Deutsche Bank Polska S.A.
Capital Group

Annual Report 2012

Passion to Perform

Deutsche Bank AG Group
Three-Year Record

Balanse Sheet

in EUR m.	Dec 31, 2012	Dec 31,2011	Dec 31,2010
Total assets	2,012,329	2,164,103	1,905,630
Loans	397,279	412,514	407,729
Total liabilities [1]	1,957,919	2,109,443	1,855,262
Total shareholders' equity [1]	54,003	53,390	48,843
Noncontrolling interests	407	1,270	1,549
Tier 1 capital [2]	50,483	49,047	42,565
Total regulatory capital [2]	57,015	55,226	48,819

Income Statement

in EUR m.	2012	2011	2010
Net interest income	15,891	17,445	15,583
Provision for credit losses	1,721	1,839	1,274
Commissions and fee income	11,510	11,544	10,669
Net gains (losses) on financial assets / liabilities at fair value through profit or loss	5,599	3,058	3,354
Other noninterest income (loss)	741	(1,181)	(1,039)
Total noninterest income	17,850	15,783	12,984
Compensation and benefits	13,526	13,135	12,671
General and administrative expenses	15,016	12,657	10,133
Policyholder benefits and claims	414	207	485
Impairment of intangible assets	1,886	-	29
Restructuring activities	394	-	-
Total noninterest expenses	31,236	25,999	23,318
Income (loss) before income taxes	784	5,390	3,975
Income tax expense (benefit)	493	1,064	1,645
Net income (loss)	291	4,326	2,330
Net income (loss) attributable to noncontrolling interests	54	194	20
Net income (loss) attributable to Deutsche Bank shareholders	237	4,132	2,310

Key figures

Key figures	2012	2011	2010
Basic earnings per share [3]	€ 0.25	€ 4.45	€ 3.07
Diluted earnings per share [3]	€ 0.25	€ 4.30	€ 2.92
Dividends paid per share in period	€ 0.75	€ 0.75	€ 0.75
Return on average shareholders' equity (post-tax)	0.4%	8.2%	5.50%
Pre-tax return on average shareholders' equity	1.3%	10.2%	9.50%
Cost / income ratio	92.6%	78.2%	81.6%
Tier 1 capital ratio [2]	15.1%	12.9%	12.3%
Total capital ratio [2]	17.1%	14.5%	14.1%
Employees (full-time equivalent) [4]	98,219	100,996	102,062

[1] The initial acquisition accounting for ABN AMRO, which was finalized at March 31,2011, resulted in a retrospective adjustment of retained earnings of € (24) million for December 31, 2010.
[2] Figures presented for 2012 and 2011 are based on the amended capital requirements for trading book and securitization positions following the Capital Requirements Directive 3, also known as "Basel 2.5", as implemented in the German Banking Act and Solvency Regulation ("Solvabilitätsverordnung"). Figures presented for 2010 are pursuant to the revised capital framework presented by the Basel Committee in 2004 ("Basel 2") as adopted into German law by the German Banking and Solvency Regulation. The capital ratios relate to the retrospective capital to risk weighted assets for credit, market and operational risk. Excludes transitional items pursuant to Section 64h (3) of the German Banking Act.
[3] The number of average basic and diluted shares outstanding has been adjusted for all periods before October 6, 2010 to reflect the effect of the bonus element of the subscription rights issue in connection with the capital increase.
[4] Deutsche Postbank aligned its FTE definition to Deutsche Bank which reduced the Group number as of December 31, 2011 by 260 (prior periods not restated).

Content

Our Identity

Our Identity
We are a leading global investment bank with a strong and profitable private Clients franchise. Our businesses are mutually reinforcing. A leader in Germany and Europe, we are powerful and growing in North America, Asia and key emerging markets.

Our Mission
We compete to be the leading global provider of financial solutions for demanding Clients creating exceptional value for our shareholders and people.

A Passion to Perform
This is the way we do business. We pursue excellence, leverage unique insights, deliver innovative solutions and build long term relationships.

Close to our Clients.

Management Bodies

SUPERVISORY BOARD

Peter Tils
Chairman
Deutsche Bank AG
Frankfurt/Main

Guido Heuveldop
Deutsche Bank PBC
Frankfurt/Main

Stefan Bender
Deutsche Bank AG
Frankfurt/Main

Dr. Hubert A. Janiszewski
Vice-chairman
Deutsche Bank AG
Warsaw

Dr. Miklos Kormos
Deutsche Bank AG
London

Zoltan Kurali
Deutsche Bank AG
London

MANAGEMENT BOARD

Dr. Krzysztof Kalicki
Chairman
Risk Controling
Credit Risk Management
Group Audit
Legal/Compliance
Chief Economist
Administration
Board Management Office
Public Relations
Human Resources

Zbigniew Bętkowski
Finance
Tax
IT/LBS
Operations Control
Operations
Cash and Loans Operations
Securities and Custody Operations
Direct Funds Services Operations
Trade Finance Operations
GMO (IBO)

Radosław Ignatowicz
Global Network Banking
Cash Management Corporate Sales
Trade Finance Sales
FI Sales
Direct Securities Services
Implementation & Service
Product Management

Radosław Kudła
Corporate Banking Coverage
Corporate Treasury Sales
FI Treasury Sales
Trading

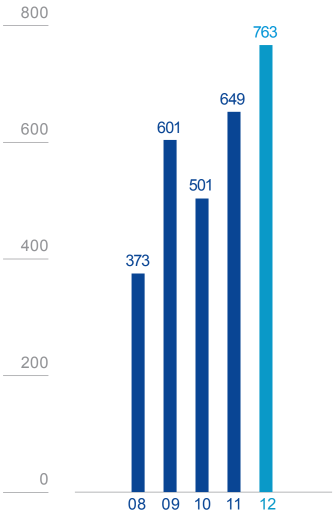
Piotr Olendski
Investment Banking

02 -

Management Report

Management Report
on the Operations of Deutsche Bank Polska S.A. Group in 2012

Productivity per employee
in PLN thd



Pre-tax profit per employee

Key Events at the Group in 2012

In 2012, Deutsche Bank Polska S.A. Group ("Group") turned in an exceptional performance, posting the highest ever pre-tax profit of PLN 153m, up by 13,3% on the year before. Amid turbulence on the financial markets persisting throughout 2012, the Group not only achieved, but even markedly exceeded, the financial and business targets set for the year.

In 2012, Deutsche Bank Polska S.A. Group's net profit on core operations came to PLN 262m. The Group's statement of financial position (balance sheet) showed a total of PLN 7,305m, while its gross return on equity reached 24%.

Thanks to a continued focus on tight cost discipline, the cost-to-income ratio (CIR) fell in 2012 to 41%. Additionally, the Group's banking profit per employee, which stood at PLN 1.3m, was the best on record.

In 2012, again solid income was generated across all key business lines, with a particularly strong improvement in transaction banking, where income rose to PLN 108m from PLN 99m in 2011.

A leap was also recorded in trading income – as foreign exchange transactions, trading activities and capital market products yielded aggregate income of PLN 64m, up PLN 9m on 2011.

In 2012, as part of its M&A advisory services, the Bank continued to support the acquisition of Polkomtel, while assisting other entities in raising capital and advising on the mergers. The Bank also worked on major assignments from public sector, with our Global Markets team leading bond issues for the Ministry of Finance in the amount of USD 4bn and – for the first time in Swiss francs, for CHF 825m.

2012 also brought another string of high-profile awards. Deutsche Bank Polska S.A. once again topped the prestigious Awards for Excellence 2012 ranking of Euromoney magazine, who named it Best M&A House in Poland. It was also named the Best Investment Bank in Central and Eastern Europe, and voted Best Global Investment Bank.

In addition, Deutsche Bank Polska S.A. was commended by Euromoney for its activities in the area of risk management, earning it the title of Best Risk Advisor in Central and Eastern Europe. The Bank was also honoured by the EMEA Finance international magazine, which named it the Best Foreign Investment Bank in Poland.

In terms of Corporate Social Responsibility ("CSR"), 2012 witnessed Deutsche Bank Polska S.A.'s continued commitment to the arts and music, lending its support to a number of cultural initiatives. The Bank was a co-sponsor of a prestigious operatic production of 'War and Peace', staged by the Polish National Opera at the Teatr Wielki. Co-produced in partnership with the Metropolitan Opera of New York, it was also the first guest performance in Warsaw of the Mariinsky Theatre from Saint Petersburg. The Bank became the sponsor of the annual 'Nasza Galeria' exhibition by the Association of Disabled Artists, and also worked with the European Foundation for the Promotion of Vocal Arts on an album of opera music. In 2012, Deutsche Bank Polska S.A. once again lent its support to the Malwa Foundation, this time in building the Centre for the Mentally Handicapped in Warsaw, and also deployed its own Initiative Plus employee volunteering scheme. The scheme is designed to encourage the Bank's employees to engage in charitable work and CSR activities, with the backing of the Bank's organisational and financial resources.

Business Environment

In 2012, GDP decreased to 1.9%, from 4.5% in 2011. Domestic demand fell by a mere 0.2%, private consumption rose by 0.8%, while gross capital investments decreased by 1.5%. Net exports were the major driver of economic growth in 2012, with a slight contribution from private consumption. In H2 2012, GDP growth dipped sharply, to 0.7% year on year in Q4, from 1.3% year on year in Q3, and 2.3% year on year in Q2 and 3.5% in Q1 2012. Starting from Q2 2012, domestic demand detracted from GDP growth and provoked a steep downward trend, to -0.8pp and -1.7pp in Q3 and Q4 2012 respectively.

The average annual inflation rate in 2012 fell to 3.7%, compared with 4.3% in 2011, and is forecasted to drop to 1.2% in 2013 and rebound to 2.2% in 2014. In the first nine months of 2012, inflation stayed above the target range set by the National Bank of Poland (2.5%+/-1%), peaking at 4.3% year on year in February and April. In October, inflation fell below the upper limit of the target range set by the Monetary Policy Council, to 3.4%. In December 2012 it then slid to 2.8% year on year. This fall was largely driven by lower core inflation, which declined from 3.1% in December 2011 to 1.9% in October 2012. The fall in core inflation was linked to weakening domestic demand over Q3 and Q4 2012, indicating an easing of inflationary pressure in the Polish economy.

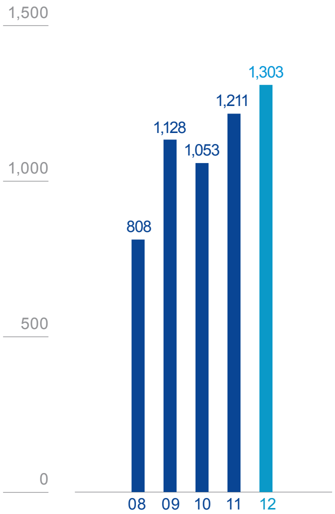
In 2012, the PLN/EUR exchange rate averaged 4.18, which represents a 1.5% depreciation of the złoty against the euro compared with 2011. In 2012, the average PLN/USD exchange rate was 3.26, which means that the Polish currency depreciated 9.6% against the U.S. dollar compared with 2011. Its strengthening in the period September-December 2012 followed a record high inflow of portfolio investments into Polish treasury bonds, as the Monetary Policy Council had kept interest rates high but was expected to start lowering them in response to the sharp economic slowdown and anticipated fall in inflation.

The state budget deficit in 2012 stood at PLN -30.4bn (86.9% of the target for 2012), compared with PLN -21.6bn (54% of the target) in the corresponding period of the previous year. The high budget deficit was led by a shortfall in tax revenue, which fell PLN 15.2bn short of the target in the first ten months of 2012. In the period January-March 2013, the Polish state ran a budget deficit of PLN -24.4bn, 68.6% of the target for 2013. In 2012, the central and local government deficit shrank to -3.9% of GDP, from -5.0% of GDP in 2011, and is probably forecast to reach -3.5% of GDP in 2013.

As at the end of 2012, government debt had reached PLN 793.9bn, or 49.7% of GDP, relative to PLN 771.1bn, or 50.6% of GDP as at the end of 2011. The public sector's debt in 2012 amounted to PLN 886,8.1bn, or 55.6% of GDP, compared with PLN 859.1bn as at the end of 2011 (56.2% of GDP).

In 2012, the Monetary Policy Council raised interest rates by 25 basis points, from 4.5% to 4.75% in May, in response to a temporary spike in inflation in the middle of the year driven by rising fuel prices. However, the Monetary Policy Council was forced to reverse its decision after a decline in inflation, core inflation and economic activity in Q2 and Q3 2012,

Productivity per employee
in PLN thd



Result on core business per employee

starting the cycle of interest cuts by 25 basis points in November and December, decreasing at the end of 2012, the main reference rate to 4.25%. In 2013 the Monetary Policy Council continued cutting interest rates by 25bp in January, February, May, and by 50bp in March, lowering the main reference rate to 3.00% in May 2013.

In 2012, the current-account deficit amounted to EUR -13.4bn, compared with current-account deficit of EUR -18.0bn in 2011. In 2012, trade deficit fell to EUR -5.5bn, relative to trade deficit of EUR -10.1bn in 2011. Euro-denominated exports in 2012 grew by 4.2% year on year, whilst imports grew by a mere 0.9% year on year. Current-account deficit stood at -3.5% of GDP in 2012, and is expected to equal -2.3% of GDP in 2013.

In December 2012, the money supply (M3) was PLN 921.8bn (increase of 4.6% y/y, relative to a year-on-year increase of 12.5% in 2011). In December 2012, total household deposits were PLN 519.5bn (increase of 7.8% y/y), including zloty-denominated deposits of PLN 480.3bn (increase of 7.2% y/y) and foreign currency deposits of PLN 39.2bn (increase of 15.6% y/y). In December, household demand deposits placed with monetary financial institutions grew by 0.8% y/y (to PLN 236.7bn), with PLN demand deposits down by 1.8% y/y to PLN 214.4bn, and foreign currency demand deposits up by 34.5% y/y to PLN 22.4bn. In the same month, term deposits of households increased by 14.4% y/y to PLN 282.7bn; PLN term deposits of households went up 15.7% y/y to PLN 265.9bn, and foreign currency term deposits of households decreased by 2.6% y/y to PLN 16.8bn.

In December 2012, total corporate deposits amounted to PLN 189.0bn (decrease of 7.5% y/y), including zloty-denominated deposits of PLN 157.1bn (down 7.8% y/y) and foreign currency deposits of PLN 32.8bn (decrease of 5.7% y/y). In December 2012, corporate demand deposits placed with monetary financial institutions grew by 10.9% y/y (to PLN 99.3bn), with PLN demand deposits increased by 7.4% to PLN 76.4bn, and foreign currency demand deposits increased by 24.9% y/y to PLN 22.8bn. Term deposits of corporate customers decreased by 21.7% y/y to PLN 90.6bn, with PLN term deposits down 18.7% y/y to PLN 80.6bn, and foreign currency term deposits decreased by 39.6% y/y to PLN 9.9bn.

In December 2012, the value of loans and advances from monetary financial institutions to household Clients amounted to PLN 535.3bn (up 0.1% y/y), including PLN-denominated loans of PLN 347.7bn (up 7.1% y/y), and foreign currency loans of PLN 187.8bn (down 10.6% y/y). In December 2012, consumer loans decreased by 4.9% y/y to PLN 132.1bn. In the same month, the value of housing loans increased by 1.0% y/y to PLN 323.6bn, with zloty-denominated loans at PLN 148.8bn (up 17.8% y/y), and foreign currency loans of PLN 174.8bn (down 10.0% y/y). In December 2012, the value of loans and advances from monetary financial institutions to corporate Clients grew by 2.1% y/y to PLN 244.1bn, including zloty-denominated loans of PLN 186.7bn (up 6.2% y/y), and foreign currency loans of PLN 57.4bn (down 9.3% y/y).

Our outlook for the macroeconomic environment in 2013 is that Poland's economic growth rate will substantially slow down, to 1.4%, with inflation falling rapidly to 0.6% y/y in April 2013 and the unemployment rate rising gradually and constantly.

The easing cycle in monetary policy is expected to end in the fourth quarter of 2013, with the main reference rate at 2.50%. After a period of low interest rates, the Monetary Policy Council will probably initiate a new interest rate rise cycle in the end of 2014 (with a reference rate increase to 3.50%-3.75% in 2015). After a period of inflation remaining below the lower limit of the inflation target of 1.5% by the end of 2013, inflation should stabilise in the mid-term, at around the midpoint of the inflation target range set by the National Bank of Poland (2.5%).

In the second half of 2013, the eurozone will pull out of the recession, and in 2014 it will grow at a rate of 1.0%, with the German economy growing at a rate of 1.5%. As a result of the relatively slow pace of recovery in the eurozone, the Polish economy will also experience a moderate economic upturn.

We believe that following the strengthening of the złoty against the euro, which is expected to continue in 2013 (to the level of 4.04 PLN/EUR in December 2013) until the economy resumes a fast growth, temporary depreciation of the złoty in the second half of 2014 will be necessary. In subsequent years, the złoty is forecast to appreciate by ca. 2.5% annually.

Corporate and Investment Banking

Deutsche Bank Polska S.A. Group has solidified its position in Poland, developing its services in the area of M&A transactions, arrangement of domestic and international public offerings, transactions on the equity, bank loan and bond markets, and financial advisory for large investment projects. In 2012, Deutsche Bank Polska S.A. Group was engaged in the largest and most prestigious transactions on the Polish market.

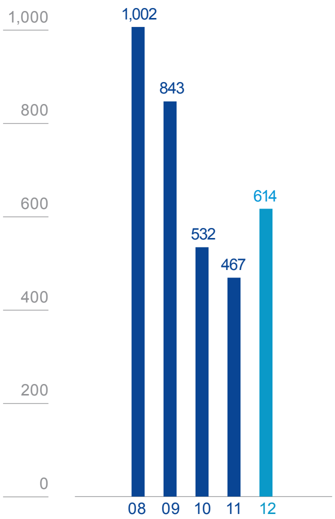
One of these was the merger of Bank Zachodni WBK and Kredyt Bank, for which Deutsche Bank Polska S.A. acted as Financial Advisor to the Management Board of Bank Zachodni WBK, and prepared a 'Fairness Opinion'. The transaction, worth EUR 5.0bn, was closed in April 2012.

As part of the acquisition of Polkomtel by Mr Solorz-Żak, announced in 2011, Deutsche Bank Polska S.A. led an issue of bonds for one of the special-purpose vehicles controlled by Mr Solorz-Żak. The EUR 900m transaction (USD 500m and EUR 543m) to refinance the bridge financing obtained for acquisition of Polkomtel, was closed in January 2012. Another transaction, executed in February 2012, involved the issue of PIK bonds with a value of USD 201m, and was the first – and so far only – issue of PIK bonds in Poland.

Another key transaction was the sale of a block of shares in PKO Bank Polski through an accelerated book building process, on behalf of the Ministry of the State Treasury. The PLN 3.1bn transaction, in which Deutsche Bank Polska S.A. acted as Joint Bookrunner, was carried out in July 2012.

The quality of services provided by Deutsche Bank Polska S.A. is evidenced by the numerous awards it has received from prestigious institutions, such as the title of Best M&A Adviser, from Euromoney.

Loans and advances to customers
in PLN m.



Transaction Banking – Management of Corporate Funds and Trade Finance

2012 was another year in which Deutsche Bank Polska S.A. Group recorded an increase in the volume of transactions processed as part of its transaction banking services. In total, the Bank processed 17.1 million transactions, compared with 16.4 million a year earlier, which translates into more than 4% growth.

In 2012, the transaction banking services provided by Deutsche Bank Polska S.A. were highly rated once again for their quality; in a survey conducted by Euromoney, we were ranked second in cash management among banks in Poland.

Services to Financial Institutions

One of the Group's key areas of operations is the provision of services to financial institutions. The Group provides the most advanced solutions in the area of financial services to Polish and foreign banks, investment and pension funds, brokerage houses and post offices. The Group's services were extended to include comprehensive solutions for clearing institutions.

In 2012, the number of accounts maintained for financial institutions grew by 30, as a result of which we were operating 430 accounts for more than 100 Client groups (excluding insurance firms served by the Bank's corporate division) as at the end of the year.

Similarly to previous years, Deutsche Bank Polska S.A. was actively involved in product and market standardisation efforts for both the regulatory framework and the capital markets.

As part of the work Deutsche Bank Polska S.A. undertook together with the Product Development Department, changes were made to the Bank's systems, processes and documentation to bring them into compliance with the Payment Services Directive, which has been in force in Poland since October 2012.

Interest rate cuts have encouraged investors to increase their stock market activity. They also contributed to increased activity by our Clients, particularly investment funds and brokerages, and helped add new accounts to our financial institution client base. As a result, in 2012 we recorded a rise in processed payments to approximately 2.7 million a year, with continued growth of STP (straight through processing) in the total (above 93%).

Active client acquisition and an attractive product offer helped grow the deposit base as well, which contributed additional net interest income despite marked interest rate cuts during the year.

This combination of factors resulted in a 10% year-on-year increase in income from transaction banking services to financial institutions.

In 2012, the Group continued to work on innovative solutions dedicated to Clients from the financial industry. The Financial Institutions Department's work was also focused on adjusting and expanding its product range to accommodate Clients' expectations, and to respond to changes on the Polish and international markets. This effort was targeted at investment funds and foreign banks, for whom unique and pionees solutions are offered.

Work was also begun on broadening the liquidity management product portfolio.

All of these efforts are bound to contribute to the growth of this business segment in the coming years.

Custody Services

In 2012, parent entity provided custody services to 137 investment funds and to both domestic and foreign financial institutions. Having rebounded to the pre-crisis level in 2011, the value of Clients' assets in 2012 remained similar to the 2011 level. This helped parent entity to maintain strong position as a custodian bank providing services to nearly 25% of all domestic investment funds in Poland. The Group also managed to maintain income from custody services at the previous year's level. In 2012, the Group implemented two new products for its Clients: overdraft facilities pledged in securities, and trust account and escrow account services.

