

**KDPW ANNUAL REPORT
FOR 2018**

www.kdpw.eu

KEY INFORMATION ABOUT KDPW

1.1 Core Business

According to the applicable legislation and its Statute, Krajowy Depozyt Papierów Wartościowych (KDPW, The Central Securities Depository of Poland) is responsible for the **settlement of transactions** on the regulated market and in alternative trading systems (ATS), the **operation of a central securities depository, the provision of a range of services to issuers**, including intermediation in the payment of dividends to shareholders, assimilation, exchange, conversion and split of shares, execution of subscription rights, performance of tasks relating to the **administration of the Guarantee Fund, the operation and management of a compensation scheme, monitoring the number of securities issued against the number of securities in trading**, Trade Repository services including the **maintenance of derivatives trade details**, ARM services including the **reporting of trade details to the supervision authority**, as well as numbering agency services including the **issuance of unique identifiers to securities and legal entities**.

Under the applicable legislation and the Statute of Krajowy Depozyt Papierów Wartościowych, the core business of the company in 2018 included:

- management of a securities depository, or other securities registration systems,
- initial recording of securities in a securities depository,
- management of depository accounts, omnibus securities accounts and securities accounts at the highest registry level,
- management of securities clearing systems,
- assisting in the processing of corporate actions,
- providing services for new issues, including assigning ISIN codes and other similar codes (CFI, FISN), as well as the management of these codes,
- establishing and maintaining operational links with other central securities depositories,
- collecting and storing data relating to trades in financial instruments, as well as data relating to these instruments (trade repository),
- operating an Approved Reporting Mechanism (ARM),
- assigning Legal Entity Identifier (LEI) codes,



KEY INFORMATION ABOUT KDPW

1.1 Core Business



- management of the Guarantee Fund, described in the provisions of Act on the Organisation and Operation of Pension Funds,
- clearing of transfer payments between open-ended pension funds,
- management of the mandatory investor compensation scheme described in the Act on Trading in Financial Instruments,
- promotional and educational activities relating to capital markets,
- provision of other non-banking ancillary services, which may be provided by central securities depositories, in accordance with legal provisions currently in force.

KEY INFORMATION ABOUT KDPW

1.2 Legal basis of KDPW's activity

The legal basis of the activity of KDPW in 2018 included legal acts which govern the procedures of conducting the operating activity:

- Act of 29 July 2005 on Trading in Financial Instruments;
- Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies;
- Act of 29 July 2005 on Capital Market Supervision;
- Act of 24 August 2001 on the finality of settlement in payment systems and securities settlement systems and on the terms of supervision over such systems;
- Act of 28 August 1997 on Organisation and Operation of Pension Funds;
- Regulation of the Council of Ministers of 28 January 2014 concerning the Guarantee Fund;
- Act of 15 September 2000 – Commercial Companies Code;
- Regulation (EU) 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR);
- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, EU Official Journal L 201 of 27.7.2012, p. 1, as amended (EMIR), and the regulatory technical standards issued under the Regulation;
- KDPW Rules and the Detailed Rules of Operation of KDPW issued under the KDPW Rules;
- Registration Procedures of KDPW;
- Rules of the Trade Repository;
- ARM Rules;
- Rules of Registration and Maintenance of Legal Entity Identifiers by KDPW;
- Rules of Operation of the Compensation Scheme;
- Rules of Transfer Payments between Open-ended Pension Funds;
- Rules of the Information Exchange System.

KEY INFORMATION ABOUT KDPW

1.2 Legal basis of KDPW's activity

Corporate laws and regulations:

- Act on Trading in Financial Instruments.
- Commercial Companies Code.
- CSDR.
- Act of 16 December 2016 on Management of State Property.
- Statute of KDPW.
- Rules of the General Meeting of KDPW.
- Rules of the Supervisory Board of KDPW.
- Rules of the Management Board of KDPW.
- Organisational Rules of KDPW.
- other internal regulations adopted by the Company including the conflict of interest prevention and management policy, the compliance policy, the risk management policy, the audit and control policy.

KEY INFORMATION ABOUT KDPW

1.3 KDPW Group

The Krajowy Depozyt Papierów Wartościowych S.A. Group (KDPW Group), of which Krajowy Depozyt Papierów Wartościowych S.A. is the parent entity, is comprised of **Krajowy Depozyt Papierów Wartościowych S.A.** (The Central Securities Depository of Poland, KDPW) and **KDPW_CCP S.A.** (KDPW_CCP, clearing house KDPW_CCP). KDPW holds **100%** of KDPW_CCP.

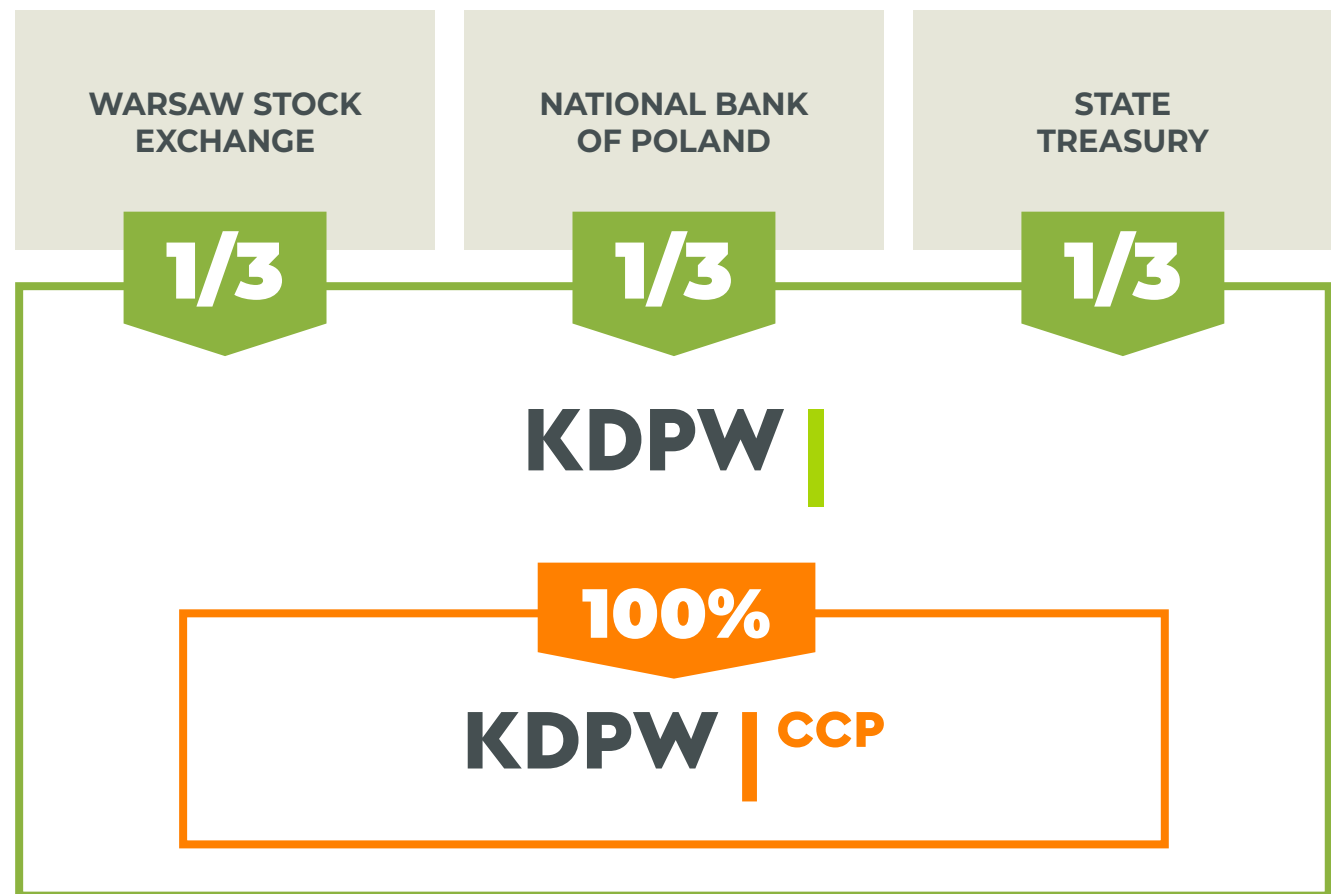


Fig. 1. Ownership structure of the KDPW Group

KEY INFORMATION ABOUT KDPW

1.4 Corporate bodies

The Company's corporate bodies are the General Meeting, the Supervisory Board, and the Management Board.

General Meeting

The shareholders of KDPW are in equal parts: the State Treasury, the National Bank of Poland and the Warsaw Stock Exchange.

Supervisory Board

In 2018, the Supervisory Board of KDPW was comprised of:

- **Adrian Kalisz** - Chairperson
- **Dorota Szymanek** - Deputy Chairperson
- **Kamila Sukiennik**
- **Konrad Raczkowski**
- **Tomasz Walkiewicz**
- **Paweł Górecki** (resigned on 5 August 2018)
- **Piotr Jaworski** (elected by the Extraordinary General Meeting on 9 August 2018, resigned on 14 February 2019)

KEY INFORMATION ABOUT KDPW

1.4 Corporate bodies

Management Board / In 2018, the Management Board of KDPW was comprised of:



Maciej Trybuchowski

President of the Management Board



dr Paweł Górecki

Vice-President of the Management Board



Sławomir Panasiuk

Vice-President of the Management Board



Michał Stępniewski

Vice-President of the Management Board

KDPW OPERATIONS IN 2018

2.1 Number of direct participants and issuers of securities

In the participation type of Issuer, KDPW signed agreements with 38 entities, including 36 domestic entities and 2 foreign entities.

In addition, **5 domestic issuers changed the country of establishment** and became foreign issuers and **1 foreign issuer changed the country of establishment** and became a domestic issuer.

In 2018, **participation agreements were terminated with 31 issuers** of securities (domestic issuers).

In 2018, **3 new institutions** became direct participants of the depository system and the **participation of 3 institutions expired**.

Structure of direct participants (2018):

Participation type	Number of institutions	Change vs. 2017
Broker	31	no change
Custodian	13	no change
Foreign CSD	2	1
CCP (central counterparty)	1	no change
Other, including securities account holder	36	-1
Total	83	no change

KDPW OPERATIONS IN 2018

2.1 Number of direct participants and issuers of securities

Number of participants with the participation type of Issuer (2018)

Country of establishment	Number of entities	Change vs. 2017
Domestic	1085	1
Foreign	83	6
Total	1168	7

2.2 Number of entity/settlement accounts

Number of accounts (2018)

Account type	Number
Participant's proprietary accounts, including securities accounts	218
Accounts of KDPW participants' clients	15 166
Omnibus accounts	11

KDPW OPERATIONS IN 2018

2.3 Settlement of transactions in the depository system

In 2018, in the processing of settlements in the depository system, KDPW performed **7,852,975 settlement transactions**.

Settlement transactions (2018)

Transaction type	Number of transactions	Number of transactions - change 2018/2017 (%)	Settlement amount* (PLN B)	Settlement amount - change 2018/2017 (%)
Organised market transactions	6 831 574	-19,6	740,56	-20,1
DvP post-trade settlement	510 360	-4,7	266,70	-16,2
FoP post-trade settlement	55 014	-8,0	0,00	-
DvP OTC transactions	242 889	2,2	10 123,03	3,7
FoP OTC transactions	110 446	7,0	0,00	-
Primary market	6 693	-79,8	71,48	-11,6
Other	95 999	4,6	0,00	-
Total:	7 852 975	-17,8	11 201,77	1,0

* settlement amounts in foreign currencies have been converted to PLN

It should be noted that, for transactions on the organised market covered by the clearing guarantee system operated by KDPW_CCP, KDPW_CCP participants may use the functionality of securities netting, which means that the number of settlement instructions sent to the depository system is significantly lower than the number of transactions concluded on the market.

KDPW OPERATIONS IN 2018

2.4 Capitalisation of registered financial instruments

The value of securities registered in the depository system (capitalisation) in 2018 was **PLN 1.3 trillion**:

Capitalisation of registered financial instruments

Instrument type	Capitalisation at 2017 YE (PLN B)	Capitalisation at 2018 YE (PLN B)	Change 2018/2017 (%)
Shares	663.45	574.39	-13.42
Treasury bonds	669.07	694.89	3.86
Other debt securities	88.45	83.49	-5.61
Other securities	3.40	2.10	-38.26
Total:	1 424.37	1 354.86	-4.88

KDPW OPERATIONS IN 2018

2.5 Processing of securities for which KDPW is the home depository (domestic issuers)

In 2018, KDPW **registered the following securities:**

Instrument type	Number of operations	Change 2018/2017 (%)
Shares	136	-24.9
Rights to shares (PDA)	8	-60.0
Subscription rights (JPP)	8	-55.6
Treasury bonds	88	6.0
Other bonds	115	-42.8
Covered bonds	9	no change
Bank securities	32	966.7
Investment certificates	17	-43.3
Rights to new issue shares (PNE) allocated on the exchange	4	-71.4

In the processing of issuers' obligations to holders of securities, KDPW performed the following **operations related to cash payments:**

Operation type	Number of operations
Payment of dividends and advance dividends	272
Payment of income from closed-ended investment funds without redemption of investment certificates	4
Redemption of Treasury bonds	4
Payment of interest on Treasury bonds	40
Redemption of other debt securities	146
Payment of interest on other debt securities	1651
Repayment of a part of the nominal amount of debt securities	46
Payment of premiums	22
Partial early redemption of bonds	54
Redemption of investment certificates	154
Cancellation of investment certificates on liquidation of a fund	2

KDPW OPERATIONS IN 2018

2.5 Processing of securities for which KDPW is the home depository (domestic issuers)

Other corporate actions performed by KDPW for holders of securities, unrelated to cash payments to KDPW participants:

Operation type	Number of corporate actions
Increase of share capital with subscription rights	9
Transmission of the data of shareholders registered for a general meeting	1304

In the operation of the securities repository, KDPW performed the following **corporate actions on request of issuers**:

Operation type	Number of operations
Reverse split of shares	9
Exchange (split) of securities	4
Change of the nominal amount of shares	7
Assimilation	9
Conversion of shares	2
Allotment of shares on a split of a public company	2
Cancellation of securities (including Treasury bonds)	55
Deregistration of bonds upon the issuer's execution of payments in the redemption of bonds on maturity without intermediation of KDPW	2
Deregistration of financial instruments in KDPW	43

In the processing of mandatory redemptions of shares, KDPW processed 17 such corporate actions in 2018.

