies, family businesses, listed companies and financial institutions.

1.8. A brief history of the Capital Group

1999	Establishment of the business activity in the financial services sector
2001	Introduction of own loan product
2003	The beginning of networking offices (opening of 20 branches).
2010	Creation of own call center
2011 /2012	Creation of KredytOK brand, change of legal status to a joint stock company (Polish: spółka akcyjna, S.A.)
2014	Opening of two new sales channels: online sales and sales through own Call Center
2015	✓ Issue of bonds A – G series at total amount of 30 PLN m., acquisition of a reputed financial investor (Open Finance Fund), which ultimately subscribed bonds amounting to 30 PLN m. ✓ Quotation of bonds on the public market Catalyst on the Warsaw Stock Exchange (Polish:

	Giełda Papierów Wartościowych, GPW). ✓ Increasing the number of branches to 105 and the expansion of the branch network to a nationwide scale.
2016	✓ Increasing the amount of an installment loan to 15.000 PLN and extending the financing period to 48 months (financing largely through securitization fund) ✓ Quotation of bonds H series at total amount of 15 PLN m. (to a financial investor). The emissions of the series G and H bonds are secured by loan liabilities portfolio (30 PLN m.), there are no other securities ✓ The launch of sales of insurance (Axa, TUiR SA) and bank loans ✓ The opening of IT system (API, WEB) to external sales channels
2017	✓ Joining MINTOS platform, a peer-to-peer marketplace connecting lenders and investors across Europe ✓ The launch of sales of insurance (MetLife) ✓ Commencement of separation sales from debt collection. Specialized own structures shall deal with debt collection from now on.

1.9. Employment and HR situation in the parent company

The Company is run by the Management Board whose manner of operation is set out in the Board Stipulations.

A general scheme of organizational dependencies in the Companies, including the number of employees as of 31 December 2016 has been presented in the figure below.

As of 31 December 2016, the number of persons employed in CAPITAL SERVICE S.A. in full time equivalents amounts to 435 persons. In 2016 average headcount amounted to 408.3 persons.

A strategy for human resources management in CAPITAL SERVICE S.A. Capital Group is based on persons employed in it, who both an important capital and competitive advantage. One of essential parts of the strategy for human resources management is access of all employees to training courses which improve their professional and interpersonal qualifications. In 2016 all employees of the Company took part in a great number of external training courses, organized by dedicated training companies, and which were devoted to issues related to effective sales, debt collection, anti-fraud issues, controlling, tax law. The employees of the Company participated also in the system of internal training courses, which were to supplement their knowledge as a result of changes introduced in regulations and applicable procedures, as well as to improve professional qualifications. All actions taken in this respect exert influence on the improvement of the organization of work and at the same time increase its effectiveness. In February 2016, the Company won the ranking of *the Polish Society for Training & Development* and was awarded a prize for *the Most effective system of training evaluation.*

Since 2012 CAPITAL SERVICE S.A. has been a member of *the Conference of Financial Enterprises in Poland – the Association of Employers (Konferencja Przedsiębiorstw Finansowych w Polsce – Związek Pracodawców)*, whose members include a number of key companies on the financial market in Poland, including banks, which manage receivables, financial intermediaries and advisors, financial companies, which manage economic information, sell reverse mortgage products in the sales model and companies from the insurance sector. In the first quarter of 2017, CAPITAL SERVICE S.A. was awarded with a Certificate of Ethical Audit KPF (Certyfikat Audytu Etycznego KPF), which confirms the compliance of business practices with the Rules of Good Practices KPF (Zasady Dobrych Praktyk KPF).

Since 2015 CAPITAL SERVICE S.A. has belonged to the group of employers associated in *the Coalition for the Benefit of Friendly Recruitment Process (Koalicja na Rzecz Przyjaznej Rekrutacji)*, whose members aim to promote good practices and create standards in this respect, as well as take care of good relations with candidates and their experience in the recruitment process. Participation in the Coalition enables not only to use the logotype of the Coalition for the Benefit of Friendly Recruitment Process and prestige, but also access to the centre of expertise, the newest trends in *Employer Branding* and the best practices used in other organizations.

2. DESCRIPTION OF THE ACTIVITY OF THE FINANCIAL GROUP

2.1. Important achievements or failures of the Group and the description of the most important factors and events, especially unique in character, which influence the achieved results

2.1.1. Amendment to the Act on consumer loans

On 11 March 2016 there are certain provisions amending the Act on financial supervision of 5 August 2015 and certain provisions of other acts, amending inter alia the Act on consumer loans, which is the basic legal act on the basis on which CAPITAL SERVICE S.A. runs its lending activities. As a result, CAPITAL SERVICE S.A. started 2016 by working on adjusting its product offer to the changing legal conditions while maintaining the profitability of these products. In January and March 2016, new products were introduced – "Komfort Ratka" and "Szybka Pożyczka" loans, and the existing products – "Pożyczka Ratalna" and "Senior Ratka" loans were modified.

2.1.2. Early buyout of the Series D bonds

On 14 January 2016 CAPITAL SERVICE S.A. made an early buyout of 1.770 (one thousand seven hundred seventy) the Series D bonds with a nominal value of 1.000,00 PLN (one thousand PLN) each.
Subject to § 8 section 3 of the Terms and Conditions of the Series D Bonds of the Company, the buyout was made by paying each shareholder listed in the register of the Series D bonds, interest due for the last interest period until the early buyout (excluding this day) and a bonus for the early buyout, calculated as a percentage of the nominal value in the amount of 0.5% (zero point five per cent).

2.1.3. Introduction of the Series B and C bonds to trading

On 4 May 2016 the Management Board of the Warsaw Stock Exchange S.A. adopted a resolution on the basis of which 2.160 (two thousand one hundred sixty) of the Series B bearer obligations with a nominal value of 1.000,00 PLN (one thousand PLN) were introduced to the Alternative Trading System managed by the Warsaw Stock Exchange (GPW) on Catalyst.

On 5 May 2016 the Management Board of the Warsaw Stock Exchange S.A. adopted a resolution on the basis of which 1.050 (one thousand fifty) of the Series C bearer obligations with a nominal value of 1.000,00 PLN (one thousand PLN) were also introduced to the Alternative Trading System managed by the Warsaw Stock Exchange (GPW) on Catalyst.

The first listings of both the series B and C obligations took place on 16 May 2016.

2.1.4. Issue and allocation of the series H bonds

On 2 August 2016 the Management Board of CAPITAL SERVICE S.A. adopted a resolution on the issue of the Series H bonds and a resolution on the allocation of the series H bonds.

The series H bonds were offered within the procedure described in art. 33, section 2 of the Act on bonds, namely through making purchase offers of the series H bonds to not more than 149 individually marked addressees in a manner which is not a public offer within the meaning of art.3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

CAPITAL SERVICE S.A. allocated 15.000 (fifteen thousand) the series H bonds. The Series H bonds are 30-month bonds, issued as unsecured bearer bonds with a nominal value of 1.000,00 (one thousand PLN) each. By 15 September 2016 a registered pledge was instituted on a batch of receivables belonging to the Company and a registered pledge was instituted on a batch of receivables belonging to a third party entity. Within the term referred to above, CAPITAL SERVICE S.A. instituted a registered pledge on receivables resulting from the bank account agreement.

The Series H bonds shall not be the subject to application for the introduction in the Alternative Trading System, managed by the Warsaw Stock Exchange S.A. on the Catalyst market.

The terms and conditions for the issue of the Series H bonds do not deviate from market standards.

2.1.5. Buyout of the series F1, E and A bonds

By 9 December 2016 CAPITAL SERVICE S.A. made a buyout of 3.500 (three thousand five hundred) the series F1 bonds and a timely payment of interest on the above mentioned bonds in line with the schedule adopted in the terms and conditions of bonds. The bonds were issued (allocated) by the Company on 9 December 2015. As a result, the Company does not have liabilities under the series F1 bonds as of the day of preparing of this statement.

On 9 January 2017, CAPITAL SERVICE S.A. made a buyout of 1.600 (one thousand six hundred) the series E bonds with a nominal value of 1.000,00 PLN each and made a payment of interest on the above mentioned bonds due in the last interest period prior to the buyout. The bonds were allocated by the Company on 9 October 2016. The series E bonds with a total nominal value of 1.600.000,00 PLN were not the subject for applying for the introduction in the Alternative Trading System, managed by the Warsaw Stock Exchange S.A. on the Catalyst market.

On 25 February 2017 CAPITAL SERVICE S.A. made a buyout, timely and in line with the terms and conditions of issue of bonds, 2.800 the series A bonds (the whole series) which were issued (allocated) by the Company on 24 February 2015. The above mentioned bonds with a total nominal value of 2.880.000,00 PLN, were registered in the National Depository of Securities (KDPW in Polish) under the number ISIN PLCPLSV00015 and listed in the Alternative Trading System, managed by the Warsaw Stock Exchange S.A. on the Catalyst market.

On 12 April 2017, the Company made a buyout of 1.600 (one thousand six hundred) the series E1 bonds and made a payment of interest on the above mentioned bonds. The bonds were allocated by the

Company on 12 October 2015. Therefore, as of the day of preparing of this statement, the Company does not have any liabilities under the series E1 bonds.

2.1.6. Sales of receivables

In 2016 CAPITAL SERVICE S.A. carried out three transactions of sale of overdue receivables:

- in March 2016 a batch of receivables which were more than 90 days overdue was sold. These receivables were covered by reserves in full. As a result of this transaction, CAPITAL SERVICE S.A. obtained a revenue of 761 240.68 PLN.
- in June 2016 another batch of receivables which were more than 90 days overdue was sold. These receivables were also covered by reserves in full. The proceeds from this transaction amounted to 1 932 197.63 PLN.
- in December 2016 a batch of receivables which were more than 90 days overdue was sold. These receivables were covered by reserves in full. The proceeds from this transaction amounted to 3 700 821.06 PLN.

2.1.7. A separated door step debt recovery team – A DEBT COLLECTION PILOT

The group deals with amicable debt collection from customers who are in default no longer than 90 days by use of own means. Amicable debt collection is a fast, cheap and effective process to recover overdue receivables. The aim of door step debt collection is the recovery of CAPITAL SERVICE S.A. amounts due while maintaining good relations with customers. The process is very extensive and varied and any activities are adjusted individually to the needs and specificity of a particular customer.

In June 2016 a DEBT COLLECTION PILOT was introduced in four sales regions of CAPITAL SERVICE S.A. Customers who qualified to the project (cases in the range 61-90 of DPD delay), were served by experienced field debt collectors by completely ignoring service of debt collection by employers of local branch offices.

The effectiveness and actions taken by field debt collectors were supervised and analyzed on daily basis. The PILOT has shown that experienced field debt collectors can effectively tackle negotiations with customers who fails to perform his/her obligations and the skill of leading talks with customers is a much quicker and more effective manner of recovering money than judicial proceedings. On the basis of data and analyses obtained in the course of the PILOT and conclusions made, the Company started a reconstruction of the current organizational structure and separated specialized debt collection units in it.

2.1.8. Outsourcing of amicable debt collection – A DEBT COLLECTION PILOT

In the III quarter of 2016, the Group made a decision to introduce the outsourcing of amicable debt collection. Three entities were selected to whom service of indebted customer, obtained by external channels and whose delay in payment amounted to 6 days, and from 6 selected sales regions of the Group, in case of which the delay in payment amounted to 13 days, was transferred.

THE DEBT COLLECTION PILOT was launched on 30 September 2016 and lasted for 4 months, namely until 31 January 2016. The effectiveness of each entity dealing with external debt collection was monitored on a daily basis and was compared to other entities as well as to other selected referential regions (dealing with debt collection under the existing rules).

Following the PILOT, it turned out that the debt collection structures of CAPITAL SERVICE S.A. are not less effective than specialized debt collection companies. One of the findings of the PILOT is the development of debt collection activities under CAPITAL SERVICE S.A.

2.1.9. A strategic project – purchase and implementation of score engine

2016 was the year of a dynamic development and the extension of the risk area in CAPITAL SERVICE S.A. In the first half of the year full integration of the purchased external score engine system with the CRM system of the Company took place. The implementation of *the score engine* made it possible to create advanced detailed rules concerning evaluation of applications while maintaining simplicity of customer service, high flexibility, quick response to the changing conditions as well as more effective selection of applications. In 2016 was the year of extension and implementation of independent scoring and capabilities models for products sold by the Company, and a pre-scoring enabling to conduct a preliminary selection and evaluation of submitted leads. Scoring and capabilities models for loan products distributed by platforms of integrators of financial intermediaries, cooperating with CAPITAL SERVICE S.A., were also prepared.

2.1.10. Establishing cooperation with EQUES DEBITUM FIZ Non-Standarized Securitization Fund

In August 2016 cooperation with EQUES DEBITUM FIZ Non-Standarized Securitization Fund was established. It is a company which engages in the acquisition of mass batches of unhandled receivables, but also regular receivables which are not overdue. By December 2016 the receivables portfolio of the Fund was managed by Hoist Polska Sp. z o. o., belonging to HOIST Finance financial group. Since January 2017 it has been managed by Kancelaria Signi S.A.

The subject of the agreement entered into with this company is the disposal of receivables of the Company, namely the sales of debts resulting from loans originated by CAPITAL SERVICES S.A. of higher amounts and longer periods than so far. The assignment of loan agreements, on the other hand, enables to recover resources engaged in loans and to invest them.

2.1.11. The launch of API Agent+ and Agent+ Platform

In November 2016 API Agent+, a programming interface, which enabled to make the products of CAPITAL SERVICE S.A. available directly in the systems of other companies and integrators of financial products was launched. It serves as a digital link enabling to carry out attractive interactions with other companies and use new possibilities and opportunities existing on the financial market at the same time. API Agent+ enables to make a loan application, receive a loan decision, generate documents and to confirm their signature in the agent's office. Agent+ Platform, an online loan platform, which makes it possible for the cooperating Agents to sell products offered by the Group under KredytOK brand, was launched together with API Agent+.

2.1.12. Peer to peer lending

By executing the follow-up development strategy, including the expansion of funding sources and building of base for dynamic growth, CAPITAL SERVICE S.A became involved in the project from FinTech sector (*peer to peer lending*), which ensures it access to additional capital to finance the increasing financial activities.

Under this project, in March 2017, the Company joined MINTOS platform, which is a platform combining lenders and investors interested in the acquisition of receivables. At present MINTOS platform offers a possibility to acquire mortgage loans, unsecured loans, secured car loans, as well as factoring services and loans for small companies.

Through MINTOS platform, the Company has a possibility to reach a group of investors from all over the world and obtain funding by assignment of receivables resulting from loan agreements, originated by the Company, while offering competitive conditions of such transactions.

2.2. A chain of distribution and sales of products

In 2016, the Group sold its products and offered its services on the Polish market, while upholding the highest standards of quality and customer service, using the following distribution channels:

a) a network of own local branch offices of KredytOK,

b) the Internet,

c) agents and brokers, and

d) own Contact Center.

By taking various actions and the development of sales channels, CAPITAL SERVICE S.A. is constantly adapting to the dynamically changing trends on the financial services market, especially to customers' expectations and needs.

The key distribution channel are the branch offices of KredytOK, the number of at the end of 2016 was 109. The branch offices are found in towns with more than 30.000 inhabitants, located in a very well communicated places and standing out thanks to the logo of the branch. This is a significant distribution channel from the perspective of direct sales and reaching out potential customers.

The greatest dynamic in respect of new customer acquisition in 2016 in the Group was observed by means of the Internet channel. Customers are acquired by means of own websites, including *landing pages*, dedicated to particular products and numerous affiliate programmers, carried out with brokers. A web portal is a very important source of the so-called leads, namely applications, contact data, which are later handled by the remaining sales channel. As of the day of preparation of this statement, KredytOK programme is available on the following leading web portals: COMPERIA, BANKIER, AFFILAITE44, PROPERAD, SOLUTIONS4AD.

From the beginning of 2016, the Group focused also on the development of sales by means of agents and brokers. During the period under consideration, cooperation was established with external banks and non-bank operators, including FINES S.A., Dom Finansowy QS S.A. and Górnośląskie Towarzystwo Finansowe GTF Sp. Z o. o. As a result, in all branch offices of KredytOK a wide offer of short-term loans and cash loans up to 550 PLN thousands and 12 years was introduced. The first months of cooperation were the time of above all intensive training for the network of sales of the new offer as a result also an effective sale of those products from the second half of 2016.

In 2016 CAPITAL SERVICE S.A. commenced also the extension of other sales channels – franchise and partner offices. Such offices are treated in each area of its activity as branch offices of KredytOK. Respective procedures, rules and dedicated resources were developed for those models. Dynamic growth of activities in this area is planned for 2017. New franchise or partner offices will be located in towns where own branch offices of KredytOK do not operate.

Figure. A coverage map of the network of own branch offices of KredytOK.

Apart from the stationary network, CAPITAL SERVICE S.A. develops also modern channels of acquisition, sales and distribution of the product offer. Own Call Center is of key importance here. It is a channel which has been systematically developed since 2010 and which at the beginning of its activity functioned only as a classic hotline dealing with maintenance work and later has become an efficient channel of sales of “Senior Ratka” (since August 2015) and “Pożyczka Ratalna Pstryk” (since October 2016) loans.

