This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program. 3.0.

392/2022/AR

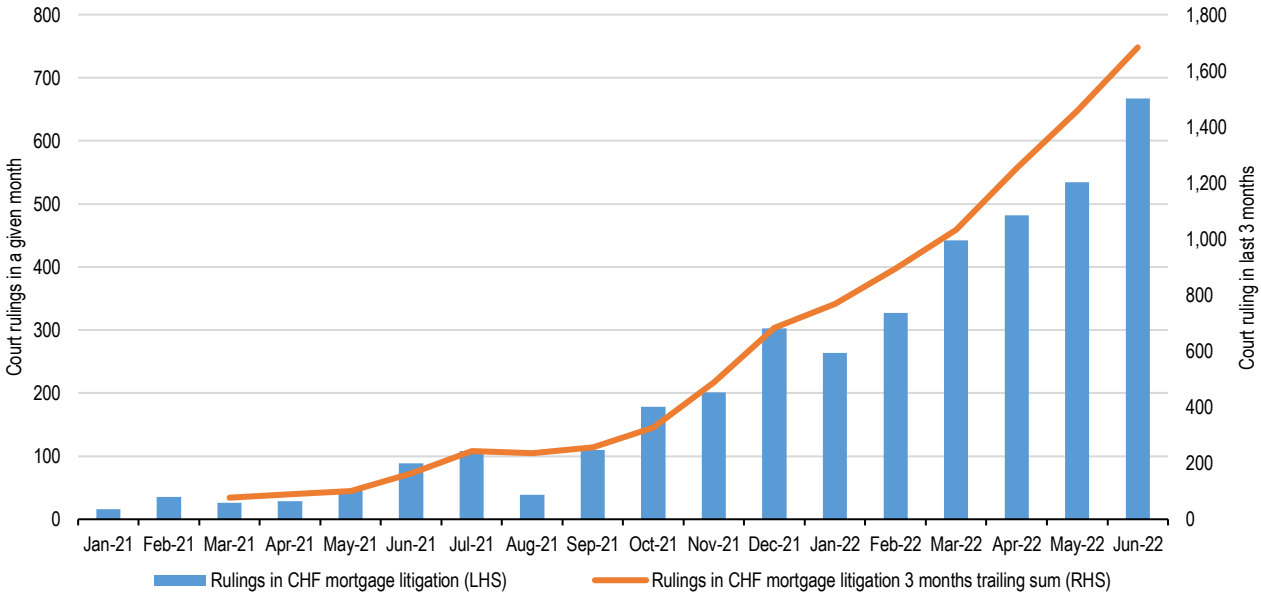
Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Votum	**Buy**	**53.60**	**Overweight**	Michał Sobolewski, CFA, FRM

Event: Key indicators for the banking segment in June and July; preliminary 2Q22 revenues.

On July 15 Votum revealed (link) their monthly and quarterly reports with key indicators for the segment of pursuing claims from abusive clauses in FX mortgage loan agreements for June (number of court sentences and number of new agreements with customers) and July (scheduled court hearings).

The court sentences in the segment of pursuing claims from abusive clauses in FX mortgage loan agreements. In June the courts of both instances handed down 667 sentences, including 592 in the courts of the first instance (94% of these sentences stated the invalidity of agreements with merely 2% that dismissed claims in their entirety) and 75 in the courts of the second instance (84% stating the invalidity of agreements with none that dismissed claims). In recent months we observe a further material increase in a number of court decisions (in June this number reached the historically highest level).

Votum; a monthly number of sentences in the segment of pursuing claims from abusive clauses in FX mortgage loan agreements (preliminary data)



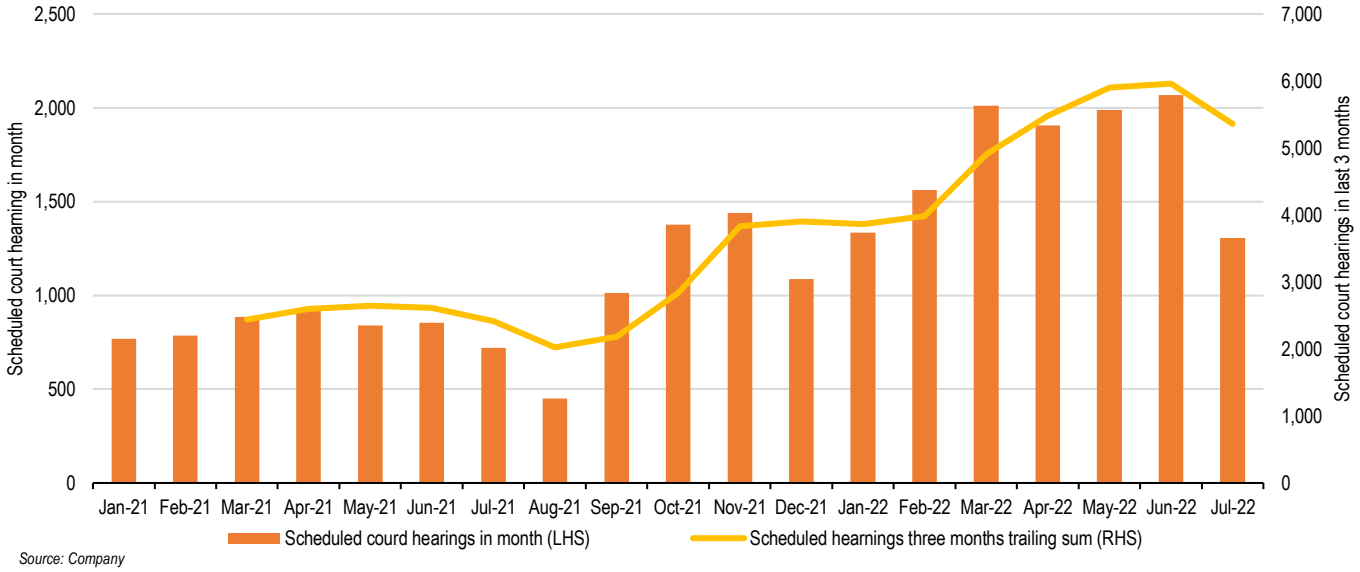
Source: Company

A number of court hearings related to pursuing claims from abusive clauses in FX mortgage loan agreements. In July Votum will attend 1,305 court hearings related to pursuing claims from abusive clauses in FX mortgage loan agreements. This is significantly less than over 2 thousands seen for the prior month, still this is the typical seasonal decline tied to summer months and holiday season.