KDPW OPERATIONS IN 2018

2.6 Processing of securities for which KDPW is the home depository (foreign issuers)

In 2018, KDPW **registered the following securities:**

Instrument type	Number of operations (series)	Change 2018/2017 (%)
Shares	2	-60.00
Bonds	1	no change
Structured certificates	194	-38.80

In the operation of the securities repository, KDPW performed the following **corporate actions on request of issuers:**

Operation type	Number of operations
Exchange (split) of securities	1
Change of the nominal value	1

KDPW OPERATIONS IN 2018

2.6 Processing of securities for which KDPW is the home depository (foreign issuers)

In the processing of issuers' obligations to holders of securities, KDPW performed the following operations related to cash payments:

Operation type	Currency of payment	Number of operations
Payment of dividends	PLN	3
	EUR	2
	USD	3
Redemption of bonds	PLN	5
	EUR	1
Payment of interest on bonds	PLN	34
	EUR	2
Payment of interest on structured certificates	PLN	1
Partial repayment of the nominal amount	PLN	1
Payment of premiums	PLN	1
Redemption of structured certificates	PLN	254

KDPW OPERATIONS IN 2018

2.7 Co-operation with foreign depositories and processing of securities for which KDPW is the investor's depository

As at 2018 year-end, KDPW had direct operational links with the following foreign depository institutions:

- Oesterreichische Kontrollbank – OeKB (Austria)
- Clearstream Banking Luxembourg – CBL (Luxembourg)
- Központi Elszámolóház és Értéktár Rt. – KELER (Hungary)
- Euroclear Bank – (Belgium)
- NASDAQ CSD SE – (Lithuania, Estonia)
- KDD Central Securities Clearing Corporation – (Slovenia)

Via Euroclear Bank, Clearstream Banking Luxembourg and UniCredit BulBank, KDPW had operational links with the following foreign depository institutions:

I. Euroclear Bank:

- Euroclear UK & Ireland
- Euroclear France
- Euroclear Sweden
- Euroclear Nederland
- Iberclear Spain

II. Clearstream Banking Luxembourg:

- Clearstream Banking Frankfurt – (Germany)
- Monte Tittoli – (Italy)
- CDCP – (Czech Republic)
- Euroclear France – (France)
- Centralny Depozitar Cennych Papierov SR AS – CDCP (Slovakia)
- ASX – (Australia)
- DTC (USA)

III. UniCredit BulBank:

- Central Depository AD – CDAD (Bulgaria).

Securities of **58 foreign issuers** were processed via these links in 2018.

KDPW OPERATIONS IN 2018

2.7 Co-operation with foreign depositories and processing of securities for which KDPW is the investor's depository

In 2018, KDPW performed **2,646 cross-border transfers** related to securities registered in foreign securities depositories.

In the processing of securities registered via KDPW's operational links with other CSDs, the following operations were performed:

Registration of securities:

Instrument type	Number of operations (series)
Shares	6
Subscription rights (JPP)	3
Bonds, including EUR Treasury bonds	6
Structured certificates	285
EUR covered bonds	1

In the processing of issuers' obligations to holders of securities, KDPW performed the following **operations related to cash payments**:

Operation type	Currency of payment	Number of operations
Payment of dividends	EUR	19
	CZK	2
	GBP	2
	HUF	1
Payment of interest on bonds	PLN	5
Payment of interest on EUR Treasury bonds and covered bonds	EUR	10
Redemption of bonds	PLN	1
Payment of interest on certificates	PLN	18
Redemption of structured certificates	PLN	46

KDPW OPERATIONS IN 2018

2.7 Co-operation with foreign depositories and processing of securities for which KDPW is the investor's depository

Other corporate actions performed by KDPW for holders of securities, unrelated to cash payments to KDPW participants:

Operation type	Number of corporate actions
Increase of share capital with subscription rights	3
Transmission of voting instructions and the data of shareholders registered for a general meeting	7

In the operation of the securities repository, KDPW performed the following **corporate actions on request of issuers**:

Operation type	Number of operations
Reverse split of shares	1
Cancellation of securities	5

In 2018, KDPW processed **3 mandatory share redemptions**.

In connection with the payment of issuers' obligations to holders of securities, KDPW participated in **65 payments from securities to foreign depositories** (holders of omnibus accounts) acting as the income tax remitter.

In addition, **6 changes of the home depository were completed**:

- Serinus Energy PLC changed its depository from the Canadian Depository for Securities Limited to Euroclear UK & Ireland,
- AmRest Holdings SE changed its depository from KDPW to Iberclear Spain,
- Resbud SE, Investment Friends SE, Investment Friends Capital SE and FON SE changed their depository from KDPW to Nasdaq CSD SE in Estonia.

SERVICES FOR PENSION FUND COMPANIES AND OPEN-ENDED PENSION FUNDS

3.1 Maintenance of the Guarantee Fund

KDPW administers the **Guarantee Fund** under the Act on Organisation and Operation of Pension Funds and the Regulation of the Council of Ministers concerning the Guarantee Fund.

The purpose of the Guarantee Fund is to maintain assets deposited by pension fund companies (PTE) necessary to execute payments to members of open-ended pension funds (OFE) to cover losses caused by PTE default in the management and representation of the pension funds. Payments are advanced to the extent that PTE is not liable for such loss, unless the loss was caused solely by the injured party. To the extent that PTEs are responsible for a loss, payments from the Fund are advanced upon the declaration of bankruptcy of the PTE, to the extent that such loss cannot be covered from the assets of the bankrupt PTE.

There were **no events** in the reporting period that **would trigger payments from the Guarantee Fund** for its statutory purposes.

In 2018, as a part of consolidations on the pension fund market, the Polish Financial Supervision Authority approved the take-over of management of **Pekao Otwarty Fundusz Emerytalny** by **Powszechne Towarzystwo Emerytalne PZU S.A.** and the liquidation of the acquired open-ended pension fund. As a result, the number of open-ended pension funds and the number of pension fund companies which make contributions to the Guarantee Fund decreased from 11 to 10.

Revenues of the Guarantee Fund consist of contributions made by pension fund companies, in an amount depending on the net asset value of the open-ended pension funds, as well as revenues from investment of the Fund resources and other revenue from the administration of the fund by KDPW. The amount of mandatory contributions and the payments are calculated and executed on a quarterly basis.

The amount of contributions paid by pension fund companies to the Fund decreased in Q1-3 2018 and increased quarter on quarter in Q4 2018. The balance of assets deposited with the Fund at the end of 2018 stood at **PLN 495 million** and **decreased by 9.36%** year on year.

The value of assets maintained by the Guarantee Fund (excluding marking to market at the balance sheet date) was as follows:

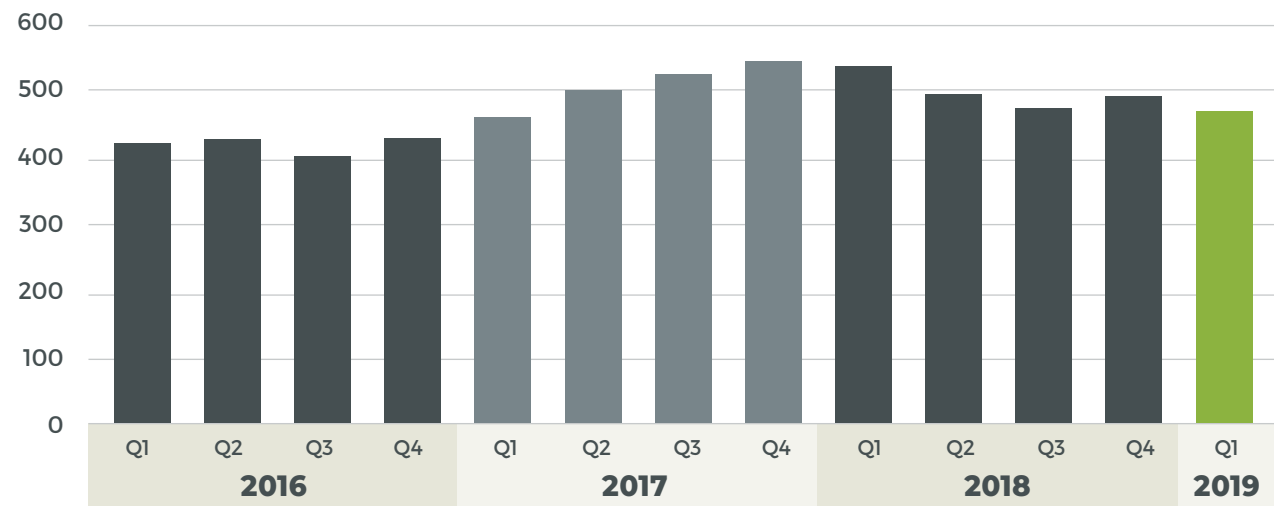
Item	Balance of assets as at 31.12.2017 (PLN'000)	Balance of assets as at 31.12.2018 (PLN'000)	Change (%)
Assets maintained by the Guarantee Fund	545 745	494 649	- 9.36

SERVICES FOR PENSION FUND COMPANIES AND OPEN-ENDED PENSION FUNDS

3.1 Maintenance of the Guarantee Fund

In 2018, all pension fund companies timely reported the net asset value of pension funds managed by them to KDPW on a quarterly basis as required by KDPW to determine the current value of contributions to the fund. There was one case of delayed payment of a contribution to the Guarantee Fund by a pension fund company in 2018. No delay was reported in the return of overpayments to pension fund companies following the update of contributions to the Guarantee Fund.

Contributions paid to the Guarantee Fund by quarter in 2016-2019 (PLN M)



SERVICES FOR PENSION FUND COMPANIES AND OPEN-ENDED PENSION FUNDS

3.2 Processing of transfer payments between open-ended pension funds

KDPW processes **transfer payments between open-ended pension funds** whenever a member switches between funds. In the process, KDPW participates in the transmission of personal data of fund members who are switching funds and participates in the transfer of assets deposited in fund members' accounts.

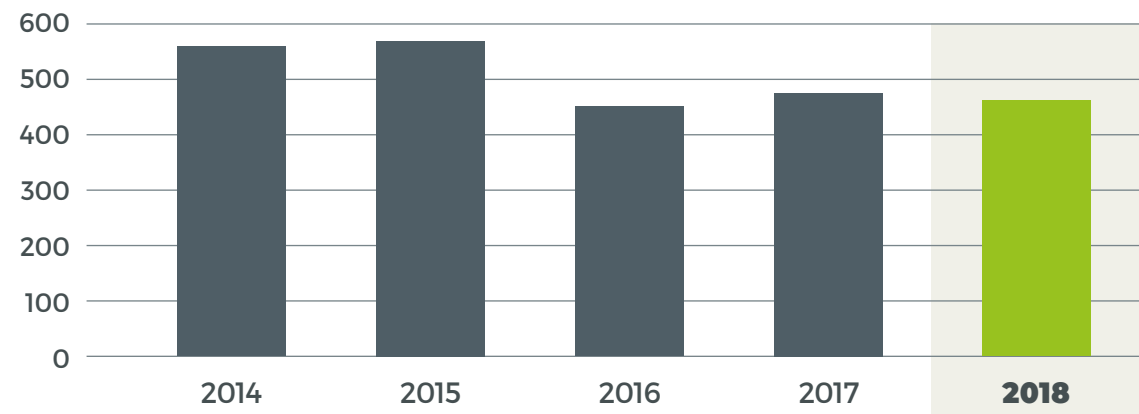
In 2018, KDPW processed **6,462 transfer payments** between open-ended pension funds in **4 batches**. The total amount of the transfer payments was **PLN 6,777,821.29**.

COMPENSATION SCHEME MANAGEMENT

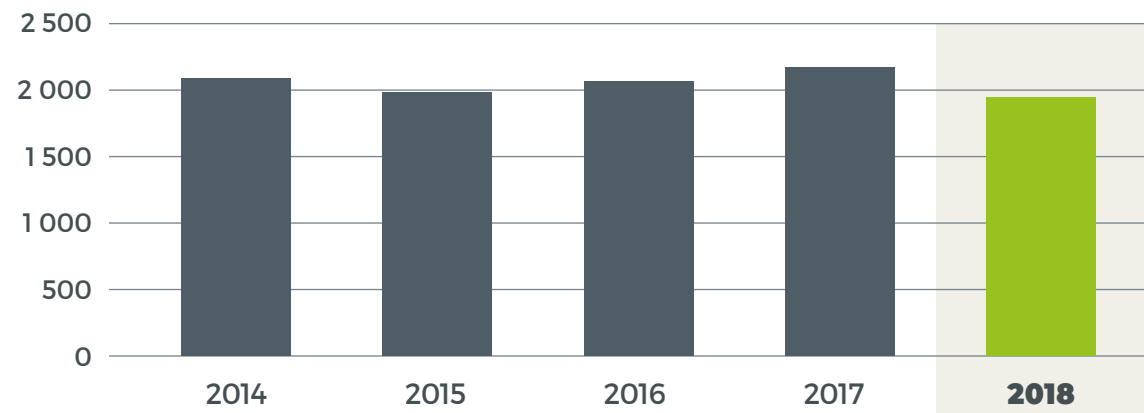
KDPW operates and manages the **compensation scheme** according to the Act on Trading in Financial Instruments. The compensation scheme provides guarantees to investors in the event of default of a compensation scheme participant for:

- loss of cash held in cash accounts, loss of cash due to investors in respect of provided services protected by the system other than overdue payments, and
- loss of financial instruments deposited with participants of the compensation scheme, including their branches outside of Poland, due in respect of provided services, to the extent covered by the compensation scheme.

Value of assets covered by the compensation scheme (PLN BN)



Number of investors covered by the compensation scheme (thou.)