Since April 2016 Contact Center has been the central place in which the applications of customers, who are interested in a credit or a loan, are accepted and initially handled. The centralization of handling of applications has enabled to introduce a number of process automations, specializations, and, as a result, a significant improvement of efficiency. Thanks to this, a number of handled applications has increased multiple times while being handled by a slightly increased resources. Selected customer applications are sent to branch offices. There, during an appointment, customers are provided with products selected for them and are also informed about formalities which they have to follow. A process handled in such a manner enables to shorten the time spent on customer care. Customers visit branch offices with documents required to be given a credit or a loan and, as a result, they also save time.

2.3. The product offer

The core activity of CAPITAL SERVICE S.A. consists in providing cash loans to natural persons, comprehensive customer service and, starting from the first half of 2016, financial intermediation.

data in PLN thousands unless stated otherwise

Table. Own products offered by CAPITAL SERVICE S.A. in 2016

Product	General description
Prepaid card	A medium of product disbursement in the form of a prepaid card which was launched in February 2015. A prepaid card agreement is concluded for an indefinite period of time. Via the prepaid card, the customer can withdraw cash, make cashless payments and to check balance and history of operations.
„Brelok”	A marketing and advertising service; this is a product in a form of a tag or a sticker, thanks to which it can be related to a mobile thing which is in the possession of a customer. The service has been available since January 2015.
„Złota pożyczka” loan	A short-term gold loan paid in cash to the amount up to 2.000 PLN. The product has been available since March 2017.
„Pożyczka odnawialna” loan	A short-term cash loan in the amount up to 1.000 PLN; it is accounted for cyclically on a monthly basis. The product has been available until January 2016 and was replaced by „Komfort Ratka” loan.
„Komfort Ratka” loan	A cash loan with a term of payment from 12 to 24 months in the amount of up to 1.500 PLN, accounted for on a monthly basis. The product was introduced in January 2016 and was replaced by “Szybka pożyczka” loan.
„Szybka Pożyczka” loan	A cash loan in the amount from 200 PLN to 1.000 PLN; an agreement is concluded for an indefinite period of time. The product was introduced in March 2016.
„Pożyczka Ratalna” loan	A cash loan with a term of payment from 6 to 23 months in the amount from 1.050 PLN to 5.000 PLN. The product was introduced in January 2015.
„Senior Ratka” loan	A short term cash loan with a term of payment from 3 to 23 months for customers of retirement age who meet more stringent requirements related to credit capacity verification. The loan of 300 PLN to 2.000 PLN. The product was introduced in August 2015.
„Pożyczka Ratalna Pstryk” loan	A cash loan in the amount from 500 PLN to 2.000 PLN, originated through Contact Center, with a term of payment from 6 to 23 months. The product was introduced in October 2016.
„Pożyczka Jak Marzenie” loan	A loan offered in cooperation with a securitization fund in the amount from 2.000 PLN to 15.000 PLN, with a term of payment term of 24 to 48 months, offered to new and old customers. The granting of the loan is conditional on the result of scoring and verification carried out by an analyst. The product was introduced in August 2016.

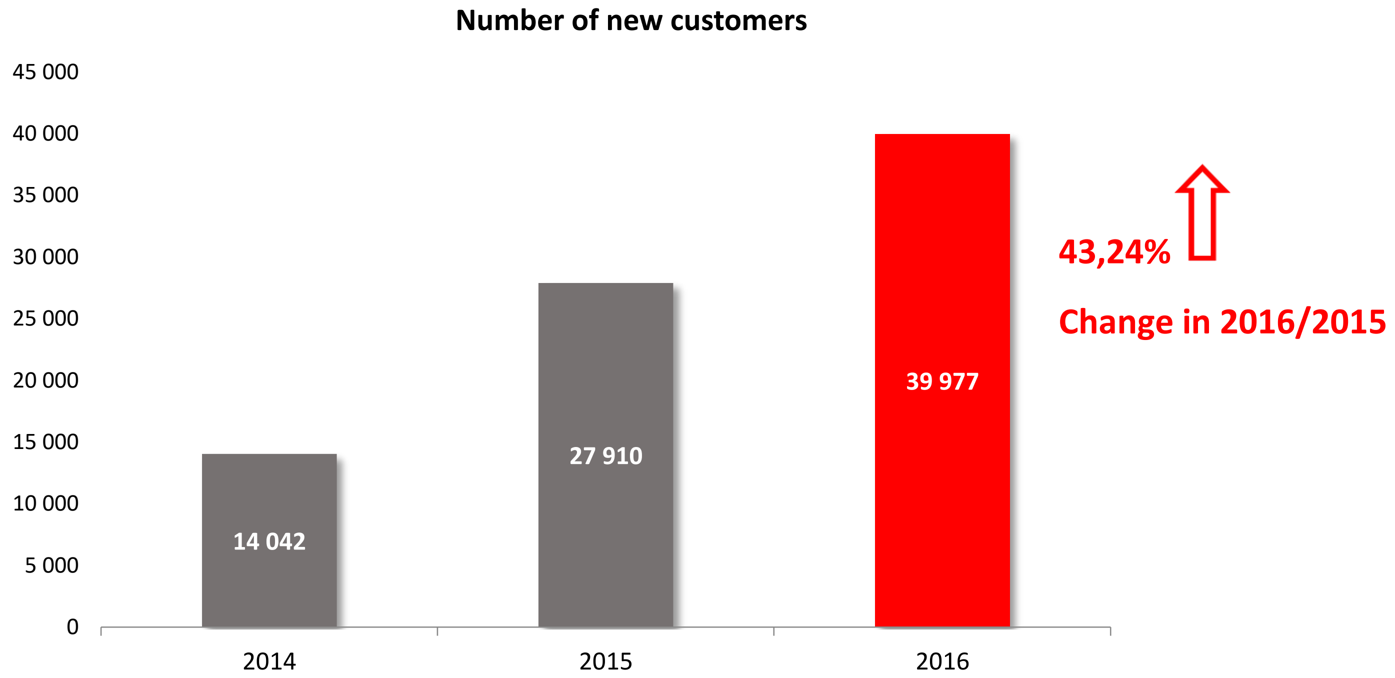
Table. Third-party products offered by CAPITAL SERVICE S.A. in 2016 and 2017

Product	General description
2016	
AXA TUiR S.A. insurance	Axa insurance in the form of 2 packages: Medyczny Ok and Ochrona Życia i Zdrowia – life insurance, insurance in case of invalidity and in case of permanent invalidity. A period of insurance depending on the package and option is from 3 to 12 months. The product was made available to CAPITAL SERVICE S.A. customers in October 2016.
Non-bank loans and cash loans	Since April 2016 non-bank loans of other providers than CAPITAL SERVICE S.A. and cash loans of leading banks up to the amount of 550 PLN thousands with a term of payment up to 144 months (12 years) have also been available in branch offices of KredytOK through integrator platforms. The offer is addressed to both individual customers and micro-entrepreneurs.
2017	
MetLife TUnŻiR insurance	MetLife insurance in the form of 2 packages: Sprawna Pomoc Ok and Pakiet na Życie Ok. A period of insurance in both packages is 12 months. The product has been available for the customers of CAPITAL SERVICE S.A. since April 2017.

2.4. Sales in 2016, number of customers and loan portfolio

Similarly to previous periods, CAPITAL SERVICE S.A. handled the sales of products using all of its available distribution channels. The sales campaign was supported by various marketing activities inter alia in the form of special offers and competitions, a number of advertising campaign, as well as by the promotion of MGM (*Member Gets Member*) loyalty program promoted among customers, enabling to award bonuses to customers recommending products offered by the Group. As a result of the above mentioned activities, the Group successively extends the database of its customers which gives a perspective for further growth and sales of other products.

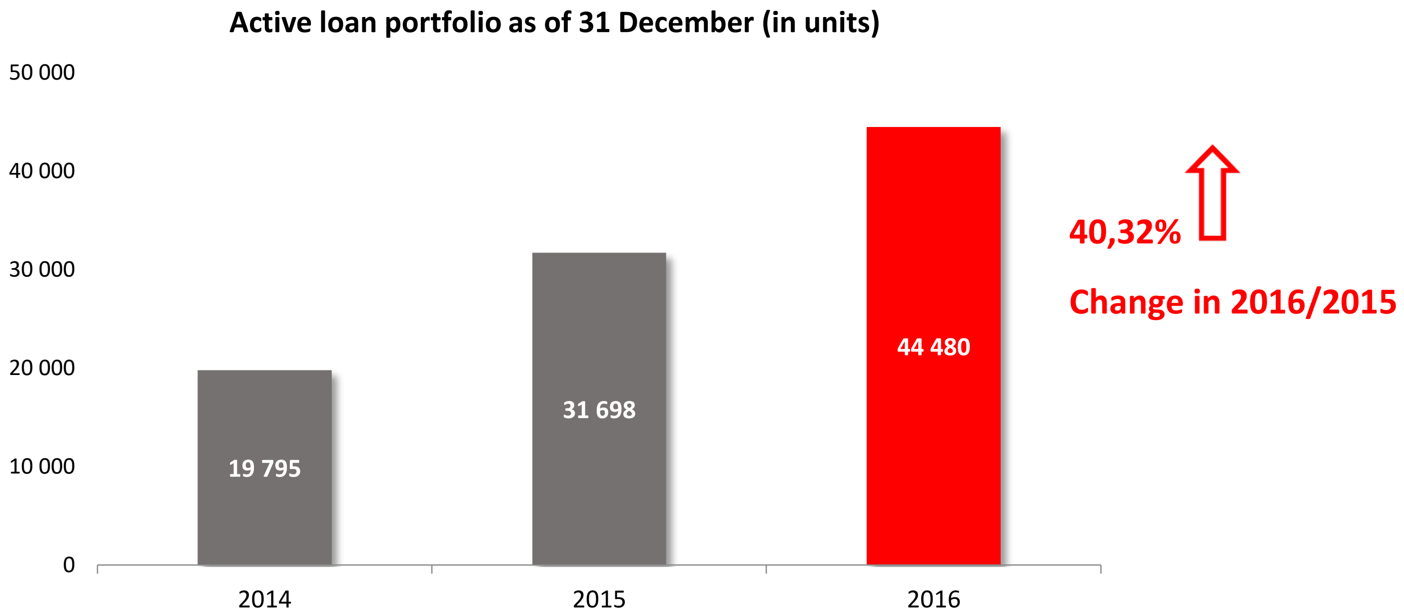
The graph below presents the number of new customers in comparative periods.

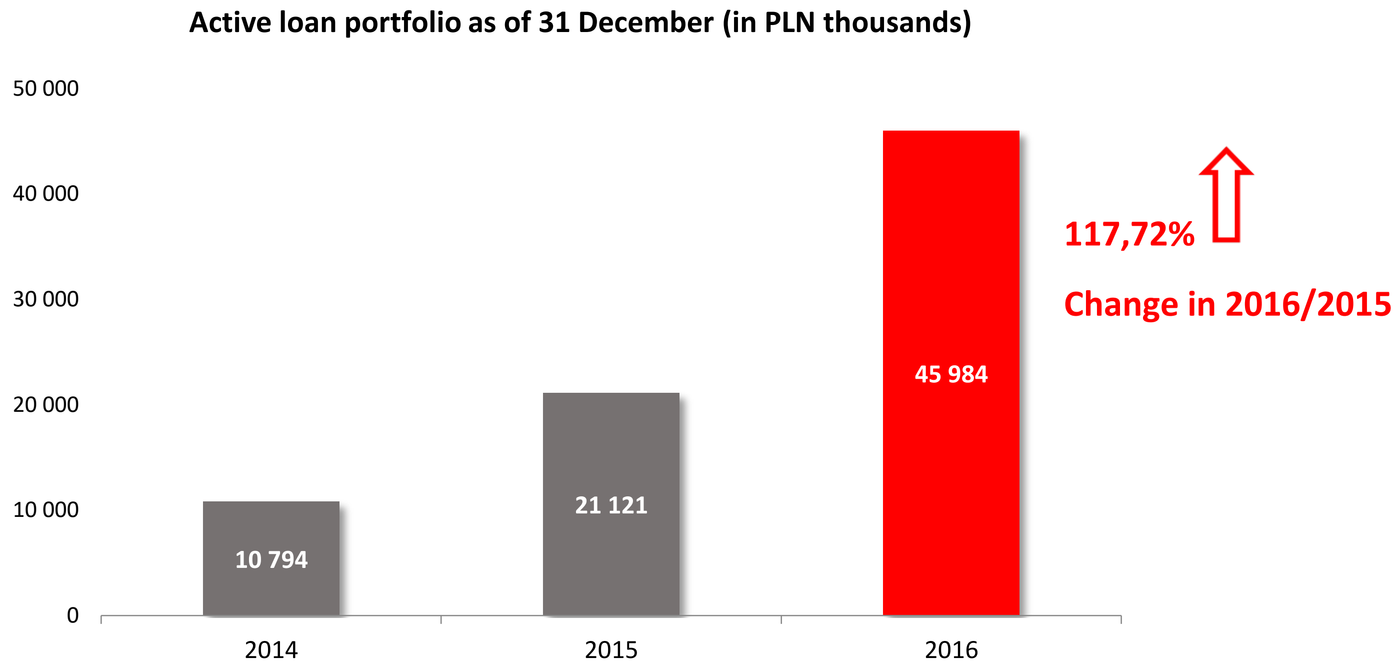


Obtaining such high dynamics of acquisition of new customers (an increase of almost 50% in comparison to 2015) is a result of mainly 3 actions:

- increasing the network of branch offices, which took place in 2015 (opening of 45 new branch offices), which enabled to reach a great number of new potential customers,
- an effective implementation of new channels of customer acquisition and new customers (web affiliations, Contact Center, cooperation with agents via integrators);
- extension of the offer of own products and extending it with third-party products (insurance and non-bank loans and credits).

The graphs below present active loan portfolio.



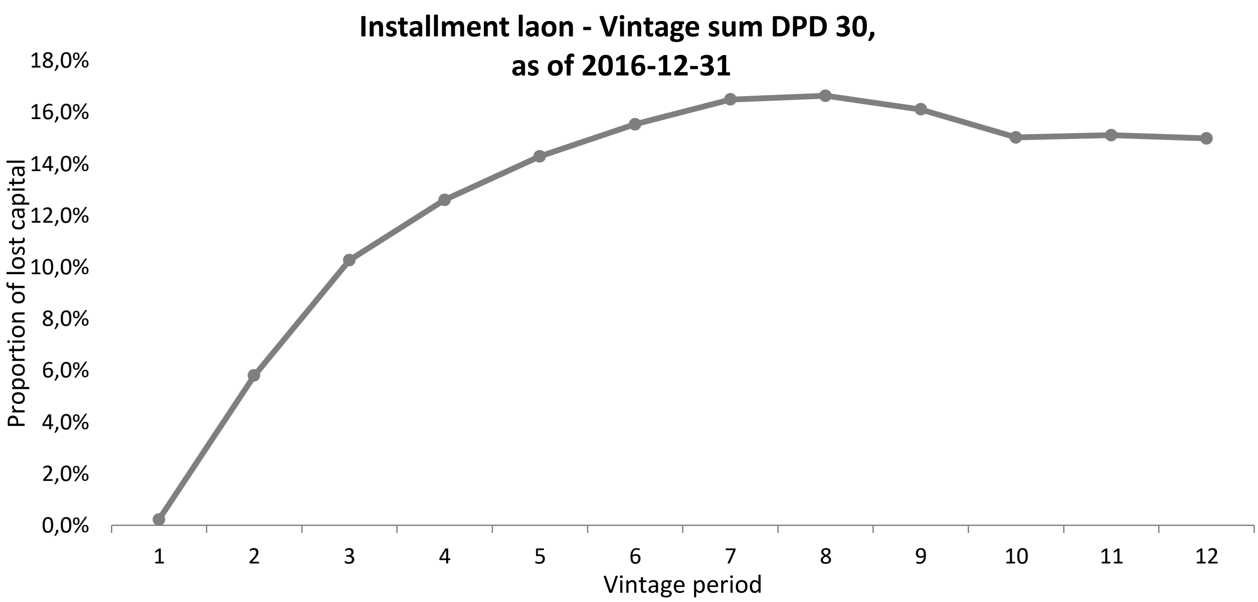


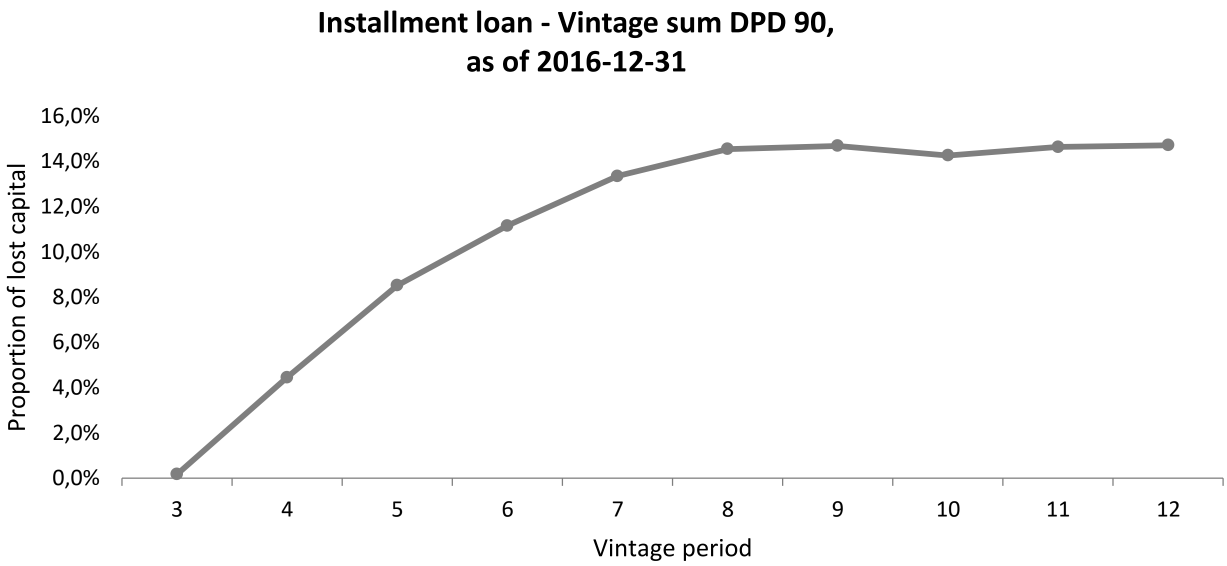
The Risk Management Department deals with credit risk management and monitoring the quality of loan portfolio in CAPITAL SERVICE S.A. In 2016 an independent analytical unit of credit verifiers, whose aim was to evaluate applications for loans submitted both through own and agents' channels, was established.