Once again, Deutsche Bank Polska S.A. was highly ranked for the quality of its services. In annual survey of client opinions, the industry magazine Global Custodian awarded Deutsche Bank Polska S.A. two 'Top Rated' titles, placing the Bank first among banks providing services to both foreign Clients and domestic institutions in Poland. The Bank regards this distinction as a token of prestige, especially as it is based on anonymous, independent client opinions.

Deutsche Bank Polska S.A. was actively involved in initiatives aimed at adapting Poland's existing capital market regulatory framework to European requirements and the market's needs. Deutsche Bank Polska S.A. has a representative on the Presidium of the Council of Custodian Banks at the Polish Bank Association. In addition, the Bank takes part in the activities of the Advisory Committee at the National Depository for Securities (NDS) and numerous other working groups under the auspices of the Polish Bank Association and the Polish NDS. In this capacity, the Bank's representative participated in work on amending the legal framework of the capital market. The Bank also issued opinions on a number of amendments to the Rules and the Detailed Registration Rules and Procedures of the Polish NDS and the KDPW_CCP clearing house. Thanks to the Bank's involvement, the regulations and measures implemented also took account of the experience of custodians and respected the interests of capital market participants.

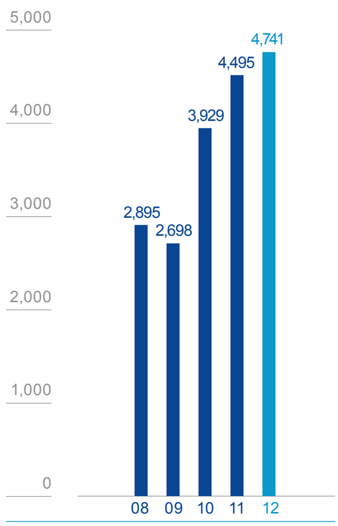
Given Deutsche Bank Polska's position on the securities lending market, the Bank's representatives were also actively involved in the efforts of a working group for the EU Short Selling Regulation, initiated by the Ministry of Finance as part of Poland's EU Presidency.

Money Market and Foreign Exchange Transactions

2012 saw a further improvement in Deutsche Bank Polska S.A. Group's market position and income from foreign exchange and money market transactions.

In 2012, Deutsche Bank Polska S.A. was one of the leading players on the Polish currency market. The Group reported an increase in its general turnover as well as distinct

Deposits from customers
in PLN m.



growth in its foreign exchange income (15%). This was achieved thanks to Deutsche Bank Polska S.A.'s participation in large transactions on the domestic capital market, which led to the largest currency transactions in Poland executed with corporate Clients. Another reason was the steady development of new products, such as Autobahn Treasury and FX4cash.

We should also remember that in 2012, the prestigious Euromoney magazine once again named Deutsche Bank AG the best and largest bank for foreign exchange transactions, ultimately confirming its leading position on the global FX market in 2005-2011, attained with the support of Deutsche Bank Polska S.A.

Deutsche Bank Polska S.A. was also active on the local money market, and in 2012 was awarded the status of Treasury Securities Dealer. In the second half of the year, the money market business was transferred to DB London Branch as part of the centralisation of trading operations within the Deutsche Bank AG Group.

Brokerage Activities

The main factors which had a significant impact on the DB Securities S.A. in 2012, was the situation on the stock markets in Europe and the world.

In 2012, the Warsaw Stock Exchange in Warsaw could be observed in the WIG index growth by 26.2%, with the lower value of shares trading by 24.3% – PLN 203.0bn in 2012 to PLN 268.1bn in 2011. Therefore, the Group reduced its market share to 3.4% in 2012, compared to 4.0% in 2011. The decline in turnover contributed to a decline brokerage commission income by 40.8%.

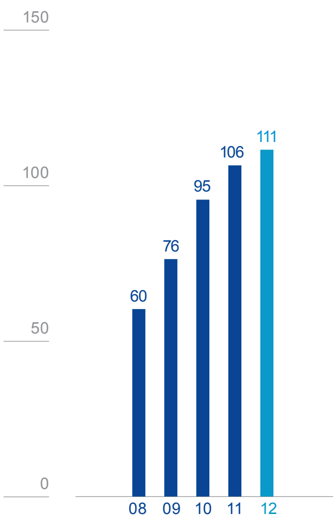
Modern IT Technology

The overriding priority of Deutsche Bank Polska S.A. Group's IT systems is to guarantee the reliability, availability and stability of the IT environment, while also ensuring an appropriate level of data and process security. In an effort to ensure the highest standards of our Business Continuity Management (BCM), in 2012 the Group changed its backup site. The new site provides the appropriate infrastructure for our business units to continue critical processes in the event of a failure, and also operates as a high-class disaster recovery centre.

In 2012, we completed a number of infrastructure projects aimed at modernising the IT environment, such as the modernisation and extension of the LAN network, and the bringing up to standard of print servers and backup servers. In line with the Bank's strategy, we also implemented IT solutions supporting new services offered to Clients. These include the handling of third-party banks' settlements, as well as ensuring the automation and streamlining of the Bank's own processes.

The IT department works constantly with Deutsche Bank AG on the implementation of best practices in the management of administrative systems. This has led to the reorganisation of the IT department into two separate teams, responsible for the administration and support of all elements of the Bank's IT environments, and for project development and management.

Net interest income
in PLN m.



Risk Management at the Group

Taking into account its business profile, the Group has identified the following material risks: credit risk, market risk, liquidity risk, and operational risk.

CREDIT RISK – the major risk involved in the Bank's activities. This refers to the risk that a borrower will not be able to fully discharge their liabilities to the Bank on scheduled dates and in the required amounts.

MARKET RISK – the risk arising from uncertainty relating to changes in market conditions that may be reflected in interest and foreign exchange rates, correlations between them and their volatility.

LIQUIDITY RISK – the risk of the Bank being unable to repay its liabilities as they come due.

OPERATIONAL RISK – the risk of incurring a loss or unjustified expense as a result of inappropriate or faulty internal processes, human actions or technical systems, and the impact of external circumstances or client relationships.

The Group also identifies and actively manages reputation risk, understood as the risk of the negative effect of public disclosure of transaction details or client relationship practices, in terms of other market participants' confidence in the Group.

The monitoring and management of the risk areas listed above, including risk factors considered immaterial from the point of view of the Group's operations, makes it possible to mitigate the risks inherent in the Group's activities. Each of these risks is monitored and managed by relevant departments of the Group's parent entity, including the Loan Department, the Financial and Operational Risk Management Department and the Legal/ Compliance Department. A number of decisions related to risk assessment and the directions of the Group's risk management policy are made by dedicated committees, in which the decision-making power rests with the members of the Bank's Management Board.

For a detailed description of the risks and their metrics in the business of Deutsche Bank Polska S.A. Group, see the "Risk Report" contained in Note 3 to the "Consolidated financial statements", prepared in accordance with the International Financial Reporting Standards, as endorsed by the EU.

The Group has a process in place for effective risk management and monitoring. In each materially exposed area we use the tools and metrics appropriate to each individual risk type.

With a view to enhancing management systems, our tools and metrics used to monitor the Group's risk exposure are subject to regular review for their adequacy and reliability. The Group's most commonly used metrics include:

a. Economic capital – the estimated capital required to cover potential losses resulting from risks inherent in the Group's business;
b. Value-at-Risk (VaR) – a market risk measure indicating the maximum expected loss that the Group may incur on the trading book, based on a given probability level;

c. Stress testing – scenario-based analyses which enable the Group to assess the impact of abrupt and violent market disruptions on the Group's liquidity and profitability.

Credit Risk

The Group has a number of procedures in place to minimise its credit risk exposure. In particular, they define the rules for assessing transaction risk, providing collateral and other security for loans, and limiting credit exposure to a single Client or a group of Clients having equity or organisational links.

The quality of our loan portfolio is ensured by regular reviews and on-going monitoring of the timely loan servicing and financial standing of our Clients. Thanks to our credit policy and effective credit risk management, as at the end of 2012 the Group had only one exposure with recognised impairment. The remaining impairment losses on the Group's loan portfolio were recognised in respect of losses related to credit risk that have been incurred but not yet reported. Credit risk issues are regularly presented to the Business and Credit Committee by the Head of the Loan Department.

The tables below present the quality of our loan portfolio, with impairment losses and losses incurred but not reported (IBNR), as at the end of 2012 and 2011.

in PLN thd	Dec 31 2012	%	Dec 31 2011	%
Loans and advances to Clients	632,352	100.0%	483,077	100.0%
a) impaired	19,532	3.1%	19,487	4.0%
b) not impaired	612,820	96.9%	463,590	96.0%
– with no indication of impairment	575,177	90.9%	463,590	96.0%
– with indication of impairment but not subject to impairment recognition	37,643	6.0%	-	-
Effective interest rate adjustment	(3)	-	(9)	-

in PLN thd	Dec 31 2012	%	Dec 31 2011	%
Impairment losses	(18,378)	100.0%	(15,903)	100.0%
a) on impaired portfolios	(14,261)	77.6%	(11,698)	73.6%
b) on unimpaired portfolios	(4,117)	22.4%	(4,205)	26.4%
– unimpaired exposures without indication of impairment	(277)	1.5%	(4,205)	26.4%
– loan portfolio with indication of impairment but not subject to impairment recognition	(3,840)	20.9%	-	-

Market Risk

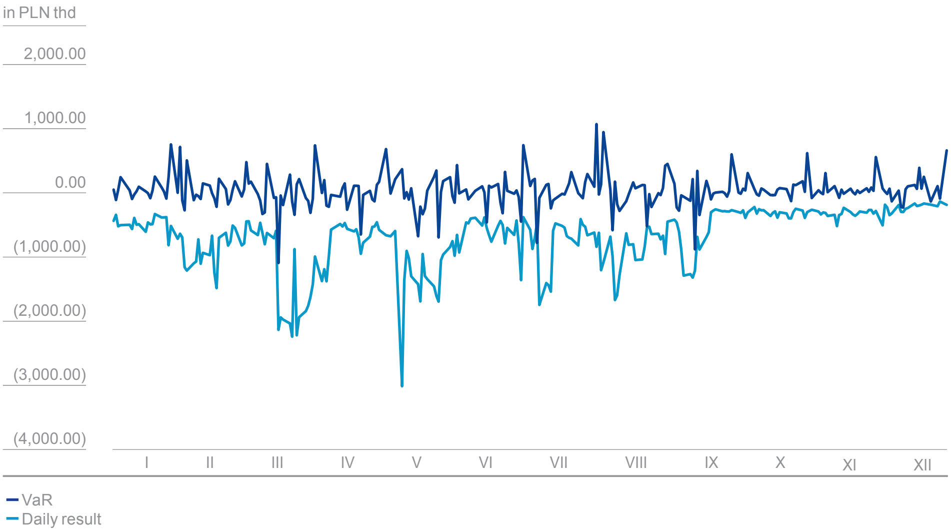
Market risk management at the Group consists primarily in the management of interest rate and currency risks relating to the trading and banking books. The Group's exposure to market risk is controlled by a system of limits. The limits are calibrated by the Financial and Operational Risk Management Department and approved by the Bank's Management Board. Actual exposure is monitored against those limits on a daily basis by the Financial and Operational Risk Management Department, whose findings are subsequently submitted for review by the Assets and Liabilities Committee. The market risk analysis carried out by the Group is based on the Value-at-Risk method.

Until the end of September 2012, in the discharge of its obligations as Treasury Securities Dealer, the Group's parent entity had actively managed its position in treasury bonds. As a result, the bond portfolio was the main contributor to Value at Risk (VaR) in the period. In

October 2012, the treasuries trading book and the function of Treasury Securities Dealer were taken over by DB AG London. The transition led to a major reduction in the Bank's VaR in the last quarter of 2012.

The chart below presents the results of VaR back testing for market risk in 2012. During the year, there was only one instance of actual loss on the bank's trading book exceeding the VaR estimate for that day.

VaR backtesting



Liquidity Risk

The overall objective behind liquidity risk management is to actively manage the Group's balance-sheet and off-balance-sheet liabilities with a view to ensuring uninterrupted ability to meet the Group's obligations as they fall due. Liquidity risk management is closely linked to the nature of the Group's business as well as its Client base, and is determined by the following factors:

– Maintaining the ability to meet payment obligations,
– Meeting mid- and long-term liquidity requirements,
– Minimising the cost of maintaining financial liquidity,
– Liquidity stress-testing results.

The Group's financial liquidity is also influenced by a number of factors beyond the Group's control, such as the interest rate policy, the National Bank of Poland's policy framework for managing liquidity in the banking system, legal regulations applicable in Poland and abroad, the economic climate in Poland, as well as the prevailing situation on the money market.

As part of its all-inclusive liquidity risk management, on a daily basis the Group monitors cash-flow mismatches at particular time intervals as well as the maximum limits of cash outflows; it estimates the size of the stable deposit base, carries out regular stress tests, and analyses the concentration of the deposit base.

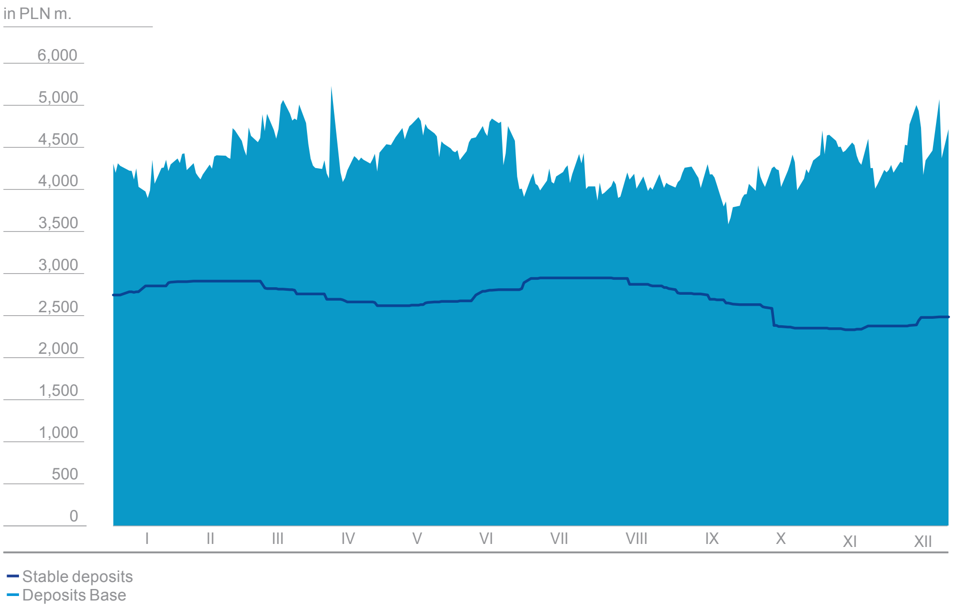
In order to mitigate liquidity risk in emergency situations, the Group has in place contingency plans that have been approved by the Bank's Management Board in case of unforeseen difficulties with current financial liquidity.

Throughout 2012, the Group continued to maintain high liquidity levels, and consequently the security of funds placed with the Group was not threatened. In the period under review, the Group had no difficulty with meeting regulatory liquidity standards, while the stress test results indicated a positive liquidity profile (in the crisis scenarios tested, the Group's potential cash inflows widely exceeded expected outflows).

In 2012, the Group invested its free cash in 7-day money bills issued by the National Bank of Poland. Because these bills have short maturities and can be used as security for overdrafts at the Central Bank, the Assets and Liabilities Committee resolved to reduce the Bank's liquidity portfolio in late 2012.

The chart below presents the changes in the Group's deposit base in 2012.

Stable Deposit Base

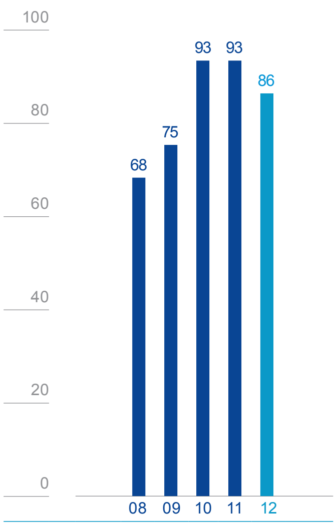


Operational Risk

The key objective behind the Group's operational risk management is to prevent incidents which may generate operational risk and to reduce potential losses caused by such risk, while maintaining the highest quality of services provided to Clients.

The Group places special emphasis on mitigating operational risk by implementing policies and procedures pertaining to: acceptance of new Clients, approval of newly developed products, approval of new systems, the business continuity of the Group under crisis conditions, crisis management, and the prevention of money laundering and fraud.

Net fee and commission income
in PLN m.



Operational risk management is an ongoing process supervised by the Group 's Financial and Operational Risk Management Department.

The process involves the close cooperation and support of business operations by parent entity. Therefore, the Group has introduced a functional structure to ensure efficient management of operational risk.

In the process of operational risk management, the Group has internal controls embedded in particular business processes and, based on their findings, identifies areas of weakness in a given process which need to be improved or otherwise remedied to significantly reduce the risk of loss. These procedures, processes and embedded internal controls undergo regular reviews and updates. The Group also has a system for recording incidents and their consequences, which allows it to perform both qualitative and quantitative analyses of operational risk. Employee reliability assessments and analyses of personnel processes are also recorded in the system.

In 2012, no material operating losses were posted by the Group.

In 2012, the Group 's regulatory capital for covering operational risks totalled PLN 38m.

Organisation and Financial Situation

During 2012, the Group operated amid decelerating economic growth, with no clear signs of recovery in the immediate economic environment. Despite this challenging background, the Group managed to turn 2012 into a success. The Group managed to capitalise on market uncertainty, largely improving our financial performance across almost all product categories. Also, in anticipation of the economic problems' escalation, the Group implemented a number of steps (such as staff downsizing) to reduce the cost base, which – reinforced by stronger revenue streams – yielded impressive operational efficiency gains.

Similarly to previous years, the Group actively supported staff development by providing e-learning programmes and dedicated training courses, conducted either externally or within the DB Group. These courses covered new banking products, IT systems, accounting standards, as well as interpersonal and managerial skills.

The tables below presents changes in the Group's statement of financial position in 2012 (all figures in PLN thd).

Assets

	Dec 31 2012		Dec 31 2011		
	in PLN thd	% share	in PLN thd	% share	Change %
Cash in hand and balances with Central Bank	410,050	5.6%	530,138	8.5%	(22.7)%
Deposits in other banks, and loans and advances to other banks	1,480,497	20.3%	819,511	13.1%	80.7%
Financial assets at fair value through profit or loss	4,417,526	60.6%	3,783,151	60.4%	16.8%
Loans and advances to customers	613,971	8.4%	467,165	7.4%	31.4%
Financial assets held as investment	193,099	2.6%	517,090	8.2%	(62.7)%
Tangible assets	5,056	0.1%	4,859	0.1%	4.1%
Intangible assets	1,813	0.0%	2,999	0.0%	(39.5)%
Current tax receivables	196	0.0%	4	0.0%	n.a.
Deferred tax asset	36,830	0.5%	58,241	0.9%	(36.8)%
Other assets	145,602	2.0%	92,146	1.5%	58.0%
Total assets	7,304,640	100.0%	6,275,304	100.0%	16.4%

Liabilities and equity

	Dec 31 2012		Dec 31 2011		
	in PLN thd	% share	in PLN thd	% share	Change %
Deposits from banks	1,408,255	19.3%	586,026	9.3%	140.3%
Financial liabilities at fair value through profit or loss	121,289	1.7%	247,428	3.9%	(51.0)%
Deposits from customers	4,740,579	64.9%	4,495,314	71.6%	5.5%
Provisions	2,993	0.0%	3,165	0.1%	(5.4)%
Current tax liabilities	3,616	0.0%	8,579	0.1%	(57.9)%
Deferred tax liability	22,143	0.3%	40,145	0.6%	(44.8)%
Other liabilities	174,881	2.4%	139,245	2.2%	25.6%
Total liabilities	6,473,756	88.6%	5,519,902	88.0%	17.3%
Total equity	830,884	11.4%	755,402	12.0%	10.0%
Total liabilities and equity	7,304,640	100.0%	6,275,304	100.0%	16.4%

As at December 31st 2012, total assets were 16.4% higher year on year, with the main driver of this increase being the steady growth of the Group's deposit base throughout the year. The Group reinvested the funds to develop its Global Finance operations, which resulted in a marked growth in the securities portfolio relative to the end of 2011 (up by 21.8%).

As at the end of 2012, loans and advances to Clients had risen 31.4% year on year. Throughout the year, the Group continued its strategy of financing corporate Clients only.

Deposits from Clients grew further (by 5.5%) in 2012, to nearly PLN 4.7bn. This growth is evidence of our Clients' trust and the competitiveness of our cash management services. Another material growth driver was the Group's strong position on the market for deposit products denominated in foreign currencies.

The table below contains the Group's income statement for the year ended December 31st 2012, together with comparative data (PLN thd).

Consolidated Income Statements for 2012 and 2011

in PLN thd	Jan 01 2012 - Dec 31 2012	Jan 01 2011 - Dec 31 2011	Change %
Interest income	319,327	264,029	20.9%
Interest expense	(208,211)	(158,174)	31.6%
Net interest income	111,116	105,855	5.0%
Impairment losses	(3,608)	(3,071)	17.5%
Net interest income after impairment losses	107,508	102,784	4.6%
Fee and commission income	101,973	113,747	(10.4)%
Fee and commission expense	(15,967)	(20,526)	(22.2)%
Net fee and commission income	86,006	93,221	(7.7)%
Dividend received	1,977	20	n.a.
Net trading income	64,142	55,003	16.6%
Other operating income	2,926	1,814	61.3%
Other operating expenses	(295)	(158)	86.2%
Banking profit	262,264	252,684	3.8%
General and administrative expenses	(105,677)	(113,960)	(7.3)%
Depreciation/amortisation of tangible and intangible assets	(3,118)	(3,293)	(5.3)%
Pre-tax profit	153,469	135,431	13.3%
Corporate income tax	(29,439)	(26,748)	10.1%
Net profit	124,030	108,683	14.1%
Earnings per share (PLN)	539,261	472,534	14.1%
Diluted earnings per share (PLN)	539,261	472,534	

In 2012, The Group generated PLN 153m of gross profit and PLN 124m net profit, which is an increase of 14% in comparison with the previous year.