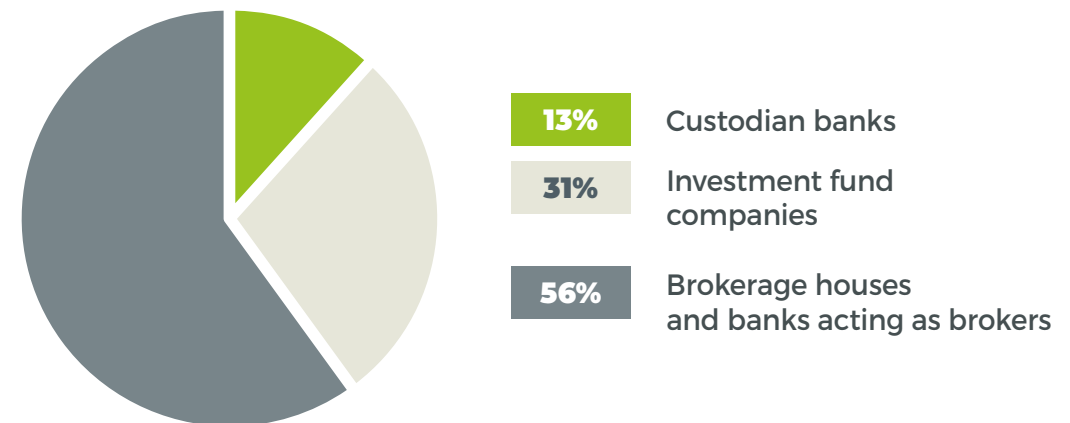
COMPENSATION SCHEME MANAGEMENT

The maximum limit of compensation payments is set in the Act on Trading in Financial Instruments. As of 1 January 2008, it is equal to the PLN equivalent of **EUR 22 thousand**; payments up to the PLN equivalent of EUR 3 thousand are executed in 100%, and payments over EUR 3 thousand, in 90%. The right to compensation payments from the scheme is without prejudice to the investors' right to claim the outstanding amount directly against the investment firm.

Compensation scheme participants are brokerage houses, banks operating a brokerage business, custodian banks, investment fund companies.

The compensation scheme had **81 participants** at the end of 2018. As 9 participants are banks which operate both a custodian business and a brokerage business, the compensation scheme records showed 90 institutions in aggregate, **including 48 institutions showing cash balances** and 41 institutions with no cash balances in the system.

Structure of participants of the compensation scheme as at 31.12.2018



COMPENSATION SCHEME MANAGEMENT

Participants pay annual contributions to the compensation scheme in four batches in each calendar year, no later than the last day of the last month of each calendar quarter.

In 2018, compensation scheme participants paid annual contributions to the mandatory compensation scheme in a total amount of **PLN 16,501 thousand**. The payment of five contribution instalments was delayed. The payments of six participants exceeded the maximum limit of compensation scheme contributions. The total amount of returned overpayments was PLN 769 thousand.

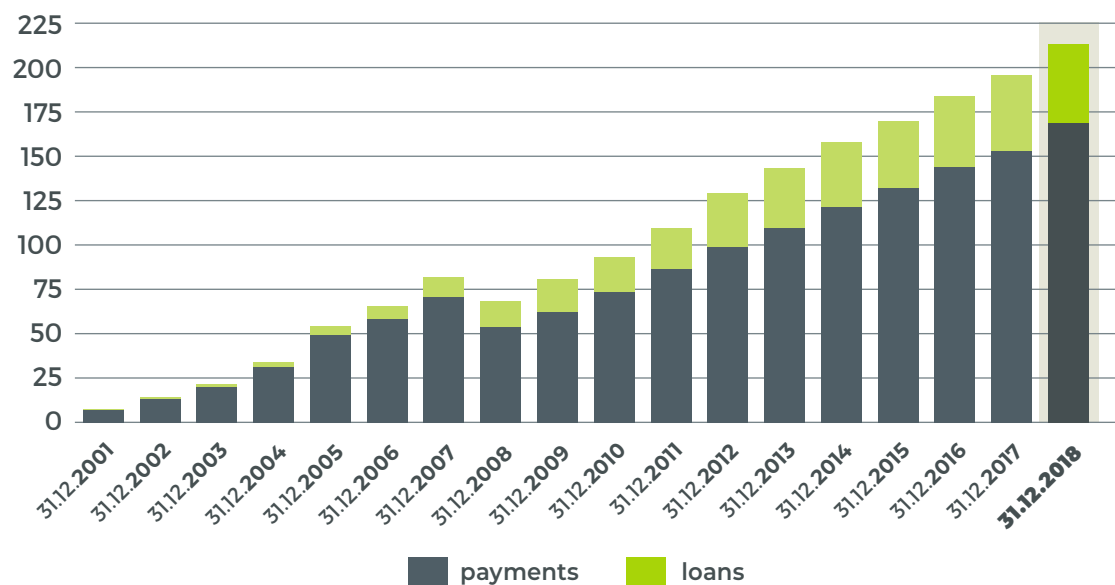
The balance of assets maintained in the compensation scheme was as follows:

Item	Balance of assets as at 31.12.2017 (PLN'000)	Balance of assets as at 31.12.2018 (PLN'000)	Change (%)
Assets paid in by compensation scheme participants	152 907	168 592	10.26
Income and costs*	42 264	44 440	5.15
Total:	195 171	213 032	9.15

* including: investment income, costs, fees and compensations paid to investors to the extent not covered by participants' contributions

COMPENSATION SCHEME MANAGEMENT

Compensation scheme funds accumulation rate (PLN M)



According to the authorisation under Article 137 (7) of the Act on Trading in Financial Instruments, KDPW set, in December 2018, the amount of mandatory annual fees to the compensation scheme applicable in 2019 and kept the 2019 fees unchanged year on year as follows:

- fee on the average balance of investors' cash at 0.185%;
- fee on the average value of financial instruments held by investors or registered in omnibus accounts at 0.001%.

In 2018, work continued to automate communication between participants of the compensation scheme and KDPW.

On 15 March 2018, the Polish Financial Supervision Authority approved amendments of the **Compensation Scheme Rules** necessary to implement electronic communication with scheme participants. The amendments took effect on 1 July 2018.

A systemic solution launched on 1 July 2019 allows participants of the compensation scheme to provide information about the value of assets covered by the compensation scheme, the amount of the mandatory annual contributions, the number of instalments, and the number of protected investors by sending electronic messages via the Information Exchange System. KDPW uses the same channel to provide participants of the compensation scheme with asset management reports, information about a surplus of contributions paid into the compensation scheme, and information about the use of compensation scheme for its statutory purposes.

As at the end of 2018, 74% of compensation scheme participants were authorised to use electronic communications with KDPW concerning the compensation scheme.

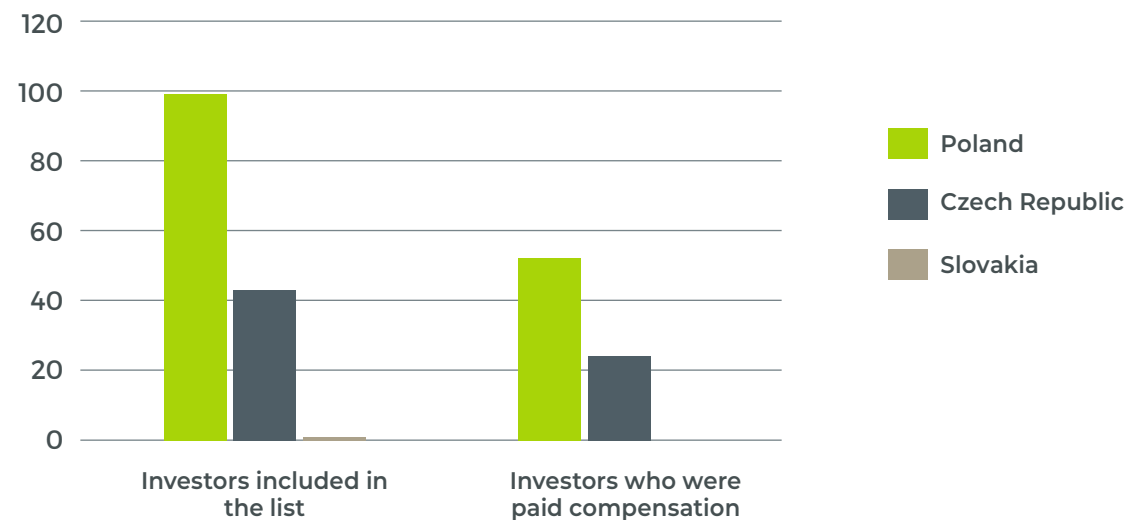
COMPENSATION SCHEME MANAGEMENT

Use of compensation scheme for its statutory purposes:

The payment of investor compensation to clients of **First International Traders Dom Maklerski S.A.** (FIT DM) continued in 2018.

Investor compensations were paid to 76 clients of FIT DM in a total amount of PLN 1,334 thousand by the end of 2018. The outstanding amount to be paid to 67 investors is PLN 288 thousand. The amount of paid compensations accounts for 82% of total compensations according to the investor list of FIT DM clients.

Structure of investors included in the FIT DM list by country of establishment



The remaining compensations will be paid when investors present compensation payment orders provided that such orders are presented no later than 8 January 2020. According to the applicable regulations, compensation claims expire 5 years after the occurrence of circumstances which provide the basis for the payment of compensation, which is 8 January 2020 in the case of FIT DM.

KDPW TRADE REPOSITORY

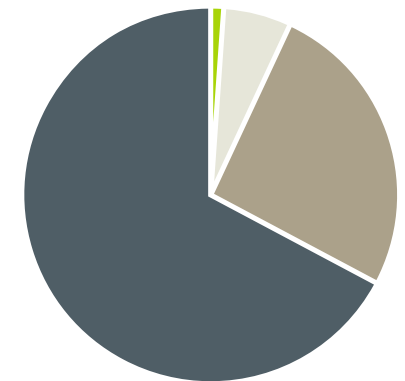
KDPW operates a **Trade Repository** service (KDPW_TR) under EMIR which lays down the terms and conditions of operation of a trade repository and requires the reporting of all derivatives contracts to a trade repository. To meet the obligation, obliged entities have to report details of derivatives contracts to trade repositories registered by ESMA (the KDPW Trade Repository was registered by ESMA on 7 November 2013).

Both contracts from regulated markets and OTC contracts have to be reported to trade repositories. Details of all derivatives contracts and any modifications or terminations of such contracts have to be reported to a trade repository no later than the business day following the conclusion, modification or termination of the contract.

Trade Repository participants as of 31 december 2018

As at 31 December 2018, the KDPW Trade Repository had **259 participants from 8 countries** (Italy, Lithuania, Latvia, UK, Czech Republic, Estonia, Malta, Poland) including:

3	IUR - Individual Repository Users
15	GUR - General Reporting Participants
67	ZUR - Ordinary Reporting Participants
174	PUR - Indirect Repository Participants

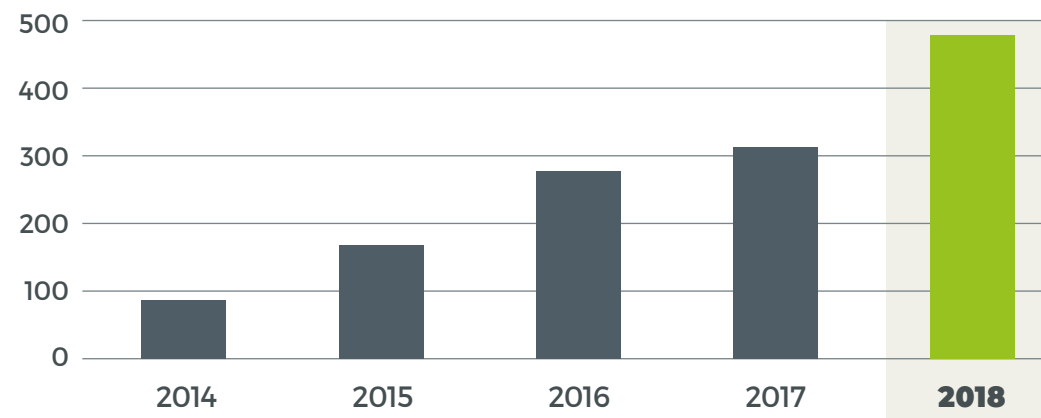


KDPW TRADE REPOSITORY

KDPW Trade Repository participants jointly represent around **25 thousand entities**, most of which are Polish entities, which report ca. **79%** of trades and positions. Around 18% of transactions and positions are reported by UK counterparts.

According to the obligation of reporting derivatives contracts to trade repositories, KDPW_TR participants submitted more than **1,320 million reports** by the end of 2018.

Number of reports received by KDPW_TR (M)



Trades and positions reported to the KDPW Trade Repository are in instruments in a dozen different currencies, mainly **PLN** (ca. 35%), **EUR** (32%) and **USD** (24%).

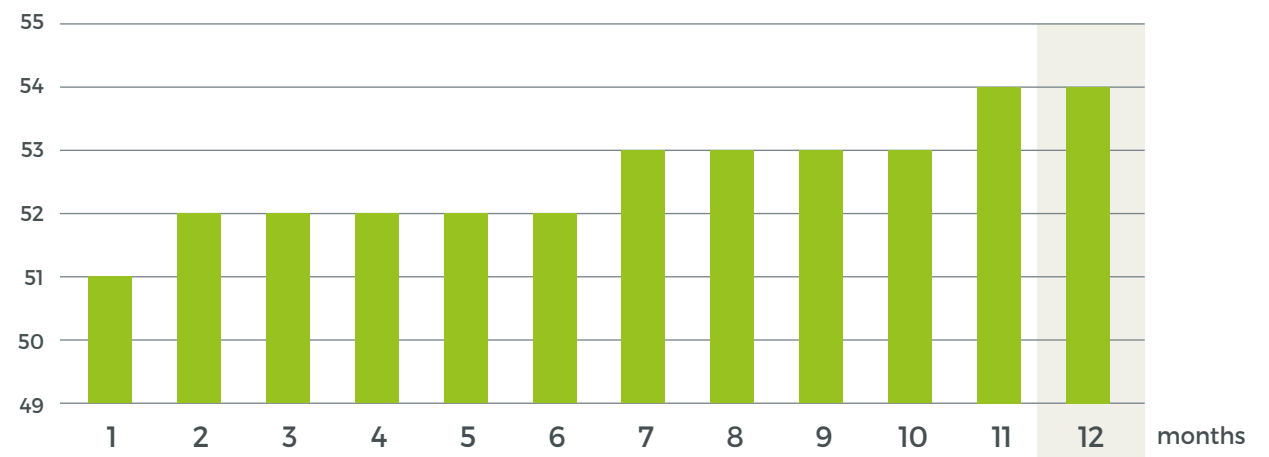
OTC contracts accounted for ca. **58% of all derivatives contracts** reported to KDPW_TR in 2018.

