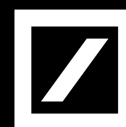
Deutsche Bank Polska S.A.
Capital Group

Annual Report 2015



Deutsche Bank AG Capital Group
two-year record

in EUR m.	2015	2014
Share price at period end[1]	€ 22.53	€ 24.99
Share price high[1]	€ 33.42	€ 38.15
Share price low[1]	€ 20.69	€ 22.66
Basic earnings per share	€ (5.06)[2]	€ 1.34[3]
Diluted earnings per share	€ (5.06)[2]	€ 1.31[3]
Average shares outstanding, in m., basic	1,388	1,242[3]
Average shares outstanding, in m., diluted	1,388	1,269[3]
Post-tax return on average shareholders' equity	(9.8) %	2.7 %
Post-tax return on average active equity	(9.9) %	2.7 %
Post-tax return on average tangible shareholders' equity	(12.3) %	3.5 %
Cost/income ratio[4]	115.3 %	86.7 %
Compensation ratio[5]	39.7 %	39.2 %
Noncompensation ratio[6]	75.7 %	47.5 %
Total net revenues	33,525	31,949
Provision for credit losses	956	1,134
Total noninterest expenses	38,667	27,699
Income (loss) before income taxes	(6,097)	3,116
Net income (loss)	(6,772)	1,691

in EUR bn.	Dec, 31 2015	Dec 31, 2014
Total assets	1,629	1,709
Total Shareholders' equity	62.7	68.4
Book value per basic share outstanding	€ 45.16	€ 49.32
Tangible book value per basic share outstanding	€ 37.90	€ 38.53
Common Equity Tier 1 capital ratio (CRR/CRD 4)[7]	13.2 %	15.2 %
Common Equity Tier 1 capital ratio (CRR/CRD 4 fully loaded)[7]	11.1 %	11.7 %
Tier 1 capital ratio (CRR/CRD 4)[7]	14.7 %	16.1 %
Tier 1 capital ratio (CRR/CRD 4 fully loaded)[7]	12.3 %	12.9 %

Number		
Branches	2,790	2,814
thereof in Germany	1,827	1,845
Employees (full-time equivalent)	101,104	98,138
thereof in Germany	45,757	45,392
Long-term rating		
Moody's Investors Service	A3	A3
Standard & Poor's	BBB+	A
Fitch Ratings	A-	A+
DBRS Ratings	A	–

1 In order to reflect the capital increase in 2014, the historical share prices until and including June 5, 2014 (last trading day cum rights) have been adjusted with retroactive effect by multiplication with the correcting factor of 0.9538 (R-Factor).
2 Earnings were adjusted by € 228 million net of tax for the coupons paid on Additional Tier 1 Notes in April 2015.
3 The number of average basic and diluted shares outstanding has been adjusted for all periods before June 2014 in order to reflect the effect of the bonus component of subscribtion rights issued in June 2014 in connection with the capital increase.
4 Total noninterest expenses as a percentage of total net interest income before provision for credit losses plus noninterest income.
5 Compensation and benefits as a percentage of total net interest income before provision for credit losses plus noninterest income.
6 Noncompensation noninterest expenses, which are defined as total noninterest expenses less compensation and benefits, as a percentage of total net interest income before provision for credit losses plus noninterest income.
7 Figures presented for 2015 and 2014 are based on the transitional rules ("CRR/CRD 4") and the full application ("CRR/CRD 4 fully loaded") of the CRR/CRD 4 framework. The capital ratios relate the respective capital to risk-weighted assets.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Content

01 –
Deutsche Bank AG Capital Group

Deutsche Bank AG Capital Group two-year record – 2
Values and Beliefs – 4
Management bodies – 5

02 –
Management Report on the operations of Deutsche Bank Polska S.A. Capital Group in 2015

Overview of the Group's business in 2015 – 7
The Group's business environment – 8
Financial standing – 11
Organisation and technologies – 14
Operations – 17
The Group's development directions – 25
Outlook – 27
The Group's risk report – 28
Human resources and corporate social responsibility – 56
Ownership structure – 64

03 –
Consolidated financial statements

Consolidated statement of profit or loss – 67
Consolidated statement of comprehensive income – 67
Consolidated statement of financial position – 68
Statement of changes in consolidated equity – 68
Consolidated statement of cash flows – 69
Notes to the consolidated financial statements – 70

04 –
Further Information

Independent Auditor's Opinion – 157

Values and Beliefs

INTEGRITY

We live by the highest standards of integrity in everything we say and do.
We will do what is right – not just what is allowed.
We communicate openly; we invite, provide and respect challenging views.

SUSTAINABLE PERFORMANCE

We drive value for shareholders by putting long-term success over short-term gain.
We encourage entrepreneurial spirit which responsibly balances risk and returns.
We pursue lasting performance by developing, nurturing and investing in the best talent and by managing based on merit.

CLIENT CENTRICITY

We earn our clients' trust by placing them at the core of our organisation.
We deliver true value by understanding and serving our clients' needs best.
We strive to pursue mutually beneficial client relationships in which the value created is shared fairly.

INNOVATION

We foster innovation by valuing intellectual curiosity in our people.
We enable our clients' success by constantly seeking suitable solutions to their problems.
We continuously improve our processes and platforms by embracing new and better ways of doing things.

DISCIPLINE

We protect the firm's resources by always thinking and acting like owners.
We live by the rules and hold ourselves accountable to deliver on our promises – no excuses.
We achieve operational excellence by striving to 'get it right the first time'.

PARTNERSHIP

We build diverse teams to generate better ideas and reach more balanced decisions.
We put the common goals of the firm before 'silo' loyalty by trusting, respecting and working with each other.
We act as responsible partners with all our stakeholders and regulators, and in serving the wider interests of society.

Management bodies

SUPERVISORY BOARD

Peter Tils
Chairman
Deutsche Bank AG
Frankfurt/Main

Dr. Hubert A. Janiszewski
Vice-chairman
Deutsche Bank Polska S.A.
Warsaw

Pedro Larena
Vice-Chairman
Deutsche Bank Sociedad Anómina Española
Madrid

Mary Campbell
Deutsche Bank AG
London

Kees Hoving
(Member of the Supervisory Board since the date of March 2, 2015)
Deutsche Bank AG
Amsterdam

Zoltan Kurali
(Member of the Supervisory Board until 5 April 2016) Member of the Supervisory Board delegated to temporarily perform the duties of a Member of the Board for the period from 30 October to 31 December 2015. With regard to exercise supervision over the Bureau. Bids Reference under Art. 383 of the Code of Commercial Companies
Deutsche Bank AG
Budapest

Rainer Rauleder
Deutsche Bank AG
Frankfurt/Main

Stefan Bender
(Member of the Supervisory Board until 2 March 2015)
Deutsche Bank AG
Frankfurt/Main

MANAGEMENT BOARD

Dr hab. Krzysztof Kalicki
Chairman
Group Audit Department, Legal Department, Corporate Communication Department, Human Resources Department, Compliance and Regulatory Affairs Department, Management Board Office, Chief Economist

Leszek Niemycki
Vice-chairman
Strategy and Analysis Department, Business Clients Department, Marketing Department, Retail and Investment Products Department, Credit Product Department, Financial Markets Department, Regional Sales Region 1 Department, Regional Sales Region 2 Department, Regional Sales Region 3 Department, Business Clients Sales Support Department, Quality Management Department, Liquidity Management Department of the PBC, Remote Sales Department, Direct Sales Office

Zbigniew Bętkowski
Financial Analysis Department, Tax Department, Accountancy Department, Financial Risk Department, Financial Reporting Department, Internal Reporting Office, Corporate and Investment Banking Finance, ICAAP Office, Procurement and Vendor Management Office

Piotr Gemra
Corporate Clients Credit Risk Department, Clients of PBC Credit Risk Department, Debt Collection Receivables Department, Credit Portfolio Management Department, Restructuring Department, Credit Risk Management Department, Operational Risk Management Department

Tomasz Kowalski
Client Contact Center Department , CRES Department, IT Department, Operations Department, Individual Clients Service Department, Individual and Business Clients Service Department, Operational Support and Cost Management Department, Outsourcing Management and Information Security Department, Business Process Management Department, Security Office, Work Security and Hygiene Team

Kamil Kuźmiński
Branch Distribution Network Macroregion N-E Department, Branch Distribution Network Macroregion S Department, Branch Distribution Network Macroregion W Department, Indirect Sales Department, Private Banking Department,Development and Sales Support Department, Small Business Banking Department, Private Clients Credit Analysis Office

Piotr Olendski
Investment and Corporate Banking Department, Treasury Product Sales Department, Management Bank's own portfolio Department, Liquidity Management Office

Magdalena Rogalska
International Banking Corporation Department, Financial Institutions Department, Custody Department, Implementation and Clients Service Department, Product Development Office

Radosław Kudła
(Member of the Board until 4 April 2016.)

Łukasz Barwicki
(Member of the Board since April 4, 2016.)

02 -

Management Report on the operations of Deutsche Bank Polska S.A. Capital Group in 2015

Overview of the Group’s business in 2015 – 7

The Group’s business environment – 8

Financial standing – 11

Organisation and technologies – 14
Organisation development – 14
Capital expenditure and development of technologies – 15

Operations – 17
Retail Banking – 17
Transaction banking – 22
Investment Banking – 24
DB Secutrities – 25

The Group’s development directions – 25
Strategy – 25
Key business development directions – 26
Distribution channels – 27

Outlook – 27

The Group’s risk report – 28
Credit risk – 28
Market and liquidity risk – 31
Operational risk – 33
Optimisation of credit risk – 35
Concentration limits provided for in the Banking Law and in the Capital Requirements Regulation (CRR) – 39
Equity management – 41

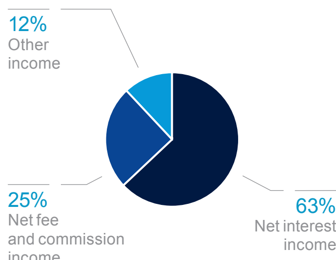
Human resources and corporate social responsibility – 56
Human resources management – 56
Variable component remuneration policy – 59
Corporate social responsibility – 64

Ownership structure – 64

Management Report
on the operations of the Deutsche Bank Polska Capital Group in 2015

Overview of the Group's business in 2015

Profit /(loss) on banking activities
%



The data contained in the financial statements for the 12 months ended December 31st 2015 presents operating performance of the Deutsche Bank Group.

The Group's financial highlights for 2015:
— net profit of PLN 158m, down 43.0% year on year,
— net interest income of PLN 716m, up 0.1% on 2014,
— net fee and commission income of PLN 280m, down 4.0% year on year,
— operating expenses of PLN 760m, up 17.1% year on year,
— impairment costs of PLN 124m, relative to PLN 144m in 2014,
— as at the end of 2015, the Group had total assets of PLN 37,984m, up 5% on the previous year.

Based on the value of total assets, the Group ranked 13th in the Polish banking sector, with a market share of nearly 3%.

In 2015, the Bank received a number of awards in recognition of the high quality of its retail, investment and corporate banking services. At the beginning of the year, the Bank received an award from the Warsaw Stock Exchange for the highest value of equity offerings placed on the Polish stock market in 2014. At the beginning of April, Mr. Krzysztof Kalicki, Ph.D., the Bank's President, was named Banking World's Man of the Year (2014) in the Leaders of the Banking and Insurance World ranking. For the fourth time, Deutsche Bank was distinguished in the prestigious Awards for Excellence ranking by the Euromoney magazine, who named it Best Investment Bank in Poland in the ranking's 2015 edition. The same title was also won by the Bank in 2010, 2011 and 2013. Bloomberg Businessweek Poland distinguished the Bank for its activity in distributing EU funds. Deutsche Bank was also among the winners of the Leaders of the Banking and Insurance World Competition in the Best Small and Medium Bank 2015 category. Bloomberg Businessweek Poland chose the best managers of 2015 – in that ranking Mr. Leszek Niemycki, Vice-President of the Management Board of Deutsche Bank Polska, was in the TOP20. Mr Krzysztof Kalicki, Ph.D., the Bank's President, was honoured with the Copernicus Gold Medal by the Polish Bank Association, granted as an acknowledgement to persons who have made a special contribution to the dynamic development and safe operation of the Polish banking sector. In 2015, Deutsche Bank's products were awarded in a number of independent rankings of the best company accounts (dbNET biznes), brokerage accounts (db Makler) and accounts for private banking clients (db Elite). Deutsche Bank was also included in the elite group of the best banks for private banking clients by the Forbes magazine. In the 50 Largest Banks in Poland list compiled by the BANK monthly, Deutsche Bank Polska was distinguished for the second consecutive time in the consumer finance category, ranking third among the best financial institutions offering consumer loans in 2015. At the beginning of 2016, Deutsche Bank Polska was recognised for its achievements in the area of modern and innovative technologies. Its innovative db Navi Invest online platform, offering investment fund search and compare functionalities as well as tools enabling investors to build a personalised fund portfolio matching their investing style, won an award in the Leader 2015 ranking of the Techno Biznes 2016 competition (category: Banking and Finance), organised by the Gazeta Bankowa magazine.

The Group's business environment

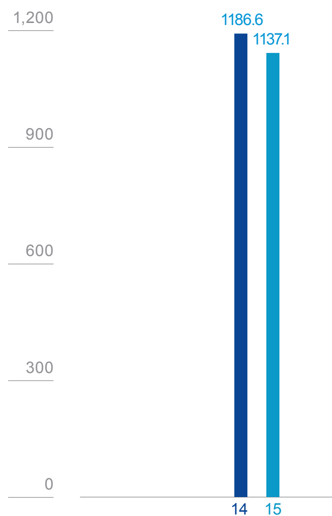
In 2015, Poland's GDP growth accelerated to 3.6%, from 3.3% in 2014. Just like in 2014, in 2015 the economic growth was fuelled mainly by domestic demand, with increasing contribution to GDP from private consumption (1.8pp) and fairly strong contribution from investments (1.2pp). In 2015, public consumption and net exports contributed 0.6pp and 0.4pp, respectively, to the GDP growth. The strong 3.9% y/y growth reported in Q4 2015 and its favourable structure warrant an expectation that in 2016 GDP will grow at a stable rate, driven again by private consumption and investments. In 2016, demand from households is expected to rise as the 500+ programme will result in an increased money supply to people.

In 2015, average annual inflation went down to -0.9%, compared with 0.0% in 2014, well below the lower limit of the inflation target range (2.5% +/-1%). Throughout 2015, there was a deflation of consumer prices, which hit its lowest point in February (-1.6% year on year). In the first half of 2015, the deflation was due mainly to a decline in food prices (with one contributing factor being the embargo on exports of selected food categories to Russia). Falling fuel prices (due to the downward trend in prices of crude oil) supported deflation in the second half of the year. According to estimates by DB Polska S.A., annualised deflation should continue until the end of 2016. In December 2016, inflation will probably rise to 0.1% y/y.

In 2015, the PLN/EUR exchange rate averaged 4.1839, which means a 0.03% year-on-year appreciation of the PLN against the euro. In 2015, the average PLN/USD exchange rate was 3.7701. The Polish currency depreciated 19.5% against the U.S. dollar compared with 2014, mainly as a result of the dollar's strengthening against major currencies in expectation of an interest rate increase by the Fed (which materialised in December 2015). The PLN depreciated by 7.4% against a EUR 55%-USD 45% currency basket. The key factors driving down the value of the PLN in 2015 were SNB's decision to abandon the cap on the CHF/EUR exchange rate in January 2015 and an increase in political risk in the aftermath of the presidential elections in May 2015 and the parliamentary elections in October 2015.

The budget deficit in 2015 was PLN -42.6bn (85.2% of the 2015 target), compared with PLN -29.0bn (61.5% of the target) in 2014. According to preliminary estimates, the deficit in the state and local government sector in 2015 was -2.5% of the GDP, based on the ESA2010 methodology, compared with -3.3% of GDP in 2014. In 2015, the ratio of the state and local government debt to GDP was 51.5%, relative to 50.2% in 2014. The excessive deficit procedure against Poland was closed in 2015, however, in view of increased political risk, S&P unexpectedly downgraded Poland's rating from A- to BBB+ in January 2016. In April 2016, Moody's declared that the conflict over the Constitutional Tribunal had negative implications for Poland's rating.

At the beginning of 2015, the Monetary Policy Council continued to ease the monetary policy. In March 2015, the interest rates were reduced by 50bp and the Council declared an end to the rate cutting cycle, maintaining the main reference rate at 1.50% until the end of 2015. In 2015, the Council continued to pursue a conservative monetary policy.



In 2015, current account deficit stood at EUR -967m, compared with EUR -5.8bn in 2014. In 2015, Poland reported a trade surplus (in value terms) of EUR 2.1bn, compared with a trade deficit of EUR -1.6m in 2014. Expressed in the euro, exports increased by 8.4% y/y in 2015, while imports grew by 4.9% y/y. Current turnover deficit was -0.2% of GDP in 2015, compared with -1.4% of GDP in 2014.

2015 was another year when unemployment continued to shrink rapidly: it dropped from 11.9% in January to 9.8% in December 2015.

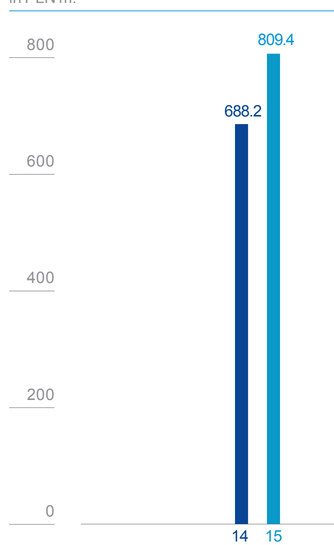
In December 2015, the M3 money supply was PLN 1,155.4bn (up 9.1% y/y, compared with an 8.2% y/y increase recorded in December 2014). In December 2015, household deposits totalled PLN 662.6bn (up 9.4% y/y), including PLN 610.0bn in PLN-denominated deposits (up 8.8% y/y) and PLN 52.6bn in foreign currency deposits (up 17.1% y/y). In December 2015, demand deposits placed by households with monetary financial institutions grew by 13.4% y/y (to PLN 341.2bn), with PLN-denominated deposits going up 12.3% y/y to PLN 306.0bn, and foreign currency deposits growing by 24.8% y/y to PLN 35.2bn. At the end of 2015, households' term deposits increased by 5.6% y/y to PLN 321.4bn, of which PLN-denominated deposits went up 5.6% y/y to PLN 304.0bn, and foreign currency deposits increased by 4.2% y/y to PLN 17.4bn. The further decline in interest rates on PLN-denominated deposits limited their relative attractiveness and in 2015 households opted for demand deposits.

In December 2015, corporate deposits placed with monetary financial institutions totalled PLN 250.0bn (up 10.3% y/y), including PLN 211.0bn in PLN-denominated deposits (up 8.4% y/y) and PLN 39.1bn in foreign currency deposits (up 21.4% y/y). In December 2015, corporate demand deposits placed with monetary financial institutions grew by 17.6% y/y to PLN 146.0bn, with PLN-denominated demand deposits up 15.3% y/y to PLN 114.8bn, and foreign currency demand deposits up 26.8% y/y to PLN 31.2bn. In December 2015, term deposits of corporate clients grew by 1.6% y/y to PLN 104.1bn, of which PLN-denominated term deposits went up 1.4% y/y to PLN 96.2bn, and foreign currency term deposits rose by 3.9% y/y to PLN 7.9bn.

In December 2015, the value of loans and advances from monetary financial institutions to household clients was PLN 623.4bn (up 6.3% y/y), including PLN-denominated loans of PLN 447.3bn (up 8.1% y/y), and foreign currency loans of PLN 176.1bn (up 1.8% y/y). In December 2015, consumer loans increased by 6.4% y/y to PLN 153.3bn. At the end of 2015, the value of housing loans grew by 6.5% y/y to PLN 375.7bn, with PLN-denominated loans at PLN 210.4bn (up 10.4% y/y), and foreign currency loans at PLN 165.3bn (up 1.9% y/y). In December 2015, the value of loans and advances from monetary financial institutions to corporate customers grew by 8.2% y/y to PLN 281.5bn, including PLN-denominated loans of PLN 202.9bn (up 7.4% y/y), and foreign currency loans of PLN 78.6bn (up 10.4% y/y).

In terms of the macroeconomic outlook, we expect that in 2016 the Deutsche Bank Polska Group will operate in an environment featuring stable economic growth in Poland, accompanied by a gradual fall in deflation, which will continue until November 2015. The GDP structure in 2016, similarly as in 2015, should be favourable in subsequent quarters, with strong domestic demand driven by private consumption and investments. For 2016, we

project a 3.8% GDP growth and an average annual deflation of -0.7%. In 2016, the unemployment rate should go down moderately to 9.0% at the end of the year.



Key risk factors in 2016 will include: (1) the current political conflict relating to the Constitutional Tribunal, potentially leading to the European institutions continuing the Rule of Law Framework process, (2) increase in the tax burden on the banking sector in 2016 following introduction of the bank tax in Poland, (3) risk that the act on restructuring of foreign-currency denominated loans will be enacted, affecting the banking sector and the currency market, (4) potential downgrading of Poland's rating by other rating agencies (Moody's, Fitch), and (5) the risk of Brexit, potentially increasing risk aversion in the region.

Main stabilising factors in 2016 will be: (1) stable and relatively high economic growth in Poland, (2) improving macroeconomic indicators, demonstrating greater macroeconomic stability in Poland, (3) no negative effects of the deflation for Polish companies, and (4) NBP's conservative monetary policy combined with the growing scale of quantitative easing by the European Central Bank and slower-than-expected monetary policy normalisation by the Fed.

Although nine out of ten members of the Monetary Policy Council (including Governor of the National Bank of Poland) have been replaced, in 2016 the Council will probably keep interest rates relatively high. We expect the reference rate to be kept at 1.50% until the end of 2016, with a minor risk of a corrective interest rate cut by 25bp in the second half of the year if the deflation deepens or turns out to be more persistent than expected. In 2016, the fiscal policy will be loosened relative to 2015, but the state and local government deficit should remain below 3% of GDP in 2016.