The stronger results were brought about by a number of factors, including strong improvement in fee and commission income from advisory and asset management services as the Group scaled up its operations in M&A advisory, as well as from the arrangement of domestic and international public offerings and financial advisory for large investment projects. Another factor contributing to the improved performance in 2012 was higher interest income, derived chiefly from treasury securities and money market bills.

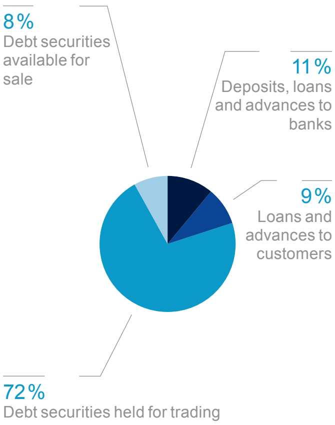
Structure of 2012 Interest Income

Net interest income advanced 5.0% year on year, driven primarily by stable yields of the financial asset portfolio, which remained at a relatively high level compared with the portfolio financing cost.

In 2012, income from debt securities was the main source of interest income. As already mentioned, this was attributable to stable yields of securities and a material increase of their share in the Bank's assets over the year. Interest income on securities represented a major portion (72%) of total interest income. Individual interest income categories remained on a level with their respective prior-year figures, and were closely related to the value of the respective items of assets over the year.

Structure of 2012 interest income

%



Structure of 2012 Fee and Commission Income

Net fee and commission income was at a slightly lower level than in the previous year. One of the reasons was the decrease the Group's share in trading on the stock market in 2012. The decline in turnover has contributed to a decrease in income from brokerage commissions. Fee and commission income on brokerage activities and advisory and asset management services accounted for the largest share of total fee and commission income, amounting to PLN 64m (63% of total fee and commission income). In total, domestic and foreign transfers generated fee and commission income of more than PLN 22m, which corresponds to 22% of total fee and commission income.

The Group responded to the uncertainty prevailing in the financial markets with tighter cost discipline, reporting a major cost reduction, which resulted in significant decrease of CIR (11% year on year). Thus, the Group was able to enhance its key efficiency ratios relative to prior years.

	2012	2011
ROE (net)	18%	18%
ROE (gross)	24%	23%
CIR	41%	46%
Compensation ratio	17%	17%
Non-compensation ratio	24%	28%
Capital adequacy ratio	35%	29%

Outlook

In the new financial year, the Group – in common with other financial institutions – will be pursuing its business goals in a market environment marked by stiff competition and an increasingly tight regulatory regime. We believe that the key elements of near-term competitive advantage will be high-quality risk management, operational efficiency, as well as robust liquidity and capital adequacy ratios – in other words, those factors which tend to enhance the security of funds held with the banks. Fortunately, we can already boast of having those elements in place.

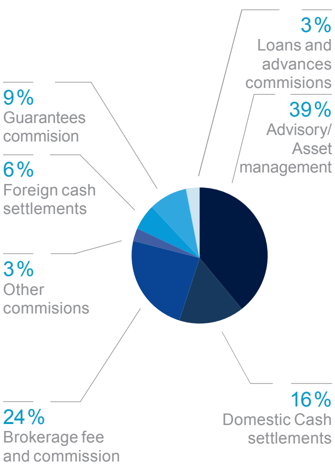
In 2013, the Group's objective will be to maintain its cost at a level comparable with the preceding year and income slightly lower than in the preceding year. The Group also expects its income base to stabilise over the next twelve months. Therefore, the Group expects that net profit will be slightly lower than in the current year.

For several years now, the parent entity has remained the leading foreign investment bank in the Polish market. This, however, poses some additional challenges for 2013. We are intent on meeting these challenges by being actively involved in privatisation processes and projects aimed at tapping into the capital-raising opportunities currently offered by the capital markets. The vast experience we have amassed in this area will be leveraged in the course of our cooperation with our Clients.

The Group aims to grow and strengthen our position in the market for custody services, placing particular focus on services targeted at international Clients.

In the brokerage activity main objective of the Group is to increase participation in trading on the stock exchange in Warsaw and Budapest.

Structure of 2012 fee and commission income
%



In August 2012, the Management Board of the Deutsche Bank AG Group made a strategic decision to merge and operationally integrate two separate banks active in the Polish market: Deutsche Bank PBC S.A. ("DB PBC S.A.") and Deutsche Bank Polska S.A. ("DB Polska S.A."). Key reasons for the decision include:

– The expected positive effect of the merger on the Deutsche Bank Group's business development in Poland – receivables portfolio diversification,
– The expected strengthening of the capital and liquidity base, as well operational processes and resources, to support further, diversified up-scaling of the business in Poland,
– The potential benefits expected to arise from the integration of certain functions supporting the two companies' operations, including economies of scale.

Following a round of preparatory work (including a feasibility study), and based on consultations with the Polish Financial Supervision Authority (the PFSA), it was decided that the two banks would be merged in the first quarter of 2014. The agreed time frame for the merger project is no more than 15-18 months.

On March 22nd 2013, the Management Boards of DB PBC S.A. and DBP S.A. adopted resolutions approving a plan of merger, upon the approval of the Supervisory Board on the same day.

On March 28th 2013, Deutsche Bank Polska S.A. and Deutsche Bank PBC S.A. filed the plan of merger between the banks, prepared in accordance with Art. 499.1 and Art. 499.2 of the Polish Commercial Companies Code, to the XII Commercial Division of the National Court Register.

On March 29th 2013, Deutsche Bank Polska S.A. and Deutsche Bank PBC S.A. filed an application to the Polish Financial Supervision Authority seeking clearance for the merger.

The proposed merger, expected to give rise to a larger and more competitive bank, will deliver a number of benefits to both Clients and employees.

With assets amounted of of PLN 35bn, the Combined Bank will provide its services through a network of nearly 200 branches and support centres, offering a comprehensive range of products designed to cater to the financial needs of retail and business Clients, as well as corporate and institutional Clients, and fully leveraging the Bank's wealth of global experience and local strength.

In line with the plan of merger submitted to the PFSA, Deutsche Bank PBC S.A. will be the acquirer, whereas Deutsche Bank Polska S.A. will be the acquiree. Accordingly, the merger will be effected by transferring all the assets and liabilities of Deutsche Bank Polska S.A. to Deutsche Bank PBC S.A., with a concurrent increase in the share capital of Deutsche Bank PBC S.A. by way of an issue of shares to the existing shareholder of Deutsche Bank Polska S.A. – Deutsche Bank AG. The Combined Bank will also become the sole shareholder of Dom Maklerski DB Securities S.A., creating Deutsche Bank Polska S.A. Group.

As the two banks belong to the Deutsche Bank Group and offer complementary services, the strategy and business model of the combined Deutsche Bank Polska S.A. and its capital group will not be significantly altered.

The establishment in Poland of a single, strong universal bank will bolster position of Deutsche Bank Polska S.A. Group on the market. It will also allow us to optimally leverage the pooled capital base, stepping up the Bank's expansion in investment and corporate banking, as well as services to retail Clients and SMEs. The strategy of the Combined Bank will be a continuation of the development directions pursued so far, drawing on the experience accumulated and best practice applied by the two banks while they were still separate institutions.

Thanks to the planned integration, we will be able to implement a coherent approach to our relationships with Clients, based on the 'one stop shop' idea. In this way, we will be able to offer competitive solutions, drawing on our capabilities across different fields and a combined pool of modern banking expertise. We will also be better placed to meet the requirements of our Clients with a complementary product range that comprises transaction banking, brokerage activities, financing, investment, foreign exchange, foreign trade and corporate banking solutions.

(signature)

Dr. Krzysztof Kalicki
President of the
Management Board

(signature)

Zbigniew Będkowski
Member of the
Management Board

(signature)

Radosław Ignatowicz
Member of the
Management Board

(signature)

Radosław Kudła
Member of the
Management Board

(signature)

Piotr Olendski
Member of the
Management Board

Warsaw, May 17th 2013.

03 -

Consolidated Financial Statements

of Deutsche Bank Polska S.A. Group

Consolidated Income Statement

Consolidated Income statement for 2012 and 2011

in PLN thd	Note	Jan 01 2012 - Dec 31 2012	Jan 01 2011 - Dec 31 2011
Interest income	6	319,327	264,029
Interest expense	7	(208,211)	(158,174)
Net interest income		111,116	105,855
Impairment losses	8	(3,608)	(3,071)
Net interest income after impairment losses		107,508	102,784
Fee and commission income		101,973	113,747
Fee and commission expense		(15,967)	(20,526)
Net fee and commission income	9	86,006	93,221
Dividend received		1,977	20
Net trading income	10	64,142	55,003
Other operating income		2,926	1,814
Other operating expenses		(295)	(158)
Banking profit		262,264	252,684
General and administrative expenses	11	(105,677)	(113,960)
Depreciation/amortisation of tangible and intangible assets		(3,118)	(3,293)
Pre-tax profit		153,469	135,431
Corporate income tax	12	(29,439)	(26,748)
Net profit		124,030	108,683
Earnings per share (PLN)	13	539,261	472,534
Diluted earnings per share (PLN)	13	539,261	472,534

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for 2012 and 2011

in PLN thd		Jan 01 2012 - Dec 31 2012	Jan 01 2011 - Dec 31 2011
Net profit		124,030	108,683
Other components of comprehensive income			
Valuation effect on debt securities available for sale (after income tax)		5,638	(828)
Other components of comprehensive income		354	(69)
Total comprehensive income		130,022	107,786

Consolidated Statement of Financial Position
as at December 31st 2012 and December 31st 2011

Assets

in PLN thd	Note	Dec 31 2012	Dec 31 2011
Cash in hand and balances with Central Bank	[14]	410,050	530,138
Deposits in other banks, and loans and advances to other banks	[15]	1,480,497	819,511
Financial assets at fair value through profit and loss	[16]	4,417,526	3,783,151
Loans and advances to customers	[17]	613,971	467,165
Financial assets held as investment	[18]	193,099	517,090
Tangible assets	[19]	5,056	4,859
Intangible assets	[20]	1,813	2,999
Current income tax receivables		196	4
Deferred tax asset	[21]	36,830	58,241
Other assets	[22]	145,602	92,146
Total assets		7,304,640	6,275,304

Liabilities and equity

in PLN thd	Note	Dec 31 2012	Dec 31 2011
Deposits from banks	[23]	1,408,255	586,026
Financial liabilities at fair value through profit and loss	[24]	121,289	247,428
Deposits from customers	[25]	4,740,579	4,495,314
Provisions	[26]	2,993	3,165
Current tax liabilities		3,616	8,579
Deferred tax liability	[27]	22,143	40,145
Other liabilities	[28]	174,881	139,245
Total liabilities		6,473,756	5,519,902
Share capital	[29]	230,000	230,000
Share premium	[30]	195,000	195,000
Revaluation capital reserve	[31]	788	(5,204)
Retained earnings	[32]	405,096	335,606
Total equity		830,884	755,402
Total liabilities and equity		7,304,640	6,275,304

Statement of Changes in Consolidated Equity

Changes in the period January 1st 2012 – December 31st 2012

in PLN thd	Share capital	Share premium	Revaluation capital reserve	Retained earnings (deficit) brought forward	Total Equity
Balance as at January 1st 2012	230,000	195,000	(5,204)	335,606	755,402
Valuation of financial assets available for sale	-	-	6,961	-	6,961
Deferred income tax on valuation of financial assets available for sale	-	-	(1,323)	-	(1,323)
Other revaluations reserves	-	-	354	-	354
Net profit	-	-	-	124,030	124,030
Dividends paid	-	-	-	(54,540)	(54,540)
Transfer to reserves	-	-	-	-	-
Balance as at December 31st 2012	230,000	195,000	788	405,096	830,884

Changes in the period January 1st 2011 – December 31st 2011

in PLN thd	Share capital	Share premium	Revaluation capital reserve	Retained earnings (deficit) brought forward	Total Equity
Balance as at January 1st 2011	230,000	195,000	(4,307)	226,923	647,616
Valuation of financial assets available for sale	-	-	(1,022)	-	(1,022)
Deferred income tax on valuation of financial assets available for sale	-	-	194	-	194
Other revaluations reserves	-	-	(69)	-	(69)
Net profit	-	-	-	108,683	108,683
Dividends paid	-	-	-	-	-
Transfer to reserves	-	-	-	-	-
Balance as at December 31st 2011	230,000	195,000	(5,204)	335,606	755,402

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

in PLN thd	Note	Jan 01 2012 - Dec 31 2012	Jan 01 2011 - Dec 31 2011
Operating cash flows			
Net profit (loss)		124,030	108,683
Adjustments for:		(811,238)	(510,046)
Depreciation/amortisation		3,118	3,293
Accrued interest (from income statement)		9	(9)
Gain/(loss) on investing activities		(18,431)	(82)
Income tax (from income statement)		29,439	26,748
Income tax paid		(32,316)	(23,944)
Increase/decrease in deposits, and loans and advances to other banks		(928,366)	(106,940)
Increase/decrease in financial assets at fair value through profit and loss		(634,375)	(1,405,905)
Increase/decrease in financial assets held as investment		(7,033)	(115,032)
Increase/decrease in loans and advances to customers		(146,806)	64,930
Increase/decrease in other assets		(53,648)	3,140
Increase/decrease in deposits from banks		822,229	283,706
Increase/decrease in liabilities at fair value through profit and loss		(126,139)	134,057
Increase/decrease in deposits from customers		245,265	566,809
Increase/decrease in provisions		(172)	545
Increase/decrease in other liabilities		35,989	58,638
Net cash used in operating activities		(687,208)	(401,363)
Investing cash flows			
Acquisition of tangible and intangible assets		(2,915)	(4,164)
Disposal of tangible and intangible assets		82	103
Dividends received		1,977	-
Other investment expenses		(187,362)	-
Interest and buyout inflows provided by investing activities		542,507	16,562
Net cash provided by (used in) investing activities		354,289	12,501
Financing cash flows			
Dividends paid		(54,540)	-
Net cash used in financing activities		(54,540)	-
Increase/decrease in net cash		(387,459)	(388,862)
Cash at beginning of period		1,225,910	1,614,772
Cash at end of period	[14 b]	838,451	1,225,910

Notes to the Consolidated Financial Statements of Deutsche Bank Polska S.A. Group

1. General Information on the Group

The Deutsche Bank Polska S.A. Group (“the Group”) comprises Deutsche Bank Polska S.A. (“the Bank”) as the parent entity, and a subsidiary (DB Securities S.A.), which is of strategic importance for the Group as its business is complementary with respect to the Bank’s business profile.

The parent entity and the parent top level entity for the Bank is Deutsche Bank AG, which shall draw up a consolidated financial statements at the level of the DB AG Group (DB AG).

Deutsche Bank Polska S.A. – the Parent Entity

Deutsche Bank Polska S.A. (“the Bank”) was established pursuant to the Governor of the National Bank of Poland’s Decision No. 2/95 of June 30th 1995. The Bank was originally registered with the District Court of Warsaw on August 9th 1995, and launched its services on October 11th 1995. On June 28th 2001, the District Court for the Capital City of Warsaw updated entry No. KRS 20832 in the National Court Register.
The scope of the Bank’s business includes provision of banking services in domestic and foreign transactions and, to the extent permitted by law, other services to private persons, legal entities, partnerships and other non-incorporated business organisations, and international organisations. The Bank also offers investment banking services and products.
In accordance with the Bank’s Articles of Association, the Bank’s business includes:
– Acceptance of demand or term deposits and maintenance of deposit accounts,
– Maintenance of other bank accounts,
– Execution of banking cash settlements,
– Issuance of payment cards and execution of payment card transactions,
– Cash lending,
– Execution of transactions involving cheques and bills of exchange,
– Purchase and sale of debt,
– Issuance of sureties and bank guarantees,
– Execution of foreign exchange transactions,
– Safekeeping of valuables and securities and provision of safe deposit boxes,
– Issuance and trading bank securities,
– Contract-based execution of tasks related to issuance of securities,
– Execution of forward financial transactions,
– Performance of banking services commissioned by other banks.

DB Securities S.A. – the Subsidiary

As at 31 December 2012, the Bank owned 100% of share capital of DB Securities S.A., consolidated subsidiary.

The subject of activity of DB Securities S.A., in accordance with the authorization given by the Polish Securities and Exchange Commission (authorisation was received on August 7, 2001), is in particular:
– Offering securities on the primary market or as part of initial public offerings;
– Buying and selling securities on another person’s account;
– Keeping securities accounts and auxiliary cash accounts;
– Acting as an agent in the purchase and sale of securities traded on foreign regulated markets;
– Performing actual and legal actions as part of services provided to investment fund companies, investment funds, pension fund companies and pension funds;
– Performing actions related to trading in property rights.

2. Key Accounting Policies

Compliance Statement

These annual consolidated financial statements of Deutsche Bank Polska S.A. Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union, and other applicable regulations.

The Bank's financial year covers the period of 12 months ending on December 31st. The financial statements are prepared in the Polish złoty, which is the Group's functional currency, and the amounts are rounded to the nearest thousand.

These financial statements of Deutsche Bank Polska S.A. Group have been approved by the Management Board on May 17th 2013. Final approval of these financial statements will be made by the General Meeting of Shareholders.

Basis of Preparation of the Financial Statements and Valuation of Assets and Liabilities

To measure financial assets and liabilities at fair value through profit and loss, and financial assets classified as available for sale, the Group applies the concept of fair value based on market prices or recognised valuation models.

Other financial assets and liabilities (including loans and advances) and those financial assets and liabilities subject to measurement at fair value in the case of which the fair value cannot be determined, are valued at amortised cost less impairment losses, or at acquisition cost less impairment losses.

Effects of changes in accounting estimates are recognised in the current reporting periods, while changes in the accounting policies are applied by adjusting the results recorded in the current period and in the previous years by appropriate amounts.

The accounting policies presented below have been applied with respect to all reporting periods presented in these financial statements.

New Accounting pronouncements not yet applied in the financial statements

IFRS	Description of changes	The potential impact on the financial statements	The date of entry into force for accounting periods beginning on or after
IFRS 9 Financial Instruments (2009)	Changes in classification and measurement – the existing categories of financial instruments to be replaced by two measurement categories, i.e. amortised cost and fair value.	The Group has not completed its analysis of the changes in IFRS 9.	Jan 1st 2015
IFRS 10 Consolidated Financial Statements	New standard supersedes the previous version of IAS 27 (2008) Consolidated and Separate Financial Statements as far as presentation and preparation of consolidated financial statements is concerned.	The Group has not completed its analysis of the changes in IFRS 10.	Jan 1st 2014
IFRS 11 Joint Arrangements	IFRS 11 Joint Arrangements supersedes IAS 31 Interests in Joint Ventures. IFRS 11 does not introduce substantial changes in the general definition of an agreement under common control, although the definition of control and indirect joint control has changed due to IFRS 10.	The Group has not completed its analysis of the changes in IFRS 11.	Jan 1st 2014

IFRS	Description of changes	The potential impact on the financial statements	The date of entry into force for accounting periods beginning on or after
IFRS 12 Disclosures of Interests in Other Entities	New standard requires to disclose the nature and risks of interests in other entities and the effects on the financial position, financial performance and cash flows.	The Group has not completed its analysis of the changes in IFRS 12.	Jan 1st 2014
IFRS 13 Fair Value Measurement	IFRS establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS13 explains how to measure fair value, when it is required by other IFRSs.	By the time the first application of this Standard, the Group is not able to conduct an analysis of its impact on the financial statements.	Jan 1st 2013
IAS 19 Employee Benefits (2011)	The standard modifies the rules of settlement of the defined benefits plans and the employment termination benefits. It introduces changes to disclosures.	Amendments will not have material impact on the financial statements.	Jan 1st 2013
IAS 27 Separate Financial Statements (2011)	IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates required to prepare the separate financial statements.	The Group has not completed its analysis of the changes in IAS 27.	Jan 1st 2014
IAS 28 Investments in Associates and Joint Ventures (2011)	The change prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	The Group has not completed its analysis of the changes in IAS 28.	Jan 1st 2014
IAS 1 Presentation of Financial Statements: presentation of items of other comprehensive income	Introduces changes to the presentation of items of other comprehensive income.	Amendments will not have material impact on the financial statements.	Jan 1st 2013
IFRS 7 Financial Instruments: disclosures – Offsetting of financial assets and financial liabilities	Makes changes regarding the disclosure of information concerning the effects of offsetting financial assets and liabilities.	Amendments will not have material impact on the financial statements.	Jan 1st 2013
IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	Defines the rules concerning offsetting financial instruments.	The Group has not completed its analysis of the changes in IAS 32.	Jan 1st 2014
Improvments to IFRSs (2009-2011)	Subject of amendment: IAS 1 – Clarification of requirement for comparative information, IAS 16 Classification of servicing equipment, IAS 32 Income tax consequences of distributions to holders of an equity instrument, IAS 34 segment information for total asset.	Amendments will not have material impact on the financial statements.	Jan 1st 2013
IFRS 10 Consolidated Financial Statements – Amendments	The amendment clarifies guidance of transition to IFRS 10, and provides additional guidance on the exemption from the introduction of IFRS 10, 11 and 12.	The Group has not completed its analysis of the changes in IFRS 10, IFRS 11, IFRS 12.	Jan 1st 2014
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendment provides for exemption from consolidation under IFRS 10 and requires entities meeting the criteria of investment units to measure the value of its investments in controlled entities – as well as in associates and joint ventures – at fair value through profit or loss, rather than recognize them by consolidation.	The Group has not completed its analysis of the changes in IFRS 10, IFRS 12, IAS 27.	Jan 1st 2014

IFRS	Description of changes	The potential impact on the financial statements	The date of entry into force for accounting periods beginning on or after
IFRS 9 Financial Instruments (2010)	Amendments to IFRS 9 in 2010 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial liabilities and derecognition of financial assets and financial liabilities.	The Group has not completed its analysis of the changes in IFRS 9 (2010).	Jan 1st 2015

Recently adopted accounting pronoucements which were applied for the first time in the accounting year 2012

IFRS	Description of changes	The potential impact on the financial statements	The date of entry into force for accounting periods beginning on or after
IFRS 7 Financial instruments: disclosures	The change required disclosure of information so that the readers of the financial statements may: understand the relation between the transferred financial asset which has not been fully excluded from the financial statements and the underlying financial obligations; assess the nature of the asset, associated risks and exposure towards the excluded asset. The change includes definition of “continuing involvement” to ensure compliance with disclosure requirements.	The amendments did not have a material impact on the consolidated financial statements.	Jan 1st 2012

Other standards, amendments to the existing standards and interpretations issued by the International Financial Reporting Interpretations Committee, either endorsed or not effective in the current reporting period, or pending endorsement by the European Commission, are not applicable to the Group’s consolidated financial statements or, if applied, would not have a material effect on these financial statements.