APPROVED REPORTING MECHANISM (ARM)

KDPW launched the operation of an **Approved Reporting Mechanism (ARM)** on 3 January 2018. The ARM service reports details of transactions in financial instruments to the supervision authority on behalf of entities required to report such trades under Regulation (EU) No 600/2014 (MiFIR). KDPW provides the service of reporting trades under the ARM authorisation issued by the Polish Financial Supervision Authority on **31 July 2018**.

As at 31 December 2018, KDPW's ARM system had **54 participants – investment firms**.

Increase in the number of reporting ARM participants in 2018



Messages provided by ARM participants to KDPW are used by KDPW to generate ARM reports. Three reporting modes are available: direct, simplified, and via the Trade Repository (TR). As at 31 December 2018, KDPW processed **255 million messages**, mainly in the direct mode (91% of all messages).

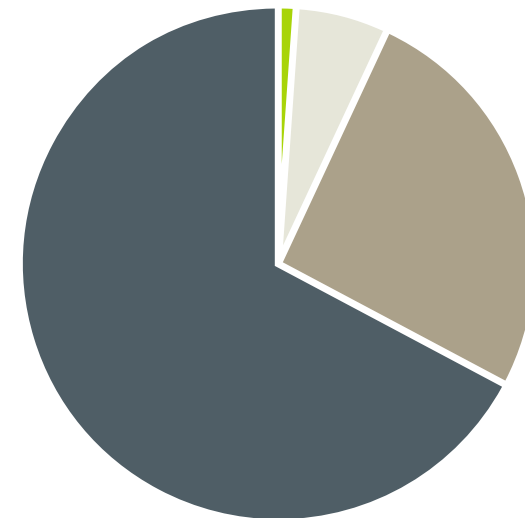
In 2018, **57.7 million** transactions were reported via ARM.

APPROVED REPORTING MECHANISM (ARM)

KDPW's ARM service is authorised across the European Union. ARM reports are sent to the competent supervision authority depending on the country of establishment of the entity required to report. In 2018, KDPW participated in reporting to four supervision authorities:

Raporty arm w podziale na kraj jurysdykcji nadzorczy

94,11%	54,3 M	Polish Financial Supervision Authority (Poland)
5,19%	3 M	The Financial Conduct Authority (UK)
0,64%	370 thou.	Portuguese Securities Market Commission (Portugal)
0,06%	30 thou.	Malta Financial Services Authority (Malta)



According to statistics of transactions reported in ARM by market, nearly 53% are OTC transactions, and over 47% are transactions on Polish trading venues.

NUMBERING AGENCY

7.1 ISIN, CFI, FISN codes

As a national numbering agency and a member of The Association of National Numbering Agencies (ANNA, the global association which implements and maintains ISO standards ensuring uniform and transparent identification of financial instruments in global capital markets), KDPW is **authorised to issue the following codes: ISIN** (International Securities Identification Number), **CFI** (Classification of Financial Instruments), and **FISN** (Financial Instrument Short Name) under ISO 6166, ISO 10962 and ISO 18774.

Since the start of its activity as a numbering agency issuing ISIN and CFI codes in 1996, KDPW issued **33,239 codes** until 31 December 2018. In 2018, KDPW issued **3,309 new ISIN codes together with CFI and FISN codes**. KDPW is one of few institutions to issue CFI and FISN codes for 100% of issued ISIN codes.

7.2 LEI codes

KDPW is the **only national provider of the service of issuing legal entity identifiers (LEI)** authorised by the **Global Legal Entity Identifier Foundation (GLEIF)**.

The Legal Entity Identifier (LEI) is a globally unique entity identifier which consists of 20 alphanumeric characters, issued under ISO17442 by numbering agencies accredited by the GLEIF. According to the rules of the global legal entity identifier system, each LEI is attributed reference data of the entity holding the LEI according to the relevant public registers. The high quality of reference data is ensured by LEI agencies. Details of LEIs and reference data are publicly available free of charge from numbering agencies and the GLEIF.

The following are required to hold an LEI:

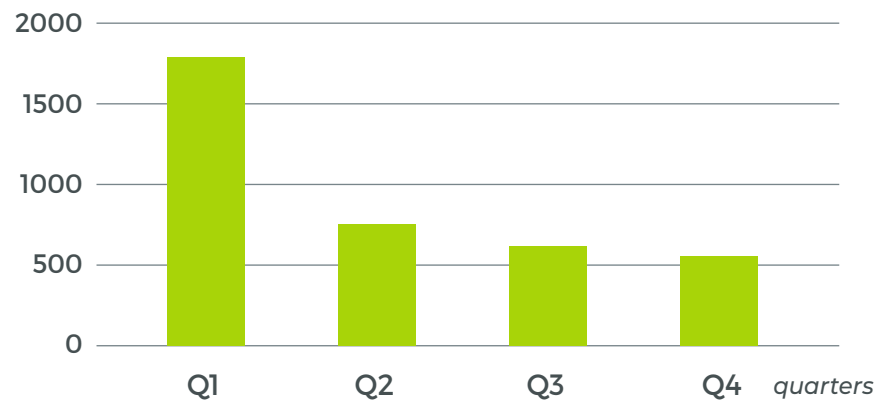
- legal entities which conclude derivatives transactions in regulated markets and OTC;
- legal entities which conclude cash transactions in regulated markets and OTC;
- participants of central securities depositories (CSD), including participants with the participation type of Issuer;
- entities which conclude repo, sell buy back, buy sell back transactions, securities lending and borrowing transactions, and collateral management transactions.

NUMBERING AGENCY

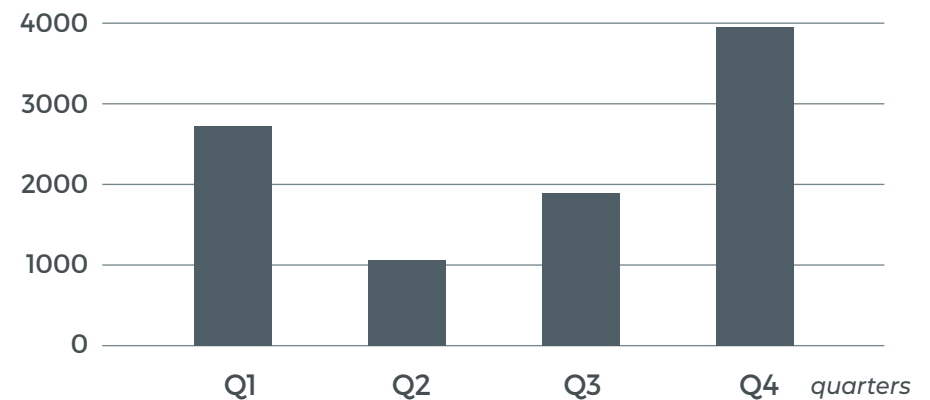
7.2 LEI codes

In 2018, KDPW issued **3,715 LEIs**. In 2018, 12 LEIs were transferred to KDPW from other numbering agencies and 24 LEIs were transferred out of KDPW.

Number of new LEI codes issued in 2018



LEI codes validity renewals in 2018



LEIs must be renewed annually. KDPW renewed **9,609 LEIs** in 2018. As at 31 December 2018, KDPW maintained **12,843 valid active LEIs** and managed 16,216 LEIs in aggregate for entities in **29** European Union and European Economic Area (EEA) Member States. In 2018, KDPW launched a service dedicated to “preferred agents” which manage securities accounts or bank accounts.

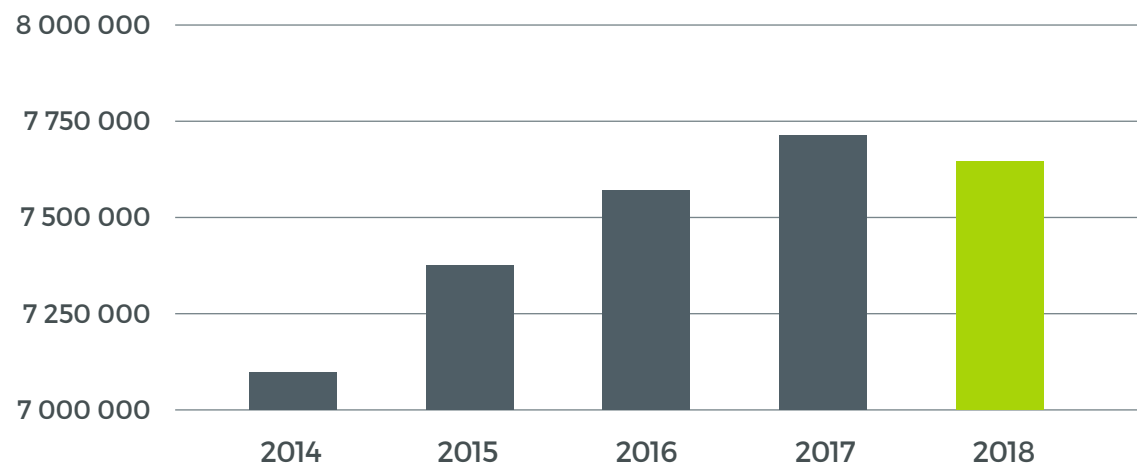
SUPERVISION OF THE DEPOSITORY SYSTEM

In accordance with the Act on Trading in Financial Instruments, a key responsibility of KDPW is to exercise supervision in order to ensure that the number of issued securities matches the number of securities in trading, i.e., registered in securities accounts or omnibus accounts operated by KDPW participants and in registers of issue sponsors.

8.1 Supervision based on daily reports and other reports provided by participants

Supervision is exercised by performing daily checks comparing the aggregate holding balances resulting from records in accounts operated by participants presented in participants' daily reports against the holding balances of corresponding entity accounts maintained in KDPW records. In 2018, **7,645,195 daily reports** were processed (nearly 1% more than in 2017), of which 1,621 reports (i.e., 0.21‰) contained errors (0.06‰ in 2017).

Number of daily reports



SUPERVISION OF THE DEPOSITORY SYSTEM

8.2 Supervision exercised through inspections at the seats of KDPW participants

Supervision over the operation of securities registers by participants is also exercised by means of checks performed during inspections at the seats of participants. In 2018, **41 planned inspections** and **1 ad-hoc inspection** were carried out.

No non-compliances were identified in the inspections of 21 participants (22 participants in 2017). The other 20 entities were issued 12 recommendations and 9 comments concerning the correct maintenance of securities registers, as well as 8 recommendations and 1 comment concerning the security of securities registers and the secure maintenance of data of securities and omnibus accounts.

Recommendations were issued mainly due to participants' non-compliances with KDPW regulations and their internal registration procedures. Comments were issued due to minor non-compliances or irregularities and in the case of incidental infringements

RESEARCH & DEVELOPMENT MILESTONES

Market conditions and economic developments (including globalisation, market competition, changing regulations) impact the engagement of the KDPW Group in research and development, a key activity growing innovation and competitiveness. **In 2018, the KDPW Group ran 30 R&D projects.** To such extent, KDPW uses R&D-linked tax credits.

In view of dynamic development of distributed ledger technology (DLT) and the significant potential of blockchain solutions in capital market applications, a **blockchain research and development project** was the main focus of work in 2017 and 2018. KDPW continued its blockchain R&D project in 2018. The research project allows KDPW to develop a **dedicated technology sandbox and explore blockchain solutions, their infrastructure requirements** and potential impact on solutions and business models developed for the capital market. Several potential areas of blockchain applications were examined. The final case-study choice was an application for voting at general meetings (eVoting).

The **eVoting** case study was used to clearly identify an issue to be solved. The project found that a blockchain application in the execution of the business process could provide major benefits compared to a traditional database solution. The case study identified a high number of stakeholders in different business roles and mutual interactions with different economic interests.

The eVoting solution was found to offer a significant potential in processing user activities required by law or provided as a service, supporting existing user activity rather than generating new tasks, combined with potential integration with existing system solutions.

In addition, eVoting was chosen in view of a favourable regulatory environment, including existing regulations and their expected evolution under new Union law and market standards.

In order to cut the costs of the solution, the pilot was implemented as an open source system. Following analyses and in view of the preference to develop private network solutions, which identify users and differentiate users depending on their function in the infrastructure, the platform of choice was Hyperledger Fabric developed by the Linux Foundation.

The implementation of the pilot solution was completed at the turn of 2017 to 2018 and the remaining projects related to functional and technology testing of the application in late Q2 2018.

The experience gained in the project supported a decision to continue project work including DLT applications and a solution which allows investors to vote remotely at general meetings. The next phase of the project was initiated to develop an independent DLT network platform providing a set of tools for data processing in the DLT network as well as scripts and procedures describing the operation of the network, and to develop an application supporting the general meeting process and lifecycle, including voting before and during general meetings (eVoting application), based on the DLT network platform.



RESEARCH & DEVELOPMENT MILESTONES

The blockchain platform developed in the R&D project is designed to be a business platform dedicated to the capital market. The platform will support production start-up of various services in the distributed ledger model in co-operation with participants. Platform participants will join the network and create dedicated nodes. With APIs, participants can integrate various applications on the platform with their internal business systems in order to offer services to clients using their own access interfaces. The project will develop a network management model and a participant onboarding process. The platform will implement a private network model, which implies that only identified and approved participants can join the project. Participation in the network represents a commitment to the development of IT infrastructure managed as proprietary infrastructure or in a computing cloud.

The eVoting application will be the first blockchain service to be offered by KDPW to capital market participants. It will support general meetings of public companies, including voting by means of electronic communication, based on possibly broadest implementation of the applicable provisions of the Commercial Companies Code concerning voting at general meetings of joint-stock companies. It will address the requirements of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (SRDII).

The eVoting application will implement a range of functionalities which are generic for the process and can be easily fitted into existing or prospective regulations, from the announcement of a general meeting and the publication of proposed draft resolutions, to the notification of rights and the announcement of participation in the general meeting, to communication between shareholders and company management, to voting and passing of resolutions. The project will also integrate the eVoting application with the existing general meeting application to provide a one-stop-shop KDPW service to issuers. It will also modernise (in practice, completely restructure) the existing service. The existing functionality of generating lists of eligible participants of general meetings for issuers will be integrated with the application supporting the comprehensive general meeting process including the provision of complete information concerning proposed resolutions on the general meeting agenda.

