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Podmiot uprawniony do badania sprawozdań finansowych, nr ew. 297
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Kapitał zakładowy: 61 000 zł, NIP: 542 030 13 89, REGON: 002330517

SPRAWOZDANIE NIEZALEŻNEGO BIEGŁEGO REWIDENTA Z BADANIA ROCZNEGO SPRAWOZDANIA FINANSOWEGO ZA 2017 ROK

GRUPY KAPITAŁOWEJ CAPITAL SERVICE

07-409 Ostrołęka, ul. Korczaka 73

SPRAWOZDANIE NIEZALEŻNEGO BIEGŁEGO REWIDENTA Z BADANIA ROCZNEGO SKONSOLIDOWANEGO SPRAWOZDANIA FINANSOWEGO

Dla Zgromadzenia Wspólników **CAPITAL SERVICE S.A. – Spółki Dominującej Grupy Kapitałowej CAPITAL SERVICE.**

Sprawozdanie z badania rocznego skonsolidowanego sprawozdania finansowego Grupy Kapitałowej CAPITAL SERVICE za 2017 rok.

Przeprowadziliśmy badanie załączonego rocznego skonsolidowanego sprawozdania finansowego **Grupy Kapitałowej CAPITAL SERVICE**, w której jednostką dominującą jest **CAPITAL SERVICE S.A.** z siedzibą 07-409 Ostrołęka, ul. Korczaka 73, na które składają się:

- skonsolidowany bilans sporządzony na dzień 31 grudnia 2017 r.
który po stronie aktywów i pasywów wykazuje sumę: **87 122 tys. zł**
- skonsolidowany rachunek zysków i strat
za rok obrotowy od 01 stycznia 2017 r. do 31 grudnia 2017 r.
wykazujący stratę netto w wysokości: **(5 989) tys. zł**
- skonsolidowane zestawienie zmian w kapitale własnym
za rok obrotowy od 01 stycznia 2017 r. do 31 grudnia 2017 r.
wykazujące zmniejszenie kapitału własnego o kwotę: **5 989 tys. zł**
- skonsolidowany rachunek przepływów pieniężnych
za rok obrotowy od 01 stycznia 2017r. do 31 grudnia 2017 r.
wykazujący zwiększenie stanu środków pieniężnych o kwotę: **6 842 tys. zł**
- oraz informacja dodatkowa zawierająca
wprowadzenie do skonsolidowanego sprawozdania finansowego
i dodatkowe informacje i objaśnienia („*sprawozdanie finansowe*”).

Odpowiedzialność Zarządu Spółki dominującej

Zarząd Spółki dominującej jest odpowiedzialny za sporządzenie skonsolidowanego sprawozdania finansowego i za jego rzetelną prezentację zgodnie z przepisami ustawy z dnia 29 września 1994 r. o rachunkowości (Dz.U. z 2018 r. poz. 395) („ustawa o rachunkowości”), wydanymi na jej podstawie przepisami wykonawczymi oraz innymi obowiązującymi przepisami prawa. Zarząd Spółki dominującej jest również odpowiedzialny za kontrolę wewnętrzną, którą uznają za niezbędną dla sporządzenia skonsolidowanego sprawozdania finansowego niezawierającego istotnego zniekształcenia spowodowanego oszustwem lub błędem.

Zgodnie z przepisami ustawy o rachunkowości, Zarząd Spółki dominującej jest zobowiązany do zapewnienia, aby sprawozdanie finansowe spełniało wymagania przewidziane w ustawie o rachunkowości.

Odpowiedzialność biegłego rewidenta

Naszym zadaniem było wyrażenie opinii o tym, czy sprawozdanie finansowe przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej oraz wyniku finansowego Grupy Kapitałowej zgodnie z mającymi zastosowanie przepisami ustawy o rachunkowości i przyjętymi zasadami (polityką) rachunkowości.

Badanie sprawozdania finansowego przeprowadziliśmy stosownie do postanowień:

- 1) ustawy z dnia 11 maja 2017 roku o biegłych rewidentach, firmach audytorskich oraz nadzorze publicznym (Dz. U. z 2017 roku poz. 1089, z 2018 roku poz. 398) („ustawa o biegłych rewidentach”),
- 2) Krajowych Standardów Rewizji Finansowej w brzmieniu Międzynarodowych Standardów Badania przyjętych uchwałą nr 2783/52/2015 Krajowej Rady Biegłych Rewidentów z dnia 10 lutego 2015 r. z późn. zm. w związku z uchwałą nr 2041/37a/2018 z dnia 5 marca 2018 r. w sprawie krajowych standardów wykonywania zawodu.

Regulacje te wymagają przestrzegania wymogów etycznych oraz zaplanowania i przeprowadzenia badania w taki sposób, aby uzyskać wystarczającą pewność, że sprawozdanie finansowe nie zawiera istotnego zniekształcenia.

Badanie polegało na przeprowadzeniu procedur służących uzyskaniu dowodów badania kwot i ujawnień w skonsolidowanym sprawozdaniu finansowym. Dobór procedur badania zależy od osądu biegłego rewidenta, w tym od oceny ryzyka istotnego zniekształcenia skonsolidowanego sprawozdania finansowego spowodowanego oszustwem lub błędem. Dokonując oceny tego ryzyka biegły rewident bierze pod uwagę działanie kontroli wewnętrznej, w zakresie dotyczącym sporządzania i rzetelnej

prezentacji przez jednostkę dominującą skonsolidowanego sprawozdania finansowego, w celu zaprojektowania odpowiednich w danych okolicznościach procedur badania, nie zaś wyrażenia opinii na temat skuteczności kontroli wewnętrznej Spółki dominującej. Badanie obejmuje także ocenę odpowiedniości przyjętych zasad (polityki) rachunkowości, racjonalności ustalonych przez Zarząd Spółki dominującej wartości szacunkowych, jak również ocenę ogólnej prezentacji skonsolidowanego sprawozdania finansowego.

Zakres badania nie obejmuje zapewnienia co do przyszłej rentowności badanej Grupy Kapitałowej ani efektywności lub skuteczności prowadzenia spraw Grupy Kapitałowej przez Zarząd Spółki dominującej obecnie lub w przyszłości.

Wyrażamy przekonanie, że uzyskane przez nas dowody badania stanowią wystarczającą i odpowiednią podstawę do wyrażenia przez nas opinii z badania.

Opinia

Naszym zdaniem, załączone roczne skonsolidowane sprawozdanie finansowe:

- przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej Grupy Kapitałowej na dzień 31 grudnia 2017 r., oraz jej wyniku finansowego za rok obrotowy od 01 stycznia 2017 r. do 31 grudnia 2017 r., zgodnie z mającymi zastosowanie przepisami ustawy o rachunkowości i przyjętymi zasadami (polityką) rachunkowości,
- zostało sporządzone na podstawie prawidłowo, zgodnie z przepisami rozdziału 2 ustawy o rachunkowości, prowadzonych ksiąg rachunkowych,
- jest zgodne co do formy i treści z obowiązującymi Grupę Kapitałową przepisami prawa i postanowieniami umowy Spółki dominującej.

Sprawozdanie na temat innych wymogów prawa i regulacji

Opinia na temat sprawozdania z działalności

Nasza opinia o skonsolidowanym sprawozdaniu finansowym nie obejmuje sprawozdania z działalności Grupy Kapitałowej.

Zarząd Spółki dominującej jest odpowiedzialny za sporządzenie sprawozdania z działalności Grupy Kapitałowej zgodnie z przepisami prawa.

Naszym obowiązkiem było, w związku z przeprowadzonym badaniem skonsolidowanego sprawozdania finansowego, zapoznanie się z treścią sprawozdania z działalności Grupy Kapitałowej i wskazanie czy

zostało ono sporządzone zgodnie z mającymi zastosowanie przepisami oraz czy jest zgodne z informacjami zawartymi w rocznym skonsolidowanym sprawozdaniu finansowym. Naszym obowiązkiem było także złożenie oświadczenia, czy w świetle naszej wiedzy o Grupie Kapitałowej i jej otoczeniu uzyskanej podczas badania skonsolidowanego sprawozdania finansowego stwierdziliśmy w sprawozdaniu z działalności Grupy Kapitałowej istotne zniekształcenia oraz wskazanie, na czym polega każde takie istotne zniekształcenie.

Naszym zdaniem sprawozdanie z działalności Grupy Kapitałowej zostało sporządzone zgodnie z mającymi zastosowanie przepisami i jest zgodne z informacjami zawartymi w rocznym skonsolidowanym sprawozdaniu finansowym. Ponadto, oświadczamy, iż w świetle wiedzy o Grupie Kapitałowej i jej otoczeniu uzyskanej podczas badania skonsolidowanego sprawozdania finansowego, nie stwierdziliśmy w sprawozdaniu z działalności Grupy Kapitałowej istotnych zniekształceń.

Stanisław Kozłowski



Kluczowy biegły rewident

nr ewidencyjny 7030

PREZES ZARZĄDU

Teresa Sotwińska
biegły rewident nr 8356

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przeprowadzający badanie w imieniu

Kancelaria Księgowo-Audytorska „BUCHALTERIA” Sp. z o.o.

Firma audytorska uprawniona do badania sprawozdań finansowych – nr 297

Data sprawozdania z badania 28.06.2018 r.

CAPITAL SERVICE S.A.

Consolidated Annual Report of the Capital Service Capital Group for 2017

(data for the period of 12 months ended on 31 December, 2017 and for the comparative periods)

The President of the Management Board of CAPITAL SERVICE S.A.



Dear Sirs and Madams, Dear Investors!

It is easy and pleasant to boast about successes and good results. It is harder to admit defeat, discuss the reasons for poor results and assess realistically further perspectives. On the other hand, there is nothing that learns like failure - I believe that the difficult moments that we had in 2017 will have a very good impact on the company and its future achievements.

Getting down to business, at the beginning of 2017, we decided to separate the sales functions from risk assessment, portfolio monitoring and debt collection. This decision resulted from the adopted strategy of maximising sales in the branch network, systematic introduction of new products to own branches and offering KredytOK products also outside its own network in remote and agency channels. Therefore, our goal was to release the Consumer Advisers in the branches from other duties and transferring duties of risk assessment from the new customer, monitoring and debt collection to the head office level.

consolidated data in k PLN		for the period of 12 months			
category:	2017	2016	2015	change of % 2017/16	change of % 2017/15
Operating revenue	95 476	74 347	39 996	28%	139%
Profit before tax	114	8 450	4 697	-99%	-98%
Net profit	-5 989	5 757	8 449	-204%	-171%
Total equity	16 026	22 015	16 258	-27%	-1%
Total assets	87 122	79 190	57 720	10%	51%
Active clients database of KredytOK	60 270	51 594	35 498	17%	70%

We have tried to implement this change by introducing measures to minimise the materialisation of risks, but not everything went according to the plan. Sellers quickly focused only on sales but central risk systems, monitoring and debt collection required time to get the right efficiency.

As a result, it strongly affected the loan collection, which in turn caused the necessity to establish significant provisions. The new centralised action model required a new definition of risk solutions and debt collection solutions. We had to slow down temporarily with sales to new clients. Therefore, poor results are on the one hand, a consequence of higher write-offs on unreachable loans, which additionally did not constitute a tax deductible cost, as a result of which the company had to pay a higher tax, on the other hand we were forced to reduce it until the target solutions have been developed. Additionally, we wrote down the deferred tax asset in the amount of nearly PLN 3 million.

Ultimately, there will be much more advantages of the whole change than the costs and they will have a permanent positive impact on the Company's business, namely:

- ✓ we removed the non-paying clients from the portfolio; it was painful experience, but we successfully dealt with it,
- ✓ following poor results, we reviewed the costs, simplified the structure, which will permanently affect the profitability of the Company,
- ✓ we have developed central solutions in the area of customer acquisition, verification of its risk, portfolio monitoring and debt collection. It took a long time, the learning process was expensive, but we are satisfied with the effectiveness of the currently functioning solutions. They give the Company completely new growth opportunities. Thanks to them, we will be able to sell our products beyond the network of our branches, in the online channel, through the Contact Center and by the network of agents. Thanks to this, in 2018, we will be able to dynamically increase sales without fear of an uncontrolled risk of collectibility.

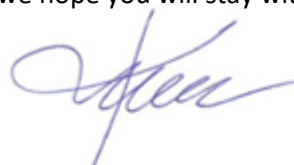
In addition, we have completed work on a fully remote process of granting the loans online and through the Contact Center. These products have just given for sale. Gradually, during the year, sales will be increased in these channels as the decision mechanisms are calibrated.

In order to increase the brand awareness of KredytOK, we will gradually, but systematically, mark our presence in television advertisements. We are in the process of implementing new products for new customer groups, including micro-enterprises, thanks to which the base for increasing revenues will expand. Together with our partners, we also introduce a full range of insurance, including car and property insurance, legal service packages and additional medical packages.

The improvement of the Company's operating results has been already visible at the end of the last year, and the first quarter has ended with a good result.

We believe that the significant problems and poor results are over now, and the opportunities and prospects are before us. We are sure we will take full advantage of the opportunities and the results of 2018 will reflect it.

Thank you for your existing support for the Company and we hope you will stay with us.



Adam Kuszyk

President of the Management Board

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I. MANAGEMENT BOARD'S REPORT ON THE BUSINESS OF CAPITAL SERVICE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY, 2017 TO 31 DECEMBER, 2017

1. GENERAL INFORMATION ON CAPITAL SERVICE CAPITAL GROUP

1.1. Establishment and duration of the Capital Group

CAPITAL SERVICE Capital Group was formed in 2015. The parent company CAPITAL SERVICE S.A. and other entities of the Capital Group were established for an indefinite period of time.

1.2. Data of the parent company

The parent company	CAPITAL SERVICE S.A.
Legal form:	joint stock company
Registered office:	Ostrołęka, ul. J. Korczaka 73
Country of registration:	Poland
Primary scope of activity:	granting cash loans
Authority keeping the register:	District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, KRS (National Court Register Number) 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. Management Board

By decision of the Supervisory Board of CAPITAL SERVICE S.A. as of 4 June, 2018, the composition of the Management Board of CAPITAL SERVICE SA has changed. Mr Tomasz Kaźmierski - the current Member of the Management Board responsible for sales, has been dismissed from his position. A new member was appointed to the Management Board - Mr Kazimierz Dziełak.

As of the date of this Report, the following persons are members of the Company Management Board:

- **Adam Kuszyk** - *President of the Management Board responsible for policy, finance, credit risk management, marketing, HR, internal audit, support functions and others,*

A graduate of the Faculty of Management at the University of Lodz, Managing Postgraduate Studies at SGH Warsaw School of Economics, the Certified Internal Auditor (Institute of Internal Auditors), a statutory auditor. From 2011 to mid-2014, Chief Financial Officer and Vice President of the Management Board of the joint stock company, IT and media holding SMT. Previously, among others, Chief Financial Officer of Rolmex S.A., a main shareholder of Indykpol S.A. Manager of Agora S.A. (media holding), Deloitte and BDO.

▪ **Kazimierz Dziełak** - *Vice President of the Management Board,*

Experienced and creative manager. He studied business administration at Kozminski University in Warsaw. Continuously from 1999 to 2015, he effectively managed the joint-stock company CAPITAL SERVICE. The creator of strong and recognisable on the market of personal finances brand KredytOK's personal finances on the market. He has 6 years of experience in the banking market (a partner managing a branch of one of the banks) and several years of experience in running an entity on the financial services market.

▪ **Łukasz Jędrzejczyk** - *Member of the Management Board responsible for products, processes and IT systems,*

A graduate of the Institute of Computer Science of Siedlce University - 2006. In 2011, he obtained a PhD at Open University, Milton Keynes, England. He was a speaker at many international conferences on privacy, UX, HCI and mobile technologies. IT specialist with over 10 years of experience in software engineering and project management. He gained his experience when working for companies from the financial, energy and hotel industries. He has been working with Capital Service S.A. for more than 12 years. At the beginning, he was responsible for technical aspects of the Company's business, now he manages the Development Department. Responsible for products, business processes and technology. An originator and co-host of the Software Development Academy of Capital Service

1.4. Supervisory Board of Company

On 27 November, 2017, the Extraordinary General Meeting of CAPITAL SERVICE S.A. with its headquarters in Ostrołęka was held. By the decision of the Extraordinary General Meeting, Mr Tomasz Filipiak - the current Deputy Chairman of the Supervisory Board and Mr Artur Saturnin Koziół - the former Member of the Supervisory Board, have been dismissed from their positions. The dismissals referred to above took place on 30 November, 2017.

On 23 May, 2018, the Extraordinary General Meeting of CAPITAL SERVICE SA was held, under which Mr Kazimierz Dziełak - Member of the Supervisory Board was dismissed from his position. Mr Grzegorz Dziełak was appointed to the Supervisory Board.

As of the date of this Report, the following persons are members of the Supervisory Board:

- **Adam Kowalczyk** - *Chairman of the Supervisory Board,*

A graduate of the Faculty of Management at the University of Warsaw and the Executive MBA Programme of the University of Warsaw and the University of Illinois. President of the Management Board of Podlaski Fundusz Kapitałowy Sp. z o. o. in Białystok and the Vice President of Podlasie Regional Development Agency in Białystok. Chairman of the Supervisory Board of Stekop S.A in Warsaw, Lumiere Sp. z o.o. in Białystok, ABZ Consulting Sp. z o.o. in Warsaw, PCD Bia-Net Sp. z o.o. in Białystok. Adam Kowalczyk is associated with Podlasie Regional Development Agency group since 1995. He is the Chief Financial Officer of the PFRR group and the Managing Director of a capital fund (VC).