Consolidation

The subsidiary undertaking is an entity with respect to which the Group has the capacity to direct its financial and operating policies by holding 100% of the total vote at the subsidiary’s General Shareholders Meeting, which in practice gives the Group real influence over the key decisions concerning the subsidiary’s activities.

The subsidiary undertaking is subject to consolidation from the date the Group gained control over it. The Group will cease to consolidate its subsidiary undertaking on the date when it ceases to exercise control over it. Acquisition of subsidiaries is accounted for using the purchase method.

The cost of acquisition is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities acquired as part of the business combination are initially recognized at their fair values at the acquisition date, irrespective of the size of any possible minority interests. Any excess of the acquisition cost over the fair value of the Group’s share in identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is lower than the fair value of the net assets of an acquired subsidiary, the difference is charged directly to the income statement.

Any balances and unrealised profits from transactions between the Group companies are eliminated on consolidation. Any unrealised losses are also subject to elimination, unless the transaction provides evidence of impairment of the asset given.

Interest Income and Expense

Interest income comprises interest received or receivable on loans, inter-bank deposits and securities, computed at the effective interest rate, and where the effective interest rate cannot be determined, at the nominal contractual rate.

The effective interest rate is the rate which discounts future cash inflows or outflows to the net carrying amount of a financial asset or liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of a given financial instrument (for instance, a prepayment option), without taking into account potential future credit losses. The calculation factors in all payments made or received by the parties to the agreement (e.g. loan origination fees, prepayment fees).

Interest income comprises interest and those fees and commissions received or receivable on loans, inter-bank deposits and securities held to maturity, which have been taken into account in calculating the effective interest rate.

Interest income related to the reporting period is recognised in the income statement on an accrual basis.

Upon recognition of an impairment loss on a financial asset, interest income is recognised at the interest rate that discounts the future cash flows for the purpose of measuring the impairment loss.

Interest expense comprises interest paid or accrued on Clients' deposits, on own securities in issue and other contracted liabilities, calculated at amortised cost.

Interest payable is accrued at the end of each day. Interest expense related to the reporting period is recognised in the income statement on an accrual basis.

Fee and Commission Income and Expense

Fee and commission income comprises all amounts other than interest on loans and advances and on other banking services. Fees and commissions also include fees collected by the Group on cash transactions, maintenance of Clients' accounts, execution of money transfers, issuance of letters of credit brokerage activities and other transactions.

Fee and commission expense comprises amounts paid on contracted loans as well as on financial and foreign exchange transactions.

Fees and commissions revenues and expenses are included in the profit and loss account on an accrual basis. Fees received or paid on one-off operations for a specific service are recognized in the income statement once at the time of service. This type of commission includes commissions for settlements, management of bank accounts, trust services, securities.

Fees and commissions which can be taken into account when calculating the effective interest rate are accounted for and recognized as interest income.

Fees and commissions received or paid in connection with credit exposures (in the case of instruments generating cash flows which cannot be determined) are recognized in accordance with the straight-line method in the income statement over the term of the agreement concluded with the client.

Fees and commissions received or paid in connection with sale of derivatives like options are presented net.

Net Trading Income

Net trading income comprises gains and losses on transactions involving financial instruments initially classified as ones to be measured “at fair value through profit or loss” and investment financial assets.

“Foreign exchange gains (losses)” comprise gains and losses on spot transactions as well as forward contracts, options, futures and gains and losses on translation of the values of assets and liabilities expressed in foreign currencies.

“Interest-bearing instruments” comprise the profit (loss) on trading in money-market instruments, bonds and treasury bills.

Measurement of Items Expressed in Foreign Currencies

Transactions expressed in foreign currencies are translated into the functional currency (the Polish złoty) at the exchange rate applicable on the transaction date. Foreign exchange gains and losses on the settlement of such transactions and on the balance-sheet valuation of monetary assets and liabilities expressed in foreign currencies are disclosed in the income statement.

Other Operating Income and Expenses

Other operating income and expenses include income and expenses which are not directly related to the banking activities. These include in particular income and expenses received or incurred on account of disposal and liquidation of non-current assets, revenue from the lease of office premises, received and paid compensations, penalties and fines, the costs of court and notary fees and collection proceedings.

Cash and Cash Equivalents

Cash and cash equivalents include: cash in hand and vault cash, cash in the nostro account at the central bank, cash in current accounts at other banks and placed overnight deposits.

Hedge Accounting

The Group does not apply hedge accounting.

Financial Assets and Liabilities

The Group classifies financial instruments into the following categories: financial assets or liabilities measured at fair value through profit or loss; financial instruments held to maturity; loans and advances; and financial assets available for sale.

Financial Assets and Liabilities Measured at Fair Value Through Profit and Loss

The Group classifies a financial instrument as measured at fair value through profit or loss if at least one of the following conditions is met:
1) the instrument is classified as held for trading,
2) the instrument was designated on initial recognition as an instrument to be measured at fair value through profit or loss.

The Group classifies financial instruments as held for trading if they are:
a) acquired for the purpose of selling or repurchasing them in a short term,

b) part of an identified portfolio of financial instruments for which there is a specific management strategy generating short-term gains,
c) derivatives.

The Group also classifies financial instruments as measured at fair value through profit or loss if a planned investment strategy is pursued, covering both financial assets and liabilities, and the results of the strategy are measured and monitored on an ongoing basis by the Group's management.

Financial Instruments Held to Maturity

Financial instruments held to maturity comprise financial assets which are not derivatives, with fixed or determinable payments and a fixed maturity, with respect to which the Group on their initial recognition expressly intended to hold them to maturity.

The Group in 2012 did not have such instruments.

Loans and Advances

Loans and advances are financial instruments with pre-fixed or determinable cash flows, whose recovery is largely contingent upon the credit risk associated with the borrower and which are not quoted on active financial markets and are not instruments measured at fair value through profit or loss or instruments classified as available for sale.

Financial Assets Available for Sale

Financial instruments available for sale are financial assets which are not derivatives and which have been designated as available for sale, or financial assets other than:
a) loans and advances,
b) financial instruments held to maturity,
c) financial assets at fair value through profit and loss.

Financial Liabilities Not Held for Trading

Financial liabilities other than those held for trading are measured and presented in the financial statements at amortised cost.

Recognition and Measurement of Financial Instruments

A financial asset or financial liability is initially recognized at fair value, in the case of a financial asset or financial liability not classified as one to be measured at fair value through profit or loss, the fair value is increased by the transaction costs which may be directly attributed to the acquisition or issue of such financial asset or financial liability.

Following initial recognition, the Group measures financial assets, including derivatives disclosed as assets, at fair value without reducing the fair value by transaction costs which may be incurred in connection with their sale or other disposal, except for (a) loans and receivables, which are measured at amortized cost using the effective interest rate method; (b) financial instruments, held to maturity which are measured at amortized cost using the effective interest rate method.

A standard purchase and sale of financial assets measured at fair value through profit and loss, held to maturity and available for sale, is recognized on the transaction settlement date. Loans and advances are recognized in the balance sheet at the moment of cash disbursement.

Financial assets are derecognized from the balance sheet when the rights to the cash flows from such assets have expired or were transferred and the Group transferred substantially all risks and benefits incidental to the ownership of the assets.

Financial liabilities are derecognized from the balance sheet when the liability has expired, has been repaid, cancelled or transferred to another entity.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and disclosed in the balance sheet at net amounts if there is a legally enforceable right to offset the disclosed amounts and the Group intends to settle them at net amounts or realise a given asset and settle a given liability at the same time.

Impairment of Financial Assets

(a) Assets Measured at Amortised Cost
When determining the value of a financial asset, the Group assesses whether there exists objective evidence of an impairment of value of the asset. Impairment of a financial asset may be recognised if there is objective evidence of impairment as a result of an event or events which took place after the initial recognition of the asset, if such event may impact future cash flows related to the asset. Objective evidence of impairment of an asset may be any of the following events of which the Group became aware before performing an impairment test:

– there is delay in repayment of, or failure to repay, principal instalments, interest or other amounts due to the Group as required under the relevant agreement, with the provision that such event is deemed to have occurred if the delay in payment of the most aged receivable exceeds 90 days,
– the client is granted, for economic or legal reasons, a facility, including debt restructuring through the conclusion of an annex to the relevant agreement or another form of amendment to the original terms and conditions of the agreement (e.g. an extension of the loan term, change in payment schedules, change in security value or change in the interest margin charged), which would not be otherwise considered by the Group,
– a part of the loan principal or interest due is written off, for instance as part of an arrangement or settlement with the client, or the receivable is transferred to off-balance-sheet records,
– the agreement is terminated by the Group and/or internal restructuring or collection procedures are commenced with respect to the credit exposure,
– the client is declared bankrupt or files for bankruptcy, or bankruptcy procedure is instituted against the client,
– there is an adverse change in the client's economic and financial standing, including in particular the occurrence of early warning signs, or the client rating being downgraded.

The Group first checks whether there is an objective evidence of impairment of particular material financial assets tested in groups or on an individual basis. If the Group finds that for a given financial asset tested on an individual basis there is no objective evidence of impairment (whether such an asset is material or not), such an asset is included in the group of financial assets with similar credit risk characteristics, which is then tested for impairment as a whole. The financial assets with respect to which an impairment loss was recognised based on individual assessment are not included in the collective impairment test.

Impairment value of a financial asset valued at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted with the effective interest rate or nominal interest rate (in the case of assets for which the effective interest rate is not determined). Following recognition of an impairment of a financial asset, the value of the asset is reduced, and the impairment loss is charged to the income statement and disclosed in the line adjusting "net interest income".

When estimating the present value of future cash flows related to a hedged financial asset, the Group takes into account all probable cash flows, including any potential inflows resulting from the foreclosure of security provided for such an asset, less the costs of its acquisition and sale.

Own receivables and advances are written off through impairment losses on loans, after it is determined that further collection proceedings will probably be ineffective. The Group derecognises receivables from the balance sheet when it loses control over the rights attached to the receivables. Control is lost when the rights under a relevant agreement expire or when the Group waives those rights, i.e. sells or cancels the receivables and when no cash flows from the receivables are expected.

If an amount which has been written off is recovered within six months from the date on which the receivable was written off, the amount of impairment losses on loans is reduced appropriately in the income statement. If the Group recovers receivables which have been written off after six months from the date of the write-off, the recovered amounts are recognised under other operating income.

(b) Assets Measured at Fair Value
When identifying impairment of financial assets measured at fair value, the Group follows the same rules as in the case of financial assets measured at amortised cost and, additionally, identifies events which may be evidence of a long-term loss of market liquidity of the asset or a collapse (discontinuation) of the market on which the financial asset was traded.

The assets measured at fair value which the Group tests for impairment are debt securities classified as available for sale.

Impairment of a debt security classified as available for sale is charged to the income statement. If the fair value of a debt instrument classified as available for sale subsequently increases, and the increase may be directly attributed to an event which occurred following the recognition of impairment in the income statement, impairment losses are charged to the income statement.

Tangible and Intangible Assets

Tangible and intangible assets are disclosed at acquisition cost less cumulative depreciation/amortisation and impairment losses.

All tangible and intangible assets have definite economic useful lives and are depreciated/amortised with the straight-line method over their expected useful economic lives, using the following depreciation/amortisation rates:

Investments in third-party tangible assets	10%
Computers	25–60%
Motor vehicles	20–40%
Furniture	10–20%
Telecommunications equipment	20%
Licences, software	10–50%

The depreciation rates applied by the Group were set based on the expected economic useful lives of tangible assets.

Depreciation charges are made following completion of the investment, when a given tangible asset is complete and fit for use.

Depreciated tangible assets are tested for impairment whenever there occurs an event or a change of circumstances which indicates that the carrying value of the asset may be irrecoverable. If the carrying value of a tangible asset exceeds the estimated recoverable value, the carrying value is immediately reduced to the recoverable value. Recoverable value is the higher of: the fair value of a tangible asset less its costs to sell or its value in use.

Gains or losses on disposal of a tangible asset are determined by comparing the proceeds from its sale with the carrying value; they are recognized in the income statement.

Impairment Losses on Assets Other than Financial Assets

Assets other than financial assets are reviewed by the Group to identify any possible indications of value impairment. Any assets whose value is found to have been impaired are written off to their recoverable amount. Impairment losses are recognized in the income statement.

Employee Benefits

Short-term employee benefits

Short-term employee benefits of the Group include salaries, bonuses, holiday pay and social security contributions. Short-term employee benefits are recognized as an expense in the period to which they relate, regardless of the time of actual payment. The Group creates a provision for bonuses and awards for performance during the period under review, the payment of which takes place after the balance sheet date and a provision for a liability for unused annual leave until balance sheet date.

Other long-term employee benefits
Long-term employee benefits, which can not be fully settled before the end of twelve months from the end of the annual reporting period in which the employee performed the related service, among other deferred compensation.

In accordance with current regulations on financial institutions, the Group has implemented a policy concerning variable components of the remuneration of persons occupying management positions in the Group, that shape and have a significant impact on the risk profile of the Group.

The Group measures the variable components of remuneration in accordance with IAS 19. Provision for variable components of remuneration is recognized in the profit and loss account under the Group's general and administrative expenses.

Share-based payments
Selected employees of the Group who have acquired rights before 2012 participate in equity compensation programs, based on shares of DB AG:
1. Equity compensation "Restricted Equity Award".
2. Prize money with deferred payment "Restricted Incentive Award".

Payments from these programs fall in year 2013 and subsequent years. These programs are treated as programs settled in cash. For future payments, a provision is recognized in the balance sheet under position Other liabilities and in line General and administrative expenses in the income statement.

Provisions

Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the amount of provisions for contingent liabilities under guarantees issued is determined on the basis of estimates of future losses, in the amount equal to the present value of expected future losses relating to unpaid receivables which have originated under the guarantees.

Furthermore, provisions are disclosed in the balance sheet if the Group has a legal obligation following from a past event, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the Group can reliably estimate the amount of the outflow. If the effect is material, the provision amount is determined based on expected cash flows discounted at a pre-tax rate which reflects the current market assessment of the time value of money and, if applicable, risks specific to the liability.

Income Tax

The income tax charge includes the current tax liability and the deferred tax liability. Current income tax is the tax liability of the Group calculated on their taxable income at the applicable tax rate, and including any adjustments to tax liabilities relating to previous financial years.

Group creates a provision for deferred income tax and deferred tax assets due to temporary differences arising from income tax. These differences are caused by the difference of timing of recognition of revenue earned and expenses incurred in accordance with accounting rules and regulations of corporate income tax law.

Deferred tax is determined using tax rates (and on the basis of regulations) in force as at the balance-sheet date, which are expected to be applicable when the relevant deferred tax asset is realised or deferred tax liabilities is settled.

Deferred tax liability is recognized in the full amount, using the balance-sheet liability method, in respect of temporary differences between the amounts of assets and liabilities for tax purposes and their carrying amounts for financial reporting purposes.

The main source of temporary differences is accrued costs relating to the Group's operations, which are charged to the Group in a subsequent financial year.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

A deferred tax liability resulting from Polish tax regulations is recognised as costs in the period during which the corresponding profit was earned. Tax consequences of tax-deductible losses which can be used in the future are recognised as assets if it is probable that future taxable profit will be available which can be reduced by the amount of the unsettled tax losses.

A deferred income tax arising from revaluation of investments available for sale is recognised directly in the revaluation capital reserve and then, as the investments are realised, it is charged to the income statement, along with deferred gains or losses.

Other Assets and Liabilities

Other assets include in particular prepayments and accrued income pertaining to selected cost items paid for in advance, which are settled over time and which relate to future reporting periods.

Other liabilities include in particular cost accruals, which will be settled during future periods, and provisions for liabilities to employees (including annual bonuses, other bonuses, and provisions for unused holidays).

Leasing

The Group is a party to lease agreements, based on which it conveys in return for payment to use and take profits (the lessor) from tangible and intangible assets during a fixed period.

In case of agreements, according to which the Group takes essentially all risks and rewards subsequent to actual ownership of assets, which are the subject of the agreement (financial leasing), the value of the subject is disclosed in the balance of the Group, and settlements of leasing payments are disclosed in profit and loss statement at amortised cost method.

In case of the operating leasing agreements, when essentially all risk and benefits subsequent to actual possession of assets remain by the lessor, the leasing payments are disclosed in profit and loss statement with the straight-line method over their expected leasing period.

All current Group's leasing agreements are classified as operating leasing. All the lease payments are disclosed in profit and loss statement on a straight-line basis over the expected lease period.

Brokerage activity

The Group provides brokerage services, in particular by offering securities in the primary market or IPO, to acquire or sell securities on behalf of someone else's, brokerage in buying or selling securities traded on foreign regulated markets, and services for investment funds, pension companies and pension funds.

Custody Services

The Group provides custody services with respect to domestic and foreign securities, as well as custody services related to investment and pension funds.

Such assets are not disclosed in these financial statements as the Group has no control over them.

Equity

Equity comprises capital accounts and funds created by the Group in accordance with applicable regulations, i.e. the Banking Law and the Bank's Articles of Association.

Share capital
Share capital is recognized at par value in the amount specified in the Articles of Association and in the entry in the commercial register.

Share premium
Share premium is formed from the difference between nominal and awarded price obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Revaluation capital reserve
Revaluation capital reserve includes the effects of revaluation of the portfolio of securities available for sale, after deferred income tax effect. Revaluation capital reserve is not the subject of distribution.

Retained earnings
Retained earnings include the retained earnings previous years (including the part transferred to general risk fund) and/or the profits of the undistributed earnings and net income for the current period.

General risk fund is formed from allocations of net profit according to the Banking Act of August 29, 1997.

Dividend Fund in the Group is formed from allocations of net profit according to the resolutions of the General Meeting.

Net profit/loss which constitutes profit/loss presented in the income statement for the relevant period. Net profit is after accounting for income tax.

Contingent liabilities assumed and received

Contingent liabilities assumed
The Group enters into transactions, which, at the time of their inception, are not recognized in the financial statement as assets or liabilities; however they give rise to contingent liabilities and commitments. A contingent liability or commitment is:

1) a possible obligation that arises from past events and whose existence will be confirmed only at the time of occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group,

2) a present obligation resulting from past events, but not recognized in the financial statement, because it is not probable that an outflow of cash or other assets will be required to fulfill the obligation, or the amount of the obligation cannot be measured reliably.

Credit lines and guarantees are the most significant items of contingent liabilities and commitment granted. They are presented in contingent liabilities in notional amounts as par agreements.

For contingent liabilities and commitment granted which carry the risk of default by the commissioning party, provisions are recognized in accordance with IAS 37 and IAS 39. The estimated provisions are presented in Group's balance as "Provisions".

Contingent liabilities received
The Group also receives collaterals to cover credit exposures. The most often are received guarantees from other banks, or non-bank institutions. They are presented in contingent liabilities in contractual amounts.

Derivatives transactions
The Group enters into following transactions on derivatives financial instruments – currency transactions (spot, forward, FX swap, FX options, CIRS), interest rate transactions (FRA, IRS, CAP), transactions on securities. The nominal value of the contracts until settlement date is booked in off-balance-sheet evidence and presented in financial statement.

Customer's Securities under the brokerage business
Client's financial instruments, recorded in the securities accounts held by the Group, or held by the Group in the form of a document, are reported in the off-balance sheet items, in terms of the value and quantity. Value of the client's instruments has been measured at 31 December 2012 in accordance with the regulation of the Minister of Finance of 28 December 2009 on specific accounting policy for brokerage houses (Journal of Laws of 2009, No. 2226, item. 1824).

Valuation of financial instruments recorded in the securities accounts held by a brokerage house, placed in the secondary trading on a regulated market are made on any working day at current prices. If it is not possible to measure customer's financial instruments in current prices, these instruments are measured at fair value, which is a reliable reflection of their values.

3. Risk Report

The key types of risk managed by the Group include: credit risk, market risk, liquidity risk and operational risk.

The responsibility for determining and monitoring the risk management policy rests with the Bank's Management Board.

At the operating level, the Assets and Liabilities Committee (ALCo), the Commercial and Credit Committee and dedicated Group's departments are responsible for the management of particular areas of banking risk, day-to-day monitoring of such risk, and defining the day-to-day risk management policy, consistent with the Management Board's guidelines.

The Assets and Liabilities Committee (ALCo) is a body appointed by the Bank's Management Board. ALCo's scope of responsibilities includes especially: determining the Group's capital and liquidity requirements in the context of assumed risks (risk appetite) and the nature of the Group's operations exposed to particular risk types. Furthermore, ALCo is responsible for regular reviews of the Bank's and the Group's capital adequacy as well as monitoring compliance with the risk limits set by ALCo.

The Commercial and Credit Committee is appointed by the Group's Management Board as a standing committee, whose meetings are attended by all Management Board Members, Director of the Credit Department and heads of business segments.

The Committee undertakes actions aimed at determining the Bank's business and lending policies, and in particular:

– participates in the process of accepting new Clients, including high risk Clients, in accordance with the DBP Client Approval Rules,
– determines product pricing policies,
– manages the risk of large exposure concentrations, including credit limits for particular industries, and responds to any cases of the limits being exceeded,
– makes decisions regarding credit exposures on the watch list based on data regularly submitted by the Director of the Credit Department,
– reviews periodic risk reports.