According to the project timeline, the blockchain platform will be started up in production and the eVoting application will be launched in H2 2019.



IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.1 Alignment of KDPW and KDPW_CCP with the requirements of CSDR

KDPW filed the application for authorisation as a central securities depository under Article 16 CSDR with the Polish Financial Supervision Authority on **29 September 2017**, within the time limit under Article 69 CSDR. The application for approval of amendments aligning the KDPW Rules with CSDR was filed with the Polish Financial Supervision Authority on the same date. Approval of amendments to the KDPW Rules is pending in a separate administrative procedure.

Furthermore, in the context of Commission Delegated Regulation No 2018/1229 of 25 May 2018 supplementing CSDR with regard to regulatory technical standards on settlement discipline, published by the Commission in the EU Official Journal on 13 September 2018, the project work focused on co-operation with ECSDA in working groups responsible for settlement discipline, the organisation of work, the project timetable, and communication with participants concerning the scope and time limits of harmonisation of IT systems with the settlement discipline requirements (the technical standards supplementing CSDR will enter into force within 24 months after publication, on 14 September 2020).

In late September 2018, KDPW and KDPW_CCP participants received a letter confirming the scope of the implementation (the modifications include the implementation of a new system for charging of cash penalties for late settlement and related reporting, as well as the alignment of functionalities supporting settlement) and announcing the distribution date of detailed materials concerning the planned modifications (April 2019) and the roll-out date of the modifications. The letter announced KDPW's intention of using ISO-based messages based on standard solutions developed by the working groups (in particular SMPG).

IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.2 Development of the Trade Repository System (KDPW_TR)

The development of the Trade Repository system (KDPW_TR) in 2018 focused on three areas: the development of a supervisor portal (TRACE), the alignment of the KDPW_TR system with the new regulatory requirements including the new technical standards supplementing EMIR and MiFIR, and the alignment of the KDPW_TR system with SFTR.

The supervisor portal (TRACE) development project completed phase w2 of portal development in June 2018, relating to the amendment of the technical standards supplementing EMIR and additional functionalities for supervisory authorities.

TRACE phase 2 closed with a modification of the encryption keys and alignment of the TRACE system with ESMA's file format expectations. The alignment of the KDPW_TR system with the new regulatory requirements included further implementation work as well as testing of functionalities modified under the new technical standards supplementing EMIR and MiFIR.

The optimisation of the KDPW_TR system included work on the automation of selected processes and modifications to reconciliation (additional fields included in data pairing and comparing), as well as modifications to transformat processing (a service which supports simultaneous TR and ARM reporting).

The alignment of the KDPW_TR system with SFTR included the continuation of preparations for the provision of a new service for market participants enabling them to fulfil the obligation of reporting transactions to trade repositories. In view of the message exchange standard introduced by ESMA in reporting under MiFIR, it was concluded that ESMA was likely to publish XML message structures under ISO 20022 on the entry into force of technical standards concerning SFT reporting.

Due to delayed publication of the technical standards under SFTR, the effective date of the obligation of reporting securities financing transactions to trade repositories was postponed. Considering the foregoing, the new service is expected to be launched in Q1 2020 (the detailed timeline of project work and the exact roll-out date will be defined by KDPW following the publication of the technical standards).

IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.3 Launch of KDPW's Approved Reporting Mechanism (ARM) service

KDPW launched the operation of an Approved Reporting Mechanism (ARM) service on 3 January 2018 to address marked demand following the entry into force of MiFIR. The ARM service reports details of transactions in financial instruments to the supervision authority on behalf of entities required to report such trades under MiFIR (Article 26 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012).

Project work preceding the roll-out included development of the target business model, a specification of requirements for modifications to the IT system, and an IT system architecture model, as well as programming work. KDPW solutions were presented to potential beneficiaries of the new service at meetings and by mail, including details of the reporting modes, communication channels and XML messages.

The Polish Financial Supervision Authority authorised KDPW to provide Approved Reporting Mechanism (ARM) service on 31 July 2018. As an ARM, KDPW is authorised to provide the transaction reporting service across the European Union.

KDPW_ARM is yet another solution offered by the KDPW Group which allows investment firms to fulfil their regulatory obligations in relations with supervisory authorities. The complementary package of post-trading and reporting services available on the Polish market from a single institution, the KDPW Group, allows companies subject to the reporting obligation to largely reduce the costs of compliance.

IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.4 Monitoring of market needs with a view to joining the pan-European settlement platform TARGET2-Securities (T2S) in EUR and PLN

The analysis of opportunities and threats for the Polish market related to joining of the pan-European settlement platform TARGET2-Securities (T2S) in EUR and PLN was completed in Q2 2018. Joint conclusions with T2S NUG_PL concerning reassessment of the merits of joining T2S in PLN and EUR were approved on 28 June 2018.

As a part of the project, the first one of two planned meetings was held in May 2018 with the participation of KDPW, the National Bank of Poland (NBP), T2S NUG_PL, the Polish Financial Supervision Authority, the Ministry of Finance, the Warsaw Stock Exchange and BondSpot. NBP presented the perspective of the central bank in the context of KDPW joining T2S. KDPW presented the functional and technical aspects of KDPW joining T2S, as well as the business case.

In the next step, a survey of participants was carried out to evaluate the merits of KDPW's migration to T2S and identify the preferred timing of such migration. The vast majority of participants believe that KDPW should not join T2S before Poland's adoption of EUR.

A second meeting of T2S NUG_PL was held in June 2018. KDPW summarised the results of the participant survey concerning KDPW joining T2S with settlement in PLN and EUR and outlined KDPW's costs and benefits of the migration. Discussions with participants concluded that the decision on KDPW joining T2S should be revisited two years after the Danish krone joins T2S (expected in October 2018) in the context of the experience of the Danish market.

The results of the assessment of the merits of KDPW joining T2S were presented at a meeting of the NBP Payment System Council on 29 October 2018. KDPW will continue projects which reduce the cost of future harmonisation with T2S, prepare the market for operation after potential accession to T2S, and support continued development of the Polish capital market.

IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.5 Alignment of messages exchanged with participants under international norms and practice

Modifications to the processing of complex transactions, including a new simplified mechanism of combining settlement instructions sent to KDPW, were implemented in the autumn implementation window on 17-18 November 2018.

The modifications were developed during consultations held at S&R NMPG PL meetings. Details of the mechanism were communicated to participants in late April 2018. The rules of combining instructions based on a joint identifier of instruction groups will continue to apply while the simplified model will be an additional option of combining settlement instructions.

The alignment of the KDPW systems with global standards and the market practice of exchanging settlement messages addresses the needs resulting from growing activity of KDPW and its participants on the international markets.

10.6 Introduction of ISO20022 messages in settlement

Modifications to the processing of a second set of ISO 20022 messages in settlement implemented in the `kdpw_stream` production environment in the autumn implementation window on 17-18 November 2018 covered the following messages: list of holding balances, change of asset status, modification instruction (technical instruction), notification of pending counterparty instruction, deletion of instruction, instruction status query.

Following the implementation of this set of messages, KDPW offers a complete settlement service (ISO 20022 messages in settlement are processed in `kdpw_stream` alongside KDPW's XML messages and MT messages; the former are offered to those participants who wish to use KDPW's new service).

Modifications to `kdpw_stream` concerning the first set of ISO20022 messages in settlement, implemented in November 2017, covered the following messages: settlement instruction, settlement confirmation, settlement instruction status, and account statement.

IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.7 Development of corporate action services – standardisation of processing based on exchange of ISO 20022 messages

In 2018, the next stage of project work continued aiming to standardise corporate action processing under ISO 20022, including the development of a specification of requirements for the following events:

- partial, mandatory redemption of debt securities at the request of the issuer – corporate action code: PCAL;
- partial repayment of the nominal amount of debt securities at the request of the issuer – corporate action code: PCAL;
- partial voluntary redemption of debt securities – corporate action code: BIDS;
- voluntary redemption of investment certificates at the request of beneficial owners – corporate action code: BIDS;
- cancellation of investment certificates in connection with the liquidation of the investment fund – corporate action code: LIQU;
- payment of dividends with the option of selection of payment, performed in two corporate actions – corporate action codes: DVOP and RHD1.

Details concerning the aforementioned corporate actions, including documents describing the structure and exchange methods of ISO20022 messages, were distributed to participants on 28 June 2018. The test environment will be made available for testing with participants in March 2019. The modifications will be implemented in the 2019 autumn implementation window.

IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.8 Implementation of new IT solutions supporting operations, corporate and technology areas

Implementation of an IT solutions supporting the Compensation Scheme

On 1 July 2018, KDPW implemented a system solution replacing paper-based communication with compensation scheme participants with electronic communications.

The solution allows participants of the compensation scheme to provide information about the amount of contributions paid to the compensation scheme and the average value of assets covered by the compensation scheme to KDPW in XML messages using an internet browser through the electronic communication system administered by KDPW.

The work preceding the implementation included an analysis of regulations applicable to the compensation scheme from the perspective of the feasibility of system solutions, the development of a specification of requirements, programming work on system functionalities, as well as tests with participants.

Development of an access system for the KDPW Group application and websites

An authentication system implemented in December 2018 is open for extension with additional IT solutions and business services. The SSO authentication system software is an SSO-based IT solution implemented with Azure Ad B2C provided by Microsoft in the Azure cloud. The project work preceding implementation found that the existing mechanisms of issuance of certificates to participants share three nominally separate processes:

- **Authentication** – confirmation of the declared identity of an individual who is a system user participating in communications. The purpose of authentication is to get an adequate degree of certainty that the individual is who he or she claims to be.
- **Authorisation** – checking whether a user is authorised for an operation. Authorisation takes place after successful authentication.
- **Digital signature** – a mathematical method ensuring the integrity of documents by signing them with an individual certificate issued to a person. According to eIDAS, a digital signature means data in electronic form which is attached to or logically associated with other data in electronic form and which is used by the signatory (individual) to sign. The correct signature means that the content of a message is approved by a specific sender holding the certificate. The purpose of a signature is to ensure data integrity, i.e., to ensure that the message has not been modified at any time after signing, and to identify the signatory.

IMPLEMENTATION OF THE KDPW GROUP BUSINESS PLAN IN 2018

10.8 Implementation of new IT solutions supporting operations, corporate and technology areas

Development of a U2A kdpw_stream web interface for KDPW and KDPW_CCP participants

In keeping with the development of online services, KDPW worked in 2018 to expand its offer of communications (data exchange) with clients. The project focused on the launch of a U2A interface (technological platform) available to KDPW and KDPW_CCP participants as well as clients who use other services of the KDPW Group through an internet browser.

The new communication channel will initially support selected functionalities (eVoting, general meetings, payment of benefits, processing non-public securities). Existing and future U2A services will be gradually launched in next steps. The web interface will be particularly useful for those clients who do not need to use the A2A channel.

PROMOTIONAL AND INFORMATION ACTIVITIES

The key objectives of KDPW's promotional and information activities include:

- To disseminate information about the scope and characteristics of post-trade services available on the Polish financial market, in particular the product offer and new solutions, services and business lines of the KDPW Group;
- To build market scale, including the KDPW Group's acquisition of new direct and indirect participants, with support for market development, promotion of solutions and services offered in post-trade services and in Polish capital market product development, as well as the development of positive customer relationships;
- To pursue an educational mission addressed to existing and prospective stakeholders of Poland's financial market (including support for market, industry and university initiatives).

Promotion of the key services and business lines in 2018 included:

- Services of the KDPW_CCP clearing house, including OTC clearing;
- Trade Repository;
- Services of the Numbering Agency and issuance of LEI codes;
- ARM and SFTR services;
- New technological solutions including blockchain technologies;
- Educational and corporate social responsibility (CSR) initiatives.

DIRECTIONS OF DEVELOPMENT OF THE KDPW GROUP

The directions of development of the KDPW Group are defined by the strategic goals set in the KDPW Group Strategy for 2017-2021, including four principal goals:

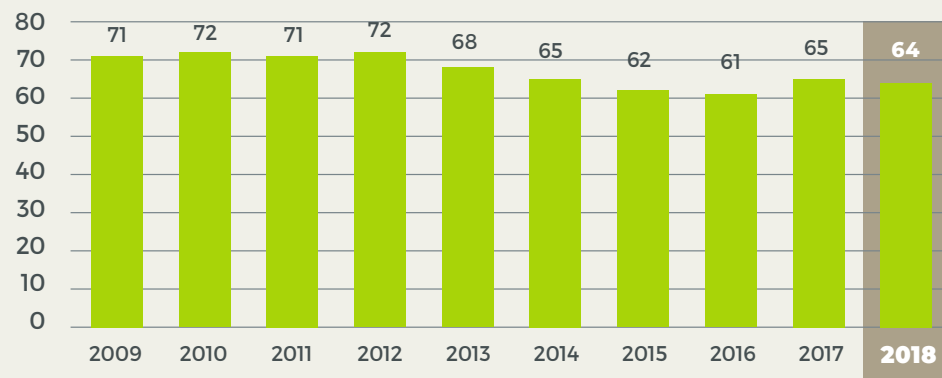
1. To maintain and develop the position of the KDPW Group as a provider of first choice of post-trade services for the Polish financial market in view of market challenges arising from EU regulations.
2. To diversify the revenue from the KDPW Group's additional services arising from business and regulatory opportunities and the needs of Polish financial market participants and organisers of trading.
3. To strengthen the importance of the KDPW Group in the offering of cross-border services to international entities active on the Polish market and Polish entities active on international markets.
4. To improve the operating efficiency of the KDPW Group in view of market and technology challenges while remaining an infrastructure institution.

