Capital Adequacy Disclosures by IPOPEMA Securities S.A.

as at 31 December 2015

Introduction

This document implements the Disclosure Policy of IPOPEMA Securities S.A. (the “Brokerage House”, “IPOPEMA Securities”, “IPOPEMA”, the “Company”) and of the IPOPEMA Securities Group (the “Group”, “IPOPEMA”) with respect to capital adequacy disclosures required under:

- Regulation of the Minister of Finance of November 26th 2009 on disclosure of information related to capital adequacy (the “Regulation”),
- Regulation of the Minister of Finance of December 2nd 2011 on the rules for establishment of a variable remuneration component policy for persons holding management positions at brokerage houses,
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the “CRR” (Capital Requirements Regulation)),
- Commission implementing regulation (EU) No. 1423/2013 of December 20th 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to CRR.

IPOPEMA Securities qualifies as an EU parent institution and has the obligation to comply with capital adequacy standards on the basis of its consolidated situation. IPOPEMA Securities S.A. discloses information on its capital adequacy on a consolidated basis.

The information disclosed in this document is based on the approved full-year consolidated financial statements of the IPOPEMA Group for 2015.

In 2015, the Company had no authorisation from the Polish Financial Supervision Authority to use advanced risk measurement approaches.

1. Risk management objectives and strategies

Strategies and processes with respect to management of specific risks

The risk management process within the Company is based on its internal documents making up a package of regulations named “Risk and Capital Management Policy at IPOPEMA Securities S.A.” This package includes, among other things, the “Risk Management Policy” and the “Capital Management Strategy.”

The “Risk Management Policy” defines:

- objectives and principles of risk management,
- risk appetite and risk profile,
- stress tests,
- rules governing calculation of consolidated capital adequacy standards,
- rules governing reporting,
- tasks and duties with respect to risk management assigned to the Company’s respective bodies and units,
- rules governing disclosure of information related to capital adequacy.

The “Capital Management Strategy” defines:

- rules governing capital management,
- components of own funds,
- capital strategy (defining capital objectives and the capital limit),
- capital contingency plans,
- capital planning process.

The “Internal Capital Adequacy Assessment Process “ defines:

- approach to measurement of materiality of risks,
- rules governing measurement of material risks,
- methodology applied to estimate the internal capital needed to cover all material risks.

The other documents include information on processes of management of specific risks and reporting processes.

As part of the tasks and duties defined in the “Risk Management Policy”, the Compliance Office is required to:

- calculate the regulatory requirement with respect to own funds and calculate the amount of internal capital,
- monitor the capital adequacy of IPOPEMA,
- monitor the use and exceedance of limits defined for specific risks,
- deliver quarterly reports on capital adequacy to the Management and Supervisory Boards.

The dedicated risk control unit at IPOPEMA Securities is its Compliance Office, supported by the financial control unit.

Rules pertaining to the operation of the management information system have been defined in the “Risk and Capital Management Policy at IPOPEMA Securities S.A.”. As part of the system, dedicated units provide current and periodic information to the Management and Supervisory Boards of IPOPEMA Securities.

All the above documents concerning risk management are approved by the Management Board. Apart from that, two of these documents, i.e. the “Capital Management Strategy” and the “Internal Capital Adequacy Assessment Process”, are subject to approval by the Supervisory Board.

Structure and organisation of the risk management function

Supervisory Board

As part of risk management, the IPOPEMA Supervisory Board performs the following activities:

- monitors the effectiveness and efficiency of the risk management system, for instance on the basis of capital adequacy reports it has received,
- accepts the overall risk level by approving internal procedures concerning internal capital assessment processes,
- monitors the consistency of specific risk limits with the overall risk level accepted by the Supervisory Board,
- supervises the consistency of the risk acceptance policy with the business strategy.

Management Board

The IPOPEMA Management Board exercises control over the risk management process and is responsible for its effectiveness. Within its remit, the Management Board:

- implements, monitors and continuously improves the risk management framework in all areas of IPOPEMA’s business,
- ensures preparation and implementation of internal capital assessment, capital management and capital planning processes,
- determines internal quantitative and qualitative limits, as well as individual limits used as a risk management tool,
- procures that the internal strategies and procedures, including the ICAAP process, are reviewed regularly (at least on an annual basis), particularly in the context of the current profile, scale and complexity of IPOPEMA’s business.

Heads of organisational units

Within their respective remits, the heads of organisational units:

- are responsible for implementing and maintaining the risk management framework and guidelines incorporated into the internal regulations of their respective units,
- submit proposals of changes to the risk management strategies and framework if they believe such changes are necessary, for instance due to changes in relevant processes or in the conducted business.

Compliance Office

Within its remit, the Compliance Office:

- calculates, together with the Controlling Office, the total amount of risk exposure as percentage of own funds (capital ratio), supervises and coordinates implementation of the risk management system across the organisation, including processes aimed at risk identification, measurement, monitoring and control,
- calculates internal capital and performs stress tests,
- within the capital planning process performs, together with the Controlling Office, the simulation calculation of the capital ratio,
- introduces, coordinates and supervises the following processes: internal capital assessment, capital management, and capital planning,
- monitors IPOPEMA's capital adequacy,
- introduces, coordinates and supervises processes related the operation of the management information system and submission of information to the Polish Financial Supervision Authority,
- monitor the use and exceedance of limits defined for specific risks,
- ensures that the activities carried out by IPOPEMA employees are performed in conformity with the guidelines specified in internal regulations,
- delivers reports on capital adequacy to the Management and Supervisory Boards.

Controlling Office

Within its remit, the Controlling Office:

- calculates, together with the Controlling Office, the total amount of risk exposure as percentage of own funds (capital ratio),
- provides the Compliance Office with financial data necessary to calculate the amount of internal capital, and to perform stress tests,
- performs measurements with respect to liquidity risk (liquidity gap),
- monitors net results on current operations against net result targets (business risk),
- within the capital planning process performs, together with the Compliance Office, the simulation calculation of the capital ratio.

Internal audit

Duties of the internal audit function include regular checking and assessment of the appropriateness and effectiveness of systems and procedures in place, including the system for managing risks associated with the business operations conducted by IPOPEMA, as well as regular checking and assessment of the implementation of internal regulations to the extent they relate to risk management.