The concern for an increase in loan portfolio, its adequate structure and quality is one of the most important aspect of the developmental strategy of CAPITAL SERVICE S.A. The stability of Group, its reputation and financial results among others depend on loan portfolio. Suitable management of loan portfolio contributes to reduction of risk which results in the improvement of liquidity and profitability of the Group.

In comparison to previous years, in 2016 the structure of loan portfolio changed. The share of cash installment loans (a product for customers looking for a cheaper offer and meeting more stringent requirements of credit capability verification) increased at the expense of renewable cash loans. Maintaining high quality of loan portfolio is supported by its supervision made on a daily basis, which detects negative trends and enables to take action to eliminate them. Maintaining the adequate structure of loan portfolio of CAPITAL SERVICE S.A. is also affected by periodical disposal of lost loans portfolio (more than 90 days overdue) to specialized debt collection companies, which enable to improve the liquidity of the Group and to invest recovered funds.

A vintage analysis depicting cumulated quality of monthly generations of cash installment loans (loans originated in a particular month which are more than 30 and 90 days overdue) indicates that the final level of loss in a portfolio is at the level of 16%. The graphs below present data from vintage analysis.





2.5. Financial results obtained in 2016

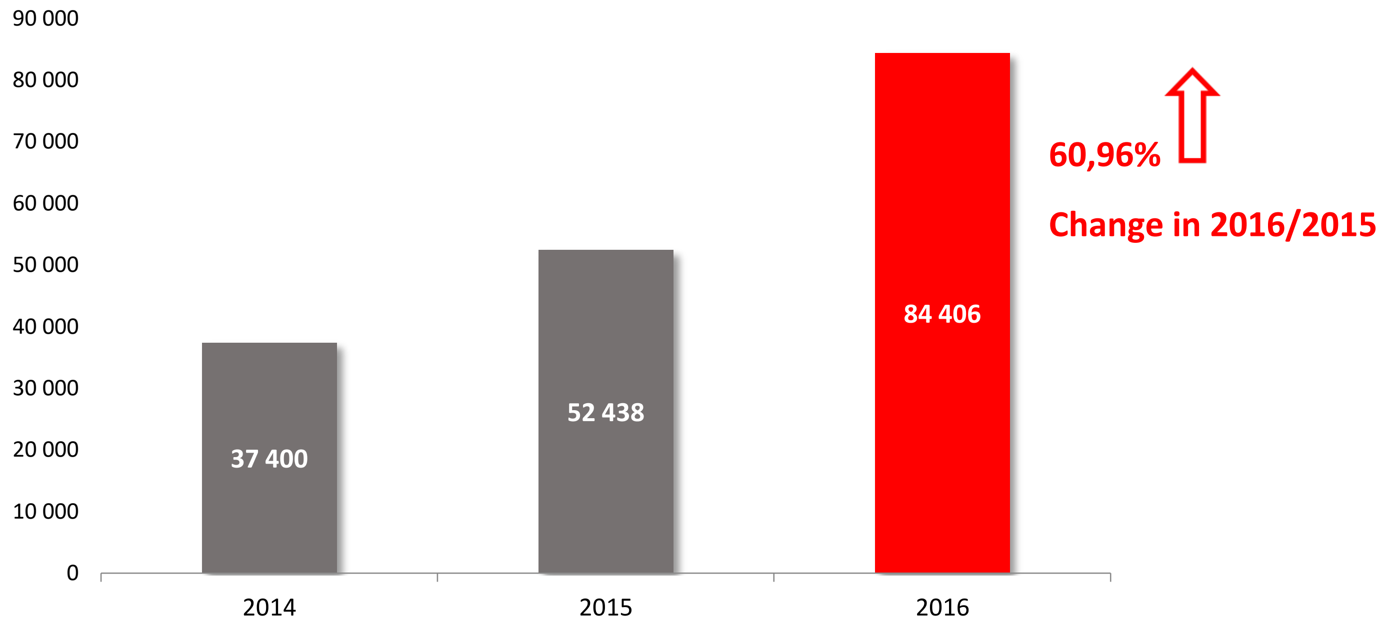
The reason behind financial results obtained by CAPITAL SERVICE S.A. Capital Group in 2016 was above all the adopted strategy for development of the Group aimed at increasing sales while maintaining adequate profitability and liquidity of its affiliates.

In 2016 CAPITAL SERVICE S.A. obtained revenues mainly from granting cash loans to natural persons and customer service. In comparison to the previous year, the increase in revenue (which included revenue from sales, the remaining operating revenue and financial revenue) amounted to 60.96%. This significant increase in sales, as compared to previous years, is the result of inter alia the development of the network of branch offices (in 2015), but also a fuller exploitation of available sales channels when selling own and third-party products.

As a result of increasing the range of available products and introducing third-party offers, which expanded the offer of CAPITAL SERVICE S.A., branch offices successively acquire new customers and consistently increase revenue. The number of loans granted to new customers acquired by means of the online channel, agents, brokers or Contact Center has also increased. A rising conversion of applications, obtained thanks to successful marketing activities, aimed at acquisition of new customers, has also affected the increase in revenue.

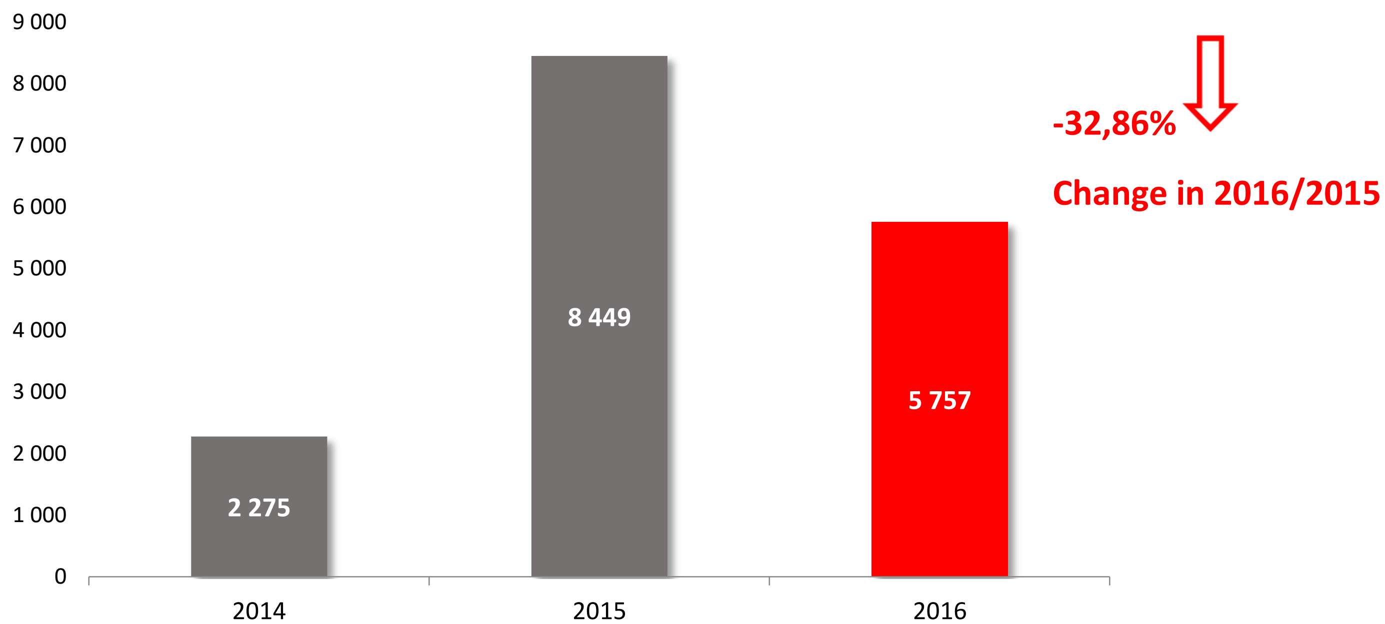
In 2017 CAPITAL SERVICE S.A. expects a further acceleration of the dynamics of increase in revenue by inter alia: optimization of distribution channels, adapting the offer of own and third-party products to constantly changing expectations of customers and the loan market as well as systematic disposal of lost portfolio (which are more than 90 days overdue).

Total revenue (data in PLN thousands)



In March 2016 the amendment of the Act of consumer loan entered into force limiting the level of non-interest costs, which affected the results obtained by the Group significantly. The measures taken, inter alia: adjustments of all products (offering higher amounts of loans with a longer terms of repayment), establishing cooperation with other companies as well as the introduction of third-party products, aimed to maintain the assumed profitability and enabled to obtain in 2016 a net profit amounting to more than 5.7 PLN m.

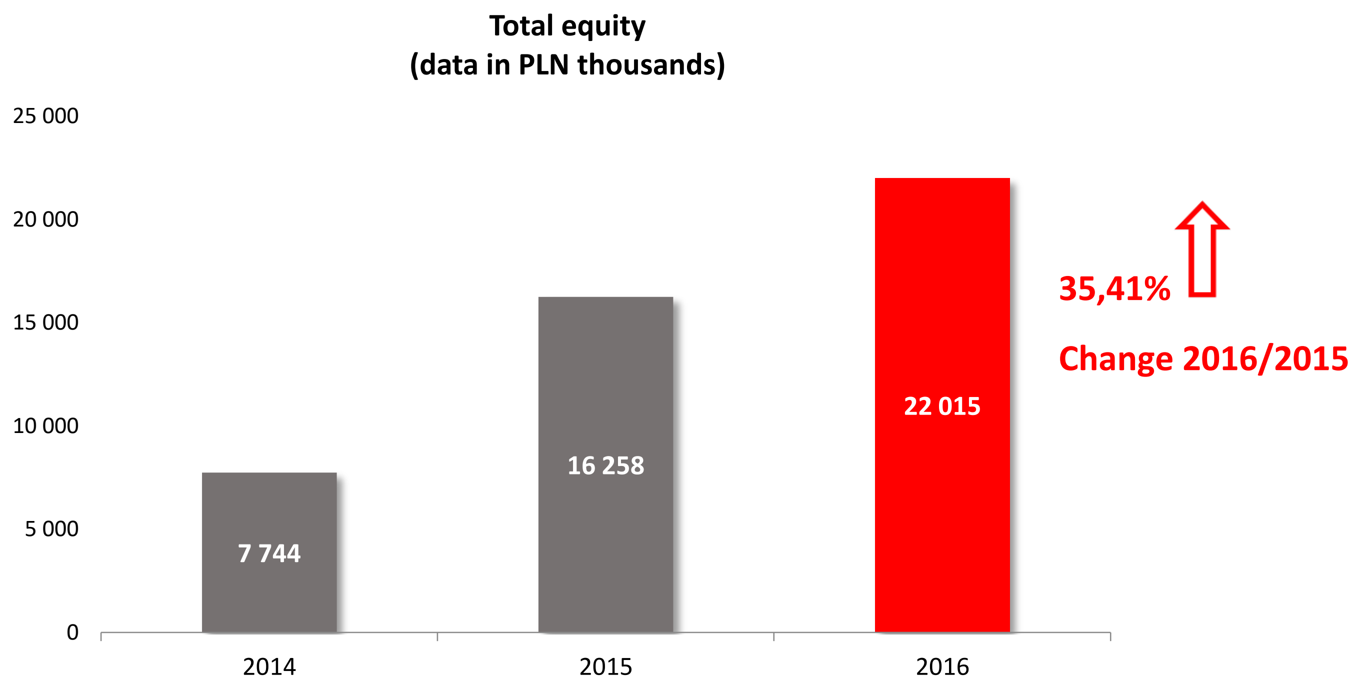
Net profit (data in PLN thousands)



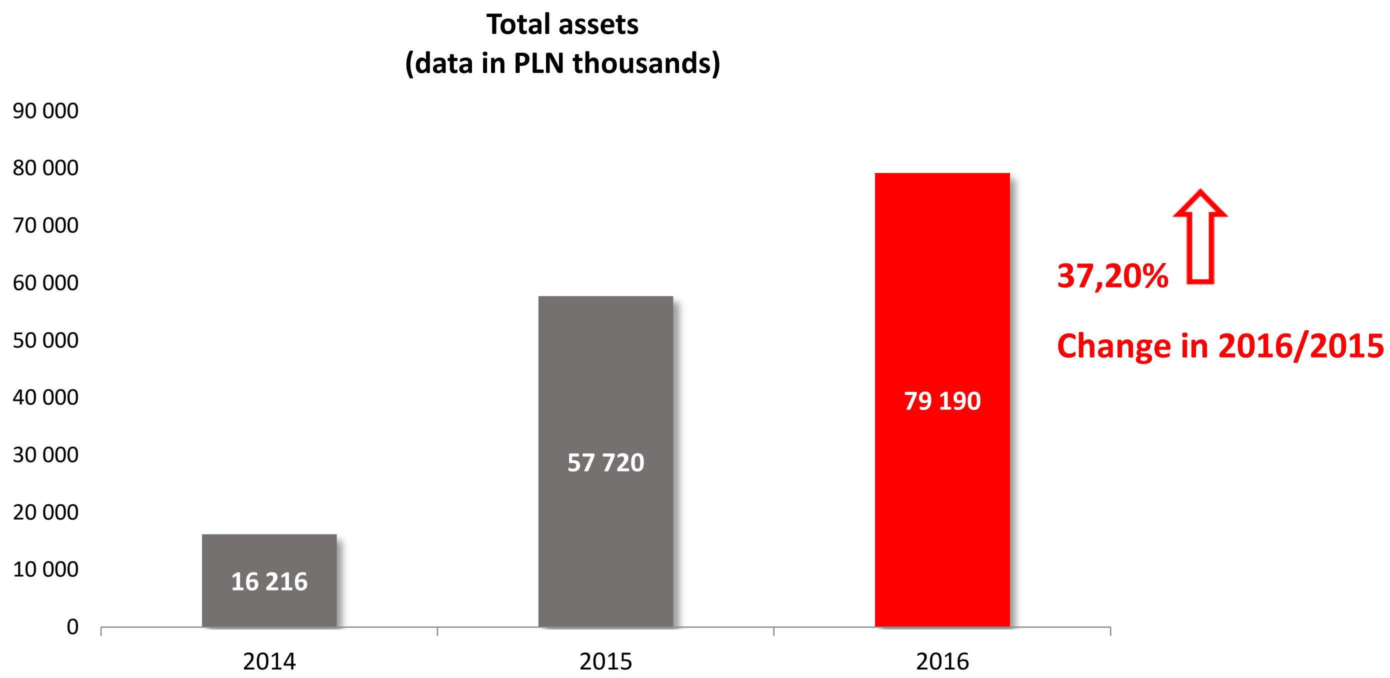
Result on financial activities

The result on financial activities, which was affected by the sale of receivables overdue carried out by the Company, requires a more detailed comment. The nominal value of sold receivables at the time of sale is treated as a financial cost. The revenue from carried out transactions is presented in financial revenues.

Profit obtained by CAPITAL SERVICE S.A. is re-invested in full and, as a result, own capitals have been systematically reinforced.



In 2016 the assets of CAPITAL SERVICE increased, mainly as a result of receivables from granted loans, the average amount of which is higher than in previous years.



The Table below presents key financial ratios in 2016 and comparative periods.