The strategic goals of the KDPW Group in the coming years will be pursued among others through the following initiatives:

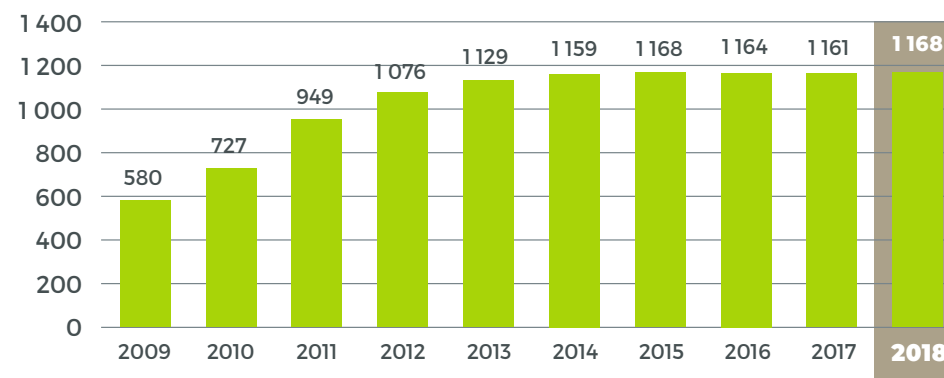
- Alignment of the trade repository with SFTR;
- Simplification of participant access to the KDPW Group's IT systems;
- Seeking areas of business application of new technologies (DLT);
- Co-operation between KDPW_CCP and GPW Group companies in the development of existing and the implementation of new types of financial instruments;
- Implementation of risk management optimisation mechanisms for OTC derivatives;
- Addition of new KDPW_CCP services dedicated to clients of clearing members (client clearing);
- Registration and processing of non-public securities;
- Alignment of KDPW with the requirements of the Shareholder's Right Directive enabling issuers to obtain shareholder information;
- Co-operation with trading venues to start clearing and guarantees of transactions on the bond and repo markets;
- Alignment of the securities lending and borrowing system with changes in the market environment.

KEY STATISTICS

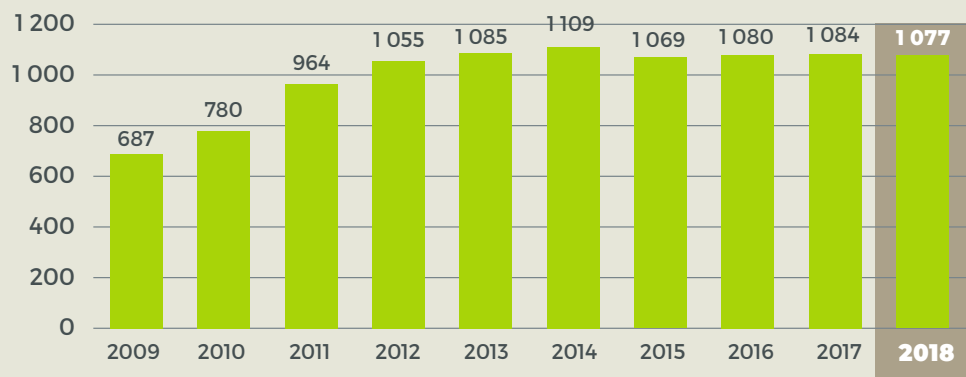
Number of KDPW direct participants



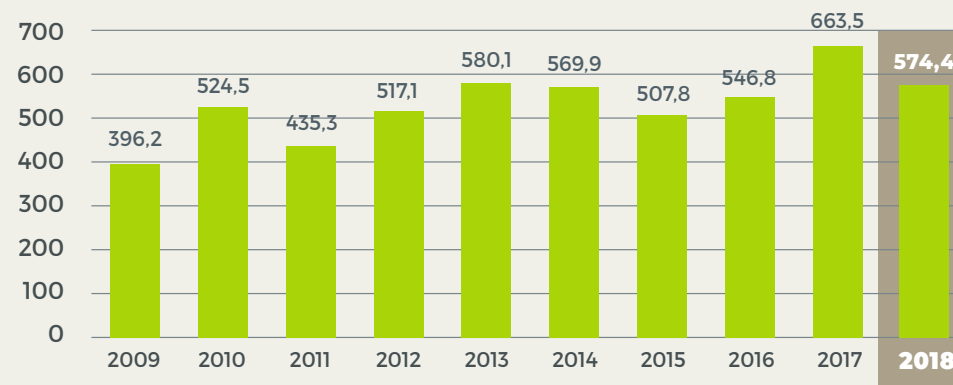
Number of issuers



Number of registered share issues

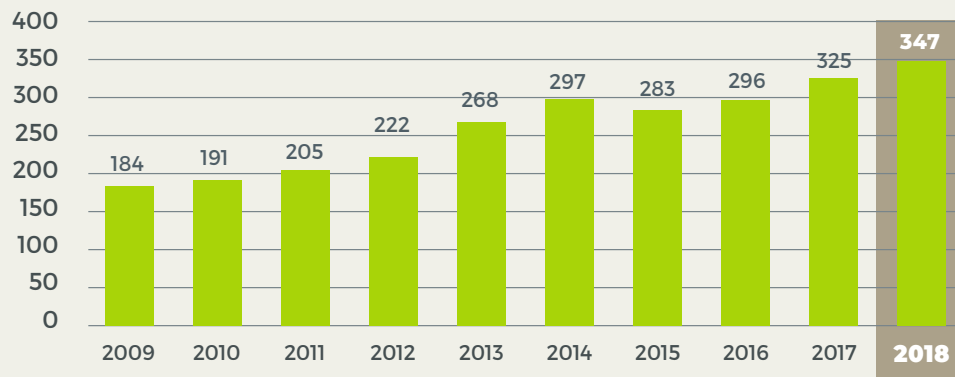


Capitalisation of registered share issues (PLN bn)

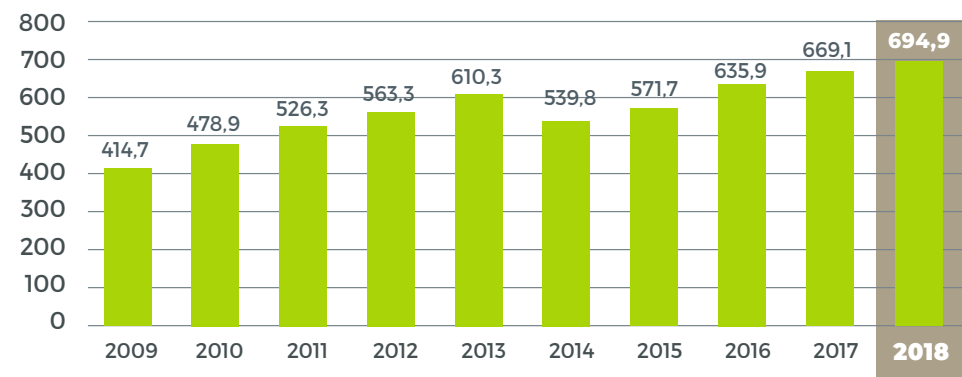


KEY STATISTICS

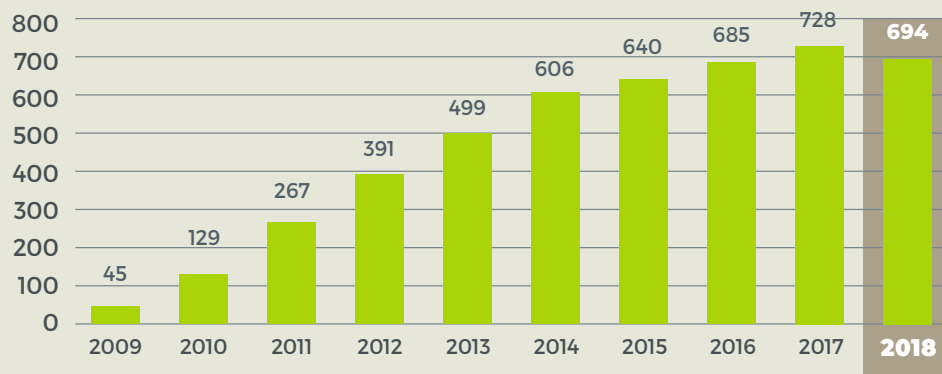
Number of registered Treasury bond issues



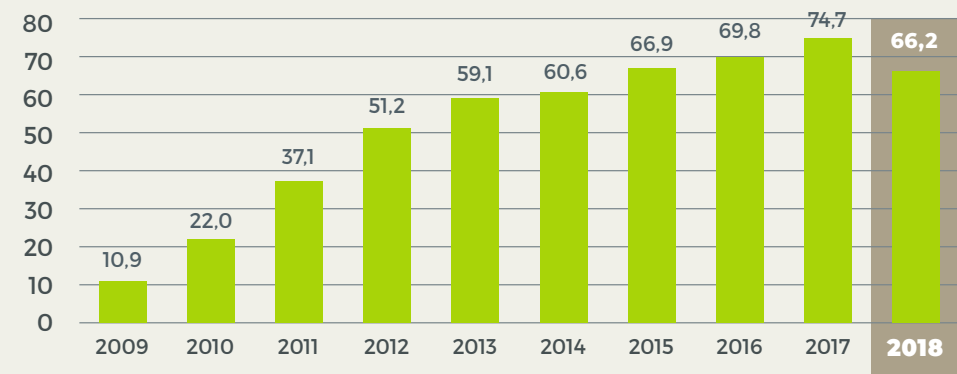
Capitalisation of registered Treasury bond issues (PLN bn)



Number of registered non-Treasury bond issues



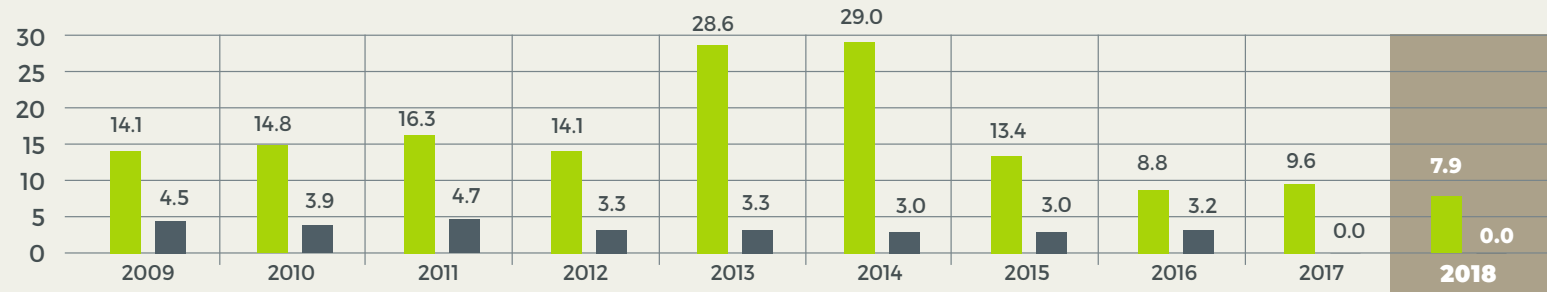
Capitalisation of registered non-Treasury bond issues (PLN bn)



KEY STATISTICS

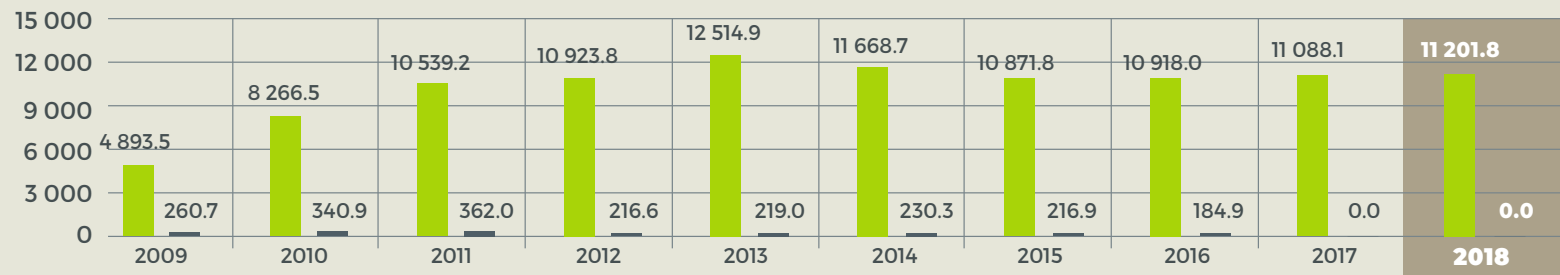
Number of operations registered in KDPW* (mn)

■ cash market
■ derivatives market



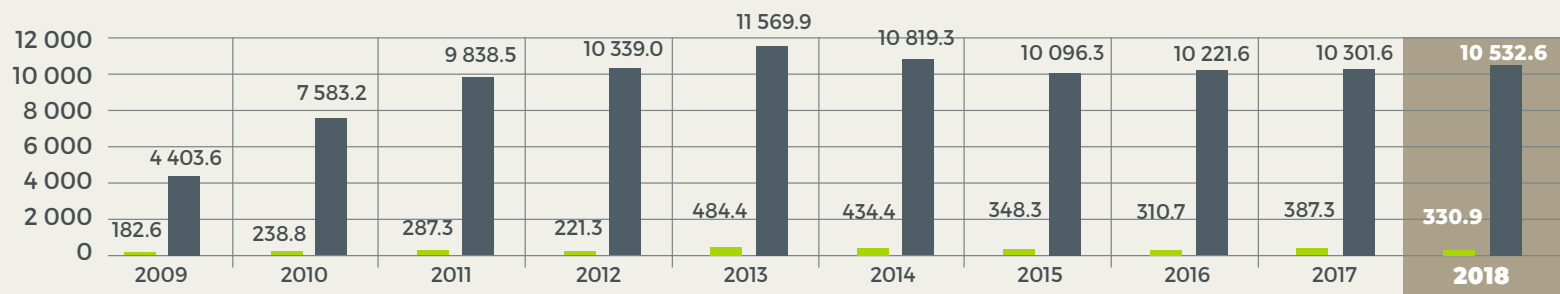
Value of operations registered in KDPW* (PLN bn)