The responsibility for risk management at the Group rests with the Bank's Management Board, which delegates part of its responsibilities to dedicated units within the Group charged with:

– organizing and monitoring the management risk structure, which consists of participating in the process of defining risk management strategy and its on-going implementation,
– establishing and applying tools and procedures supporting the process of identifying risks, such as market risk, credit risk, operating risk and liquidity risk,
– internal risk measurement and on-going risk monitoring, as well as reporting risk exposures,
– participation in establishing and monitoring compliance with risk metrics, flags and limits.

The Finance Department, Audit Department and Legal/Compliance support capital and risk management functions at the Group on an ongoing basis, as independent bodies. The Finance Department's function is to support the process of risk identification and measurement. The Audit Department monitors the compliance of the functional control system and procedures with relevant standards, both internal and external. The Compliance function serves in an advisory capacity in the process of managing non-compliance risk and reputation risk.

Banking risks are monitored and controlled in relation to the profitability of the Group's operations and the level of capital necessary to ensure operational security in the context of prudential norms. Reporting on the risk position is part of the Group's management information system.

Credit Risk

Credit (default) risk is the most important type of risk in the Group's business. It consists in counterparty's inability to timely and fully repay its liabilities towards the Group.

The brokerage business credit risk primarily arises from trade receivables, especially receivables from customers.

The Subsidiary offers its customers the possibility of submitting buy orders with a deferred payment date. To take advantage of the deferred payment option the customer is required to sign an appropriate agreement with The Subsidiary (DB Securities S.A.), which specifies a limit of the maximum receivables under deferred payment, and the amount of the required coverage for the buy orders. When placing an order the customer must have funds in the amount agreed with the Brokerage House. The customer has the obligation to provide the balance of cash within three days from the date of the execution of the trade on the WSE (Warsaw Stock Exchange) – in the case of shares, or within two days – in the case of bonds.

In the credit risk management process, the Group observes the following principles:

– Each loan exposure must be approved by persons or committees competent to make lending decisions,
– Decision regarding establishment of a lending limit must be consistent with the strategy adopted for a specific loan portfolio, taking into account the acceptable risk/return ratio,
– Any change in the financing conditions (life, type of security, repayment terms, etc.) which affects the exposure's risk profile requires a lending decision,

- Competence to make lending decisions is granted based on employee's qualifications, experience and training. Credit competence is subject to periodic reviews,
- In the process of making lending decisions, the four-eyes principle always applies,
- Responsibility for return generated by the Group on a given loan exposure rests with the unit which acts as the business sponsor of a given client. Each time, lending limit applications must be endorsed by the relevant business sponsor,
- All and any loan exposures are considered from the perspective of the Group's consolidated exposure to the borrower (or a group of related entities),
- Internal lending limits must be consistent with external concentration standards and capital adequacy requirements.

In the credit risk management process, the fundamental rule provides for the assessment of a client's creditability by verifying the client's financial standing, market position and management quality. Such assessment forms the basis for adoption of credit decisions and is used in the assignment of credit competence.

The Group uses 26-grade scale for assessment of Clients' creditworthiness, to which, based on statistical analyses, a probability of default (PD) is assigned. PDs and ratings are used in the process of estimating impairment losses, in compliance with the International Financial Reporting Standards.

Client's creditworthiness is always assessed with respect to the total loan exposure of a given client, including liabilities of other entities with equity, personal or organisational links to the client. Credit exposures may include loan facilities, trade finance products, foreign exchange transactions or transactions in derivatives.

The Group reviews the assessment of Clients' creditworthiness on a regular basis using a standard procedure and identifies any signs of a possible impairment of the loan value. The Group has implemented procedures supporting early identification of threats which may adversely affect the quality of the loan portfolio. We believe that early threat identification is necessary with respect to Clients with growing credit risk, as it will enable effective management of a given exposure in the future. Wherever the Group has at an early stage identified threats which may exacerbate credit risk associated with a given client, a given credit exposure is subjected to constant and detailed monitoring.

Credit risk may also be reduced with collateral securing future repayment of Clients' liabilities towards the Group. The assessment of collateral quality is an inherent element of the lending process.

The Group strictly monitors its net open position in derivatives. Given the nature of its activities, a large portion of the Group's significant exposures to credit risk from derivatives is guaranteed by entities with recognized credit ratings. Furthermore, the actual amount of the Group's credit risk exposure is limited to the current fair value of the instruments whose valuation is positive, which in the case of derivative exposures is only a small fraction of the notional amount under the contract. Exposures to credit risk of such type are managed as part of the general credit limits for Clients.

The table below shows Group's maximum exposure to credit risk as of December 31st 2012 and December 31st 2011. The amounts do not reflect the collaterals received by the Group.

in PLN thd	Dec 31 2012	Dec 31 2011
Cash in hand and balances with Central Bank	410,050	530,138
Deposits in other banks, loans and advances to other banks	1,480,497	819,511
Financial assets at fair value through profit or loss	4,417,526	3,783,151
Loans and advances to customers	613,971	467,165
Financial assets held as investment	193,099	517,090
Other assets*	126,694	73,088
Contingent liabilities assumed	2,172,690	2,385,402
a) financial liabilities	1,101,134	1,119,993
b) guarantee liabilities	1,071,556	1,265,409
Total	9,414,527	8,575,545

* Under the heading Other Assets the Group presents the amounts due from customers, KDPW and brokerage houses related to the Group's brokerage activities.

The Group strictly applies the binding prudential norms in the area of credit risk and large exposures concentration. In 2012, there was no excess over a large exposure limit. As at December 31st 2012 the limit of large exposures was PLN 176,169 thousand (25% of the Bank's equity, as required under the Banking Law).

Concentration of the Group's Exposures to Individual Borrowers and Industries
List of the Group's ten largest borrowers as at December 31st 2012:

in PLN thd	Balance-sheet exposure	Credit facilities, LoCs	Guarantees	Balance equivalent	Total exposure	Total exposure concentration	% share in total exposure
Customer 1	-	100,000	30,000	-	130,000	130,000	6%
Customer 2	92,909	19,741	-	-	112,650	112,650	5%
Customer 3	101,924	362	-	5,352	107,638	107,639	5%
Customer 4	-	52,982	22,018	-	75,000	75,000	3%
Customer 5	-	25,500	38,172	-	63,672	63,672	3%
Customer 6	29,090	29,034	1,255	-	59,379	59,379	3%
Customer 7	35,760	9,238	-	-	44,998	44,998	2%
Customer 8	37,643	-	-	6,547	44,190	44,190	2%
Customer 9	21,639	21,861	-	-	43,500	43,500	2%
Customer 10	-	20,441	19,207	1,844	41,492	41,491	2%
	318,965	279,159	110,652	13,743	722,519	722,519	

Also as at 31.12.2012 the exposure concentration to banks amounted to PLN 336,410 thousand and exposure to KDPW (National Depositary of Securities) amounted to PLN 40,309 thousand, arising from payments made by the Group to the Stock Exchange Guarantee Fund Trading, Futures and New Connect, and security deposits related to the Group's brokerage activity.

Portfolio of loans to Clients and off-balance-sheet liabilities assumed for Clients as at December 31st 2012 and 2011 – the major industries:

Industry	Dec 31 2012 in PLN thd	Dec 31 2012 % share	Dec 31 2011 in PLN thd	Dec 31 2011 % share
Consumer staples	311,364	14.2%	330,267	15.5%
Power and engineering	282,274	12.9%	250,318	11.8%
Services	261,225	11.9%	261,303	12.3%
Automotive	240,576	11.0%	261,290	12.3%
Financial and insurance services	211,943	9.7%	89,142	4.2%
Electro-technical industry	204,595	9.3%	212,758	10.0%
Metallurgy	169,818	7.7%	80,599	3.8%
Construction	162,060	7.4%	265,166	12.5%
Chemicals	137,594	6.3%	162,155	7.6%
Other exposures	75,210	3.4%	75,858	3.6%
Agriculture	70,345	3.2%	67,450	3.2%
Telecommunications	52,228	2.4%	54,105	2.5%
Minerals	13,182	0.6%	16,572	0.8%
Pharmaceuticals	2,181	0.1%	1,727	0.1%
Total	2,194,595	100.0%	2,128,710	100.0%
Credit risk exposure of derivatives	84,569		172,315	

The Group carries no excess over exposure limits to any particular industry. As at December 31st 2012, the largest client group were companies from the consumer staples, accounting for 14.2 % of the Group's total exposure.

As at December 31st 2012 total exposure to banks was PLN 581,198 thousand, while credit risk exposure to derivatives PLN 78,613 thousand.

The Group's credit risk is mainly related to its trading receivables.

The Subsidiary offers its customers the possibility of submitting buy orders with a deferred payment date. To take advantage of the deferred payment option the customer is required to sign an appropriate agreement, which specifies a limit of the maximum receivables under deferred payment, and the amount of the required coverage for the buy orders. When placing an order the customer must have funds in the amount agreed with the Brokerage House. The customer has the obligation to provide the balance of cash within three days from the date of the execution of the trade on the WSE (Warsaw Stock Exchange) – in the case of shares, or within two days – in the case of bonds.

The following tables show the credit quality of financial assets.
The Group presents gross values, without taking into account impairment losses.
Exposures to customers are classified under class rating:

2012

PD	iAAA do iA – 0.01-0.09 %	iBBB do B– 0.14-7.95%	ICCC and below 13.0-100%	Without rating	Total
Assets not impaired					
Cash in hand and balances with Central Bank	410,046	-	-	4	410,050
Deposits in other banks, and loans and advances to other banks	1,472,842	2	-	7,812	1,480,655
Financial assets at fair value through profit and loss	4,350,073	64,494	2,800	159	4,417,526
Loans and advances to customers	324,994	247,302	37,643	2,878	612,817
Financial assets held as investment	192,802	-	-	297	193,099
Other assets *	40,309	-	-	86,385	126,694
Assets impaired					
Loans and advances to customers	-	-	19,532	-	19,532

2011

PD	iAAA do iA – 0.01-0.09 %	iBBB do B – 0.14-7.95%	ICCC and below 13.0-100%	Without rating	Total
Assets not impaired					
Cash in hand and balances with Central Bank	530,130	-	-	8	530,138
Deposits in other banks, and loans and advances to other banks	818,529	-	-	989	819,518
Financial assets at fair value through profit and loss	3,758,591	23,948	-	612	3,783,151
Loans and advances to customers	144,041	273,040	37,653	8,847	463,582
Financial assets held as investment	516,800	-	-	289	517,090
Other assets *	46,911	-	-	26,177	73,088
Assets impaired					
Loans and advances to customers	-	-	19,486	-	19,486

* In the item Other assets are presented receivables from the KDPW (National Depository of Securities) and customers (resulting from the settlement of standard exchange transactions) related to the Group's brokerage activity.

As of December 31st 2012, the financial effect of collateral in respect with impaired assets assessed individually amounts PLN 5,248 thousand (as at 31.12.2011 PLN 8,327 thousand). This is the amount by which the level of required impairment losses attributable to the portfolio would be higher if the revaluation impairment losses not included the expected cash flows from collateral.

At the balance sheet date, there were no exposures in the category of assets not impaired, for which the delay in payment occurred due to credit risk.

Market Risk

Market risk arises from uncertainty relating to changes in market conditions as may be reflected by interest and foreign exchange rates, correlations among them and their volatility.

The Group's current product strategy involves two main market risks: interest rate risk and currency risk.

The primary objective of market risk management is to shape the structure of assets and liabilities and off-balance sheet components in order to maintain the size of the market risk as defined in the Group's strategy.

Market risk arises from the products offered to customers (deposits and loans), or instruments used for liquidity management in the Group. Positions in derivative products offered to corporate customers are, in principle, opposed closing transactions with entities of DB AG Group.

A independent department of the Group (Financial and Operational Risk Management) is responsible for market risk management at the operating level. The measurement of market risk consists of monitoring the value of market risk measurement and analysis of the stress test designed to determine the potential losses of the Group in the event of extreme changes in price parameters.

Daily The Group's market risk is measured on the basis of:
1) VaR – expected change in net profit/(loss) caused by changing market prices, with the assumed 99% confidence,
2) BPV – approximates the loss on the portfolio, assuming a parallel shift of the yield curve by 1 basis point,
3) currency position.

According to the principle adopted in the Group, market risk positions arising from transactions with customers are closed with the entities of the DB AG group. The market risk arising in the Group as a result of the current business of the Bank and the management of liquidity are transferred to portfolio of Transaction Management Group (TMG), located in the structures of the Global Markets through the registration of internal transactions between individual departments in the Bank. TMG Team is responsible for managing market risk position in the framework of accepted by the Board of Directors of the Bank limits. This achieved through the following financial instruments:
– IRS, CIRS,
– Placements, deposits,
– FX swaps,
– FX spots/forwards
– NBP bonds.

The only purely trading activitiy of the Group has been actively managed portfolio of government bonds. In September 2012, the Group ceased trading in government bonds.

Exposure to market risk is limited by a limits system based on:
– VaR limits,
– BPV limits,
– open currency position limits.

The limit size is proportional to the appetite to take this risk and the business unit budget. The level of risk appetite is subject to the approval of the Board and is referred to in the Group's strategy.

The VaR is calculated using the method of historical significance level equal to 0.01 on the basis of the most recent 250 business days, period forecast (the assumed period over which the constant quantity and structure of primary positions are maintained — position maintenance period) is 1 day.

The Group performs historical and revaluation reviews of the VaR model on a daily basis.

Historical back-testing means comparison the value of potential loss calculated on following days with daily losses (reflecting real price parameters changes) realized on the Group's positions which are involved in VaR model.

Valuation back-testing means comparing the value of potential loss calculated on specific working day with hypothetical daily loss realized on the Group's positions at the end of the day reflecting real price parameters change calculated assuming that the structure of the statement of financial position and off-balance sheet will be stable during 24 hours.

Average daily VaR for market risk were as follows:

2012

in PLN thd	Dec 31 2012	Avg	Max	Min	Limit
VaR – total position	181.11	693.60	2,992.72	129.40	1,800.00
VaR – interest rate risk	173.76	632.34	2,993.60	97.43	N/A
VaR – FX risk	120.72	118.03	274.09	77.01	N/A

2011

in PLN thd	Dec 31 2011	Avg	Max	Min	Limit
VaR – total position	141.41	800.51	2,481.72	117.20	4,000.00
VaR – interest rate risk	97.35	697.89	2,393.38	47.51	N/A
VaR – FX risk	99.18	279.13	674.22	49.82	N/A

In connection with the termination of trading activity in government bonds, the risk position of the Group in 2012, generated a slightly lower VaR values than in 2011. Major factor of changes in VaR levels was, like in 2011, actively managed treasury bond position.

An additional market risk metric, complementing the measurement of value at risk, is derived from stress testing, simulating hypothetical change in the current valuation of the Group's individual portfolios. Stress testing and crash testing are used to evaluate a potential loss in the event of an extraordinary situation on the financial market which cannot be described with standard statistical metrics.

Stress testing supplements VaR calculation with information concerning the level of the Group's exposure to risk under extreme changes in market conditions.

Stress testing is performed on the Group's entire position, that is the position resulting from transactions disclosed in the trading book and the position resulting from transactions disclosed in the banking book.

The Group applies three types of stress testing:
1. using assumed scenarios of a shift of the yield curve or FX curve,
2. based on the standard shift of the yield curve as specified in the capital requirement regulations,
3. based on interest rate changes equal to the 1st and 99th percentiles of the observed historical changes in interest rates.

Interest Rate Risk

Interest rate risk is the risk of deviation of the Group's financial result from the intended result as a result of adverse changes in market interest rates. In case of change of interest rate risk as a result of financial changes may be due to the market value of financial instruments, or change in interest income.

Centralized market risk management process allows us to effectively manage interest rate risk of banking book. Risk positions arising from banking book instruments – mainly deposits and loans to corporate customers, are aggregated using the internal transfer pricing system and managed by the team at TMG Global Markets.

The table below sets forth the Group's exposure to interest rate risk, based on the carrying values of its assets and liabilities and the earlier of: the next revaluation date or the maturity date.

Dec 31 2012

in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	non-interest bearing	Total
Cash in hand and balances with Central Bank	410,050	-	-	-	-	-	-	410,050
Loans and advances to banks	1,262,869	139,153	78,633	-	-	-	(158)	1,480,497
Financial instruments at fair value through profit or loss	4,309,628	16,120	87,302	4,476	-	-	-	4,417,526
Loans and advances to customers	559,396	54,362	16,676	1,919	-	-	(18,381)	613,971
Financial assets held as investment	165,301	27,483	-	-	-	-	315	193,099
Tangible assets	-	-	-	-	-	-	5,056	5,056
Intangible assets	-	-	-	-	-	-	1,813	1,813
Current tax receivables	-	-	-	-	-	-	196	196
Deferred tax asset	-	-	-	-	-	-	36,830	36,830
Other assets	-	-	-	-	-	-	145,602	145,602
Total assets	6,707,244	237,117	182,610	6,395	-	-	171,273	7,304,640
Deposits from banks	1,408,255	-	-	-	-	-	-	1,408,255
Financial liabilities at fair value through profit or loss	15,140	15,872	86,127	4,149	-	-	-	121,289
Deposits from customers	4,473,448	188,864	77,104	1,163	-	-	-	4,740,579
Provisions	-	-	-	-	-	-	2,993	2,993
Current tax liabilities	-	-	-	-	-	-	3,616	3,616
Deferred tax liability	-	-	-	-	-	-	22,143	22,143
Other liabilities	-	-	-	-	-	-	174,881	174,881
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	788	788
Retained earnings	-	-	-	-	-	-	405,096	405,096
Total equity and liabilities	5,896,843	204,736	163,231	5,312	-	-	1,034,517	7,304,640
Balance-sheet mismatch	810,401	32,381	19,379	1,083	-	-		

Dec 31 2011

in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	non-inerest bearing	Total
Cash in hand and balances with Central Bank	530,138	-	-	-	-	-	-	530,138
Loans and advances to banks	819,519	-	-	-	-	-	(8)	819,511
Financial instruments at fair value through profit or loss	3,524,988	15,145	34,743	170,943	86	37,246	-	3,783,151
Loans and advances to customers	389,137	54,285	31,066	8,035	547	6	(15,911)	467,165
Financial assets held as investment	350,998	165,803	-	-	-	-	289	517,090
Tangible assets	-	-	-	-	-	-	4,859	4,859
Intangible assets	-	-	-	-	-	-	2,999	2,999
Current tax receivables	-	-	-	-	-	-	4	4
Deferred tax asset	-	-	-	-	-	-	58,241	58,241
Other assets	-	-	-	-	-	-	92,146	92,146
Total assets	5,614,780	235,233	65,809	178,978	633	37,252	142,619	6,275,304
Deposits from banks	586,026	-	-	-	-	-	-	586,026
Financial liabilities at fair value through profit or loss	19,923	17,229	21,551	157,817	-	30,908	-	247,428
Deposits from customers	4,460,410	29,985	2,818	1,277	823	-	-	4,495,314
Debt securities issued	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	3,165	3,165
Current tax liabilities	-	-	-	-	-	-	8,579	8,579
Deferred tax liability	-	-	-	-	-	-	40,145	40,145
Other liabilities	-	-	-	-	-	-	139,245	139,245
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	(5,204)	(5,204)
Retained earnings	-	-	-	-	-	-	335,606	335,606
Total equity and liabilities	5,066,360	47,214	24,369	159,094	823	30,908	946,536	6,275,304
Balance-sheet mismatch	548,420	188,019	41,440	19,884	(190)	6,344		

Currency Risk

The Group defines currency risk as a risk of deviation of the financial result from the target, such a deviation may result from adverse changes in market foreign exchange rates. In the case of currency risk, a change in the financial result comes as foreign exchange gains/(losses) disclosed under net trading income.

According to the developed strategy, the Bank is not a significant participant in the interbank foreign exchange market. Developed market-based quota system allows only limited open foreign exchange position of a speculative nature. The open currency position is usually structural in nature and stems from the need to maintain liquidity in foreign currencies.

The tables below present the Group's currency risk exposure relating to main currencies as at December 31st 2012 and 2011.

Dec 31 2012

	EUR	USD	CHF	GBP	OTHER	PLN	Total
Cash in hand and balances with Central Bank	-	-	-	-	-	410,050	410,050
Deposits in other banks, loans and advances to other banks	106,363	269,525	766,463	15,485	18,947	303,714	1,480,497
Financial assets at fair value through profit or loss	4	-	-	-	-	4,417,522	4,417,526
Loans and advances to customers	55,481	105,650	-	-	-	452,840	613,971
Financial assets held as investment	-	-	-	-	-	193,099	193,099
Tangible assets	-	-	-	-	-	5,056	5,056
Intangible assets	-	-	-	-	-	1,813	1,813
Current tax receivables	-	-	-	-	-	196	196
Deferred tax asset	-	-	-	-	-	36,830	36,830
Other assets	6,774	208	-	1	-	138,619	145,602
Total assets	168,622	375,383	766,463	15,486	18,947	5,959,739	7,304,640
Total off balance sheet assets	1,129,139	274,626	3	8,670	142,387	2,994,744	
Deposits from banks	2,119	505	763,123	107	9	642,392	1,408,255
Financial liabilities at fair value through profit or loss	3	-	-	-	-	121,286	121,289
Deposits from customers	640,476	302,526	2,647	4,531	12,905	3,777,494	4,740,579
Provisions	-	-	-	-	-	2,993	2,993
Current tax liabilities	-	-	-	-	-	3,616	3,616
Deferred tax liability	-	-	-	-	-	22,143	22,143
Other liabilities	10,940	1,121	-	10,822	-	151,998	174,881
Share capital	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	788	788
Retained earnings	-	-	-	-	-	405,096	405,096
Total liabilities and equity	653,538	304,152	765,770	15,460	12,914	5,552,806	7,304,640
Total off balance sheet liabilities	636,318	340,955	3	8,670	144,945	3,424,263	
Net balance-sheet position	7,905	4,902	693	26	3,475	(22,586)	

Dec 31 2011

	EUR	USD	CHF	GBP	OTHER	PLN	Total
Cash in hand and balances with Central Bank	-	-	-	-	-	530,138	530,138
Deposits in other banks, loans and advances to other banks	655,317	73,017	46,669	15,022	15,125	14,361	819,511
Financial assets at fair value through profit or loss	-	-	-	-	-	3,783,151	3,783,151
Loans and advances to customers	48,098	10,634	-	133	-	408,300	467,165
Financial assets held as investment	-	-	-	-	-	517,090	517,090
Tangible assets	-	-	-	-	-	4,859	4,859
Intangible assets	-	-	-	-	-	2,999	2,999
Current tax receivables	-	-	-	-	-	4	4
Deferred tax asset	-	-	-	-	-	58,241	58,241
Other assets	10,099	158	-	2	-	81,887	92,146
Total assets	713,514	83,809	46,669	15,157	15,125	5,401,030	6,275,304
Total off balance sheet assets	984,222	466,588	214,481	28,667	44,432	1,867,251	
Deposits from banks	82,474	85,513	38,204	104	23	379,708	586,026
Financial liabilities at fair value through profit or loss	-	-	-	-	-	247,428	247,428
Deposits from customers	756,280	71,119	4,168	3,188	11,647	3,648,912	4,495,314
Provisions	-	-	-	-	-	3,165	3,165
Current tax liabilities	-	-	-	-	-	8,579	8,579
Deferred tax liability	-	-	-	-	-	40,145	40,145
Other liabilities	42,883	1,271	32	11,372	21	83,666	139,245
Share capital	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	(5,204)	(5,204)
Retained earnings	-	-	-	-	-	335,606	335,606
Total liabilities and equity	881,637	157,903	42,404	14,664	11,691	5,167,005	6,275,304
Total off balance sheet liabilities	847,744	388,603	216,953	28,667	45,563	2,075,656	
Net balance-sheet position	(31,645)	3,891	1,793	493	2,302	25,620	

Liquidity risk

Liquidity is defined as the Group's capability to meet current and future payment obligations without incurring a loss in the normal course of business or other conditions that can be predicted.