	Ratios for the years from 2014 to 2016		
	2014	2015	2016
Debt ratio			
Total debt ratio	52,24%	71,83%	72,20%
Debt to equity ratio	0,61	1,56	2,07
Net debt/EBITDA ratio	0,51	1,79	1,67
Liquidity ratio			
Current liquidity ratio	2,17	3,57	3,08
Fast liquidity ratio	2,10	3,52	2,98
Cash ratio	0,35	1,09	0,32
Profitability ratio			
Profitability of sales (EBITDA)	34,23%	35,32%	36,50%
Profitability of net sales	8,43%	21,12%	7,74%
Return on equity	29,38%	51,97%	26,15%
Return on assets	14,03%	14,64%	7,27%

In 2016 the Group entered into commitments inter alia in the issue of bonds for a total value of 15 PLN m., which were used to increase lending. This is in particular visible in net debt ratio to debt to equity ratio, which is higher than in 2015. Despite the fact that the debt figures of the Group increased, the remaining ratios are at safe levels and are similar to results obtained in the previous year. The increasing level of liabilities of the Group is reflected appropriately in the increase of loan portfolio.

Liquidity ratios obtained in 2016 are at the levels enabling to maintain full financial security and financial balance of the Company.

Profitability ratio is in the majority of cases at a lower level than last year. The reasons for this situation are as follows: one-off transactions carried out by CAPITAL SERVICE S.A. in 2015 (apportionment of loan portfolio, sectioning off an organized part of the company) which exerted positive influence on the result in 2-15 and introduction of a limitation on a maximum amount of non-interest costs, which resulted in the decrease of the results in 2016.

2.6. Description of the main threats and risks which in the opinion of the Issuer are important for the evaluation of its capability to perform obligations under the issued debt financial instruments

2.6.1. Risks related directly to CAPITAL SERVICE Capital Group and its activity

The risk of a price change of offered products

One of the main risks related to the Group and its activity is the risk of a price change of products offered on the market, which consists of the following variables:

- the risk of a price change caused by changes in law,
- the risk of a price change caused by the activities of competition.

Both risks potentially result in a decrease of the profitability of products and, as a result, the profitability of sales. In this respect, 2016, in particular its last month, turned out to be unpredictable and shocking. On 8 December 2016 the Ministry of Justice started a legislative process as a result of which adjustments are to be introduced in inter alia: the Act – the Penal Code, the Act – the Civil Code and the Act on consumer loans. Within the period referred to above, the Ministry of Justice published a draft of the Act of the adjustment of act – the Penal Code and some of other acts. The reading of this draft leads to the conclusion that the Legislator designs changes in the following areas:

- in the Penal Code – the introduction of provisions defining total costs of granting a cash consideration and penalizing a demand to pay additional costs of granting a cash consideration in the amount exceeding the equivalent of maximum interest due and maximum default interest due,
- in the Civil Code – the introduction of provisions defining and limiting total costs of granting a cash consideration,
- in the Act on consumer loan – a change of the formula according to which the maximum limit of non-interest costs of a loan is calculated which would consist in the change of percentage values included in this formula in the following order: from 25% to 10% and from 30% to 10%; a change in

the scope of limit of non-interest costs of a loan in the whole period of the loan from 100% of the total value of the loan to 75% of the total value of the loan; the introduction of provisions penalizing the demand to pay additional costs of a cash consideration in the amount exceeding the sum resulting from the above mentioned formula.

The designed changes were not so surprising, but rather not preceded by earlier signals from the Legislator about his intentions to proceed changes in the above mentioned legal acts. The surprise of the participants of the market was bigger because 9 months earlier provisions amending the Act on consumer loan, introducing a limit of non-interest costs of a loan, entered into force.

During public consultations, 27 entities made their comments to the draft. CAPITAL SERVICE S.A. made its comments on its own and also as a member of the Conference of Financial Enterprises in Poland – the Association of Employers because it wanted to highlight its involvement in the legislative process which so far seems to be the most important legislative process at the national level, the effect of which will directly influence the manner in which the Company operates.

As of the day of preparation of this statement, the Ministry of Justice has not taken any further steps in respect of proceeding with the above mentioned legal act, above all because of the common and unanticipated, in the opinion of the Legislator, reaction among of the members of the *consumer finance* market and the above mentioned entities which question the majority of proposed changes. The participants of the market – members of such organizations as: the Conference of Financial Enterprises in Poland – the Association of Employers, the Association of Lending Companies (Stowarzyszenie Firm Pożyczkowych) and the Foundation for the Development of the Financial Market (Fundacja Rozwoju Rynku Finansowego), established cooperation in order to submit a report of one of advisory companies on the consequences of the implementation of adjustments proposed by the Ministry to the Minister of Justice. The issue is being agreed upon at present (including the scope of the report). The document will probably submitted to the Ministry of Justice in the fall of 2017.

In response to the Management Board of the Company has presented the strategy of CAPITAL SERVICE Capital Group for the years 2017-2018 (henceforth referred to as “the Strategy”). Regardless of the specified content of legal provisions, the strategy is to ensure CAPITAL SERVICE S.A. with a sustainable growth and mitigate the risk resulting from the uncertainty of the legal status.

Risk related to the strategic goal

The strategic goal of CAPITAL SERVICE S.A. is to achieve and maintain a high position on the Polish market of financial products and services offered by non-bank institutions. Under this strategy CAPITAL SERVICE S.A. assumes a constant increase in loan portfolio and diversification of sources of funds. The positive result of the adopted strategy depends on the effectiveness of carried out activity, the access to capital and the adaptation to changeable conditions of economic environment. The most important factor influencing the sector of non-bank loans include: provisions of law, availability of financial products and services and the condition of households. Measures taken as a result of a bad assessment of the influence of the environment or improper adaptation to the changeable conditions of this environment can have a negative influence on the results obtained by CAPITAL SERVICE S.A. Therefore, there is a risk of not achieving the assumed strategic aim.

In order to restrict the above mentioned risk, CAPITAL SERVICE S.A. analyses the factors which can have a potential negative impact on its activity and results on a daily basis and should such need arise, it takes all necessary decisions and measures under the adopted strategy.

The key activities in this respect include:

- differentiation of the offer product and adapting it both to the changing legal provisions and market requirements resulting from actions taken by competitive companies;
- supplementing the offer with products from the insurance and reinsurance market;
- diversification of sources of fund, including making the loans of the Company available on MINTOS platform,
- constant cooperation with securitization funds,
- diversification of channels used to acquire and serve customers.

Credit risk and risk of material interruptions of cash flow and loss of financial liquidity to which CAPITAL SERVICE Capital Group faces

Credit risk in CAPITAL SERVICE S.A. arises from the conclusion of loan transactions and results in a possibility of failure to recover granted amounts, loss of profit or incurring a financial lost. This is a resultant of the area of a loan product , the term of repayment, the process of crediting and activities which limit the possibility of incurring losses.

The aim of CAPITAL SERVICE S.A. is to create a secure and stable loan portfolio:

- which guarantees security of own funds,

- earning revenues assumed in the financial plan while maintaining the level of receivables at risk at the level not higher than assumed in the financial plan of CAPITAL SERVICE S.A.

The process of credit risk management includes:

- an analysis of risk of loan portfolio,
- determination of criteria of transaction conclusion and taking credit decisions which guarantee granting loans to customers who have a capability to repay their liabilities towards CAPITAL SERVICE S.A.,
- monitoring and reporting in respect to the quality of loan portfolios,
- creating parameters to create special-purpose reserves.

The activity of CAPITAL SERVICE S.A. is based on granting cash loans to natural persons. It needs to be assumed that along with the expansion of the scale of activity, the meaning of the risk of interruptions of cash flow and the risk of loss of financial liquidity will gain larger importance. This risk includes inter alia:

- the risk of wrong planning of real demand for funds, including the demand for external funding,
- the risk of failure to provide sufficient funds to lending,
- the risk of granting loans to customers who fail to repay them,
- the risk of delays in repayment or absence of repayment of cash receivables and others,
- the risk of debt not being served in a timely manner,
- the risk of demanding immediate repayment of material liabilities of CAPITAL SERVICE S.A.

In the opinion of CAPITAL SERVICE S.A., the first of the above mentioned risks is in the right manner limited at an acceptable level. This risk is limited by the establishment of the effective Analysis and Reporting Department (DAiR) which is responsible inter alia for financial modelling, including demands for cash and external funding. Experience shows that estimations prepared by DAiR enable to plan the demand for external funds with sufficient precision in advance. In order to determine the demand for external funds, CAPITAL SERVICE S.A. has also determined minimal state of financial resources to such a level so that to avoid interruptions in respect to liquidity. Financial estimations are updated and adjusted to the changing situation on a daily basis.

Obtaining funds is necessary to ensure the dynamic growth of CAPITAL SERVICE S.A., which was assumed in the strategy. For this purpose CAPITAL SERVICES takes care of transparency of its activity, has a clear ownership structure, cooperates with a reputable auditor, introduces selected series of issues on the Catalyst market, publishes financial data on a quarterly basis, even though it is not required to do so, and also informs investors about significant measures taken by it on a daily basis by means of current reports. In order to obtain its objectives, CAPITAL SERVICE S.A. at the same time takes care of maintaining profitability and, as a result, improves its results and increases own capitals, thanks to which it keeps secure levels of debt and full capability to serve debts. In the opinion of the Management Board, all those measures enable to permanently obtain access to external sources of funds. Moreover, in order to limit this risk and to ensure higher funds to finance a greater number of loans, the Company successfully continues good cooperation with the securitizing fund in respect of the sales of regular receivables (loans with the term of repayment from 2 to 4 years) and *peer to peer lending* platform (MINTOS). The Company cyclically sales also non-performing portfolios. This cooperation will be intensively developed and extended with new partners.

The risk of granting loans to customers who fail to repay them in a timely manner is limited by CAPITAL SERVICE S.A. to an acceptable level, which ensures adequate profitability. The Company tries to accomplish this by means of creating the right scoring models and anti-fraud rules, improving them constantly and monitoring portfolios on a daily basis in order to identify non-desired tendencies and taking immediate measures to eliminate them. In order to evaluate credit capability of customers, the Company cooperates with all important credit information bureaus, namely: BIG Infomonitor, the KRD Economic Information Bureau or ERIF.

The risk of delays in repayment of loan receivables and others is limited by efficient debt collection. Debt collection processes are regulated by internal procedures, the effectiveness of which is monitored on a daily basis. At present the Company is taking steps to section debt collection processes, develop systems, models and delegate (or hire) employees who will be involved in widely understood debt collection activities and to develop as effective method of reaching debtors as possible. Therefore, the current sales-debt collection model will be changed to a model in which sales and debt collection will constitute two separate processes served by different persons under one organization and later under a sectioned company. In addition, a specificity of our activity is granting cash loans to a large group of customers (natural persons) of relatively low amounts, as a result of which there is no risk of debt concentration. What is more, receivables which are overdue more than 90 days are systematically sold. The aim of the project of sectioning debt collection activities is to release the working time of employees employed in branch offices of KredytOK and to use those resources for sales purposes only and in case of debt collection – to focus attention and power to recover as high amount of receivables overdue as possible.

The risk of debt not being served in a timely manner and the risk of demanding immediate repayment of material liabilities of CAPITAL SERVICE S.A is minimal in the opinion of the Management Board of CAPITAL SERVICE. All liabilities are served in a timely manner and for the time being and in the perspective which can be reasonably assessed, there are no risk in this respect.

The risk of declaring bankruptcy of CAPITAL SERVICE Capital Group

The risk of declaring bankruptcy of CAPITAL SERVICE S.A. is inextricably bound with the risk of loss of financial liquidity by the Group. In accordance with the article 20 of the Act of 28 February 2003 – Insolvency Law, a bankruptcy petition can be filed by each creditor of the debtor who became insolvent within the meaning of the Act, namely fails to perform its due financial obligations or when its liabilities exceed the value of its assets, even if it performs these obligations on a daily basis. The legal situation of the debtor and its creditors as well as the insolvency proceedings are regulated by the provisions of the above mentioned Act – Insolvency Law and the Act of 15 May 2015 – Restructuring law.

The group makes every effort to ensure that all liabilities due are paid on a daily basis and maintains a secure level of debt and – in the foreseeable future – does not see the possibility of materialization of this risk. What is more, the Group established procedures to use in a situation of business risk.

The risk of losing key employees and members of the Management Board

The activity of CAPITAL SERVICE S.A. is to a large extent based on experience, skills and the quality of work of key employees and members of the Management Board. It makes every effort to ensure that currently employed key employees remain with the Group for a long period of time and identify themselves with it. The cooperation of CAPITAL SERVICE S.A. with key employees is individual in nature, the Group uses a satisfying remuneration scheme and additional benefits.

In the opinion of the Group, at present there is no risk of key employees leaving the company, which could significantly hinder the activity or implementation of the strategy of development of CAPITAL SERVICE S.A.

A wide range of key tasks is carried out by the Management Board. On 1 January 2017, the Management Board of CAPITAL SERVICE S.A. was extended by two new members – the former Director of the Department for Development and the former Director of the Sales Department. CAPITAL SERVICE S.A. is not able to ensure that a possible resignation of members of the Management Board will not have a negative impact on the current activity, the adopted strategy and operational results of the Group. If any member of the Management Board resigns, the Group can be deprived of know-how in management of the Company and conducting its operational activity.

The risk related to using third party capital

In its business activity, CAPITAL SERVICE S.A. uses long- and short-term third party capital. At present liabilities under credits and loans taken are served in a timely manner, but in a long term, in case the financial situation of the Group deteriorates, problems with their repayments cannot be excluded. Failure to perform the obligations under concluded agreements by CAPITAL SERVICE S.A. may result in a demand of immediate payment of the debt in full or in whole and in case of lack of debt repayment, a creditor may file a petition to declare CAPITAL SERVICE S.A. bankrupt by a court.

CAPITAL SERVICE S.A. takes actions which aim to maintain an optimal capital structure by increasing both own capital and obtaining third party capital.

The risk related to negative PR in relation to CAPITAL SERVICE S.A. Capital Group

CAPITAL SERVICE S.A. operates on the market of cash loans addressed to natural persons (customers). This market is a difficult one and is subjected to negative reception. Negative PR in relation to both own brands of the Company and the Company itself can hider or make impossible to acquire new customers, and at the same time, interrupt the functioning of the network of own branch offices and, as a result, conducting business or cause additional financial burden of the Group. Negative PR can also constitute a threat of losing trust of current and potential customers, which in turn can have negative impact on the results obtained by CAPITAL SERVICE S.A. in the future.

Wanting to minimize the negative effects of this phenomenon, CAPITAL SERVICE S.A. takes measures aiming to establish a positive image, including social activity. Above all, CAPITAL SERVICE S.A. develops its product offer to offer its current and potential customers products adapted to their needs and financial possibilities. This aim is accomplished by a constantly developed offer of insurance and reinsurance products, including products related to life and health protection and insurance protection in case of accidents. In this respect, CAPITAL SERVICE S.A. acts as an insurance company agent, but the offer of the company was prepared individually for the Issuer's customers.

It is worth highlighting here that the Company received the Certificate of Ethical Audit KPF. This certificate confirms the compliance of business practices of the Company with the Principles of Good Practices KPF.

The risk related to localization of own branch offices

The development of the network of own branch offices operating under KredytOK brand and the financial situation of CAPITAL SERVICE S.A. depends mainly on the sales volume carried out in them. This, in turn, influences the number of branch offices operating in the network of CAPITAL SERVICE S.A. and their localization. The recognisability of KredytOk brand to a large extent depends on the localization of the office in a town. There is a risk that selected localizations of new offices or already existing offices turn out to be inconvenient, which can result in a small demand for products offered by the Group. This, in turn, can be reflected in lack of profitability of offices and, therefore, lead to the deterioration of the financial situation of the Group.

This risk is limited by a careful process of localization selection, high quality of services provided in branch offices, which is constantly verified by CAPITAL SERVICE S.A., and the competitive product offer.

The risk related to the processing of personal data

The activity of CAPITAL SERVICE S.A. is significantly affected by the Act on the Protection of Personal Data. The body responsible for the protection of personal data is the Inspector General for the Protection of Personal Data (Generalny Inspektor Ochrony Danych Osobowych). There is a risk that its interpretation of provisions will differ from the one employed by CAPITAL SERVICE S.A., which can lead to the initiation of administrative proceedings and, as a result of it, even application of penal law with respect to the Group.

In order to minimize the identified risk, CAPITAL SERVICE S.A. has introduced detailed procedures and uses technical and organizational means ensuring the protection of processed personal data, in particular it protects data against the access of unauthorized persons, processing violating the Act on the Protection of Personal Data and change, loss, damage or destruction of such data.

The risk which is inextricably connected to having and processing of personal data is the risk of security breaches at databases where confidential data of customers of CAPITAL SERVICE S.A. are kept and other violations of the Act of the Protection of Personal Data. Such events can negatively impact the manner in which the Group is perceived and, as a result, lead to loss of customers and deterioration of financial results and, in addition, would render CAPITAL SERVICE S.A. liable for damages.

Therefore, it needs to be noted that the integrated IT system used by CAPITAL SERVICE S.A. is protected in line with the requirements of the order of the Minister of Internal Affairs and Administration of 29 April 204 on the documentation of personal data, and technical and organizational conditions which shall be met by devices and IT systems used for personal data processing.