■ cash market
■ derivatives market



Value of operations registered in KDPW - secondary cash market (PLN bn)**

■ regulated market
■ OTC market

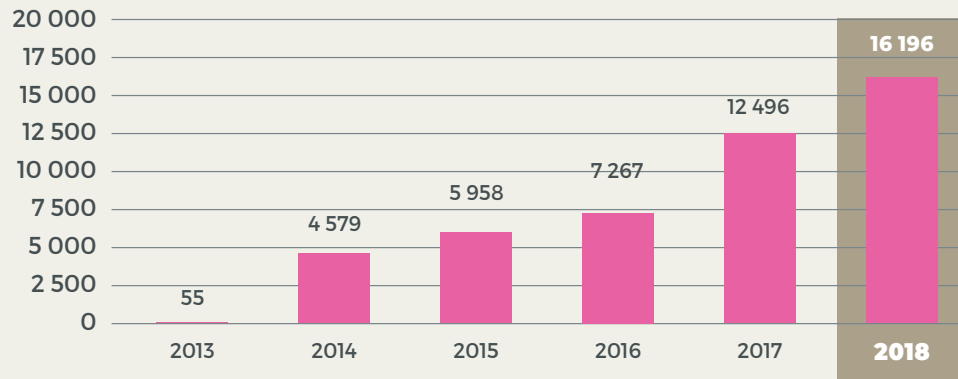


*registration operations resulting from settlement of transactions, post-trade transfers and other operations

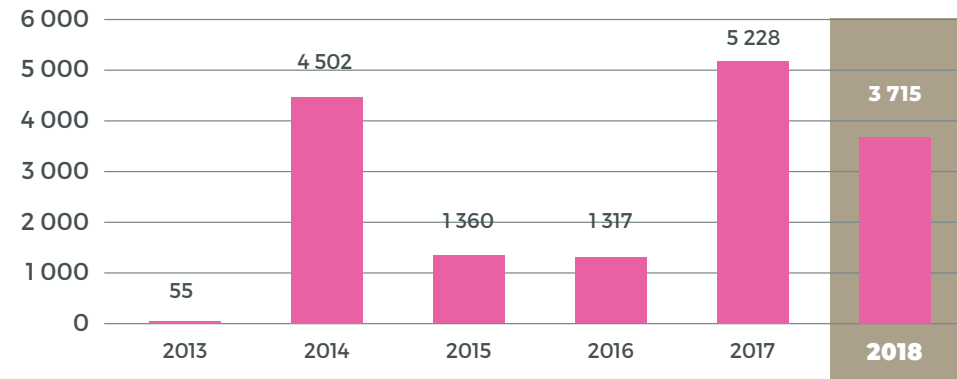
**registration operations resulting from settlement of transactions

STATISTICS OF KDPW_LEI

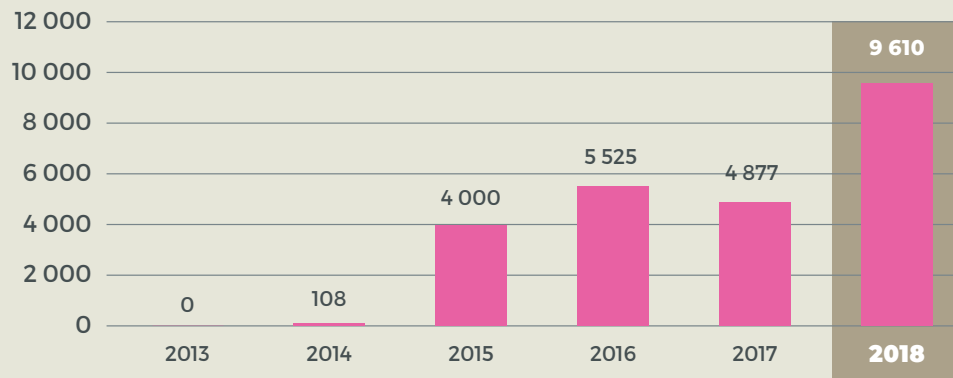
Number of managed LEIs



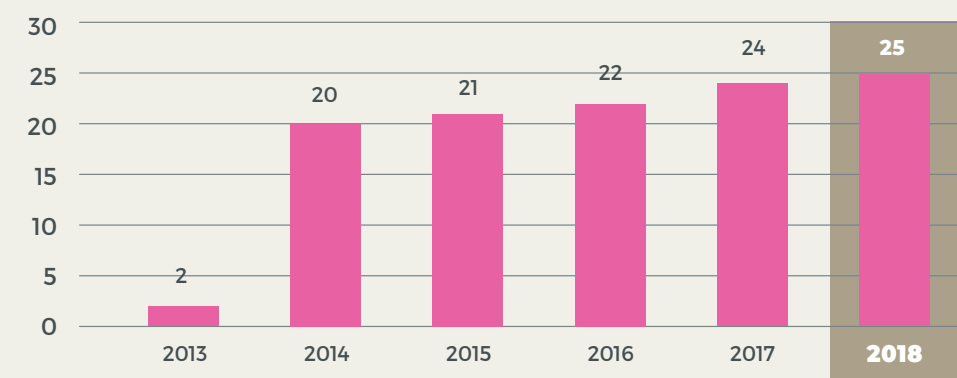
Number of issued LEIs



Number of renewed LEIs

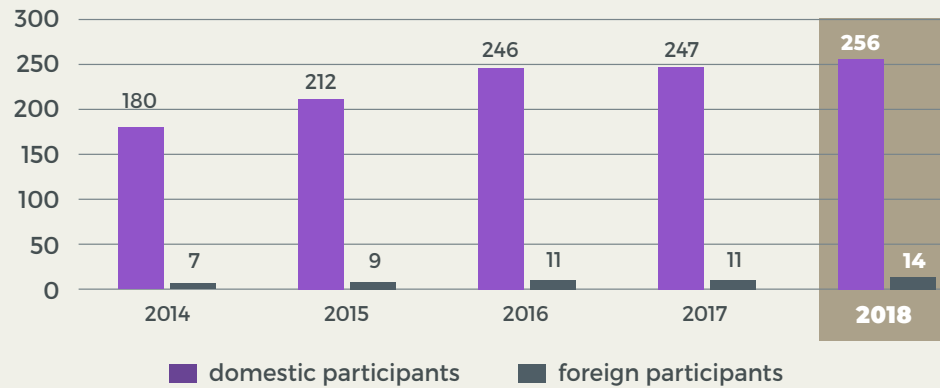


Number of jurisdictions

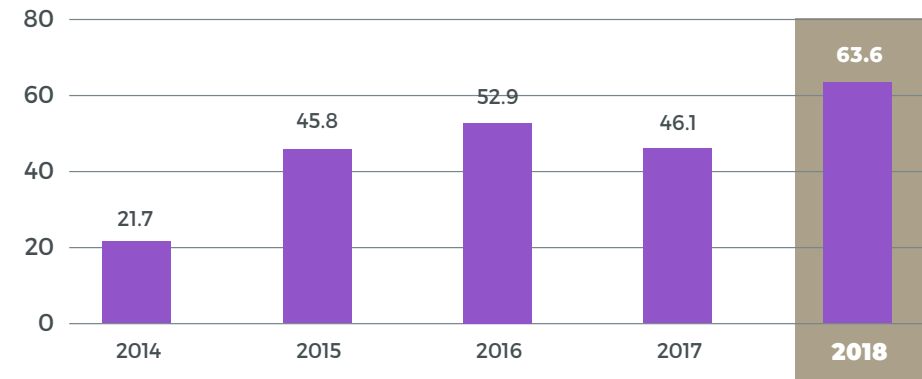


STATISTICS OF KDPW_TR

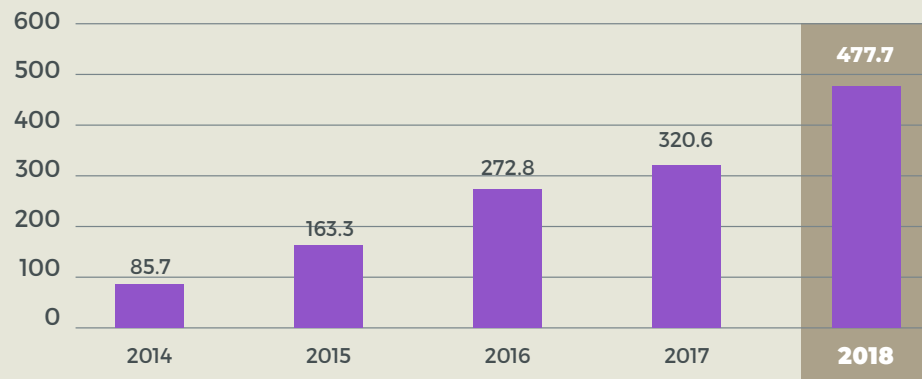
Number of KDPW_TR participants



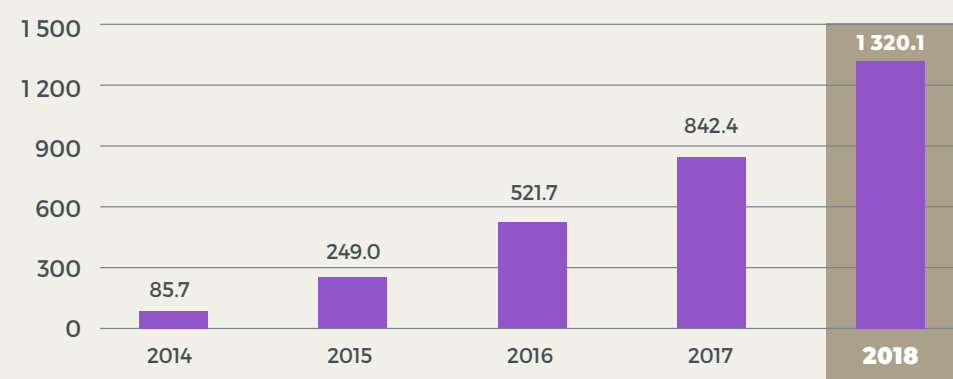
Number of transactions (mn)



Number of reports (mn)



Incremental number of reports (mn)



BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS

AS AT 31.12.2018

AS AT 31.12.2017

Non-current assets

371,419,126.23

347,178,198.94

Intangible assets

18,024,324.66

17,270,937.43

Cost of completed development work

10,622,336.29

6,865,007.10

Other intangible assets

3,076,694.08

3,637,344.57

Intangible assets prepayments

4,325,294.29

6,768,585.76

Property, plant and equipment

71,525,930.19

72,327,686.70

Property, plant and equipment

64,273,451.34

70,445,234.65

land (including perpetual usufruct of land)

9,718,239.76

9,785,985.87

buildings, premises, civil and water engineering structures

39,100,623.64

39,635,518.66

technical equipment and machinery

14,384,497.94

20,501,569.81

means of transport

880,645.31

289,650.39

other property, plant and equipment

189,444.69

232,509.92

Property, plant and equipment under development

7,252,478.85

1,882,452.05

BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS

AS AT 31.12.2018

AS AT 31.12.2017

Non-current investments

278,095,004.32

253,687,731.51

Non-current financial assets

278,095,004.32

253,687,731.51

in related parties

208,695,989.62

210,789,766.81

equity

203,282,585.40

203,282,585.40

other non-current financial assets

5,413,404.22

7,507,181.41

in other entities

69,399,014.70

42,897,964.70

equity

8,524.70

8,524.70

other securities

69,390,490.00

42,889,440.00

Non-current prepayments

3,773,867.06

3,891,843.30

Deferred tax assets

3,641,422.97

3,694,294.67

Other prepayments

132,444.09

197,548.63

BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS

AS AT 31.12.2018

AS AT 31.12.2017

Current assets	194,083,288.03	187,496,440.59
Current receivables	121,289,749.44	85,529,599.13
Receivables from related parties	2,679,944.28	2,256,040.22
trade receivables maturing:	2,679,944.28	2,256,040.22
up to 12 months	2,679,944.28	2,256,040.22
Receivables from other entities	118,609,805.16	83,273,558.91
trade receivables maturing:	8,900,436.88	8,590,631.32
up to 12 months	8,900,436.88	8,590,631.32
in respect of taxes, customs duties, social security and health insurance, and other public levies	85,811.78	74,090.81
other	109,623,556.50	74,608,836.78

BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS	AS AT 31.12.2018	AS AT 31.12.2017
Current investments	69,564,672.62	98,678,171.02
Current financial assets	69,564,672.62	98,678,171.02
in related parties	2,093,777.24	1,972,720.47
other current financial assets	2,093,777.24	1,972,720.47
in other entities	32,061,921.81	63,687,259.51
other securities	32,061,921.81	63,687,259.51
cash and other cash assets	35,408,973.57	33,018,191.04
cash in hand and at the bank	25,318,944.66	23,008,847.84
other cash assets	10,090,028.91	10,009,343.20
Current prepayments	3,228,865.97	3,288,670.44
Other assets	220,225,789.26	223,909,360.78
Total assets	785,728,203.52	758,584,000.31

BALANCE SHEET AS AT 31 DECEMBER 2018

EQUITY AND LIABILITIES
AS AT 31.12.2018
AS AT 31.12.2017

Equity	528,819,088.07	499,217,479.52
Share capital	21,000,000.00	21,000,000.00
Supplementary capital	234,278,252.34	234,278,252.34
Revaluation reserves	2,079,431.94	2,300,323.27
Other reserves	237,158,903.91	205,377,759.07
Reserves securing the operation of the trade repository	4,000,000.00	4,000,000.00
Previous years' profit (loss)	0.00	0.00
Net profit (loss)	30,302,499.88	32,261,144.84
Liabilities and provisions for liabilities	36,683,326.19	35,457,160.01
Provisions for liabilities	21,047,733.46	20,435,455.15
Deferred tax liability	5,069,563.33	5,158,009.41
Provisions for retirement and similar benefits	15,857,391.78	15,156,056.74
non-current	8,498,046.00	9,261,448.00
current	7,359,345.78	5,894,608.74
Other provisions	120,778.35	121,389.00
current	120,778.35	121,389.00

BALANCE SHEET AS AT 31 DECEMBER 2018

EQUITY AND LIABILITIES

AS AT 31.12.2018

AS AT 31.12.2017

Non-current liabilities	0.00	0.00
Current liabilities	13,688,799.24	12,597,691.66
To related parties	810,255.00	168,013.80
trade payables maturing:	810,255.00	168,013.80
up to 12 months	810,255.00	168,013.80
other	0.00	0.00
To other entities	12,346,176.78	11,916,913.71
other financial liabilities	0.00	0.00
trade payables maturing:	8,032,919.22	7,401,620.53
up to 12 months	8,032,919.22	7,401,620.53
in respect of taxes, customs duties, social security and health insurance, and other public levies	4,208,808.44	4,465,425.61
in respect of remuneration	91,558.44	40,713.91
other	12,890.68	9,153.66