In 2016, the eurozone is expected to record a growth rate of 1.4%, while the German economy should expand at a rate of 1.7%. Poland's economy will benefit from the fact that in 2016 economic growth in Germany will be driven by domestic demand.

At the moment, the PLN is fundamentally undervalued, which, combined with a difference between interest rates in Poland and in the eurozone should in the medium term lead to a gradual appreciation of the Polish currency, though due to continuing political risks and volatility of the EUR-USD exchange rate, the PLN will be sensitive to growing risk aversion in the first half of 2016.

Financial standing

In 2015, the Group reported profit before tax of PLN 203m, down 43% y/y.

Statement of profit or loss for 2015 and 2014

in PLN thd	Jan 1–Dec 31 2015	Jan 1 – Dec 31 2014	Change %
Net interest income	716,311	715,866	0.1%
Net impairment losses	(124,287)	(144,194)	(13.8)%
Net fee and commission income	280,136	291,792	(4.0)%
Net trading income	280,149	291,822	(4.0)%
Profit/(loss) on banking activities	994,972	1,036,198	(4.0)%
General and administrative expenses	(759,970)	(648,791)	17.1%
Depreciation and amortisation	(31,526)	(33,242)	(5.2)%
Profit before tax	203,476	354,165	(42.5)%
Income tax	(45,520)	(76,933)	(40.8)%
Net profit	157,956	277,232	(43.0)%

Profit /(loss) on banking activities

— In 2015, net interest income grew by PLN 445 thousand, or approximately 0.1%, y/y.
— Net fee and commission income decreased by approximately 4% (PLN 11,656 thousand) relative to 2014.
— Net income from instruments measured at fair value through profit or loss and revaluation stood at PLN 129m, down by PLN 44,569 thousand year on year.

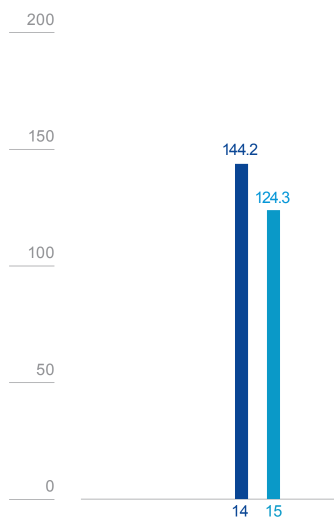
The main challenge for the Group in 2015 was to achieve the revenue target through growth in new sales and optimised performance of the existing asset and liability portfolios. The Group's performance in terms of actual revenue against the target was 4% lower than in 2014.

In the individual client business area, the key constraints to the achievement of the revenue target in line with the budget were related to the macroeconomic environment, falling interest rates, and growing competition on the market of cash loans for individual clients. In personal and consumer finance products, the Group reported revenue at 103% of the target, with the revenue growth rate almost on a par with the previous year's figure. This should be viewed as good performance given the fierce competition and the resulting pressure on interest margins. The Group's performance in the segment of mortgage loans exceeded the budget target by 7%, which was made possible by the Group maintaining its high share in the new sales market (cross-sell effect) and intense efforts to control margins and contract terms justifying margin adjustments.

In the business client area, the reported revenue was at 107% of the target and 15% up year on year. The main growth driver in this segment was the steady development of the product portfolio as well as improved profitability accompanied by a continued stable increase in the credit balance.

Revenue from deposit products came in at 88% of the target, having dropped by 7% y/y due to low interest rates.

Impairment losses
in PLN m.



Revenue from investment and insurance products was 4% higher y/y in 2015, and was 3% over the target. The increase was mainly attributable to the higher share of private banking products.

Revenue reported in the transaction banking segment represented 110% of the target and was 17% higher than in 2014, with the growth driven primarily by higher net income from intragroup settlements, including income from the FX4Cash platform and interest income – a premium related to the stable client deposit base. Net fee and commission income on payment transactions of corporate clients and guarantees grew as well.

Revenue reported in the Corporate and Investment Banking segment represented 79% of the target. Compared with 2014, it fell 23%. The decline is attributable to a poorer result on debt securities, which was affected by lower interest rates and a drop in market prices of the securities. Concurrently, investment advisory services generated significantly lower revenue as a result of a smaller number of transactions handled by the Bank.

In 2015, loan loss provisions went down 14% y/y, which only confirms the high quality of the Bank's loan portfolio.

In 2015, the Group's costs were 18% higher than the target, having risen 18% compared with the 2014 figure. It should be noted that the increase was mainly driven by growing regulatory costs, markedly higher contribution to the Banking Guarantee Fund, and non-recurring events involving additional payments to the Banking Guarantee Fund and the cost of closing down a number of branches.

Given the structure and flexibility of profit drivers, strengthening of the revenue base will be a priority for the Management Board in 2016. The revenue base needs to be developed in line with the strategic objectives, with a decrease in the share of mortgage products in total revenue and an increased share of investment, consumer finance and corporate banking products. The strategy provides for the growth of the revenue base in the transaction banking segment and continued intensified activity on capital and money markets.

Working assets

— Development of lending activities − compared with December 31st 2014, loans and advances to customers were up by PLN 1,419,438 thousand, or 5%; further growth of lending activities was achieved mainly through the expansion of the distribution network and partial automation of lending processes; In the compared periods, the share of loans in total assets was the same, at 78%.
— Growth of the debt securities portfolio – over the year, debt securities held as investments grew by 1,989,651, and their share in total assets increased from 10.4% as at December 31st 2014 to 15.2% as at December 31st 2015.
— Higher amount of deposits with other banks, and loans and advances to other banks − up by PLN 239,611 thousand; the share of this item in total assets grew from 2.1% as at December 31st 2014 to 2.6% as at December 31st 2015.

Sources of financing

- The main component of the Bank's financing base (deposits from customers) grew by PLN 683,855 thousand in 2015. The share of customer deposits in total equity and liabilities changed from 44.6% in 2014 to 44.4% in 2015.
- Interbank deposits were up by PLN 952,655 thousand in 2015, with their share in total equity and liabilities remaining unchanged from 2014, at 42%.

Assets

	Dec 31 2015		Dec 31 2014		
	in PLN thd	structure %	in PLN thd	structure %	Change %
Cash and transactions with Central Bank	903,794	2.4%	1,543,105	4.3%	(41)%
Deposits with other banks, and loans and advances to other banks	995,936	2.6%	756,325	2.1%	32%
Financial assets at fair value through profit or loss	340,221	0.9%	1,648,880	4.5%	(79)%
Loans and advances to customers	29,660,207	78.1%	28,240,769	77.8%	5%
Financial assets held as investments	5,769,466	15.2%	3,779,815	10.4%	53%
Property and equipment	41,823	0.1%	40,872	0.1%	2%
Intangible assets	89,556	0.2%	79,020	0.2%	13%
Deferred tax assets	11,484	0.0%	28,496	0.1%	(60)%
Other assets	171,911	0.5%	171,336	0.5%	0%
Total assets	37,984,398		36,288,618		5%

Equity and liabilities

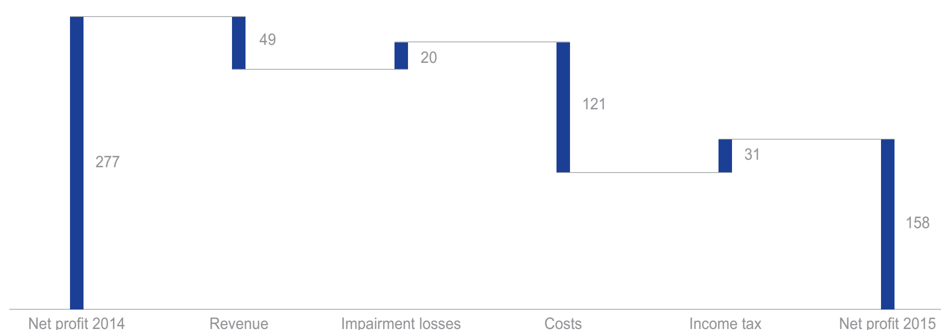
	Dec 31 2015		Dec 31 2014		
	in PLN thd	structure %	in PLN thd	structure %	Change %
Amounts due to other banks	16,188,097	42.6%	15,235,442	42.0%	6%
Financial liabilities at fair value	116,590	0.3%	218,281	0.6%	(47)%
Amounts due to customers	16,879,623	44.4%	16,195,768	44.6%	4%
Provisions	34,786	0.1%	6,051	0.0%	>100%
Current tax liabilities	9,035	0.0%	7,176	0.0%	26%
Subordinated liabilities	235,521	0.6%	235,622	0.6%	0%
Other liabilities	290,613	0.8%	348,185	1.0%	(17)%
Total liabilities	33,754,265	88.9%	32,246,525	88.9%	5%
Share capital	2,651,449	7.0%	2,651,449	7.3%	0%
Share premium	525,366	1.4%	525,366	1.4%	0%
Revaluation reserve	30,196	0.1%	112	0.0%	>100%
Retained earnings	1,023,122	2.7%	865,166	2.4%	18%
Total equity	4,230,133	11.1%	4,042,093	11.1%	5%
Total equity and liabilities	37,984,398		36,288,618		5%

Net profit

In 2015, the Group reported net profit of PLN 157,956 thousand, down on the figure reported in 2014. Net profit in 2015 was driven by profit (loss) on banking activities as well as higher costs, chiefly related to the regulatory requirements applicable to the Group, which were offset by a positive effect of lower impairment losses, with the high quality of the Group's loan portfolio maintained.

Revenue and expenses influence on net profit change

in PLN m.



Main ratios	2015	2014
Net ROE	3.70%	7.60%
Net ROA	0.40%	0.80%
CIR	71.20%	58.00%

The Group expects its 2016 net profit to be roughly on a par with the 2015 result. Higher regulatory costs, including payments under the bank tax and the natural increase in the cost of credit risk, should be partially offset by cost optimisation measures and the expansion of revenue base across all areas of the Group's operations.

In the next financial year, the Group will be forced to implement its business objectives in an environment featuring increased competition, resulting from low interest rates and margins, and tightening supervisory and regulatory requirements.

Organisation and technologies

Organisation development

In 2015, the Group's organisation was stable and operated properly in the light of developments on the market and in the regulatory environment. The Group made selective changes aimed at improving the efficiency of management and control structures as well as optimising process costs. The major changes involved:

1. optimisation of management and control functions in the area of reference rates, management of the Bank's proprietary position, and business activities related to equity market products,

2. centralisation of units responsible for credit risk management in relation to PBC clients by establishing the PBC Client Credit Risk Department,
3. enhancement of control functions by establishing the Financial Crime Prevention unit, which is an extension of the existing Anti-Money Laundering unit,
4. additional support for the Data Quality Management Team (compliance with Recommendation D),
5. adjustment of resource allocation to sales and support units and the head office in connection with changes in the product offering (including downscaling operations related to mortgage products) and product distribution (optimisation of remote channels),
6. enhancement of control functions related to standards applicable to establishing and ending relations with clients (Know Your Customer/KYC).

As part of the annual assessment process, more managers received the DB corporate title in recognition of their improved qualifications (100 persons). The large number of promoted employees attests to the quality of the Group's staff and the organisation's potential to achieve its business objectives.

Another important aspect of the organisation's development was the promotion of diversity through a wide range of initiatives. The management activities in this area were designed to improve awareness of the benefits, that come with factoring in diversity at organisational units and in the management styles.

The Group's Employee Council in 2015 focused on improving the quality of working conditions and building positive employer-employee relations. The Council established a direct and confidential communication channel for employees, who can safely share their suggestions of any required organisational changes.

Capital expenditure and development of technologies
In 2015, the Group continued projects designed to maximise the use of its infrastructural, human and capital resources towards achieving financial and non-financial objectives. Particular attention was devoted to compliance and implementation of the recommendations put forward following internal and external audits. Concurrently, the Group continued to invest in further automation of processes and elimination of sources of unjustifiable costs (i.e. costs which are unnecessary or unjustifiable relative to the benefits).

One development area, which has always had a broad impact on the Group's operations is IT projects relating to the launch and/or upgrades of products and services. In 2015, the Group carried out more than 50 development projects in the following areas:
1. Regulatory compliance (including: implementation of the 3D Secure standard/Secure Pay recommendations, notifications of arrears after 60 days of the payment date, IRBA/Basel II and Basel III, eDeklaracje, EPU, FATCA, KYC processes, MIFID 2, OGNIVO, SEPA),
2. Client service systems (including: front-end systems supporting sale of investment products, expansion of fraud detection models),
3. Electronic banking tools (including: expansion of PowerNet and EasyNet functions, tools supporting factoring activities, online brokerage services, new authorisation methods),

4. Settlements (including: third-party sales network commissions, accounting for derivative transactions, ELIXIR extensions),
5. Process streamlining (including: dbNet account opening, reviews of clients using loan products, complaint management, credit process optimisation, risk assessment process, digitalisation of correspondence using a relevant system and a unique correspondence ID),
6. Technological enhancements (including: upgrade of tools used by the telephone contact centre, new platform for the management of external websites and intranet, replacement of the Citrix advisor's console with an RDH/DoD – Desktop on Demand solution),
7. Data management and reporting (including: financial data warehouse, data mart covering payment collection, changes in FINREP/COREP, calculation of provisions and impairment losses/write-downs, BIK expansions).

In 2015, the digitalisation of electronic banking gained pace. As part of the NEXT initiative, the Group made the following service improvements:
1. 24x7 transaction processing, allowing banking operations to be handled on a continuous basis with a minimum maintenance period. Thanks to the improved service, transactions in the Bank's accounts (own accounts) may be processed during weekends. The 24x7 service now also offers faster processing of card transactions.
2. New electronic banking service for individual clients – mobile version, based on the CBP open platform, where the banking platform consists of a collection of mini-applications for executing operations pre-defined by the Bank. CBP is a technology based on the 'mobile first' approach, which means that its primary operating environment are mobile devices. Thanks to the use of the RWD (Responsive Web Design) standard, the CBP platform adjusts the service appearance and behaviour to different web browsers and devices used by clients. The CBP platform offers great flexibility enabling development of a large number of applications addressed to the Bank's clients.
3. DB Navi investment fund search service, which allows users to browse through investment funds – analyse their profiles/descriptions, performance and ratings, arranged by risk attributes and types of investments. DB Navi makes it possible to create sample investment portfolios based on investment preferences defined by the user.

Concurrently, the Group began preparatory work to implement the following services in 2016:
1. Mobile brokerage services, which will allow users to execute stock-exchange transactions using a mobile application providing access to integrated listing data and linked with a bank account.
2. New electronic banking for individual clients – full desktop version, based on the CBP platform. Additional extensions facilitating communication between the Bank and the client.
3. eXtra Firma – a research and trading platform for businesses allowing them to buy reports on the market/competitors, granting access to information on business terms prevalent on foreign markets, and providing support in the preparation of business plans.

In the light of regulatory requirements, from the financial perspective the most important solutions implemented included the data mart Finance (DMF) and a new reporting architecture based on a relevant system and the SPID standard.

In 2016, the Group intends to continue these projects by further developing its tools and actively seeking their commercialisation, supported by communication and marketing efforts. The Group will focus its technology investments in the following five business areas:
1. advisory business tools related to investment products (compliance with MIFID 2),
2. electronic banking for business clients,
3. remote processes, in particular related to distribution of credit products,
4. streamlining back office processes related to the GTB and PBC business lines through automation of workflows,
5. financial data processing systems (DWH/data mart).

The physical infrastructure of the branch network will be further optimised with a view to improving client service configuration and tapping the business potential of local markets. As part of these activities, relocation and/or consolidation of selected branches are being considered.

Operations

Retail Banking

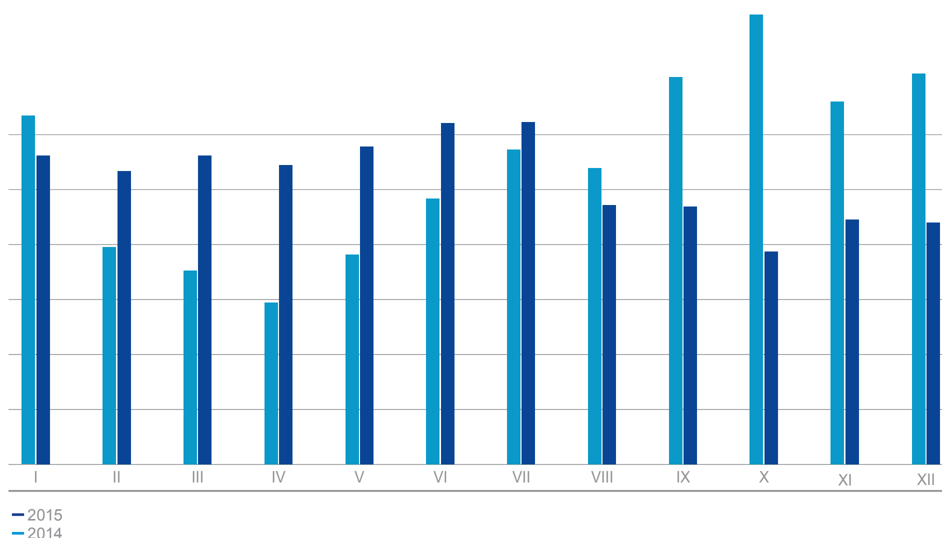
Private and business Clients

In the Private and Business Client segment, 2015 was a year focused on mitigating the effects of one-off cost-generating events (e.g. increased contributions to the Banking Guarantee Fund, contributions to the Borrowers Support Fund, payments to cover the costs of SK Bank's bankruptcy) in order to minimise deviation from the net profit target. The increase in the revenue base (+1%) did not fully compensate for the increase in loan loss provisions (+11%) and the cost base (+9.8%), which translated into a lower net profit (-24%). It is important to note, however, that the reported net profit figure should be viewed as a good result in an environment featuring falling interest rates and high unplanned regulatory burdens, and taking into account significant investments in the digitalisation and optimisation of the Group. The changes in the segment's bottom-line performance had no effect on the quality of the loan portfolios, which continues as the benchmark in the Polish market.

PBC's commercial activities in 2015 – loan products

In the area of loan products for private clients, 2015 saw a change from the prevalence of mortgage loans in new production, which had continued since 2007. In the second half of the year, the volumes of mortgage products sold were much lower than in the corresponding months of 2014 (Chart PBC1).

Chart PBC.1. Monthly sales of mortgage products, 2014 vs. 2015



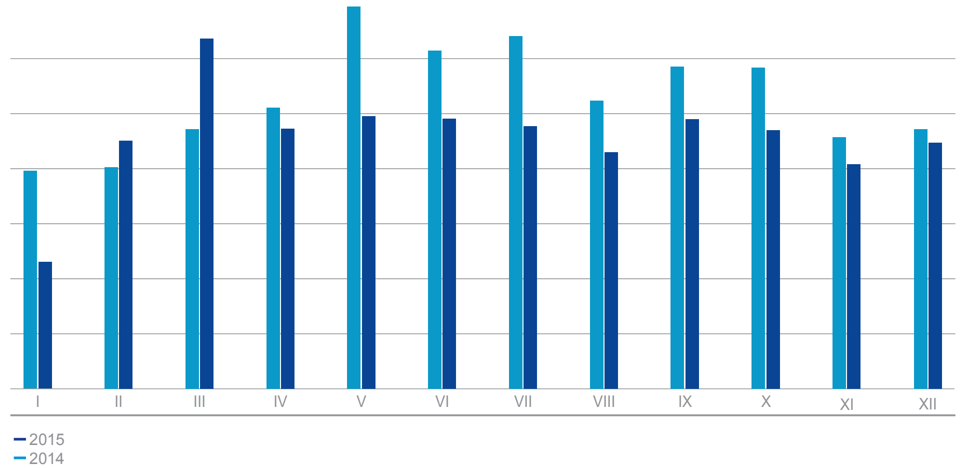
Note: The value range has been withheld from publication.

The principal reasons behind the deliberate reduction in new mortgage product sales included growing costs of funding of lending activities, which erode margins on these products. As a result, the Group has taken measures to increase its focus on higher-margin products, including in particular unsecured consumer finance loans.

In 2015, PBC was engaged in intense client acquisition activities focused on offering unsecured consumer loans to wealthy clients and professionals. Owing to very strong competitive pressure and limited marketing support, the reported production levels were lower than a year earlier (Chart PBC.2)

Chart PBC.2. Monthly sales of consumer loans, 2014 vs. 2015

New sales – volume

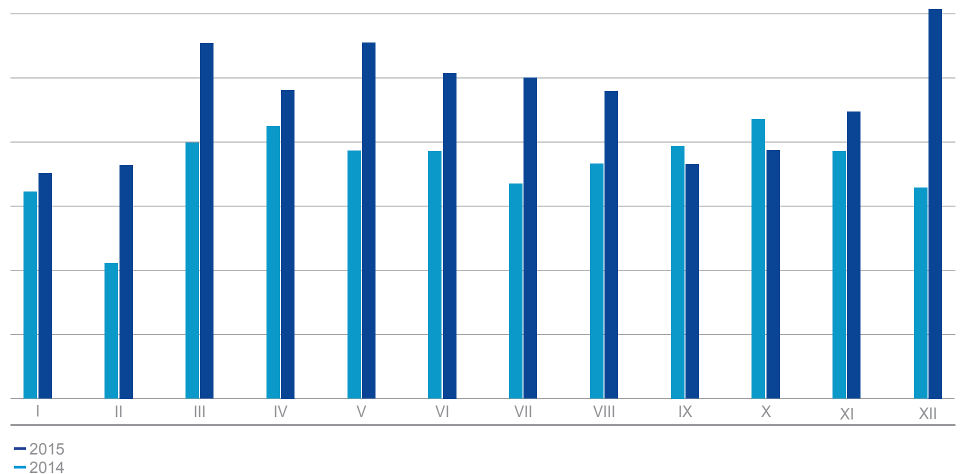


Note: The value range has been withheld from publication.

PBC's greatest success in the area of loan products was the development of the corporate banking segment, with a focus on SMEs and pilot launch of a service dedicated to mid-cap clients. Average monthly sales levels of loan products were higher by 28% than in 2014 (Chart PBC.3).