- **Jadwiga Suchecka** - *Member of the Supervisory Board,*

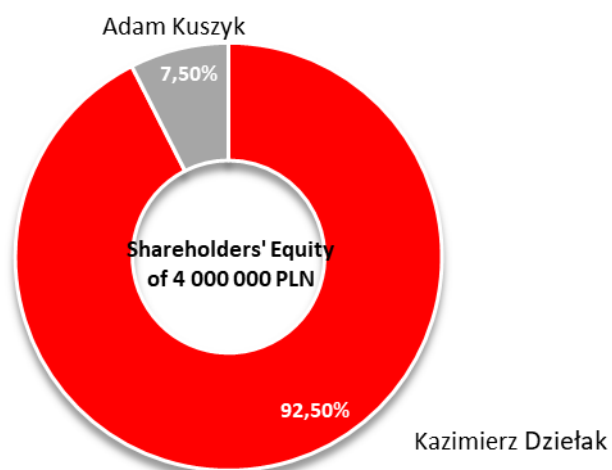
An economist with extensive professional experience, which she gained while working in production plants as an economist, including 5 years as a manager, then in the Bank PKO BP branch in Ostrołęka. Since 1985 to the present, she conducts her own business. Since 1987, she has been a member of the Supervisory Board of Spółdzielnia Dom Handlowy "KUPIEC" in Ostrołęka, acting as the chairman of the Supervisory Board.

- **Grzegorz Dziełak** - *Member of the Supervisory Board,*

A graduate of the Faculty of Law and Administration and the Faculty of Applied Linguistics and East Slavonic Philology at the University of Warsaw. In 2004 - 2006 he has been working at Vittera Development Polska sp. z o. o. in the Legal Department. From January 2007 to February 2018 he has been working as a lawyer in RP&W Law Offices limited partnership.

1.5. 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 pie chart and the table below:

Pie chart. Shareholding Structure of the Company**Table.** Information on shareholders

	Number of shares (in thousands of items)	Nominal value of shares (in k PLN)	Share in equity
Kazimierz Dziełak	3 700	3 700	92,50%
Adam Kuszyk	300	300	7,50%
Shareholders' equity	4 000	4 000	100,00%

1.6. Subsidiaries

As of the date of this report, CAPITAL SERVICE SA is the parent company for five entities. Basic information on subsidiaries is presented in the table below:

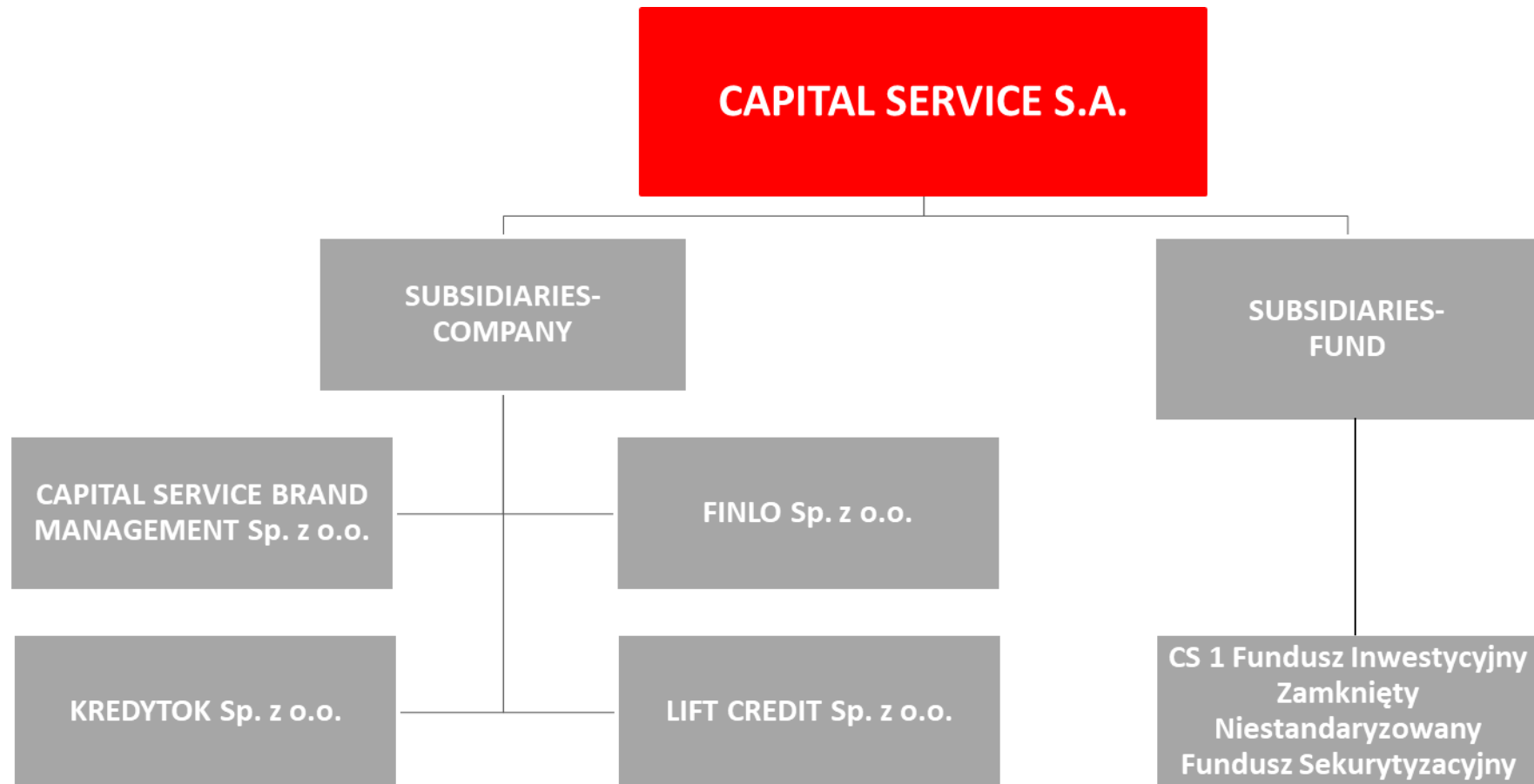
CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o.	FINLO Sp. z o. o.	KREDYT OK Sp. z o. o.	LIFT CREDIT Sp. z o. o.	CS 1 Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny
<ul style="list-style-type: none"> share in the share capital in the amount of 100%; 	<ul style="list-style-type: none"> share in the share capital in the amount of 100%; 	<ul style="list-style-type: none"> share in the share capital in the amount of 100%; 	<ul style="list-style-type: none"> share in the share capital in the amount of 100%; 	<ul style="list-style-type: none"> 100% of investment certificates;
<ul style="list-style-type: none"> an operating unit whose core business is marketing strategy, trademarks and other intellectual property rights; the company CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o. took over the company KOMTOD sp. z o.o. SKA; the decision of the registry court in this respect was issued on 15 May 2017. 	<ul style="list-style-type: none"> is a loan company whose loan products will be offered through a channel of intermediaries (agents and brokers) and an online channel. 	<ul style="list-style-type: none"> a special purpose vehicle, to which in 2018 an in-kind part of the enterprise is to be contributed in the form of local branches and support structures separated from the headquarters. Ultimately, the company is to become a credit intermediary. 	<ul style="list-style-type: none"> special purpose vehicle, the purpose of which will be determined in 2018. 	<ul style="list-style-type: none"> closed-end investment fund, being a legal person; The fund is managed by EQUES Investment Towarzystwo Funduszy Inwestycyjnych S p ó ł k a A k c The Fund's investment objectives are: achieving revenues from the Fund's net investments and increasing the value of Assets as a result of the investments' value increase.

The basic information about the Capital Group structure as of the date of this Report is presented in the following table and diagram:

Table. Information on subsidiaries

Name of the institution	Headquarters	Registration data	Scope of activity / Type of activity	Share capital (in k PLN)	% share in capital	% share in voting rights
CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o.	03-301 Warszawa ul. Jagiellońska 78	KRS (National Court Register Number) 0000583477 NIP (Tax Identification Number) 1132897358	Lease of intellectual property	348,0	100	100
FINLO Sp. z o. o.	03-301 Warszawa ul. Jagiellońska 78	KRS (National Court Register Number) 0000666714 NIP (Tax Identification Number) 1132932876	Other forms of granting loans	200,0	100	100
KREDYTOK Sp. z o. o.	07-409 Ostrołęka ul. Janusza Korczaka 73	KRS (National Court Register Number) 0000697324 NIP (Tax Identification Number) 7582364091	Other activity supporting financial services, except insurance and pension funds	200,0	100	100
LIFT CREDIT Sp. z o. o.	03-138 Warszawa ul. Strumykowa 28A/35	KRS (National Court Register Number) 0000648047 NIP (Tax Identification Number) 5242813838	Other forms of granting loans	5,0	100	100
CS 1 Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny	80-350 Gdańsk Ul. Chłopska 53	RFI 1527	Funds' activities	n/a	n/a	n/a

** CAPITAL SERVICE S.A. has acquired investment certificates of A series Fund with a total value of PLN 200.000.00 (100%)*

Chart. Structure of the Capital Group

1.7. Information about the held General Meetings

Last year there was one Ordinary General Meeting (on 18 May, 2017) and four Extraordinary General Meetings (on: February 9, 2017, April 6, 2017, July 7, 2017 and November 29, 2017).

By the date of this Report, in 2018, there was one Extraordinary General Meeting that took place on 23 May, 2018.

All the meetings were held at the headquarters of the CAPITAL SERVICE SA in Ostrołęka.

1.8. Information about the auditor

The audit of the attached consolidated Financial Statement of the Capital Group for 2017 was commissioned to the company: Auditing and Accounting Office Ltd 'BUCHALTERIA' with headquarters in Białystok, at ul. Warszawska 34. Resolution No. 17/2017 of the Supervisory Board of CAPITAL SERVICE S.A. regarding the appointment of an auditor entered into force on the day of its adoption, ie. on 28 December, 2017.

Auditing and Accounting Office Ltd 'BUCHALTERIA' (Kancelaria Księgowo-Audytorska „BUCHALTERIA” Spółka z o. o.) under its present name has been operating since 25 August, 2017. As of that date, the change of the Company's name was registered in the National Court Register along with ownership changes. It continues the activity of an auditing company established in 1990 under the name Biuro Usług Księgowo-Audytorskich Stowarzyszenie Księgowych in Poland "BUCHALTERIA" Spółka z ograniczoną odpowiedzialnością (limited liability company) GRUPA FINANS-SERVIS. The company deals in the audit of financial reports, provision of tax advisory services and providing services for the accounting and tax books of companies from various industries and with various ownership structures. Auditing and Accounting Office Ltd 'BUCHALTERIA' is entered on the list of auditing companies authorised to audit financial report (registration number 297), kept by the National Council of Statutory Auditors.

1.9. A brief history of the Capital Group

1999	✓ Commencement of activity in the field of financial services.
2001	✓ Introducing own loan product.
2003	✓ Beginning of the construction of the branch network (opening of new 20 branch offices).
2010	✓ Creating own Contact Center.
2011 /2012	✓ Establishment of the KredytOK brand, change of the legal status into a joint-stock company.
2014	✓ Opening of two new sales channels: on-line sales and through its own Contact Center.

2015	<ul style="list-style-type: none"> ✓ Issue of A - G series bonds for a total amount of PLN 30 million, acquisition of a prestigious financial investor, who ultimately acquired bonds in the amount of PLN 30 million. ✓ Listing of bonds on the public Catalyst market on the WSE. ✓ Increasing the number of branches to 105 and covering a network of branches throughout the country.
2016	<ul style="list-style-type: none"> ✓ Increasing the instalment loan to 15 k PLN and extending the funding period to 48 months (grants financed to a large extent by a securitisation fund). ✓ Issue of H series bonds for the amount of PLN 15 million (to a financial investor). Issues of series G and H are secured on portfolios of loan receivables, and no other collateral. ✓ Launching of insurance sales (Axa TUiR SA) and bank loans. ✓ Opening the IT system (API, WEB) to external sales channels.
2017	<ul style="list-style-type: none"> ✓ Joining the MINTOS platform, an investment platform (<i>peer-to-peer marketplace</i>) connecting lenders and investors from all over Europe. ✓ Launching insurance sales (MetLife). ✓ Commencing the separation of sales from debt collection. Debt collection should only be done by trained personnel. ✓ Starting to cooperate with a specialised entity in the area of creation and management of investment funds and creation of a closed-end investment fund. ✓ Acquiring investment certificates of the series A fund with a total value of PLN 200.000. ✓ Issue of series I bonds for the amount of PLN 20 million.
2018	<ul style="list-style-type: none"> ✓ Starting to cooperate with Factory Netwo - an interactive bulletin board, an online portal dedicated to submitting invitations to sign debt sale agreements. ✓ Separation in the existing organisational structure of the Mobile Customer Advisers.

1.10. Employment and personnel situation in the parent company

As at 31 December, 2017, there were 435 people employed in full-time in CAPITAL SERVICE S.A.

Personnel policy at CAPITAL SERVICE SA is related to the strategic objectives of the Company and is implemented by human resource planning.

Striving to improve employees, the Company implements new solutions in the field of training and development of employee competences. CAPITAL SERVICE SA systematically improves and develops the incentive system based on financial solutions as well as non-financial solutions. In 2017, the employees of the Company took part in numerous external trainings organised by dedicated training companies, which dealt with the issues of effective sales of banking products, anti-fraud issues, tax regulations, VAT changes, and advanced security of web applications. Employees of the Company also used the system of internal trainings, which are to complement knowledge, are organised due to changes in regulations and applicable procedures, as well as in order to raise employees' professional competences. All actions undertaken in this area affect the improvement of work organisation and thus promote its effectiveness.

Since 2012, CAPITAL SERVICE SA has been a member of *the Conference of Financial Companies in Poland (KPF) - Employers' Union (Konferencja Przedsiębiorstw Finansowych w Polsce – Związek Pracodawców)*, gathering several dozen key companies from the financial market in Poland, including banks, receivables managers, financial intermediaries and financial advisers, financial companies that manage business information, selling reverse mortgage products in the sales model and enterprises from the insurance industry. KPF's mission is to build social capital in the financial sector in Poland.

CAPITAL SERVICE SA since 2015 belongs to the group of employers associated with the *Coalition for Friendly Recruitment (Koalicja na Rzecz Przyjaznej Rekrutacji)*, whose members aim to promote good practices and create standards in this field, as well as to ensure good relations with candidates and their experience in the recruitment process. Participation in the Coalition is not only the right to use the logo of the Coalition for Friendly Recruitment and prestige, but also access to the knowledge centre, the latest *Employer Branding* trends and best practices used in other organisations.

2. CHARACTERISTICS OF THE CAPITAL GROUP ACTIVITY

2.1. Significant achievements or failures of the Group together with a description of the most important factors and events, in particular of unusual nature, affecting the achieved results

2.1.1. Buyout of series E bonds

On 9 January, 2017, CAPITAL SERVICE S.A. made a buyout 1.600 (one thousand six hundred) series E bonds with a nominal value of PLN 1.000.00 per each and paid interest on the above-mentioned bonds due in the last interest period before the buyout. The bonds were allocated by the Company on 9 October, 2015. Series E bonds with a total nominal value of PLN 1.600.000.00 were not the subject of applying for an Alternative Trading System operated by the Warsaw Stock Exchange on the Catalyst market.

2.1.2. Buyout of series A bonds

On 24 February, 2017, CAPITAL SERVICE S.A. made a buyout, on time and in accordance with the terms of issue, 2.880 series A bonds, which were issued by the Company on 24 February, 2015. The Company also paid interest on the above-mentioned bonds due in the last interest period before the buyout. The bonds with a total nominal value of PLN 2.880.000.00 were registered with the National Securities Depository under the number ISIN PLCPLSV00015 and listed on the Alternative Trading System operated by the Warsaw Stock Exchange SA on Catalyst.

2.1.3. Buyout of series E1 bonds

On 12 April, 2017, the Group made a buyout 1.600 (one thousand six hundred) series E1 bonds and paid interest on the above-mentioned bonds. The bonds were allotted by the Company on 12 October, 2015. Thus, the Group has no liabilities under series E1 bonds.

2.1.4. Issue and allocation of series I bonds

On 5 June 2017, the Management Board of CAPITAL SERVICE S.A. adopted a resolution regarding the issue of series I bonds. Series I bonds were offered in the mode specified in Article 33 item 2 of the Act on Bonds, i.e. by directing the proposal to purchase series I bonds to not more than 149 individually marked addressees in a manner that does not constitute a public offer within the meaning of Article 3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies.

On 26 June 2017, pursuant to a relevant resolution of the Management Board, a total of 200.000 series I bonds were granted with a total value of PLN 20 million.

Investors filed 112 subscriptions for a total amount of PLN 31.58 million. The reduction rate was therefore 36.67%.

Series I bonds are 21-month bonds, issued as unsecured, bearer bonds, with a nominal value of PLN 100 each. On 3 July 2017, a registered pledge was established on the package of receivables belonging to the Company, in accordance with the provisions indicated in the terms of the collateral issue. CAPITAL SERVICE S.A. has established a registered pledge on receivables under a bank account agreement by the date specified above.

The series I bonds were not the subject of applying for the introduction to the Alternative Trading System operated by the Giełda Papierów Wartościowych w Warszawie S.A. on the Catalyst market.

2.1.5. Buyout of series E bonds

On 10 July, 2017, the Group made a buyout 2.160 (two thousand one hundred and sixty) series B bonds and 1.050 (one thousand fifty) series C bonds, respectively, and timely payment of interest on the above-mentioned bonds, in accordance with the schedule adopted in the terms of their issue. The bonds of both series were allocated on 10 July, 2015. In connection with the timely performance of obligations under the terms of the above-mentioned bonds, the Company has no obligations under B and C series bonds.

2.1.6. Creating the Debt Collection Department in the CAPITAL SERVICE S.A. structures and starting DEBT+ application

CAPITAL SERVICE S.A. decided to extend the existing organisational structure as of 1 May 2017, distinguishing specialised debt collection units - responsible for the development and implementation of an

effective debt collection strategy. Together with the above changes, a dedicated **DEBT+** application (an application operating on smartphones) has been launched to support the work of Land Collectors, thanks to which Land Collectors have access to detailed customer data and the entire history of its debt. Through the Cash Register module, they have the option of entering payments into loans and registering the money collection to the bank. Moreover, the local Debt Collectors have a possibility to prepare their own notes and the contact data for individual cases. Using the above application, it is also possible to select many cases and automatically determine the optimal route of visits at clients.

2.1.7. Separation of sales structures

In 2017, the Management Board of CAPITAL SERVICE S.A. decided to separate an organized part of the company, which will comprise the Branch Sales Department, along with staff employed therein and dedicated employees of other departments: Administration, Finance and Accounting, Analysis and Reporting, HR, Infrastructure, Internal Control and Audit, Sales Support and Back Office, supporting the processes of the Branch Sales Department. In 2018, an organized part of the enterprise is planned to be contributed in kind to KredytOK Sp. z o. o. This is an action aimed at improving the management processes in the Group, increasing the Group's efficiency and business flexibility.