Scope and nature of the reporting system

The role of IPOPEMA's management information system is to provide decision makers with information on material risk factors.

Under the management information system in place at IPOPEMA, dedicated units provide current and periodic information related to IPOPEMA's risk management system to the Management and Supervisory Boards. The scope of such reports has been described in internal documents governing individual elements of the risk management system.

Security and risk mitigation strategy

The security and risk mitigation strategy is pursued through implementation of the following internal regulations and tools:

- The procedure with respect to maintenance of continuous and secure operation of the information systems used in performance of activities related to the brokerage business of IPOPEMA Securities S.A. specifies:
  - rules for protecting the IT systems against unauthorised access,
  - safeguards protecting the hardware and systems against loss of data,
  - rules with respect to continuous operation of the systems,
  - conditions of access to the WSE IT system,
  - emergency procedures with respect to the Brokerage House's IT systems dedicated to the WSE,
  - rules for monitoring the status of connections to the WSE systems.

- The staffing policy of IPOPEMA Securities S.A. specifies the rules for recruitment and supplementary recruitment of employees, monitoring of staffing needs and planning of IPOPEMA's human resources as part of an effective HR policy.
- The risk and capital management policy of IPOPEMA Securities S.A. covers:
  - capital contingency plans,
  - liquidity contingency plans,
  - rules pertaining to the register of operational incidents,
- Whistleblowing mechanism enabling employees to anonymously report any identified irregularities or violations.
- Disaster Recovery Office – comprises a specific number of workstations organised and maintained on stand-by in a separate office, located in an area with restricted access, protected by an access control system, equipped with appropriate infrastructure and made available after an emergency has been reported on terms defined in a relevant agreement with the service provider.

Declaration approved by the management body on the adequacy of risk management arrangements at IPOPEMA Securities

A declaration approved by the Company's Management Body on the adequacy of risk management arrangements at IPOPEMA Securities is attached as Appendix 1 hereto.

Risk statement approved by the management body

A statement approved by the Company's Management Board on the risk profile associated with the business strategy of IPOPEMA Securities is attached as Appendix 2 hereto.

Number of directorships held by members of the management body

In 2015, three members of the Management Board held directorial positions at the Company's departments.

Recruitment policy and policy on diversity with regard to selection of members of the management body

IPOPEMA Securities' management staff have adequate professional qualifications and more than a decade of experience in service with financial institutions, including brokerage houses. The competences, experience and skills of the IPOPEMA Management Board's Members strictly correspond to the business areas and remits of the departments and organisational units they supervise.

Risk Committee

No separate risk committee has been set up at IPOPEMA Securities S.A.

Flow of risk-related information to the management body

In line with the "Risk Management Policy", under the management information system in place at the Company, dedicated units provide current and periodic information related to IPOPEMA's risk management system to the Management and Supervisory Boards. As part of the Company's management information system, the Management and Supervisory Boards are provided, on a quarterly basis, with a report including, among other things:

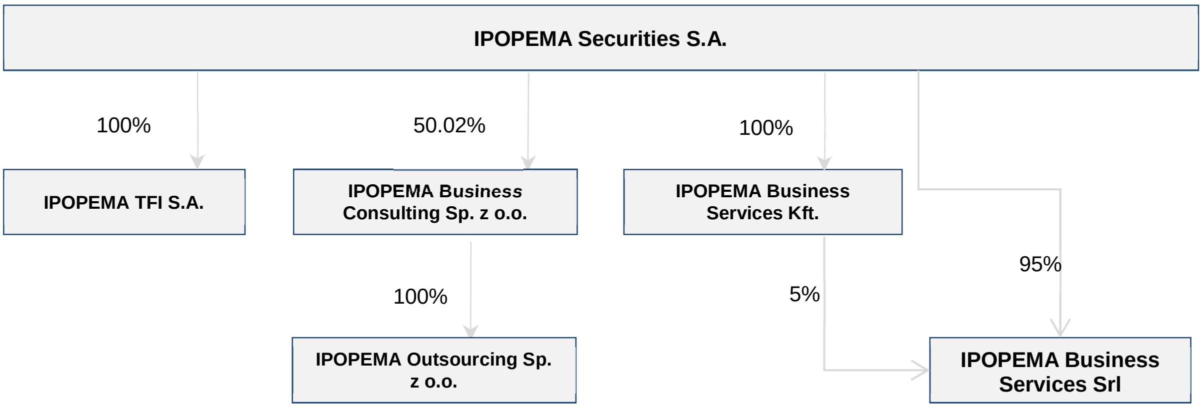
- information on own funds (prepared based on a COREP report),
- information on total risk exposure (prepared based on a COREP report),
- information on internal capital calculated according to the approach outlined in the "Internal Capital Adequacy Assessment Process",
- information on total capital ratio (prepared based on a COREP report),
- information on deviation of own funds from internal capital,
- information on credit risk in the reporting period,
- information on liquidity gap at the end of reporting period,
- information on material operational incidents,

- information on large exposures of the Company at end of reporting periods,
- information on occurrence of large exposures resulting in exceeding of exposure concentration limits within reporting periods,
- information on use of respective exposure limits in the trading book
- information on the number of negative news items on IPOPEMA in the media,
- information on actual revenue from brokerage activities relative to target revenue from brokerage activities.

2. Scope of application of the CRR requirements

Key information on the Brokerage House and its group

IPOPEMA Securities S.A. is the parent of the group consisting also of the following subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Outsourcing Sp. z o.o., IPOPEMA Business Services Kft., and IPOPEMA Business Services Srl.



Outline of the differences in the basis of consolidation

IPOPEMA Securities S.A. is the parent of the Group. IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. and IPOPEMA Business Consulting Sp. z o.o. are fully consolidated, whereas IPOPEMA Business Services Kft, IPOPEMA Business Services Srl and IPOPEMA Outsourcing Sp. z o.o. are excluded from consolidation due to immateriality of their financial data in relation to the Group's financial data, and are not deducted from consolidated own funds. Own funds and prudential requirements under the CRR are calculated based on consolidated financial statements.

Any material practical or legal impediments, whether existing or foreseen, to the prompt transfer of own funds or to repayment of amounts due between the parent and its subsidiaries

No such impediments exist or are currently foreseen.