Chart PBC.3. Monthly sales of corporate loans, 2014 vs. 2015

New sales – volume



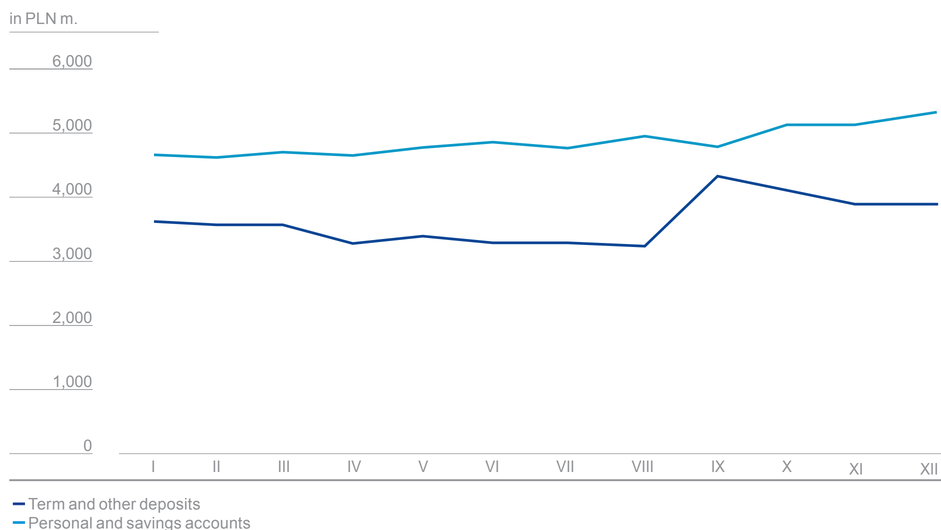
Note: The value range has been withheld from publication.

Besides growing production, another significant achievement was the improved regularity and stability of new production, and consequently lower deviations from average sales (flattening out of differences between periods of low/high sales). Corporate loan products were developed based on an advisory approach, with the pricing policy taking into account all commercial activity between the Bank and the client, in particular transactional and depositary services, in addition to creditworthiness as the main criterion.

PBC's commercial activities in 2015 – deposit and investment products

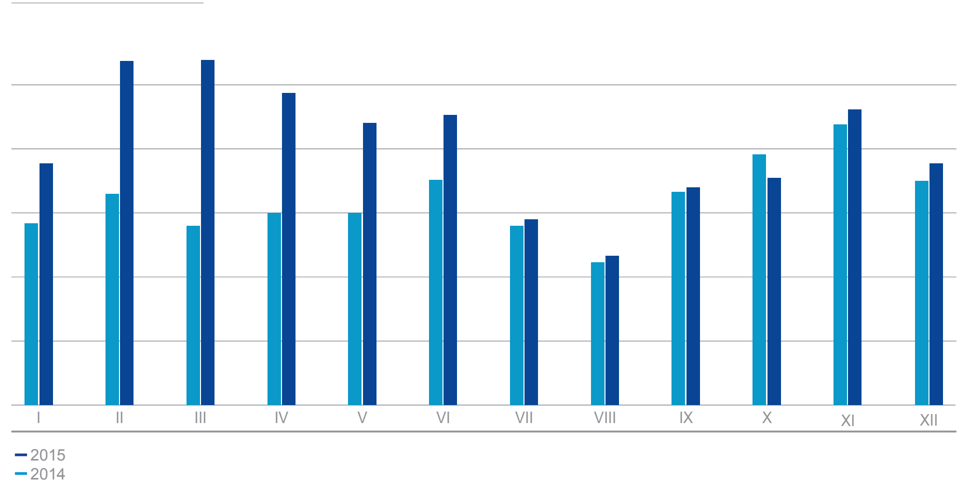
Further cuts of the reference interest rates in the first quarter of 2015 maintained the pressure on PBC to take significant optimisation measures in relation to its margin levels. Low-yielding deposits were terminated, and efforts were made to rebuild the current and savings account deposit base (Chart PBC.4). At the end of the third quarter, additional deposits were obtained, which were required to facilitate liquidity management and build the potential to convert deposits into investment products.

Chart PBC.4 Development of the deposit base in 2015



The progressive reduction of interest rates in Poland and in Europe spurred a revival in the investment product market in 2015. PBC continued intense sales activities involving conversion of deposits into investment fund subscriptions and acquisitions of structured products and investment linked insurance products. Average monthly sales were higher by 27% than in 2014 (Chart PBC.5).

Chart PBC.5. Monthly sales of investment products, 2014 vs. 2015



Note: The value range has been withheld from publication.

Success in this area was due to the following factors:
1. Strong commercial activity in the private banking segment,
2. Use of the co-management model, whereby wealthy clients are served by a pair of consultants, one of whom specialises in investment products and their sales,
3. A unique "we return 1%" promotional campaign, in which clients acquiring new investment products or transferring their investment assets to DB could receive a one-off bonus of 1% of their investment value,
4. Improvement in investment product distribution processes and tools, including with respect to the risk profile and adequacy procedures.

In the following years, the Group plans to maintain a strong focus on the development of investment, insurance and deposit products. In line with its mission and vision, it intends to participate in building wealth of private and business clients by responding to the growing affluence of Poles with top quality services.

PBC's commercial activities in 2015 – development of the client base

With respect to private clients, PBC continued to implement the objectives of a strategic focus on wealthy individuals. The number of private banking clients rose by 30%, which is one of the best results in Poland in nominal terms. The population of wealthy clients contracted due to new segmentation, as part of which some clients with low transaction activity were transferred to the mass clients group, where different strategies are employed in the area of communication and product-per-client ratio. The Bank continued to terminate its relationships with non-target clients. A relationship is terminated only after it is found that there is no possibility of building a long-term advisory-based relationship with the client.

2015 was a very good year in terms of the development of the corporate client base, which grew by 24%. A key success factor here was the strong expansion in the market of small enterprises and professionals, with the loan for professionals (KDP) and the dbNet Biznes company account still enjoying great popularity among clients.

Transaction banking

Corporate cash management and trade finance

In 2015, transaction banking revenue grew 17% year on year, to more than PLN 129m. Net profit exceeded PLN 62m, with the headcount of 26.

In 2015, we successfully expanded our client base, foreign transaction volumes and loan exposure. However, the volumes of domestic transactions decreased slightly (by 7%).

Our risk-weighted assets grew to more than PLN 150m, and a large majority of the borrowers in the transaction banking segment had investment-grade ratings.

To continue the strategy adopted in previous years, the transaction banking segment focused on services to corporate clients, including subsidiaries of Deutsche Bank AG's clients, the largest Polish enterprises, and financial institutions.

The most significant cash management transactions for corporate clients were a mandate for more than 120 accounts from an American group operating in the distribution facilities management industry, and a mandate for cash management services and liquidity optimisation products from an international pharmaceutical group. The Deutsche Bank Polska Group continued to offer its clients financing products spanning the entire supply chain. The products are tailored to the structure of the trade transactions and individual customers' needs, especially in the case of non-recourse receivable purchases with no need to insure the receivables.

As regards services to customers from Poland, we continued and developed cooperation with Polish groups of companies in comprehensive cash management solutions, both in Poland and globally. The solutions were supported with our multilevel e-banking services db-di, and the innovative FX4Cash platform. 2015 was also another year when we offered our corporate clients comprehensive working capital optimisation products. These efforts led to the implementation of a new international supplier financing programme for a client operating in the consumer goods and services sector.

Despite a number of changes introduced in the banking sector, including new burdens and requirements imposed on banks and new regulations expanding the account opening procedure and the agreement signing processes, we made every effort to remain a reliable and credible partner for our clients. Our long-established customer relations model has always been built basing on partnership and mutual trust. In a customer satisfaction survey carried out in September 2015, our approach to the client-bank relations received very high ratings.

In 2015, we supported our clients mainly by offering optimum financing solutions adjusted to their current operations and balance sheet structures, as well as safe, but very effective

online banking products and customised services in foreign trade transactions. As part of cash management improvement measures, we introduced electronic account statements for corporate charge cards and rolled out a new online banking platform, Cash Manager, to gradually replace the solution currently in place.

We reported a significant increase in sales of our product which optimises and automates currency transactions. The clients welcomed the possibility of making payments in more than 120 currencies without having to hold a sub-account in each currency.

As part of marketing activities, we held workshops on cyber safety, in particular to raise awareness of the threats to users of online banking services. Encouraged by the fact that they were very well received and attracted a large number of participants, we plan to hold another edition of the workshops this year.

Services to financial institutions

In 2015, the Group continued to consolidate its position on the market of services to banking and non-banking financial institutions. Its client base grew to include new investment funds and brokerage houses. In 2015, the Group cooperated with the Commodity Exchange Clearing House, acting as the paying bank for the commodity market. The scope of cooperation was then expanded with the function of paying bank for the financial market.

In 2015, the number of main accounts operated by the Group for financial institutions rose to 454, and the number of client groups to whom the Bank provided services amounted to 68 (this number does not include insurance companies which are within the remit of the corporate arm). Due to the falling interest rates in 2015, investors continued to invest their free cash mainly in investment fund assets.

As a result of increased activity from the Group's existing clients and the larger new client base, the value and volume of payments processed for financial institutions grew further year on year, by 10% and 22% respectively, in 2015. The increase was accompanied by a very high straight-through processing rate.

Low interest rates in the market had no adverse effect on the size of the Bank's deposit base relative to 2014. In fact, it grew, supported by the larger number of clients and the attractive offer. Increased client activity and the larger deposit base proved to be important drivers of the Group's interest income and the fee and commission income in the financial institutions segment. The Financial Institutions Department is working on adjusting the product range to meet its client needs, market expectations and regulators' requirements, thus implementing the Group's strategy in the area of services to financial institutions.

Custody services

In 2015, the Bank acted as a custodian for 168 investment funds (up by 24) and 4 open-ended and voluntary pension funds, and provided custodian, clearance and settlement services for Polish and foreign financial institutions. The value of clients' assets has been steadily rising, driven by the growing client base and an influx of new money to investment funds (caused, among other things, by the low interest rate environment, which encourage clients to transfer money from deposits to investment funds). We also gained a prestigious client, TFI BGK (controlled by state-owned BGK S.A.), by winning an open tender for the provision

of custody services. As at the end of December 2015, net assets of Polish funds exceeded PLN 54bn. Thus the Deutsche Bank Polska Group further strengthened its position as a custodian bank, providing services to more than 20% of all domestic open-ended investment funds in Poland. Revenue from this business segment rose again, by 5% compared with 2014. The Group was actively involved in initiatives aimed at adapting Poland's existing capital market regulatory framework to European requirements and the market's needs. The Head of the Department is a member of the Presidium of the Council of Custodian Banks at the Polish Bank Association. He also serves on the Advisory Committee at the Central Securities Depository of Poland, where he heads a team and takes part in numerous other working groups under the auspices of the Polish Bank Association and the CSDP. In this capacity, the Group'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 CSDP and the KDPW_CCP clearing house. Thanks to the Group's involvement, the new regulations and measures were developed taking into account custodians' experience and interests of the capital market participants.

Investment Banking

The Deutsche Bank Group 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 2015, the Group was engaged in the largest and most high-profile transactions on the Polish market.

One of them was the offering of Pfleiderer Grajewo S.A. shares, in which Deutsche Bank acted as a financial adviser providing comprehensive services on the restructuring and downstream merger of Pfleiderer GmbH. The transaction, worth PLN 744m, was successfully completed despite the unfavourable capital market environment and was the largest share offering in the building materials sector in Poland.

In the debt market, in 2015 we successfully completed a EUR 350m notes issue for PZU.

Money market and foreign exchange transactions

Operations on the bond market generated a loss of PLN 5.3m in 2015, which was offset by the result on the interest-rate instrument portfolio (PLN 3.95m) and foreign-exchange transactions (PLN 9.95m). The Proprietary Position Management Department (PPMD) generated PLN 8.15m.

The result reported by the Liquidity Management Office (LMO) in 2015 was PLN 34.3m. DB Polska was able to keep a high level of its current and term liquidity ratios despite adverse market conditions.

In 2015, DB Polska approved the Investment Policy and Investment Strategy which will govern the business activities and balance sheet and liquidity management of the Proprietary Position Management Department and Liquidity Management Office in the coming years.

The Bank was also active on the local money market, and in 2015 was awarded the status of Treasury Securities Dealer.

In 2015, just like in the previous years, the Deutsche Bank Polska Group was one of the leading players in the Polish foreign exchange market. The Group's transaction volumes and foreign exchange revenues stabilised at a high level, comparable to that seen in previous years. In particular, there was a dynamic increase in revenue from FX4cash transaction platforms and from Autobahn Treasury for Corporates (ACT).

In 2015, the prestigious Euromoney magazine once again named Deutsche Bank AG one of the largest banks for foreign exchange transactions, which ultimately confirmed its leading position on the global FX market, attained with a contribution from Deutsche Bank Polska S.A.

DB Securities
DB Securities focused on services to domestic and foreign institutional investors on the secondary markets in Central and Eastern Europe.

Following an upgrade of its internet platform, in 2016 DB Securities will also participate in the development of the DB Polska's retail client base by operating the clients' accounts and settling their stock-exchange transactions.

The Group's development directions

Strategy
In 2015, the Group continued to implement the strategy adopted in the Business Plan, providing for the merger of Deutsche Bank PBC S.A. and Deutsche Bank Polska S.A., and approved by the Polish Financial Supervision Authority on September 3rd 2014.

The business model operated stably in all dimensions:
— in terms of segments − focus on international and Polish corporations, financial institutions, small and medium-sized enterprises and wealthy individuals; continued downscaling of relations with clients with smaller assets and limited number of transactions;
— in terms of products − maintaining a broad range of transaction, deposit, credit, insurance and investment products; with respect to credit risk: engaging in relations with clients that guarantee a high level of security;
— in terms of distribution channels − operations based on a balanced model of four distribution channels: 1. branches and advisers, 2. central sales, 3. remote channels (Internet and call center) and 4. external networks of intermediaries and agents.

All of the Group's business units worked towards meeting their revenue targets, reaching a combined result slightly lower than the actual performance in 2014 (down 2%):
— The PBC business line remained the largest contributor to the Bank's total revenue (75%), with a stable position year on year (revenue up 1%);
— The GTB business line (10% share in total revenue) reported the highest revenue increase (up 15%), supported by the consistent optimisation of relations with clients in terms of commercial activity and the number of products per client;
— The CB&S business line (8% share in total revenue) reported a drop in revenue (down 20%), attributable to a lower number of high-value transactions;

— Revenue generated by other operations (7% share in total revenue) went down, mainly due to the shrinking balance of past due loans (non-core portfolio) and a lower number of proprietary transactions.

While the reported revenue level did not change materially year on year, the Group recorded a significantly smaller profit (down 43% on 2014). This lower bottom-line result is attributable to an unplanned increase in regulatory costs, which went up by more than PLN 70m in 2015 (Borrowers' Support Fund, SK Bank's bankruptcy, and higher contributions to the Banking Guarantee Fund).

During the year, the Bank participated in redefining the strategy of the owner, the Deutsche Bank A.G. Group. The '2020 Strategy' process included defining the direction for transforming the Bank's operating model to improve efficiency and regulatory compliance, especially in the areas in which any deficiencies were identified at the DB Group in the past. At Deutsche Bank A.G.'s level, the main assumptions include:

1. Cost reduction:
   — costs (non-interest expenses, excluding restructuring costs) below EUR 22bn in 2018,
   — cost savings of EUR 3.8bn by 2018, assuming restructuring costs of EUR 3.0bn–3.5bn, with two-thirds of that amount to be spent not later than in 2016,
   — cost-income ratio (CIR) at 70% in 2018 and 65% in 2020,
   — discontinuing operations in ten countries.
2. Strengthening the capital base:
   — reducing risk-weighted assets (RWA) by EUR 90bn by 2018,
   — suspending dividend distributions on ordinary shares in 2015 and 2016,
   — CET1 capital ratio of at least 12.5% after 2018,
   — leverage ratio of at least 4.5% at the end of 2018 and at least 5% at the end of 2020.
3. Return for shareholders:
   — after-tax return on equity of over 10% by 2018.

Based on the strategic objectives applicable to Deutsche Bank Polska S.A., the Bank's Supervisory Board defined objectives for each business line and the support function. Special emphasis was put on cost optimisation and management of capital allocation to business areas with a view to achieving higher returns and long-term improvement of the capital position.

Key business development directions

For 2016, the strategy provides for a continued organic growth in the PBC and GTB business lines, as well as maximising margins on the overall relation with a client, in particular where the Bank's capital resources have been employed. The operations of the CB&S business line will be optimised in terms of costs and activities by transferring some of its operations to the other lines or centralising them at Deutsche Bank A.G.'s global centres. Cost cutting measures will be implemented across all of the Bank's organisational units.

The steps taken are expected to bring an improvement in key efficiency ratios, such as ROE, ROA, leverage ratio, and CIR, while allowing the Bank to maintain a robust equity and liquidity position.

Distribution channels

In 2015, Deutsche Bank used a multi-channel distribution model including:

- Advisory banking branches (149 branches)
- Business client advisory centres (18 branches)
- Individual client agents network (over 500 employees)
- Business client agents network (30 employees)
- Individual client intermediaries network (over 850 contact sources)
- Business client intermediaries network (100 contact sources)
- Treasury product dealing room
- Central sales advisory teams:
  - Services to corporate and institutional customers and local governments
  - Factoring
  - Trade finance
- Internet (electronic banking systems)
- Call centre – incoming calls
- Remote sales centre – outbound calling campaigns
- Mobile channel – authorisation of transactions through text messages (SMS) and e-mail messages, distribution of account statements and newsletters.

In 2016, the Group plans to maintain the channels and take steps to optimise their effectiveness and efficiency. Special attention will be paid to remote channels (Internet/call centre) to improve service availability, as well as to increase the customers' use of self-service solutions.

Outlook

The Group's operating environment in 2016 will be characterised by strong competitive activity, partly driven by the effects of further consolidation of the financial sector in Poland. Conditions on the financial markets are expected to remain uncertain but the climate on the local and EU markets should improve, particularly in those countries which are Poland's import or export partners. One of the key drivers of changes to the banks' operating models will be the growing fiscal and regulatory burdens, having a material effect on the returns generated in the Polish market.

Factors supporting the Group's business development will include:

- stable and growing power of the DB brand, supported by the global position of Deutsche Bank A.G., as well as the fact that the Bank locally enjoys the opinion of the best investment bank and the leading bank for wealthy clients and private banking, especially because of its broad and open offering of investment products;
- continuing low-interest-rate environment, where customers look for investment products and are increasingly interested in the advisory banking model;
- low market share with a range of options for further expansion of the customer base, particularly through consistent creation of the added value offered by the Group under the advisory model to wealthy individuals and small and medium-sized enterprises;
- significant potential for business process optimisation (automation, digitalisation, archiving) with a focus on increasing the efficiency of sales activities and post-sale support;
- continuing positive economic outlook for Poland supported by the record-high amount from the EU budget allocated to growth (EUR 105.8bn in 2014-2020 vs EUR 102bn under the previous budget).

At the same time, the market share growth may be limited by a number of constraints, including:
- fierce competition (including price competition) in the market areas where the Bank has a strong presence, especially with respect to:
  - large investment transactions, due to decreasing activity of companies and financial institutions in this field,
  - corporate banking,
  - unsecured personal loans;
- difficulties in building new customer base due to Poles' high loyalty to their banking services providers, especially in view of the fact that new acquisitions are largely dependent on the development of the mortgage business;
- strong impact of credit, insurance, financial and accounting regulations on the Group's ability to maintain current product models;
- growing fiscal and regulatory burdens;
- uncertain economic and political situation.

In 2016, the Group will intensify its efforts related to the following aspects of its operations:
- encouraging innovation at all units of the organisation and in relations with the external environment: clients, trading partners, government institutions;
- improving service quality (the IQ initiative);
- digitalisation of sales, post-sale and internal processes;
- increasing the size of and diversifying investment product assets sold or administered with the involvement of the Group;
- implementation of the MIFID II standard;
- development of corporate banking across all segments, from micro-enterprises to mid-caps;
- stimulating sales in the transaction and corporate banking areas;
- personal loans (non-mortgage);
- acquiring new clients and deposits;
- cross-sell activities and campaigns directed at the client base and prospects.

The Group's risk report

The Group is exposed to the following risks:
- credit risk,
- market risk,
- liquidity risk.
- operational risk

Credit risk

The main objective of credit risk management is to protect the Group's capital by ensuring that the quality of its loan portfolio matches its risk appetite, while maintaining sufficient yields and optimising capital allocation. In its activities, the Group incorporates the recommendations of the Polish Financial Supervision Authority, as well as the requirements of the Deutsche Bank Group's regulator (BaFin) and the European Consolidating Supervisor at the European Central Bank, using the extensive experience and know-how of the DB Group.

Effective credit risk management involves, inter alia, a transparent lending process, risk identification, measurement, control and acceptance tools, a lending decision-making powers system based on the 'four eyes principle' and concentrating most decision-making powers in the Credit Risk organisational units, separation of sales function from credit risk analysis and assessment functions, internal debt concentration limits, as well as on-going monitoring of the loan portfolio and effective management of high-risk credit exposures. Exposure management at the stage of granting new or changing existing loans is supported by the SMOK 2.0 application, which has been implemented at the Group and is supervised by the Credit Risk units with respect to risk parameters, algorithms, collateral valuation rules and management of lending decision-making powers.

In the case of portfolio risk, credit risk management is performed by developing appropriate lending procedures, which includes setting the admissible risk parameters for individual customers, products and credit exposures, as well as principles for assessing customers' creditworthiness both before a loan is granted and throughout the lending term, allocating customers to the appropriate risk categories, and setting concentration limits and stress testing of the credit exposure portfolio.

In the case of most of its portfolios, the Group applies a rating process for assessing customers' creditworthiness, their ability to repay liabilities, and transaction parameters in order to support the lending decision-making process and assess the risks when a new transaction is approved or an existing exposure is reviewed. The Group has also implemented a re-rating process allowing it to update customers' ratings on a monthly basis and use the updated results in the day-to-day credit portfolio management and the monitoring and calculation of risk parameters used to determine the consolidated capital requirements for the Deutsche Bank Group.