2.1.8. Peer to peer lending

CAPITAL SERVICE SA implementing the development strategy, including expanding the sources of financing and building facilities for dynamic growth, is involved in a project from the FinTech sector (*peer to peer lending*), which provides its access to additional capital to finance the growing lending activity.

As part of this project, in March 2017 CAPITAL SERVICE S.A. joined the MINTOS platform, which is a platform connecting lenders and investors interested in purchasing receivables. Currently, the MINTOS platform offers the possibility of purchasing mortgage loans, unsecured loans, secured car loans, as well as factoring and loans for small businesses. Loan companies from all over Europe operate on the platform, and CAPITAL SERVICE SA appeared on it as one of the first Polish companies. Through MINTOS, the Group has the opportunity to reach a group of investors from around the world and obtain financing through the transfer of receivables under the loan agreements granted by the Company, offering at the same time competitive terms of such a transaction.

2.1.9. Amendment to the Act on consumer credit

On 21 April 2017, the Act on Mortgage Loan and on the Supervision of Mortgage Brokers and Agents was announced, which provides for changes in regulations, significant from the point of view of Capital Service S.A., the Act on Consumer Credit. In the Quarterly Report of the Capital Service capital group for the third quarter of 2017, the Management Board informed that the first part of the amendments to the

provisions of the said Act entered into force on 22 July 2017 and the Company made changes to the products offered, thereby fulfilling the obligations imposed on the Company by new legal regulations. In the next step, the Company, in accordance with the requirements of the amended Act on Consumer Credit, made changes in the scope of consumer credit advertising by completing the guidelines of the Act. The new legal regulations also imposed on the Company an obligation to obtain an entry in the register of loan institutions and the register of credit intermediaries, kept by the Polish Financial Supervision Authority. In December 2017, the company applied to the Financial Supervision Authority (KNF) for relevant entries. In January 2018 CAPITAL SERVICE S.A. was entered into the register of loan institutions and the register of credit intermediaries. In addition, the company KredytOK Sp. z o. o. as one of the Group's companies applied for entry into the register of credit intermediaries and on 18 January 2018 it was entered into the above mentioned registry.

2.1.10. Sales of receivables

In 2017, CAPITAL SERVICE S.A. continued to realise the decision of the Management Board taken in 2014 to refrain from judicial debt collection for the sale of overdue receivables. As a result, in 2017 CAPITAL SERVICE SA carried out three transactions of such receivables:

- in August 2017, the package of receivables overdue more than 90 days was sold. Revenues from this transaction amounted to PLN 6.415.696.96.
- in September 2017, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 7.108.728.90.
- in November 2017, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 2.399.165.63.

In addition, since the beginning of 2018 CAPITAL SERVICE S.A. has carried out two transactions of overdue receivables:

- in January 2018, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 1.988.081.68.
- in April 2018, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 2.61.392.00.

Claims covered by the above sales transactions were previously written off the company's receivables portfolio or were completely covered by provisions.

Debt sale transactions are recognised in the profit and loss account in the following positions:

- Financial income (Profit from disposal of investments) - Sales price,
- Financial costs (Other) - carrying amount of receivables sold,

- Remaining operating costs (Other operating costs) - reduction of the costs of provisions for loan receivables.

2.1.11. Establishment of cooperation with EQUES INVESTMENT Towarzystwo Funduszy Inwestycyjnych SA

On 5 October 2017, CAPITAL SERVICE S.A. established cooperation with EQUES INVESTMENT Towarzystwo Funduszy Inwestycyjnych SA, which operates in the area of investment fund creation and management. On the basis of the concluded agreement, an investment fund was closed under the name "CS 1 Closed Investment Fund Non-standardized Securitization Fund". CAPITAL SERVICE S.A. has acquired investment certificates of the A series Fund with a total value of PLN 200 000.00.

2.1.12. The Debts Project Information

In March 2018, CAPITAL SERVICE S.A. established cooperation with Factory Network SA, which is the owner of długi.info portal. The website długi.info is an interactive bulletin board, an online portal dedicated to submitting invitations to make debt sale agreements. The website is addressed to entrepreneurs running a business as well as to physical persons with documented title of payment in the form of invoices, promissory notes, court orders, enforcement titles, contracts.

This project is an interesting solution on the market, previously not used by CAPITAL SERVICE S.A., which allows, except of the traditional path of selling overdue receivables, to check the online possibilities of such a process. The entire sale process takes place with the knowledge of the debtor who along with issuing an offer on the debt exchange, is informed about the issue of his debt for sale, receives a link to the offer and contact details for CAPITAL SERVICE SA, in the form of a short text message and in the form of an e-mail. The repayment of the overdue liability results in the removal of the offer from długi.info portal.

2.1.13. Mobile Customer Advisers

In the first quarter of 2018, the Management Board of CAPITAL SERVICE SA decided to separate in the existing organisational structure of Mobile Customer Advisers providing their services at 3 cities: Brzeg, Nysa and Kłodzko. Mobile Customer Advisers have access to the CRM system and have the opportunity to process loan applications as part of **the Platform Branch+** (a system enabling to obtain information on all offers available to the customer after entering one application). In addition, they have access to detailed customer data and the history of their debt. Through the Cash Register module, they have the option of entering payments into loans and registering the money collection to the bank. Mobile Customer Advisers have the possibility to draw up their own memos and contacts for individual cases.

2.2. Development of the core operations of CAPITAL SERVICE Capital Group in 2017

2.2.1 Distribution and sales network of products

Capital Group CAPITAL SERVICE conducts its lending activity on the Polish market, maintaining the highest standards of quality and customer service, using the following sales channels:

- own branch networks of KredytOK,
- the Internet,
- agents and brokers,
- own, developed Contact Center.

Starting from the third quarter of 2017 in CAPITAL SERVICE S.A. there is **CRIF ORDER CHECK**, a project whose goal is to increase the sale of loans while limiting frauds. CRIF is one of the leading credit information providers in Europe and conducts its operations through 4 subsidiaries, including CRIF Services Sp. z o.o., offering systemic credit risk management. CRIF ORDER CHECK allows additional verification of potential customers requesting a loan, including identification of people, confirmation of the existence of locations (i.e. addresses), obtaining additional contact details of customer from the CRIF collections, obtaining data on payment obligations (e.g. KupDług, National Economic Information Bureau).

In addition, our own IT architecture allows CAPITAL SERVICE S.A. to develop and introduce new facilities and system modifications, which translates into the effectiveness of the work of Customer Advisers in local branches, and thus the quality of customer service. Starting from August 2017, the loan requests are processed through the KredytOK branches network as part of the **Branch+ Platform**. It is a system whose implementation has definitely improved the current process of loan requesting, making it possible to obtain information on all offers available to the customer after the introduction of one request. The above application is also used in the Contact Center, allowing to make a full loan request by the phone.

The basic distribution channel is the field branches of KredytOK, which at the end of 2017 amounted to over 100. The local branches are located in cities of over 30.000 inhabitants, situated in a very well communicated place and distinguished by the logotype of the brand. It is a significant distribution channel from the point of view of direct sales and reaching potential clients.

In addition to the traditional fixed-line network, CAPITAL SERVICE SA systematically develops and improves the other channels of acquiring, selling and distributing its own offer. Having own Contact Center is very important because it is the central place for accepting and handling customer requests for loans. Centralisation of request handling allowed for the introduction of numerous process automations, specialisations and, as a result, a significant improvement in efficiency. The local branches receive prepared applications from clients (loan applications prepared by the Contact Center Customer Advisers via the

Platform Branch+ with an initial offer), clients are arranged for meetings and receive information on formalities that they still have to fulfil. Such a process that allows you to shorten the time of customer service. Clients come to the branch together with the documents required to grant a loan or facility and as a result, they also save time.

It is worth emphasising that at the moment the internet channel is one of the most dynamically developing sales channels. Clients are acquired using their own websites, including a *landing page*, dedicated to individual products and affiliate programmes implemented jointly with brokers. The internet portal is a source of notifications, and so contact data, which is then served by other sales channels. As part of this channel, the Company systematically establishes cooperation with new affiliate networks, new pages such as *landing page* are created, thanks to which there is an increase in the number of clients acquired through this channel. As at the date of this report, the KredytOK programme is available on the leading internet platforms, including COMPERIA, BANKER, AFFILIATE44, PROPERAD, SOLUTIONS4AD, TOTAL MONEY, ALL4AFFILIATE, AGORA PERFORMANCE.

Moreover, the programming interface **API Agent+** has been working dynamically, which enables sharing of CAPITAL SERVICE S.A. products directly in the systems of other companies and financial product integrators, and allows to submit a loan application, receive a credit decision, generate documents, as well as confirming their signing at the agent's office. Along with API Agent + there is the Agent + Platform, a credit online platform that enables agents to sell products offered by the Group under the KredytOK brand. Thanks to the promotion of a self-service model among its agents and brokers, CAPITAL SERVICE S.A., it gains among others the possibility of using modern marketing as well as selling more of their own products.

CAPITAL SERVICE SA applies the same standards of customer service quality in all available sales channels. Employees are strictly required to adhere to the applicable rules regarding integrity, clarity and a responsible approach to each client.

2.2.2 Product offer

The core business of CAPITAL SERVICE SA is to provide cash loans to natural persons and their comprehensive service as well as financial intermediation.

Table. Own products offered by CAPITAL SERVICE S.A. in 2017 and 2018.

Product	Main characteristics
2017 r.	
Prepaid card	Launched in February 2015, the product payment medium in the form of a Loan Card. The prepaid card contract is concluded for an indefinite period. Through the card, the customer has the option of withdrawing cash, making non-cash transactions and checking the balance and history of operations.
„Szybka Pożyczka” loan	A cash loan in the amount from PLN 200 to PLN 1.000; a contract concluded for an indefinite period. The product introduced to the offer in March 2016.
„Pożyczka Ratalna” loan	A cash loan granted for the period from 6 to 24 months in the amount from PLN 1.050 to PLN 5.000. The product introduced to the offer in January 2015.
„Senior Ratka” loan	A cash loan given for a period of 3 to 24 months for clients of retirement age that meet the more stringent creditworthiness requirements. The loan is granted in the amount of PLN 300 to PLN 2.000. The main advantage is the ability to collect cash at any Poczta Polska branch or at the cash desk of Bank Pocztowy. The product introduced to the offer in August 2015.
„Pożyczka jak marzenie” loan	A loan offered in cooperation with a securitisation fund, in the amount from PLN 2.000 to PLN 15.000, granted for a period of 24 to 48 months offered to new and regular clients. The loan depends on the result of the scoring and verification performed by the analyst. The product introduced to the offer in August 2016.
New products offered since 2018.	
„Ratka Spłątka” loan	A cash loan granted for a period of 4 months in the amount of PLN 350 to PLN 1.500. The product introduced to the offer in February 2018.
„Auto Kasa” loan	A cash loan to refinance the purchase costs of a vehicle in the amount of PLN 2.000 to PLN 100.000 to 70% of the vehicle's value. The loan period is from 6 to 48 months. The product introduced to the offer in March 2018.

Table. Other products offered by CAPITAL SERVICE SA in 2017 and 2018.

Product	Main characteristics
2017 r.	
AXA TUiR SA insurance	AXA insurance under 2 packages: <i>Medical OK (Medyczny OK)</i> and <i>Protection of Life and Health - life insurance (Ochrona Życia i Zdrowia)</i> , invalidity and permanent incapacity to work. The insurance period, depending on the package and variant, is from 3 to 12 months. The product has been made available to CAPITAL SERVICE SA clients since October 2016.
MetLife Insurance TUnŻiR	MetLife insurances under 2 packages: <i>Effective Help OK (Sprawna Pomoc OK)</i> and <i>Life Package OK (Pakiet na Życie OK)</i> . The insurance period Effective Help OK is 3 or 12 months, while in the case of the Package for Life OK 12 months. The product is available to clients of CAPITAL SERVICE S.A. from April 2017.
Non-bank loans and Cash credits	As of April 2016, KredytOK outlets through the integration platforms also offer non-bank loans from suppliers other than CAPITAL SERVICE S.A. and cash loans of leading banks up to max. amount of PLN 220,000 for max. period of 144 months (12 years). The offer is addressed both to individual clients and micro entrepreneurs.
„Autokasa” Loan Autokapital.pl	As of September 2017 in KredytOK outlets a receivables loan is available or for the purchase of a car in the amount from PLN 6,000 to PLN 100,000, and the loan period is 12, 24, 36 and 48 months. The loan is intended for individuals and entrepreneurs.
„LeaseLink”	The offer is addressed to new and existing clients of CAPITAL SERVICE S.A., running a sole proprietorship, interested in obtaining financing for the purchase of equipment and devices (including RTV equipment, household appliances, construction and medical devices, furniture). Leasing is granted for the purchase of goods in the total amount of PLN 1,000 to PLN 50,000 for a period of 18 to 48 months. The product introduced to the Group's offer in November 2017.
New products offered from 2018.	
„Availo Usługi Prawne” - Legal Services	as of February 2018, the Group expanded its offer to legal services for clients. It is a comprehensive legal assistance provided exclusively by lawyers, legal advisers and tax advisers specialising in a given field of law. Legal advice is provided by telephone and online channel (e-mail, Availo24 account), depending on the package chosen and the scope of services.
„ASF- Adamczuk Serwis Finansowy”	As of April 2018, KredytOK branches have a wide range of insurance products offered by ASF-Adamczuk Financial Service.

2.2.3 Sales in 2017 and client database

As in previous periods, the Group was selling products using all of the aforementioned distribution channels. The sales campaign was supported by various activities, including advertising campaigns and promotions, using different ways of reaching the client. The promotion of the MGM loyalty program (*Member Gets Member*), which allows clients to recommend products offered by the Group to other potential clients, is also widely used.

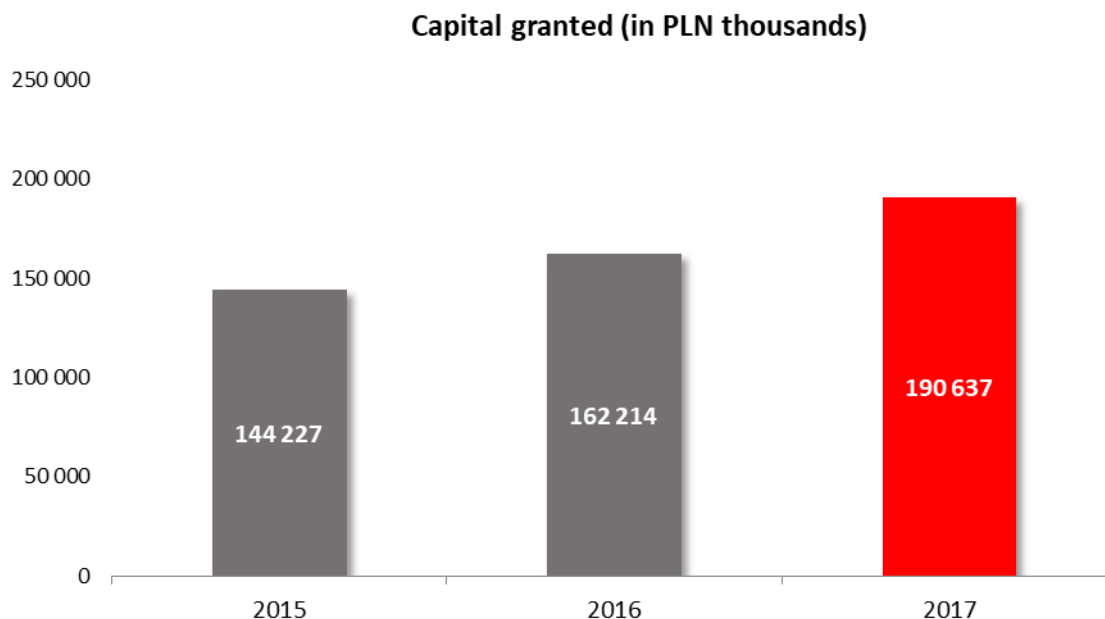
In addition, it is worth noting that in the first quarter of 2018 CAPITAL SERVICE S.A. tried to reach a wider spectrum of clients interested in products offered by the company through television advertising. The KredytOK offer was available for the first time in nationwide television stations - in TVP, Polsat and TVN and in their theme stations.

The Group develops client acquisition and service channels (internet affiliations, own extensive Contact Center, cooperation with agents through integrators) and systematically extends and modifies the offer of own and foreign products (insurance - AXA TUIR S.A. Insurance, MetLife TUnŻiR Insurance, non-bank loans and loans, Autokasa Loan - receivables loan or for the purchase of a car, LeaseLink - leasing of devices and equipment, Availo legal services). All the above activities lead to the systematic acquisition of new clients and meeting the constantly growing needs and requirements of regular clients of CAPITAL SERVICE S.A.

CAPITAL SERVICE S.A. has many years of experience in sales through a network of local branches, and while meeting the requirements of the market and clients, it is also constantly developing other distribution channels of its products. At the moment, the Internet channel is one of the most dynamically developing sales channels. Clients are acquired using their own websites, including *landing page*, which are dedicated to individual products and affiliate programs implemented jointly with brokers. The internet portal is a source of requests, that is, contact data, serviced later by other sales channels. As part of this channel, as of the beginning of 2017, cooperation with new affiliate networks was established, new *landing pages* were created, thanks to which there was an increase in the number of clients acquired through this channel.