Total amount of capital shortfalls at all non-consolidated subsidiaries and a list of the subsidiaries

No such shortfalls were recorded.

Financial disclosures

(i) Consolidated full-year financial statements comprising:
- consolidated statement of financial position,
- consolidated statement of comprehensive income,
- consolidated statement of changes in equity,
- consolidated statement of cash flows,
- introduction and notes to the financial statements;

(ii) Auditor's opinion and report on consolidated financial statements.

These disclosures are published on the Brokerage House's website at www.ipopema.pl ('investor relations' section).

3. Own funds

Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items, as well as filters and deductions applied pursuant to Articles 32−35, 36, 56, 66 and 79 with respect to the institution's own funds and balance sheet in the audited financial statements

Own funds structure

Common Equity Tier 1 capital: Instruments and reserves		
1	Capital instruments and the related share premium accounts	13,345,012.53
	of which: membership interests	-
	of which: ordinary shares	13,345,012.53
	of which: founders' shares	-
	of which: shares conferring voting preference at the GM	-
2	Retained earnings	-
3	Accumulated other comprehensive income and other reserves	63,542,808.13
3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from Common Equity Tier 1	-
5	Minority interests (amount allowed in consolidated Common Equity Tier 1)	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	**Common Equity Tier 1 before regulatory adjustments**	**76,887,820.66**
Common Equity Tier 1: regulatory adjustments		
7	Additional value adjustments (negative amount)	12,966.36
8	Intangible assets (net of the related tax liability) (negative amount)	3,156,522.27
9	Empty set in the EU	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of the related tax liability if the conditions in Article 38(3) are met) (negative amount)	49,277.00
11	Fair value reserves related to gains or losses on cash flow hedges	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
15	Defined-benefit pension fund assets (negative amount)	-
16	Direct and indirect holdings by the institution of own Common Equity Tier 1 instruments (negative amount)	-
17	Direct, indirect and synthetic holdings of the Common Equity Tier 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
18	Direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-

19	Direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
20	Empty set in the EU	-
20a	Exposure amount of the following items which qualify for a risk weight of 1,250%, where the institution opts for the deduction alternative	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-
20c	of which: securitisation positions (negative amount)	-
20d	of which: free deliveries (negative amount)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
22	Amount exceeding the 15% threshold (negative amount)	-
23	of which: direct and indirect holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities	-
24	Empty set in the EU	-
25	of which: deferred tax assets arising from temporary differences	-
25a	Losses for the current financial year (negative amount)	-
25b	Foreseeable tax charges relating to Common Equity Tier 1 items (negative amount)	-
27	Qualifying Additional Tier 1 Capital deductions that exceed Additional Tier 1 Capital of the institution (negative amount)	-
28	**Total regulatory adjustments to Common Equity Tier 1**	**3,218,765.63**
29	**Common Equity Tier 1 Capital**	**73,669,055.03**

Additional Tier 1 Capital: instruments		
30	Capital instruments and the related share premium accounts	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
34	Qualifying Tier 1 capital included in consolidated Additional Tier 1 Capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 Capital before regulatory adjustments	-
Additional Tier 1 Capital: regulatory adjustments		
37	Direct and indirect holdings by the institution of own Additional Tier 1 Capital instruments (negative amount)	-
38	Direct, indirect and synthetic holdings of the Additional Tier 1 Capital instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
39	Direct, indirect and synthetic holdings of the Additional Tier 1 Capital instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
40	Direct, indirect and synthetic holdings by the institution of the Additional Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
41	Empty set in the EU	-
42	Qualifying Tier 2 Capital deductions that exceed Tier 2 Capital of the institution (negative amount)	-
43	**Total regulatory adjustments to Additional Tier 1 Capital**	**-**
44	**Additional Tier 1 Capital**	**-**
45	**Tier 1 Capital (Tier 1 = Common Equity Tier 1 + Additional Tier 1)**	**73,669,055.03**
Tier 2 Capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from Tier 2 capital	-
48	Qualifying own funds instruments included in consolidated Tier 2 Capital (including minority interests and Additional Tier 1 Capital instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	-
51	**Tier 2 Capital before regulatory adjustments**	-
Tier 2 Capital: regulatory adjustments		
52	Direct and indirect holdings by the institution of own Tier 2 Capital instruments and subordinated loans (negative amount)	-
53	Holdings of the Tier 2 Capital instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct, indirect and synthetic holdings of the Tier 2 Capital instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
55	Direct, indirect and synthetic holdings by the institution of the Tier 2 Capital instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Empty set in the EU	-
57	Total regulatory adjustments to Tier 2 Capital	-

58	**Tier 2 Capital**	**-**
59	**Total Capital (Total Capital = Tier 1 + Tier 2)**	**73,669,055.03**
60	**Total risk weighted assets**	**144,987,638.14**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	22.16%
62	Tier 1 Capital (as a percentage of total risk exposure amount)	22.16%
63	Total capital (as a percentage of total risk exposure amount)	22.16%
64	Institution-specific buffer requirement (Common Equity Tier 1 requirement in accordance with Article 92.1.a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount	-
65	of which: capital conservation buffer requirement	-
66	of which: countercyclical buffer requirement	-
67	of which: systemic risk buffer requirement	-
67a	of which: Global Systemically Important Institution or Other Systemically Important Institution buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of total risk exposure amount)	-
69 71	Non relevant in EU regulation	-
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
74	Empty set in the EU	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38.3 are met)	-

Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in Tier 2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in Tier 2 under standardised approach	-
78	Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between January 1st 2014 and January 1st 2022)		
80	- Current cap on Common Equity Tier 1 instruments subject to phase out arrangements	-
81	- Amount excluded from Common Equity Tier 1 due to cap (excess over cap after redemptions and maturities)	-
82	- Current cap on Additional Tier 1 instruments subject to phase out arrangements	-
83	- Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	-
84	- Current cap on Tier 2 instruments subject to phase out arrangements	-
85	- Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	-

The IPOPEMA Group holds neither capital instruments qualifying under Additional Tier 1 nor capital instruments or loans qualifying under Tier 2.