Credit portfolio management depends both on the risk profile and valuation method as well as the size of the credit exposure. The valuation of credit exposures at the Group is performed separately for collectively valued exposures (homogeneous portfolio) and individually valued exposures (non-homogeneous portfolio). The homogeneous exposure portfolio is valued using statistical models in order to determine the amount of impairment losses. Individual material credit exposures (non-homogeneous portfolio) with evidence of impairment are assessed individually, at least on a quarterly basis, using the discounted future cash flows method (the DCF method).

The process of credit risk management for individual credit exposures involves approving only those exposures for which risk indicators − calculated in accordance with the applicable procedures − are in the pre-defined ranges, as well as monitoring and internal reviews of individual exposures during the lending period. The Group has in place a process of automatic reviews of credit exposures, which uses, inter alia, the results of the re-rating process whereby ratings are regularly updated based on information gathered in the systems. The purpose of exposure monitoring is to identify threats as early as possible in order to undertake preventive measures and mitigate the consequences of credit risk.

In 2015, the Group consistently followed its lending strategy by focusing on retail borrowers with above-average income and in a stable financial situation. As its response to unstable macroeconomic environment, the Group took steps to optimise acceptable credit risk by

adjusting its risk appetite and modifying the relevant aspects of its processes and procedures accordingly. In each of the segments, the Group maintained the organic growth strategy for its individual product portfolios:

- In the segment of mortgage lending, the Group continued its strategy of minimising the portfolio of foreign-currency loans and focusing its lending activities on loans denominated in the Polish złoty;
- With respect to financing for SMEs, the Group continued to develop its portfolio based on the client types and industries financed in the previous years. In addition, there was a considerable increase (in percentage terms) in the Small Business Banking segment that comprises clients with annual revenues ranging from PLN 0 to PLN 3.2m;
- In the segment of other retail lending, the strategy of organic growth was continued mainly by increasing the volume of consumer finance loans and credit card lending;
- In the segment of lending to corporate customers and financial institutions, the Group continued its policy of matching the structure and term of lending to the specific needs of individual customers and the purpose of financing;
- From the point of view of the quality of the existing loan portfolio and the management of individual client exposures, the Group consistently followed a policy of strict portfolio monitoring and debt restructuring and collection, which allowed it to maintain a stable loan portfolio and a risk profile matching its assumed risk appetite. The measures undertaken in this area were conducted mainly by a specialised organisational unit − the Debt Collection Department. The unit is equipped with the necessary tools, systems and staff that are responsible for ensuring timely debt service by the Group's individual customers. The Restructuring Department is involved in more complex aspects of the individual customers' debt restructuring and collection processes. In line with its powers assigned by the Management Board, the Restructuring Department focuses on customers whose total credit exposure, given the amount or nature of financing, generates higher risk and requires an individual approach;
- With respect to the loan portfolio and lending to business customers, the Group continued its individual approach, designed to ensure early identification of threats and restructuring of the customer's exposure if any negative events occur. The above measures fall entirely within the scope of powers of the Restructuring Department operating within the credit risk structures.

In the second quarter of 2015, the Office of the Polish Financial Supervision Authority carried out a comprehensive inspection at the Bank. All of the post-inspection recommendations for the lending business which were due to be implemented by the date of this report were timely implemented by the Bank.

In the fourth quarter of 2015, the European Central Bank carried out a consolidated reporting Internal Ratings-Based Approach (IRBA) certification audit at the Group. At the time of year closing, the Group had not received the final results of the audit or a decision as to the date as of which it would be authorised to apply preferential capital requirements on a consolidated basis based on the audit. On a stand-alone basis, the Group has been using the Standardised Approach.

In 2015, an annual comprehensive review and update of credit policies and procedures was also carried out to ensure their compliance with changes in the regulatory environment and in the Group's credit risk assessment processes and methods.

Market and liquidity risk

For the Group, market risk and liquidity risk are two key categories of risk managed, measured and monitored as part of the asset and liability management process. Although following the expansion of its product offering, in June 2008 the Group satisfied the condition set out in Section 3.2.2 of Resolution No. 76/2010 of the Polish Financial Supervision Authority of March 10th 2010 (as amended), and thus the scale of its trading activities has been deemed significant as of July 2008, the Group's strategy consists primarily in banking book management. In view of the requirements specified in the Resolution, the following transactions are included in the Group's trading book for the purpose of assessing capital adequacy: FX forwards with customers, currency options, IRS transactions with customers, and private placements. Currency options and private placements are transactions which do not generate open positions – transactions with customers are closed back-to-back on the interbank market, and As a result, the only transactions in the trading book which generate market risk are FX spot contracts, FX forward contracts, FX swaps and IRSs executed with customers, and interbank FX swaps executed to hedge those contracts.

The Group has in place a complete risk management and control process based on the Deutsche Bank Group's standards. A key role in this processes is played by the Bank's Supervisory Board and Management Board, while the Assets and Liabilities Committee (ALCO) exercises direct supervision. The Treasury Department is responsible for the operational management of assets and liabilities. Risk assessment, monitoring and reporting comes under the purview of the Financial Risk Department, which is completely independent from the business units.

Market risk

Market risk management at the Group consists in the management of interest rate and currency risks relating to the trading and banking books.

Trading book

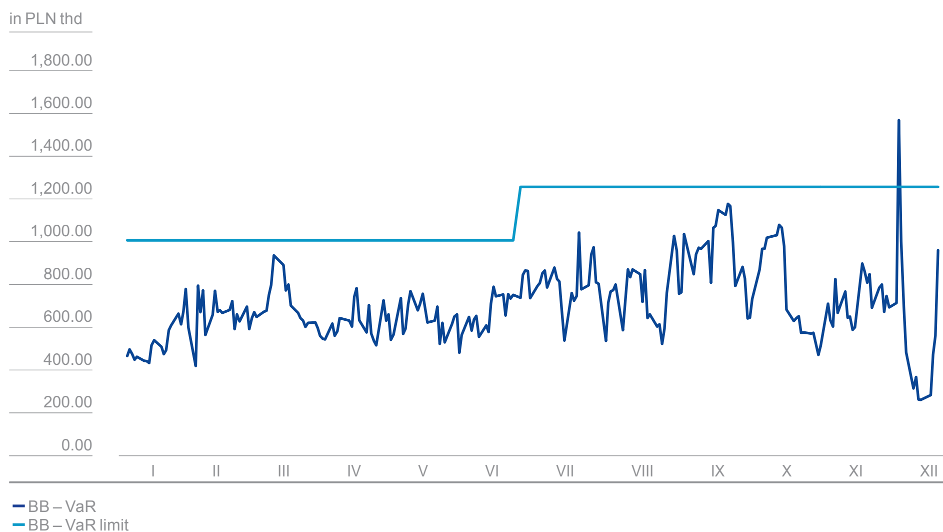
In 2015, the Proprietary Position Management Department (PPMD) actively managed the market risk for the trading book position, including primarily the interest rate position generated by Treasury bonds in the PPMD's portfolio and interest rate derivatives. An additional source of market risk was the Department's actively managed currency position.

Banking book

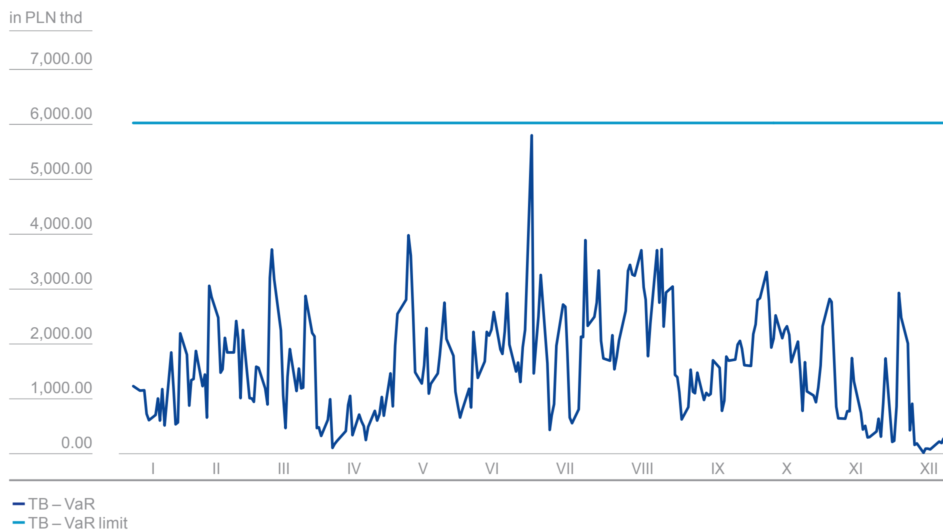
The banking book's market risk position comprised positions managed by the Liquidity Management Office (LMO), which is responsible for managing liquidity and market risk for business lines not involved in the Bank's trading operations. The interest rate position generated by the PBC line was the main contributor to the banking book's market risk. The position is transferred to the books managed by the LMO as part of a daily PBC line risk transfer process.

The Group's exposure to market risk is limited by the risk appetite level set by the Supervisory Board and the limit system approved by the Management Board. The limits are calibrated by the Financial Risk Department. Actual exposure is monitored against those limits on a daily basis, and the findings are subsequently submitted for review by the Assets and Liabilities Committee (ALCO). The market risk analysis carried out by the Group is based on the Value-at-Risk (VaR) method. The charts below present VaR values in 2015, separately for the trading book and the banking book.

VaR Banking book



VaR Trading book



The VaR limits are lower than the Group's market risk appetite level approved by the Supervisory Board.

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. To this end, the Group analyses its cash requirements and cash supply sources, appropriately structures the maturity of its positions, maintains an appropriate amount of liquid assets, and maintains a diversified deposit base. In case of unexpected liquidity problems, the Group has in place contingency plans and carries out analyses of critical scenarios on an ongoing basis. The Group also has the Declaration of Backing issued by its main shareholder – Deutsche Bank AG, published in Deutsche Bank AG's annual report.

In addition to supervisory liquidity measures, which are the most important liquidity risk measures, the Group also uses internal risk measures and limits restricting the level of risk in various time horizons. The limits correspond to the risk appetite specified by the Supervisory Board.

Operational risk

Operational risk management strategy and process

Operational risk is understood as the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events, including legal risk. The definition of operational risk does not cover business risk and reputational risk.

The Group's operational risk management strategy defines the key processes necessary to manage operational risk. The degree of the strategy's formalisation and complexity is adjusted to the specific character of the Group's operations and its current and target risk profile.

The Group manages operational risk in accordance with applicable laws, including Resolutions and Recommendations of the Polish Financial Supervision Authority.

In order to align the risk management process with the types and scale of its operations, the Group has implemented an integrated operational risk management process comprising the following components:

- risk identification,
- risk analysis and assessment to evaluate exposure,
- response, i.e. choosing and taking measures appropriate to the exposure (limitation, transfer, acceptance, avoidance),
- risk monitoring,
- reporting risk analysis and assessment results in a systematic manner,
- defining process participants and their functions, duties and scopes of responsibility.

Using appropriate procedures, an analysis is carried out to identify and assess operational risks involved in products, bank processes and outsourced activities, both before they are implemented and during their functioning.

While identifying areas of increased operational risk, the Group gathers information on operating losses, monitors specific key risk indicators serving as an early warning system,

and uses other elements of the process (enabling efficient risk management), such as: regular operational risk inspections (primarily at the field branches of the distribution network), self-assessment of risks, and scenario analyses.

Structure and organisation of units managing operational risk

The Group's operational risk management structure has been approved by the Management Board and implemented throughout the organisation to build all employees' (at various organisational levels) awareness of their responsibilities regarding operational risk. As part of the risk management process, each operating unit is responsible for actively managing operational risk in its respective area of operations.

In addition to observing division of responsibilities among employees, the Group also applies the 'four eyes principle', implemented both in its procedures and IT systems, with the access to such systems being controlled and depending on the employee's scope of responsibilities.

To ensure efficient management of operational risk, the Group has established the Operational Risk Management Department as a dedicated unit responsible for the implementation of the operational risk management strategy.

Scope and type of risk reporting and measurement systems

The Group has defined rules for escalation, reporting and monitoring of operational risk. The identified mitigation measures are monitored until fully implemented.

Operational risk identification takes place at all of the Group's operating areas. The identified risks are then evaluated in terms of potential losses and the possible frequency of such losses. The results obtained in the process of operational risk identification and assessment are monitored on an ongoing basis, analysed and periodically reported to the Group's governing bodies.

The Group annually calculates its operational risk appetite for a given year, representing the level of risk which, given its structure, is acceptable. Specific limits are defined based on the calculated risk appetite, and compliance with the limits is subject to regular monitoring and quarterly reporting.

Methods used to compute the capital required to cover operational risk

The Group applies the Standardised Approach to compute the capital required to cover operational risk.

Losses related to operational risk in 2014−2015 by type and event category

The table below sets forth gross operational losses incurred by the Group in 2014−2015 by event category.

Share in total gross operational losses for the year

Operational event category	2015	2014
1. Internal fraud	0.10%	0.00%
2. External fraud	15.50%	13.30%
3. Employment related principles and workplace safety	5.60%	4.00%
4. Clients, products and operational practices	66.30%	67.10%
5. Losses related to property and equipment	2.00%	0.70%
6. Disruption to operations and system failures	0.30%	0.00%
7. Transaction execution, delivery and operational process management	10.20%	14.90%

Rules of operational risk mitigation; strategies and processes for monitoring the effectiveness of operational risk mitigation methods

In line with the applied structure of operational risk management, the Group implements the operational risk management model in which all employees, in particular organisational unit managers, are responsible for day-to-day risk management, in accordance with their respective scopes of duties and responsibilities. In the course of day-to-day operations, they perform actions mitigating the identified operational risks in their respective areas of responsibility.

Material risks identified at the Group are subject to mitigation measures with specified implementation deadlines, taking into consideration the residual risk remaining after the mitigation measures are applied.

Optimisation of credit risk

The borrower's creditworthiness and the probability of the borrower's default within a specified time horizon are the key factors taken into account in the decision-making process. Moreover, entering into a credit transaction by the Group is conditional on the provision of security, consistent with the parameters and definitions of the credit products offered by the Group. Whether security is required is determined by the assessment of credit risk associated with the client and with the requested transaction; this does not apply to products which by definition require no security. When accepting any specific security, the Group makes an objective assessment of such security in accordance with its internal criteria.

Security provided to the Group in respect of its credit claims is of key importance to minimising unforeseen risks that may materialise in the future in the lending process. The principal objective of taking security is to mitigate the risk of loss by the Group in the case of the borrower's insolvency.

At the stage of credit analysis, the Group always assumes, that the sale of security is substantially tantamount to liquidation of the asset serving as security, therefore any security is valued a priori exclusively from the point of view of its liquidation value.

As a rule, security must be created for the benefit of the Group and perfected before the first disbursement under the loan can be made, and must remain effective throughout the lending period.

The Group has defined a catalogue of forms of security acceptable in the process of approval of credit exposures. Only some of them can be used as credit risk mitigation techniques.

Credit security may take the form of various legal instruments. It may be provided in the form of assets, but also in the form of the security provider's personal liability for repayment of the debt, with the objective of reducing the Bank's risk of loss under granted loans once it comes to debt collection.

Security acceptable to the Group includes:

1. Personal security, based on personal liability of the security provider, including:
   - surety under civil law,
   - promissory note,
   - aval,
   - assignment of claims,
   - accession to debt,
   - assumption of debt,
   - bank guarantee,
   - loan insurance,
   - power of attorney over an account,
   - representation on submission to enforcement.
2. Security interests in assets, where an entity's liability is limited to the value of individual items of its property, including:
   - security transfer of title,
   - pledge over rights,
   - registered pledge,
   - financial pledge,
   - blocking securities registered in a securities account or blocking investment fund units in the unitholder's register,
   - blocking cash in a bank account,
   - security deposit,
   - mortgage.

In choosing a specific form of security, the Bank takes into account such factors as loan repayment period, borrower's legal status, borrower's financial standing and feasibility of disposal of the security.

If the security is a mortgage over property, a senior mortgage status in the relevant land and mortgage register is preferred.

The basic criteria for evaluating the quality of security include its market value, liquidity, the time and cost required to complete the potential debt collection process, as well as the effectiveness of that process. If an asset is to be used as security defined in the credit approval decision for a given exposure, the Group has to be able to register and monitor it in line with separate procedures.

While estimating the value of security, the Group uses liquidation value, which allows it to realistically asses the amount recoverable in the event of the borrower's default.

The liquidation value, which is equal to average expected proceeds from forced sale of the security, is estimated based on minimum standard percentage deductions from market value (haircuts), consistent with the type of the security and indicated in the credit approval decision.

In the case of financing provided to individual and business clients, the haircuts are reviewed on an annual basis.

The Group monitors security received (its value, and loan to value ratio) on an ongoing basis. Security may be monitored even daily, depending on its form and the type of financing provided to the client. If the Group becomes aware that the security it received is inadequate to the secured credit exposure, the client will be required to provide additional security or repay a part of funds owed to the Group.

With respect to capital requirements, the Group uses external creditworthiness assessments made by the following reputable rating agencies to calculate exposure risk weights and required security levels in accordance with the rules adopted for the Standardised Approach:
1. Fitch Ratings;
2. Moody's Investors Service;
3. Standard and Poor's Ratings Services.

The issuer's rating is transposed to non-trading-book items based on the rating of the issuer's country. To this end, the country ratings from the three agencies are compared, and the lowest one is used for the purposes of evaluation.

When calculating capital requirements, the Group uses long-term ratings (including country ratings), representing the debtor's general ability to meet financial obligations (creditworthiness). Borrower ratings are used with respect to exposures to institutions. The Group uses external credit assessments in line with Art. 138 of Regulation No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the CRR Regulation).

In relation to its use of risk mitigation techniques in the calculation of capital requirements for credit risk, the Group divides security into the following categories in line with the CRR Regulation:
1. funded credit protection and
2. unfunded credit protection.

In addition, to determine the value of security and account for it when calculating the credit risk capital requirement using the Standardised Approach, the Group uses the Financial Collateral Comprehensive Method.

In the case of funded credit protection used by the Group, the assets serving as credit risk mitigation are sufficiently liquid (i.e. their net selling price would be similar to their market price), and their long-term value is stable enough to guarantee effective credit protection.

In the Group's opinion, the correlation (the effect of a deterioration of the debtor's creditworthiness on the quality of security) between the value of assets used as credit protection and the creditworthiness of the debtor is not material.

Because the Group uses the Standardised Approach to calculate capital requirements for credit risk, it considers the following types of security as funded credit protection under Art. 197 of the CRR Regulation:

1. cash on deposit with the Bank,
2. cash on deposit in a third-party bank (included in the calculation as unfunded credit protection),
3. debt securities,
4. shares,
5. units in collective investment undertakings.

The Group does not use other financial collateral referred to in Art. 197 of the CRR Regulation.

The Group divides mortgage over property into:

1. mortgage over residential property,
2. mortgage over commercial property.

Exposures secured with mortgages over property are classified under the Standardised Approach as a separate class of exposures secured with mortgages over property, irrespective of whether the security is effective (under Chapter 2 Title II of the CRR Resolution). Consequently, security in the form of mortgage over property is, strictly speaking, not considered a credit risk mitigation technique.

As regards unfunded credit risk protection, the party assuming the obligation is accepted based on its credibility, whereas credit protection agreements are accepted based on their legal effectiveness in relevant jurisdictions.

Because the Group uses the Standardised Approach to calculate capital requirements for credit risk, it considers the following guarantees and sureties as unfunded credit protection under Art. 203 of the CRR Regulation:

The Group does not apply any other unfunded credit protection, as defined in Chapter 4 Title II of the CRR Regulation.

Under Art. 501 of the CRR Regulation, the Group applies a supporting factor for exposures meeting the following criteria:

1. the exposure is classified as retail exposure, or exposure to corporates, or as exposure secured with mortgage over property;
2. the exposure relates to a business entity with annual turnover of less than EUR 50m;
3. to the Group's knowledge, the total amount owed by the obligor client or a group of clients towards the Group, its parents and their subsidiaries, including any exposure in default, except for receivables or contingent receivables secured over residential property, does not exceed EUR 1.5m.

The supporting factor is used for exposures classified as retail exposures, exposures to corporates, or exposures secured with mortgages on property. Exposures in default are excluded.

The table below presents the exposure values (in PLN ’000) as at December 31st 2015 before and after the application of risk mitigation techniques, by exposure class in accordance with the Standardised Approach.

Exposure class	Exposure value before application of risk mitigation techniques	Exposure value after application of risk mitigation techniques
Exposures or contingent exposures to central governments and central banks	6,529,831	6,529,831
Exposures or contingent exposures to regional governments and local authorities	45,676	45,676
Exposures or contingent exposures to public administration bodies and non-business entities	80	80
Exposures or contingent exposures to institutions	1,904,239	1,115,267
Exposures or contingent exposures to businesses	4,753,667	4,627,422
Retail exposures or contingent exposures	14,092,153	14,019,180
Exposures or contingent exposures secured with property	14,563,605	14,556,246
Past due exposures	498,035	497,331
Capital exposures	58,608	58,608
Other	227,284	227,284
Total	42,673,178	41,676,925

Concentration limits provided for in the Banking Law and in the Capital Requirements Regulation (CRR)

Standards and limits imposed under the Banking Law (Art. 71 of the Banking Law), and maximum authorised amounts under its regulations:

1. In accordance with Art. 71 of the Banking Law, the aggregate amount of the Group’s debt claims, off-balance sheet liabilities and shares held by the Group directly or indirectly in another entity, additional contributions to the equity of a limited liability company, or the higher of limited partner contributions or sums in a limited partnership or a limited joint-stock partnership (exposure), exposed to the risk associated with a single entity or entities interconnected with capital or organisational links, may not exceed an exposure concentration limit equal to 25% of the Group’s own funds.

2. Pursuant to Art. 71.1a of the Banking Law, the Group’s exposure towards another domestic bank, credit institution, foreign bank or a group of entities interconnected with capital or organisational links which includes at least one domestic bank, credit institution or foreign bank, may not exceed 25% of the Group’s own funds.