The management of the Group's liquidity is determined by the following operational factors:
– maintenance of ability to settle payments, including intra-day settlements,
– incorporation of the Group's liquidity requirements in mid- and long-term operating plans,
– minimising the cost of liquidity maintenance,
– liquidity stress testing.

Managing the Group's liquidity is aimed at active management of the balance sheet and off-balance-sheet liabilities ensuring that the Group's liquidity remains stable. Liquidity management procedures depend on the Group's operating profile and client base. The Group's liquidity is also affected by factors outside its control, such as the National Bank of Poland's interest rate policy and banking system liquidity policy, domestic and international regulations, Poland's economic situation, as well as the current situation on the money market.

The matching and monitoring of maturities of financial instruments are of key importance to the Group's management.

The Group has developed emergency procedures to be applied in situations which might lead to a significant increase in the liquidity risk (contingency plan). An important element of the plan with regard to a crisis on a local scale is the liquidity support provided by the Group's main shareholder.

In 2012, the Group continued to invest surplus liquidity in the 7-day NBP bills. In view of the fact that these assets are short term to maturity, and they can be used as collateral for intraday credit from the Central Bank, the Assets and Liabilities Committee of the Bank decided to reduce the liquidity of the portfolio at the end of 2012.

The tables below present the Group's actualized maturity structure of assets and liabilities based on remaining maturity term:

Dec 31 2012

in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Insensitive items	Total
Cash in hand and balances with Central Bank	410,050	-	-	-	-	-	-	410,050
Loans and advances to banks	500,839	139,153	78,633	-	-	762,030	(158)	1,480,497
Financial instruments at fair value through profit or loss	4,305,650	18,017	39,213	4,551	50,095	-	-	4,417,526
Loans and advances to customers	557,355	53,901	17,913	2,969	215	-	(18,382)	613,971
Financial assets held as investment	192,784	-	297	-	-	-	18	193,099
Tangible assets	-	-	-	-	-	-	5,056	5,056
Intangible assets	-	-	-	-	-	-	1,813	1,813
Current tax receivables	-	-	192	-	-	-	4	196
Deferred tax asset	-	-	1,409	-	-	-	35,421	36,830
Other assets	126,694	-	1,518	-	-	-	17,390	145,602
Total assets	6,093,372	211,071	139,175	7,520	50,310	762,030	41,162	7,304,640
Deposits from banks	646,225	-	-	-	-	762,030	-	1,408,255
Financial liabilities at fair value through profit or loss	9,454	21,267	38,311	4,311	47,946	-	-	121,289
Deposits from customers	4,473,448	188,864	77,104	1,163	-	-	-	4,740,579
Provisions	-	-	564	-	-	83	2,346	2,993
Current tax liabilities	-	-	-	-	-	-	3,616	3,616
Deferred tax liability	-	-	-	-	-	-	22,143	22,143
Other liabilities	81,932	-	1,890	-	-	-	91,059	174,881
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	788	788
Retained earnings	-	-	-	-	-	-	405,096	405,096
Total liabilities and equity	5,211,059	210,131	117,869	5,474	47,946	762,113	950,048	7,304,640
Balance-sheet gap	882,313	940	21,306	2,046	2,364	(83)		

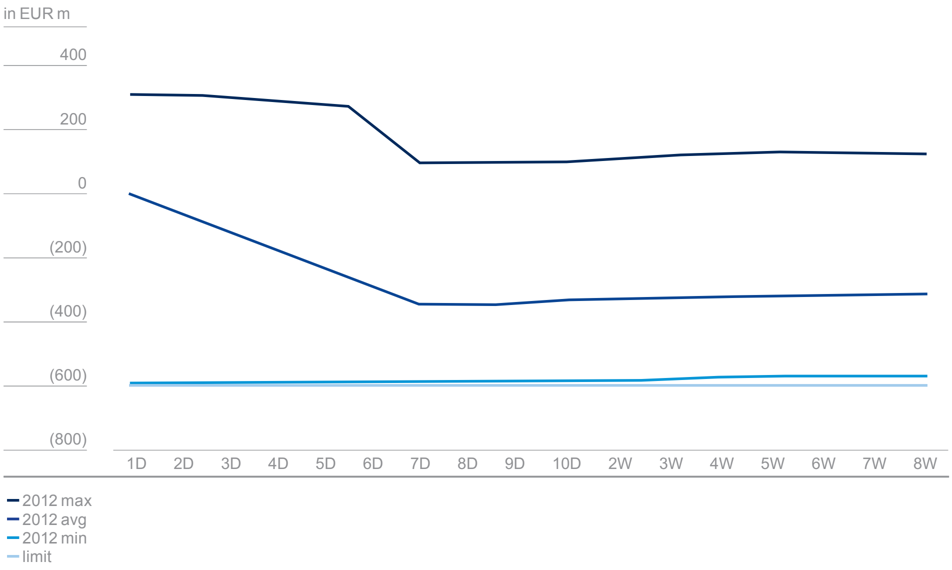
Dec 31 2011

in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Insensitive items	Total
Cash in hand and balances with Central Bank	530,138	-	-	-	-	-	-	530,138
Loans and advances to banks	819,519	-	-	-	-	-	(8)	819,511
Financial instruments at fair value through profit or loss	3,553,821	15,120	24,875	158,157	13	31,165	-	3,783,151
Loans and advances to customers	389,137	54,285	31,066	8,035	547	6	(15,911)	467,165
Financial assets held as investment	516,801	-	-	-	-	-	289	517,090
Tangible assets	-	-	-	-	-	-	4,859	4,859
Intangible assets	-	-	-	-	-	-	2,999	2,999
Current tax receivables	-	-	-	-	-	-	4	4
Deferred tax asset	-	-	-	-	-	-	58,241	58,241
Other assets	73,088	-	-	-	-	-	19,058	92,146
Total assets	5,882,504	69,405	55,941	166,192	560	31,171	69,531	6,275,304
Deposits from banks	586,026	-	-	-	-	-	-	586,026
Financial liabilities at fair value through profit or loss	18,937	16,664	22,110	157,823	-	31,894	-	247,428
Deposits from customers	4,460,411	29,985	2,818	1,277	823	-	-	4,495,314
Provisions	-	-	-	-	-	101	3,064	3,165
Current tax liabilities	-	-	-	-	-	-	8,579	8,579
Deferred tax liability	-	-	-	-	-	-	40,145	40,145
Other liabilities	30,947	-	4,376	-	-	-	103,922	139,245
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	(5,204)	(5,204)
Retained earnings	-	-	-	-	-	-	335,606	335,606
Total liabilities and equity	5,096,321	46,649	29,304	159,100	823	31,995	911,112	6,275,304
Balance-sheet gap	786,183	22,756	26,637	7,092	(263)	(824)		

The principal measure used by the Group to assess liquidity risk is MCO analysis. MCO analysis includes all cash-flows from financial instruments. The analysis is prepared for currencies in which the Group operates: PLN, USD, EUR and total for other. Cash-flows are translated into PLN with NBP fixing. The analysis is prepared for following time periods: 1D, 2D, 3D, 4D, 5D, 6D, 7D, 8D, 9D, 10D, 2W, 3W, 4W, 5W, 6W, 7W, 8W (where D means day, and W means week).

Analysis of the MCO is measure, which limits liquidity risk in the group. In 2012, the Group has changed the rules for calculating and limiting measure MCO. According to the new methodology subject of MCO limits are only liquidity position, which may be actively managed by the Group (eg. transactions in the interbank market). The rest of liquidity positions (such as corporate deposits) is analyzed using the stress tests. Due to changes in methodology, the limit MCO increased in 2012 to EUR 600m. The following shows the use of measurement in 2012.

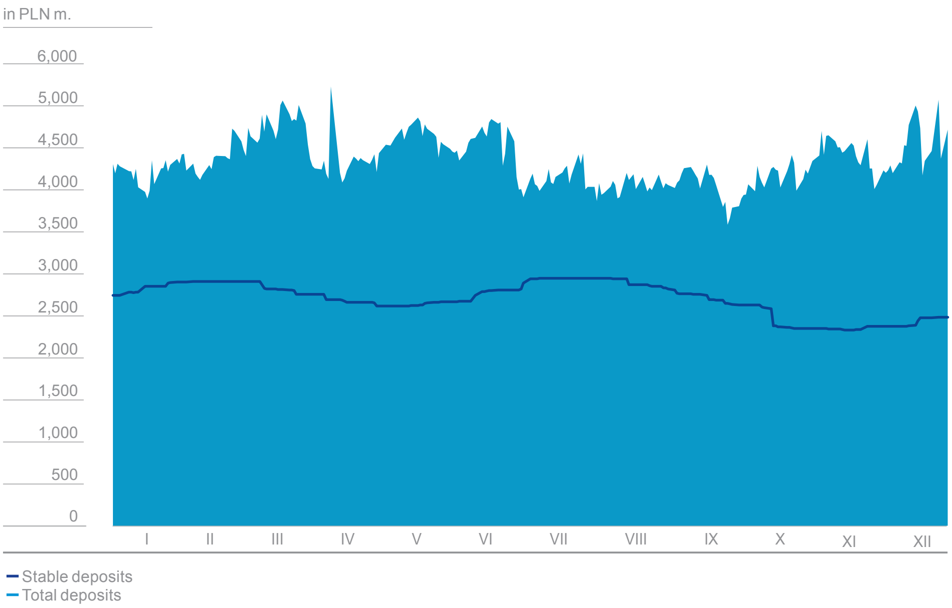
MCO – utilization during 2012



Another important measure of liquidity in the Group is a stable deposit base. It plays a fundamental role in the management of assets and liabilities in Group, is also the basis for determining regulatory liquidity ratios. The process of testing the stability of the deposit base in the Group is continuous.

The following graph presents the Group's deposit base in 2012.

Stable Deposit Base

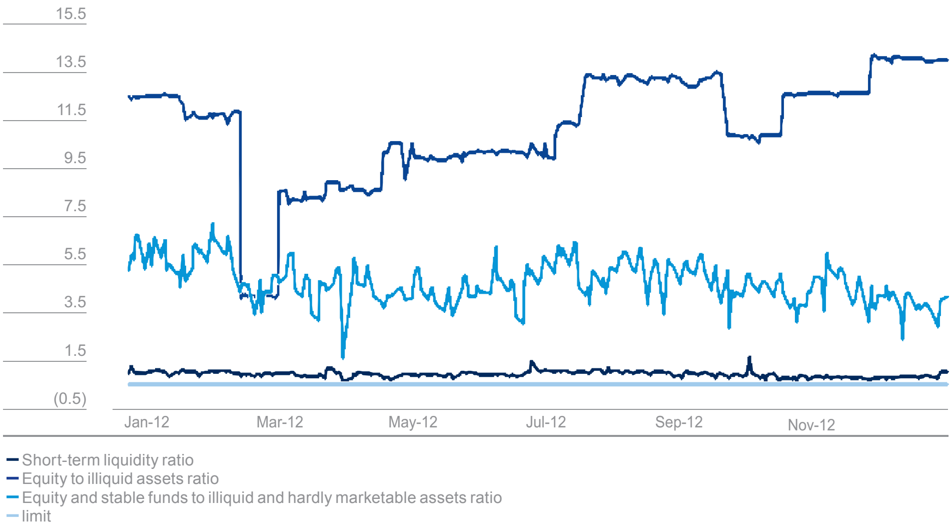


Stable deposits include both fixed-term deposits and current, with the exception of financial institutions. Analysis of deposits stability is based on the estimation of the value (the level of stable deposits), below which the value of deposits should not fall within the month for which the estimate is made.

In 2012, the Group had no difficulty in complying with regulatory standards for liquidity:
- short-term liquidity ratio,
- the ratio of coverage by own funds of illiquid assets,
- the ratio of coverage of illiquid assets and assets with limited liquidity own funds and foreign funds stable.

The chart below shows the trends of regulatory liquidity ratios in 2012.

Liquidity ratios in 2012



An important complement to the Group's liquidity analysis is to analyze the stress test. On a monthly basis Group performs liquidity stress tests. The result of the shock analysis is to determine the net liquidity position within eight weeks. This item must be nonnegative.

In 2012, the good quality of the Group's liquidity profile was confirmed by the positive results of stress tests carried out.

Operational Risk

The Group defines the operational risk as possible losses that may be incurred as a result of inappropriate or ineffective internal processes, human actions, and systems, an impact of external circumstances or relations with customers.

The operational risk management at the Group is a continuous process, supervised by the Financial and Operation Risk Management Department in the Bank.
The operational risk management at the Group focuses on close cooperation and support of the Group's business. Nevertheless, to avoid any potential conflict of interests and to ensure unbiased management, the function of operating risk assessment is separated from business decision-making functions.

Under the Group rules of operational risk management, each employee is responsible for identifying operational risks arising in his/her competence area and taking actions to mitigate the risk. These actions also include appropriate reporting of the identified threats to the Operating Risk Division Coordinator at the Group's relevant unit, as well as exercising due professional care in the performance of assigned duties and abiding by the applicable regulations.

The Operational Risk Coordinator reports on all events involving operating risk to the Group's Management Board, which then presents regular operating risk strategy reviews to the Supervisory Board as part of the overall risk management strategy; these reviews also include information on the actions taken by the Group to mitigate operating risk.

The Group's strategy for operating risk management is based on the following principles:
– Each of the Group's units is required to identify and estimate operating risk, and to perform necessary actions mitigating the risk, on an ongoing basis, even when such risk is difficult to identify,
– Operating risk management is delegated to the lowest (from the practical perspective) levels of the Group's structure,
– Responsibilities for operating risk management are defined for individual employees,
– Transparency and efficiency of the operating risk management structure are achieved through clear assignment of responsibilities, independence in decision making, effective process of notification and escalation of events monitored by the Group's individual departments,
– Each individual business line is directly responsible for costs incurred as a result of actions taken to mitigate operating risk or caused by operating-risk-related events which have occurred within the business line.

The Group's organisational structure includes a clearly defined independent unit responsible for operating risk management.

Capital Management

Internal Capital Management (ICAAP) is a process embedded in Group's management system in Poland. This process ensures that the Management Board and Supervisory Board:
– properly identify and measure risk,
– apply effective risk management system,
– effectively allocate funds,
– maintain adequate internal capital to do business.

The key determinants in the process of capital management in the Group are: the appetite for risk and the consequent risk profile, the expected profitability of individual business units, maintain an appropriate level of liquidity in the operating business and the current and expected macroeconomic environment in which the Group conducts business.

The inherent process of capital management is to identify and study the relevance of the risks arising in the Group. A comprehensive analysis of risks is carried out every year and includes:
– a review of the risks identified by the regulator under the first pillar,
– the identification of other types of risk than regulatory specified.

As a result, the annual risk identification, the Bank from the outset of the Basel 2 standards, estimates the additional capital necessary to cover the risks inherent in its activities. At the end of 2012, additional capital in the form of the second pillar was 1% of the total capital to cover risks (the sum of the first and second pillar).

The level of regulatory capital as at 31 December 2012, in DB Securities S.A. satisfied the requirements of the Minister of Finance dated 18 November 2009 on the scope and detailed procedures for determining total capital requirements, including capital requirements for brokers and determining the maximum amount of loans and issued debt securities in relation to equity (Journal of Laws of 2009., No. 204, item. 1571.)

The primary objective of the Group in the long-term capital management is to maintain capital levels in relation to the risk at levels to maintain the capital adequacy ratio above the amount collected which guarantees the security of customer funds in the Bank. In addition, the value of capital can not be less than:
– defined by the supervisory authorities limit the activity of Trustees – the zloty equivalent of EUR 100 million
– the value of internal capital estimated on the basis of the ICAAP or other higher education, as required by external supervisors.

As at 31st of December 2012 the Group's capital adequacy ratio amounted to 35%, thus meeting the regulatory requirements on capital adequacy.

4. Fair Value of Financial Assets and Liabilities

The table below sets forth carrying amounts and fair values of those financial assets and liabilities which are not disclosed at their fair values in the Group's balance sheet. Fair value of financial assets and liabilities was established on the basis of their market prices, where possible, or recognised valuation models.

	Dec 31 2012		Dec 31 2011	
in PLN thd	Carrying value	Fair value	Carrying value	Fair value
Deposits in other banks, and loans to other banks	1,480,497	1,501,431	819,511	819,543
Loans and advances to customers	613,971	614,893	467,165	474,240
Other assets*	126,694	126,694	73,088	73,088
Deposits from banks	1,408,255	1,427,938	586,026	586,035
Deposits from customers	4,740,579	4,741,479	4,495,314	4,496,763
Other liabilities**	77,800	77,800	24,893	24,893

* In the position of other assets are presented receivables from Clients, KDPW and brokerage houses resulting from the brokerage activities carried out by the Group
** In the position of other liabilities are presented liabilities to KDPW and brokerage houses resulting from the brokerage activities carried out by the Group

Fair values of deposits bearing interest at a variable rate and overnight deposits are equal to their respective carrying values. Estimated fair values of fixed-rate deposits are based on discounted cash flows determined with the use of interest rates computed based on the zero-coupon curve.

Loans and advances are disclosed net of impairment losses. Estimated fair values of loans and advances is fair approximation of its book value due to its short term nature and short repricing periods.

Other assets and other liabilities concern amounts due from customers, the settlement with KDPW and brokerage houses related to the Group's brokerage activity. Due to the short period to account for the transaction their carrying amount does not differ materially from their fair value.

Classification of financial instruments measured at fair value through profit and loss.

Fair value of trading securities is stated directly at prices quoted (not adjusted) from active markets for identical assets and liabilities (Level I). For derivatives fair value is determined with use of valuation models, where all significant entry data are observable on the market directly (as prices) or indirectly (based on prices) – Level II. In case of long-term structured swap transactions the fair value is determined with use of valuation models, for which available date are not derived from observable markets (Level III).

Dec 31 2012

in PLN thd	Level I	Level II	Level III	Total
Financial assets at fair value through profit or loss	4,301,534	98,102	17,890	4,417,526
Financial assets held as investment	193,099	-	-	193,099
Total	4,494,633	98,102	17,890	4,610,625
Financial liabilities at fair value through profit or loss	-	103,399	17,890	121,289

Dec 31 2011

in PLN thd	Level I	Level II	Level III	Total
Financial assets at fair value through profit or loss	3,534,251	220,857	28,043	3,783,151
Financial assets held as investment	517,090	-	-	517,090
Total	4,051,341	220,857	28,043	4,300,241
Financial liabilities at fair value through profit or loss	-	219,385	28,043	247,428

During the year there were no transfers between particular categories of valuation at fair value of financial assets and liabilities.

The table below shows financial assets and liabilities presented in the financial statements at fair value in the three-level hierarchy – reconciliation of opening balance with closing balance.

Level III

in PLN thd	Jan 01 2012	Total gains/ losses through profit and loss – Trading income	Settlements	Dec 31 2012
Financial assets at fair value through profit or loss	28,043	(6,211)	(3,942)	17,890
Financial liabilities at fair value through profit or loss	28,043	(6,211)	(3,942)	17,890

5. Accounting Estimates

While performing an on-going valuation of certain items of assets and liabilities, the Group adopts estimates and assumptions which are included in valuation models. In doing so, the Group uses its best knowledge and experience, as well as the best banking practice.

The main areas in which estimates and assumptions are used to value balance-sheet items include the determination of:
– impairment of value of loans and advances,
– fair values of derivatives,
– fair values of debt securities.

In executing the implemented credit risk management processes, the Group performs a review of its loan portfolio for impairment of its value on a regular basis.

In the event of exposures for which indications of possible impairment losses have been identified, the amounts of impairment write-offs are based on estimated future cash flows. The Group estimates cash flows based on its own experience and realistic assessment of a given borrower's ability to continue servicing his debt. The methodology used in the Bank for identifion and measurment of impairment is subject to regular reviews.

Fair values of derivatives for which no active market exists (no reliable market prices are available) are determined with the use of generally accepted models, calibrated to obtain instrument prices as close to comparable market prices as possible. Additionally, the Group evaluates credit risk component embodied into the underlying contract.

Impairment of value of debt financial instruments available for sale is recognised if the market price of the instrument stays below its purchase price for at least three months. The reversal of impairment of value is performed upon the Group's deciding that the causes of impairment of value of a given instrument have permanently ceased to exist.