Description of the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments issued by the institution. Full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments

Main features of Tier 1 instruments

No.	Series/issue	A	B	C	C	C	C	C
1.	Issuer	IPOPEMA	IPOPEMA	IPOPEMA	IPOPEMA	IPOPEMA	IPOPEMA	IPOPEMA
2.	Unique identifier	PLIPOPM00011	PLIPOPM00011	PLIPOPM00011	PLIPOPM00011	PLIPOPM00011	PLIPOPM00011	PLIPOPM00011
3.	Governing law(s) of the instrument	Polish law	Polish law	Polish law	Polish law	Polish law	Polish law	Polish law
	Regulatory treatment							
4.	Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
5.	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
6.	Eligible at solo or (sub-)consolidated/ solo and (sub-)consolidated	Solo	Solo	Solo	Solo	Solo	Solo	Solo
7.	Instrument type	Ordinary bearer shares	Ordinary bearer shares	Ordinary bearer shares	Ordinary bearer shares	Ordinary bearer shares	Ordinary bearer shares	Ordinary bearer shares
8.	Amount recognised in regulatory capital, as at 31 December 2015	PLN 700,000	PLN 9,305,019	PLN 167,857	PLN 194,462	PLN 1,062,500	PLN 986,605	PLN 928,570
9.	Nominal amount of instrument	PLN 0.10	PLN 0.10	PLN 0.10	PLN 0.10	PLN 0.10	PLN 0.10	PLN 0.10

9a.	Issue price	PLN 0.10	PLN 4.31	PLN 0.47	PLN 0.47	PLN 5.00	PLN 5.00	PLN 5.00
9b.	Redemption price	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
10.	Accounting classification	Equity	Equity	Equity	Equity	Equity	Equity	Equity
11.	Original date of issuance	2005	2006	2009	2010	2011	2012	2013
12.	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13.	Original maturity date	None	None	None	None	None	None	None
14.	Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No
15.	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16.	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Coupons / dividends							
17.	Fixed or floating dividend/coupon	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate
18.	Coupon rate and any related index	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
19.	Existence of a dividend stopper	No	No	No	No	No	No	No
20a.	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b.	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21.	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22.	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23.	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24.	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25.	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26.	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30.	Write-down features	No	No	No	No	No	No	No

31.	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32.	If write-down, full or partial.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33.	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34.	If temporary write-down, description write-down mechanism	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
36.	Non-compliant transitioned features	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

A description of all restrictions applied to the calculation of own funds in accordance with the CRR and the instruments, prudential filters and deductions to which those restrictions apply

IPOPEMA does not apply any restrictions to the calculation of own funds in accordance with the CRR nor any instruments, prudential filters or deductions to which such restrictions apply.

Explanation of the basis on which capital ratios are calculated using elements of own funds determined on a basis other than that laid down in the CRR

IPOPEMA does not use capital ratios calculated using elements of own funds determined on a basis other than that laid down in the CRR.

4. Capital requirements

A summary of IPOPEMA's approach to assessing the adequacy of its internal capital to support current and future activities

IPOPEMA Securities has implemented an internal capital adequacy assessment system, described in detail in the document entitled 'Internal Capital Adequacy Assessment Process'.

Internal capital is defined as an amount estimated by a brokerage house as necessary to cover all the identified material risks inherent in its operations and changes in the economic environment, taking into account the forecast risk levels.

Risk materiality assessment consists in an analysis of risks prevalent in IPOPEMA Securities' operations and its environment, and is designed to identify risks relevant to its business, which will be further analysed during subsequent stages of the ICAAP. The Brokerage House has introduced processes intended to manage risks assessed as material and accumulated internal capital to cover those risks.

In calculating internal capital, IPOPEMA Securities S.A. applies a solution based on Pillar 1's own funds regulatory requirement (capital ratio of 8%), which is a starting point for assessing additional capital which may be required to support risks not covered or not fully covered by Pillar 1's minimum own funds regulatory requirement and applying an adequate charge to reflect that additional capital requirement.

The table below presents the risks analysed by IPOPEMA, the materiality criteria and approach adopted to assess specific risks:

Risk	Materiality	Calculation of internal capital
Credit risk	Always material	Risk exposure x 8%
Operational risk	Always material	Risk exposure x 8%
Settlement/delivery risk	Keeping exposures within Total risk exposure	Risk exposure x 8%
Currency risk	Keeping exposures within Total risk exposure	Risk exposure x 8%
Commodity risk	Keeping exposures within Total risk exposure	Risk exposure x 8%
Position risk	Keeping exposures within Total risk exposure	Risk exposure x 8%
Credit Valuation Adjustment risk	Keeping exposures within Total risk exposure	Risk exposure x 8%
Risk related to large exposures in the trading book	Keeping exposures within Total risk exposure	Risk exposure x 8%
Liquidity risk	Always material	-
Business risk	Expert opinion	Internal model developed by the Company
Reputation risk	Expert opinion	

The internal capital adequacy assessment process is reviewed on a regular basis and modified if necessary. The review exercise consists of:

- reviewing risks inherent in IPOPEMA's operations,
- reviewing the approaches to assessment of materiality of specific risks, and
- reviewing the approaches to measurement of material risks.

The internal capital adequacy assessment process is reviewed at least on an annual basis. A review is also performed whenever a new type of risk is identified, a material revision is made to the strategy or an action plan, changes occur in IPOPEMA's external environment or there are other factors with a bearing on the proper operation of the assessment process.

Methods used to calculate exposures to specific types of risks, with references to relevant provisions of the CRR

Tag	Calculation method	Reference to CRR
Risk-weighted exposure value for credit risk, counterparty credit risk, dilution risk and free delivery risk	Standardised Approach	Part Three, Title II, Chapter 2
Risk exposure value arising from own contributions to the default fund of a CCP	Art. 308	Part Three, Title II, Chapter 6
Total equity instruments risk exposure value	Art. 341-344	Part Three, Title IV, Chapter 2, Section 3
Total currency risk exposure value	Articles 351−352 of CRR	Part Three, Title IV, Chapter 3
Total operational risk exposure value	Basic Indicator Approach	Part Three, Title III, Articles 315−316 of CRR
Total exposure on credit valuation adjustment (CVA) risk	Standardised Approach	Part Three, Title VI, Art. 384
Total exposure on risk arising from large exposures in the trading book	Art. 397	Part Four

Disclosures concerning 8% of risk-weighted exposures for exposure classes specified in Article 112 of CRR