Limits to large exposures under the Capital Requirements Regulation (Article 395 of the CRR):
The Group’s exposure, after taking into account the effect of credit risk mitigation in accordance with Articles 387 to 403 of the CRR Regulation, to a client or group of connected clients may not exceeds 25 % of its eligible capital.

Where a client is an institution or where a group of connected clients includes one or more institutions, the Group’s exposure may not, after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403 of the CRR Regulation, exceed 25 % of the Group’s eligible capital or EUR 150 million, whichever the higher, provided that the sum

of exposures, after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403 of the CRR Regulation, to all connected clients that are not institutions does not exceed 25 % of the institution's eligible capital.

The values subject to maximum authorised limits as at the dates stated were as follows:

in PLN thd	Dec 31 2015	Dec 31 2014
Limit to exposure concentration (25% of own funds) in accordance with Art. 71 of the Banking Law and Art. 395 of the CRR	1,018,399	958,239
Limit to exposure concentration (25% of own funds) in accordance with Art. 71.1a of the Banking Law and Art. 395 of the CRR	1,018,399	958,239

As at December 31st 2015 and December 31st 2014, the Group did not exceed the limits applicable under Art. 71.1 of the Banking Law or Article 395 of the CRR Regulation.

Art. 79a.4 of the Banking Act
As at December 31st 2015 and December 31st 2014, the Group did not exceed the limits applicable under Art. 79a.4 of the Banking Law, stipulating that the aggregate amount of loans, cash advances, bank guarantees and sureties granted to members of governing bodies and persons holding managerial positions at the bank, or to an entity having capital or organisational links to a member of the bank's governing bodies or a person holding a managerial position at the bank, may not exceed 10% of the bank's total required capital.

in PLN thd	Dec 31 2015	Dec 31 2014
The Group's Common Equity capital	4,042,017	3,761,525
10% of the Group's Common Equity capital	404,202	376,152

Internal concentration limits
Moreover, as part of managing its retail credit portfolio, the Group applies the following internal concentration limits:
- Sector limits − to manage the risk of excessive concentration of the credit portfolio in a specific sector of the economy / group of sectors,
- Geographical limits − to manage the risk of excessive concentration of the individual client credit portfolio in any specific province of Poland,
- Currency limits − to manage the risk of excessive portfolio concentrations in terms of the share of loans denominated in foreign currencies,
- Product limits − to manage the risk of excessive concentration of certain products (e.g. loans for the financing of commercial properties) in the credit portfolio,
- Limits concerning quality of the credit portfolio (e.g. limit for past due loan exposures, limit for migration between delinquency classes (periods of delay), limit for early defaults),
- Limits for non-standard transactions − to manage the risk related to transactions made on non-standard terms,
- Limits for the retail credit portfolio,
- Limits for the portfolio of exposures secured with mortgages,
- Limits for the portfolio of exposures under loans provided to finance property.

As at December 31st 2015, the following instances of exceeding the internal limits were identified:
— Early default limit for the portfolio of credit cards for natural persons − as at December 31st, the defaults amounted to 21.83%, or 273% of the limit, and represented defaults under 32 cards, totalling PLN 78 thousand. The majority of past due amounts were repaid after the report date.
— Limit for derogations in the business client exposure portfolio – as at December 31st, derogations amounted to 36.44%, which represented 145.76% of the limit.
— Limit for other derogations in the cash loan portfolio – as at December 31st, derogations amounted to 20.78%, which represented 138.53% of the limit.
— Limit for process derogations in the cash loan portfolio – as at December 31st, derogations amounted to 10.20%, which represented 102.00% of the limit.

Equity management

In accordance with the applicable laws, the Group is required to maintain own funds at a level adequate to its risk exposure and the scale of its business. The measure used to determine capital adequacy is the capital adequacy ratio. Pursuant to the capital-adequacy decision issued for the Parent, the Polish Financial Supervision Authority (PFSA) expects that the Parent will meet the total capital adequacy ratio (CAR) requirement at a minimum level of 12% and the Tier 1 (T1) capital ratio requirement at a level of at least 9%.

The Group manages risk and capital by applying a set of rules and using a specific organisational structure and processes of measurement, control and allocation adjusted to the profile of its business.

The approach used by the Group in risk and capital management is based on the following general principles:
— The Management Board of the Bank exercises overall supervision over the risk and capital management process;
— The Group manages individual risks and capital through coordinated processes, implemented at the relevant organisational units;
— The units involved in the risk control process are organisationally and functionally independent from the business units.

As at December 31st 2015, the capital adequacy ratio was calculated in accordance with the principles set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended, (the CRR Regulation) and the Commission Implementing Regulation (EU) No 2015/1278 of July 9th 2015 amending the Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council (the ITS Regulation).

The Group allocates its operations to the trading book and the non-trading (banking) book, in accordance with the provisions of the CRR Regulation, in particular Article 4 and Chapter 3 of Title I of Part Three of the CRR Regulation.

The scale of trading operations of the Group is significant. Thus, in accordance with Article 94 of the CRR Regulation, the exemption relating to small-scale operations included in the trading portfolio does not apply.

Given the above, the total risk exposure amount, in accordance with the provisions of Article 92 of the CRR Regulation, represents the sum of:

1. the risk-weighted exposure amounts for credit risk, calculated in accordance with Chapter 2 of Title II of Part Three of the CRR Regulation, in respect of all the business activities of the Group, excluding risk-weighted exposure amounts from the trading book business of the institution;
2. the own funds requirements multiplied by 12.5, determined in accordance with Title IV of Part Three of the CRR Regulation, for the trading-book business of the institution, for the following:
   - position risk;
   - large exposures exceeding the limits specified in Articles 395 to 401, to the extent the institution is permitted to exceed those limits;
3. the own funds requirements multiplied by 12.5, determined in accordance with Title IV or Title V with the exception of Article 379, as applicable, for the following:
   - currency risk (including risks other than the delta risk associated with options) – determined in accordance with Chapter 3 of Title IV of Part Three of the CRR Regulation;
   - commodity risk (including risks other than the delta risk associated with options) – determined in accordance with Chapter 4 of Title IV of Part Three of the CRR Regulation;
   - settlement/delivery risk – determined in accordance with Title V of Part Three of the CRR Regulation;
4. the own funds requirements for credit valuation adjustment risk of derivative instruments multiplied by 12.5 – determined in accordance with Title IV of Part Three of the CRR Regulation;
5. the own funds requirements for operational risk multiplied by 12.5 – determined in accordance with Title III of Part Three of the CRR Regulation;
6. the risk weighted exposure amounts, determined in accordance with Chapter 6 of Title II of Part Three of the CRR Regulation, for counterparty risk arising from the trading book business of the Group for the following types of transactions and agreements:
   - contracts listed in Annex II to the CRR Regulation and credit derivatives;
   - repurchase transactions, securities or commodities lending or borrowing transactions based on securities or commodities;
   - margin lending transactions based on securities or commodities;
   - long settlement transactions.

As at December 31st 2015, the total risk exposure amount was PLN 27,925,436 thousand and comprised:

- risk-weighted exposure amounts for credit risk, counterparty risk, dilution risk and free deliveries − PLN 25,873,001 thousand;
- exposure amount for settlement/delivery risk − PLN 0;
- exposure amounts for position risk, currency risk and commodity risk − PLN 83,563 thousand;
- exposure amount for operational risk − PLN 1,970,585 thousand;

- additional risk exposure amount related to fixed overheads − PLN 0;
- exposure amount for credit value adjustment risk − PLN 3,777 thousand;
- exposure amount for risk relating to debt exposures in the trading book − PLN 0;
- other risk exposure amounts − 0 PLN.

The Group's own funds

Rules of computing own funds

In accordance with the provisions of the Banking Law and Regulation 575/2013, the Group's own funds comprise:
- Common Equity Tier 1 capital
- Additional Tier 1 capital
- Tier 2 capital

The Group's Common Equity Tier 1 capital is composed of:
1. capital instruments, provided that the conditions stipulated in Art. 28 of the CRR Regulation are met, together with the related share premium;
2. retained earnings;

   Profit for the current period or profit for the year is included in Common Equity Tier 1 capital exclusively if:
   - the profit has been approved by the Bank's General Meeting of Shareholders, or
   - the Group has obtained the Financial Supervision Authority's approval for including the profit into the Group's own funds, having met the conditions stipulated in Art. 26.2 of CRR Regulation.

3. accumulated other comprehensive income, including unrealised gains/losses on remeasurement of the portfolio of financial instruments available for sale (AFS) measured at fair value;
4. capital reserve;
5. general banking risk fund.

The Group's Additional Tier 1 capital is composed of:
capital instruments, provided that the conditions stipulated in Art. 52.1 of the CRR Regulation are met, together with the related share premium, after deductions required under Art. 56 of the CRR Regulation and after the application of Art. 79 of the CRR Regulation. Those instruments do not qualify as Common Equity Tier 1 (CET1) or Tier 2 capital.

Currently, the Group holds no instruments which would qualify as Additional Tier 1 (AT1) capital.

The Group's Tier 2 capital is composed of:
- capital instruments and subordinated loans, together with the related share premium, provided that the conditions stipulated in Art. 63 of the CRR Regulation are met.

The extent to which Tier 2 instruments qualify as Tier 2 items during the final five years of maturity of the instruments is calculated in accordance with Art. 64 of CRR Regulation by multiplying the result derived from the calculation in point (a) by the amount referred to in point (b) as follows:

a) par/nominal value of the instruments or subordinated loans on the first day of the final five year period of their contractual maturity divided by the number of calendar days in that period;
b) the number of remaining calendar days of contractual maturity of the instruments or subordinated loans.

As at December 31st 2015, the Parent used a subordinated loan meeting all the criteria defined in Art. 63 of the CRR Regulation and maturing in less than five calendar years. Accordingly, the loan qualifies as Tier 2 instrument, in an amount defined in accordance with Art. 64 of CRR Regulation.

in PLN thd	Amount on the disclosure date	(B) Reference to Articles of Regulation (EU) No. 575/2013
Common Equity Tier 1 (CET 1) capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	3,176,815	Art. 26.1, Art. 27, Art. 28 and Art. 29, EBA's list referred to in Art. 26.3
including: type 1 instrument	3,176,815	Art. 26.1, Art. 27, Art. 28 and Art. 29, EBA's list referred to in Art. 26.3
2 Retained earnings	-	Art. 26.1.c)
3 Accumulated other comprehensive income (and other reserves)	846,916	Art. 26.1
3a Funds for general banking risk	43,490	Art. 26.1.f)
6 Common Equity Tier 1 capital before regulatory adjustments	4,067,221	
Common Equity Tier 1 capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(5,731)	
8 Intangible assets (net of related tax liabilities) (negative amount)	(89,556)	Art. 36.1.b), Art. 37l, Art. 472.4
18 Direct, indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities, where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	
26a Regulatory adjustments relating to unrealised gains and losses pursuant to Art. 467 and 468 CRR;	(15,914)	Art. 467 and 468
including: ...filter for unrealised loss 1		
including: ...filter for unrealised loss 2		
including: ...filter for unrealised gain 1		
including: ...filter for unrealised gain 2		
28 Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital	(111,201)	
29 Common Equity Tier 1 (CET 1) capital	3,956,019	
Additional Tier 1 (AT1) capital: instruments		
Additional Tier 1 (AT1) capital: regulatory adjustments		
Tier 2 (T2) capital: instruments and provisions		
46 Capital instruments and the related share premium accounts	117,576	Art. 62-65
51 Tier 2 (T2) capital before regulatory adjustments	117,576	
Tier 2 (T2) capital: regulatory adjustments		
57 Total regulatory adjustments to Tier 2 (T2) capital		
58 Tier 2 (T2) capital	117,576	
59 Total capital (TC = T1 + T2)	4,073,595	
59a Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. residual amounts specified in CRR)	27,925,436	
60 Total risk-weighted assets	27,925,436	
Capital ratios and buffers		
61 Common Equity Tier 1 capital ratio (as a percentage of total risk exposure amount)	14.17%	Art. 92.2.a), Art. 465
62 Tier 1 capital ratio (as a percentage of total risk exposure amount)	14.17%	Art. 92.2.b), Art. 465
63 Total capital ratio (as a percentage of total risk exposure amount)	14.59%	Art. 92.2.c)
Capital ratios and buffers		
Amounts below the thresholds for deduction		
72 Direct and indirect holdings of the capital of financial sector entities, where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	38,182	
73 Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities, where the institution has a significant investment in those entities (amount below10% threshold and net of eligible short positions)	-	Art. 36.1.i), Art. 45, Art. 48, Art. 470, Art. 472.11
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related deferred tax liability, where the conditions set out in Art. 38.3 of CRR are met)	11,484	Art. 36.1.c), Art. 38, Art. 48, Art. 470, Art. 472.5
Applicable caps on the inclusion of provisions in Tier 2 capital		
Capital instruments subject to phase-out arrangements (applicable exclusively from January 1st 2014 to January 1st 2022)		

		Instrument I: Shares comprising CET 1 capital	Instrument II: Subordinated loan
1	Issuer	Deutsche Bank Polska S.A.	Deutsche Bank (Malta) Ltd
2	Unique ID code (e.g. CUSIP, ISIN or Bloomberg code of non-public offerings)	Series I – XXI shares	Subordinated loan agreement
3	Governing law(s) for the instrument	Polish	Maltese
	Disclosed under regulatory capital	Yes	Yes
4	Transitional rules set out in the CRR	Common Equity Tier 1 capital Partial reclassification of the issue to lower category of capital – not applicable	Tier 2 (T2) capital
5	Rules set out in the CRR applicable after the transitional period	Common Equity Tier 1 (CET 1) capital	Tier 2 (T2) capital
6	Eligible at a separate or (sub-consolidated) / at a separate and (sub-consolidated) level	Eligible at a separate and consolidated level	Eligible at a separate and consolidated level
7	Type of instrument (types specified in compliance with the legal system)	Ordinary shares. Classification – Common Equity Tier 1 instrument in accordance with Art. 28 of the Regulation (EU) No. 575/2013	Subordinated loan
8	Amount recognised under regulatory capital (PLN '000, as at the end of the most recent reporting period)	PLN 3,176,815 thousand	PLN 117,576 thousand
9	Par/nominal value of the instrument	PLN 2,651,449 thousand	EUR 55,000 thousand
9a	Issue price	PLN 3,176,815 thousand	not applicable
9b	Redemption price	Not applicable	EUR 55,000 thousand
10	Classification for accounting purposes	Equity	Subordinated loan
11	Original issue date	November 4th 1991	July 4th 2008
12	Issued for indefinite or definite period	Indefinite	Definite
13	Original maturity	No maturity	July 4th 2018
14	Option to be redeemed at the issuer's request, if approved by supervisory bodies	No	No
	Coupons / dividend	Dividend	Coupon
17	Floating or fixed dividend / coupon	Floating	Floating
18	Interest rate and any related ratio	Not applicable	Not applicable
19	Existence of recorded rights not to pay dividend	Yes	Not applicable
20a	Fully discretionary, partially discretionary or mandatory (with respect to term)	Partially discretionary; reasons: – Shareholder decisions; – performance; – administrative decisions	Not applicable
20b	Fully discretionary, partially discretionary or mandatory (with respect to amount)	Partially discretionary; reasons: – Shareholder decisions; – performance; – administrative decisions	Not applicable
23	Convertible or non-convertible	Non-convertible	Non-convertible
30	Impairment losses reducing value	No	No
36	Incompatible transitional features	No	No

Capital adequacy in 2014–2015

in PLN thd	Dec 31 2015	Dec 31 2014
Common Equity capital	4,042,017	3,761,525
Deductions from Common Equity capital	(96,529)	(93,026)
Additional capital	128,108	164,458
Own funds	4,073,596	3,832,956
Capital adequacy of the Bank		
Capital requirements for credit risk, counterparty risk, dilution risk and free deliveries	2,069,569	2,005,710
Capital requirements for settlement/delivery risk	-	-
Capital requirements for position risk, currency risk and commodity risk	6,685	14,279
Capital requirements for operational risk	157,647	162,029
Capital requirements for fixed overheads	-	-
Capital requirements for credit value adjustment	134	270
Capital requirements for debt exposure in the trading book	-	-
Requirements for other risk exposures	-	-
Total capital requirement	2,234,035	2,182,288
Total capital ratio (%)*	14.59%	14.05%

* Since January 1st 2014, the CRR Regulation has applied to own funds calculation and capital adequacy calculation. The capital adequacy ratio (formerly: solvency ratio) as at December 31st 2014 and as at December 31st 2015 was computed in accordance with guidelines provided for in the CRR Regulation.

in PLN thd	Dec 31 2015
Tier 1 (T1) capital	3,956,019
Common Equity Tier 1 (CET 1) capital	3,956,019
Additional Tier 1 (AT1) capital	-
Tier 2 (T2) capital	117,576
Total own funds	4,073,595
Total capital requirement	2,234,035
CET1 capital ratio	14.17%
T1 capital ratio	14.17%
Total capital ratio (%)	14.59%

As at December 31st 2015, the capital adequacy ratio was materially affected by the inclusion of the 2014 net profit in the Group’s own funds, in accordance with a relevant resolution of the General Meeting.

Calculation of capital requirement for credit risk

To calculate capital requirement for credit risk as at December 31st 2015, the Group used the Standardised Approach.

Exposure class

in PLN thd	Total exposure	Average exposure
Exposures or contingent exposures to central governments and central banks	6,529,815	5,692,208
Exposures or contingent exposures to regional governments and local authorities	37,709	47,476
Exposures or contingent exposures to public administration bodies and non-business entities	40	2,228
Exposures or contingent exposures to institutions	867,994	1,111,154
Exposures or contingent exposures to businesses	3,360,662	2,824,787
Retail exposures or contingent exposures	13,089,541	7,185,299
Exposures or contingent exposures secured with property	14,456,534	20,554,698
Past due exposures	477,917	440,915
Capital exposures	38,182	25,054
Other	227,284	247,225
Total	39,085,677	38,131,043

Calculation of capital requirement for credit risk (*) as at Dec 31 2015

Exposure by class: in PLN thd		Weight of risk corresponding to exposure class	Risk-weighted amount	Capital requirement
I	Central governments and central banks	250%	28,808	2,305
II	Regional governments and local authorities	20%	7,542	603
III	Public administration bodies and non-business entities		20	2
		50%	20	2
		100%	-	-
IV	Multilateral development banks		-	-
V	International organisations		-	-
VI	Institutions – banks		247,586	19,807
		2%	120,624	9,650
		20%	53,984	4,319
		50%	70,139	5,611
		100%	2,839	227
		150%	-	-
VII	Businesses	100%	3,157,488	252,599
VIII	Retail		10,950,953	876,076
		75%	5,419,870	433,590
		100%	5,531,083	442,487
IX	Secured with property		10,595,001	847,600
		20%	-	
		35%	1,977,359	158,189
		75%	-	-
		100%	8,617,642	689,411
X	Past due		589,623	47,170
		75%	-	-
		100%	251,149	20,092
		150%	338,474	27,078
XI	Exposures classified in high-risk supervisory categories			
XII	Secured bonds			
XIII	Short-term exposures to banks and businesses			
XIV	Exposures under membership in collective investment institutions			
XV	Capital exposures		38,182	3,055
		100%	38,182	3,055
		250%	-	-
XVI	Other exposures		112,417	8,993
		20%	949	76
		100%	111,468	8,917
Total			25,727,620	2,058,210

* The amounts include neither risk-weighted assets nor counterparty credit risk requirements.

Calculation of capital requirement for credit risk (*)
As at Dec 31 2014

Exposure by class: in PLN thd	Weight of risk corresponding to exposure class	Risk-weighted amount	Capital requirement
I Central governments and central banks	250%	69,164	5,533
II Regional governments and local authorities	20%	11,096	888
III Public administration bodies and non-business entities		2,217	177
	50%	20	2
	100%	2,197	176
IV Multilateral development banks		-	-
V International organisations		-	-
VI Institutions – banks		97,054	7,764
	2%	849	68
	20%	37,035	2,963
	50%	8,049	644
	100%	48,138	3,851
	150%	2,983	239
VII Businesses	100%	2,131,991	170,559
VIII Retail		3,946,385	315,711
	75%	2,788,095	223,048
	100%	1,158,290	92,663
IX Secured with property		17,989,880	1,439,190
	20%	-	
	35%	1,556,464	124,517
	75%	2,343,803	187,504
	100%	14,089,613	1,127,169
X Past due		530,677	42,454
	75%	-	-
	100%	252,648	20,212
	150%	278,029	22,242
XI Exposures classified in high-risk supervisory categories			
XII Secured bonds			
XIII Short-term exposures to banks and businesses			
XIV Exposures under membership in collective investment institutions			
XV Capital exposures		10,941	875
	100%	344	28
	250%	10,597	848
XVI Other exposures		120,959	9,692
	20%	-	15
	100%	120,959	9,677
Total		24,910,365	1,992,844

* The amounts include neither risk-weighted assets nor counterparty credit risk requirements.

