

Disclosure of information on capital adequacy of IPOPEMA Securities S.A.

as at December 31st 2011

IPOPEMA Securities S.A. discloses information on capital adequacy on a consolidated basis.

I. Key information on the Brokerage House and its group

IPOPEMA Securities S.A. ("the Brokerage House", "IPOPEMA Securities") is the parent of the group consisting also of the following subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Asset Management S.A., IPOPEMA Business Consulting Sp. z o.o. and IPOPEMA Business Services Kft.

IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Asset Management S.A. and IPOPEMA Business Consulting Sp. z o.o. are fully consolidated, whereas IPOPEMA Business Services Kft is not consolidated and does not reduce the regulatory capital.

Błąd! Nie można odnaleźć źródła odwołania.

Any existing or foreseen material practical or legal impediments to prompt transfer of regulatory capital or to repayment of amounts due between the parent and its subsidiaries

No such impediments exist. We do not foresee any such impediments in the future.

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

No such shortfalls were recorded.

II. Objectives and policies of risk management

The Brokerage House has in place a document entitled "Risk and Capital Management Policy at IPOPEMA Securities S.A.", which defines the capital management strategy, as well as the manner and rules of operation of the risk management system related to the identification, monitoring, measurement and assessment of the risks which are relevant for the business activity conducted by the Brokerage House and which may have an adverse effect on its operations.

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

The rules of operation of the management information system have been defined in the "Risk and Capital Management Policy at IPOPEMA Securities S.A.", as adopted by the Brokerage House. Under the system, dedicated units provide current and periodic information to the Management Board and Supervisory Board of IPOPEMA Securities. The scope of reports has been described in the internal documents governing the individual elements of the risk management system.

III. Information on regulatory capital

The IPOPEMA Group's consolidated regulatory capital is calculated as the sum of Tier 1 capital and Tier 2 (supplementary) capital pursuant to Appendix 12 to the Regulation of the Minister of Finance on the scope and detailed rules for determination of total capital adequacy requirement, including individual capital adequacy requirements, for brokerage houses and on the maximum ratio of borrowings and debt securities in issue to capitals, dated November 18th 2009 (Dz.U. of 2009 No. 204, item 1571, as amended) ("the Capital Requirements Regulation").

As at December 31st 2011, the consolidated regulatory capital amounted to PLN 66,195,379.63.

The IPOPEMA Group includes Tier 2 (supplementary) capital in its consolidated regulatory capital in an amount not exceeding the Tier 1 capital reduced by items specified in Section 2.2 of Appendix 12 to the Capital Requirements Regulation.

The method of calculating regulatory capital depends on the scale of operations. Given that the Brokerage House conducts its business activity on a small scale, within the meaning of the Capital Requirements Regulation, its consolidated regulatory capital represents the sum of Tier 1 capital and Tier 2 (supplementary) capital.

The IPOPEMA Group did not calculate risk-weighted exposure amounts under the internal ratings-based approach and did not have any securitisation exposures.

Consolidated regulatory capital – as at Dec 31 2011

ITEM	As at the last day of the reporting period
1	2
SECTION I. CONSOLIDATED REGULATORY CAPITAL	66,195,379.63
I. Consolidated Tier 1 capital	62,056,009.85
1. Core capital	52,342,848.44
1.1 Share capital paid and registered, excluding shares carrying dividend preference	2,955,480.10
1.2 Reserve funds	49,387,368.34
2. Other items of consolidated Tier 1 capital	11,981,068.80
2.2. Profit pending approval	11,981,068.80
3. Items reducing consolidated Tier 1 capital	2,267,907.39
3.3. Other intangible assets	2,267,907.39
II. Consolidated Tier 2 (supplementary) capital	715,285.47
1. Revaluation capital reserve	715,285.47
6. Tier 2 capital included in regulatory capital	715,285.47
III. Consolidated Tier 3 (supplementary) capital	0.00
IV. Items adjusting consolidated regulatory capital	3,424,084.31
3. Non-controlling interests	3,424,084.31

IV. Information on compliance with capital requirements

Description of methods applied by the Brokerage House to determine the adequacy of its internal capital to support its current and future operations

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's 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.