Exposure class	8% of risk-weighted exposure in PLN

Exposures to central governments or central banks	-
Exposures to regional governments or local authorities	-
Exposures to public sector entities	-
Exposures to multilateral development banks	-
Exposures to international organisations	-
Exposures to institutions	4,164,678.13
Exposures to corporates	5,712,868.58
Retail exposures	-
Exposures secured by mortgages on immovable property	-
Exposures in default	110,094.56
Exposures associated with particularly high risk	285,950.93
Exposures in the form of covered bonds	-
Items representing securitisation positions	-
Exposures to institutions and corporates with a short-term credit assessment	-
Exposures in the form of units or shares in collective investment undertakings	310,837.71
Equity exposures	986.53
Other exposures	1,012,154.80
Risk exposure value arising from own contributions to the default fund of a CCP	1,439.81
Total	**11,599,011.05**

Total exposure amounts for credit risk, counterparty credit risk, dilution risk and free deliveries, settlement/delivery risk, position risk, currency risk, operational risk, and risk related to large exposures in the trading book

TOTAL CONSOLIDATED RISK EXPOSURE (value)		**332,514,545.00**
1.	Risk-weighted exposure value for credit risk, counterparty credit risk, dilution risk and free deliveries	144,987,638.14
2.	Total exposure value for position risk, currency risk and commodities risk	,22,025,031.86
2.1. Settlement/delivery risk		-
2.2. Total exposure value for position risk, currency risk and commodities risk		19,596,466.66
2.2.1. Traded debt instruments		-
2.2.2. Shares		2,428,565.20
2.2.3. Currencies		13,539,552.27
2.2.4. Commodities		-
3.	Total operational risk exposure value	165,501,875.00
4.	Total exposure value for risk related to large exposures in the trading book	-,

5. Counterparty credit risk exposure

Counterparty credit risk means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Counterparty credit risk exposure includes exposures arising from derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions.

The only counterparty credit risk exposures held by IPOPEMA in 2015 were exposures arising from transactions in futures contracts executed for clients and cleared through the CCP.

In calculating exposure values for credit risk, counterparty credit risk, dilution risk and free deliveries, the Company applies a risk weight of 2% to exposures arising from client transactions in QCCP-cleared futures, according to Art. 306 of the CRR Directive. Own funds requirements for pre-funded contributions to the default fund of a QCCP are calculated based on the method set out in Art. 308 of the CRR Directive. Other exposures to QCCP are treated as exposures to institutions (Art. 102 Item 2. of the CRR Directive).

It is important to note that considering the nature of exposures held by the Company (IPOPEMA Securities holds exposures to client transactions in futures contracts executed solely on the stock market), these exposures are monitored on an ongoing, daily basis.

6. Capital buffers

As at December 31st 2015, IPOPEMA was not obliged to disclose information on its compliance with the requirement for a countercyclical capital buffer, referred to in Title VII Chapter 4 of Directive 2013/36/EU.

7. Indicators of global systemic importance

As at December 31st 2015, IPOPEMA was not obliged to disclose information under Article 131 of Directive 2013/36/EU.

8. Credit risk adjustments

8.1 Definition of past due and impaired receivables

Receivables are initially recognised at nominal value and measured as at the end of the reporting period at amounts receivable. Receivables are remeasured based on the probability of their payment, with impairment losses recognised where necessary. Impairment losses are recognised if there is objective evidence that recovery of all amounts due in line with the original contractual terms will not be possible.

Impairment losses are recognised in particular for:

- receivables past due by 6 months to 1 year – impairment loss of 50% of the receivables amount is recognised,
- receivables past due by more than 1 year – impairment loss of 100% of the receivables amount is recognised.

Apart from the above general rule, the Group may also recognise impairment losses on an individual basis, when it believes that the recovery of the full amount of receivables is subject to significant risk.

Past due receivables are receivables not paid by the due date. According to Art. 178 Item 1b of the CRR Directive, for the purposes of prudential requirements, IPOPEMA Securities defines past due receivables as unsecured exposures overdue by more than 90 days.

Impairment takes place when it is highly probable that an asset controlled by the entity will fail to deliver, in whole or in significant part, the expected future economic benefits.

8.2 Total amount of exposures excluding the effect of credit risk mitigation, and average amount of exposures over the period by class

Exposure class	Dec 31 2015	2015 average
Exposures to central governments or central banks	8,075,368.00	8,163,314.55
Exposures to institutions	242,412,809.18	184,700,797.95
Exposures to corporates	71,410,857.31	34,534,600.26
Past due exposures	,917,454.63	1,469,133.24
High risk exposures	1,429,754.67	1,069,521.80
Exposures under units in collective investment undertakings	3,885,471.32	3,118,591.70
Equity exposures	12,331.66	12,331.66
Other exposures	12,653,686.82	13,518,867.08
Total	**340,797,733.59**	**246,587,158.24**

8.3 Geographical distribution of exposures, including impaired and past due exposures

Exposure class	Country	Initial exposure	Impairment losses on receivables	Value
Exposures to central governments or central banks	Poland	8,075,368	-	8,075,368
Exposures to institutions	Czech Republic	7,939,743	-	7,939,743
	Poland	228,526,722	-	228,526,722
	Romania	634,846	-	634,846
	Hungary	4,815,325	-	4,815,325
	UK	496,173	-	496,173
Exposures to corporates	Austria	12,500	-	12,500
	Estonia	2,007,000	-	2,007,000
	Netherlands	8,610	-	8,610
	Israel	25,000	-	25,000
	Luxembourg	146,518	-	146,518
	Malta	397,187	-	397,187
	Poland	50,692,792	-	50,692,792
	USA	4,374,960	-	4,374,960
	UK	13,746,290		13,746,290
Exposures associated with particularly high risk	Poland	1,429,755	-	1,429,755
Exposures associated with collective investment undertakings	Poland	3,885,471	-	3,885,471
Equity exposures	Poland	4,184	-	4,184
	Romania	186	-	186
	Hungary	7,962	-	7,962
Other exposures	Australia	1,509	-	1,509
	Austria	10,611	-	10,611
	Cyprus	109,034	-	109,034
	France	8,287	-	8,287
	Netherlands	151,443	-	151,443
	Germany	155,442	-	155,442
	Poland	13,349,845	563,989	12,785,856
	Romania	34,938	-	34,938
	US	38,013	-	38,013
	Hungary	24,622	-	24,622
	UK	257,708	6,322	251,387
Total		**341,368,045**	**570,311**	**340,797,734**