Quantitative data on the structure of initial gross exposures as at December 31st 2015

Geographical structure of exposures as at December 31st 2015

Exposure class in PLN thd	PL	DE	GB	IT	CHF	OTHER	Total
1 Exposures or conditional exposures to central governments and central banks	6,605,180	-	-	-	-	-	6,605,180
2 Exposures or conditional exposures to regional governments and local authorities	45,753	-	-	-	-	-	45,753
3 Exposures or conditional exposures to public administration bodies and non-business entities	80	-	-	-	-	-	80
7 Exposures or conditional exposures to institutions	191,952	1,230,741	172,022	59,612	20,732	206,074	1,881,133
8 Exposures or conditional exposures to businesses	4,662,477	34,574	30,651	-	20,000	20,723	4,768,425
9 Retail exposures or conditional exposures	14,073,230	12,611	9,481	2,157	8,938	17,540	14,123,957
10 Exposures or conditional exposures secured with property	14,506,994	18,182	13,449	2,971	10,319	24,951	14,576,866
11 Past due exposures	1,033,802	144	815	5	-	441	1,035,207
15 Other	405,548	-	-	-	-	-	405,548
14 Capital exposures	38,182	-	-	-	-	-	38,182
Total	41,563,198	1,296,252	226,418	64,745	59,989	269,729	43,480,331

Structure of exposures by client type as at December 31st 2015

Exposure class in PLN thd	Natural persons	Businesses	Banks	Central banks	Other	Total
1 Exposures or conditional exposures to central governments and central banks	-	-	-	5,985,912	619,268	6,605,180
2 Exposures or conditional exposures to regional governments and local authorities	(279)	-	-	-	46,032	45,753
3 Exposures or conditional exposures to public administration bodies and non-business entities	-	-	-	-	80	80
7 Exposures or conditional exposures to institutions	3,236	-	1,718,585	-	159,312	1,881,133
8 Exposures or conditional exposures to businesses	379,773	4,387,349	651	-	652	4,768,425
9 Retail exposures or conditional exposures	12,762,705	1,358,883	-	-	2,369	14,123,957
10 Exposures or conditional exposures secured with property	13,057,652	1,510,513	-	-	8,701	14,576,866
11 Past due exposures	660,155	374,966	86	-	-	1,035,207
15 Other	-	-	17	-	405,531	405,548
14 Capital exposures	-	-	-	-	38,182	38,182
Total	26,863,242	7,631,711	1,719,339	5,985,912	1,280,127	43,480,331

Residual maturities for individual exposure classes as at December 31st 2015

Exposure class

in PLN thd	<1M	>1M-3M	>3M-6M	>6M-1R	>1R-5L	>5L	Total
1 Exposures or conditional exposures to central governments and central banks	6,072,784	-	-	-	458,018	74,378	6,605,180
2 Exposures or conditional exposures to regional governments and local authorities	4,220	3,500	2,269	897	6,338	28,529	45,753
3 Exposures or conditional exposures to public administration bodies and non-business entities	-	-	-	-	80	-	80
7 Exposures or conditional exposures to institutions	916,105	360,628	125,572	191,130	217,955	69,743	1,881,133
8 Exposures or conditional exposures to businesses	301,851	395,613	1,497,441	1,047,924	794,820	730,776	4,768,425
9 Retail exposures or conditional exposures	115,252	264,712	339,022	554,433	1,434,808	11,415,730	14,123,957
10 Exposures or conditional exposures secured with property	45,721	75,095	170,189	244,708	504,274	13,536,879	14,576,866
11 Past due exposures	787,285	3,817	16,714	14,207	98,110	115,074	1,035,207
15 Other	405,548	-	-	-	-	-	405,548
14 Capital exposures	17,756	-	-	-	-	20,426	38,182
Total	8,666,522	1,103,365	2,151,207	2,053,299	3,514,403	25,971,109	43,480,331

Impaired and past-due exposures by client type as at December 31st 2015.

Customer type / industries

in PLN thd	Natural persons	Businesses	Banks	Total
Impaired exposures	573,949	356,281	-	930,230
Past due exposures	1,086,202	319,168	-	1,405,370
Specific credit risk adjustment	477,083	261,540	146	738,769

Geographical structure of impaired and past-due exposures by country and province as at December 31st 2015

Country / province

in PLN thd	Poland	United Kingdom	Denmark	Germany	Other	Total
Impaired exposures	928,804	815	365	209	38	930,231
Past due exposures	1,402,309	815	365	209	1,672	1,405,370
Specific credit risk adjustment	737,323	827	200	286	132	738,769

Reconciliation of changes in impairment losses for impaired exposures

in PLN thd	As at Dec 31 2014	Increase: Recognition of impairment loss	Increase: Other	Decrease: Writing off the assets from the balance sheet	Decrease: Reversal of impairment losses	Decrease: Other	As at Dec 31 2015.	Change in the period
Amounts due from banks	19	141	-	-	-	-	160	141
Loans and advances to businesses	502,242	242,707	-	-	-	-	744,949	242,707
Total	502,261	242,848	-	-	-	-	745,109	242,848

Calculation of capital requirement for operational risk

To calculate capital requirement for operational risk in 2015, the Group used the Standardised Approach, in accordance with the regulations of Part Three, Title III, Chapter 3 of the CRR Regulation.

Profit/loss by business line for the purposes of calculating capital requirement for operational risk

in PLN thd

Risk weight	Business line	2014	2013*	2012*
18%	Corporate finance	(5,787)	3,176	4,171
18%	Sale and trading	82,703	66,080	237,577
12%	Retail brokerage	294,561	86,769	53,283
15%	Commercial banking	773,877	303,376	221,849
12%	Retail banking	29,739	630,292	666,616
18%	Payment and settlement	2,545	26,945	24,997
15%	Agency services	16,722	3,928	2,023
12%	Asset management	238	238	198
	Total	1,194,598	1,120,804	1,210,714

* Restated data includes the aggregated data of the Deutsche Bank Polska Group and Deutsche Bank PBC S.A. prior to the legal merger of the banks to provide the basis for the calculation of the 2014 capital requirement for the Bank's post-merger operations.

Capital requirement for operational risk

in PLN thd

Risk weight	Business line	2015
18%	Corporate finance	94
18%	Sale and trading	23,182
12%	Retail brokerage	17,385
15%	Commercial banking	64,955
12%	Retail banking	53,066
18%	Payment and settlement	3,269
15%	Agency services	1,134
12%	Asset management	27
	Total	163,112

Operational risk

Operational risk management strategy and process at the Group

Operational risk is understood as the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events, including legal risk. The definition of operational risk does not cover business risk and reputational risk.

The Group's operational risk management strategy defines the key processes necessary to manage operational risk. The degree of the strategy's formalisation and complexity is adjusted to the specific character of the Group's operations and its current and target risk profile.

The Group manages operational risk in accordance with applicable laws, including Resolutions and Recommendations of the Polish Financial Supervision Authority.

In order to align the risk management process with the types and scale of its operations, the Group has implemented an integrated operational risk management process comprising the following components:

- risk identification,
- risk analysis and assessment to evaluate exposure,
- response, i.e. choosing and taking measures appropriate to the exposure (limitation, transfer, acceptance, avoidance),
- risk monitoring,
- reporting risk analysis and assessment results in a systematic manner,
- defining process participants and their functions, duties and scopes of responsibility.

Using appropriate procedures, an analysis is carried out to identify and assess operational risks involved in products, bank processes and outsourced activities, both before they are implemented and during their functioning.

While identifying areas of increased operational risk, the Group gathers information on operating losses, monitors specific key risk indicators serving as an early warning system, and uses other elements of the process (enabling efficient risk management), such as: regular operational risk inspections (primarily at the field branches of the Group's distribution network), self-assessment of risks, and scenario analyses.

Structure and organisation of units managing operational risk at the Group

The Group's operational risk management structure has been approved by the Management Board of the Bank, and implemented throughout the organisation to build all employees' (at various organisational levels) awareness of their responsibilities regarding operational risk. As part of the risk management process, each of the Group's operating units is responsible for actively managing operational risk in its respective area of operations.

In addition to observing division of responsibilities among employees, the Group also applies the 'four eyes principle', implemented both in its procedures and IT systems, with the access to such systems being controlled and depending on the employee's scope of responsibilities.

To ensure efficient management of operational risk, the Group has established the Operational Risk Management Department as a dedicated unit responsible for the implementation of the operational risk management strategy.

Scope and type of risk reporting and measurement systems

The Group has defined rules for escalation, reporting and monitoring of operational risk. The identified mitigation measures are monitored until fully implemented.

Operational risk identification takes place at all of the Group's operating areas. The identified risks are then evaluated in terms of potential losses and the possible frequency of such losses. The results obtained in the process of operational risk identification and assessment are monitored on an ongoing basis, analysed and periodically reported to the Group's governing bodies.

The Group annually calculates its operational risk appetite for a given year, representing the level of risk which, given its structure, is acceptable to the Group. Specific limits are defined based on the calculated risk appetite, and compliance with the limits is subject to regular monitoring and quarterly reporting.

Losses related to operational risk in 2015 and 2014 by type and event category

The table below sets forth gross operational losses incurred by the Group in 2014−2015 by event category.

Share in total gross operational losses for 2015 and 2014

Operational event category	2015	2014
Internal fraud	0.10%	0.0%
External fraud	15.50%	13.3%
Employment related principles and workplace safety	5.60%	4.0%
Clients, products and operational practices	66.30%	67.1%
Losses related to property and equipment	2.00%	0.7%
Disruption to bank operations and system failures	0.30%	0.0%
Transaction execution, delivery and operational process management	10.20%	14.9%

Rules of operational risk mitigation; strategies and processes for monitoring the effectiveness of operational risk mitigation methods

In line with the applied structure of operational risk management, the Group implements the operational risk management model in which all employees, in particular organisational unit managers, are responsible for day-to-day risk management, in accordance with their respective scopes of duties and responsibilities. In the course of day-to-day operations, they perform actions mitigating the identified operational risks in their respective areas of responsibility.

Material risks identified at the Group are subject to mitigation measures with specified implementation deadlines, taking into consideration the residual risk remaining after the mitigation measures are applied.

Capital buffers

Not applicable as at the date of these financial statements.

Leverage

The Bank calculates its leverage ratio (LR) in line with the definition included in Part Seven of the CRR as the institution's capital measure divided by its total exposure measure. The ratio is expressed as a percentage.

In accordance with Art. 429.3 of the CRR, the capital measure used for the purposes of calculation of the leverage ratio is the Bank's Tier 1 capital, as defined in Art. 25 of the CRR.

In the transition period from January 1st 2014 to December 31st 2021, in line with the derogation specified in Art. 499.1 of the CRR, the Bank calculates and reports the leverage ratio by using both of the following as the capital measure:

- Tier 1 capital – fully implemented definition,
- Tier 1 capital – transitional definition (calculated taking into account the transition periods described in Chapter 1 and 2 of Title I of Part Ten of the CRR).

In accordance with Art. 429.4 of the CRR, the total exposure measure for the purposes of calculation of the leverage ratio is the sum of the exposure values of all assets and off-balance sheet items not deducted from the Bank's Tier 1 capital.
The CRR does not specify any minimum allowable level of the leverage ratio. Until relevant official guidelines are implemented, the Bank will apply its internal leverage ratio limit. The limit is not lower than the 3% proposed for the leverage ratio by the Basel Committee.
As at December 31st 2015, the leverage ratio calculated in accordance with the above method was:

- with the fully implemented Tier 1 capital definition applied: 9.29%,
- with the transitional Tier 1 capital definition applied: 9.25%.

Rules for computing internal capital

The Group defines internal (economic) capital as the amount estimated by the Group as necessary to cover all the identified material risks (measured quantitatively and qualitatively) inherent in its operations and changes in the economic environment, taking into account the forecast risk levels.

At the Group, given its business profile, internal capital represents the sum of regulatory capital requirements plus capital requirements for material risks measured using qualitative and quantitative methods and not covered, fully or partially, by the minimum regulatory capital requirement.

Therefore, in line with the adopted process, the Group identified all risks to which it is exposed and determined their materiality.

Given the specific characteristics of the applied internal capital model, the additional, non-regulatory, capital covers the capital requirement for general interest rate risk and currency risk.

At the same time, apart from the management of material qualitative risks through risk measurement and monitoring, in order to include other risks measured qualitatively in the Group's overall equity position, the internal capital amount is additionally increased by the total capital requirement for the coverage of those risks in the amount equal to the weighted average of risk weights for all business lines used in the calculation of the capital requirement for operational risk.

In the course of 2015, the amount of own funds significantly exceeded the internal capital amount, providing a substantial safety margin.

Human resources and corporate social responsibility

Human resources management

As at December 31st 2015, the headcount at Deutsche Bank Polska S.A. was 2,432 (including employees on maternity leaves, unpaid parental leaves, and employees absent from work for other justified reasons).

Recruitment process and talent acquisition

The Deutsche Bank Polska Group has an active recruitment policy, designed primarily to acquire qualified employees, who are crucial to the achievement of the Group's business objectives. Employees are recruited from the internal and external labour market. The recruitment process is transparent and is carried out with the use of proven techniques and various tools (including AC, tests, tasks). The recruitment procedure is characterised by a high level of standardisation of recruitment activities and continuous improvement of their efficiency.

In 2015, to achieve greater recruitment efficiency the Group cooperated with employment agencies across Poland, a number of advertisement websites, and external head hunting companies, and as part of networking activities candidates were recruited through social media and referrals. Employer branding activities were continued and involved, among other things, cooperation with the 'Kariera w finansach' website, which addresses job offers to students and graduates interested in working in the financial sector.

In 2015, for the third time the Bank received the award 'Reliable Employer in the Financial Sector 2015' in recognition of its HR management achievements.

Remuneration policy

The Deutsche Bank Polska Group has a rational, balanced and verifiable remuneration policy, and it keeps it consistent with the strategy, acceptable risk levels, standards, and the Group's key values. The remuneration policy reflects the Group's client-oriented approach combined with a focus on the achievement of the organisation's long-term objectives.

The key component of employee remuneration at the Deutsche Bank Polska Group is the base salary. The amount of the base salary is dependent in particular on the scope of duties assigned to a given position, the type of work performed, employee's qualifications, the amount and quality of work performed, scope of responsibility, and the budget of the employee's organisational unit. The Human Resources Development Department esti-

mates the remuneration payable in respect of each position, ensuring its competitiveness based on the best market practices (for instance, taking into consideration remuneration reports prepared by top consultancy firms).

The amount of the base salary results from the employee's pay grade and the corresponding monthly pay rate based on the table of jobs, required qualifications and base salary rates, contained in the appendix to the remuneration rules.

An incentive tool used to improve the efficiency and quality of work is individual discretionary bonuses to employees with outstanding performance.

Another aspect of remuneration management is the variable component remuneration policy applicable to persons holding management positions at the Deutsche Bank Polska Group. The policy, approved by the Supervisory Board in 2012, was implemented under Resolution No. 258/2011 of the Polish Financial Supervision Authority of October 4th 2011. It supports conservative and stable risk, capital and liquidity management, and plays a special role in promoting the interests of the Group, its shareholders, investors and other stakeholders, in the long-term horizon. The policy is addressed to management staff who have a particularly important and important influence on the Deutsche Bank Polska Group's risk profile.

The variable portion of the remuneration of persons holding management positions depends on the results of their individual evaluation, as well as the performance of their organisational unit and of the Group as a whole. Individual evaluation is performed on the basis of the employee evaluation procedure in place at the Group. The variable remuneration component amounts are reviewed every year by the Remuneration Committee, a consulting and advisory body supporting the Supervisory Board.

Training and professional development programmes

In 2015, in line with its strategy the Group carried out training sessions and professional development initiatives. The Group's policy in this area was aimed at:

— helping new employees to adapt to the Group's organisational culture and ensuring that they quickly learn how to use the knowledge and skills required to perform their daily duties;
— ensuring continuous development of skills of the Sales Network employees to facilitate achievement of the sales plans and targets, and strong skills of the Sales Network and Head Office managers, contributing to effective management of employees and teams, compliance with the Group's values and principles,
— implementation of professional development activities in harmony with the 70-20-10 model.

In 2015, 1,727 persons participated in an aggregate of 586 training groups. The time they devoted to learning new skills totalled nearly 6 thousand days. The average number of hours per FTE spent on training and professional development was 22 hours. 55% of the training sessions were conducted by internal coaches, who included employees of the Human Resources Development Department and banking professionals. Other forms of training, in particular individual sessions, were conducted by external firms. The training programmes were characterised by high quality, as evidenced by the high scores they

received from the participants. The average total score given by respondents was 5.23, having improved compared with the last year's figure (on a 1 to 6 scale where 1 is the lowest and 6 is the highest mark).

As planned, professional development initiatives covered three key areas:
— introductory trainings,
— the Sales Academy for employees of the Individual and Business Client Areas,
— development of management skills.

In 2015, 38 introductory training courses were held, attended by 353 employees, who devoted in aggregate 2,789 man-days to the training. The trainings were addressed to employees of the Sales Network of the Individual and Business Client Areas and the Head Office – each group took part in a separate course adjusted to its individual needs. The average score for introductory trainings in 2015 was 5.13, on a 1 to 6 scale. In 2015, 180 Sales Academy trainings were carried out, completed by 1,188 employees. The time they devoted to advancing their skills was 1,227 man-days. The Sales Academy trainings held in 2015 covered subjects corresponding to the market requirements and business needs and included: Co-management – strong instruction skills, coaching in sales, effective telephone conversation. Private Banking managers also participated in the prestigious EFA EFPA programme. An important element of the Sales Academy was that some training sessions were run by specially prepared Regional Heads and selected Branch Heads. This approach had been implemented in previous years and was continued in 2015. The Sales Academy trainings received a very high score in the opinion survey: 5.43, on a 1 to 6 scale. Trainings for managers in 2015 were attended by 189 employees, who could choose from a range of training courses, workshops and other forms of professional advancement. In 2015, three training groups were set up as part of the Academy for Head Office managers. In an effort to implement global standards and best practices, in the fourth quarter of 2015 two training groups were established as part of the Management Fundamentals professional development programme addressed to new managers from the entire DB Group. In 2015, following an employee opinion poll, a programme addressed to experienced Head Office managers was launched to improve partnership relations by using coaching as a management style. The programme's objective is to enhance leadership and management skills at the Group. Development of coaching skills of Head Office managers is consistent with the coaching approach being implemented in the Sales Network. The programme will be continued next year. The average score assigned to trainings for managers in 2015 was 5.13, on a 1 to 6 scale. Face-to-face trainings were supported by e-learning courses, which in 2015 were completed by 3,315 participants. Also, various other forms of professional advancement were made available to employees free of charge, including workshops and meetings run by Internal Coaches and HR Advisors, individual coaching sessions for managers, parent coaching, webinars supporting the effectiveness of professional development programmes, and trainings organised by the NBP on how to recognise new security features incorporated into banknotes.

Employee relation management

In June 2015, another opinion poll was conducted among the Deutsche Bank's employees in Poland. It focused on how the corporate values were perceived and followed in day-to-day work. After the poll results were received, meetings of senior management with employees were organised to discuss the results and work out initiatives that would

address the main areas where change was required. Deutsche Bank is involved in various initiatives designed to reinforce attitudes and behaviour reflecting the corporate values and to enhance employee engagement.

In November 2015, the sixth Diversity Week was organised, a global initiative highlighting the role of tolerance and openness to diversity in the organisation's culture. Its central theme was the role of diversity in improving efficiency. The Diversity Week featured 15 events, such as workshops, meetings, competitions, etc., which were attended by 2,516 employees, a record-breaking turnout.

Variable component remuneration policy

Qualitative information

Information on the decision-making process used for determining the remuneration policy, as well as the number of meetings held during the financial year by the main body in charge of supervision of the remuneration policy, including, where applicable, information on the composition and scope of responsibilities of the remuneration committee, external consultant whose services were used in determining the remuneration policy, as well as the roles of any parties concerned

Pursuant to Resolution No. 258/2011 of the Polish Financial Supervision Authority of October 4th 2011, in 2012 Deutsche Bank Polska S.A. ("Bank") implemented (using support of an external consultant, Ernst & Young Polska), and the Supervisory Board approved, a Variable Remuneration Component Policy applicable to persons in management positions at Deutsche Bank Polska S.A. ("Policy") who determine and have an important influence on the Bank's risk profile.

All positions at the Bank were reviewed in relation to the key risks managed at the Bank. Based on the review, management positions that have an important influence on the Bank's risk profile. The list of management positions that have an important influence on the Bank's risk profile was approved by the Supervisory Board and forms Appendix 3 to the Policy.

In 2012, the Remuneration Committee was established at the Bank pursuant to Par. 6 of Resolution No. 258/2011 of the Polish Financial Supervision Authority. The Remuneration Committee is an advisory body of the Supervisory Board and its members perform their duties pursuant to Art. 390 of the Polish Commercial Companies Code.

In 2015, the Remuneration Policy was revised to meet the regulatory requirements arising as a result of:

a) implementation of the Corporate Governance Standards at the Bank;
   Following implementation of the Corporate Governance Standards, the Policy was amended by adding provisions on:
   — remuneration for work and other employee benefits;
   — sources of financing for variable remuneration components;
   — definition of the scope or powers and responsibilities of bodies supervising the Bank's remuneration policy.
   Following the introduction of these amendments, the Variable Remuneration Component Policy was converted into the Policy for Fixed and Variable Remuneration Components

applicable to persons in management positions, including members of the Management Board of Deutsche Bank Polska S.A.

b) amendments introduced to the Banking Law under the Act on Macro-Prudential Supervision over the Financial System and on Crisis Management in the Financial System.

Where it refers to the remuneration policy, the Act in particular stipulates that the Bank's remuneration policy should also cover its subsidiaries and take into consideration the remuneration policy of the Bank's parent.

Additionally, the list of persons who have an important influence on the Bank's risk profile underwent a regular verification.
In the period from January 1st to December 31st 2015, the Remuneration Committee consisted of:

1) Mr Peter Tils
2) Mr Hubert A. Janiszewski, PhD, and
3) Mr Pedro Larena.

The responsibilities of the Remuneration Committee include:

— defining the terms and conditions of employment for Management Board members to be set out in their employment contracts, managerial contracts or other agreements;
— issuing opinions on the remuneration system in place at the Bank, including in particular monitoring of the amounts and components of remuneration;
— monitoring and issuing opinions on the variable remuneration component policy, including the amounts and components of remuneration for persons holding management positions at Deutsche Bank Polska S.A., based on the principles of prudent and stable risk, capital and liquidity management and with particular attention paid to the long-term interests of the Bank and of the Bank's shareholders;
— monitoring and issuing opinions on variable remuneration components for persons holding management positions at the Bank which are involved in risk management and ensuring compliance of the Deutsche Bank Polska S.A.'s activities with applicable laws and internal regulations.

Meetings of the Remuneration Committee are held at least once a year. The meetings are convened by the Committee Chairperson, or on the initiative of a Supervisory Board member, or at the request of the Management Board of the Bank. In 2015, the Remuneration Committee held four meetings.