In the opinion of CAPITAL SERVICE S.A., the employed procedures and security systems significantly limit the above mentioned risks.

2.6.2. Risks related to the environment of CAPITAL SERVICE Capital Group

The risk related to the macroeconomic situation of Poland

The development of CAPITAL SERVICE S.A. depends to some extent on the general economic situation of Poland, on the territory of which it offers its products and which is at the same time the main area of their customers' activity. The main factors that are overall economic in nature and influence the activity of the Group include: the rate of economic growth, the average gross salary and the level of indebtedness of economic entities and households. There is a risk that the slowdown of the rate of economic growth and the results of introduction of pro-social programmes (500+ program) can have a negative impact on the demand of the products of CAPITAL SERVICE S.A., which as a consequence, can negatively impact the decrease of financial results of the Group.

The competition risk

The sector in which CAPITAL SERVICE S.A. conducts its activity is characterized by high competitiveness. A great number of entities at different scales of operations operates in this sector.

CAPITAL SERVICE S.A. is unable to predict whether and to what extent its offer will be attractive to customers. This risk is limited by the adopted strategy for development – the introduction of new different products and development of services, improving their quality, as well as the measures taken by the Group to increase the number of branch offices and loan portfolio, as well as diversification of sales channels, and therefore, strengthen its position.

The risk related to the legal environment

The Company had an opportunity to see how important from the perspective of business activity of the Group is the risk related to the legal environment in the fourth quarter of 2016, when the Ministry of Justice published a draft of the amendment to the Act – Penal Law and a number of other acts (including the Act on consumer loan).

The most important element of this draft is the proceeded amendment of the Act on consumer loan by means of the change of the formula, according to which the maximum limit of non-interest credit costs is calculated, in which the percentage values were changed in the following order: from 25% to 10% and from 30% to 10%; a change in the scope of limit of non-interest costs of a loan in the whole period of the loan from 100% of the total value of the loan to 75% of the total value of the loan; the introduction of provisions penalizing the demand to pay additional costs of a cash consideration in the amount exceeding the value resulting from the above mentioned formula.

While the introduction of provisions penalizing the activities of a lender that are incompatible with the spirit of the Act is supported by CAPITAL SERVICE S.A. in full, the amendments aggravating the already strict limit of non-interest credit cots cannot by no means accepted by the Group. CAPITAL SERVICE S.A. presented this position during public consultations on its own and also as a member of the Conference of Financial Enterprises in Poland – the Association of Employers. A fortiori, the provisions limiting the level of non-interest consumer credit costs have been in force for less than a year. Therefore, because of this relatively short period, neither entrepreneurs nor state bodies were able to make a fair assessment of the impact of the previous Act on consumer loan on the activity of money lending companies. The implementation of adjustments related to newly introduced provisions should thus – in the opinion of CAPITAL SERVICE S.A. – be preceded by an analysis of the previous amendment of the legal act.

The risk related to the legal environment can be assessed as highly important. At the same time, the Group has a limited range of tools to mitigate this risk. Nevertheless, being fully aware of the risks related to the above mentioned risk, the Group has taken firm action, the plan of which has been described in the strategy for the years 2017-2018.

The risk related to the interpretation of the tax law

Similarly to other business entities, CAPITAL SERVICE S.A. is exposed to imprecise provisions in tax legislation and legal regulations. As a result, there is a risk of divergences of interpretation in relation to operations connected with income tax, the tax on civil law transactions and VAT. Thus, there is a risk that as part of activity conducted by CAPITAL SERVICE S.A. and despite the fact of using individual tax interpretations by it, the interpretation of the Tax Office (Urząd Skarbowy) having jurisdiction over the Company’s registered office, can differ from the interpretation of the Company. In order to limit this risk, the Company monitors the changes in tax law on a daily basis, makes cyclical tax audits and plans its actions in this area in advance and in cooperation with tax advisors.

The risk related to borrowers' insolvency

One of the most significant risks related to the activity of CAPITAL SERVICE S.A. is failure of borrowers to repay their liabilities towards CAPITAL SERVICE S.A. Borrowers are obliged to repay the amount of loan (capital), interest, commission and – in case of delay in payments – default interest. The risk related to delays in payments from borrowers or their insolvency results above all from the development of the economic state of borrowers and – subsequently – from the general economic situation in our country.

What is more, changes in the provisions of law make it easier for natural persons, who do not run any business activity, to declare bankruptcy. Therefore, there is a risk CAPITAL SERVICE S.A. will not be able to recover some of the borrowers' liabilities as a result of their declaration of bankruptcy. This can negatively influence the financial results obtained by CAPITAL SERVICE S.A. Because of a number of borrowers and the value of loans granted, as well as a small number of debtors, who decided to follow this procedure, the expected percentage of liabilities non-recoverable due to a debtor's bankruptcy can be considered minimum.

In order to limit this risk, CAPITAL SERVICE S.A. assesses customers in respect of their credit credibility and the risk of failure to repay the loan (credit capability verification). This assessment is made by customer advisors on the basis of the internal rules of CAPITAL SERVICE S.A. concerning the sales of loan products and experience we have in this area, as well as on the scoring model and the anti-fraud formula.

2.6.3. Risk factors related directly to Bonds

The risk of lack of payment of liabilities towards Bondholders

CAPITAL SERVICE S.A. is obliged to pay interest on the bonds issued by it and to buyout bonds. As a result, in case of lack of unallocated cash, the risk related to a delayed buyout of bonds or lack of possibility to buy them out by CAPITAL SERVICE S.A. cannot be excluded. In case of non-sufficient amount of cash generated to buyout bonds, CAPITAL SERVICE S.A. does not exclude the issue of bonds, issue of another series of bonds in order to rollover bonds or to take out a bank loan.

So far, CAPITAL SERVICE S.A. has performed its obligations under the issue of bonds in a timely manner. In 2016 it made a buyout of the series D bonds (an early buyout) and F1 and in the first and second quarter of 2017 – the series E and A bonds and the series E of bonds respectively. The financial liquidity of the Company allows to assume a problem free repayment of obligations in respect of this in the future as well.

The risk related to additional issues of bonds and acquisition of financial resources

Funds obtained by issuing bonds enable CAPITAL SERVICE S.A. to finance its activity. It is possible that in order to fulfill the strategy for development, CAPITAL SERVICE S.A. will issue additional bonds and try to obtain funds from other sources. Failure to obtain new sources of funds in a situation in which the Company uses all of its funds, could result in a slowdown of the development of the Group. That is why, the Group takes care of the implementation of the policy of sustainable growth and diversification of financial resources, including cooperation with securitization funds and MINTOS platform.

The risk of imposition of a financial penalty on CAPITAL SERVICE S.A. Capital Group by the Organizer of the Alternative Trading System

Issues of the three series of bonds of CAPITAL SERVICE S.A. – the series A, B and C – have been put into circulation in the Alternative Trading System (ASO) on the Catalyst market and are listed in an alternative trading system managed by the Warsaw Stock Exchange S.A.

Pursuant of the provisions of §17c of the Rules of ASO, the Organizer of the Alternative Trading System can impose a financial penalty in the amount up to 50.000 PLN. The penalty can be imposed on CAPITAL SERVICE S.A. if CAPITAL SERVICE S.A. fails to execute obligations assumed by the issuers of bonds listed on the Catalyst market (especially the information reporting obligation). The amount of the penalty depends on the degree and scope of the breach or infringement. The Organizer of the Alternative Trading System can make a decision to impose a financial penalty and a penalty of suspension of trading or a penalty of exclusion from trading of the financial instruments of the issuer. CAPITAL SERVICE S.A. is obliged to make payment of the imposed penalty to a bank account of a public benefit organization of its choice within 10 working days from following the date on which the decision on the imposition of the penalty shall be enforceable.

In order to limit this risk factor, CAPITAL SERVICE S.A. has organized inter alia appropriate structures in the Company which are responsible for investor relations. What is more, CAPITAL SERVICE S.A. entered into relevant agreements with the entity which serves as an Authorized Advisor.

3. INFORMATION ON THE ACTIVITY OF CAPITAL SERVICE CAPITAL GROUP RELATED TO INITATIVE TAKEN TO IMPLEMENT INNOVATIVE SOLUTIONS IN THE COMPANY WITH RESPECT TO ITS BUSINESS ACTIVITY

CAPITAL SERVICE S.A. began 2016 from adapting its product offer to the changing legal conditions and the requirements of the new Act on consumer loan, which governs inter alia the rights and obligations of lenders while maintaining the profitability of those products, as well as customers' needs. Under this project, new products – "Komfort Ratka" loan (January 2016) and then "Szybka Pożyczka" loan (March

2016) were introduced. All products that are in the offer of the Group have been changed. In the following months, additional new products were introduced: “Pożyczka Jak Marzenie” loan (August 2016) and “Pożyczka Ratalna PSTRYK” installment loan (October 2016).

The Group has implemented a Data Warehouse. As of the date of preparing of this statement, a hybrid in the form of a Business Intelligence System – SiSense and an efficient MsSQL base, which is customer-server database platform, are used. Dashboards, the role of which is to facilitate sales and risk management as well as decision making process, have been made available. They enable also to monitor sales, identify and analyze risk and to make decisions based on the cost and benefit analysis on a daily basis. As a result, thanks to the Data Warehouse, it is possible to effectively predict and later also appropriately react to the changeable conditions. New research and development and modernization works under this project are being conducted on a daily basis.

The core activity of the Group consists of granting cash loans, their comprehensive service and financial intermediation. As a result, in 2016 the Group developed and implemented API Agent+, an innovative interface, which enables to make the products of the Group available directly in the systems of other cooperating companies and integrators of financial products. Thanks to this action, CAPITAL SERVICE S.A. has an opportunity to introduce new services to the money lending market and thereby open new channels of revenues. The project of implementation of API Agent+ on QS platform, one of the largest Financial House in Poland, has been successfully accomplished. Agent+ Platform, an online loan platform, which makes it possible for the cooperating Agents to sell products offered by the Group under KredytOK brand, was launched together with API Agent+.

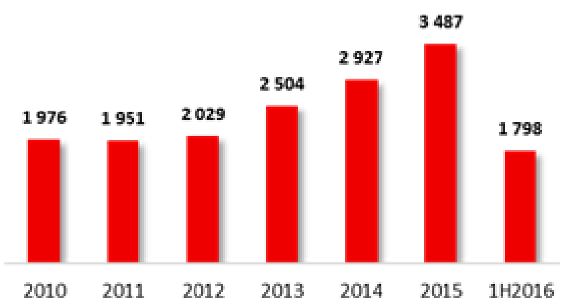
4. FORESEEABLE DEVELOPMENT OF THE GROUP

4.1. The environment and market position of the Group

For several years, the money lending market in Poland has been developing dynamically and has belonged to one of the most dynamic markets in the whole world. This is caused inter alia by banks restricting their credit policy following the financial crisis in 2009. The increase on the money lending companies market has also been influenced by more restrictive recommendations of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) for banks in 2010, as a result of which some customers lost credit capability in the eyes of banks. What is more, the revolution on the money lending marked was also caused by the development of technology and the Internet. The year 2011 proved to be crucial since at this time the bank technology enabled to grant cash loans and to assess customers’ creditworthiness via the online channel. Thanks to this, a new segment of the money lending market was established – loans granted via the Internet. Instant transfers and no necessity to be visited at home turned out to be attractive for customers. Less documentation securing loan repayment, an improved process of loan granting or a shortened awaiting time for cash is also more attractive for customers in comparison to the offer of a great number of banks.

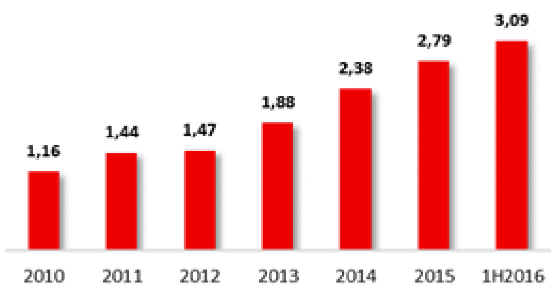
The activity of money lending companies consists in cash loans of small amounts and a short term of repayment. Therefore, they supplement the offer of banks, which are often inactive in this area and do not have a product that is appropriately suited for customers interested in small cash loans for the period of several weeks, who want to have it transferred to their accounts quickly. According to the statistics – even 60% of customers would fulfill bank requirements to obtain such a product in a bank, but customers do not do so because of the lack of the right offer. Amounts offered by money lending companies are in the majority of cases small, which results in relatively high fixed costs. A group of customers is characterized by much higher level of risk and, therefore, is not attractive for the banking sector.

The value of granted loans (in PLN m.)



The value of loans granted in the first half of 2016 amounted to 3.2. PLN m., which means it increased in comparison to the first half of the previous year by almost 200 PLN m. (11.7%). Since 2012 a systematic increase in this respect has been observed on the market, which indicates a stable situation as well as a constantly growing demand for loan products.

The value of loan portfolio (in PLN bn.)



**Source: KPF*

At the end of the first half of 2016, the total value of loan portfolio amounted to 3.09 PLN m. Within the last years, namely since 2008, the value of loan portfolio has almost tripled – by more than 2 PLN bn., which corresponds to an increase by 188%. Since 2011, the annual dynamics of the changes of loan portfolio has remained at a high level, more than 15%, reaching a local, medium-term peak in 2013. Average dynamics of the increase of the value of loan portfolio in comparison to the first half of 2015 amounts to 19.3% and 10.9% in comparison to the end of 2015.

The general trend on the market shows that the demand on cash loans is constantly increasing and a number of money lending companies allocated their all capital to lending. That is why, companies which plan further expansion and development, need to look for sources of funds. This results in a greater activity of issuers on the Catalyst market, assignment of receivables that are not overdue, the search for strategic investors and planned sales and mergers of whole companies.

4.2. The perspectives for the development of the Group

2016 was for CAPITAL SERVICE S.A. the year of intensive work in every aspect of its activity. During the period under consideration, a number of events, which are significant from the perspective of the operation of the whole Capital Group, took place. Apart from running a strong sales action of own products, the introduction of third party products into offer (insurance, non-bank credits and loans), establishment of cooperation with new external bank and non-bank operators, including FINES S.A., Dom Finansowy QS S.A. and Górnośląskie Towarzystwo Finansowe GTF Sp. z o. o., maintaining relations with current contracting parties and customers, sales of receivables overdue, the year 2016 was also the time of the search for new sources of funding for the operation of the Group. In the first quarter of 2017, CAPITAL SERVICE S.A. joined MINTOS investment platform, which joins lenders and investors from all over Europe. In the near future, the Group plans to obtain new sources of funding from FinTech sector (*peer to peer lending*), which would enable to continue lending on a greater scale which, in turn, may lead to the increase of financial results.

In 2017, the Capital Group will continue to strengthen its strong and competitive position on the money lending market. The group intends to achieve the above mentioned aim by means of:

- an increase in revenues,
- an increase of the active loan portfolio and
- an increase number of active customers.

II. THE FINANCIAL STATEMENT OF CAPITAL GROUP CAPITAL SERVICE FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 JANUARY 2016

1. THE RULES ADOPTED FOR THE PREPARATION OF THE FINANCIAL STATEMENT

1.1.General information on the parent company

Name **CAPITAL SERVICE S.A.**

Registered office Ostrołęka, ul. Korczaka 73

The entity is entered into the Register of Entrepreneurs under KRS number		407127
The registration was done	the District Court of the Capital City of Warsaw, Commercial Court, XIV Commercial and Registration Department	
Registration data	02.01.2012	

The core activity of the entity (according to the entry in KRS) is other credit granting (64.92.Z).
The duration of activity of the entity is indefinite.

1.2. Consolidated financial statement

- The consolidated financial statement covers the period from 01.01.2016 to 31.12.2016.
- The consolidated financial statement was prepared on the basis of the Accounting Act of 29 September 1994 (Journal of Laws 2016, item 1047 as amended) and the Ordinance of the Finance Minister of 25 September 2009 on the detailed principles of preparing consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies (Journal of Laws of 2009, no. 152, item 1223 as amended).
- The consolidated financial statement was prepared on the assumption that the business activity in the near future will be continued and that no circumstances threatening is would take place.
- The group of related entities does not include internal organizational units preparing own financial statements and therefore, this consolidated financial statement does not include overall data including those entities.
- The reporting currency is PLN. The statement was prepared in PLN thousand unless stated otherwise.

1.3. General information on subsidiaries

Name **CAPITAL SERVICE BRAND MANAGEMENT Sp. z o.o.**

Registered office Warszawa, ul. Jagiellońska 78

data in PLN thousands unless stated otherwise

The core activity of this entity is (according to the entry in KRS) leasing of intellectual property and similar products, excluding works protected by copyright laws (77.40.Z).

The parent company has:

- 100,00% share in the basic capital of the entity, and
- 100,00% share total number of votes on the General Meeting of the entity.

The duration of activity of the entity is indefinite.

The financial statement covers the period from 01.01.2016 to 31.12.2016.