8.4 Distribution of exposures by industry or type of counterparty, including impaired and past due exposures

Exposure class	Counterparty type	Initial exposure	Impairment losses	Impairment losses on receivables	Net exposure
Exposures to central governments or central banks	Central and local government institutions	8,075,368	-	-	8,075,368
Exposures to public sector entities	Central and local government institutions	-	-	-	-
Exposures to institutions	Banks	162,309,715	-	-	162,309,715
	Other financial institutions, including:	80,103,094	-	-	80,103,094
	SMEs	-	-	-	-
Exposures to corporates	Other financial institutions, including:	68,307,681	-	-	68,307,681
	SMEs	-	-	-	-
	Non-financials, including:	3,103,176		-	3,103,176
	SMEs	-	-	-	-
Retail exposures	Households	-	-	-	-
Exposures in default	Banks and other financial institutions	26,249	-	6,322	19,927
	Non-financials, including:	1,461,517	-	563,989	897,528
	SMEs	-	-	-	-
Positions associated with particularly high risk	Central and local government institutions	1,429,755	-	-	1,429,755
Exposures associated with collective investment undertakings	Other financial institutions, including:	3,885,471	-	-	3,885,471
	SMEs	-	-	-	-
Equity exposures	Banks and other financial institutions	-	-	-	-
	Non-financials	12,332	-	-	12,332
Other exposures	Other assets	12,653,687	-	-	12,653,687
Total		**341,368,045**	**-**	**570,311**	**340,797,734**

8.5 Residual maturities for all own funds exposures to credit risk, by exposure class

Class	Up to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 12 months	Indefinite	Total
Exposures to central governments or central banks	208,760	-	-	7,866,608	-	**8,075,368**
Exposures to public sector entities	-	-	-	-	-	**-**
Exposures to institutions	122,229,933	7,010,822	7,500,000	1,366,766	104,305,288*	**242,412,809**
Exposures to corporates	70,767,360	643,497	-	-	-	**71,410,857**
Retail exposures	-	-	-	-	-	**-**
Positions associated with particularly high risk	-	-	-	-	1,429,755	**1,429,755**
Exposures associated with collective investment undertakings	-	-	-	-	3,885,471	**3,885,471**
Equity exposures	-	-	4,185	-	8,147	**12,332**
Other items	5,965,918	447,469	1,363,801	18,968	5,774,986	**13,571,142**
Total	**199,171,971**	**8,101,788**	**8,867,986**	**9,252,342**	**115,403,647**	**340,797,734**

** Clients' cash at banks*

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8.6 Reconciliation of changes in impairment losses

Changes in impairment losses on receivables	2015
Impairment losses on current receivables at beginning of period	1,287,989
a) increase	466,097
b) decrease	1,183,775
Impairment losses on current receivables at end of period	**570,311**

9. Unencumbered assets

As at December 31st 2015, the carrying amount of unencumbered assets was PLN 313,317,782.81, while the carrying amount of encumbered assets stood at PLN 39,992,414.75.

The encumbered assets include primarily cash paid to central counterparties and other clearing institutions for transaction clearing guarantee funds and security deposits for transactions in securities – their value as at December 31st 2015 amounted to PLN 24,629,589.50. Additionally, in connection with the Group companies' operations, the Group placed security deposits with third parties in a total amount of PLN 15,362,825.25.

10. Use of ECAIs

IPOPEMA does not rely on any external credit assessments when calculating risk-weighted exposure amounts for credit risk.

11. Market risk exposure

IPOPEMA calculated the own funds requirements for equity instruments risk in accordance with Part Three, Title IV, Chapter 3, Section 3 of the CRR – Own funds requirements for equity instruments risk. As at December 31st 2015, the consolidated exposure value for capital instruments risk was PLN 2,428,565.20.

IPOPEMA did calculate the own funds requirements for currency risk in accordance with Part Three of Title IV Chapter 3 of the CRR − Own funds requirements for currency risk. As at December 31st 2014, the consolidated exposure value for currency risk was PLN 19,596,466.66.

12. Operational risk

IPOPEMA uses the Basic Indicator Approach to calculate own funds requirements for operational risk, in accordance with Title III Chapter 2 of the CRR.

The total consolidated exposure value for operational risk as at December 31st 2015 stood at PLN 165,501,875.

13. Exposures in equities not included in the trading book

Exposure types and valuation methodologies

As at December 31st 2015, the IPOPEMA Group held non-trading book equities (shares in non-consolidated subsidiaries) with a value of PLN 12.3 thousand.

Shares in non-consolidated subsidiaries are measured at cost less impairment losses. In 2015, there were no impairment losses on financial instruments held for sale.

Carrying amount and fair value of non-trading book equities (PLN '000)

Equity instrument	carrying amount as at Dec 31 2015	fair value as at Dec 31 2015
shares and other equity interests	12.3	12.3

Equities held in the Group's non-trading book are not traded on a regulated market.

2015 gains/losses on non-trading book equities (PLN '000)

Equity instrument	Realised gains/losses on sale	Total unrealised gains/losses
shares and other equity interests	-	-

14. Exposure to interest rate risk on positions not included in the trading book

IPOPEMA Securities defines interest rate risk in the non-trading book as a risk from exposure of the Company's current and future financial result and capital to an adverse impact of interest rate changes for positions in the non-trading book.

As IPOPEMA Securities' operations do not include deposit taking and lending activities within the meaning of the Polish Banking Law, the Company does not identify the interest rate risk in the non-trading book as a material risk and does not manage that risk.

15. Exposure to securitisation positions

In 2015, IPOPEMA had no securitisation exposure.

16. Remuneration policy

Disclosures with respect to remuneration for those categories of employees whose professional activity has a material bearing on the Brokerage House' risk profile.

16.1. Information on the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year

The IPOPEMA Securities policy on variable remuneration components (the "Policy") was prepared taking into account the requirements of the Minister of Finance's Regulation on the rules for establishment of a variable remuneration component policy for persons holding management positions at brokerage houses, dated December 2nd 2011.