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

Risk	Materiality	Calculation of internal capital
Credit risk	Always material	Capital requirement under Pillar 1 / sensitivity analysis
Operational risk	Always material	Capital requirement under Pillar 1 / sensitivity analysis

Risk related to exceeding the exposure concentration limit	Capital requirement under Pillar 1	Capital requirement under Pillar 1
Currency risk	Capital requirement under Pillar 1	Capital requirement under Pillar 1
Commodity risk	Capital requirement under Pillar 1	Capital requirement under Pillar 1
Risk related to units in collective investment undertakings	Capital requirement under Pillar 1	Capital requirement under Pillar 1
Equity risk	Capital requirement under Pillar 1	Capital requirement under Pillar 1
Debt instruments risk	Capital requirement under Pillar 1	Capital requirement under Pillar 1
Liquidity risk	Always material	-
Business risk	Expert opinion	
Reputation risk	Expert opinion	Capital charge - 5% of regulatory capital
Unspecified risk	Expert opinion	

Amounts representing 8% of risk-weighted exposures, separately for each exposure class specified in Section 20.1 of Appendix 6 to the Capital Requirements Regulation

Exposure class	Risk-weighted exposure	Capital requirement
Exposures to institutions	105,410,554.29	8,432,844.34
Exposures to enterprises	70,336,732.35	5,626,938.59
Past due exposures	1,785,705.89	142,856.47
High risk exposures	10,647.00	851.76
Exposures under units in collective investment institutions	3,894,351.34	311,548.11
Other exposures	37,319,834.48	2,985,586.76
Total	218,757,825.34	17,500,626.03

Amounts of total capital requirements for market risk, delivery settlement risk, counterparty credit risk, operational risk and risk of exceeding the exposure concentration limit and large exposure limit

TOTAL CONSOLIDATED CAPITAL ADEQUACY REQUIREMENT (amount)	28,181,883.60
1. Market risk	489,157.57
1.1. Equity risk	-
1.2. Commodity risk	-
1.3. Specific debt instruments risk	-
1.4. General interest rate risk	-
1.5 Risk related to units in collective investment undertakings	-
1.6. Currency risk	489,157.57
Settlement, delivery and counterparty credit risk	-
3. Credit risk	17,500,626.03
4. Operational risk	10,192,100.00
5. Exceeding the exposure concentration limit and large exposure limit	-

V. Credit risk

Definition of past due and impaired receivables

Past due receivables are receivables not paid by the due date.

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.

Under Section 67 of Appendix 6 to the Capital Requirements Regulation, past due receivables are understood as unhedged exposures overdue by more than 90 days, exceeding PLN 500 in the case retail exposures and PLN 3,000 in the case of other exposure classes.

Receivables by value as at December 31st 2011 (PLN '000)

Current receivables		December 31st 2011
1.	From clients / trade receivables	212,713
a)	receivables with deferred payment dates	-
b)	past due receivables and disputed claims for which no impairment losses were recognised	-
c)	from clients under executed transactions	202,447
	- transactions on the Warsaw Stock Exchange	186,526
	- transactions on the Budapest Stock Exchange	15,921
d)	other	10,266
2.	From related entities	1,213
3.	From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	251,990
a)	under executed transactions	251,990
	- transactions on the Warsaw Stock Exchange	246,585
	- transactions on the Budapest Stock Exchange	5,405
	- transactions on over-the-counter market	-
b)	other	-
4.	From entities operating regulated markets and commodity exchanges	-
5.	From the National Depository for Securities and exchange clearing houses	42,476
	- from the settlement guarantee fund	42,476
6.	From investment and pension fund companies and from investment and pension funds	3,577
7.	From issuers of securities or selling shareholders	-
8.	From commercial chamber	-
9.	Taxes, subsidies and social security receivable	308
10.	Under court proceedings, for which no impairment losses on receivables were recognised	-
11.	Other	683
Total current receivables		512,960
Non-current receivables		December 31st 2011
Non-current receivables		372