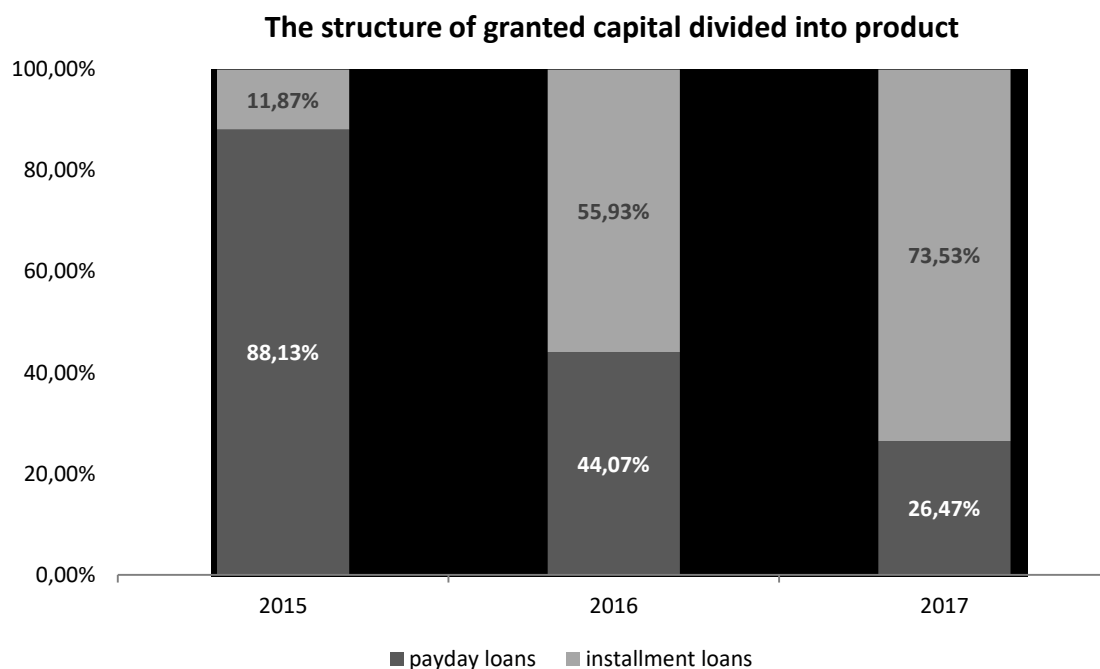
2017 was for CAPITAL SERVICE S.A. another period of increase in the value of loans granted. During this period, loans totalling PLN 190.637 thousand were granted within the Group, which means an increase in the value of sales to the previous year by almost 18%. This may indicate a still growing demand for non-bank loans. In addition, the reasons for growth include, among others: systematic development of client acquisition and service channels, effective adaptation of the offer to clients' needs, including offering loans for much higher amounts that potential clients are interested in, as well as supplementing the offer with foreign products and services.

Granted capital in 2015 - 2017 is presented in the chart below.



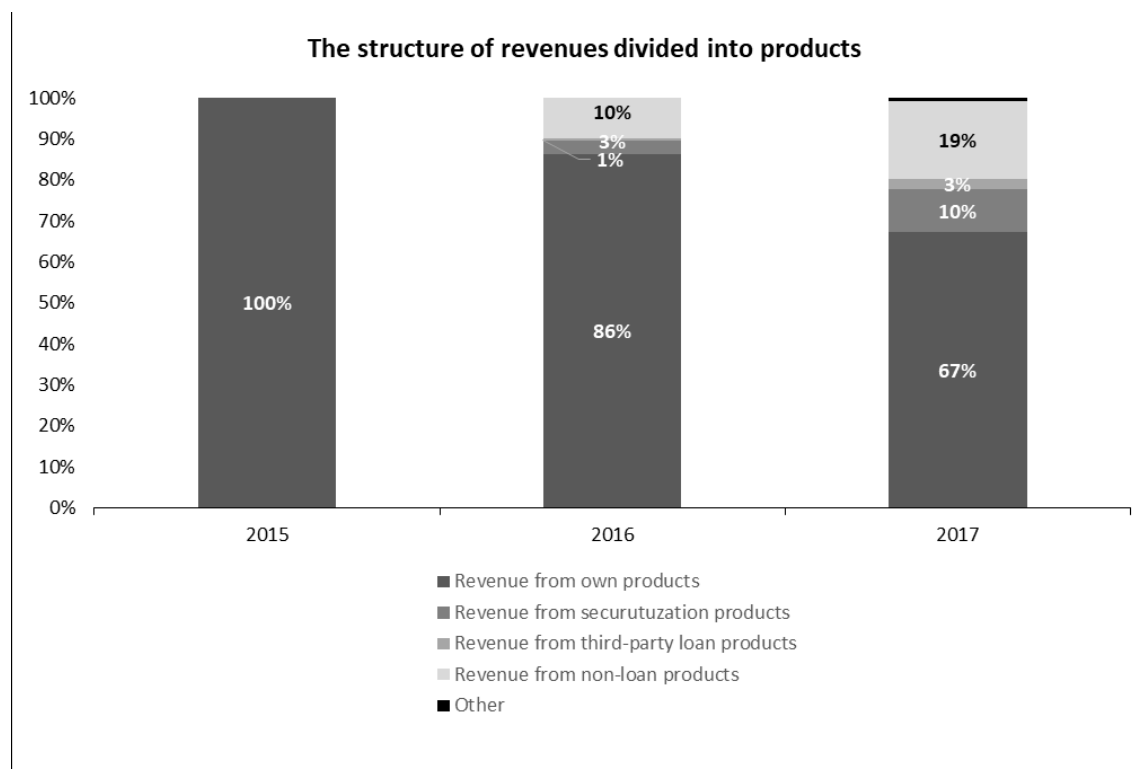
In its activities, CAPITAL SERVICE S.A. systematically continues numerous activities aimed at changing the product structure of loans granted, by increasing the sale of instalment loans, that are the product designed for more demanding clients who seek cheaper products and who meet the stricter requirements on creditworthiness, at the expense of renewable loans. In its offer of instalment products, the Group has products for its own service, as well as products for securitisation - Pożyczka Jak Marzenie (Loan Like a Dream), which is granted on the basis of cooperation with a debt fund. The loan portfolios having been granted are sold to an investment fund. As part of this cooperation, CAPITAL SERVICE S.A. increases the value of loans granted without the need to engage its own funds of significant value.

The structure of loans granted in comparable periods is presented in the chart below.

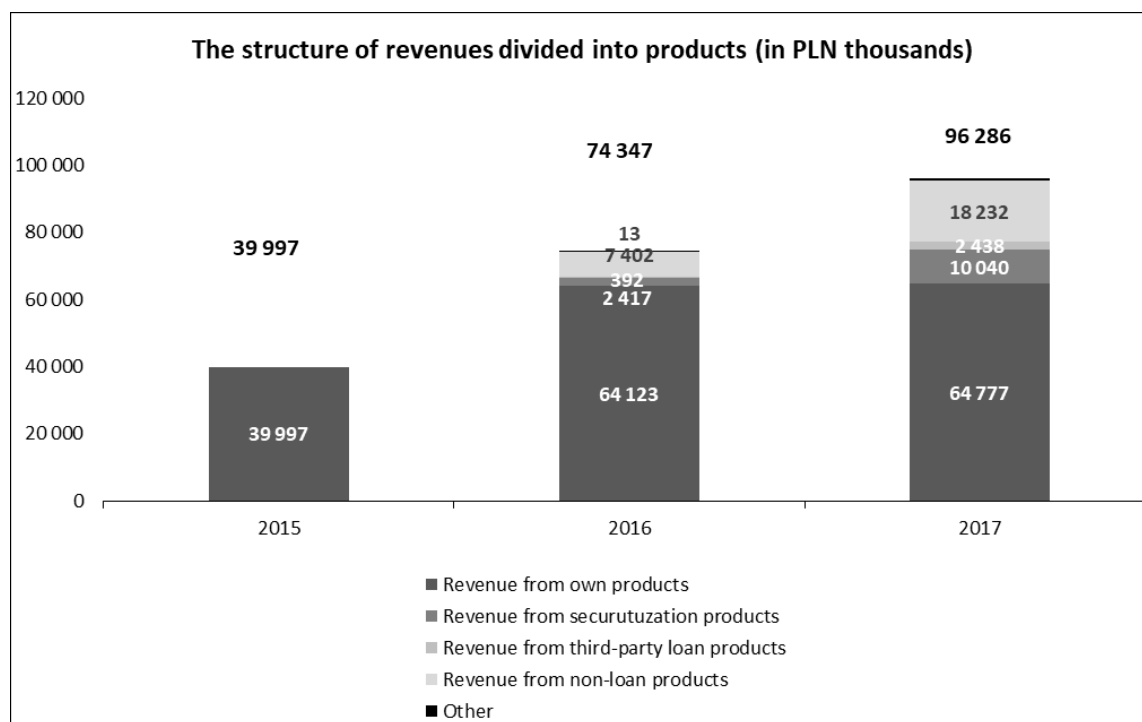


2.3 Financial results generated in 2017

The main source of income for the CAPITAL SERVICE Capital Group is revenues earned from cash loans granted to natural persons and their servicing. In addition, the Group generates revenue from the sale of insurance and loan brokerage.



In 2017, CAPITAL SERVICE S.A. generated sales revenues in the amount of PLN 95.5 million. The structure of these revenues divided into individual products in comparable periods is presented in the chart below.



As can be seen in the chart above, in the last two years there has been a significant diversification of the Company's revenues. Revenues from own products increased significantly compared to 2015, but already in comparison to 2016 they remained at practically the same level. This is the effect of expanding the Company's offer with numerous foreign products (insurance - AXA TUIR SA Insurance, Metlife TUnŽiR Insurance, non-bank loans and loans, Autokasa Loan, that is, receivables loan, LeaseLink - devices and equipment leasing and Availo - legal services), which definitely made it possible to match the offer to the expectations of current clients, as well as acquiring new ones. The products subject to securitisation also have a large share in revenues, from which the Company generated revenues in the amount of PLN 11.5 million.

Simultaneously with the enrichment of the product offer, the Company improved the offering processes, creditworthiness assessment and the sales process with the use of partners. All the above factors caused that in 2017 the total revenues of the Company, i.e. revenues from sales, other operating revenues and financial revenues amounted to PLN 112.4 million, with PLN 84.4 million in 2016. This means an increase against the previous year by 33%.

In the discussed period, CAPITAL SERVICE S.A. recorded lower results compared to 2016, showing a loss of PLN 6 million, compared to PLN 5.8 million profit for the previous year. This situation was mainly

caused by write-offs for bad debts disproportionately higher than in previous periods, which in turn resulted from changes in the debt collection and sales processes made in the second quarter of 2017. Negative effects of actions taken at that time, i.e. separation of debt collection processes from local branches accumulated in the following quarter. This was directly reflected in the amount of reserves established in this period. The high value of write-offs made at that time meant that the result for the third quarter and cumulatively for three quarters was a loss. As a result of these events, in the following, fourth quarter, the vigorous improvement of debt collection procedures, searching for gaps in processes and their repair, as well as calibration of scoring models continued. All this to reverse the negative trend initiated a few months earlier. As a result of the actions taken at that time, we managed to stop the deterioration of the quality of the portfolio and start the process of its improvement. The Management Board of the Company assumes that in the coming quarters, as a result of taking extensive remedial actions and the organic sales growth with simultaneous striving to reduce operating costs, the Company's results will definitely improve.

The Company's balance sheet for 2017 (31.12.2017) concerning the Assets and Liabilities, was closed with the amount of PLN 87.1 million, while in 2016 it was PLN 79.1 million, which constitutes an increase of 10% from the previous year. The main reason may be the raising of funds from the issue of series I bonds in the amount of PLN 20 million, and the increasing value of receivables from loans granted, the amount of which and the average amount is much higher than in previous periods.

Equity capitals as at 31 December 2017 amounted to PLN 16 million and are lower than in the previous year by 27%. The Management Board of CAPITAL SERVICE S.A. hopes for a systematic increase in equity in the following months in 2018 along with the generated profit.

Key financial ratios for 2017 and for comparative periods are presented in the table below.

	Ratios for the years 2015 - 2017		
	2015	2016	2017
Debt ratios			
Debt ratio	71,83%	72,20%	81,61%
Long-term debt ratio	1,63	1,41	2,16
Net debt ratio / EBITDA	1,79	1,67	1,30
Liquidity ratios			
Current liquidity ratio	3,57	3,08	2,59
Quick liquidity ratio	3,52	2,98	2,53
Cash liquidity ratios	1,09	0,32	0,44
Profitability ratios			
Net return on sales	21,12%	7,74%	-6,27%
Return on equity ratio	51,96%	26,15%	-37,37%
Return on assets	14,64%	7,27%	-6,87%

Based on the above data, it can be seen that debt ratios, despite the increase in the Group's debt in 2017, remain at a safe level. The Group regularly repays its liabilities and their rising level is reflected in the form of an increase in the value of the loan portfolio.

Liquidity ratios (current liquidity ratio, quick liquidity ratio, cash liquidity ratio) are located at levels that allow the company to maintain complete security and financial balance of the company.

Profitability ratios in comparison with data from the analogical period of the previous year are much weaker, however the Group assumes that in the next months they should systematically improve along with the loan portfolio losses decrease and the Group's sales increase steady grow.

2.4 Description of basic threats and risks, which in the Issuer's opinion are significant for the assessment of its ability to meet the obligations arising from issued debt financial instruments

2.4.1 Risks related directly to the CAPITAL SERVICE Capital Group and its operations

The risk of changes in the prices of offered products

One of the basic risks associated with the Group and its operations is the risk of changes in the prices of products offered on the market, the risk on which the following variables constitute:

- the risk of price changes enforced by changes in the law,
- the risk of price changes enforced by competition activities.

Both risks potentially result in lowering the profitability of products, and thus - return on sales.

As regards to the first of the aforementioned risks, i.e. the risk of price changes enforced by changes in the law, this is a risk whose significance is very important and the Company constantly monitors the emerging drafts of changes in regulations that affect the essence of the Company's operations. The legal department operating within the Company analyses all legislator movements that may affect the industries in which the Company operates. The current analysis and awareness of planned changes allows us to anticipate their consequences in advance and start a strategy of optimising the activities/products offered to the changing legal environment.

The company repeatedly faced changes in the law, which significantly affected the change in the prices of products offered, thereby the level of profitability of its operations. The company ensured, in a balanced manner, on the one hand, compliance of the products/services offered with the new regulations, and on the other hand the profitability of the operations.

The Management Board of the Company, in response to the activities of the Legislator, systematically implements the CAPITAL SERVICE Group Strategy for 2017-2018 (hereinafter referred to as "Strategy"). The strategy, regardless of the final content of legal regulations and in the face of constant uncertainty as to new proposals for amendments in regulations, is to provide CAPITAL SERVICE Group with stable, sustainable development and mitigate the risk resulting from legal uncertainty.

The second risk mentioned in this item - the risk of price changes enforced by competition activities - the Company minimizes through ongoing analysis of the financial services market and entities similar to the activity of CAPITAL SERVICE S.A. The organizational unit functioning within the Company is aimed at continuous monitoring of the activities of competitors, it analyses, on an ongoing basis, the parameters of the products they sell, the marketing and promotional activities undertaken, which allows to react

immediately to changes taking place in the area of financial services and maintain a high position on the market of financial products and services offered by non-bank entities.

Risk related to the strategic objective

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. CAPITAL SERVICE S.A. in the Strategy assumes a steady increase of the loan portfolio and diversification of the sources of financing. Positive results of the implementation of the adopted strategy depend on the efficiency of operations, access to capital and adaptation to changing conditions of the business environment. The most important factors affecting the non-bank loans sector include: legal regulations, availability of financial products and services, and the condition of households. Actions taken as a result of poor assessment of the impact of the environment or unskilful adaptation to the changing conditions of this environment may have a negative impact on the results of CAPITAL SERVICE S.A. operations. Therefore there is a risk of failure to achieve the assumed strategic objective.

In order to limit the risk in question, CAPITAL SERVICE S.A. continuously analyses factors that may have a potentially adverse impact on its operations and results, and, if necessary, takes necessary decisions and adjustment actions as part of the implemented strategy.

The main activities include:

- diversifying the product offer and adapting it to both the changing legal regulations and market requirements resulting from the activities of competing companies;
- systematic extension of the offer to include insurance and reinsurance market products,
- diversification of financing sources,
- permanent cooperation with securitisation funds,
- diversification of acquisition and client service channels.

Credit risk and significant disturbances of cash flows and loss of financial liquidity

The credit risk in CAPITAL SERVICE S.A. arises from the conclusion of loan transactions and results in the potential for not recovering the amounts granted, loss of income or financial loss incurred. It is a resultant from the area of the credit product, the lending process and, on the other hand, actions limiting the possibility of incurring losses.

The goal of CAPITAL SERVICE S.A. is to build a safe, stable credit portfolio:

- guaranteeing the security of own resources,

- bringing the revenues assumed in the financial plan, while maintaining the level of bad debts at a level not higher than assumed in the financial plan of CAPITAL SERVICE S.A.

The credit risk management process includes:

- risk analysis of credit portfolio,
- determining the criteria for entering into transactions and making credit decisions guaranteeing loans to clients with the ability to repay liabilities to CAPITAL SERVICE S.A.,
- monitoring and reporting on the quality of credit portfolios,
- creating parameters for creation of specific provisions.

The CAPITAL SERVICE S.A. operations is based on granting cash loans to natural persons. With the increase in the scale of operations, the risk of disruptions in cash flow and loss of financial liquidity is becoming increasingly important. The risk consists of, among others:

- risk of misinterpreting the actual demand for cash, including the need for external financing,
- risk of not providing sufficient cash for the new lending,
- risk of lending to clients who do not repay these loans,
- risk of delays in repayment or failure to repay loan and derivative liabilities,
- risk of lack of timely debt service,
- risk of immediate maturity of significant obligations of CAPITAL SERVICE S.A.

In the opinion of CAPITAL SERVICE S.A., the first of these risks is properly limited to an acceptable level. This risk is limited by creation of an efficient Analysis and Reporting Department (DAiR) responsible, among others, for financial modelling, including demand for cash and external financing. Experience shows that the estimates prepared by DAiR allow for planning the demand for external financing with sufficient precision and in advance. In order to determine the need for external financing, CAPITAL SERVICE S.A. also specified the minimum levels of available cash at such a level that there would be no liquidity distortions. Financial estimations are constantly updated and adapted to the changing situation.

Acquiring financing is necessary to ensure the dynamic development of CAPITAL SERVICE S.A. established in the strategy. To this end, CAPITAL SERVICE S.A. cares for the transparency of its operations, has a transparent ownership structure, cooperates with a renowned auditor, publishes financial data on a quarterly basis. Additionally, in order to limit this risk, provide more funds to finance increased new lending, the Group successfully continues its good cooperation with the *peer to peer lending platform* (MINTOS) and cyclically sells "non-performing" portfolios (NPL). The company continues its cooperation with existing partners as well as looking for new ones so as to implement the strategy in this area without disruption.