Name	**KOMTOD Spółka z ograniczoną odpowiedzialnością SKA**
Registered office	Warszawa, Jagiellońska 78

The core activity of the entity (according to the entry in KRS) is other credit granting (64.92.Z).

The parent company has:

- 100,00% share in the basic capital of the entity, and
- 100,00% share total number of votes on the General Meeting of the entity.

The duration of activity of the entity is indefinite.

The financial statement covers the period from 01.01.2016 to 31.12.2016.

1.4. General information on joint subsidiaries

In the period covered in the financial statement there were no joint subsidiaries.

1.5. General information on affiliates

In the period covered in the financial statement there were no affiliates.

1.6. General information on other entities other than subordinated entities in which related parties have less than 20% of shares

In the period covered in the consolidated financial statement, there were no entities other than subordinate entity in which related parties had less than 20% of shares.

1.7. Information on subordinate entities excluded from the consolidated financial statement

In the period covered by the consolidated financial statement there were no subordinate entities excluded from the consolidated financial statement.

1.8. The adopted accounting rules and methods

In comparison to the previous year, the adopted accounting rules and methods have not changed.

The individual items of assets and liabilities are valued when they are being entered in the accounts in the amount of paid or received payment. Only material transaction costs are taken into account in the purchase price.

1.9. Tangible assets and fictitious and legal assets

Tangible assets, tangible assets under construction and fictitious assets are valued according to their purchase price or production costs, less accumulated depreciation. Depreciation and amortisation is charged according to the straight-line method

Tangible assets and fictitious and legal assets with the initial value not higher than 1500 PLN and not exceeding 3500 PLN are singly written off in the month they are brought into use.

When it comes to assets in case of which there is high risk that in the foreseeable future they will not be economically beneficial, a write-down for impairment of receivables is made.

The Company applies the following amortisation rates for the following assets:

- leasehold improvements (buildings) 10%,
- machinery, devices and equipment for general application 30%
- specialised machinery, devices and equipment 14%, 28%,
- technical devices 10%, 20%,
- means of transport 20%,
- tools, devices, movables and equipment 20%, 50%.

On the reporting date, fictitious assets are appraised according to the value of purchase or cost of producing reduced by write-offs and any write-downs by virtue of value loss. Fictitious assets with a definite useful life are amortized according to the straight line method over their estimated useful lives. Useful lives of individual fictitious items are reviewed annually and adjusted – if required – with effect from the beginning of the next financial year.

Costs associated with maintaining computer software programmes, incurred in subsequent periods, are expensed as incurred. Profit or loss resulting from the disposal of fictitious assets is determined as the difference between income from sale and net value of said fictitious assets and are included in the profit and loss account.

1.10. Financial assets held until maturity

Acquired or created financial assets and other investments are recognized in the accounts when they are acquired or created at purchase prices. At the balance sheet date, they are recognized at their purchase price adjusted for accrued interest, discount and premium with consideration to specific provisions and write-offs on account of impairment loss.

Write-offs on account on impairment loss are charged on the financial costs. If the cause for recognition of a revaluation write-down expires, the equivalent of all or part of write-offs on account on impairment loss increases the value of a particular assets and shall be counted as financial revenue.

1.11. Financial assets held for trading

Acquired financial assets held for trading are recognized in the accounts when they are acquired at purchase prices. At the balance sheet date, they are recognized at fair value and changes in value are recognized as costs or financial revenues.

In case of listed securities, the fair value is evaluated according to the lowest market prices at the reporting date.

1.12. Receivables and liabilities

Receivables and liabilities are reported according to the value to be paid. Receivables and liabilities in foreign currencies at the date of creation are recorded at the average National Bank of Poland (NBP) exchange rate for foreign currency. Foreign exchange gains and losses arising at the date of payment as a result of the difference between the exchange rate at this date and the exchange rate at the date at which receivables and liabilities arose, are carried out as either costs or revenue on account of financial transactions.

1.12.1. Leasing liabilities

The Company is a party of leasing agreements under which it conveys in return for payment to use or to take profit from tangible and fictitious assets during a fixed period.

In case of leasing agreements, under which all risks and rewards following from the transfer of the whole risk and profits resulting from the ownership of assets that are the subject of the agreement, the leased asset is recognized as asset and at the same time the liability in the amount corresponding to the equity value of leasing installment, calculated at the inception. Lease payments are apportioned between financial costs and the leasing debt balance reduction in a way that allows for obtaining a constant interest rate on the debt yet payable. Financial costs are charged directly to the profit and loss account.

Fixed assets that are the subject of a leasing agreement are amortized in a manner determined for own fixed assets. However, if there is no certainty concerning the transfer of ownership of the subject of the agreement then fixed assets are amortized during the shorter of the following periods: the period of their expected use or the leasing period.

1.12.2. Receivables on account of loans granted and own receivables not held for trading

Receivables on account of loans granted are valued at amortized cost, according to the principles related to establishing provisions for the risk related to credit granting.

Specific provisions (impairment write-offs) created by CAPITAL SERVIE S.A. show that it observes the prudence principle. They reflect the risk related to repayment of loans granted and make it possible to present receivables shown in the balance sheet in a reliable manner. The objective of creating specific provisions is the realignment of the value of receivables by taking into account the probability of their repayment. Write-offs on account of specific provisions are charged to costs of the period in which they were made and their aim is to prepare the Company for losses it may suffer as a result of a granted loan. Assessment of credit exposure in order to identify indications of impairment and calculate the amount of specific provisions is carried out at the end of each month.

Objective indications of impairment of credit exposures resulting in loss include:

- default in payment longer than 90 days, namely exposure classified into the “lost” risk category,
- termination of the loan agreement,
- exposure is a fraud,
- obtaining information by CAPITAL SERVICE S.A. about an event which might impact anticipated cash proceeds.

Specific provisions are created are appropriated into other operating costs and their release is recorded in other operational proceeds. The costs of creation of specific provisions are charged to individual cost centres (MPK) of the entity granting the loan and their release recognizes individual cost centres of the entity granting loan. Specific reserves are released after the expiry of the reason for their creation. Specific reserves are decreased accordingly to the decrease of the amount of credit exposure. The coordination of the process measuring the loss in value and methodological supervision over assessment and measurement of the loss in value is carried out by the Financial Risk Management Department. Write-offs are made on the basis of empirical values of the probability of default parameter, determined on the basis of historical behaviour of the customers of the Group, carried out based on migration matrices assuming that customers’ migration between particular classes of delay have the character of Markov process.

All of specific reserves are approved by the Management Board of CAPITAL SERVICE S.A. The process of reserves creation and identification and measurement of the loss in value of credit exposures along with allocation to departments carrying out particular activities is documented, and then archived by the period set out in the Accounting Act for inspection purposes and as a source for analysis leading to potential modifications in the methodology and under the so-called back-testing.

Capital and commissions on loans overdue for at least 90 days are included in write-offs in 100% less costs that are recovered as a result of sales of receivables.

1.13. Prepayments and reserves

If expenses related to future reporting periods, the Company makes active prepayments. They are related to above all: commissions on loans, bonds, software licenses and insurance policies.

Accrued expenses include above all provisions charged to expenses in the amount of estimated liabilities for the current reporting period, resulting from performances provided to the Company by its business partners and the obligation to return future services related to current activity, the amount of which can be estimated even though the date at which they will arise is not known.

1.14. Reserves and assets due to deferred income tax

Due to temporary differences between the balance sheet values for assets and liabilities and their tax values and their tax loss that can be deducted in the future, the Company creates reserves and establishes deferred income tax assets.

1.15. Commission, interest and debt collection revenue and other revenues

In reference to renewable cash loans, the Company recognizes in the income statement commission revenues in advance at the moment of conclusion of an agreement with a customer, proportionally to the period in which they fall. In case of installment loans, those revenues are recognized according to a corrected purchase price (amortized cost). Interest and debt collection revenues are recognized on a cash basis after the repayment is made by the customer. The remaining revenues are recognized in the income statement is all benefits and risks have been transferred to the purchaser of a good or service and the inflow of proceeds is given credence to.

1.16. Cash and cash equivalents

Cash and cash equivalents include cash at hand and on bank accounts, deposits payable on demand and short-term investment of high liquidity (up to 3 months), which can be easily turned into cash and in case of which the risk of change of value is minimum.

2. FINANCIAL STATEMENTS

2.1. Selected financial statements

Item:	Data in PLN thousands		Data in EUR thousands	
	12 months completed on 31.12.2016 audited	12 months completed on 31.12.2015 audited	12 months completed on 31.12.2016 audited	12 months completed on 31.12.2015 audited
Non-current assets	14 297	12 701	3 232	2 980
Current assets	64 893	45 019	14 668	10 565
Total assets	**79 190**	**57 720**	**17 900**	**13 545**
Total equity	22 015	16 258	4 975	3 816
Liabilities and provision for liabilities	57 175	41 462	12 925	9 729
Total equity and liabilities	**79 190**	**57 720**	**17 900**	**13 545**
Net sales	74 347	39 996	16 991	9 557
Operating expenses	50 680	37 255	11 582	8 902
Profit (loss) on sales	**23 667**	**2 741**	**5 409**	**655**
Other financial results	1 354	10 042	309	2 400
Profit (loss) on operating activities	**25 021**	**12 783**	**5 718**	**3 055**
Result on financial operations	(16 554)	(8 082)	(3 783)	(1 931)
Profit (loss) on business activities	**8 467**	**4 701**	**1 935**	**1 124**
Result on extraordinary events	-	-	-	-
Goodwill write-off	17	4	-	-
Gross profit (loss)	**8 450**	**4 697**	**1 935**	**1 124**
Current and deferred tax	2 676	(3 752)	612	(897)
Other obligatory charges to profit (increase in loss)	17	-	4	-
Net profit (loss)	**5 757**	**8 449**	**1 319**	**227**
Cash flow:				
- from operating activities	**(14 419)**	**(12 854)**	**(3 295)**	**(3 072)**
- from investing activities	**6 152**	**(335)**	**1 406**	**(80)**
- from financial activities	**1 139**	**24 636**	**260**	**5 887**
Change in cash	**(7 128)**	**11 447**	**(1 629)**	**2 735**

Selected financial data were converted to EURO in the following manner:
- items related to the income statement and cash flow for 2016 (and 2015) were converted at the rate based on the arithmetic mean of average rates determined by the National Bank of Poland as per the last day of each month covered by the statement. This exchange rate was 1 EURO = 4,3757 PLN in case of 2016 and 1 EURO = 4,1848 PLN in case of 2015 respectively.

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2.2.Profit and loss account

Item no.		Item:	Note:	01.01.2016-31.12.2016	01.01.2015-31.12.2015	% of change from 2016 to 2015
A.		**Net revenue from sales, including:**	**4**	**74 347**	**39 996**	**85,9%**
		from subsidiaries and affiliated companies		-	-	-
	I.	Net revenue from sales		73 471	39 381	86,6%
	II.	Change in the level of products		-	-	-
	III.	Manufacturing cost of products for internal purposes		-	-	-
	IV.	Net revenue from sales of products and materials		876	615	42,4%
B.		**Operational expenses**		**50 680**	**37 256**	**36,0%**
	I.	Amortisation		2 134	1 347	58,4%
	II.	Consumption of materials and energy		2 709	2 123	27,6%
	III.	External services		14 810	12 787	15,8%
	IV.	Taxes and charges		429	269	59,5%
		- excise duty		-	-	-
	V.	Payroll		23 805	16 250	46,5%
	VI.	Social security and other benefits		5 005	3 611	38,6%
		- pension contributions		2 196	1 318	66,6%
	VII.	Other costs by type		1 788	868	106,0%
	VIII.	Value of goods and materials sold		-	-	-
C.		**PROFIT (LOSS) ON SALES (A-B)**		**23 667**	**2 740**	**763,7%**
D.		**Other operating revenues**	**5**	**3 418**	**10 689**	**(68,0%)**
	I.	Gain on disposal of non-financial fixed assets		489	419	16,7%
	II.	Subsidiaries		7	302	(97,7%)
	III.	Other operating revenues		2 922	9 968	(70,7%)
E.		**Other operating expenses**	**5**	**2 064**	**647**	**219,2%**
	I.	Loss on disposal of non-financial fixed assets		-	163	(100,0%)
	II.	Revaluation of non-financial assets		-	-	-
	III.	Other operating expenses		2 064	484	326,6%
F.		**PROFIT (LOSS) ON OPERATING ACTIVITIES (C+D-E)**		**25 021**	**12 782**	**95,8%**
G.		**Financial revenues**	**6**	**6 641**	**1 753**	**278,9%**
	I.	Dividend and profit sharing		-	-	-

	II.	Interest		148	21	591,9%
	III.	Gain on disposal of investments		6 493	1 617	301,5%
	IV.	Revaluation of investments		-	-	-
	V.	Other		-	115	(100,0%)
H.		**Financial expenses**	**6**	**23 195**	**9 835**	**135,8%**
	I.	Interest		3 877	977	296,8%
	II.	Gain on disposal of investments		14	-	-
	III.	Revaluation of investments		-	-	-
	IV.	Other		19 304	8 858	117,9%
I.		**PROFIT / LOSS ON BUSINESS ACTIVITIES (F+ G-H)**		**8 467**	**4 700**	**80,2%**
J.		**Extraordinary results**		**-**	-	-
		Goodwill write-off		**17**	**4**	**-**
K.		**GROSS PROFIT / LOSS**		**8 450**	**4 696**	**80,0%**
L.		**Income tax**		**2 676**	(3 752)	**171,3%**
M.		**Other statutory reductions in profit (Increases in loss)**		**17**	-	**-**
N.		**NET PROFIT / LOSS (K-L-M)**		**5 757**	**8 448**	**(31,9%)**

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2.3. Assets

Item no.	Item:	Note:	31.12.2016	31.12.2015
A.	**Non-current assets**		**14 297**	**12 701**
I.	**Fictitious and legal assets**	**1**	**100**	**42**
1.	Costs of completed R&D works		-	-
2.	Goodwill		-	-
3.	Other fictitious and legal assets		100	42
4.	Advancements on fictitious and legal assets		-	-
II.	**Goodwill in subsidiaries**	**2**	**64**	**81**
1.	Goodwill - subsidiaries		64	81
2.	Goodwill – joint subsidiaries		-	-
3.	Goodwill – associated subsidiaries		-	-
III.	**Tangible fixed assets**	**1**	**7 988**	**7 586**
1.	Tangible assets	18	7 988	7 450
a)	*land (incl. perpetual usufruct right)*		-	-
b)	*buildings. premises and civil engineering facilities*		-	-
c)	*technical equipment and machinery*		194	183
d)	*means of transport*		5 419	4 897
e)	*other tangible assets*		2 375	2 370
2.	Assets under construction		-	136
3.	Advances on assets under construction		-	-
IV	**Long-term receivables**		**-**	**-**
1.	From subsidiaries		-	-
2.	From other entities		-	-
V.	**Long-term investments**		**-**	**-**
1.	Real property		-	-
2.	Fictitious and legal assets		-	-
3.	Long-term financial assets		-	-
a)	In subsidiaries and other entities that are not commercial companies not valued using capital consolidation method		-	-
-	*shares and stocks*		-	-
-	*granted loans*		-	-
4.	Other long-term investments		-	-
VI	**Long-term prepayments**		**6 145**	**4 992**
1.	Deferred tax assets		5 658	4 992
2.	Other long-term prepayments		487	-
B.	**Current assets**		**64 893**	**45 019**
I.	**Inventories**		**474**	**444**
1.	Consumables		87	118
2.	Semi-finished products and work in process		-	-
3.	Finished products		-	-

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4.	Goods		-	-
5.	Advances on deliveries		387	326
II.	**Short-term receivables**		**56 165**	**30 609**
1.	Receivables from subsidiaries		-	-
a)	*due to deliveries and services with a repayment period:*		-	-
-	*up to 12 months,*		-	-
-	*above 12 months,*		-	-
b)	*other*		-	-
2.	Receivables from other entities		56 165	30 609
a)	*due to deliveries and services with a repayment period:*		53 523	22 935
-	*up to 12 months,*		*53 523*	*22 935*
-	*above 12 months,*		-	-
b)	*relative to taxes, subsidies, customs duties, social and health insurance and other benefits*		102	653
c)	*other*		2 483	7 021
d)	*under court proceedings*		57	-
III	**Short-term investments**		**6 658**	**13 776**
1.	Short-term financial assets		6 654	13 776
a)	*In subsidiaries and other entities that are not commercial companies*		-	-
-	*loans granted*		-	-
b)	*In subsidiaries and other entities that are commercial companies*		-	-
c)	*in other entities*		97	90
d)	*cash and cash equivalents*		6 557	13 686
-	*cash at hand and in bank*		*6 557*	*13 686*
-	*other cash*		-	-
2.	Other short-term investments		4	-
IV	**Other short-term prepayments**	**12**	**1 596**	**190**
Total assets			**79 190**	**57 720**