The total amount of exposures without taking into account the effect of credit risk mitigation, and the average amount of exposures over the period by class

Exposure class	December 31st 2011	2011 average
Exposures to governments and central banks	4,196,167.53	2,443,909.87
Exposures to institutions	527,052,771.43	633,203,027.85
Exposures to enterprises	70,336,732.35	70,928,182.67
Past due exposures	1,190,470.59	371,148.83
High risk exposures	7,098.00	7,424.88
Exposures under units in collective investment institutions	3,894,351.34	3,123,894.60
Other exposures	38,583,058.45	35,223,893.05
Total	645,260,649.69	745,301,481.74

The approach and methods used to determine valuation adjustments and reserves referred to in Clause 15 of the Capital Requirements Regulation

The valuation adjustment referred to in Clause 13 of the Capital Requirements Regulation did not result in any material loss in the financial year 2011 and, consequently, did not reduce the Tier 1 capital of the IPOPEMA Group. Moreover, in 2011 there was no need to establish reserves in accordance with Clause 13.3 of the Capital Requirements Regulation.

In 2011, the IPOPEMA Group's trading book comprised only financial instruments listed on the Warsaw Stock Exchange ("WSE"). Financial instruments in the trading book are measured at fair value, determined by reference to their market value as at the balance-sheet date. For the purpose of the measurement, the Group takes into account closing prices quoted by the WSE on the last business day of a financial year.

Exposures by geographical region and industry, including areas significant in terms of exposure class

When calculating credit risk, the IPOPEMA Group adopts a conservative standard method of computing credit risk exposures, where such exposures are not reduced as a result of applying external ratings. Therefore, such exposures are not broken down by geographical regions or industries.

Exposures by maturity (PLN '000)

Current and non-current receivables by maturity as from the end of the reporting period	December 31st 2011
a) up to 1 month	507,477
b) over 1 month to 3 months	1,839
c) over 3 months to 1 year	-
d) over 1 year to 5 years	372
e) over 5 years	-
f) past due	5,348
Total gross receivables	515,036
g) impairment losses on receivables (negative value)	- 1,704
Total net receivables	513,332

Impaired and past due exposures (PLN '000)

Gross past due receivables by period of delay:	December 31st 2011
a) up to 1 month	1,739
b) over 1 month to 3 months	707
c) over 3 months to 1 year	1,211
d) over 1 year to 5 years	1,691
e) over 5 years	-
Total gross receivables	5,348
g) impairment losses on receivables (negative value)	- 1,704
Total net receivables	3,644

VI. Counterparty credit risk

Calculations of capital requirements for counterparty credit risk depend on the scale of operations. Given that IPOPEMA Securities conducts its business activity on a small scale, within the meaning of the Capital Requirements Regulation, the Group does not calculate capital requirements for counterparty credit risk.

In 2011, IPOPEMA Securities did not execute any transactions described in Section 8 of Appendix 5 to the Capital Requirements Regulations as part of its trading book transactions.

VII. Operational risk

IPOPEMA Securities uses the Basic Indicator Approach to calculate capital requirements for operational risk. As at December 31st 2011, its consolidated capital requirements for operational risk were PLN 10,192,100.

VIII. Non-trading book equity exposures

Exposure types and adopted valuation methods

As at December 31st 2011, the IPOPEMA Group's non-trading book included equities (shares in a non-consolidated subsidiary) with the value of PLN 7 thousand.

In 2011, there were no impairment losses on financial instruments held for sale.

Shares in non-consolidated subsidiaries are measured at cost less impairment losses.

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

Equity instrument	Carrying amount as at Dec 31 2011	Fair value as at Dec 31 2011
Shares and other equity interests	7	7

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

2011 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	0	0