Performance-based remuneration

Deutsche Bank Polska S.A. pursues a local remuneration policy, in conjunction with the DB Group's general remuneration policy, to ensure consistent risk management at the DB Group and reduce the risk of conflicts of interest.

The variable remuneration component policy applicable to persons holding management positions at Deutsche Bank Polska S.A. supports conservative and stable risk, capital and liquidity management, and plays a special role in promoting the interests of the Bank, its shareholders, investors and other stakeholders, in the long-term horizon.

Total remuneration comprises fixed and variable components. The fixed components should represent a sufficiently large portion of the entire remuneration amount to enable the Bank to pursue a flexible policy with respect to the variable portion.

The variable remuneration amount is determined on the basis of an evaluation of the performance of each person to whom the Policy applies, of the relevant organisational unit (in a three-year horizon) and of the Bank. Individual performance is evaluated on the basis of financial and non-financial criteria, in the context of the level of risk associated with this performance. The criteria should be objective and should reflect the quality of the Bank management, long-term aspects of its operations, and the manner of the implementation of strategic objectives. Moreover, the variable remuneration of managers in the internal audit unit, in the compliance risk management unit, and in other risk management and HR units, is independent of the economic effects achieved in the areas of the Bank's business which are under their control.

The variable remuneration components are financed and paid from the Bank's funds and do not depend on the performance of the Bank's parent or the parent's Group.

Key information on the remuneration policy

The variable portion of the remuneration of persons holding management positions depends on the results of their individual evaluation, as well as the performance of their organisational unit and of the Bank as a whole. Individual evaluation is performed on the basis of the employee evaluation procedure in place at the Bank. The variable remuneration component amounts are reviewed every year by the Remuneration Committee, a consulting and advisory body supporting the Supervisory Board.

At least 50% of the variable remuneration of persons holding management positions enumerated in Section 1 of Appendix 3 to the Policy, who have a particularly important influence on the Bank's risk profile, serves as an incentive to exercise special care in promoting the Bank's interests in the long-term, and is paid in financial instruments. The persons to whom the Policy applies may not dispose of those instruments earlier than permitted under the relevant rules defined by the Bank.

At least 40% of the variable remuneration of persons holding management positions enumerated in Section 1 of Appendix 3 to the Policy, who have a particularly important influence on the Bank's risk profile, is paid after the end of the evaluation period for which this remuneration is payable, and the payment is deferred – it is paid in three equal tranches over the three years immediately following the grant of the discretionary award.

The possibility to actually receive the deferred payment in a given year depends on the fulfilment of the following conditions:

- the Bank has generated a profit for the previous year;
- the individual performance of a given person holding a management position in a three-year horizon has been assessed positively.

Quantitative information

The present analysis covers all persons covered by the Policy for Fixed and Variable Remuneration Components applicable to persons holding management positions, including Management Board members, at Deutsche Bank Polska S.A., as defined in Resolution No. 258/2011, who have a particularly important or important influence on the Bank's risk profile. The list of managerial positions covered by the Policy is attached as Appendix 3 to the Policy.

Summary quantitative information on remuneration paid in 2015 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy, by business line

Business line in PLN thd	Total remuneration (fixed + variable*)
Retail and business banking	4,828
Corporate banking	11,801
Bank management	13,648
Total	30,277

* A portion of the variable remuneration due for 2014 and paid in 2015 in the form of a cash payment and in the form of financial instruments and:
— The first tranche of deferred cash payment and the first tranche of deferred remuneration in the form of financial instruments due for 2013 and paid in 2015;
— The second tranche of deferred cash payment and the second tranche of deferred remuneration in the form of financial instruments due for 2012 and paid in 2015;
— Remuneration for 2011 under the Deutsche Bank AG Group's share-based payment and cash award programme.

Summary quantitative information on remuneration paid in 2015 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy

in PLN thd	The Management Board	Other persons holding management positionst
Number of FTEs	9	38*
Fixed remuneration	7,273	12,611
Variable remuneration**	6,264	4,129
Total	13,537	16,740

* Two persons employed until December 31st 2015.
** A portion of the variable remuneration due for 2014 and paid in 2015 in the form of a cash payment and in the form of financial instruments and:
— The first tranche of deferred cash payment and the first tranche of deferred remuneration in the form of financial instruments due for 2013 and paid in 2015;
— The second tranche of deferred cash payment and the second tranche of deferred remuneration in the form of financial instruments due for 2012 and paid in 2015;
— Remuneration for 2011 under the Deutsche Bank AG Group's share-based payment and cash award programme.

Summary quantitative information on variable remuneration awarded for 2015 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy, broken down into cash payments and financial instruments

in PLN thd	The Management Board	Other persons holding management positionst
Variable remuneration in cash*	1,982	3,029
Variable remuneration in financial instruments**	1,982	181
Total	3,964	3,210

* A portion of the variable remuneration for 2015 payable in cash.
** A portion of the variable remuneration for 2015 payable in the form of financial instruments.

The value of deferred units is estimated on the date they are awarded (calculation as at December 31st 2015), while their final value for the purpose of payment of relevant tranches is calculated on the basis of approved financial statements in the year in which a tranche is paid. A decision on the calculation of the value of deferred units is made by the Remuneration Committee.

Summary quantitative information on deferred remuneration of Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy, broken down into the vested and non-vested portion

in PLN thd	The Management Board	Other persons holding management positionst
Deferred variable remuneration – vested*	2,186	281
Deferred variable remuneration – non-vested**	5,756	758
Total	7,942	1,039

* The item comprises:
- A portion of the variable remuneration for 2012 (the second tranche of deferred cash payment and the second tranche of deferred variable remuneration in the form of financial instruments due for 2012 and paid in 2015);
- A portion of the variable remuneration for 2013 (the first tranche of deferred cash payment and the first tranche of deferred variable remuneration in the form of financial instruments due for 2013 and paid in 2015);

** The item comprises:
- A portion of the variable remuneration not granted for 2012 (the third tranche of deferred cash payment and the third tranche of deferred variable remuneration in the form of financial instruments);
- A portion of the variable remuneration not granted for 2013 (two tranches of deferred cash payment and two tranches of deferred variable remuneration in the form of financial instruments);
- A portion of the variable remuneration not granted for 2014 (three tranches of deferred cash payment and three tranches of deferred variable remuneration in the form of financial instruments).

Summary quantitative information on remuneration paid in 2015 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy − deferred remuneration

in PLN thd	The Management Board	Other persons holding management positionst
Deferred variable remuneration for 2012 and 2013*	2,186	281
Share-based payment and cash award programme**	781	-
Total	2,967	281

* The item comprises:
- The second tranche of deferred cash payment and the second tranche of deferred variable remuneration in the form of financial instruments due for 2012 and paid in 2015;
- The first tranche of deferred cash payment and the first tranche of deferred variable remuneration in the form of financial instruments due for 2013 and paid in 2015.

** Remuneration for 2011 under the Deutsche Bank AG Group's share-based payment and cash award programme.

In 2015, one payment was made at Deutsche Bank Polska S.A. in connection with the termination of an employment relationship with a person covered by the Policy; the payment amount was PLN 126.25 thousand.

In 2015, there were no payments at Deutsche Bank Polska S.A. in connection with employment of new persons covered by the Policy.

In the reporting period, there were no performance-related reductions of the variable remuneration awarded under the variable remuneration component policy.

In 2015, none of the persons employed at Deutsche Bank Polska S.A. received total remuneration in excess of EUR 1m.

Corporate social responsibility
In terms of CSR, in 2015 Deutsche Bank continued its commitment to the arts and music, lending support to a number of cultural initiatives. Out of the numerous CSR initiatives undertaken by the Deutsche Bank Polska Group in 2015, it is worth to mention the continued sponsorship of an exhibition organised by the 'Our Gallery' Association of Disabled Artists, and further financial assistance to the Malwa Foundation in the project to build the Warsaw Centre for the Mentally Handicapped. Furthermore, Deutsche Bank Polska continued to work with the Warsaw Banking Institute on the 'Bakcyl' project, where volunteers from banks teach practical finance at selected junior high schools. The project aims to bring together the banking sector in Poland to promote the image of banks as institutions of public trust that support the sustainable growth concept and contribute to educating the youth about finance.

The Deutsche Bank Group continued its long-lasting support to arts and music, sponsoring many cultural events.

In 2015, it again partnered with the Zachęta National Art Gallery to run the seventh edition of the Spojrzenia – Nagroda Fundacji Deutsche Bank (Views – Deutsche Bank Foundation Award) competition, one of the most important events in Poland's contemporary art scene. The competition is an opportunity to reward the most interesting young artists. The exhibition of works entered in the competition took place from September 7th to November 15th 2015 and was seen by more than 20,000 visitors. The official award ceremony was held on October 22nd at the Zachęta gallery. The international jury, headed by Kestutis Kuizinas, named Iza Tarasewicz the most interesting young artist in Poland in the last two years. The winner received an award worth EUR 15,000. The second prize, a three-month residency at Villa Romana in Florence, Italy, went to Ada Karczmarczyk. The jury recognised her originality, energy and courage in combining different aspects of contemporary culture.

Deutsche Bank Polska also acted as a partner for a number of prestigious business events. For the second time it was a partner to the Visionaries competition organised by the Dziennik Gazeta Prawna daily, which rewards leading Polish and international business figures. Awards in this competition were handed in during the European Forum of New Ideas held in Sopot. The Bank also became a strategic partner to the Polish Masters of Business competition, whose objective is to recognise and reward the most dynamically developing small and medium-sized enterprises in Poland. 140 best SMEs from all over Poland signed up to compete for the title.

Ownership structure

Ownership structure
As at December 31st 2015, the Bank's sole shareholder was Deutsche Bank AG of Frankfurt am Main, Germany, which, in accordance with the information known to the Bank, held 100.00% of the share capital and total voting rights at the Bank's General Meeting.

Shareholder	Number of shares held	Interest in the share capital (%)	Number of voting rights at GM	Share in total voting rights at GM
Deutsche Bank AG	2,651,449,384	100%	2,651,449,384	100%

Signatures of all Management Board Members

(Signature)	(Signature)	(Signature)
Krzysztof Kalicki President of the Management Board	Leszek Niemycki Vice-President of the Management Board	Zbigniew Bętkowski Member of the Management Board
(Signature)	(Signature)	(Signature)
Piotr Gemra Member of the Management Board	Tomasz Kowalski Member of the Management Board	Łukasz Barwicki Member of the Management Board
(Signature)	(Signature)	(Signature)
Kamil Kuźmiński Member of the Management Board	Piotr Olendski Member of the Management Board	Magdalena Rogalska Member of the Management Board

Warsaw, June 10th 2016

03 -

Consolidated financial statements

Consolidated statement of profit or loss – 67
Consolidated statement of comprehensive income – 67
Consolidated statement of financial position – 68
Statement of changes in consolidated equity – 68
Consolidated statement of cash flows – 69
Notes to the consolidated financial statements – 70

Consolidated statement of profit or loss

Consolidated income statement for 2015 and 2014

in PLN thd	Note	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Interest income	[3]	938,912	1,029,219
Interest expense	[4]	(222,601)	(313,353)
Net interest income		716,311	715,866
Fee and commission income	[5]	358,163	372,357
Fee and commission expense	[6]	(78,027)	(80,565)
Net fee and commission income		280,136	291,792
Dividend income		13	30
Net gain/loss on instruments at fair value through profit or loss and revaluation	[7]	128,948	173,517
Net gain/loss on sale of financial instruments available for sale	[8]	2,717	734
Other income	[9]	8,991	4,640
Other income, net		140,669	178,921
Impairment losses on financial assets	[10]	(124,287)	(144,194)
Administrative expenses	[11]	(759,970)	(648,791)
Depreciation and amortisation	[12]	(31,526)	(33,242)
Other expenses	[13]	(17,857)	(6,187)
Operating expenses		(933,640)	(832,414)
Operating profit/loss		203,476	354,165
Profit before tax		203,476	354,165
Income tax	[14]	(45,520)	(76,933)
Net profit for period		157,956	277,232
– attributable to owners of the Bank		157,956	277,232
– attributable to non-controlling interests		-	-

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2015 and 2014

in PLN thd	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Net profit for period	157,956	277,232
Other comprehensive income, including:	30,084	1,679
Items which will not be reclassified to profit or loss	-	-
Items which may be reclassified to profit or loss at a later date:	30,084	1,679
Net gain/loss on measurement of securities available for sale	37,114	2,481
Deferred tax on securities available for sale	(7,069)	(456)
Other items of comprehensive income	39	(346)
Total comprehensive income	188,040	278,911
– attributable to owners of the Bank	188,040	278,911
– attributable to non-controlling interests	-	-

Consolidated statement of financial position
as at December 31st 2015 and December 31st 2014

Assets

in PLN thd	Note	Dec 31 2015	Dec 31 2014
Cash and balances with Central Bank	[16]	903,794	1,543,105
Deposits with other banks, and loans and advances to other banks	[17]	995,936	756,325
Loans and advances to customers	[18]	29,660,207	28,240,769
Financial assets at fair value through profit or loss	[19]	340,221	1,648,880
Financial assets held as investments	[20]	5,769,466	3,779,815
Property and equipment	[21]	41,823	40,872
Intangible assets	[22]	89,556	79,020
Current tax assets	[24]	-	-
Deferred tax assets	[23]	11,484	28,496
Other assets	[25]	171,911	171,336
Total assets		37,984,398	36,288,618

Liabilities

in PLN thd	Nota	Dec 31 2015	Dec 31 2014
Amounts due to other banks	[26]	16,188,097	15,235,442
Amounts due to customers	[27]	16,879,623	16,195,768
Financial liabilities at fair value through profit or loss	[28]	116,590	218,281
Provisions	[29]	34,786	6,051
Current tax liabilities	[30]	9,035	7,176
Other liabilities	[31]	290,613	348,185
Subordinated liabilities	[32]	235,521	235,622
Total liabilities		33,754,265	32,246,525

Equity

in PLN thd	Nota	Dec 31 2015	Dec 31 2014
Share capital	[33]	2,651,449	2,651,449
Share premium	[34]	525,366	525,366
Revaluation reserve	[34]	30,196	112
Retained earnings	[34]	1,023,122	865,166
Total equity		4,230,133	4,042,093
Total equity and liabilities		37,984,398	36,288,618

Statement of changes in consolidated equity

Changes in the period January 1st 2015 – December 31st 2015

in PLN thd	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
As at Jan 1 2015	2,651,449	525,366	112	865,166	4,042,093
Share issue	-	-	-	-	-
Other increases	-	-	-	-	-
Measurement of financial assets available for sale	-	-	30,045	-	30,045
Other revaluation reserve	-	-	39	-	39
Profit/(loss) for the year	-	-	-	157,956	157,956
Dividends paid	-	-	-	-	-
As at Dec 31 2015	2,651,449	525,366	30,196	1,023,122	4,230,133

Changes in the period January 1st 2014 – December 31st 2014

in PLN thd	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
As at Jan 1 2014	1,837,529	525,366	(1,567)	1,437,536	3,798,864
Share issue	813,920	-	-	-	813,920
Elimination of the target bank's capital as at the merger date	-	-	-	(813,920)	(813,920)
Measurement of financial assets available for sale	-	-	2,025	-	2,025
Other revaluation reserve	-	-	(346)	-	(346)
Profit/(loss) for the year	-	-	-	277,232	277,232
Dividends paid	-	-	-	(35,682)	(35,682)
As at Dec 31 2014	2,651,449	525,366	112	865,166	4,042,093

Consolidated statement of cash flows

Consolidated statement of cash flows

in PLN thd	Note	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Operating activities			
Net profit		157,956	277,232
Adjustments		1,492,397	3,458,996
Unrealised foreign exchange gains (losses)		-	-
Depreciation and amortisation		31,526	33,242
Interest on loans and advances from other banks		5,589	10,924
Gain/loss on investing activities		(981)	(3,940)
Total corporate income tax in the statement of profit or loss		45,520	76,933
Income tax expense		(33,716)	(45,400)
Change in deposits with other banks, and loans and advances to other banks		(123,762)	(177,942)
Change in financial assets at fair value through profit or loss		1,308,659	1,585,945
Change in financial assets held as investments		146,462	630,619
Change in loans and advances to customers		(1,419,438)	(1,702,984)
Change in other assets		(575)	12,544
Change in amounts due to other banks		977,794	1,259,289
Change in financial liabilities at fair value through profit or loss		(101,691)	149,279
Change in amounts due to customers		683,855	1,605,969
Change in provisions		28,735	(1,541)
Change in other liabilities		(57,634)	26,059
Other adjustments		2,054	-
Net cash from (used in) operating activities		1,650,353	3,736,228
Investing activities			
Acquisition of intangible assets and property and equipment		(47,151)	(19,874)
Disposal of intangible assets and property and equipment		14	4,689
Acquisition of shares		-	-
Dividends received		13	30
Other capital expenditure		(223,576,810)	(94,703,528)
Redemption of and interest received on assets held as investments		221,480,847	91,376,440
Net cash from (used in) investing activities		(2,143,087)	(3,342,243)
Financing activities			
Increase in loans		102,350	188,514
Interest paid		(5,589)	(10,924)
Dividends paid		-	(35,682)
Decrease in loans		(127,489)	(106,290)
Net cash from (used in) financing activities		(30,728)	35,618
Increase/decrease in net cash		(523,462)	429,603
Cash at beginning of period	[16]	2,116,890	1,687,287
Cash at end of period	[16]	1,593,428	2,116,890

Notes to the consolidated financial statements

[1] General information on the Group – 71
[2] Significant accounting policies – 72
[3] Interest income – 92
[5] Fee and commission income – 93
[6] Fee and commission expense – 93
[7] Net gain/loss on instruments at fair value through profit or loss and revaluation – 94
[8] Net gain/loss on sale of financial instruments available for sale – 94
[9] Other income – 94
[10] Impairment losses on financial assets – 94
[11] Administrative expenses – 95
[12] Depreciation and amortisation – 95
[13] Other expenses – 95
[14] Income tax expense – 96
[15] Earnings per share – 96
[16] Cash and transactions with Central Bank – 96
[17] Amounts due from banks – 97
[18] Loans and advances to customers – 97
[19] Financial assets at fair value through profit or loss – 99
[20] Financial assets held as investments – 100
[21] Property and equipment – 101
[22] Intangible assets – 102
[23] Deferred tax assets – 102
[24] Current tax assets – 103
[25] Other assets – 103
[26] Amounts due to other banks – 104
[27] Amounts due to customers – 104
[28] Financial liabilities at fair value through profit or loss – 105
[29] Provisions – 106
[30] Tax liabilities – 106
[31] Other liabilities – 107
[32] Subordinated liabilities – 107
[33] Common Shares – 108
[34] Other components of equity – 109
[35] Fair value – 109
[36] Contingent and off-balance-sheet liabilities – 112
[37] Assets hedging – 113
[38] Operating leases – 113
[39] Cash and cash equivalents – 114
[40] Remuneration of the Management Board, Supervisory Board and personnel – 114
[41] Related party transactions – 115
[42] Events subsequent to the end of the reporting period – 117
[43] Credit risk – 118
[44] Market and liquidity risk – 136
[45] Capital management – 147
[46] Variable component remuneration policy – 150

1. General information on the Group

The Deutsche Bank Polska Group (the Group) comprises Deutsche Bank Polska S.A. (the Bank) as the Parent and DB Securities S.A. as the Bank's strategic subsidiary whose operations are complementary to the Bank's business profile (as specified in the Articles of Association). The parent and the ultimate parent of the Bank is Deutsche Bank AG, which prepares consolidated financial statements of the DB AG Group (the DB AG Group).

Deutsche Bank Polska S.A. – the Parent of the Group

Bank's name: Deutsche Bank Polska S.A. (formerly Deutsche Bank PBC S.A.)
Registered office: al. Armii Ludowej 26, 00-609 Warsaw, Poland
PKD (Polish Classification of Business Activities): 6419 Z
Registration: District Court for the Capital City of Warsaw, 12th Commercial Division, entry number in the National Court Register: KRS 0000022493

Deutsche Bank PBC S.A. (the Bank) was established pursuant to Decision No. 62 by the President of the National Bank of Poland on the establishment of Bank Współpracy Regionalnej Spółka Akcyjna of Kraków, dated July 26th 1991. The Bank was entered in the National Court Register (KRS) in Kraków on June 23rd 2001 by the District Court for Kraków-Śródmieście, 11th Commercial Division of the National Court Register, under the name of Bank Współpracy Regionalnej S.A. of Kraków.

On January 31st 2014, the District Court for the Capital City of Warsaw registered the merger of Deutsche Bank Polska S.A. and Deutsche Bank PBC S.A. in the National Court Register. Since February 1st 2014, the merged Bank has continued to operate as Deutsche Bank Polska S.A. (formerly Deutsche Bank PBC S.A., hereinafter referred to as „the Bank").

As at December 31st 2015 and as at the end of the preceding year, the Parent's parent was Deutsche Bank AG of Frankfurt am Main, Germany, which acted as the ultimate parent.

In the period covered by these financial statements and as at the date of signing these financial statements the Management Board of the Parent consisted of the following members:
— Krzysztof Kalicki – President of the Management Board
— Leszek Niemycki – Vice-President of the Management Board
— Zbigniew Bętkowski – Member of the Management Board
— Piotr Gemra – Member of the Management Board
— Tomasz Kowalski – Member of the Management Board
— Radosław Kudła – Member of the Management Board – until April 4th 2016
— Łukasz Barwicki – Member of the Management Board – from April 4th 2016
— Kamil Kuźmiński – Member of the Management Board
— Piotr Olendski – Member of the Management Board
— Magdalena Rogalska – Member of the Management Board

According to its Articles of Association, the Bank's principal business activity is the provision of banking services in domestic and foreign transactions and, to the extent permitted by law, other services to natural persons, legal persons, as well as corporations and unincorporated organisational units and international organisations. The Bank also engages in investment banking activities.

The Bank was established for an indefinite term.