The Policy has been established in order to:

- ensure proper and effective risk management and discourage risk taking in excess of levels acceptable to the Brokerage House,
- support implementation of the business strategy adopted by the Brokerage House,
- support efforts aimed at avoiding conflicts of interest.

The Policy relates to persons on managerial positions (in the meaning of the Regulation), the classification of which is done by the Management Board.

The Policy and any amendments thereto are subject to approval by the Supervisory Board (it was agreed that no separate remuneration committee would be set up and that its functions would be carried out by the Supervisory Board − the functions of a remuneration committee were assigned to the Supervisory Board by resolution of the General Meeting of June 28th 2012). Responsibilities of the Supervisory Board with respect to the Policy include in particular:

- providing opinions on draft texts of the Policy, including on the amounts and components of remuneration,
- providing opinions on the Policy as it is implemented at IPOPEMA Securities,
- providing opinions on and monitoring of payment of variable remuneration components to persons in management positions dealing with risk management, internal control and legal compliance, and
- reviewing and assessing progress in the implementation of the Policy at IPOPEMA Securities.

The governing body responsible for supervising remuneration is the Company's Management Board, and in relation to the Management Board's remuneration – the Supervisory Board.

16.2 Information on linkages between pay and performance, and criteria on which the entitlement to shares, options or variable components of remuneration is based

Variable remuneration is discretionary and its linkage with performance is not subject to any parameters. For more information on determination and payment of variable remuneration, see section 16.3 below.

16.3 Key design characteristics of the remuneration system, including the main parameters and rationale for any variable component scheme and any other non-cash benefits

The remuneration of persons covered by the Policy comprises both fixed and variable components.

Under the Policy adopted by the Brokerage House, the variable components can take one of the two forms:

- remuneration linked to the Brokerage House's performance provided for in the contract with an employee (performance bonus system),
- discretionary remuneration in the form of a cash reward (discretionary bonus).

Under the Policy, if the performance-linked remuneration system is put in place, particularly in the form of an incentive scheme or a performance bonus system written into the contract with an employee:

- the aggregate amount of the employee's remuneration is determined based on the employee's individual performance and the performance of the employee's business unit relative to the Company's overall performance; the individual performance being evaluated against both financial and non-financial criteria,
- performance is evaluated based on the data for at least three last financial years, or in the case of employees who have been in service for less than three years − based on the data since the start of their employment relationship, so that the actual payment of remuneration components linked to the Company's performance is spread over a period reflecting the Company's business cycle and allowing for the risks associated with its business.

The Management Board is required to notify the Remuneration Committee of its intention to introduce, or write into the contract with an employee or prospective employee who is included in the Policy, a performance bonus system, an incentive scheme or a similar arrangement which would give rise to an obligation (or a contingent obligation) on the part of the Company to pay to that employee remuneration meeting the definition of variable remuneration as set out in the Policy and the Regulation. The Remuneration Committee issues its opinion on the proposed introduction of such system and on its terms.

The variable remuneration consists of a cash component and a non-cash component in the form of financial instruments. Payment of the non-cash component is contingent upon non-occurrence of certain events − as specified in the Policy − which could threaten the proper operation of the Brokerage House, as well as upon non-occurrence of certain other events specified individually for each person covered by the Policy.

Payment of the variable remuneration may be deferred for up to three years from the end of the period for which it was granted. With this procedure in place, the remuneration can be reduced if any of the adverse events mentioned above were to materialise.

16.4 Ratio between the fixed and the variable remuneration components, determined in accordance with Article 94.1.g of Directive 36/2013

Under the Regulation of the Minister of Finance of December 2nd 2011 referred to above, fixed remuneration components should represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to lower or pay no variable remuneration component. The above principle applies when determining the remuneration amounts at the Company; however, no detailed parameters for the ratio between the fixed and the variable remuneration have been defined.

16.5 Aggregate quantitative information on remuneration broken down by business area

Given the nature of the Company's organisation, that is its organisational structure and process by which key decisions are made, the persons who have a material impact on the Company's risk profile, and as a consequence who are covered by the Policy, are members of its Management Board. For information on the Management Board's remuneration, see section 16.6 below.

16.6 Aggregate quantitative information on remuneration broken down into the senior management and members of staff whose actions have a material impact on the institution's risk profile

Remuneration amounts for 2015 split into fixed and variable remuneration, and the number of beneficiaries

(PLN '000)

Management positions	Total remuneration	Fixed components	Variable components	Number of beneficiaries
Members of the Management Board	3,458	1,896	1,562	5
Persons in management positions dealing with risk management*)	-	-	-	-
Other	-	-	-	-

**) Remuneration of persons in management positions dealing with risk management is presented in the 'Members of the Management Board' line*

Amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types

(PLN '000)

Management positions	Variable components	Cash	Financial instruments
Members of the Management Board	1,562	-	1,562
Persons in management positions dealing with risk management*)	-	-	-
Other	-	-	-

**) Remuneration of persons in management positions dealing with risk management is presented in the 'Members of the Management Board' line*

Amounts of outstanding deferred remuneration, split into vested and unvested portions

(PLN '000)

Management positions	Deferred remuneration	Vested	Unvested
Members of the Management Board	1,869	292	1,577
Persons in management positions dealing with risk management*)	-	-	-
Other	-	-	-

**) Remuneration of persons in management positions dealing with risk management is presented in the 'Members of the Management Board' line*

Amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments

(PLN '000)

Management positions	Variable components	Paid	Payable	Reduced
Members of the Management Board	1,562	34	1,528	-
Persons in management positions dealing with risk management*)	-	-	-	-
Other	-	-	-	-

**) Remuneration of persons in management positions dealing with risk management is presented in the 'Members of the Management Board' line*

New sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments

In 2015, no such payments were made.

i) number of individuals being remunerated EUR 1 million or more in the financial year

In the 2015 financial year, no individuals were remunerated EUR 1 million or more.