6. Interest Income

in PLN thd	Dec 31 2012	Dec 31 2011
Deposits, loans and advances to banks	35,280	24,436
Loans and advances to customers	29,087	28,063
Interest on debt securities held for trading	230,912	187,991
Interest on debt securities available for sale	24,048	23,539
Total interest income:	319,327	264,029

Interest income for 2012 and the 2011 includes interest on loans for which was recognized the impairment, respectively, PLN 350 thousand and PLN 414 thousand.

7. Interest Expense

in PLN thd	Dec 31 2012	Dec 31 2011
Deposits of customers	(109,893)	(101,206)
Deposits of banks	(98,318)	(56,968)
Total interest expense:	(208,211)	(158,174)

8. Impairment Losses

in PLN thd	Dec 31 2012	Dec 31 2011
Increase	(3,976)	(4,813)
revaluation of loans, advances and other receivables	(3,051)	(4,310)
provisions for off-balance-sheet commitments and liabilities	(925)	(503)
Decrease	368	1,742
revaluation of loans, advances and other receivables	75	1,742
provisions for off-balance-sheet commitments and liabilities	293	-
Impairment losses	(3,608)	(3,071)

9. Fee and Commission Income

in PLN thd	Dec 31 2012	Dec 31 2011
Fee and commission income	101,973	113,747
advisory services/asset management	39,409	29,735
domestic settlement transactions	16,366	18,172
brokerage commissions	24,500	41,319
other fees and commissions	3,565	261
foreign settlement transactions	6,018	8,140
guarantees	9,159	8,686
sale of FX options	379	4,950
loans and advances	2,577	2,484
Fee and commission expense	(15,967)	(20,526)
brokerage services	(4,251)	(4,656)
domestic settlement transactions	(2,042)	(2,976)
other fees and commissions	(1,313)	(2,246)
foreign settlement transactions	(1,247)	(1,205)
GPW costs	(813)	(687)
KDPW costs	(4,346)	(7,048)
other transaction fees	(1,955)	(1,708)
Net fee and commission income	86,006	93,221

10. Net Trading Income

in PLN thd	Dec 31 2012	Dec 31 2011
Foreign exchange gains/(losses)	69,868	63,837
Gain /(loss) on debt instruments held for trading	(5,370)	(8,229)
Gain /(loss) on debt instruments available for sale	362	-
Gain/ (loss) on interest rate derivatives	(689)	(634)
Gain /(loss) on equity instruments	(29)	29
Net trading income	64,142	55,003

11. General and Administrative Expenses

in PLN thd	Dec 31 2012	Dec 31 2011
Salaries and wages	(45,059)	(44,620)
Operation of IT systems	(15,194)	(16,576)
Contracted services	(12,564)	(16,455)
Building maintenance and lease expenses	(7,765)	(7,919)
Taxes, charges and other contributions	(3,940)	(6,618)
Other administrative expenses	(8,159)	(9,775)
Social security	(5,670)	(5,271)
Other employee benefits	(2,816)	(2,568)
Postal and telecommunications charges	(1,449)	(1,406)
Consulting and advisory services	(951)	(784)
Contributions and payments to BFG (Bank Guarantee Fund)	(2,110)	(1,968)
Total general and administrative expenses	(105,677)	(113,960)

At the end of 2012 the number of employees of the Group amounted to 220 people, and at the end of 2011, in the Group 223 people were employed.

Costs of employee programs "Restricted Equity Awards" and "Restricted Incentive Award ", in which participate selected employees of the Group, based on DB AG shares and described in Note 2 Share-based payments, amounted to PLN 2,740 thousand (in 2011 – PLN 2,912 thousand).

12. Income Tax

in PLN thd	Note	Dec 31 2012	Dec 31 2011
Current income tax		(27,353)	(31,123)
Current year		(27,353)	(30,955)
Correction from previous years*		-	(168)
Deferred income tax		(2,086)	4,375
Change in deferred tax liability	[27]	18,057	(22,068)
Change in deferred tax asset	[21]	(20,143)	26,443
Total income tax		(29,439)	(26,748)

* Adjustments concern: PLN 168 thousand – correction of tax for the year 2010.

Reconciliation to actual income tax expense

in PLN thd	Dec 31 2012	Dec 31 2011
Pre-tax profit	153,469	135,431
Tax at 19%	(29,159)	(25,732)
Non-tax-deductible costs, non-taxable income and unused deferred tax	(280)	(1,016)
Correction from previous years	-	(168)
Non-tax-deductible costs (i.e. voluntary membership fees, donations, etc)	(259)	(366)
Tax revenues, which are not recorded in books	(59)	(72)
Other correction of deferred tax asset/liability	(334)	(410)
Dividend	372	-
Total income tax	(29,439)	(26,748)

13. Earnings per Share

Earnings per share for 12 months

in PLN thd	Dec 31 2012	Dec 31 2011
Basic		
Profit for the period	124,030	108,683
Weighted average number of ordinary shares	230	230
Basic earnings per ordinary share in the period	539	473
Diluted		
Profit for the period	124,030	108,683
Weighted average number of ordinary shares	230	230
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	230	230
Diluted earnings per ordinary share in the period	539	473

Basic earnings per share are computed as the quotient of the profit attributable to equity holders of the Bank and the weighted average number of shares.

14. Cash in Hand and Balances with Central Bank

(a) Cash in Hand and Balances with Central Bank

in PLN thd	Dec 31 2012	Dec 31 2011
Cash	4	8
Current nostro account held at NBP	410,046	418,121
Overnight deposits – NBP	-	112,000
Accrued interest (not payable)	-	9
Total	410,050	530,138

(b) Cash items in cash-flow statement

in PLN thd	Dec 31 2012	Dec 31 2011
Cash	4	8
Current nostro account held at NBP	410,046	530,121
Current accounts – other banks	428,401	695,781
Total	838,451	1,225,910

Nostro account held at NBP is used to hold obligatory reserve. The balance of obligatory reserve in the periods from December 31st 2012 to January 30th 2013, and for the period from November 30th 2011 to January 1st 2012 was PLN 166,662 thousand and PLN 157,561 thousand, respectively.

Cash items include regarding brokerage activities cash and cash equivalents restricted. In 2012 it was PLN 53,812 thousand, and for the year 2011 PLN 43,705 thousand.

15. Deposits in Other Banks, and Loans and Advances to Other Banks

(a) Deposits in other banks, loans and advances to banks (by type)

in PLN thd	Dec 31 2012	Dec 31 2011
Current accounts	428,401	695,781
Inter-bank deposits and loans granted to other Banks	1,047,910	123,656
Accrued interest	4,351	81
Discount – factoring	(7)	-
Impairment losses	(158)	(7)
– for individual assets	-	-
– for groups of assets	(158)	(7)
Total	1,480,497	819,511

(b) Deposits in other banks, loans and advances to banks (by maturity)

in PLN thd	Dec 31 2012	Dec 31 2011
Current accounts	428,401	695,781
Term loans	1,047,910	123,656
up to 1 month	71,500	123,656
more than 1 month, up to 3 months	136,526	-
more than 3 months, up to 1 year	77,854	-
more than 1 year, up to 5 years	-	-
more than 5 years	762,030	-
Accrued interest (not payable)	4,351	81
Discount	(7)	-
Impairment losses	(158)	(7)
Total	1,480,497	819,511

(c) Movement in impairment allowance for loans and advances to banks

in PLN thd	Dec 31 2012	Dec 31 2011
Balance as at beginning of period	7	23
Movements:	151	(16)
Creation during the period	151	-
Releases during the period	-	(16)
Balance as at end of period	158	7

Impairment allowance includes the estimated impairment incurred but not reported (IBNR).

16. Financial Assets at Fair Value through Profit and Loss

16. Financial Assets at Fair Value through Profit and Loss

in PLN thd	Dec 31 2012	Dec 31 2011
Treasury bills	-	1,583
NBP bills	4,299,527	3,497,730
Treasury bonds	2,007	34,938
Positive market value of financial instruments	115,992	248,900
Total	4,417,526	3,783,151

(b) Positive market value of financial instruments not payable

Derivative transactions in PLN thd	Positive market value as at Dec 31 2012	Positive market value as at Dec 31 2011
a) Interest rate contracts	53,904	32,319
– IRS	51,104	28,652
– Other interest rate contracts	2,800	3,667
b) Currency contracts	62,088	216,581
– FX spot/forward	10,513	23,613
– FX swap	15,638	35,908
– Currency options purchased	35,937	157,060
Total	115,992	248,900

(c) Change in debt securities at fair value through profit or loss (held for trading)

in PLN thd	Dec 31 2012	Dec 31 2011
Balance as at beginning of period	3,534,251	2,266,698
Increase	377,019,412	380,344,916
– purchase of debt securities*	377,017,692	380,339,294
– increase in value of securities**	1,720	5,622
Decrease	(376,252,129)	(379,077,363)
– sale of debt securities*	(133,517,932)	(198,460,548)
– redemption of debt securities*	(242,734,197)	(180,612,891)
– decrease in value of securities**	-	(3,924)
Balance as at end of period	4,301,534	3,534,251

* nominal values
** includes market value, accrued interest, remaining discount.

In above transactions, purchase/ sale are also transactions with the repurchase agreement (BSB, SBB).

(d) Financial assets at fair value through profit and loss (by maturity)

in PLN thd	Dec 31 2012	Dec 31 2011
up to 1 month	4,305,692	3,709,651
more than 1 month, up to 3 months	18,017	15,120
more than 3 months, up to 1 year	39,213	35,345
more than 1 year, up to 5 years	54,604	13,976
more than 5 years	-	9,060
Total	4,417,526	3,783,151

(e) Financial instruments at fair value through profit and loss by maturity as at the end of 2012

Derivative transactions	Nominal values by maturity			
in PLN thd	up to 3 months	3 months to 1 year	Over 1 year	Total
a) Interest rate contracts	911,000	-	1,613,572	2,524,572
– IRS	911,000	-	1,313,770	2,224,770
– Other interest rate contracts	-	-	299,801	299,801
b) Currency contracts	4,561,007	4,563,488	229,575	9,354,070
– FX spot/forward	914,434	576,425	161,356	1,652,215
– FX swap	2,148,328	474,637	68,219	2,691,185
– Currency options purchased	749,122	1,756,213	-	2,505,335
– Currency options sold	749,122	1,756,213	-	2,505,335
c) Securities transactions	-	-	-	-
Total	5,472,007	4,563,488	1,843,146	11,878,641

The nominal value of cross-currency derivatives is presented in the amount equal to the sum of the two parties to the transaction denominated in PLN.

(f) Financial instruments at fair value through profit and loss by maturity as at the end of 2011

Derivative transactions	Nominal values by maturity			
in PLN thd	up to 3 months	3 months to 1 year	Over 1 year	Total
a) Interest rate contracts	175,000	430,520	643,851	1,249,371
– IRS	175,000	430,520	261,062	866,581
– Other interest rate contracts	-	-	382,789	382,789
b) Currency contracts	3,479,218	2,356,003	5,027,708	10,862,929
– FX spot/forward	1,100,934	745,514	15,466	1,861,915
– FX swap	1,965,758	1,214,299	50,902	3,230,960
– Currency options purchased	206,263	198,095	2,480,670	2,885,027
– Currency options sold	206,263	198,095	2,480,670	2,885,027
c) Securities transactions	2,019	-	-	2,019
Total	3,656,237	2,786,523	5,671,559	12,114,319

17. Loans and Advances to Customers

(a) Loans and advances to customers

in PLN thd	Dec 31 2012	Dec 31 2011
Overdraft facilities	548,385	340,034
Other loans and advances with agreed maturities	83,957	143,233
Accrued interest	10	65
Effective interest rate adjustment	(3)	(9)
Discount	-	(255)
Impairment losses	(18,378)	(15,903)
Total	613,971	467,165

(b) Loans and advances to customers by maturity

in PLN thd	Dec 31 2012	Dec 31 2011
Overdraft facilities	548,385	340,034
With agreed maturities	83,957	143,233
up to 1 month	8,960	49,133
more than 1 month, up to 3 months	53,901	54,238
more than 3 months, up to 1 year	17,913	31,286
more than 1 year, up to 5 years	3,184	8,576
more than 5 years	-	-
Accrued interest (not payable)	10	65
Discount	-	(255)
Effective interest rate adjustment	(3)	(9)
Impairment losses	(18,378)	(15,903)
Total	613,971	467,165

(c) Quality of the loan portfolio

in PLN thd	Dec 31 2012	Dec 31 2011
Loans and advances to customers	632,352	483,077
a) impaired	19,532	19,487
b) not impaired	612,820	463,590
– with no indication of impairment	575,177	463,590
– with indication of impairment but not subject to impairment recognition	37,643	-
Effective interest rate adjustment	(3)	(9)
Impairment losses	(18,378)	(15,903)
a) portfolio of loans impaired	(14,261)	(11,698)
b) portfolio of loans not impaired	(4,117)	(4,205)
– unimpaired exposures without indication of impairment	(277)	(4,205)
– loan portfolio with indication of impairment but not subject to impairment recognition	(3,840)	-
Total	613,971	467,165

(d) Loan portfolio by method of impairment estimation

in PLN thd	Dec 31 2012	Dec 31 2011
Loans and advances to customers	632,352	483,077
– tested individually	632,352	483,077
– tested by portfolio	-	-
Effective interest rate adjustment	(3)	(9)
Impairment losses	(18,378)	(15,903)
– impairment losses on loans tested individually	(14,261)	(11,698)
– impairment losses on loans tested by portfolio	-	-
– impairment losses incurred but not reported (IBNR)	(4,117)	(4,205)
Total	613,971	467,165

(e) Movement in impairment allowance for loan receivables

in PLN thd	Dec 31 2012	Dec 31 2011
Balance at beginning of period	15,903	13,733
Movements:	2,475	2,170
Creation during period	2,900	4,310
Releases during period	(75)	(1,726)
Other changes	(350)	(414)
Receivables charged to provisions	-	-
Balance at end of period	18,378	15,903

18. Financial Assets Held as Investment

(a) Financial assets held as investment

in PLN thd	Dec 31 2012	Dec 31 2011
Financial assets available for sale	193,099	517,090
– Treasury bonds	25,699	350,998
– Treasury bills	167,085	165,803
– Stock	297	271
– Shares	18	18
Total	193,099	517,090

Debt securities in the amount of PLN 27,483 thousand as at the end of 2012 and PLN 26,303 thousand as at the end of 2011 secure the Bank Guarantee Fund (BFG).

(b) Change in financial assets held as investment

in PLN thd	Dec 31 2012	Dec 31 2011
Balance as at beginning of period	517,090	419,642
Increase	201,585	320,682
– purchase of debt securities*	194,700	320,000
– increase in value of securities**	6,885	682
Decrease	(525,576)	(223,234)
– sale of debt securities*	(325,000)	-
– redemption of debt securities*	(193,500)	(221,500)
– decrease in value of securities**	(7,076)	(1,734)
Balance as at end of period	193,099	517,090

* nominal values
** includes market value, accrued interest, remaining discount.

(c) Shares in – Lambourn Sp. z o.o. in liquidation

The position consists of shares in special purpose entity Lambourn Sp. z o.o., which is controlled and consolidated by Deutsche Bank AG in accordance with the criterion of significant risks and rewards (SIC 12). Shares were acquired during 2009 in 100% of Deutsche Bank Polska S.A. and fully paid in cash.

Bank values above mentioned shares at their purchase cost.

The core business of the company was wholesale of fuels and related products.

On January 1st 2012, the company was placed into liquidation. The liquidation process was completed in the first quarter of 2013.

Main figures for the company are shown in the table below.

in PLN thd	Lambourn Polska Sp. z o.o. in liquidation As at November 22nd 2012 (liquidation report)	Lambourn Polska Sp. z o.o. in liquidation As at December 31st 2011
Total assets	2,001	1,997
Liabilities	-	10
Equity	2,001	1,987
Net profit	14	463
Income	72	23,286

19. Tangible Assets

(a) Gross value of tangible assets in 2012

in PLN thd	Gross value as at Jan 1 2012	Increase – purchase	Decrease – sale	Decrease – liquidation	Gross value as at Dec 31 2012
Vehicles	4,891	598	(272)	-	5,217
Other tangible assets	16,757	1,019	(42)	(2,437)	15,296
Leasehold improvements	16,379	750	-	(11,474)	5,655
Total gross value of tangible assets	38,027	2,367	(314)	(13,911)	26,168

(b) Gross value of tangible assets in 2011

in PLN thd	Gross value as at Jan 1 2011	Increase – purchase	Decrease – sale	Decrease – liquidation	Gross value as at Dec 31 2011
Vehicles	5,371	-	(480)	-	4,891
Other tangible assets	16,256	1,576	(56)	(1,019)	16,757
Leasehold improvements	16,348	31	-	-	16,379
Total gross value of tangible assets	37,975	1,607	(536)	(1,019)	38,027

(c) Depreciation of tangible assets in 2012

in PLN thd	Cumulative depreciation as at Jan 1 2012	Amortisation	Decrease – sale	Decrease – liquidation	Cumulative depreciation as at Dec 31 2012
Vehicles	3,217	829	(184)	-	3,862
Other tangible assets	14,231	993	(7)	(2,468)	12,749
Leasehold improvements	15,720	117	-	(11,335)	4,502
Total cumulative depreciation	33,168	1,939	(191)	(13,803)	21,113

(d) Depreciation of tangible assets in 2011

in PLN thd	Cumulative depreciation as at Jan 1 2011	Amortisation	Decrease – sale	Decrease – liquidation	Cumulative depreciation as at Dec 31 2011
Vehicles	2,722	954	(459)	-	3,217
Other tangible assets	14,205	1,101	(56)	(1,019)	14,231
Leasehold improvements	15,304	416	-	-	15,720
Total cumulative depreciation	32,231	2,471	(515)	(1,019)	33,168

(e) Net value of tangible assets in 2012

in PLN thd	Total net value as at Jan 1 2012	Increase (decrease)	Decrease – sale	Decrease – liquidation	Total net value as at Dec 31 2012
Vehicles	1,674	(231)	(87)	-	1,355
Other tangible assets	2,526	26	(36)	31	2,547
Leasehold improvements	659	633	-	(139)	1,153
Total net value of tangible assets	4,859	428	(123)	(108)	5,056

(f) Net value of tangible assets in 2011

in PLN thd	Total net value as at Jan 1 2011	Increase (decrease)	Decrease – sale	Decrease – liquidation	Total net value as at Dec 31 2011
Vehicles	2,649	(954)	(21)	-	1,674
Other tangible assets	2,051	475	-	-	2,526
Leasehold improvements	1,044	(385)	-	-	659
Total net value of tangible assets	5,744	(864)	(21)	-	4,859

Other fixed assets comprise computers, ICT equipment and technical office equipment.

20. Intangible Assets

(a) Gross value of intangible assets in 2012

in PLN thd	Gross value as at Jan 1 2012	Increase – purchase	Decrease – sale	Decrease – liquidation	Gross value as at Dec 31 2012
Start-up costs	115	-	-	-	115
Licences	13,303	444	-	(556)	13,191
Software	6,075	104	-	(39)	6,140
Total gross value of intangible assets	19,493	548	-	(595)	19,446

(b) Gross value of intangible assets in 2011

in PLN thd	Gross value as at Jan 1 2011	Increase – purchase	Decrease – sale	Decrease – liquidation	Gross value as at Dec 31 2011
Start-up costs	115	-	-	-	115
Licences	10,767	2,557	-	(21)	13,303
Software	6,075	-	-	-	6,075
Total gross value of intangible assets	16,957	2,557	-	(21)	19,493

(c) Amortisation of intangible assets in 2012

in PLN thd	Cumulative amortisation as at Jan 1 2012	Amortisation	Decrease – sale	Decrease – liquidation	Cumulative amortisation as at Dec 31 2012
Start-up costs	115	-	-	-	115
Licences	10,304	1,074	-	-	11,378
Software	6,075	104	-	(39)	6,140
Total cumulative amortisation	16,494	1,178	-	(39)	17,633

(d) Amortisation of intangible assets in 2011

in PLN thd	Cumulative amortisation as at Jan 1 2011	Amortisation	Decrease – sale	Decrease – liquidation	Cumulative amortisation as at Dec 31 2011
Start-up costs	115	-	-	-	115
Licences	9,503	821	-	(20)	10,304
Software	6,075	-	-	-	6,075
Total cumulative amortisation	15,693	821	-	(20)	16,494

(e) Net value of intangible assets in 2012

in PLN thd	Total net value as at Jan 1 2012	Increase (decrease)	Decrease – sale	Decrease – liquidation	Total net value as at Dec 31 2012
Start-up costs	-	-	-	-	-
Licences	2,999	(630)	-	(556)	1,813
Software	-	-	-	-	-
Total net value of intangible assets	2,999	(630)	-	(556)	1,813

(f) Net value of intangible assets in 2011

in PLN thd	Total net value as at Jan 1 2011	Increase (decrease)	Decrease – sale	Decrease – liquidation	Total net value as at Dec 31 2011
Start-up costs	-	-	-	-	-
Licences	1,264	1,736	-	(1)	2,999
Software	-	-	-	-	-
Total net value of intangible assets	1,264	1,736	-	(1)	2,999

21. Deferred Tax Asset

(a) Deferred Tax Asset

in PLN thd	Dec 31 2012	Dec 31 2011	Change in deferred tax asset
Deferred tax asset (through income statement)	36,830	56,973	(20,143)
Deferred tax asset – valuation of securities available for sale (through revaluation capital reserve)	-	1,268	(1,268)
Balance as at end of period	36,830	58,241	(21,411)

(b) Computation of deferred tax asset as at December 31st 2012

Deductible temporary differences in PLN thd	Tax base as at Dec 31 2012	Tax rate	Dec 31 2012
Accrued interest – amounts due to banks and customers	4,790	19%	910
Financial derivatives held for trading – currency options	35,937	19%	6,828
Financial derivatives held for trading – CIRS/IRS	60,826	19%	11,556
Cost of currency option premiums	8,218	19%	1,561
Cost accruals	66,035	19%	12,547
Costs paid in advance	252	19%	48
The difference between tax and accounting income	4,335	19%	824
Loan loss provisions	10,314	19%	1,960
Tax depreciation adjustment	80	19%	15
Tax loss *	3,059	19%	581
Deductible temporary differences – settled through profit and loss	193,846	-	36,830
Valuation of securities available for sale – settled through equity	-	19%	-
Deductible temporary differences – settled through equity	-	-	-

* tax loss relates to a subsidiary

Based on analysis of financial plans and tax revenue over the next five years the subsidiary estimated, that will reach revenue allowing full deduction of tax loss incurred in 2012. Accordingly, the subsidiary created a deferred tax asset for deductible tax loss in amount PLN 581 thousand.