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2.4. Liabilities

Item no.		Item:	Note:	31.12.2016	31.12.2015
A.		**Total equity**		**22 015**	**16 258**
	I.	**Shareholders' equity**		**4 000**	**4 000**
	II.	**Called up share capital not paid (negative value)**		**-**	**-**
	III.	**Own shares (negative value)**		**-**	**-**
	IV.	**Supplementary capital (retained earnings)**		**798**	**389**
	V.	**Revaluation reserve (fund)**		**-**	**-**
	VI.	**Other reserves (retained earnings)**		**8 060**	**3 355**
	VII.	**Currency translation profit/loss**		**-**	**-**
	VIII.	**Profit/loss from previous periods**		**3 400**	**65**
	IX.	**Net profit (loss)**		**5 757**	**8 449**
	X.	**Charges to net profit during the financial year (negative value)**		**-**	**-**
B.		**Minority interest**		**-**	**-**
C.		**Negative goodwill in subsidiaries and affiliated companies**		**-**	**-**
D.		**Liabilities and reserves for liabilities**		**57 175**	**41 462**
	I.	**Reserves for liabilities**	**10**	**3 658**	**1 941**
	1.	Deferred tax reserve		2 514	1 078
	2.	Reserves for retirement benefits and similar concerns		848	584
	-	*long-term*		*103*	*81*
	-	*short-term*		*745*	*503*
	3.	Other reserves		296	279
	-	*long-term*		*276*	*217*
	-	*short-term*		*20*	*62*
	II.	**Long-term liabilities**	**11**	**31 028**	**26 530**
	1.	Towards subsidiaries and affiliated companies		-	-
	2.	Towards other entities		31 028	26 530
	a)	*credits and loans*		-	-
	b)	*due to issuance of debt securities*		29 489	23 496
	c)	other financial liabilities		1 539	3 034
	d)	*other*		-	-
	III.	**Short-term liabilities**	**11**	**21 073**	**12 596**
	1.	Towards subsidiaries and affiliated companies		-	-
	a)	trade liabilities with a maturity of		-	-
	-	*up to 12 months,*		-	-
	-	*above 12 months,*		-	-
	b)	other		-	-
	2.	*Towards other entities*		**21 072**	**12 573**
	a)	*credits and loans*		1 450	2 650

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b)	due to issuance of debt securities		9 412	4 065
c)	other financial liabilities		3 137	1 641
d)	trade liabilities with a maturity of		836	1 090
-	*up to 12 months,*		836	*1 090*
-	*above 12 months,*		-	-
e)	*advancements received on deliveries*		-	-
f)	*liabilities on bills of exchange*		-	-
g)	*relative to taxes, subsidies, customs duties, social and health insurance and other benefits*		3 604	1 518
h)	*liabilities on bills of exchange*		1 852	1 265
i)	*other*		781	344
3.	Special funds		1	23
IV.	**Prepayments**	**12**	**1 416**	**395**
1.	*Negative goodwill*		-	-
2.	*Other prepayments*		1 416	395
-	*long-term*		3	*0*
-	*short-term*		1 413	*395*
V.	**Liabilities associated with assets held for sale**		**-**	**-**
Total liabilities			**79 190**	**57 720**

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2.5. Cash flow statement

Item no.		Item:	Note:	01.01.2016-31.12.2016	01.01.2015-31.12.2015
		The amount of cash at the beginning of period		**13 686**	**2 239**
A.		**Cash flow from operating activities**			
	I.	**Net profit (loss)**		**5 757**	**8 449**
	II.	**Total adjustments**		**(20 176)**	**(21 303)**
	1.	Amortisation		2 151	1 347
	2.	Currency translation profit/loss		-	-
	3.	Interest and profit sharing (dividends)		6 731	940
	4.	Profit (loss) from investing activities		(6 968)	(1 873)
	5.	Changes in provisions		1 717	786
	6.	Changes in inventories		(31)	(211)
	7.	Changes in receivables		(25 558)	(19 449)
	8.	Changes in current payables, excluding loans and advances		2 833	1 860
	9.	Changes in prepayments and accruals		(1 051)	(4 768)
	10.	Other adjustments			65
	III.	**Net cash flow from operating activities (I+/-II)**		**(14 419)**	**(12 854)**
B.		**Cash flow from investing activities**			
	I.	**Inflows**		**7 192**	**2 036**
	1.	Sale of fictitious and legal assets and tangible fixed assets		550	419
	2.	Sale of investments in properties and fictitious and legal assets			-
	3.	From financial assets, including:		6 642	1 617
	a)	*in related entities*			-
	b)	*in other entities*		*6 642*	*1 617*
	–	*sale of financial assets*		*6 493*	*1 617*
	–	*dividends and profit sharing*		-	-
	–	*repayment of granted long-term loans*		-	-
	–	*interest*		*148*	-
	–	*other cash provided by financial assets*		-	-
	4.	Other investment inflows		-	-
	II.	**Outflows**		**(1 039)**	**(2 370)**
	1.	Purchase of fictitious and legal assets and tangible fixed assets		(1 032)	(2 195)
	2.	Investments in properties and fictitious and legal assets		-	-
	3.	To financial assets, including:		(7)	(175)
	a)	*in related entities*			*(85)*
	b)	*in other entities*		*(7)*	*(90)*
	–	*purchase of financial assets*		-	-
	–	*long-term loans granted*		*(7)*	*(90)*
	4.	*Other investment expenditure*			-

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	III.	**Net cash flow from investing activities (I-II)**		**6 152**	**(335)**
C.		**Cash flow from financial activities**			
	I.	**Inflows**		**16 035**	**30 095**
	1.	Net inflows from the issue of shares and other capital instruments and capital contributions			-
	2.	Credits and loans			1 949
	3.	Issue of debt securities		15 000	28 146
	4.	Other financial inflows		*1 034*	-
	II.	**Outflows**		**(14 895)**	**(5 459)**
	1.	Purchase of own shares			-
	2.	Dividends and other payments to owners			-
	3.	Outflows from profit, other than payments to owners			-
	4.	Repayment of loans and advances		(1 200)	(2 782)
	5.	Repurchase of debt securities		*(5 270)*	-
	6.	Other financial commitments			-
	7.	Payment of payables under financial leasing		*(2 141)*	*(1 152)*
	8.	Interest		*(3 685)*	*(665)*
	9.	Other financial expenses		*(2 600)*	*(859)*
	III.	**Net cash flow from investing activities (I-II)**		**1 139**	**24 636**
D.		**Total net cash flow (A.III + B.III + C.III)**		**(7 128)**	**11 447**
E.		**Balance-sheet change in cash, including:**		(7 129)	11 447
	1.	**Change in cash due to foreign currency translation gains (loss)**			
F.		**Cash of the beginning of period**		13 686	2 239
G.		**Cash of at the end of period (F+/–D), including:**	**3**	**6 557**	**13 686**
	–	**cash of limited disposal**		**-**	-

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2.6. The statements of changes in equity

THE STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY (OWN FUND)		For the period from 01.01.2016 to 31.12.2016	For the period from 01.01.2015 to 31.12.2015
I.	**Equity (own fund) at the beginning of the period (BO)**	**16 258**	7 744
	- corrections of material errors	-	-
I. a.	**Equity (own fund) at the beginning of the period (BO), after corrections of material errors**	**16 258**	7 744
1.	Equity (own fund) at the beginning of the period	**4 000**	4 000
1.1.	Changes in share capital	-	-
1.2.	Equity (own fund) at the end of period	**4 000**	4 000
4.	Supplementary capital (retained earnings) at beginning of period	**389**	207
4.1.	Changes in supplementary capital (retained earnings)	**409**	182
	a) increase related to	**409**	182
	- profit distribution	**409**	182
	b) decrease related to	-	-
4.2.	Closing balance of supplementary capital (retained earnings)	**798**	389
6.	Other reserve funds at the beginning of period	**3 355**	1 444
6.1.	Changes in other reserve capitals	**4 705**	1 911
	a) increase related to	**4 705**	1 911
	- profit distribution	**4 705**	1 911
	b) decrease related to	-	-
6.2.	Other reserve funds at the end of period	**8 060**	3 355
7.	Currency translation profit/loss	-	-
8.	Profit/loss from previous years at the beginning of period	**65**	2 093
8.1.	Profit from previous years at the beginning of period	**65**	2 275
	- corrections of material errors	-	65
8.2.	Profit from previous years at the beginning of period, after corrections	**65**	2 340
	a) increase related to	**3 335**	-
	b) decrease related to	-	2 275
	- profit distribution	-	2 275
8.3.	Profit from previous years at the end of period	**3 400**	65
8.4.	Loss from previous years at the beginning of period	**65**	(182)
	- corrections of material errors	-	-
8.5.	Loss from previous years at the beginning of period, after corrections	**65**	(182)
	a) increase related to	-	182
	- profit distribution	-	182
	b) decrease related to	-	-
8.6.	Loss from previous years at the end of period	-	-
8.7.	Profit/loss from previous years at the end of period	**3 400**	65
9.	Net result	**5 757**	8 449
	a) net profit	**5 757**	8 449
II.	**Equity (own fund) at the end of period (BZ)**	**22 015**	**16 258**
III.	**Equity (own fund) after proposed distribution of profit (coverage of loss)**	**22 015**	**16 258**

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2.7.Change in fictitious and legal assets and fixed assets

Item no.	Types of items of fixed assets in the balance sheet	Balance as at the beginning of 2016	Changes		Balance as at the end of 2016
			Increase	Decrease	(3+4-5)
1	2	3	4	5	6
A.	**FIXED NET ASSETS**				
I	**Fictitious and legal assets:**	**42**	**-**	-	**100**
	a) initial value	139	114	-	253
	Acquisition	-	114	-	-
	Revaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Liquidation	-	-	-	-
	Other	-	-	-	-
	b) accumulated depreciation	97	56	-	153
	Sales	-	-	-	-
	Reevaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Amortisation	-	56	-	-
	Liquidation	-	-	-	-
	c) net value (a-b)	42	58	-	100
II	**Net property plant and equipment**				
	1. Net fixed assets	**7 450**	**-**	**-**	**7 988**
1	Own land				
	a) initial value	-	-	-	-
	b) accumulated depreciation	-	-	-	-
	c) net value (a-b)	-	-	-	-
2	Buildings, premises and civil engineering facilities				
	a) initial value	-	-	-	-
	b) accumulated depreciation	-	-	-	-
	c) net value (a-b)	-	-	-	-
3	Machinery and plant				
	a) initial value	515	118	-	633
	Acquisition	-	118	-	-
	Revaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Liquidation	-	-	-	-
	Other	-	-	-	-
	b) accumulated depreciation	332	107	-	439
	Sales	-	-	-	-
	Reevaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Amortisation	-	107	-	-
	Liquidation	-	-	-	-
	c) net value (a-b)	183	-	-	194
4	Means of transport:	-	-	-	-

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	a) initial value	7 181	2 242	1 702	7 721
	Acquisition	-	2 209	-	-
	Revaluation	-	34	1	-
	Internal transfer	-	-	-	-
	Liquidation	-	-	1 702	-
	Other - sales	-	-	-	-
	b) accumulated depreciation	2 284	1 591	1 573	2 302
	Sales	-	-	-	-
	Reevaluation	-	-	1	-
	Internal transfer	-	-	-	-
	Amortisation	-	1 591	-	-
	Liquidation	-	-	1 572	-
	c) net value (a-b)	4 897	-	-	5 419
5	Other fixed assets:	-	-	-	-
	a) initial value	2 757	421	38	3 140
	Acquisition	-	421	-	-
	Revaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Liquidation	-	-	38	-
	Other	-	-	-	-
	b) accumulated depreciation	387	386	8	765
	Sales	-	-	-	-
	Reevaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Amortisation	-	386	-	-
	Liquidation	-	-	8	-
	c) net value (a-b)	2 370	-	-	2 375
2.	**Fixed assets under construction, including exchange rate differences and interest**	**136**	**432**	**568**	**-**

data in PLN thousands unless stated otherwise

Note 2. The change in the goodwill for the consolidation

Item no.	Types of items of fixed assets in the balance sheet	Balance as at the beginning of 2016	Changes		Balance as at the end of 2016 (3+4-5)
			Increase	Decrease	
1	2	3	4	5	6
A.	**GOODWILL FOR THE CONSOLIDATION**	**81**	**-**	**-**	**64**
I	**Goodwill of KOMTOD**				
	a) initial value	85	-	-	85
	Combination of business entites	-	-	-	-
	Revaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Liquidation	-	-	-	-
	Other	-	-	-	-
	b) accumulated depreciation	4	17	-	21
	Sales	-	-	-	-
	Reevaluation	-	-	-	-
	Internal transfer	-	-	-	-
	Amortisation	-	17	-	-
	Liquidation	-	-	-	-
	c) net value (a-b)	81	(17)	-	64

2.8. Note 3. Additional information on the cash flow balance

Structure of cash recognized in the cash flow statement

Item no.	Details	31.12.2016	31.12.2015
1.	Cash at hand	80	60
2.	Cash on bank accounts, including:	6 460	13 626
	- current bank accounts	6 460	1 626
	- deposit bank accounts	-	12 000
3.	Other cash	14	-
4.	Cash equivalents	2	-
	TOTAL	**6 557**	**13 686**

data in PLN thousands unless stated otherwise

2.9.Note 4. Sales revenues

Net revenues from sales of products, goods and materials – by category

Item no.	Details	01.01.2016 31.12.2016	01.01.2015 31.12.2015
1.	Net revenues from sales of products	73 471	39 381
1.1	- wares	-	-
1.2	- services	73 471	39 381
2.	Net revenues from sales of goods and materials	876	615
2.1	- goods	876	615
2.2	- materials	-	-
	TOTAL	**74 347**	**39 996**

Net revenues from sales of products, goods and materials – by territory

Item no.	Descritpion	01.01.2016 31.12.2016	01.01.2015 31.12.2015
1.	Net revenues from sales of products	73 471	39 381
1.1	- home	73 471	39 381
1.2	- export	-	-
2.	Net revenues from the sales of products and materials	876	615
	TOTAL	**74 347**	**39 996**

data in PLN thousands unless stated otherwise

2.10. Note 5. Other operating revenues / costs

Other operating revenues	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Release of specific provisions for receivables and impairment write-offs	-	2 750
Gains from the disposal of receivables sold by KOMTOD sp. z o. o. SKA	-	3 912
Revenues on debt recovery	2 017	2 916
Revenues from subsidiaries	7	302
Revenues in respect of sales of fixed assets	489	419
Revenues in respect of release of reserves for jubilee bonuses	-	277
Revenues in respect of services of managing loan portfolios	565	-
Other revenues (inter alia compensation, reimbursement of the insurance fee, release of remaining reserves)	339	113
Total remaining operating revenues	**3 418**	**10 689**

Other operating revenues	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Loss on disposal of non-financial fixed assets	-	**163**
Costs of reserves and revaluation provisions	1 669	**-**
Costs financed by PARP subsidiary	-	**296**
Costs of court fees and debt collection fees	117	**116**
Costs of commission on loans written-off and discontinued	101	**33**
Other costs	177	**40**
Total other operating revenues	**2 064**	**647**

data in PLN thousands unless stated otherwise

2.11. Note 6. Financial costs and revenues

Financial revenues	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Revenues in respect of the sale of shares in subsidiary companies	2 693	1 617
Sales price	2 693	1 617
Sales of receivables	3 800	115
Interest revenue on current bank accounts and deposits	148	21
Total financial revenues	**6 641**	**1 753**

Financial costs	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Receivables from capital of granted loans and commission which were sold by CSSA or contributed to Companies whose shares were sold by CSSA	16 730	6 324
Costs related to commission for financial entities	2 335	2 369
Costs related to interest for financial entities	368	251
Costs related to interest - securities	3 459	637
Costs related to commissions for banks	217	161
Costs related to interest for financial banks	49	89
Other financial costs	36	4
Total financial costs	**23 195**	**9 835**

data in PLN thousands unless stated otherwise

2.12. Note 7. Leasing liabilities

Leasing liabilities	31.12.2016	31.12.2015
- Up to 1 year	3 099	1 634
- Above 1 year up to 3 years	1 539	3 034
- Above 3 years to 5 years	-	-
- Above 5 years	-	-
Total	**4 638**	**4 668**

2.13. Note 8. The structure of ownership of share capital as of 31.12.2016 and 31.12.2015

31.12.2016

	Number of shares	Nominal value of shares	Participation in share capital
Kazimierz Dziełak	3 820	3 820	95,50%
Other shareholders	180	180	4,50%
Total share capital	**4 000**	**4 000**	**100,00%**

31.12.2015

	Number of shares	Nominal value of shares	Participation in share capital
Kazimierz Dziełak	4 000	4 000	100,00%
Total share capital	**4 000**	**4 000**	**100,00%**