The risk of lending to clients who do not repay these loans on time, the CAPITAL SERVICE S.A. limits to an acceptable level ensuring adequate profitability. The Group strives to achieve this through building appropriate

scoring models and antifraud rules, their continuous improvement and ongoing monitoring of portfolios to identify undesirable trends and take immediate action to eliminate them. In order to assess the creditworthiness of clients, the Group cooperates with all significant business information bureaus, namely: BIG Infomonitor, KRD or ERIF, as well as with the National Economic Information Bureau, the Loan Information Exchange Platform and the Trustworthy Information Exchange Forum.

The risk of delays in repayment of loan and derivative liabilities is limited by debt collection. The debt collection processes are regulated by internal procedures whose effectiveness is monitored on an ongoing basis. CAPITAL SERVICE S.A. has taken steps to separate debt collection processes, development of systems, models and delegation (possibly employment) of employees, within the scope of responsibilities that will include the performance of broadly understood debt collection activities and the development of the most effective methods of reaching debtors. Thus, the existing sales and debt collection model has been transformed into a model in which sales and debt collection are two separate processes handled by other people within one organization. As at the date of this Consolidated Report, the process of separating debt collection is still modified and adapted to the Group's needs. In addition, the specificity of the operations is the provision of cash loans to a large group of clients (natural persons) for relatively small amounts, as a result, there is no risk of concentration of debt. In addition, overdue receivables are subject to systematic sale. The goal of the project of separating debt collection activities is to release the work time of advisers employed in KredytOK outlets and use resources exclusively for sales purposes, in turn in the area of debt collection processes - focusing attention and efforts on recovering the highest amount of outstanding liabilities from the debtors of the Group.

The risk of untimely debt service and the risk of immediate maturity of material liabilities of CAPITAL SERVICE S.A. in the opinion of the Management Board is minimal. All liabilities are serviced in a timely manner and there are no threats in this respect as at the current moment and in the rational assessment.

Risk of declaration of bankruptcy by the CAPITAL SERVICE Capital Group

The risk of declaring bankruptcy by CAPITAL SERVICE S.A. is inextricably linked to the risk of losing liquidity by the Group. According to Article 20 of the Act of 28 February 2003 on Bankruptcy Law, an application for bankruptcy may be filed by each of the creditors of the debtor who became insolvent within the meaning of the Act, i.e. does not fulfil its payable liabilities or if its liabilities exceed the value of its assets, even then when it performs these obligations on an ongoing basis. The legal situation of the debtor and its creditors, as well as the proceedings regarding the declaration of bankruptcy are governed by the provisions of the aforementioned Bankruptcy Law Act and the Act of 15 May 2015 on Restructuring Law.

The Group makes every effort to ensure that all due liabilities are settled on an ongoing basis and maintains a safe level of indebtedness and - in the foreseeable future - does not see the possibility of materializing this risk. In addition, the Group has developed procedures for dealing with business risks.

Risk of losing key employees and members of the Management Board

The operations of CAPITAL SERVICE S.A. to a large extent is based on the experience, skills and quality of work of key employees and members of the Management Board. Every effort is made to ensure that currently employed key employees remain associated with the Group for a long period of time and identify with it. The cooperation of CAPITAL SERVICE S.A. with key employees is individual, the Group applies a satisfactory system of remuneration and additional benefits.

In the Group's opinion, at the moment there is no risk of the Group's key employees leaving, which could significantly impede the conduct of operations or the implementation of CAPITAL SERVICE S.A. development strategy.

A wide range of key tasks is performed by the Management Board. CAPITAL SERVICE S.A. is not able to ensure that any resignation of Members of the Management Board will not have a negative impact on the current operations, the Strategy and the Group's operating results. With the leave of any Member of the Management Board, the Group could be deprived of the *know-how* in the management and operation of the Company. To neutralize this risk, the Members of the Management Board, despite different areas of responsibility, constantly cooperate with each other, exchange experiences, sharing their own know-how, which also in the Company's assessment minimizes the risk of lack of liquidity in management in the event of a Management Board member leaving.

Risk related to the use of foreign capital

In its business operations, CAPITAL SERVICE S.A. uses long- and short-term foreign capital. Currently, credits and loans are serviced on time, but in the long-term, if the financial situation of the Group deteriorates, problems with repayment can not be ruled out. Failure by CAPITAL SERVICE S.A. to comply with the provisions of the agreements may result in partial or full immediate debt maturity, and in the event of non-repayment the creditor may apply to the court for the declaration of bankruptcy of CAPITAL SERVICE S.A.

CAPITAL SERVICE S.A. undertakes activities aimed at maintaining the optimal capital structure by increasing both entity and acquiring foreign capital.

Risk related to negative PR in relation to CAPITAL SERVICE Capital Group

CAPITAL SERVICE S.A. operates on the market of cash loans offered to natural persons (consumers). This market is difficult and exposed to negative reception. Negative PR for both own brands of the Group and the Group itself may hinder or prevent the acquisition of new clients, and thus disrupt the functioning of the own branches network and, as a consequence, conduct business or cause additional financial burdens on the

Group. Negative PR may also be a threat to the loss of trust of existing and potential clients, and this in turn may affect the results achieved by the CAPITAL SERVICE S.A. in the future.

CAPITAL SERVICE SA, wanting to minimize the negative effects of this phenomenon, constantly conducts activities aimed at building a positive image, including social activities. Above all, however, CAPITAL SERVICE S.A. develops its product offer to offer its current and potential clients products tailored to their needs and financial capabilities. This objective is also pursued through the constantly expanding offer of insurance and reinsurance products, which included the offer of products relating life and health protection as well as insurance protection in case of accidents. In this respect, CAPITAL SERVICE S.A. acts as an insurance agent, however the company's offer has been prepared individually for the CAPITAL SERVICE S.A. customers.

It is also worth mentioning that the Group has received the Ethics Audit Certificate of the Conference of Financial Companies. The Certificate confirms the compliance of the Company's business practices with the Principles of Conference of Financial Companies' Good Practices.

Risk related to the locations of branches of the own network

The development of the own branch network operating under the KredytOK brand and the financial situation of CAPITAL SERVICE S.A. are determined mainly by the volume of sales realized through them. On the other hand, this is influenced by the number of branches operating in the CAPITAL SERVICE S.A. network structures and their location. The recognition of the KredytOK brand is largely determined by the location of the premises in a given locality. There is a risk that selected locations of new branches or branches already established will prove inconvenient, which may translate into low demand for products offered by the Group. This, in turn, may be reflected in the lack of profitability of branches, and thus contribute to the deterioration of the financial situation of the Group.

This risk is limited by a careful selection of location, high quality of services provided in branches, constantly verified by CAPITAL SERVICE S.A., as well as a competitive product offer.

Risk related to the processing of personal data

As part of the Polish legislation, the Act on the Personal Data Protection of 10 May 2018 has a significant impact on the operations of CAPITAL SERVICE S.A. The Data Protection Authority is the President of the Office for Personal Data Protection. It is a new supervisory authority that has replaced the existing Inspector General for Personal Data Protection. The change of the supervisory authority is one of a number of changes introduced by the amended Act on the Personal Data Protection. There is a risk that the interpretation of the regulation made by the above mentioned the authority will be different than that the one used by CAPITAL SERVICE S.A., which, consequently, may lead to administrative proceedings and, consequently, to penal provisions for the Group.

CAPITAL SERVICE S.A. in order to minimize the indicated risk, has introduced detailed procedures and applies technical and organizational measures ensuring protection of personal data being processed, in particular secures the data against their unauthorized access, processing in violation of the Act on Personal Data Protection and data change, loss, damage or destruction.

The risk associated with the inherent possession and processing of personal data is the risk of hacking databases in which confidential personal data of CAPITAL SERVICE S.A. clients are stored, or other violations of the provisions of the Act on Personal Data Protection. Such events may adversely affect the Group's perception and, consequently, contribute to losing clients and deterioration of financial results, as well as they may additionally expose CAPITAL SERVICE S.A. to liability for damages.

In view of the above, it should be emphasized that the integrated IT system used by CAPITAL SERVICE S.A. is protected in accordance with the requirements of the Regulation of the Minister of Interior and Administration of 29 April 2004 on personal data processing documentation and technical and organizational conditions for IT devices and systems for data processing.

In the opinion of CAPITAL SERVICE S.A., the procedures and assurance applied significantly limit the risks involved.

In the context of the protection of personal data, the EU regulation is of great importance - Regulation of the European Parliament and of the Council (EU) 2016/679 of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free flow of such data, and repeal of the Directive 95/46/EC (general data protection regulation), which became applicable from 25 May 2018. In connection with the above, the Company, through its own internal resources as well as by cooperation with an external partner specializing in the personal data protection and implementation of related procedures with this protection, took all necessary actions to apply the requirements of EU law.

The Management Board of the Company, being aware of a number of important changes to be made in the area of personal data management, has undertaken a cooperation with an external entity in advance, with the participation of which, a specially appointed project team consisting of employees of CAPITAL SERVICE S.A. was working on adaptation of CAPITAL SERVICE S.A. operations to new legal regulations.

As a result of this cooperation, the Company received a number of recommendations that it was required to implement for full compliance with the Regulation referred to above. In the Company's opinion, changes in processes, procedures, etc. (in legal, technical and organizational terms) that the Company has implemented in its operations in a correct manner meet the requirements set by the new regulations. Due to the freshness of EU regulations, there are no explicit guidelines that usually apply in the case of provisions binding for a longer time. Therefore, there is a risk that various organizations, including CAPITAL SERVICE

S.A., will interpret the provisions of the said Regulation differently, which is a natural phenomenon in the case of new, previously unknown solutions.

2.4.2 Risks related to the environment of CAPITAL SERVICE Capital Group

Risk associated with the Poland's macroeconomic situation

The development of CAPITAL SERVICE S.A. is to a certain extent dependent on the overall economic situation in Poland, where the Group offers its products and which is also the main area of clients' activity. The main factors of general economic nature affecting the Group's operations may include: economic growth rate, average gross remuneration level and the level of indebtedness of economic entities and households. There is a risk that the slowdown in the pace of economic growth and the effects of introducing pro-social programs (500+ program) may influence negatively on the demand for CAPITAL SERVICE S.A. products, which consequently may have a negative impact on the Group's financial results.

Risk from competition:

The industry in which CAPITAL SERVICE S.A. conducts its operations is characterized by high competitiveness, it operates in a significant number of entities with different scale of operations.

CAPITAL SERVICE S.A. is not able to predict whether and to what extent in the future its offer will be attractive to clients. This risk is mitigated by the implemented Development Strategy - introduction of diversified new products and development of services, improving their quality, as well as the Group's efforts to increase the loan portfolio and diversification of sales channels, thereby strengthening the market position.

Risk related to the legal environment

Risk of changes in the legal environment should be assessed as very important and extensive. As at the date of this Report, legislative processes for several draft acts are in progress, under the changing European legislation, as well as draft amendments to the acts not directly resulting from the work of legislative authorities at the European level. It is worth mentioning here the draft Act on Counteracting Money Laundering and Terrorism Financing, the draft Act amending the Act on Payment Services and certain other acts, or the draft Act on Insurance Distribution. At the same time, the Group has a limited range of tools that can mitigate this risk. Such a tool is certainly a cooperation with entities conducting similar activities as part of the Conference of Financial Enterprises - Employers' Association. The Group, on the forum of the above organization and as part of activities or events arranged by this organization, presents its position on the proposed legislative changes. However, it seems that the key factor ensuring the adequacy of responding

to the risk associated with the legal environment of the Company is to take quick and efficient actions in response to changes introduced by the legislator.

Risk related to the interpretation of tax regulations

CAPITAL SERVICE S.A., like all business entities, is exposed to inaccurate provisions in tax regulations. As a result, there is a risk of discrepancies in interpretation, in particular in relation to operations related to income tax, tax on civil law transactions and VAT. In connection with the above, there is a risk that in the framework of the activity carried out by CAPITAL SERVICE S.A. and despite the use of individual tax interpretations, the interpretation of the Tax Office appropriate for the headquarters of the Company may differ from the one adopted by that Company. To reduce this risk, the Group monitors changes in tax law on a current basis, conducts cyclical tax reviews and plans its activities in this area in advance and in cooperation with tax advisers.

Risk related to the insolvency of borrowers

One of the most important risks related to the activities of CAPITAL SERVICE S.A. is the lack of payments by borrowers of the liabilities to CAPITAL SERVICE S.A. The borrowers are obliged to pay the amount of the loan (capital), interest, commission and - in a situation of late payments - interest on delay. The risk related to the delay of payments from borrowers or their complete insolvency results primarily from the economic condition of borrowers and - in a second place - from the general economic situation of the country.

In addition, changes in legal regulations facilitate the declaration of bankruptcy by the entities not conducting business activity. Therefore, there is a risk that some of the receivables held by CAPITAL SERVICE S.A. towards natural persons will be impossible to enforce - as a result of the court's declaration of consumer bankruptcy. This may negatively affect the financial results achieved by CAPITAL SERVICE S.A. Due to the number of borrowers and the value of loans granted, as well as a small number of debtors who decided on this procedure, the expected percentage of uncollectible debts due to the debtor's bankruptcy can be however considered as minimal.

In order to limit this risk, CAPITAL SERVICE S.A. evaluates clients in terms of their creditworthiness and the risk of non-payment of a loan (assessment of creditworthiness). Such an assessment is made by the client's advisers based on the rules of selling loan products valid in CAPITAL SERVICE S.A. and experience in this area, as well as on the basis of the scoring model and the anti-fraud formula. The Credit Risk Management Department in the Company is also systematically expanded, which is responsible for the mechanisms of testing the creditworthiness of the clients.

2.4.3 Risk factors related directly to the Bonds

Risk of non-repayment of obligations to Bondholders

CAPITAL SERVICE S.A. is obliged to pay interest on the bonds it has issued and to redeem bonds. Therefore, in the absence of free cash, the risk associated with the late payment of bonds or the inability to buy them out by CAPITAL SERVICE S.A. can not be excluded. In the case of insufficient funds generated for redemption of CAPITAL SERVICE S.A. bonds, reaching for further known and possible to use financing tools is not excluded.

So far, CAPITAL SERVICE S.A. has been meeting its obligations on the bond issue on time. In the first half of 2017, the Company redeemed series A, B, C, E and E1 bonds. However, in the second half of 2017 and in January, April and May 2018, the Company made early redemption of series G bonds for a total amount of PLN 10 million. Additionally, in March 2018, the Company, in accordance with the terms of issue of series I bonds, made an early redemption of 94 910 pcs I series bonds (the entire series I issue is for 200 000 bonds).

Risk related to subsequent bond issues and obtaining funds

Funds obtained from the issue of bonds enable CAPITAL SERVICE S.A. to finance its business operations. It is likely that in order to implement the Development Strategy, CAPITAL SERVICE S.A. will carry out further issues of bonds and will try to obtain financing also from other sources. Failure to raise new sources of financing in the event that CAPITAL SERVICE S.A. will use its financial resources so far could cause a slowdown in the Group's development. Therefore, the Group cares for the implementation of a sustainable growth policy and diversification of financing sources, including cooperation with securitisation funds and the MINTOS platform.

3. INFORMATION ABOUT CAPITAL SERVICE GROUP ACTIVITIES CONCERNING THE INITIATIVES AIMING AT ENTERING INNOVATIVE SOLUTIONS IN AN ENTERPRISE IN THE FIELD OF BUSINESS OPERATIONS DEVELOPMENT AREA

Since the beginning of 2017, at CAPITAL SERVICE S.A., significant events took place from the point of view of the entire Capital Group operation, affecting the sales results, and thus the financial results at the end of 2017. During this period, a strong sales campaign of own and foreign products was conducted (insurance, loans and non-bank loans), cooperation with new affiliate networks was established, as well as positive relations with existing contractors and, above all, with customers were maintained. In addition, this period was marked by the search for new sources of financing the Group's operations. In March 2017, CAPITAL SERVICE S.A. joined the MINTOS investment platform connecting lenders and investors from all over Europe, while in June 2017, an allocation of 200.000 series I bonds with a total value of PLN 20 million was made. Investors filed 112 subscriptions for a total amount of PLN 31.58 million, and the reduction rate was 36.67%.

All development activities undertaken at CAPITAL SERVICE S.A. are subordinated to business priorities so that they develop skills and knowledge necessary for the teams to effectively achieve their goals. CAPITAL SERVICE S.A. systematically takes measures to improve reporting and data warehouse. The data warehouse uses a hybrid in the form of a Business Intelligence class system - Sisense and the MSSQL database, which is a customer-server database platform. The navigation desks in the data warehouse system are run on a current basis, used for cross-sectional analysis of data. Since the beginning of 2017, two new applications have been introduced: DEBT+, facilitating the work of Local Debt Collectors and Branch+ Platform, a system enabling the processing of loan applications through the network of KredytOK local branches.

4. THE EXPECTED DEVELOPMENT OF THE GROUP

4.1. Environment and market position of the CAPITAL GROUP

For several years, the loan market in Poland has been developing quite dynamically and belongs to one of the best developing markets in the whole world. This is caused, among others by strengthening the lending policy of banks after the financial crisis in 2009. The growth of the loan companies market was also influenced by the tightening of the recommendations of the Polish Financial Supervision Authority for banks since 2010, which caused that for the banks, some clients did not have the creditworthiness anymore. In addition, the revolution in the loan market was caused by the development of technology and the Internet. The year 2011 was a breakthrough, in that period bank technology allowed for the granting of cash loans as well as for the assessment of the credibility of clients via the Internet channel. As a result, a new segment was created on the loan market - loans granted via the Internet. Instant transfers and banks' visits to the place of residence turned out to be attractive for the clients. A smaller number of documents securing the repayment of the loan, improved lending process or shortened waiting time for cash is also more attractive for the client compared to the offer of many banks.