(c) Computation of deferred tax asset as at December 31st 2011

in PLN thd	Tax base as at Dec 31 2011	Tax rate	Dec 31 2011
Accrued interest – amounts due to banks and customers	1,760	19%	334
Financial derivatives held for trading – currency options	157,060	19%	29,841
Financial derivatives held for trading – CIRS/IRS	35,291	19%	6,705
Cost of currency option premiums	8,620	19%	1,638
Cost accruals	85,140	19%	16,177
Costs paid in advance	1,090	19%	207
Loan loss provisions	10,664	19%	2,026
Valuation of debt securities – trading book	234	19%	44
Deductible temporary differences – settled through profit and loss	299,859	-	56,973
Valuation of securities available for sale	6,673	19%	1,268
Deductible temporary differences – settled through equity	6,673	-	1,268

22. Other Assets

in PLN thd	Dec 31 2012	Dec 31 2011
Inter-bank settlements	1,104	351
Recievables from customer	86,100	25,783
Recievables from the National Depository for Securities (KDPW S.A.)	40,309	46,911
Sundry debtors	768	559
Other	381	464
Accrued income	14,933	16,142
Prepayments	2,007	1,936
Total	145,602	92,146

Receivables from KDPW are the contributions made by the Group to the Transactions Settlement Guarantee Fund (stock, futures, and the New Connect transactions), and collateral deposits within the Group brokerage business. The Group is obliged to pay contributions to the Transactions Settlement Guarantee Fund on the stock market and the New Connect. These are payments made to secure market transactions, and their amount depends on the trading on regulated markets. These contributions shall be subject to the daily updates, and income and expenses are accrued on a monthly basis and the report presented, respectively, as interest income or commissions payable (KDPW fees, other commissions).

23. Deposits from Banks

(a) Deposits from banks

in PLN thd	Dec 31 2012	Dec 31 2011
Current accounts	637,617	451,379
Inter-bank deposits	770,330	134,584
Accrued interest	308	63
Total	1,408,255	586,026

(b) Deposits from banks by maturity

in PLN thd	Dec 31 2012	Dec 31 2011
Current accounts	637,617	451,379
Term deposits	770,638	134,647
up to 1 month	8,304	134,647
more than 1 month, up to 3 months	762,334	-
Total	1,408,255	586,026

24. Financial Liabilities at Fair Value through Profit and Loss

(a) Financial liabilities at fair value through profit and loss

1. Derivative contracts forwards in PLN thd	Negative market value as at Dec 31 2012	Negative market value as at Dec 31 2011
a) Interest rate contracts	56,340	35,291
– Securities forward	1	-
– IRS	53,539	31,624
– Other interest rate contracts	2,800	3,667
b) Currency contracts	64,949	212,137
– FX spot/forward	10,182	21,735
– FX swap	18,830	33,342
– Currency options sold	35,937	157,060
Total	121,289	247,428

Notionals of derivaties are presented in Note 16 e.

25. Deposits from Customers

(a) Deposits from customers

in PLN thd	Dec 31 2012	Dec 31 2011
Current accounts	3,975,103	3,262,704
Deposits	760,994	1,230,913
Accrued interest	4,482	1,697
Total	4,740,579	4,495,314

(b) Deposits from customers by maturity

in PLN thd	Dec 31 2012	Dec 31 2011
Current accounts	3,975,103	3,262,704
Term deposits	760,994	1,230,913
up to 1 month	493,863	1,196,351
more than one 1 month, up to 3 months	188,864	29,807
more than 3 months, up to 1 year	77,104	2,782
more than 1 year, up to 5 years	1,163	1,973
Accrued interest (not payable)	4,482	1,697
Total	4,740,579	4,495,314

26. Provisions

(a) Provisions

in PLN thd	Jan 01 2012	Provision charge	Utilization/write back of provi-sions	Dec 31 2012
Provisions for legal proceedings	9	-	-	9
Other provisions	1,756		(786)	970
Provisions for off-balance-sheet liabilities	1,299	925	(293)	1,931
Provisions for retirement fund	101	-	(18)	83
Total	3,165	925	(1,097)	2,993

The Bank creates provisions by obligation, for legally prescribed and customary liabilities, either certain or likely to arise, provided that the amount of the liabilities can be reasonably estimated. The liabilities arise from past events and the outflow of cash to settle them is probable.

The item "Other provisions" includes provisions related to the Group's operations, and provision for staff matters.

The item "Provisions for off-balance-sheet liabilities" includes provision for incurred but not reported losses on off-balance sheet exposures.

27. Deferred Tax Liability

(a) Deferred Tax Liability

in PLN thd	Dec 31 2012	Dec 31 2011	Change in deferred tax liability.
Deferred tax liability (through income statement)	22,044	40,101	(18,057)
Deferred tax liability (through equity)	99	44	55
Total	22,143	40,145	(18,002)

(b) Computation of deferred tax liability as at December 31st 2012

Taxable temporary differences in PLN thd	Tax base as at Dec 31 2012	Tax rate	Dec 31 2012
Accrued interest – deposits in other banks, and loans and advances to other banks	4,360	19%	828
Accrued interest – loans and advances to customers	3	19%	1
Financial derivatives held for trading – currency options	35,938	19%	6,828
Financial derivatives held for trading – CIRS/IRS	58,390	19%	11,094
Income on treasury bills and bonds	8,067	19%	1,533
Fee and commission and other income to be received	7,972	19%	1,515
Positive value of securities portfolio	1,050	19%	200
Other income received in advance	241	19%	46
Total taxable temporary differences (through profit and loss)	116,021	-	22,044
Valuation of securities available for sale	523	19%	99
Total taxable temporary differences (through equity)	523	-	99

(c) Computation of deferred tax liability as at December 31st 2011

Taxable temporary differences in PLN thd	Tax base as at Dec 31 2011	Tax rate	Dec 31 2011
Accrued interest – deposits in other banks, and loans and advances to other banks	36	19%	7
Accrued interest – loans and advances to customers	133	19%	25
Financial derivatives held for trading – currency options	157,060	19%	29,841
Financial derivatives held for trading – CIRS/IRS	32,320	19%	6,141
Currency options fees	2,067	19%	393
Income on treasury bills and bonds	8,064	19%	1,532
Fee and commission and other income to be received	11,101	19%	2,109
Positive value of securities portfolio	-	19%	-
Other income received in advance	277	19%	53
Total taxable temporary differences	211,058	-	40,101
Valuation of securities available for sale	234	19%	44
Total taxable temporary differences (through equity)	234	-	44

28. Other Liabilities

(a) Other liabilities

in PLN thd	Dec 31 2012	Dec 31 2011
Audit accrual	557	499
Accruals for unused holidays	1,916	1,164
Accrued bonuses to employees	9,385	10,945
IT and telecommunications services	31,692	37,915
Accrual for rent	357	645
Other expenses to be paid	18,814	18,227
Other liabilities – inter-bank settlements	26,101	34,571
Other liabilities – advance income	1,141	2,313
Other liabilities – brokerage houses and KDPW	77,801	24,893
Other liabilities – various creditors	7,117	8,073
Total	174,881	139,245

29. Share Capital

(a) Changes in share capital since incorporation of Deutsche Bank Polska S.A.

Date	Series	Transaction	Change in share capital (in PLN thd)	Share capital after change (in PLN thd)
Jul 21 1995	A	Incorporation of the Bank	20,000	20,000
Nov 20 1995	B	share capital increase	10,000	30,000
Aug 21 1996	C	share capital increase	40,000	70,000
Jul 7 1998	D	share capital increase	80,000	150,000
Oct 16 1998	E	share capital increase	80,000	230,000

The sole shareholder of Deutsche Bank Polska S.A. is Deutsche Bank AG.

As a result of the share issues to date, DB AG holds all, i.e. 230 ordinary shares in the Bank with the par value of PLN 1m per share. Deutsche Bank AG holds 100% of the total vote at the General Meeting.

In 2012, no new shares were issued. All shares were paid up in cash.

30. Share Premium

The Bank's reserve funds consist of share premium only.

The table below presents changes in the reserve funds over the successive years of the Bank's operations:

Date	Series	Transaction	Change in reserve funds (in PLN thd)	Reserve funds after change (in PLN thd)
Jul 21 1995	A	First issue of shares	5,000	5,000
Nov 20 1995	B	Second issue of shares	10,000	15,000
Aug 21 1996	C	Third issue of shares	25,000	40,000
Jul 7 1998	D	Fourth issue of shares	80,000	120,000
Oct 16 1998	E	Fifth issue of shares	75,000	195,000

31. Revaluation Capital Reserve

in PLN thd	Dec 31 2012	Dec 31 2011
Revaluation capital reserve – revaluation of financial assets	523	(6,438)
Other revaluation reserves	365	11
Revaluation capital reserve – deferred income tax	(100)	1,223
Total	788	(5,204)

32. Retained Earnings

in PLN thd	Dec 31 2012	Dec 31 2011
Retained earnings (deficit) brought forward	278,066	223,923
General risk fund	3,000	3,000
Net profit for the current year	124,030	108,683
Total	405,096	335,606

Pursuant to Resolution of the General Shareholders Meeting, the net profit for 2011 was divided as follows:
– PLN 54,539.5 thousand was retained in the form of dividend fund,
– PLN 54,539.5 thousand was transferred to the shareholder as a dividend.

Dividend Fund is presented in item Retained earnings (deficit) brought forward.

As at 31 December 2012, the Group had no liabilities arising from declared and the remaining dividend.

33. Financial and Operating Leases

Deutsche Bank Polska S.A. is not a lessee under any financial lease agreements.

Deutsche Bank Polska S.A. leases office space and office equipment, i.e. printer-copiers and printers for bank statements under operating lease agreements.

Generally, the agreements are concluded for 7 to 10 years.

Lease payments are adjusted annually based on the EICP Index.

The table below shows total liabilities under irrevocable operating leases:

Liabilities under operating leases

in PLN thd	Dec 31 2012	Dec 31 2011
up to 1 year	5,481	5,204
1 to 5 years	18,026	20,415
over 5 years	817	1,254
Total	24,325	26,873

The following table shows the receivables from sublease.
The subject of sub-leasing is office space.

Receivables from subleases

in PLN thd	Dec 31 2012	Dec 31 2011
up to 1 year	906	245
1 to 5 years	730	743
over 5 years	51	63
Total	1,687	1,051

The following table presents revenue/expense recognized in the current result.

Incomes/costs in profit and loss statement

in PLN thd	Dec 31 2012	Dec 31 2011
Leasing expenses recognized in profit	5,267	5,245
Income from subleasing recognized in profit	993	696

34. Contingent Liabilities

a) Off-balance-sheet liabilities

The Group has lending commitments which include approved loan financing, credit card limits and overdraft facilities. Additionally the Bank issues guarantees and letters of credit, which secure performance of its customers' obligations towards third parties. The Bank's guarantee liabilities include guarantees and open export letters of credit.

The most common types of guarantees issued by the Bank include payment guarantees, performance bonds, bid bonds, advance payment guarantees, loan repayment guarantees, and customs guarantees.

The break-down of contingent liabilities into categories is presented below. The values associated with guarantees and letters of credit set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if customers failed to discharge their obligations in full.

in PLN thd	Dec 31 2012	Dec 31 2011
I Contingent liabilities assumed and received	2,717,509	2,992,105
1 Liabilities assumed:	2,172,690	2,385,402
a) financial liabilities	1,101,134	1,119,993
b) guarantee liabilities	1,071,556	1,265,409
2 Liabilities received:	544,819	606,703
a) financial liabilities	4,608	7,485
b) guarantee liabilities	540,211	599,218
II Customers securities	1,080,218	1,132,592

As part of its brokerage activity the Group provides securities accounts and cash accounts to its customers, in order to carry orders to buy or sell of financial instruments on behalf of the principal. Financial instruments deposited in the accounts of customers' securities are not assets of the Group and are not disclosed in the balance. They were valued at fair value determinable at the balance sheet date and presented as off-balance-sheet items. The Group is not directly exposed to credit risk, interest rate or market risks associated with these financial instruments, because it does not guarantee those investments.

35. Transactions with Related Parties

The Bank is wholly owned by DB AG, which holds 100% of the total vote at the Bank's General Shareholders Meeting.

In March 2011, DB AG Group sold DWS TFI S.A. Therefore, this company is not related party to the Bank at the balance sheet date. The following notes disclose transactions carried out to the date of sale.

The majority of related party transactions are banking transactions executed as part of the ordinary course of business. These involve mainly placements, deposits, guarantees and derivatives from DB AG, DB PBC.S.A.

In the following tables, the parent entity means the DB AG, based in Frankfurt, while the other members of the DB AG Group mean subsidiaries and branches of DB AG.

a) Income and expenses under transactions with related parties Jan 1 – Dec 31 2012

in PLN thd	Parent entity	Other members of DB AG Group
Interest income	1,860	15,293
Fee and commission income	-	38,085
Dividend received	-	1,980
Net trading income	(11,493)	(8,056)
Other operating income	-	2,284
Interest expenses	(8,870)	(85,409)
Fees and commissions expense	(1,223)	(2,623)
General and administrative expenses	(8,300)	(9,029)

b) Income and expenses under transactions with related parties Jan 1 – Dec 31 2011

in PLN thd	Parent entity	Other members of DB AG Group
Interest income	4,020	4,859
Fee and commission income	831	39,168
Net trading income	(13,650)	15,503
Other operating income	-	631
Interest expenses	(2,556)	(50,763)
Fees and commissions expense	(109)	(3,875)
General and administrative expenses	(10,275)	(13,133)

c) Receivables and liabilities under transactions with related parties – Dec 31 2012

in PLN thd	Parent entity	Other members of DB AG Group
Deposits in other banks, and loans and advances to other banks	69,518	1,394,445
Financial assets at fair value through profit and loss	15,183	32,771
Loans and advances to customers	-	-
Liabilities to other banks	937,115	381,129
Liabilities to customers	-	16,396
Financial liabilities at fair value through profit and loss	31,106	49,321
Other assets	3,075	12,436
Other liabilities	16,076	25,809

d) Receivables and liabilities under transactions with related parties – Dec 31 2011

in PLN thd	Parent entity	Other members of DB AG Group
Deposits in other banks, and loans and advances to other banks	718,444	78,819
Financial assets at fair value through profit and loss	590	94,089
Liabilities to other banks	283,627	53,111
Liabilities to customers	-	22,998
Financial liabilities at fair value through profit and loss	31,617	147,242
Other assets	7,647	8,322
Other liabilities	25,105	24,472

e) Off-balance-sheet transactions with related parties – Dec 31 2012

in PLN thd	Parent entity	Other members of DB AG Group
Guarantee liabilities assumed	108,536	252,887
Financial liabilities assumed	12,530	9,948
Guarantee liabilities received	-	24,302
Financial liabilities received	-	-
Notional amounts of derivatives, including:	1,821,633	5,345,965
Liabilities under securities trading	-	1,974
Currency options	-	2,720,396
Interest rate swaps	153,037	1,417,420
Caps, Floors	-	149,901
FX Swap, FX Spot, FX Forward	1,668,595	1,056,275

f) Off-balance-sheet transactions with related parties – Dec 31 2011

in PLN thd	Parent entity	Other members of DB AG Group
Guarantee liabilities assumed	81,519	407,630
Financial liabilities assumed	13,173	12,361
Guarantee liabilities received	-	51,029
Financial liabilities received	-	-
Notional amounts of derivatives, including:	3,296,089	4,711,124
Liabilities under securities trading	-	1,010
Currency options	-	3,119,772
Interest rate swaps	1,060,672	-
Caps, Floors	-	191,394
FX Swap, FX Spot, FX Forward	2,235,417	1,398,948

36. Benefits for key management personnel of the Parent Company

Below presented are due and paid employee benefits for key management personnel for a total of PLN 9,359 thousand for the period ended 31 December 2012 (PLN 7,449 thousand for the period ended December 31, 2011) by titles:

Short-term employees benefits

in PLN thd	Jan 1 2012 - Dec 31 2012	Jan 1 2011 - Dec 31 2011
The Management Board	6,605	6,048
The Supervisory Board	301	298
Total	6,906	6,346

Post-employment benefits

In the years ended December 31st 2012 and accordingly on December 31st 2011 there were no post-employment benefits paid.

Other long-term benefits

Below presented are benefits granted in accordance with Resolution No. 258/2011 of KNF dated October 4, 2011 as part of the policy implemented by the Bank, concerning the variable salary components of managers at Deutsche Bank Poland S.A., described in note 37.

Other long-term benefits

in PLN thd	Jan 1 2012 - Dec 31 2012	Jan 1 2011 - Dec 31 2011
The Management Board	1,214	-
Total	1,214	-

Retirement benefits

In the years ended 31 December 2012 and accordingly on December 31, 2011 there were no retirement benefits paid.

Share-based payments

In the period ended December 31, 2012, the share-based benefits due and paid amounted to PLN 1,239 thousand, respectively, for the period ended 31 December 2011 amounted to PLN 1,103 thousand.

At the end of 2012 the number of employees of the Group amounted to 220 people, and at the end of 2011, the Group employed 223 people.

37. The principles for determining the variable salary components policy for persons holding managerial positions in the Group

The aim of introduced in 2012, the variable salary components policy for persons holding managerial positions in the Group is:

– creating additional incentives for those holding managerial positions whose actions can have a significant impact on the risk profile of the Group, for the special care of the long-term good of the Group, including the maintenance of continued rapid growth of the Group value and bounding the interests of such persons with the interests of the Group and the interests of its shareholders,
– remuneration of managers according to their contribution to the development of the Group's profit and link th long-term value of the Group together with long-standing objectives of persons holding managerial through deferral part of variable remuneration in the coming years.

In addition, persons holding managerial positions in the Group, as part of the rights acquired before 2012, participate in programs based on shares of DB AG Group:

– Benefits capital "Restricted Equity Award".
– Prize money with deferred payment "Restricted Incentive Award".

In 2012, the cost of the variable salary components of managers in the Group amounted to PLN 6,236 thousand (in 2011 amounted to PLN 4,516 thousand).

38. Material Events Subsequent to the Balance-Sheet Date

In August 2012, the Management Board of the Deutsche Bank AG Group made a strategic decision to merge and operationally integrate two separate banks active in the Polish market: Deutsche Bank PBC S.A. ("DB PBC S.A.") and Deutsche Bank Polska S.A. ("DB Polska S.A."). Key reasons for the decision include:

– The expected positive effect of the merger on the Deutsche Bank Group's business development in Poland – receivables portfolio diversification,
– The expected strengthening of the capital and liquidity base, as well operational processes and resources, to support further, diversified up-scaling of the business in Poland,
– The potential benefits expected to arise from the integration of certain functions supporting the two companies' operations, including economies of scale.

Following a round of preparatory work (including a feasibility study), and based on consultations with the Polish Financial Supervision Authority (the PFSA), it was decided that the two banks would be merged in the first quarter of 2014. The agreed time frame for the merger project is no more than 15-18 months.

On March 22nd 2013, the Management Boards of DB PBC S.A. and DBP S.A. adopted resolutions approving a plan of merger, upon the approval of the Supervisory Board on the same day.

On March 28th 2013, Deutsche Bank Polska S.A. and Deutsche Bank PBC S.A. filed the plan of merger between the banks, prepared in accordance with Art. 499.1 and Art. 499.2 of the Polish Commercial Companies Code, to the XII Commercial Division of the National Court Register.

On March 29th 2013, Deutsche Bank Polska S.A. and Deutsche Bank PBC S.A. filed an application to the Polish Financial Supervision Authority seeking clearance for the merger.

In line with the plan of merger submitted to the PFSA, Deutsche Bank PBC S.A. will be the acquirer, whereas Deutsche Bank Polska S.A. will be the acquiree. Accordingly, the merger will be effected by transferring all the assets and liabilities of Deutsche Bank Polska S.A. to Deutsche Bank PBC S.A., with a concurrent increase in the share capital of Deutsche Bank PBC S.A. by way of an issue of shares to the existing shareholder of Deutsche Bank Polska S.A. – Deutsche Bank AG. The Combined Bank will also become the sole shareholder of Dom Maklerski DB Securities S.A.

The planned merger has no effect on the valuation of the assets and liabilities of the Bank as at 31 December 2012. The Bank will continue operating under a joint structure.

Signatures of the Board Members

(signature)

Dr. Krzysztof Kalicki
President of the
Management Board

(signature)

Zbigniew Bętkowski
Member of the
Management Board

(signature)

Radosław Ignatowicz
Member of the
Management Board

(signature)

Radosław Kudła
Member of the
Management Board

(signature)

Piotr Olendski
Member of the
Management Board

Signature of the person responsible for the Bank's accounts.

(signature)

Zbigniew Bętkowski
Member of the
Management Board

Warsaw, May 17th 2013

04 -

Further Information

Opinion of the Independent Auditor

To the General Meeting of Deutsche Bank Polska S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Deutsche Bank Polska S.A. with its registered office in Warsaw, al. Armii Ludowej 26 ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group's activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330) ("the Accounting Act"), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Deutsche Bank Polska S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

As required under the Accounting Act, we report that the report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka
z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51, 00-867 Warsaw

(Signed on the Polish original)

Mariola Szczesiak
Key Certified Auditor
Registration No. 9794
Limited Liability Partner with power of attorney

(Signed on the Polish original)

Magdalena Grzesik
Auditor No. 12032

Warsaw, May 17th 2013

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