BALANCE SHEET AS AT 31 DECEMBER 2018

EQUITY AND LIABILITIES	AS AT 31.12.2018	AS AT 31.12.2017
Special funds	532,367.46	512,764.15
Accruals	1,946,793.49	2,424,013.20
Other accruals	1,946,793.49	2,424,013.20
current	1,946,793.49	2,424,013.20
Other liabilities	220,225,789.26	223,909,360.78
Total equity and liabilities	785,728,203.52,	758,584,000.31,

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.01.2018 - 31.12.2018

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net revenues from sales and equivalent, including revenues:	123,137,538.05	116,510,602.41
from related parties	19,123,714.63	16,286,247.29
Net revenues from sales of products	123,137,538.05	116,510,602.41
Operating expenses	89,666,006.31	79,663,056.60
Depreciation and amortisation	14,665,657.16	13,655,867.57
Consumption of materials and energy	1,023,879.13	1,173,102.80
External services	20,376,552.56	19,289,313.93
Taxes and charges	8,264,964.80	4,626,057.67
Payroll	31,052,232.22	28,142,849.89
Social security and other benefits, including:	9,596,191.11	9,031,200.11
pensions	4,151,472.81	3,937,420.88

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.01.2018 - 31.12.2018

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Other costs by type	4,686,529.33	3,744,664.63
Profit (loss) on sales	33,471,531.74	36,847,545.81
Other operating revenue	648,764.16	1,146,280.80
Gains on sale of non-financial non-current assets	263,070.72	12,838.71
Other operating revenue	385,693.44	1,133,442.09
Other operating expenses	2,161,825.93	2,280,301.81
Loss on sale of non-financial non-current assets	0.00	0.00
Other operating expenses	2,161,825.93	2,280,301.81
Operating profit (loss)	31,958,469.97	35,713,524.80

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.01.2018 - 31.12.2018

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Financial revenue	5,060,437,05	4,261,689,08
Dividends and profit sharing, including:	235,952,00	64,886,80
from related parties, including:	235,952,00	64,886,80
from entities in which the entity has equity interest	235,952,00	64,886,80
Interest, including:	4,824,212,70	4,196,758,23
from related parties	819,86	0,00
Other	272,35	44,05
Financial expenses	185,637,50	96,449,91
Interest, including:	36,645,79	51,291,54
Other	148,991,71	45,158,37
Profit (loss) before tax	36,833,269,52	39,878,763,97
Income tax	6,530,769,64	7,617,619,13
Net profit (loss)	30,302,499,88	32,261,144,84



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SPRAWOZDANIE NIEZALEŻNEGO BIEGŁEGO REWIDENTA Z BADANIA

Dla Walnego Zgromadzenia oraz dla Rady Nadzorczej Krajowego Depozytu Papierów Wartościowych S.A.

Sprawozdanie z badania rocznego sprawozdania finansowego

Opinia

Przeprowadziliśmy badanie rocznego sprawozdania finansowego Krajowego Depozytu Papierów Wartościowych S.A. („Spółka”) z siedzibą w Warszawie, ul. Książęca 4, na które składają się: wprowadzenie do sprawozdania finansowego, bilans na dzień 31 grudnia 2018 roku, rachunek zysków i strat, zestawienie zmian w kapitale własnym i rachunek przepływów pieniężnych za okres od dnia 1 stycznia 2018 roku do dnia 31 grudnia 2018 roku oraz dodatkowe informacje i objaśnienia do sprawozdania finansowego („sprawozdanie finansowe”).

Naszym zdaniem, sprawozdanie finansowe:

- przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej Spółki na dzień 31 grudnia 2018 roku oraz jej wyniku finansowego i przepływów pieniężnych za okres od dnia 1 stycznia 2018 roku do dnia 31 grudnia 2018 roku zgodnie z mającymi zastosowanie przepisami ustawy z dnia 29 września 1994 roku o rachunkowości („ustawa o rachunkowości”) oraz przyjętymi zasadami (polityką) rachunkowości,
- jest zgodne co do formy i treści z obowiązującymi Spółkę przepisami prawa oraz statutem Spółki,
- zostało sporządzone na podstawie prawidłowo prowadzonych ksiąg rachunkowych zgodnie z przepisami rozdziału 2 ustawy o rachunkowości.

Podstawa opinii

Nasze badanie przeprowadziliśmy zgodnie z Międzynarodowymi Standardami Badania w wersji przyjętej jako Krajowe Standardy Badania przez Krajową Radę Biegłych Rewidentów („KSB”) oraz stosownie do ustawy z dnia 11 maja 2017 roku o biegłych rewidentach, firmach audytorskich oraz nadzorze publicznym („ustawa o biegłych rewidentach”). Nasza odpowiedzialność, zgodnie z tymi standardami, została dalej opisana w sekcji naszego sprawozdania „Odpowiedzialność biegłego rewidenta za badanie sprawozdania finansowego”.

Jesteśmy niezależni od Spółki zgodnie z Kodeksem etyki zawodowych księgowych Międzynarodowej Federacji Księgowych („Kodeks IFAC”) przyjętym uchwałami Krajowej Rady Biegłych Rewidentów oraz z innymi wymogami etycznymi, które mają zastosowanie do badania sprawozdań finansowych w Polsce. Wypełniliśmy nasze inne obowiązki etyczne zgodnie z tymi wymogami i Kodeksem IFAC. W trakcie przeprowadzania badania kluczowy

ERNST & YOUNG W POLSCE JEST CZŁONKIEM GLOBALNEJ PRAKTYKI ERNST & YOUNG
Ernst & Young Audit Polska spółka z ograniczoną odpowiedzialnością sp. k.
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biegły rewident oraz firma audytorska pozostali niezależni od Spółki zgodnie z wymogami niezależności określonymi w ustawie o biegłych rewidentach.

Uważamy, że dowody badania, które uzyskaliśmy są wystarczające i odpowiednie, aby stanowić podstawę dla naszej opinii.

Odpowiedzialność Zarządu i Rady Nadzorczej za sprawozdanie finansowe

Zarząd Spółki jest odpowiedzialny za sporządzenie, na podstawie prawidłowo prowadzonych ksiąg rachunkowych, sprawozdania finansowego, które przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej oraz wyniku finansowego Spółki zgodnie z przepisami ustawy o rachunkowości, przyjętymi zasadami (polityką) rachunkowości oraz obowiązującymi Spółkę przepisami prawa i statutem, a także za kontrolę wewnętrzną, którą Zarząd uznaje za niezbędną, aby umożliwić sporządzenie sprawozdania finansowego niezawierającego istotnego zniekształcenia spowodowanego oszustwem lub błędem.

Sporządzając sprawozdanie finansowe Zarząd Spółki jest odpowiedzialny za ocenę zdolności Spółki do kontynuowania działalności, ujawnienie, jeżeli ma to zastosowanie, spraw związanych z kontynuacją działalności oraz za przyjęcie zasady kontynuacji działalności jako podstawy rachunkowości, z wyjątkiem sytuacji, kiedy Zarząd albo zamierza dokonać likwidacji Spółki, albo zaniechać prowadzenia działalności, albo nie ma żadnej realnej alternatywy dla likwidacji lub zaniechania działalności.

Zarząd Spółki oraz członkowie Rady Nadzorczej są zobowiązani do zapewnienia, aby sprawozdanie finansowe spełniało wymagania przewidziane w ustawie o rachunkowości. Członkowie Rady Nadzorczej są odpowiedzialni za nadzorowanie procesu sprawozdawczości finansowej Spółki.

Odpowiedzialność biegłego rewidenta za badanie sprawozdania finansowego

Naszymi celami są uzyskanie racjonalnej pewności, czy sprawozdanie finansowe jako całość nie zawiera istotnego zniekształcenia spowodowanego oszustwem lub błędem oraz wydanie sprawozdania z badania zawierającego naszą opinię. Racjonalna pewność jest wysokim poziomem pewności, ale nie gwarantuje, że badanie przeprowadzone zgodnie z KSB zawsze wykryje istniejące istotne zniekształcenie. Zniekształcenia mogą powstawać na skutek oszustwa lub błędu i są uważane za istotne, jeżeli można racjonalnie oczekiwać, że pojedynczo lub łącznie mogłyby wpłynąć na decyzje gospodarcze użytkowników podjęte na podstawie tego sprawozdania finansowego.

Zgodnie z § 5 Międzynarodowego Standardu Badania 320, koncepcja istotności stosowana jest przez biegłego rewidenta zarówno przy planowaniu i przeprowadzaniu badania, jak i przy ocenie wpływu rozpoznanych podczas badania zniekształceń oraz nieskorygowanych zniekształceń, jeśli występują, na sprawozdanie finansowe, a także przy formułowaniu opinii biegłego rewidenta. W związku z powyższym, wszystkie opinie i stwierdzenia zawarte w sprawozdaniu z badania są wyrażane z uwzględnieniem

INDEPENDENT AUDITORS' REPORT



jakościowego i wartościowego poziomu istotności ustalonego zgodnie ze standardami badania i zawodowym osądem biegłego rewidenta.

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

Podczas badania zgodnego z KSB stosujemy zawodowy osąd i zachowujemy zawodowy sceptycyzm, a także:

- identyfikujemy i oceniamy ryzyka istotnego zniekształcenia sprawozdania finansowego spowodowanego oszustwem lub błędem, projektujemy i przeprowadzamy procedury badania odpowiadające tym ryzykom i uzyskujemy dowody badania, które są wystarczające i odpowiednie, aby stanowić podstawę dla naszej opinii. Ryzyko niewykrycia istotnego zniekształcenia wynikającego z oszustwa jest większe niż tego wynikającego z błędów, ponieważ oszustwo może dotyczyć zmywu, fałszerstwa, celowych pominięć, wprowadzenia w błąd lub obejścia kontroli wewnętrznej,
- uzyskujemy zrozumienie kontroli wewnętrznej stosownej dla badania w celu zaprojektowania procedur badania, które są odpowiednie w danych okolicznościach, ale nie w celu wyrażenia opinii na temat skuteczności kontroli wewnętrznej Spółki,
- oceniamy odpowiedniość zastosowanych zasad (polityki) rachunkowości oraz zasadność szacunków księgowych oraz powiązanych ujawnień dokonanych przez Zarząd Spółki,
- wyciągamy wniosek na temat odpowiedniości zastosowania przez Zarząd Spółki zasady kontynuacji działalności jako podstawy rachunkowości oraz, na podstawie uzyskanych dowodów badania, czy istnieje istotna niepewność związana ze zdarzeniami lub warunkami, która może poddawać w znaczącą wątpliwość zdolność Spółki do kontynuacji działalności. Jeżeli dochodzimy do wniosku, że istnieje istotna niepewność, wymagane jest od nas zwrócenie uwagi w naszym sprawozdaniu biegłego rewidenta na powiązane ujawnienia w sprawozdaniu finansowym lub, jeżeli takie ujawnienia są nieadekwatne, modyfikujemy naszą opinię. Nasze wnioski są oparte na dowodach badania uzyskanych do dnia sporządzenia naszego sprawozdania biegłego rewidenta, jednakże przyszłe zdarzenia lub warunki mogą spowodować, że Spółka zaprzestanie kontynuacji działalności,
- oceniamy ogólną prezentację, strukturę i zawartość sprawozdania finansowego, w tym ujawnienia, oraz czy sprawozdanie finansowe przedstawia będące ich podstawą transakcje i zdarzenia w sposób zapewniający rzetelną prezentację.

Przekazujemy Radzie Nadzorczej informacje o, między innymi, planowanym zakresie i czasie przeprowadzenia badania oraz znaczących ustaleniach badania, w tym wszelkich znaczących słabościach kontroli wewnętrznej, które zidentyfikujemy podczas badania.



Inne informacje, w tym sprawozdanie z działalności

Inne informacje obejmują sprawozdanie Zarządu z działalności Krajowego Depozytu Papierów Wartościowych i Grupy Kapitałowej KDPW za okres od dnia 1 stycznia 2018 roku do dnia 31 grudnia 2018 roku („Sprawozdanie z działalności”).

Odpowiedzialność Zarządu i Rady Nadzorczej

Zarząd Spółki jest odpowiedzialny za sporządzenie Sprawozdania z działalności zgodnie z przepisami prawa.

Zarząd Spółki oraz członkowie Rady Nadzorczej są zobowiązani do zapewnienia, aby Sprawozdanie z działalności Spółki spełniało wymagania przewidziane w ustawie o rachunkowości.

Odpowiedzialność biegłego rewidenta

Nasza opinia z badania sprawozdania finansowego nie obejmuje Sprawozdania z działalności. W związku z badaniem sprawozdania finansowego naszym obowiązkiem jest zapoznanie się ze Sprawozdaniem z działalności i czyniąc to, rozpatrzenie, czy nie jest istotnie niespójne ze sprawozdaniem finansowym lub naszą wiedzą uzyskaną podczas badania, lub w inny sposób wydaje się istotnie zniekształcone. Jeśli na podstawie wykonanej pracy stwierdzimy istotne zniekształcenia w Sprawozdaniu z działalności, jesteśmy zobowiązani poinformować o tym w naszym sprawozdaniu z badania. Naszym obowiązkiem, zgodnie z wymogami ustawy o biegłych rewidentach, jest również wydanie opinii, czy sprawozdanie z działalności zostało sporządzone zgodnie z przepisami oraz czy jest zgodne z informacjami zawartymi w sprawozdaniu finansowym.



Opinia o Sprawozdaniu z działalności

Na podstawie wykonanej w trakcie badania pracy, naszym zdaniem, Sprawozdanie z działalności Spółki:

- zostało sporządzone zgodnie z art. 49 ustawy o rachunkowości,
- jest zgodne z informacjami zawartymi w sprawozdaniu finansowym.

Ponadto, w świetle wiedzy o Spółce i jej otoczeniu uzyskanej podczas naszego badania oświadczamy, że nie stwierdziliśmy w Sprawozdaniu z działalności Spółki istotnych zniekształceń.

Warszawa, dnia 19 marca 2019 roku

Kluczowy biegły rewident

Podpisany certyfikatem wystawionym dla Maja Mandela
(Certyfikat kwalifikowany)
Utworzony w dniu: 2019-03-19 16:31:32 +01:00

Maja Mandela
biegły rewident
nr w rejestrze: 11942

działający w imieniu:
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