Loan companies deal with cash loans for low amounts and short repayment periods. Thus, they supplement the offers of banks, which are often inactive in this segment and do not have a suitably adapted product for the clients interested in a small amount of loan, for a few weeks and wanting to have money quickly on their account. According to the statistics of loan companies - up to 60% of clients would meet the bank's requirements to try to get such a product in the bank, but the clients do not do it due to the lack of an appropriate offer in the bank. The amounts offered by loan companies are usually small, which results in relatively high fixed costs. The group of clients is characterized by a much higher degree of risk and is therefore not attractive to the banking sector.

According to the data of the Conference of Financial Enterprises in Poland - the value of loans granted for consumption in 2017 amounted to PLN 1.89 billion, which means an increase by 5.7%, or PLN 102.32 million compared to the previous year. Since 2008, the value of loans granted has been systematically growing year on year. At the same time, the change at the turn of the last two years may indicate a slowdown in the dynamics of change. The change dynamics at the turn of 2015 and 2016 amounted to 27.1%, and a year earlier as much as 66.3%. In this context, the approx. 6% dynamics of loans according to 2017/2016, according to Conference of Financial Companies analysts, may signal the depletion of growth potentials and even stronger competition in the sector of loan institutions.

At the end of 2017, the total loan portfolio was PLN 1.97 billion. In a year-to-year basis, at the end of the following years, its systematic increase was recorded. According to the Conference of Financial Companies, compared to the end of 2016, this is a 10.25% change. In this area, the dynamic slowdown is noticeable. At the turn of 2015 and 2016, this change amounted to 61.5%, and a year earlier to 53.8%.

4.2. Group development perspective

The year 2017 was a year of intense work for CAPITAL SERVICE S.A., in every aspect of its activity. In the discussed period there were many significant events relating the operation of the entire Capital Group - strong sales campaigns of own products, extending the offer of third-party products (insurance, loans and non-bank loans), maintaining positive relationships with existing consumers and clients, sale of overdue receivables, or searching for new sources of financing the Group's operations (in the first quarter of 2017 CAPITAL SERVICE S.A. joined the MINTOS investment platform which connects lenders and investors from all over Europe).

In 2018, the Capital Group will continue to strive to strengthen its strong competitive position on the loan market. The Group intends to achieve the above-mentioned objective by:

- increasing the revenue,
- increasing the active loan portfolio and
- increasing in the number of active clients.

II. FINANCIAL REPORT OF CAPITAL SERVICE CAPITAL GROUP FOR THE PERIOD FROM 01 JANUARY 2017 TO 31 DECEMBER 2017

1. RULES ADOPTED IN THE PREPARATION OF A FINANCIAL REPORT

1.1. General information about the parent company

Name of the institution

CAPITAL SERVICE S.A.

Registered office

Ostrołęka, ul. Korczaka 73

The Entity is entered in the Register of Entrepreneurs under KRS number		407127
The registration was done	District Court for the Capital City of Warsaw, 14th Commercial Department of the National Court Register	
Registration data	02.01.2012	

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) the remaining forms of granting loans (64.92.Z).

The entity's duration is unlimited.

1.2. Consolidated financial statements

- x The consolidated financial statements covered from 1 January 2017 to 31 December 2017.
- x The consolidated financial statements have been prepared based on the provisions of the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047 with later amendments), and the Regulation of the Minister of Finance of 25 September 2009 on detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies (Journal of Laws 2009 No. 152 item 1223 with later amendments).
- x The consolidated financial statements have been prepared on an assumption of continuity in business activity in the foreseeable future and in the lack of the circumstances indicating a threat to the continuation of its activity.
- x The related entities do not include internal organizational entities preparing separate financial statements, therefore the consolidated financial statements do not contain aggregated data covering these entities.
- x The reporting currency is the PLN. The report has been prepared in thousands PLN, unless otherwise indicated in the content.

1.3. General information about related entities

Name of the institution **CAPITAL SERVICE BRAND MANAGEMENT Sp. z o.o.**

Registered office Warsaw, ul. Jagiellońska 78

The basic subject of the entity's activity is (according to the entry in the National Court Register) the lease of intellectual property and similar products, excluding works protected by copyright (77.40.Z)

Parent company has:

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

The entity's duration is unlimited.

Financial statement covers the period from 1 January 2017 to 31 December 2017.

Name of the institution **FINLO Sp. z o.o.**

Registered office Warsaw, ul. Jagiellońska 78

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) the remaining forms of granting loans (64.92.Z)

Parent company has:

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

The entity's duration is unlimited.

Financial statement covers the period from 6 March 2017 to 31 December 2017.

Name of the institution **LIFT CREDIT Sp. z o. o.**

Registered office Warsaw, Strumykowa 28A/35

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) the remaining forms of granting loans (64.92.Z).

Parent company has:

- 100,00% share in the share capital of the entity, and

- 100,00% share in the total number of votes at the General Meeting of the entity.

The entity's duration is unlimited.

Financial statement covers the period from 9 February 2017 to 31 December 2017.

Name of the institution **KREDYTOK Sp. z o.o.**
 Registered office Ostrołęka, ul. Janusza Korczaka 73

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) other activities supporting financial services, excluding insurance and pension funds (66.9.Z).

Parent company has:

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

The entity's duration is unlimited.

Financial statement covers the period from 29 September 2017 to 31 December 2017.

The day ending the first financial year of the company KREDYTOK Sp. z o.o. is 31 December 2018.

Name of the institution **CS 1 Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny**
 The company **EQUES INVESTMENT Towarzystwo Funduszy Inwestycyjnych S A**
 Registered office Gdańsk, Chłopska 53

The Fund's investment objectives are: achieving revenues from the Fund's net investments and increasing the value of Assets as a result of the investments' value increase.

Parent company has:

- 100,00% of investment certificates.

The entity's duration is unlimited.

Financial statement covers the period from 5 October 2017 to 31 December 2017.

1.4. General information about jointly controlled entities

In the periods covered by the consolidated financial statements the jointly controlled entities did not occur.

1.5. General information about affiliates

In the periods covered by the consolidated financial statements the affiliates did not occur.

1.6. General information about the entities other than subordinated entities in which related entities have less than 20% of shares (stocks)

In the period covered by the consolidated financial statements, there were no entities other than subordinated entities, in which the related entities held less than 20% of shares (stocks).

1.7. Information on subordinated entities excluded from the consolidated financial statements

In the period covered by the consolidated financial statements, LIFT CREDIT Sp. z o.o. was the company excluded from consolidated financial statement, due to its insignificant impact on the Consolidated statements of the Capital Group.

1.8. Applied accounting principles and methods

The applied accounting principles have not changed compared to the previous year.

Individual assets and liabilities are measured at the moment they are recognized in the accounting books in the amount of payment made or received. Only the significant transaction costs are included in the purchase price.

1.9. Fixed assets and intangible assets

Fixed assets, capital works in progress and intangible assets are valued at purchase price or production cost less accumulated depreciation. Depreciation write-offs are made using the straight-line method.

Fixed assets and intangible assets with an initial value of over PLN 1 500 and not exceeding PLN 3 500 charge the operating expenses once, in the month of putting them into use.

For assets which, in the foreseeable future, are unlikely to bring the economic benefits, the impairment write-offs are made.

The Company applies the following annual depreciation rates for the classes of assets below:

- investments in foreign buildings 10%,
- machines, devices and apparatus of general use 30%
- specialized machines, devices and apparatuses 14%, 28%,
- technical devices 10%, 20%,
- vehicles 20%,
- tools, instruments, movable properties, equipment 20%, 50%,
- software 20%.

Intangible assets as at the reporting date are declared at the purchase price or manufacturing cost less depreciation and impairment write-offs. Intangible assets with a definite useful life are depreciated using the straight-line method for the period of their economic use. Periods of use of individual intangible assets are subject to annual verification and, if necessary, they are adjusted from the beginning of the next financial year.

Costs associated with software maintenance, incurred in later periods, are recognized as an expense of the period in which they were incurred. Profits or losses resulting from the disposal of intangible assets are defined as the difference between sales revenues and the net value of these intangible assets and are recognized in the profit and loss account in other operating revenues or expenses.

1.10. Financial assets held to maturity

Acquired or incurred financial assets and other investments are recognized in the accounting books at their acquisition or origination cost. As at the balance sheet date, these assets are valued at purchase price adjusted for accrued interest, discount and premium, including write-offs for specific provisions and permanent impairment losses.

Deductions of due to permanent impairment loss are charged to financial costs. In case of expiration of causes for which the deductions has been made, the equivalent of all or part of the previously made deductions due to permanent impairment increases the value of the given asset and is recognized as financial revenue.

1.11. Financial assets held for trading

Acquired financial assets held for trading are recognized in the books of account as at the date of their purchase according to the purchase price. As at the balance sheet date, these assets are valued at fair value, and the effects of changes in value are classified as financial costs or revenues.

For securities listed on the market, the fair value is determined according to the lowest market prices as at the reporting date.

1.12. Receivables and liabilities

Receivables and liabilities are declared at the value payable. Receivables and payables in foreign currencies at inception are recognized at the average exchange rate determined by the President of NBP for a given currency. Positive or negative exchange differences arising on payments resulting from the difference between the exchange rate at that date and the exchange rate at the day the receivables or liabilities are charged to income or financial expenses.

Liabilities from the issue of debt securities are valued as at the balance sheet date according to the adjusted purchase price (depreciated cost).

1.12.1. Leasing liabilities

The Company is a party to lease agreements under which it uses third party tangible fixed assets or intangible assets over an agreed period of time, in return for payments.

In case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is capitalized, and a corresponding liability is recognised, at the value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between finance charges and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding liability. Finance charges are recorded directly in the profit and loss account.

Fixed assets being the subject of lease are depreciated using the methods applied for the Company's own fixed assets. However, when there is any uncertainty regarding the transfer of the ownership of the asset, then the fixed assets are depreciated over the shorter of two following periods: the expected useful life or the lease term.

1.12.2. Receivables from loans granted and own receivables not held for trading

Receivables from loans granted are valued at depreciated cost according to the rules for creating provisions for the risk related to granting loans.

Specific provisions (write-offs) created by CAPITAL SERVICE S.A. are the expression of the implementation of the precautionary principle. They reflect the risk associated with the repayment of loans granted and enable a reliable presentation of receivables shown in the balance sheet. The purpose of creating specific provisions is to adjust the value of receivables by taking into account the probability of their payment. Write-offs for specific provisions are charged the costs of the period in which these write-offs have been made and are intended to prepare the Company for losses that it may incur in connection with the loan granted. The assessment of credit exposures with a view to identifying premises for impairment and determining the amount of specific provisions takes place at the end of each month.

Objective premises for the impairment of loan exposures that cause a loss may include:

- delay in repayment exceeding 90 days, i.e. the exposure is classified as "lost" risk category.
- termination of the loan agreement,
- the exposure is of the extortion (fraud) nature,
- obtaining by CAPITAL SERVICE S.A. the information about an event that may affect the expected cash flows.

Specific provisions are created in the burden of other operating costs, and their release is recorded in other operating revenues. The costs of creating a specific provision are charged to the cost centres of the organizational entity granting the loan, and their release is recognized by the cost centre of the loan servicing entity. Target provisions are released after the reasons for their creation expire. The specific provision is reduced accordingly to the decrease in the credit exposure amount. Coordination of the impairment

measurement process and methodological supervision over the assessment and measurement of impairment are carried out by the Credit Risk Management Department. Write-offs are created based on the empirical values of the PD (*Probability of Default*) parameter based on the historical behaviour of the Group's clients, carried out based on migration matrices assuming that client migrations between particular classes of delays are of the Markov process character.

All provisions are approved by the Management Board of CAPITAL SERVICE S.A. The process of creating provisions and identifying and measuring the impairment of credit exposures along with the assignment of departments performing individual activities is documented and then archived for at least the period provided for in the Accounting Act for control purposes and as a source of conducting analyzes resulting in possible modifications to the methodology and within the so-called back-testing.

The capital and commissions of loans overdue for at least 90 days are covered by write-offs in 100% less amounts recovered as a result of the sale of receivables.

1.13. prepayments and accruals and provisions

In the case of incurring expenses relating to future reporting periods, the Company makes prepaid expenses. They mainly concern: commissions on loans, bonds, software licenses, insurance policies.

Accruals comprise mainly provisions for costs in the amount of probable liabilities falling for the current reporting period, arising from services provided to the Company by the contractors and the obligation to provide related to the current activities of future benefits, which amount can be estimated, although the date of creation is not yet known.

1.14. Deferred income tax assets and deferred income tax provisions

In relation to temporary differences between the value of assets and liabilities disclosed in the accounting books and their tax value, as well as tax loss carry forward, the Company creates a deferred income tax reserve.

1.15. Revenues from commissions, interest, debt collection fees and other revenues

With regard to revolving cash loans, the Group, in the profit and loss account, recognizes the revenues from commission in advance at the moment of signing the agreement with the client, in proportion to the period for which they are due. In the case of installment loans, these revenues are recognized at the adjusted purchase price (depreciated cost). Revenues from interest and debt collection fees are recognized in accordance with the cash rule upon payment made by the client. Other revenues are recognized in the profit and loss account if all benefits and risks have been transferred to the purchaser of the good or service and the inflow of funds is credible.

1.16. Cash and cash equivalents

Cash and cash equivalents include cash at hand and in bank accounts, deposits payable on demand and short-term investments with high liquidity (up to 3 months), easily convertible into cash, for which the risk of change in value is negligible.

2. FINANCIAL DATA

2.1. Selected financial statements

Item:	Data in PLN thousands		Data in EUR thousands	
	12 months completed on 31.12.2017 audited	12 months completed on 31.12.2016 audited	12 months completed on 31.12.2017 audited	12 months completed on 31.12.2016 audited
Non-current assets	9 066	14 297	2 174	3 232
Current assets	78 056	64 893	18 714	14 668
Total assets	87 122	79 190	20 888	17 900
Total equity	16 026	22 015	3 842	4 975
Liabilities and provisions for liabilities	71 096	57 175	17 046	12 925
Total equity and liabilities	87 122	79 190	20 888	17 900
Net sales	95 476	74 347	22 493	16 991
Operating expenses	54 431	50 680	12 823	11 582
Profit (loss) from sales	41 045	23 667	9 670	5 409
Result on other activities	(3 523)	1 354	(830)	309
Profit (loss) from operating activities	37 522	25 021	8 840	5 718
Result on financial operations	(37 391)	(16 554)	(8 809)	(3 783)
Profit (loss) from business activity	131	8 467	31	1 935
Result of extraordinary events	-	-	-	-
Write-offs of goodwill	17	17	4	4
Gross profit (loss)	114	8 450	27	1 931
Current and deferred income tax	6 103	2 676	1 438	612
Obligatory reductions of profit (loss increases)	-	17	-	4
Net profit (loss)	(5 989)	5 757	(1 411)	1 315
Cash flows:				
- from operating activities	(5 178)	(14 419)	(1 220)	(3 295)
- from investing activities	15 928	6 152	3 752	1 406
- from financial activities	(3 908)	1 139	(921)	260
Change in cash	6 842	(7 128)	1 611	(1 629)

Selected financial data has been converted into Euro as follows:

- items related to the profit and loss account and cash flow statement for 2017. (and for 2016) converted at the exchange rate being the arithmetic average of the average exchange rates published by the National Bank of Poland effective on the last day of each month from the periods covered by the report. The exchange rate amounted to 1 EURO = PLN 4.2447 for 2017 and 1 EURO = PLN 4.3757 for 2016.

- balance sheet items have been converted using the average exchange rate published by the National Bank of Poland as at the Balance Sheet date. On 31 December 2017 this rate was: 1 EURO = PLN 4.1709, as at 31 December 2016. 1 EURO = PLN 4.4240.

2.2. Profit and loss account

Item no.	Item:	Note:	Cumulative		% of change from 2017 to 2016
			01.01.2017- 31.12.2017	01.01.2016- 31.12.2016	
A.	Net revenue from sales, including:	4	95 476	74 347	28,4%
	- from subsidiaries and affiliated companies		-	-	-
I.	Net revenues from sales		95 240	73 471	29,6%
II.	Change in products		-	-	-
III.	Manufacturing cost of products for internal purposes		-	-	-
IV.	Net revenue from sales of products and materials		236	876	(73,1%)
B.	Operational expenses		54 431	50 680	7,4%
I.	Amortisation		2 103	2 134	(1,5%)
II.	Consumption of materials and energy		2 426	2 709	(10,4%)
III.	Foreign services		18 894	14 810	27,6%
IV.	Taxes and charges		333	429	(22,4%)
	- excise duty		-	-	-
V.	Payroll		24 065	23 805	1,1%
VI.	Social security and other benefits		4 919	5 005	(1,7%)
	-pensions contributions		2 140	2 196	(2,5%)
VII.	Other costs by type		1 691	1 788	(5,4%)
VIII.	Value of sold goods and materials			-	-
C.	PROFIT/LOSS FROM SALES (A-B)		41 045	23 667	73,4%
D.	Other operating revenues	5	676	3 418	(80,2%)
I.	Gain on disposal of non-financial fixed assets		70	489	(85,7%)
II.	Grants		-	7	(100,0%)
III.	Other operating revenue		606	2 922	(79,3%)
E.	Other operating cost	5	4 199	2 064	103,4%
I.	Loss from disposal of non-financial fixed assets			-	-
II.	Revaluation of non-financial assets			-	-
III.	Other operating cost		4 199	2 064	103,4%
F.	PROFIT / (LOSS) ON OPERATING ACTIVITIES (C+D-E)		37 522	25 021	50,0%
G.	Financial revenues	6	16 260	6 641	144,8%
I.	Dividends and share in profits		-	-	-
II.	Interest		64	148	(56,8%)
	- from subsidiaries and affiliated companies		-	-	-
III.	Profit from disposal of investments		15 924	6 493	145,2%
	- from subsidiaries and affiliated companies		-	-	-
IV.	Revaluation of investments		-	-	-

V.	Other		272	-	-
H.	Finance expenses	6	53 651	23 195	131,3%
I.	Interest		5 327	3 877	37,4%
	- from subsidiaries and affiliated companies		-	-	-
II.	Loss from disposal of investments			14	(100,0%)
III.	Revaluation of investments		-	-	-
IV.	Other		48 324	19 304	150,3%
I.	PROFIT / (LOSS) ON ECONOMIC ACTIVITIES (F+G-H)		131	8 467	(98,5%)
J.	Result of extraordinary events		-	-	-
	Write-offs of goodwill		17	17	-
K.	GROSS PROFIT/LOSS		114	8 450	(98,7%)
L.	Income tax		6 103	2 676	128,1%
M.	Other statutory reductions in profit (Increases in loss)		-	17	(100,0%)
N.	NET PROFIT / LOSS (K-L-M)		(5 989)	5 757	(204,0%)