2.14. Note 9. Change in the write-downs of values of receivables

Item no.	Impairment losses	01.01.2016	Changes			31.12.2016
			Increase	Decrease		
				Used	Released	(3+4-5)
1.	Receivables related to loan portfolio	4 405	11 298	343	9 629	5 731
2	Receivables under court proceedings	388	66	12	-	442
	Total	**4 793**	**11 364**	**355**	**9 629**	**6 173**

data in PLN thousands unless stated otherwise

2.15. Note 10. Change in provisions as of their creation

Item no.	Provisions for	01.01.2016	Changes			31.12.2016
			Increase	Decrease		(3+4-5)
				Used	Rleased	
1.	Retirement benefits	81	103	-	81	103
2.	Jubilee bonuses	-	-		-	-
3.	Other employee benefits	503	242	-	-	745
4.	Disputes with state government office	217	59	-	-	276
5.	Liabilities related to commission	-	-	-		-
6.	Costs of accounting audit	62	20	62	-	21
7.	Deferred tax liability	1 078	1 436	-	-	2 514
	Total	**1 941**	**1 860**	**62**	**81**	**3 658**

data in PLN thousands unless stated otherwise

2.16. Note 11. Division of liabilities according to items in the balance sheet with the repayment date estimated by the balance sheet, provided for in the agreement

Item no. Description	31.12.2016	31.12.2015
1. Liabilities due to credits and loans	**1 450**	**2 649**
Up to 1 year	1 450	2 649
Above 1 year up to 3 years	-	-
Above 3 years to 5 years	-	-
Above 5 years	-	-
2. Leasing liabilities	**4 638**	**4 668**
Up to 1 year	3 099	1 634
Above 1 year up to 3 years	1 539	3 034
Above 3 years to 5 years	-	-
Above 5 years	-	-
3. Liabilities from the issue of the debt securities	**38 901**	**27 561**
Up to 1 year	9 412	4 065
Above 1 year up to 3 years	29 489	23 496
Above 3 years to 5 years	-	-
Above 5 years	-	-
4. Trade and other liabilities	**836**	**1 080**
Up to 1 year	836	1 080
Above 1 year up to 3 years	-	-
Above 3 years to 5 years	-	-
Above 5 years	-	-
5. Tax liabilities	**1 644**	**235**
Up to 1 year	1 644	235
Above 1 year up to 3 years	-	-
Above 3 years to 5 years	-	-
Above 5 years	-	-
6. Social security liabilities	**1 872**	**1 223**
Up to 1 year	1 872	1 223
Above 1 year up to 3 years	-	-
Above 3 years to 5 years	-	-
Above 5 years	-	-
7. Liabilities for payroll	**1 852**	**1 265**
Up to 1 year	1 852	1 265
Above 1 year up to 3 years	-	-
Above 3 years to 5 years	-	-
Above 5 years	-	-
8. Other liabilities	**908**	**445**
Up to 1 year	908	445
Above 1 year up to 3 years	-	-
Above 3 years to 5 years	-	-
Above 5 years	-	-
Total liabilities	**52 101**	**39 126**

data in PLN thousands unless stated otherwise

2.17. Note 12. A list of material items of accruals and prepayments

Item no.	Description	As of: 01.01.2016	31.12.2016	As of: 01.01.2015	31.12.2015
1	**Total prepayments of costs, including:**	**190**	**1 596**	**207**	**190**
	Costs related to property and personal insurance	69	38	116	69
	Correction of costs settled over time	-	1 358	-	-
	Costs related to commission for loans disbursed and credit surety	29	13	63	29
	Insurance costs in financial leasing	4	-	9	4
	Other prepayments	88	187	19	88
2	**Total accruals**	**-**	**-**	**-**	**-**
3	**Total prepayments, including:**	**61**	**1 416**	**350**	**395**
	Revenues reserved by debt collection	54	(12)	11	54
	Deferred revenue	7	830	339	7
	Other payable costs	334	599	-	334

2.18. Note 13. Fixed assets Expenditure on non-financial fixed assets incurred in 2016 and projected for 2017

Incurred and projected expenditure on non-financial fixed assets	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Expenditure relating to adaptation modernization of the company's infrastructure	522	2 429
Maintenance and development of car fleet (leasing payments, initial payments, interests, costs of repairs). Purchase of cars is financed by leasing. Leasing agreements are concluded for the period of three years.	4 023	3 922
Including expenditures for environmental protection	-	-
Total other expenditure on non-financial fixed assets	**4 545**	**6 351**

2.19. Note 14. Account of main positions differing the taxation base for the income tax from the financial result (data in PLN thousand)

Item no.	Description	2016	2015
	GROSS RESULT OF THE CAPITAL GROUP	8 450	4 697
	- revenues free from tax	(6 366)	(19 612)
	- costs which are not tax costs	10 017	15 798
	- costs reducing the taxable amount	(2)	(3 114)
	- deduction of loss from previous years	(24)	
	- gross result of the entity which is not liable for tax	-	(143)
	- consolidation adjustments not affecting current tax	(884)	(38)
	TAXATION BASE FOR THE INCOME TAX	11 192	(2 412)

2.20. Note 15. Average headcount in occupational groups in a given accounting year

Item no.	Description	Average number of employees in 2016	Average number of employees in 2015
1.	White-collar workers	406,40	287,8
2.	Blue-collar workers	2	2
3.	Other workers	-	-
	Total	**408,40**	**289,8**

2.21. Note 16. Average remuneration in occupational groups in a given accounting year

Item no.	Personnel cost of the members of the Management Board	2016
1.	Payroll	-
2.	Payroll surcharges	-
	Total	**-**

Item no.	Personnel cost of the members of the Management Board	2015
1.	Payroll	-
2.	Payroll surcharges	-
	Total	**-**

data in PLN thousands unless stated otherwise

Item no.	Personnel cost of the members of the Supervisory Board	2016
1.	Payroll	51
2.	Payroll surcharges	8
	Total	**59**

Item no.	Personnel cost of the members of the Supervisory Board	2015
1.	Payroll	18
2.	Payroll surcharges	2
	Total	**20**

2.22. Note 17. Information about the remuneration of the statutory auditor or the entity entitled to carry out obligatory audit of financial statements paid or payable for the year ending on 31 December 2016 based on the type of service

Item no.	Type of service	2016
1.	Obligatory audit of the annual financial statements	61
2.	Other services	25
	Total	**86**

Item no.	Type of service	2015
1.	Obligatory audit of the annual financial statements	50
2.	Other services	12
	Total	**62**

2.23. Note 18. Ownership structure of fixed assets – according to net value

Item no.	Description	01.01.2016	31.12.2016
1.	Own fixed assets	2 555	2 643
2.	Fixed assets used based on the lease, rent agreement and other agreements, including related to leasing agreements	4 895	5 345
3.	Value of fixed assets which were not subjected by the entity to amortisation or depreciation, based on the lease, rent agreement and other agreements, including related to leasing agreements	-	-

Total fixed assets in the balance sheet	**7 450**	**7 988**

CATPIAL SERVICE S.A. uses 107 business establishments on the basis of lease agreements. The total area of leased establishments amounts to 7 277 m2. They are located all over Poland, the Company does not have their valuation at its disposal.

2.24. Note 19. A list of liabilities secured with the assets of the Company

Item no.	Type of liability	Value of liability	Type of assets	Value of secured assets
1	The series G bonds, investment fund	15 000	A registered pledge established on a set of current and future receivables the Issuer is entitled to under cash loans and a registered pledge established on a set of current and future receivables to which the Pledgor 2 is entitled ("Money Logo" Spółka z o.o.) on the basis of cash loans.	Up to the highest amount of the registered pledge amounting to 18.000 PLN thousands
2	The series H bonds, investment fund	15 000	A registered pledge established on a set of current and future receivables the Issuer is entitled to under cash loans and a registered pledge established on a set of current and future receivables to which the Pledgor 2 is entitled ("Money Logo" Spółka z o.o.) on the basis of cash loans.	Up to the highest amount of the registered pledge amounting to 18.000 PLN thousands

2.25. Note 20. A list of contingent liabilities, including guarantees and sureties (also promissory notes)

Type of liability	Creditor	Value of liability
	TOWARDS RELATED PARTIES	
	TOWARDS OTHER ENTITIES	
THE SERIES B BONDS: A statement of the Issuer (CAPITAL SERVICE S.A.) on submission to enforcement for the benefit of the controller on the basis of the notarial deed in order to repay its liabilities related to the issue of the series B bonds.	Bondholders of the series B bonds, the Controller of the registered pledge: Kancelaria Adwokacka Osiński i Wspólnicy Spółka Komandytowa	120% of the threshold value of the issue + (of threshold value is exceeded – 20% of the difference between the nominal value of bonds and the equivalent of the threshold of the issue) 1 800 PLN thousands (I statement) 360 PLN thousands (II statement) 792 PLN thousands (III statement) The total maximum amount of pledge: 2.952 PLN thousands (overcollateralization)
THE SERIES C BONDS: A statement of the Issuer (CAPITAL SERVICE S.A.) on submission to enforcement for the benefit of the controller on the basis of the notarial deed in order to repay its liabilities related to the issue of the series C bonds.	Bondholders of the series C bonds, the Controller of the registered pledge: Kancelaria Adwokacka Osiński i Wspólnicy Spółka Komandytowa	120% of the total value of issued bonds The total maximum amount of pledge: 2 400 PLN thousands
THE SERIES G ISSUES: A registered pledge on liabilities on account on cash loans granted or which will be granted by CAPITAL SERVICE S.A. under its core business activity; a registered pledge on liabilities under bank account agreements concluded by CAPITAL SERVICE S.A.	Bondholders of the series G bonds the Controller of the registered pledge: Dubiński, Fabrycki, Jeleński i Wspólnicy Kancelaria Prawna Spółka Komandytowa	Each registered pledge established to the highest amount of pledge amounting to 18.000.000,00 PLN.
THE SERIES H ISSUES: A registered pledge on liabilities on account on cash loans granted or which will be granted by CAPITAL SERVICE S.A. under its core business activity; a registered pledge on liabilities under bank account agreements concluded by CAPITAL SERVICE S.A.	Bondholders of the series H bonds the Controller of the registered pledge: Dubiński, Fabrycki, Jeleński i Wspólnicy Kancelaria Prawna Spółka Komandytowa	Each registered pledge established to the highest amount of pledge amounting to 18.000.000,00 PLN.
The frame cooperation agreement of 09/02/2017. Cases which prompt lack of possibility of debt recovery.	EQUES DEBITUM Investment Fund Non-standardized Closed Securitization Fund	Price of a particular receivable less payments received for this receivable.

data in PLN thousands unless stated otherwise

The assignment of liability agreement of 10/08/2015 – (RECOUP sp. z o.o.). Cases which prompt lack of possibility of debt recovery.	easyDEBT Investment Fund Non-standardized Closed Securitization Fund	An amount equal to the full or partial price of a particular receivable to the extent indicated by the Purchaser. The price of a particular receivable shall be calculated as the product of the purchase price of the receivable, specified in art. 3, section 1 of the agreement and the proportion of the nominal value of this receivable and the total nominal value of all liabilities acquired on the basis of the agreement.
The assignment of liability agreement of 28/10/2015 – (RECUPERABIT sp. z o.o.). Cases which prompt lack of possibility of debt recovery.	easyDEBT Investment Fund Non-standardized Closed Securitization Fund	An amount equal to the full or partial price of a particular receivable to the extent indicated by the Purchaser. The price of a particular receivable shall be calculated as the product of the purchase price of the receivable, specified in art. 3, section 1 of the agreement and the proportion of the nominal value of this receivable and the total nominal value of all receivables acquired on the basis of the agreement.
The assignment of liability agreement of 04/07/2016 – SVEA Ekonomi Cyprus Limited. Cases which prompt lack of possibility of debt recovery.	SVEA Ekonomi Cyprus Limited	The price of a particular receivable shall be calculated as the product of the purchase price of the receivable, specified in art. 3, section 1 of the agreement and the proportion of the nominal value of this receivable and the total nominal value of all receivables acquired on the basis of the agreement.
The assignment of liability agreement of 31/10/2015. Cases which prompt lack of possibility of debt recovery.	Marta Dziełak running business activity as SEMPRE Marta Dziełak	The legal predecessor (CAPITAL SERVICE) shall be obliged to pay the Purchaser an amount corresponding to the whole or partial price in reference to the receivable related to the circumstances indicated in this section, in proportion to the ratio of this receivable and the total amount of receivable.
The assignment of liability agreement of 08/12/2015. Cases which prompt lack of possibility of debt recovery.	MONEY LOGO sp. z o. o.	The legal predecessor (CAPITAL SERVICE) shall be obliged to pay the Purchaser an amount corresponding to the whole or partial price in reference to the receivable related to the circumstances indicated in this section, in proportion to the ratio of this receivable and the total amount of receivable.
The assignment of liability agreement of 19/04/2016. Cases which prompt lack of possibility of debt recovery.	Lindorff S.A.	An amount equal to the full or partial price of a particular receivable to the extent indicated by the Purchaser.

		The price of a particular receivable shall be calculated as the product of the purchase price of the receivable, specified in art. 3, section 1 of the agreement and the proportion of the nominal value of this receivable and the total nominal value of all receivables acquired on the basis of the agreement.
The assignment of liability agreement of 28/12/2016. Cases which prompt lack of possibility of debt recovery.	ULTIMO Investment Fund Non-standardized Closed Securitization Fund	An amount corresponding to all or a part of the paid price, including the amount of capital, commissions and fees, interest, debt collection fees and default interest or in the amount corresponding to a part of the value of a particular receivable which cannot be recovered.
Trial period cooperation agreement (10/03/2017). A case which prompts the necessity to use the *buy-back* procedure.	AS MINTOS Marketplace	An amount corresponding to all receivables that is on the platform.

data in PLN thousands unless stated otherwise

2.26. Note 21. Information on important transactions with related parties, concluded by the entity under other than market conditions

Type of entity	Receivables	Liabilities	Revenues	Costs
	na dzień 31.12.2016		od 01.01.2016 do 31.12.2016	
A person being a member of the managerial, supervisory or administrative body of the entity or a related party.		900		529
A person who is a spouse or a person in cohabitation, a relative or a related person up to the second degree of kinship and affinity, an adopted person or adopter, a person related because of custody or guardianship in relation to any persons who are members of the managerial, supervisory or administrative body of the entity or a related party.		550		1 800

Information on advances, credits, loans and other similar benefits provided to persons who are members of the managerial, supervisory or administrative body of the entity.

Description	Receivables as of 31.12.2016
- credits and loans	-
- advances	238
Total	**238**

Additional information is complete and sections of the Annexe no. 1 and 6 to the Ordinance of the Finance Minister of 25 September 2009 on the detailed principles of preparing consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies, which have not been included in it, have not occurred in the current and comparative year.

Adam Kuszyk	*Łukasz Jędrzejczyk*	*Tomasz Kaźmierski*	*Agnieszka Przybyt*
President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Person responsible for*
CAPITAL SERVICE S.A.	*CAPITAL SERVICE S.A.*	*CAPITAL SERVICE S.A.*	*preparing the statements*

III. INFORMATION ON THE SHAREHOLDING STRUCTURE WITH AN INDICATION OF SHAREHOLDERS WHO AS OF THE DAY OF PREPARING OF THE STATEMENT HAD AT LEAST 5% OF VOTES ON THE GENERAL MEETING

The shareholding structure is based on the data that are at the disposal of CAPITAL SERVICE S.A. as of the date of preparing the statement:

28.04.2017

	Number of shares (in thousand pieces)	Nominal value of shares (in PLN thousands)	Share in equity
Kazimierz Dziełak	3 820	3 820	95,50%
Other shareholders	180	180	4,50%
Shareholders' equity	**4 000**	**4 000**	**100,00%**

IV. INFORMATION ON THE NUMBER OF PERSONNEL EMPLOYED BY CAPITAL SERVICE S.A. IN FULL TIME EQUIVALENTS

As of 31.12.2016, the number of personnel employed in CAPITAL SERVICE S.A. in full time equivalents is 436 persons.

Adam Kuszyk
President of the Management Board
CAPITAL SERVICE S.A.

Łukasz Jędrzejczyk
Member of the Management Board
CAPITAL SERVICE S.A.

Tomasz Kaźmierski
Member of the Management Board
CAPITAL SERVICE S.A.

Ostrołęka, 28 April 2017

V. STATEMENTS FROM THE MANAGEMENT BOARD

We, the undersigned, the members of the Management Board of CAPITAL SERVICE S.A. declare that to the best of our knowledge, the financial statement for 2016 and comparative date have been prepared in compliance with applicable accounting principles and reflects in a true, reliable and clear manner the property and financial situation of the Company and its financial result.

We also declare that this financial statement includes the true description of the development and achievements, as well as the situation of CAPITAL SERVICE, including the description of fundamental threats and risk.

We also declare that the entity entitled to audit financial statement, who carried out the annual audit of financial statement, has been selected in compliance with the provisions of law. This entity and expert auditors, who audited this statement, met the conditions to express an independent and impartial opinion about the audited annual financial statement in line with applicable regulations and professional standards.

Adam Kuszyk
President of the Management Board
CAPITAL SERVICE S.A.

Łukasz Jędrzejczyk
Member of the Management Board
CAPITAL SERVICE S.A.

Tomasz Kaźmierski
Member of the Management Board
CAPITAL SERVICE S.A.

Ostrołęka, 28 April 2017

VI. THE OPINION AND REPORT OF AN EXPERT AUDITOR

The opinion and report of the entity entitled to audit financial statements on the annual financial statement constitute a separate document (annexe) which constitutes an integral part of this statement.