17. Leverage

Leverage ratio

Total exposure measure	
Exposure from securities-financing transactions pursuant to CRR 220	-
Exposure from securities-financing transactions pursuant to CRR 222	-
Derivative instruments: Market value	-
Derivative instruments: Market value calculation of capital charge	-
Derivative instruments: Original exposure method	-
Undrawn credit commitments that can be unconditionally cancelled at any time without prior notice	-
Medium/low risk trade finance related off-balance sheet items	-
Medium risk trade finance related off-balance sheet items and officially supported export credits related off-balance sheet items	-
Other off-balance sheet items	-
Other assets	349,950,698
Capital	
Tier 1 Capital	73,669,055
Leverage ratio	
Monthly leverage ratio at Dec 31 2015	0.21
Leverage ratio calculated as an arithmetic mean of the monthly leverage ratios over the fourth quarter of 2015.	0.18

IPOPEMA does not apply the derogations provided under Article 499.2−3 of the CRR.

Leverage risk management

IPOPEMA defines leverage risk as the risk resulting from an institution's vulnerability due to leverage that may require unintended corrective measures to its business plan, including distressed selling of assets, which might result in losses or in valuation adjustments to its remaining assets.

IPOPEMA calculates its leverage ratio using the methodology set out in Article 429 of Part Seven of the CRR, that is by dividing Tier 1 capital measure by total exposure measure.

Until a minimum leverage ratio is set under the CRR, IPOPEMA has adopted an internal minimum leverage ratio of 3%.

Information concerning the Company's leverage ratio is sent to the Polish Financial Supervision Authority every quarter.

18. Use of IRB approach to credit risk

In 2015, IPOPEMA did not use the internal ratings based approach to calculate its credit risk-weighted exposures.

19. Use of credit risk mitigation techniques

In 2015, IPOPEMA did not use credit risk mitigation techniques.

20. Use of the advanced measurement approaches to operational risk

In 2015, IPOPEMA did not use advanced measurement approaches with respect to its operational risk.

21. Use of internal market risk models

In 2015, IPOPEMA did not use internal market risk models.

Appendix 1

Declaration by the Management Board of IPOPEMA Securities S.A.

Pursuant to Article 435.1e of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms (OJ 2013.176.1),

the Management Board of IPOPEMA Securities S.A. declares that the risk management system in place at the Company is adequate with regard to its business profile and strategy.

Management Board of IPOPEMA Securities S.A.

Appendix 2

Statement by the Management Board of IPOPEMA Securities S.A. on IPOPEMA Securities S.A.'s overall risk profile associated with its business strategy

Pursuant to Article 435.1f of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms (OJ 2013.176.1), the Management Board of IPOPEMA Securities S.A. states the following:

Risk sources and threats

The capital ratios and the own funds to internal capital ratio met IPOPEMA's risk appetite standards:

- Consolidated internal capital averaged PLN 32,081,856.22 and stood at PLN 35,248,882.60 as at December 31st 2015,
- Capital ratio averaged 20.83% and stood at 22.16% as at December 31st 2015,
- Consolidated own funds averaged PLN 72,824,321.85 and stood at PLN 73,669,055.03 as at December 31st 2015,
- Total consolidated risk exposure averaged PLN 294,512,483.72 and stood at PLN 332,514,545.00 as at December 31st 2015.

<u>Operational risk</u>

In 2015, with one exception no material operational incidents took place at IPOPEMA Securities S.A. which would result in unexpected losses for the Company due to insufficient or deficient internal processes, systems, human error or external incidents. The mentioned exception was a complaint of a customer of the Company. After the review of the claim PLN 2,7 thousand was credited to the customer's account.

<u>Credit risk</u>

The risk management system in place at IPOPEMA Securities provides for daily reviews of the Company's credit risk profile, being the value of its credit risk-weighted exposures, broken down by asset classes. Credit risk movements shown against the Company's other key capital adequacy measures are reported to the Management and Supervisory Boards as the Company's governing bodies.

Consolidated risk-weighted assets stood at PLN 144,987,638.14 as at December 31st 2015.

<u>Market risk</u>

IPOPEMA Securities engages in proprietary trading in financial instruments in compliance with its internal regulations, including those defining relevant exposure limits.

Positions in financial instruments are monitored for compliance with the pre-set limits on an ongoing, daily basis.

In 2015 the utilisation of the exposure limit was around 10-30%. In 2015 one case of exceeding of the overall exposure limit within the trading book was recorded, but was of a one-off character and happened with the knowledge and consent of the Management Board member supervising the activity of the relevant department, and the duration of the exceeding was 1 day.

<u>Liquidity risk</u>

No incidents occurred in 2015 which could pose a threat to IPOPEMA Securities' liquidity. With the efficiency of own funds in mind and driven by the need to diversify the available financing sources, the Company uses lines of credit to fund its brokerage activities, in order to be able to settle its current liabilities to the clearing institution which arise from stock-exchange transactions. As at December 31st 2015, the Company had revolving overdraft facility agreements signed with Alior Bank S.A. for a total amount of PLN 40m.

<u>Reputation risk</u>

No significant amount of media coverage (articles/programmes) was observed by IPOPEMA in 2015 which could have a negative impact on how the Company is perceived by its clients and partners.

In 2015, the IPOPEMA Group's internal capital covering reputation risk was PLN 1,595,517.

Business risk

In 2015, the IPOPEMA Group's internal capital covering business risk was PLN 7,052,202.

Material changes to the risk management system

In result of the 2015 review of its internal risk management process, IPOPEMA updated its risk management procedures, which included:

- review of the methodology of stress tests depending of the tested Company's risk, in particular in credit and liquidity risks,
- setting of the long term capital goal and the target level of own funds,
- clarification of the capital planning process by defining terms, responsible entities and circumstances of preparing, accepting and utilisation of the capital plans,
- introducing a limit on the cumulative liquidity gap,
- extension of the catalogue of operating procedures by the "Procedure in risk management of large exposures",
- extension of the capital adequacy report presented quarterly to the Supervisory Board by the following data:
    - information on deviations from the cumulative liquidity gap limit,
    - information on the level of utilization of respective investment limits in the trading book,
    - information on the limit of large exposures at the end of the reporting period and on the cases of exceeding of the limit of large exposures during the reporting period.

Summary

The risk management system in place at IPOPEMA allows the Management Board to take risks in a controlled way to deliver on its business plans and objectives, including performance targets. This goal is pursued at the Company by identifying, measuring, monitoring and controlling the specific types of current and future risks that affect or could affect IPOPEMA's operations.

Management Board of IPOPEMA Securities S.A.