Adam Kuszyk

President of the Management Board



Kazimierz Dzielak

Vice President of the Management Board



Łukasz Jędrzejczyk

Member of the Management Board



Agnieszka Przybyt

Person responsible for
preparing the statements

2.3. Assets

Item no.	Item:	Note:	31.12.2017	31.12.2016
A.	Non-current assets		9 066	14 297
I.	Intangible assets	1	83	100
1.	Cost of completed development work		-	-
2.	Goodwill		-	-
3.	Other intangible assets		83	100
4.	Advances on intangible assets		-	-
II.	Goodwill in subsidiaries	2	47	64
1.	Goodwill - subsidiaries		47	64
2.	Goodwill - joint subsidiaries		-	-
3.	Goodwill - associated subsidiaries		-	-
III.	Tangible fixed assets	1	6 115	7 988
1.	Fixed assets	18	6 035	7 988
a)	<i>land (including perpetual usufruct of land)</i>		-	-
b)	<i>buildings, premises and land & water engineering facilities</i>		-	-
c)	<i>machinery and equipment</i>		137	194
d)	<i>means of transport</i>		3 823	5 419
e)	<i>other fixed assets</i>		2 075	2 375
2.	Fixed assets under construction	1	80	-
3.	Advances on fixed assets under construction		-	-
IV.	Long term receivables			-
1.	From affiliates		-	-
2.	From other entities		-	-
V.	Long-term investment		59	-
1.	Property		-	-
2.	Intangible assets		-	-
3.	Long-term financial asset		59	-
a)	In subsidiaries and non-commercial joint subsidiaries that are not measured using the full or proportional consolidation method		5	-
-	<i>Shares or stocks</i>		5	-
-	<i>Loans granted</i>		-	-
b)	In other parties		54	-
-	<i>Shares or stocks</i>		-	-
-	<i>Loans granted</i>		54	-
4.	Other long term investments		-	-
VI.	Long-term prepaid expenses		2 762	6 145
1.	Deferred tax assets		2 275	5 658
2.	Other accruals		487	487
B.	Current assets		78 056	64 893

I. Inventories		122	474
1. Materials		57	87
2. Intermediates and products in progress		-	-
3. Finished goods		-	-
4. Goods		-	-
5. Advances on deliveries		65	387
II. Short-term receivables		63 045	56 165
1. Receivables from affiliates		-	-
a) due to deliveries and services, with repayment period:		-	-
- up to 12 months		-	-
- over 12 months		-	-
b) others		-	-
2. Receivables from other parties		63 045	56 165
a) due to deliveries and services, with repayment period:		62 031	53 523
- up to 12 months		62 031	53 523
- over 12 months		-	-
b) due to taxes, subsidies, social security and other benefits of health		122	102
c) others		856	2 483
d) pursued in court		36	57
III. Short-term investments		13 422	6 658
1. Short-term financial assets		13 418	6 654
a) in subsidiaries and non-commercial joint subsidiaries		-	-
- loans granted		-	-
b) in affiliates and commercial joint subsidiaries		-	-
c) In other parties		19	97
d) cash and other monetary assets	3	13 399	6 557
- cash in hand and in the bank		13 399	6 557
- Other cash		-	-
2. Other short term investments		4	4
IV. Short-term prepaid expenses	12	1 467	1 596

Total assets	87 122	79 190
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Adam Kuszyk

President of the Management Board



Kazimierz Dzielak

Vice President of the Management Board



Łukasz Jędrzejczyk

Member of the Management Board



Agnieszka Przybył

Person responsible for
preparing the statements

2.4. 2.4. Liabilities

No.	Item:	Note:	31.12.2017	31.12.2016
A.	Total equity		16 026	22 015
I.	Shareholders' equity		4 000	4 000
II.	Called up share capital not paid (negative value)		-	-
III.	Own stocks or shares (negative value)		-	-
IV.	Supplementary capital (retained earnings)		1 777	798
V.	Revaluation reserve (fund)		-	-
VI.	Other reserves (retained earnings)		13 638	8 060
VII.	Currency translation profit/loss		-	-
VIII.	Profit (loss) from previous years		2 600	3 400
IX.	Net profit (loss)		(5 989)	5 757
X.	Net profit write-offs during the financial year (negative value)		-	-
B.	Minority capital		-	-
C.	Negative goodwill in subsidiaries and affiliated companies		-	-
D.	Liabilities and reserves for liabilities		71 096	57 175
I.	Liabilities reserves	10	4 462	3 658
1.	Provision for deferred income tax		3 317	2 514
2.	Pension and related benefits provision		799	848
-	long term		127	103
-	short term		672	745
3.	Other provisions		346	296
-	long-term		276	276
-	short-term		70	20
II.	Long-term debt	11	34 556	31 028
1.	To affiliates		-	-
2.	To other entities		34 556	31 028
a)	credits and loans		-	-
b)	under debt securities issue		34 359	29 489
c)	other financial liabilities		197	1 539
d)	others		-	-
III.	Short-term liabilities	11	30 172	21 073
1.	To affiliates		-	-
a)	due to deliveries and services, with maturity period:		-	-
-	up to 12 months		-	-
-	over 12 months		-	-
b)	others		-	-
2.	To other entities		30 114	21 072
a)	credits and loans		2 040	1 450

b)	under debt securities issue		11 209	9 412
c)	other financial liabilities		2 827	3 137
d)	due to deliveries and services, with maturity period:		1 866	836
-	up to 12 months		1 866	836
-	over 12 months		-	-
e)	advances received for deliveries		-	-
f)	bill of exchange liabilities		-	-
g)	due to taxes, customs, insurance and other benefits		2 657	3 604
h)	remuneration liabilities		1 387	1 852
i)	others		8 128	781
3.	Special funds		58	1
IV.	Prepayments	12	1 906	1 416
1.	Negative goodwill		-	-
2.	Other accruals		1 906	1 416
-	long-term		4	3
-	short-term		1 902	1 413
V.	Liabilities related to assets intended to sale		-	-

Total liabilities	87 122	79 190
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Łukasz Jędrzejczyk

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2.5. Cash flow statement

No.	Item:	Note:	Cumulatively	
			01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
	Cash balance at the beginning of period		6 557	13 686
A.	Cash Flow from operating activities			
I.	Net profit (loss)		(5 989)	5 757
II.	Total adjustments		811	(20 176)
1.	Amortisation		2 120	2 151
2.	Foreign Exchange Differences Profit (Loss)		-	-
3.	Dividends and share in profits (dividends)		9 213	6 731
4.	Profit (Loss) on investments		(15 924)	(6 968)
5.	Changes in reserves		804	1 717
6.	Change in inventory		352	(31)
7.	Changes in receivables		(6 880)	(25 558)
8.	Change in short-term liabilities, with the exception of loans and credits		7 124	2 833
9.	Changes in accruals and prepayments		4 002	(1 051)
10.	Other adjustments		-	-
III.	Net cash flow from operations (I+/-II)		(5 178)	(14 419)
B.	Cash Flow from investment activities			
I.	Inflows		16 468	7 192
1.	Value of intangible and fixed assets sold		445	550
2.	Transfer of investments in real estate and intangible assets		-	-
3.	From financial assets, including:		16 023	6 642
a)	<i>in affiliates</i>		-	-
b)	<i>In other parties</i>		16 023	6 642
-	<i>transfer of financial assets</i>		15 924	6 493
-	<i>dividends and share in profits</i>		-	-
-	<i>repayment of granted long-term loans</i>		100	-
-	<i>interest</i>		-	148
-	<i>other receipts from financial assets</i>		-	-
4.	Other investment-related receipts		-	-
II.	Expenses		(541)	(1 039)
1.	Value of intangible and fixed assets purchased		(460)	(1 032)
2.	Investments in real estate and intangible assets		-	-
3.	On financial assets, including:		(81)	(7)
a)	<i>in affiliates</i>		(5)	-
b)	<i>In other parties</i>		(76)	(7)
-	<i>purchase of financial assets</i>		-	-
-	<i>long term loans granted</i>		(76)	(7)
4.	Other investment expenditure		-	-
III.	Net cash flow from investments (I-II)		15 928	6 152

C.	Cash Flow from financing activities		
I.	Inflows	27 366	16 035
1.	Net receipts from issue of shares (stocks) and other capital instruments and extra equity contributions	-	-
2.	Credits and loans	7 284	-
3.	Commercial papers issued	19 608	15 000
4.	Other financial receipts	474	1 034
II.	Expenses	(31 274)	(14 895)
1.	Purchase of own stock (shares)	-	-
2.	Dividends and other payments to owners	-	-
3.	Profit distribution expenses other than payments to owners	-	-
4.	Repayment of loans and credits	(6 694)	(1 200)
5.	Redemption of debt securities	(12 898)	(5 270)
6.	Under other financial liabilities	-	-
7.	Payments of liabilities under financial lease contracts	(2 426)	(2 141)
8.	Interest	(5 490)	(3 685)
9.	Other financial expenditure	(3 766)	(2 600)
III.	Net cash flow from financial activities (I-II)	(3 908)	1 139
D.	Total net cash flow (A.III+/- B.III+/-C.III)	6 842	(7 128)
E.	Balance sheet change in cash, including:	6 842	(7 129)
1.	Balance sheet cash change related to foreign exchange differences		
F.	Cash as at the beginning of period	6 557	13 686
G.	Closing cash (F+/-D), including:	13 399	6 557
	– cash with restricted possibility of disposal	-	-



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2.6. Changes in the capital and reserves

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (FUND)		For the period	
		from 01.01.2017 to 31.12.2017	from 01.01.2016 to 31.12.2016
I.	Equity at the beginning of the period (OB)	22 015	16 258
	- adjustment of basic errors	-	-
I.a.	Equity at the beginning of the period (OB), after adjustments of basic errors	22 015	16 258
1.	Share capital at the beginning of the period	4 000	4 000
1.1.	Changes in the stated capital	-	-
1.2.	Stated capital closing balance	4 000	4 000
4.	Supplementary capital at the beginning of the period	798	389
4.1.	Changes in the reserve capital (fund)	979	409
	a) increase (on account of)	979	409
	- from profit distribution	979	409
	b) decrease (on account of)	-	-
4.2.	Supplementary capital closing balance	1 777	798
6.	Other reserves at the beginning of the period	8 060	3 355
6.1.	Changes in other reserve capitals (fund)	5 578	4 705
	a) increase (on account of)	5 578	4 705
	- from profit distribution	5 578	4 705
	b) decrease (on account of)	-	-
6.2.	Other reserves at the end of the period	13 638	8 060
7.	Exchange difference	-	-
8.	Profit (Loss) carried over at the beginning of the period	3 400	65
8.1.	Profit from previous years at the beginning of the period	3 400	65
	- adjustment of basic errors	-	-
8.2.	Profit from previous years at the beginning of the period, after adjustments	3 400	65
	a) increase (on account of)	(800)	3 335
	b) decrease (on account of)	-	-
	- profit distribution	-	-
8.3.	Profit carried over closing balance	2 600	3 400
8.4.	Loss from previous years at the beginning of the period,	-	65
	- adjustment of basic errors	-	-
8.5.	Adjusted loss from previous years at the beginning of the period, after adjustments	-	65
	a) increase (on account of)	-	-
	- profit distribution	-	-
	b) decrease (on account of)	-	-
8.6.	Loss from previous years at the end of the period	-	-
8.7.	Profit (Loss) carried over at the end of the period	2 600	3 400
9.	Net result	(5 989)	5 757
	a) net profit	(5 989)	5 757
II.	Closing capital and reserves (closing balance)	16 026	22 015
III.	Capital and reserves after proposed distribution of profit (coverage of loss)	16 026	22 015



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2.7. Note 1. Change of intangible assets and fixed assets

No.	Fixed assets in the balance sheet structure by type	Status at the beginning of the year 2017	Amendments		Status at the end of the year 2017 (3+4-5)
			Increase	Reductions	
1	2	3	4	5	6
A. NET FIXED ASSETS					
I Intangible assets		100	-	-	83
a) initial value		253	58	-	311
Purchase		-	58	-	-
Revaluation		-	-	-	-
Internal displacement		-	-	-	-
Liquidation		-	-	-	-
Other		-	-	-	-
b) accumulated appreciation		153	75	-	228
Selling		-	-	-	-
Revaluations		-	-	-	-
Internal displacement		-	-	-	-
Depreciation		-	75	-	-
Liquidation		-	-	-	-
c) net value (a-b)		100	(17)	-	83
II Net tangible fixed assets					
1. Net fixed assets		7 988	-	-	6 035
1 Own land					
a) initial value		-	-	-	-
b) accumulated appreciation		-	-	-	-
c) net value (a-b)		-	-	-	-
2 Buildings, premises and land & water engineering facilities					
a) initial value		-	-	-	-
b) accumulated appreciation		-	-	-	-
c) net value (a-b)		-	-	-	-
3 Machinery and equipment					
a) initial value		633	85	-	718
Purchase		-	85	-	-
Revaluation		-	-	-	-
Internal displacement		-	-	-	-
Liquidation		-	-	-	-
Other		-	-	-	-
b) accumulated appreciation		439	142	-	581
Selling		-	-	-	-
Revaluations		-	-	-	-
Internal displacement		-	-	-	-
Depreciation		-	142	-	-
Liquidation		-	-	-	-
c) net value (a-b)		194	-	-	137

4	Means of transport				
	a) initial value	7 721	456	1 344	6 833
	Purchase	-	456	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-	-	-
	Liquidation	-	-	1 344	-
	Other - sales	-	-	-	-
	b) accumulated appreciation	2 302	1 513	805	3 011
	Selling	-	-	-	-
	Revaluations	-	-	-	-
	Internal displacement	-	-	-	-
	Depreciation	-	1 513	-	-
	Liquidation	-	-	805	-
	c) net value (a-b)	5 419	-	-	3 823
5	Other fixed assets				
	a) initial value	3 140	117	56	3 200
	Purchase	-	117	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-	-	-
	Liquidation	-	-	56	-
	Other	-	-	-	-
	b) accumulated appreciation	765	373	13	1 125
	Selling	-	-	-	-
	Revaluations	-	-	-	-
	Internal displacement	-	-	-	-
	Depreciation	-	373	-	-
	Liquidation	-	-	13	-
	c) net value (a-b)	2 375	-	-	2 075
2.	Fixed assets under construction, including capitalised interest and exchange rate differences	-	422	342	80

2.8. Note 2. Change of goodwill on consolidation

No.	Fixed assets in the balance sheet structure by type	Status at the beginning of the year 2017	Amendments		Status at the end of the year 2017 (3+4-5)
			Increase	Reductions	
1	2	3	4	5	6
A.	GOODWILL ON CONSOLIDATION	64	-	-	47
I	Goodwill of KOMTOD				
	a) initial value	85	-	-	85
	Business combination	-	-	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-	-	-
	Liquidation	-	-	-	-
	Other	-	-	-	-
	b) accumulated appreciation	21	17	-	38
	Selling	-	-	-	-
	Revaluations	-	-	-	-
	Internal displacement	-	-	-	-
	Depreciation	-	17	-	-
	Liquidation	-	-	-	-
	c) net value (a-b)	64	(17)	-	47

2.9. Note 3. Additional information to the cash flow statement

No.	Specification	31.12.2017	31.12.2016
1.	Cash at hand	0	80
2.	Cash in the bank accounts, including:	13 399	6 460
	- current account	13 399	6 460
	- deposit accounts	-	-
3.	Other cash	-	14
4.	other cash equivalents	-	2
TOTAL		13 399	6 557

2.10. Note 4. Sales revenue

Revenues from sales of products, goods and materials - material structure

No.	Specification	01.01.2017	01.01.2016
		31.12.2017	31.12.2016
1.	Net proceeds from the sale of products (titles)	95 240	73 471
1.1	- products	-	-
1.2	- services	95 240	73 471
2.	Net proceeds from sales of commodities and materials	236	876
2.1	- goods	236	876
2.2	- materials	-	-
TOTAL		95 476	74 347

Revenues from sales of products, goods and materials - territorial structure

No.	Specification	01.01.2017	01.01.2016
		31.12.2017	31.12.2016
1.	Net proceeds from the sale of products	95 240	73 471
1.1	- country	95 240	73 471
1.2	- export	-	-
2.	Net proceeds from sales of commodities and materials	236	876
TOTAL		95 476	74 347

2.11. Note 5. Other revenue and cost of operation

Other operating income	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Debt collection revenues	160	2 017
Revenues from subsidies	-	7
Profit from fixed assets sales	70	489
Revenues from the release of provisions for jubilee awards	62	-
Revenues from loan portfolio management services	74	565
Other revenues (including compensation, insurance premium refund, release of other provisions)	310	339
Total other operating revenue	676	3 418
Other operating cost	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Cost of specific provisions and write-downs	3 704	1 669
Cost of court and debt collection fees	120	117
Costs of commission for written and cancelled loans	84	101
Other costs	291	177
Other operating costs, in total	4 199	2 064

2.12. Note 6. Financial revenue and cost

Financial income	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Revenues from sale of shares in companies	-	2 693
Selling price	-	2 693
Revenues from the sale of receivables	15 924	3 800
Revenues from the exchange rate differences	272	6 641
Interest revenues from bank current accounts and deposits	64	148
Financial revenue in total	16 260	6 641
Finance costs	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Receivables under capital of loans granted and commissions that were sold by CSSA or transferred in the form of a contribution to Companies whose shares were sold by CSSA	8 411	16 730
	3 238	-
Costs due to price adjustments and repayable assignments made on security loan portfolios sold to investment funds		
Writing-off bad debts	33 376	-
Costs of commissions for financial entities	2 372	2 335
Costs of interest for financial entities	1 849	368
Costs of interest - securities	3 453	3 459
Costs of commissions for banks	276	217
Costs of interest for banks	25	49
Costs of commission and interest of the P2P platform	360	-
Negative exchange rate differences	279	-
Other financial costs	12	36
Total finance costs	53 651	23 195