Votum Group additionally informed that the number of hearings in August should exceed 1 thousand sittings. In turn, the autumn schedule is promising according to the management board's expectations, with over 2 thousands hearings expected in September, and in October the number may even reach 2,500-3,000 hearings.

In our opinion, the holiday months will be less intense, but it should be made up for in the coming months.

Votum; a monthly number of court hearings in the segment of pursuing claims from abusive clauses in FX mortgage loan agreements (preliminary data)

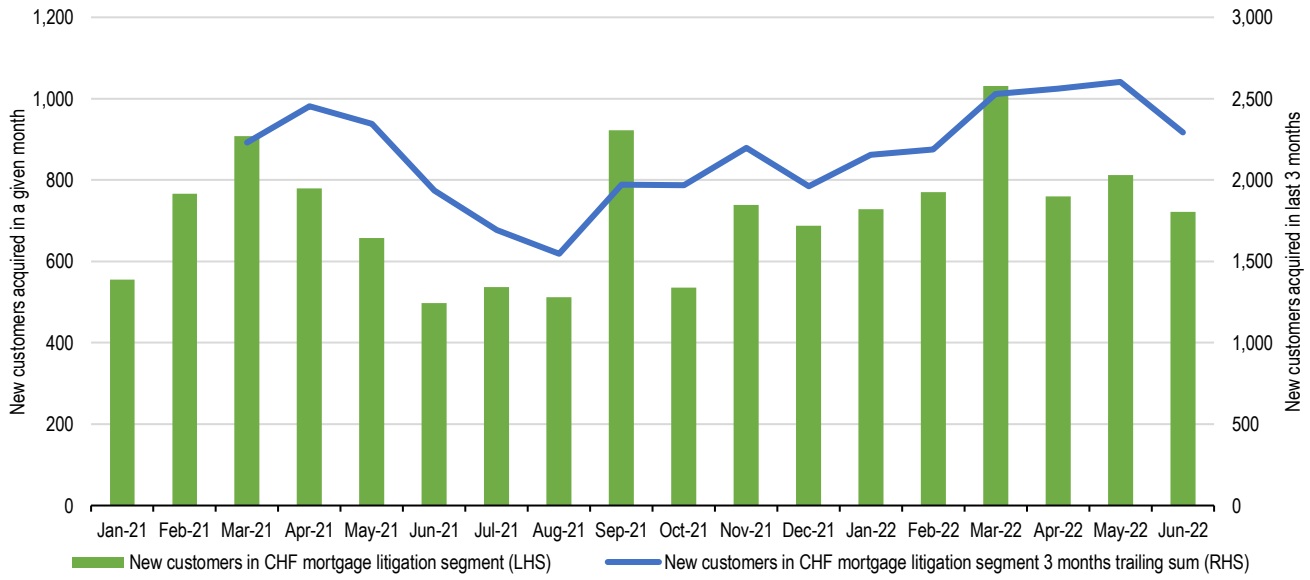


Source: Company

New clients acquired in the segment of pursuing claims from abusive clauses in FX mortgage loan agreements. In June a number of new contracts stood at 722. This is a tad below an average for 2Q22 (764). In 1H22 newly acquired customers amounted to 4,821, which suggest (assuming similar growth) annual number of new customers near 10 thousands. The impact of rising interest rates and the weakening CHFPLN rate on clients' propensity to pursue claims may stimulate the influx of new clients in 2H22.

At this point, we also have a commentary from the management board, which indicates that from the beginning of July 2022, Votum has noted an increase in interest in the service of pursuing claims under credit agreements. The high exchange rate of the CHFPLN, which translates directly into the level of loan installments, is a clear impulse for customers to take action.

Votum; contracts acquired monthly in the segment of pursuing claims from abusive clauses in FX mortgage loan agreements (preliminary data)



Source: Company

The second current report (link) covers preliminary results related to 2Q22 success fee revenue (recognized in accordance with the IFRS 15 standard). Given a material rise in a number of the courts of the first instance sentences, this component's contribution to revenues grows and that's the factor with primary importance for the segment's and company financial results.

The Company informed that the segment of pursuing claims from abusive clauses in FX mortgage loan agreements generated PLN 43.7 million of the revenues from the remuneration due for the adjudicative decisions delivered by the courts of the first instance, with PLN 27.5 million of net income. The above mentioned data are partial and do not include the remaining revenues, especially the initial remuneration and the remuneration related to the final judgments.

It means that 2Q22 alone brought revenues over two times higher than those reported in the first quarter. This highlight a very high top line dynamics, which will be already recognized in 2Q22 in this segment. Moreover, taking into account the further dynamic increase in the number of court judgments in the second half of this year, the marked increase should continue in the coming quarters. Against the backdrop of the just reported revenue data for 2Q22 in the abusive claims segment, we deem our forecasts for the Votum annual results as conservative.

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.