2.13. Note 7. Leasing obligations

Leasing obligations	31.12.2017	31.12.2016
- up to 1 year	2 324	3 099
- more than 1 to 3 years	197	1 539
- more than 3 to 5 years	-	-
- more than 5 years	-	-
Total	2 521	4 638

2.14. Note 8. Ownership structure of share capital as at 31 December 2017 and 31 December 2016

31.12.2017

	Number of shares	Nominal share value	Share in basic capital
Kazimierz Dziełak	3 700	3 700	92,50%
Others	300	300	7,50%
Total basic capital	4 000	4 000	100,00%

31.12.2016

	Number of shares	Nominal share value	Share in basic capital
Kazimierz Dziełak	3 820	3 820	95,50%
Others	180	180	4,50%
Total basic capital	4 000	4 000	100,00%

2.15. Note 9. Change in write-downs of receivables

No.	Impairment write-downs	01.01.2017	Increase	Amendments		31.12.2017 (3+4-5)
				Used	Terminated	
1.	Receivables of loan portfolio	5 731	29 046	471	26 854	7 452
2.	Receivables pursued in court	442	8	11	-	439
3.	Receivables from loans granted to business entities	-	1 430	-	-	1 430
Total		6 173	30 484	482	26 854	9 321

2.16. Note 10. Change in provisions by their creation

No.	Reserves - titles	01.01.2017	Increase	Amendments		31.12.2017 (3+4-5)
				Used	Terminated	
1.	Retirement bonuses	103	24	-	-	126
2.	Other employee benefits	745	-	-	72	673
3.	The disputed case with the State Administration Authority	276	-	-	-	276
4.	Commission liability	-	-	-	-	-
5.	Costs of accounting audit	21	70	20	-	70
6.	Provision for deferred income tax	2 514	803	-	-	3 317
7.	Other provisions	-	-	-	-	-
Total		3 658	897	20	72	4 462

2.17. Note 11. Distribution of liabilities in accordance with balance sheet items as at the balance sheet date, provided by the repayment term agreement

No. Specification:	31.12.2017	31.12.2016
1. Credits and loans	2 040	1 450
Up to 1 year	2 040	1 450
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
2. Leasing obligations	2 521	4 638
Up to 1 year	2 324	3 099
More than 1 to 3 years	197	1 539
More than 3 to 5 years	-	-
Above 5 years	-	-
3. Due to debt securities issues	45 568	38 901
Up to 1 year	11 209	9 412
More than 1 to 3 years	34 359	29 489
More than 3 to 5 years	-	-
Above 5 years	-	-
4. Supplies and services	1 866	836
Up to 1 year	1 866	836
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
5. Taxes	1 443	1 644
Up to 1 year	1 443	1 644
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
6. National insurance	1 214	1 872
Up to 1 year	1 214	1 872
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
7. Remuneration	1 387	1 852
Up to 1 year	1 387	1 852
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
8. Other liabilities	8 690	908
Up to 1 year	8 690	908
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
Total	64 729	52 101

2.18. Note 12. List of prepaid material items and accruals

No.	Specification	Amount as of:		Amount as of:	
		01.01.2017	31.12.2017	01.01.2016	31.12.2016
1	Total accrued liabilities, including:	1 596	1 467	190	1 596
	Costs incurred due to property and personal insurance	38	26	69	38
	Adjustment of costs settled over time	1 358	1 117	-	1 358
	Costs incurred due to commission for: loans and credit guarantees initiated	13	30	29	13
	Interest costs in financial leasing	-	-	4	-
	Other deferred expenditure	187	293	88	187
2	Total accrued liabilities	-	-	-	-
3	Total revenue prepayments, including:	1 416	1 906	61	1 416
	Revenues reserved for debt collection	(12)	(62)	54	(12)
	Deferred income	830	1 942	7	830
	Other outstanding costs	599	26	334	599

2.19. Note 13. Expenditures for non-financed fixed assets incurred in 2017 and planned for 2018

Incurred and forecast expenditures on non-financed fixed assets	01.01.2018	31.12.2018	01.01.2017	31.12.2017
Expenditure related to the adaptation and modernisation of the company's premises		500		392
Maintenance and development of the car fleet (leasing instalments, initial fees, interest, repair costs). Car purchases are financed by leasing. Lease agreements are concluded for a period of 3 years.		2 040		3 769
Including expenditures on environmental protection		-		-
Total other expenditures on non-financed fixed assets		2 540		4 161

2.20. Note 14. Settlement of the main positions differing the taxation base for the income tax from the gross financial result (PLN '000)

No.	Specification	2017	2016
	GROSS RESULT OF THE CAPITAL GROUP	114	8 450
	-tax-free revenues	(980)	(6 366)
	- revenues that increase the basis for taxation	(3 495)	-
	- non-deductible costs	24 924	10 017
	-costs that reduce the basis for taxation	(7 327)	(2)
	- deduction of loss from previous years	(702)	(24)
	- gross result of an entity that is not a tax payer	(1 615)	-
	- consolidation adjustments without affecting the current tax	(873)	(884)
	THE BASIS OF TAXATION BY INCOME TAX	10 046	11 192

2.21. Note 15. Average permanent employment in the financial year, in professional groups

No.	Specification	The average number of employees in 2017	The average number of employees in 2016
1.	White-collar employees	433,02	406,40
2.	Blue-collar employees	3	2
3.	Other employees	0	-
	Total	436,02	408,40

2.22. Note 16. Average remuneration in the financial year, in professional groups

No.	Personnel costs of Management Board Members	2017
1.	Remuneration	596
2.	Salary overhead	-
	Total	596

No.	Personnel costs of Management Board Members	2016
1.	Remuneration	-
2.	Salary overhead	-
	Total	-

No.	Personnel costs of Supervisory Board Members	2017
1.	Remuneration	50
2.	Salary overhead	6
	Total	56

No.	Personnel costs of Supervisory Board Members	2016
1.	Remuneration	51
2.	Salary overhead	8
	Total	59

2.23. Note 17 Information on the remuneration of a statutory auditor or an entity authorized to audit financial statements, paid or due for the year ended 31 December 2017, by type of service

No.	Type of service	2017
1.	Obligatory audit of the annual financial statement	49
2.	Other services	21
	Total	71

No.	Type of service	2016
1.	Obligatory audit of the annual financial statement	61
2.	Other services	25
	Total	86

2.24. Note 18. Ownership structure of fixed assets - according to net value

No.	Specification	01.01.2017	31.12.2017
1.	Own fixed assets	2 643	2 249
2.	Fixed assets used on the basis of rental, lease and other agreements, including leasing agreements	5 345	3 786
3.	The value of non-depreciable or non-amortised fixed assets used by the entity, used under land leases, tenancy and other agreements, including lease agreements	-	-
	Fixed assets in total in the balance records	7 988	6 035

2.25. Note 19. List of liabilities secured on the assets

No.	Type of liability	Value of liability	Type of property	Value of secured property
1	G series bonds, investment fund	11 000	Registered pledge on a set of current and future receivables due to the Issuer under cash loans and a registered pledge on the set of current and future receivables due to the Pledger 2 ("Money Logo" Spółka z o.o.) under cash loans.	Each pledge established to the highest security amount of PLN 18 000 000.00.
2	H series bonds, investment fund	15 000	Registered pledge on a set of current and future receivables due to the Issuer under cash loans and a registered pledge on the set of current and future receivables due to the Pledger 2 ("Money Logo" Spółka z o.o.) under cash loans.	Each pledge established to the highest security amount of PLN 18 000 000.00.
3	I series bonds, investment fund	20 000	Registered pledge including current and future receivables under cash loans granted between 26 June 2017 and 31 December 2017 within the framework of CAPITAL SERVICE S.A.'s business activity to natural persons and which are loans in accordance with the agreements on the basis of which they will be granted, should be repaid to the escrow bank account, which is a set of rights, constituting a whole economic unit, even if its composition was variable within the meaning of Art. 7(2)(3) of the Act on the Registered Pledge.	Registered pledge established to the highest security amount of PLN 30 000 000.00.

2.26. Note 20. A list of contingent liabilities, including also guarantees and sureties granted by the entity, also promissory notes

Type of liability	Creditor	Value of liability
TO RELATED ENTITIES		
TO OTHER ENTITIES		
G SERIES BONDS: Registered pledge on receivables under cash loans granted or to be granted by CAPITAL SERVICE S.A. as part of its business activity; pledge on receivables arising from the bank account agreement concluded by CAPITAL SERVICE S.A.	Bondholders of G series bonds Administrator Zastawu Dubieński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	Each registered pledge established to the highest security amount of PLN 18 000 000.00.
H SERIES BONDS: Registered pledge on receivables under cash loans granted or to be granted by CAPITAL SERVICE S.A. as part of its business activity; pledge on receivables arising from the bank account agreement concluded by CAPITAL SERVICE S.A.	Bondholders of H series bonds Administrator Zastawu Dubieński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	Each registered pledge established to the highest security amount of PLN 18 000 000.00.
I SERIES BONDS: Registered pledge including current and future receivables under cash loans granted between 26 June 2017 and 31 December 2017 within the framework of CAPITAL SERVICE S.A.'s business activity to natural persons and which are loans in accordance with the agreements on the basis of which they will be granted, should be repaid to the escrow bank account, which is a set of rights, constituting a whole economic unit, even if its composition was variable within the meaning of Art. 7(2)(3) of the Act on the Registered Pledge.	Bondholders of the series I bonds Administrator Zastawu Dubieński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	Registered pledge established to the highest security amount of PLN 30 000 000.00.
Registered pledge, which includes receivables arising from the escrow conditional account agreement	Bondholders of the series I bonds Administrator Zastawu Dubieński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	Registered pledge established to the highest security amount of PLN 30 000 000.00.
Escrow conditional account, which collects all amounts paid for the purpose of satisfying claims under CSSA's cash loans in the period from 26.06.2017 - 31.12.2017 as part of CSSA's business activity	Bondholders of the series I bonds Administrator Zabezpieczenia Dubieński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	The balance of cash on the ESCROW account as at 31 December 2017 is PLN 4 691 757.53.

Framework cooperation agreement of 09.02.2016.Cases constituting the reason for the inability to claim receivables	EQUES DEBITUM Closed Investment Fund. Non-standardised Securitisation Fund	The price of a given receivable reduced by the payments received for a given receivable.
Receivables assignment agreement from 10.08.2015. – (RECUP sp. z o. o.)Cases constituting the reason for the inability to claim receivables	easyDEBT Closed Non-standardised Securitisation Investment Fund	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser. The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in para. 3(1) of the agreement and the proportion of the nominal value of a given receivable to the total nominal value of all Claims acquired under the agreement.
Receivables assignment agreement from 28.10.2015. – (RECUPERABIT sp. z o. o.)Cases constituting the reason for the inability to claim receivables	easyDEBT Closed Non-standardised Securitisation Investment Fund	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser. The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in the agreement and the proportion of the nominal value of the receivable to the total nominal value of all Receivables purchased under the agreement.
Receivables assignment agreement from 4.07.2016 - SVEA Ekonomi Cyprus Limited Cases constituting the reason for the inability to claim receivables	SVEA Ekonomi Cyprus Limited	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser.The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in the agreement and the proportion of the nominal value of the receivable to the total nominal value of all Receivables purchased under the agreement.
Receivables assignment agreement from 31.10.2015. Cases constituting the reason for the inability to claim the receivables	Marta Dzielak running a business activity as SEMPRE Marta Dzielak	The Legal Predecessor (CAPITAL SERVICE) will be obliged to pay to the Purchaser an amount equal to the whole or part of the price in relation to the Receivable applicable to the circumstances indicated in this paragraph, in proportion to the relation of the Receivable to the total amount of the Receivables.
Receivables assignment agreement from 08.12.2015. Cases constituting the reason for the inability to claim receivables	MONEY LOGO sp. z o. o.	The Legal Predecessor (CAPITAL SERVICE) will be obliged to pay to the Purchaser an amount equal to the whole or part of the price in relation to the Receivable applicable to the circumstances indicated in this paragraph, in proportion to the relation of the Receivable to the total amount of the Receivables.

Receivables assignment agreement from 19.04.2016. Cases constituting the reason for the inability to claim receivables	Lindorff S.A.	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser. The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in the agreement and the proportion of the nominal value of the receivable to the total nominal value of all Receivables purchased under the agreement.
Receivables assignment agreement from 28.12.2016. Cases constituting the reason for the inability to claim receivables	ULTIMO Closed Non-standardised Securitisation Investment Fund	An amount equal to the part or the whole of the price paid, including the amount of capital, commissions and fees, interest, debt collection fees and interest for delay, or the amount equal to the part of the value of given receivable, which can not be claimed.
Receivables assignment agreement from 08.09.2017 Cases constituting the reason for the inability to claim the receivables	GetPro Closed Non-standardised Securitisation Investment Fund	The amount being part of the price paid for the receivable in proportion to the relation of the receivable to the total amount of the receivables being the subject of the transfer.
Receivables assignment agreement from 29.09.2017 Cases constituting the reason for the inability to claim the receivables	Pprokura Closed Non-standardised Securitisation Investment Fund	The amount being part of the price paid for the receivable in proportion to the value of the receivable in question to the total amount of the value of the receivables being the subject of the transfer.
Receivables assignment agreement from 30.11.2017 Cases constituting the reason for the inability to claim the receivables	JBS REG S.A.	The amount being part of the price paid for the receivable in proportion to the relation of the receivable in question or part of this receivable to the total amount of the value of the receivables being the subject of the transfer.
Trial period cooperation agreement (10.03.2017) Case requiring the use of the buyback procedure	AS MINTOS Marketplace	An amount equal to the whole receivable on the platform.
Receivables assignment agreements from 18.12.2017 and 28.12.2017 (parties to the agreement: CS1 FIZ NFS-CSSA) Cases constituting the reason for the inability to claim receivables The surety agreement from 18.12.2017 (agreement parties: CS1 FIZ NFS - CSSA - EQUES Michael Strom Creditum FIZ NFS)	EQUES Michael Strom Creditum FIZ NFS EQUES Michael Strom Creditum FIZ NFS	The amount constituting the price of a particular receivable, which is the subject of a repayable transfer, less the payments received for a given receivable. If the case when final loss ratio settlement made in accordance with the provisions of the framework agreement between CS1 FIZ NFS and EQUES Michael Strom Creditum FIZ NFS will result in the liability arising on the part of CS1 FIZ NFS and CS1 FIZ NFS will not settle this obligation on a specified date, Capital Service S.A., as guarantor undertakes to pay to EQUES Michael Strom Creditum FIZ NFS the outstanding sum of money corresponding to CS1 FIZ NFS liability value.

2.27. Note 21. Information on significant transactions with the related entities concluded by the entity on terms other than market terms

No.	Type of entity	Receivables	Liabilities	Revenues	Costs
		As at 31 December 2017		from 01 December 2017 to 31 December 2017	
1.	A person who is a member of the management, supervisory or administrative authority of an entity or an entity related to it	-	1 000	-	568
2.	A person who is a spouse or a person who is actually living together, a relative up to the second degree, adopted or adopting, a person related by the custody or guardianship in with any person who is a member of the management, supervisory or administrative authority or an entity related to it	-	550	-	1 800
3.	A controlled entity, jointly controlled entity or another entity which is significantly affected or holds a significant number of votes in it, directly or indirectly the person referred to in the first or second line of this table	-	-	-	-
4.	An entity implementing a post-employment benefit plan, directed to employees of an entity or other entity that is an entity in relation to that entity	-	-	-	-

Information on advances, loans, and similar benefits granted to persons who are members of the managing, supervising and administrative authorities of the entities

Specification	Receivables as at 31.12.2017
- loans and credits	-
- retainer fee	-
Total	-

Additional information is complete and points in Appendix 1 and 6 to the Regulation of the Ministry of Finance on detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies did not occur in the current and comparative year.



Adam Kuszyk

President of the Management Board



Kazimierz Dzielak

Vice President of the Management Board



Łukasz Jędrzejczyk

Member of the Management Board



Agnieszka Przybyt

Person responsible for preparing the statements

III. INFORMATION ABOUT THE STRUCTURE OF SHAREHOLDING WITH THE INDICATION OF SHAREHOLDERS HOLDING AT LEAST 5% OF VOTES AT THE GENERAL MEETING, AS AT THE DAY OF PREPARATION OF THE REPORT

The following structure of the Shareholding is based on data held by CAPITAL SERVICE S.A. as at the date of the Report:

28 June 2018

	Number of shares (in thousands of items)	Nominal value of shares (in k PLN)	Share in initial capital
Kazimierz Dziełak	3 700	3 700	92,50%
Adam Kuszyk	300	300	7,50%
Share capital, total	4 000	4 000	100,00%

IV. INFORMATION CONCERNING THE NUMBER OF PERSONS EMPLOYED BY CAPITAL SERVICE S.A. ON A FULL-TIME BASIS

As at 31 December 2017, the number of people employed in the CAPITAL SERVICE S.A. Group on a full-time basis was 435.



Adam Kuszyk
President of the Management Board



Kazimierz Dziełak
Vice President of the Management Board



Łukasz Jędrzejczyk
Member of the Management Board

Ostrołęka, 28 June 2018.

V. DECLARATIONS OF THE MANAGEMENT BOARD

We, the undersigned, members of the CAPITAL SERVICE S.A. Management Board, declare that to the best of our knowledge, the Annual Report for 2017 and comparable data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear manner the property and financial position of the Company and its financial result.

We also declare that this Annual Report contains a true picture of the development and achievements of the CAPITAL SERVICE Group, including a description of the main threats and risks.

We also declare that the entity authorized to audit financial statements, auditing the annual Financial Statements, has been selected in accordance with the law provisions. This entity and statutory auditors who audited this Report met the conditions for expressing an impartial and independent opinion on the audited Annual Financial Statements, in accordance with the applicable regulations and professional standards.



Adam Kuszyk
President of the Management Board



Kazimierz Dzięta
Vice President of the Management Board



Łukasz Jędrzejczyk
Member of the Management Board

Ostrołęka, 28 June 2018.

VI. CURRENT OPINION AND REPORT OF THE AUDITOR

The opinion and reports of the entity authorized to audit financial statements from the audit of the Annual financial statements constitute a separate document (appendix), which is an integral part of this Report.