According to its Articles of Associations, the Bank's principal business activity includes:
— Accepting deposits payable on demand or on a specified maturity date and operating related deposit accounts,
— Operating other bank accounts,
— Performing banking cash settlements,

— Issuing payment cards and handling transactions executed with such cards,
— Granting credit facilities and cash loans,
— Cheque and bill-of-exchange transactions,
— Purchasing and selling debt claims,
— Issuing sureties and bank guarantees,
— Foreign-exchange transactions,
— Safekeeping of valuables and securities and renting safe deposit boxes,
— Issuing bank securities and trading in bank securities,
— Performing activities ordered by clients in connection with security issues ,
— Executing forward and futures transactions,
— Performing banking activities ordered by other banks.

Deutsche Bank Polska S.A. also conducts brokerage activities through a separate organisational unit, the Brokerage Office, and as an agent of DB SECURITIES S.A., an investment firm. The brokerage activities conducted by Deutsche Bank Polska S.A. involve in particular accepting and forwarding orders to buy or sell financial instruments, offering financial instruments, as well as investment advisory services in the area of securities trading and discretionary management of financial instrument portfolios.

DB Securities S.A. – the subsidiary

As at the reporting date, the Bank held 100% of shares in its subsidiary DB Securities S.A. and consolidated it with the full method.

Under the terms of an authorisation issued by the Polish Securities and Exchange Commission (received on August 7th 2001), DB Securities S.A.'s principal business activity includes:
— Offering securities in primary trading or initial public offerings,
— Purchasing and selling securities for third party's account,
— Operating securities accounts and the related cash accounts,
— Intermediation in buying and selling securities traded on foreign regulated markets,
— Undertaking actual and legal actions related to services to investment fund management companies, investment funds, pension management fund companies and pension funds,
— Undertaking actions related to trading in property rights.

2. Significant accounting policies

a) Statement of compliance

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

The financial year comprises 12 months ending December 31st.

These financial statements of the Group were authorised by the Bank's Management Board on June 10th 2016, and will be finally approved by the General Meeting.

b) Going concern assumption

These financial statements of the Group have been prepared under the assumption that the Group companies will continue as going concerns, without any material limitation to the scope of their operations, in the foreseeable future, that is for at least 12 months from the reporting date.

c) Basis of preparation

The Group's consolidated financial statements for the period from January 1st to December 31st 2015 have been prepared in the Polish złoty (PLN), rounded off to the nearest thousand złoty.

In these financial statements, the fair value concept was applied to financial assets and financial liabilities at fair value through profit or loss, including derivative instruments and financial assets classified as available for sale, other than those for which the Group is unable to make a reliable estimate of the fair value. The other financial assets and financial liabilities (including loans and advances) are disclosed at amortised cost determined with the use of the effective interest rate less impairment losses or at cost less impairment losses.

In the period covered by these financial statements, the Group did not make any material changes to the accounting policies compared with those applied in the previous reporting period. The Bank's accounting policies account for the requirements under all of the EU-endorsed International Accounting Standards, International Financial Reporting Standards and the related interpretations.

In these financial statements, the Group has not applied changes to the standards and interpretations which await endorsement by the European Union, or have been endorsed by the European Union but are or will be effective after the reporting date. The Group has not used the option of early application of these standards and interpretations.

The new standards and amendments to standards and interpretations listed below are not yet effective for annual periods ended December 31st 2015 and have not been applied in these financial statements. The Group intends to apply them to the respective periods for which they will be effective for the first time.

Standards and Interpretations endorsed by the EU

Application of new and amended standards and interpretations:
In these consolidated financial statements, the following new and amended standards and interpretations effective as of January 1st 2015 were applied for the first time:

1. IFRS Annual Improvements cycle 2011-2013
   In December 2013, the International Accounting Standards Board issued 'IFRS Annual Improvements cycle 2011-2013', containing changes to four standards.The amendments include changes in the presentation, recognition, measurement and terminology, as well as editorial changes.

2. IFRIC 21 Levies
   The interpretation clarifies the recognition of levies other than income tax.An obligating event is an activity that triggers the payment of the levy in accordance with the relevant legislation. The fact that an entity will continue to operate in the following period or prepares its financial statements on a going concern basis does not create the obligation to recognise a liability for a levy. The same recognition rules apply to full-year and interim financial statements.Applying the interpretation to liabilities under emission allowances is optional.

Published standards and interpretations which are not yet effective and have not been adopted by the Bank early
In these separate financial statements, the Group did not opt for early application of the following published standards, interpretations or amendments to existing standards prior to their effective date:

1. IFRS 9 Financial Instruments
   IFRS 9 replaces IAS 39.The standard is effective for annual periods beginning on or after January 1st 2018.

   The standard introduces a single model that has only two classification categories for financial assets: measurement at fair value or at amortised cost. Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments.

IFRS 9 introduces a new impairment recognition model based on expected credit losses.The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged.The key change is the new requirement that entities present in other comprehensive income the effect of changes in their own credit risk related to financial liabilities designated to be measured at fair value through profit or loss.

Changes were also made to the hedge accounting model to factor in risk management.

The Group will apply IFRS 9 following its endorsement by the European Union.

The Group did not complete the analysis of the impact of the standard on its financial statements.

As at the date of preparation of these consolidated financial statements, IFRS 9 had not been endorsed by the European Union.

2. Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions, published by the International Accounting Standards Board in November 2013, are effective in the European Union for annual periods beginning on or after February 1st 2015.

Pursuant to the amendments, an entity may recognise employee contributions as a reduction of the service cost in the period in which the related service is rendered by the employee rather than allocate such contributions to periods of service, provided that the contribution amount is independent of the employee's length of service.

The Group will apply the amendments to IAS 19 as of January 1st 2016.

3. IFRS Annual Improvements cycle 2010-2012

In December 2013, the International Accounting Standards Board issued 'IFRS Annual Improvements cycle 2010-2012', containing changes to seven standards. The amendments include changes in the presentation, recognition, measurement and terminology, as well as editorial changes.The amendments are effective in the European Union for annual periods beginning on or after February 1st 2015.

The Group will apply the amendments as of January 1st 2016.

The Group expects that application of the standards will have no material effect on its financial statements.

4. IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of IFRSs (on or after January 1st 2016) to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already apply IFRSs and do not account for such activities, in accordance with the published IFRS 14, amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of other comprehensive income.

The Group expects that application of the standard will have no material effect on its financial statements.

Under the European Union's decision IFRS 14 will not be endorsed.

5. Amendments to IFRS 11 concerning acquisitions of interests in joint operations

Pursuant to the amended IFRS 11, the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles of accounting for business combinations in accordance with IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.The amendments are effective in the European Union for annual periods beginning on or after January 1st 2016.

The Group will apply the amendments as of January 1st 2016.

The Group expects that application of the standard will have no material effect on its financial statements.

6. Amendments to IAS 16 and IAS 38 concerning depreciation and amortisation

The amendments clarify that revenue-based depreciation and amortisation is inappropriate, as revenue generated from operating a business that uses particular assets also reflects factors other than consumption of economic benefits generated by the assets.

The amendments are effective in the European Union for annual periods beginning on or after January 1st 2016.

The Group will apply the amendment as of January 1st 2016.

The Group expects that application of the standard will have no material effect on its financial statements.

7. IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, published by the International Accounting Standards Board on May 28th 2014, is effective for annual periods beginning on or after January 1st 2018.

The provisions of IFRS 15 will apply to all contracts giving rise to revenue.The core principle provided for in the new standard is that revenue is to be recognised at the transaction price upon transfer of goods or services to a customer. Any goods or services that are sold in bundles and are distinct within the bundle are to be recognised separately, and any discounts and rebates on the transaction price should be allocated to the specific bundle items. If the amount of revenue is variable, in accordance with the new standard such variable amounts are recognised under revenue, provided that it is highly probable that their inclusion will not result in a significant revenue reversal in the future as a result of revaluation.Furthermore, pursuant to IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and amortised over the period in which the contract's benefits are consumed.

The Group will apply IFRS 15 as of January 1st 2018.

The actual impact of the application of the new principles by the Group cannot be currently estimated.

As at the date of preparation of these consolidated financial statements, IFRS 15 had not been endorsed by the European Union.

8. Amendments to IAS 16 and IAS 41 concerning bearer plants

The amendments do not apply to the Group's business.

9. Amendments to IAS 27 concerning the equity method in an entity's separate financial statements

IAS 27 permits the use of the equity method as one of optional methods of accounting for investments in subsidiaries, associates and jointly controlled entities in separate financial statements.

The amendments are effective in the European Union for annual periods beginning on or after January 1st 2016.

The Group will apply the amendments as of January 1st 2016.

The Group expects that application of the standard will have no material effect on its financial statements.

10. Amendments to IFRS 10 and IAS 28 concerning sales or contributions of assets between an investor and its associate or joint venture

The amendments address the current inconsistency between IFRS 10 and IAS 28.The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business.

Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests.

The amendments were issued on September 11th 2014.The effective date of the amended regulations has not been set by the International Accounting Standards Board.

The Group will apply the amended regulations from their effective date set by the International Accounting Standards Board.

The Group expects that application of the standard will have no material effect on its financial statements.

As at the date of preparation of these consolidated financial statements, the amendments had not been endorsed by the European Union.

11. IFRS Annual Improvements cycle 2012-2014

In September 2014, the International Accounting Standards Board issued 'IFRS Annual Improvements cycle 2012-2014', containing amendments to four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective in the European Union for annual periods beginning on or after January 1st 2016.

The Group will apply the amendment as of January 1st 2016.

The Group expects that application of the standards will have no material effect on its financial statements.

12. Amendments to IAS 1

In December 2014, as part of its disclosure initiative, the International Accounting Standards Board issued an amendment to IAS 1. The aim of the amendment is to explain the concept of materiality and to clarify that if an entity deems certain information immaterial, such information should not be disclosed even if its disclosure is required under a different IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and the statement of profit or loss and other comprehensive income may be aggregated or disaggregated depending on materiality. Additional guidelines were also introduced regarding presentation of subtotals in those statements. The amendments are effective in the European Union for annual periods beginning on or after January 1st 2016.

The Group will apply the amendments as of January 1st 2016.

The Group expects that application of the standard will have no material effect on its financial statements.

13. Amendments to IFRS 10, IFRS 12 and IAS 28 − Applying the Consolidation Exception

In December 2014,the International Accounting Standards Board issued a narrow scope amendment.The amendment to IFRS 10, IFRS 12 and IAS 28 entitled 'Investment Entities: Applying the Consolidation Exception' clarifies the requirements applicable to investment entities and facilitates certain other matters.

The standard provides that an entity should measure all investment entity subsidiaries at fair value through profit or loss. The standard also clarifies that where a higher-tier parent prepares and publishes financial statements, the exemption from preparing consolidated financial statements applies irrespective of whether the subsidiaries are consolidated or measured at fair value through profit or loss, in accordance with IFRS 10, in the financial statements of the higher-tier or ultimate parent. The amendments are effective for annual periods beginning on or after January 1st 2016.

The Group will apply the amendments as of January 1st 2016.

The Group expects that application of the standard will have no material effect on its financial statements.

As at the date of preparation of these consolidated financial statements, the amendments had not been endorsed by the European Union.

14. IFRS 16 Leases

IFRS 16 Leases, published by the International Accounting Standards Board on January 13th 2016, is effective for annual periods beginning on or after January 1st 2019.

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases.All lease transactions result in the lessee acquiring a right-of-use asset and incurring a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS 17 and provides a single lessee accounting model, requiring lessees to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value and (b) amortisation of the leased asset separately from interest on lease liability in the statement of profit or loss.

IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance, and apply a different accounting treatment to each of them.

The Group will apply the amended regulations from their effective date set by the International Accounting Standards Board.

The effect of the application of the new principles by the Group has not yet been estimated.

As at the date of preparation of these consolidated financial statements, the amendments had not been endorsed by the European Union.

15. Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses

The amendments to IAS 12 clarify the requirements concerning recognition of a deferred tax asset for unrealised losses on debt instruments. An entity will be required to recognise deferred tax assets for unrealised losses if they result from discounting cash flows related to debt instruments using a market interest rate, or if it intends to hold such debt instruments to maturity and at the time of collection of the principal there will be no tax obligation.The economic benefit embodied in the related deferred tax asset results from the ability of the holder of the debt instruments to achieve future gains (by reversing the discounting effect) without paying taxes on those gains.

The amendments are effective for annual periods beginning on or after January 1st 2017.

The Group will apply the amendments as of January 1st 2017.

The Group did not complete the analysis of the impact of the amendments on its financial statements.

As at the date of preparation of these consolidated financial statements, the amendments had not been endorsed by the European Union.

16. Amendments to IAS 7 under the Disclosure Initiative

The amendments to IAS 7 are effective for annual periods beginning on or after January 1st 2017. Entities will be required to disclose reconciliation of changes in liabilities arising from financing activities.

The Group will apply the amendments as of January 1st 2016.

The Group did not complete the analysis of the impact of the amendments on its financial statements.

As at the date of preparation of these consolidated financial statements, the amendments had not been endorsed by the European Union.

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

d) Consolidation

Subsidiaries are entities controlled by the Group, that is entities with respect to which the Group has the power to govern their financial and operating policies through holding all voting rights at the General Meeting, which in practice translates into the power to really affect the key operating decisions of subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control is lost. Acquisitions of subsidiaries are accounted for with the acquisition method.

Acquisition cost is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus any direct costs of the acquisition. The identifiable assets acquired, as well as the liabilities and contingent liabilities assumed as part of a business combination are initially measured at their respective acquisition-date fair values, irrespective of the value of any non-controlling interests. Any excess of the acquisition cost over the fair value of the Group's interest in the identifiable net assets acquired is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquiree, the difference is recognised directly in profit or loss.

Any receivables and payables, and unrealised gains arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of an asset transferred.

e) Business combinations

In the period covered by these financial statements no business combinations occurred.

f) Estimates

Preparation of financial statements in accordance with the International Financial Reporting Standards requires the management to make subjective judgements, estimates and assumptions which affect the applied accounting policies and the values of assets, equity and liabilities, as well as income and expenses. The estimates and assumptions are based on available historical data and a number of other factors considered relevant in given circumstances. The results provide a basis for estimating the carrying amounts of assets, equity and liabilities whose value cannot be reliably measured based on other sources. The actual values may therefore differ from the estimates.

Estimates and assumptions are reviewed on an ongoing basis. Adjustments to estimates are recognised in the period in which the estimate was revised, if the adjustment relates to that period only, or in the current and future periods, if the estimate change relates to both the current and future periods.

Main assumptions and judgements made by the Group for the purposes of making estimates relate chiefly to:

Impairment of financial assets
As at the end of each reporting period, the Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or a group of financial assets is deemed impaired, and impairment loss is recognised, if − and only if − there is objective evidence of impairment as a result of one or more events which took place after the initial recognition of such asset ("a loss event"), and if the event (events)

has (have) an adverse effect on the estimated future cash flows related to the asset or group of assets. However, it is not necessary to identify a single event which has triggered the impairment, as impairment may follow from a cumulative effect of several events. The Group assesses whether there are any indicators of objective evidence of impairment as a result of one or more events that occurred after the initial recognition of an asset.

If there is objective evidence that the value of loans and receivables or investments held to maturity and measured at amortised cost has been impaired, impairment loss is recognised in the amount equal to the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted at the effective rate of return for financial assets used at the time of initial recognition. The methodology and assumptions used to estimate the amount and the timing of future cash flows are reviewed regularly and updated as needed. In addition, historical data is tested in order to compare the actual values with the estimated impairment losses on loans.

The tables below present changes in impairment losses for two scenarios (PLNm):

Scenario name | Factor	Exchange rate	Security	Portfolio quality	Outflows
TWS_1 financial market disruption	appreciation of other currencies against PLN by 30%	decrease in the value of security: → by 5% in the case of real property → by 20% in the case of securities	no change	
TWS_2 economy and labour market disruption	appreciation of other currencies against PLN by 10%	decrease in the value of security: → by 20% in the case of real property → by 5% in the case of securities	exposure to assets overdue by 60 – 90 days treated as overdue by more than 90 days	maximum use of available non-balance-sheet items by clients – unconditional

Scenario 1 – financial market disruption

Portfolio	Increase in impairment losses and provisions	including: change in exchange rate	change in PD	change in LGD
All portfolios in aggregate				
Total	150.44	47.22	84.83	18.39
Portfolio				
Mortgage-backed exposures in line with Recommendation R including	135.4	44.17	73.35	17.88
Individual clients	128.72	38.96	73.34	16.42
Business clients	6.68	5.21	-	1.47
Retail exposures in line with Recommendation T	9.82	0.83	8.99	-
Other business clients	0.81	0.81	-	-
Corporate clients	4.41	Individually assessed portfolio		

Scenario 2 – economy and labour market disruption

Portfolio	Increase in impairment losses and provisions	including: change in exchange rate	change in PD	change in LGD	change in CCF
All portfolios in aggregate					
Total	84.90	19.83	39.32	16.65	9.10
Portfolio					
Mortgage-backed exposures in line with Recommendation R including	60.94	16.37	29.57	14.6	0.39
Individual clients	53.91	12.73	28.92	12.26	-
Business clients	7.03	3.65	0.64	2.35	0.39
Retail exposures in line with Recommendation T	11.02	0.76	3.5	-	6.75
Other business clients	2.39	0.27	1.27	-	0.84
Corporate clients	10.56	Individually assessed portfolio			

Impairment of assets other than financial assets
In line with IAS 36, at the end of each reporting period the Group assesses whether there is any indication (external or internal) that a non-current asset (or cash-generating unit) may be impaired. If any such indication is identified, the Group calculates the asset's recoverable amount. Estimating the value in use of a non-current asset (or cash-generating unit) requires adoption of assumptions concerning future cash flows which could be generated by the Group from the asset (unit), potential changes in the amount or timing of such cash flows, as well as other factors, for instance lack of liquidity. Impairment is identified when the carrying amount of an asset is higher than its recoverable amount. Impairment loss is therefore calculated as the excess of the carrying amount of an asset over its recoverable amount, and is recognised in the statement of profit or loss. Adoption of different valuation assumptions could have an effect on the carrying amount of certain non-current assets.

g) Foreign currencies

Transactions in foreign currencies
The Group's functional currency (measurement currency) and the presentation currency of these financial statements is the Polish złoty (PLN).

Transactions denominated in foreign currencies are initially recognised at the exchange rate of the functional currency effective as at the transaction date. Foreign-currency monetary assets and liabilities resulting from such transactions are disclosed at their historical cost and translated at the exchange rate effective as at the end of the relevant reporting period. All foreign exchange gains and losses are posted to profit or loss. Foreign-currency non-monetary assets and liabilities are disclosed at their historical cost and translated at the exchange rate effective as at the transaction date.

The NBP's mid-rate quoted for the last day of the reporting period is the Group's closing exchange rate.

h) Financial assets and liabilities

Classification
Financial instruments are classified by the Group into the following categories:
— loans and receivables;
— financial assets available for sale;
— financial assets held to maturity;
— financial assets and liabilities at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are created when the Group provides money to a debtor other than with the intention of short-term profit taking. Loans and receivables comprise loans and advances to other banks and loans and advances to customers, including purchased debts. Loans and receivables are measured at amortised cost, using the effective interest rate method, less impairment losses.

Financial assets available for sale
Available-for-sale financial assets are non-derivative financial assets that have been designated as available for sale and have not been classified as (a) loans and receivables, (b) investments held to maturity, or (c) financial assets at fair value through profit or loss. Available-for-sale financial assets include Treasury bills, Treasury bonds and equities. Such instruments are measured as at the last day of each calendar month, based on the prevailing market (bid) rates. Any revaluation differences are posted to the revaluation reserve. Changes in the revaluation reserve are presented in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses on financial assets, until the financial asset is derecognised, when accumulated gains or losses previously recognised in the revaluation reserve are recognised in profit or loss.

Assets held to maturity
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Such assets are measured at amortised cost, using the effective interest rate method, less impairment losses. In the event of sale or reclassification of assets held to

maturity (other than assets whose value is insignificant relative to the total value of the entire category of held-to-maturity assets) before their maturity date, the whole asset category is reclassified as assets available for sale. In such a case, for the next two financial years the Group cannot classify any financial assets as held to maturity. The above does not apply when the sale or reclassification referred to above occurs so close to the maturity (redemption) date that changes in market interest rates would have no effect on the financial asset's fair value, or is attributable to an isolated event that is beyond the Group's control, is non-recurring and could not be reasonably anticipated.

Financial assets and financial liabilities at fair value through profit or loss.

A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions:

a) It is classified as held for trading.
A financial asset or financial liability is classified as held for trading if it is:
— acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
— part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives are classified as held for trading, except for derivatives that are financial guarantee contracts or have been designated as hedging instruments and are effective hedges. The Group classifies FX forwards, FX swaps, IRS swaps and currency options to this category.

Forward contracts are contracts to purchase or sell a specific currency on a future date at an exchange rate agreed by the Group on the forward contract date. Forward contracts are entered into for periods ranging from three days to one year from the transaction date to the settlement date. Forward contracts for a period of more than one year are subject to the Group's decision made on a case-by-case basis.

A swap transaction is a two-legged transaction combining a spot transaction with a forward transaction. Swaps are entered into on the interbank market.

The Group also classifies currency options under this category. The Group does not hold any options executed for its own account. Transactions with customers are closed back-to-back on the interbank market.

Interest rate swaps (IRS) are instruments in which two parties agree to exchange interest cash flows based on different types of interest rates. Typically, the cash flows being exchanged are calculated based on a fixed and floating rate. Currency Interest Rate Swap contracts are IRS transactions where payments are made in two different currencies.

FRA contracts are contracts that are negotiated individually and are settled on a specific future date through a cash payment of the difference between the interest rate set out in the agreement and the current market rate, on the basis of the notional amount of the contract.

b) Following initial recognition, they were designated by the Group as measured at fair value through profit or loss.
No financial instruments were designated by the Group as measured at fair value through profit or loss on initial recognition.

Financial liabilities

Financial liabilities are carried at amounts due, measured at amortised cost, using the effective interest rate method. This category includes amounts due to banks, amounts due to customers, and loans received.

Recognition

A regular-way purchase or sale of financial assets at fair value through profit or loss, held-to-maturity financial assets and available-for-sale financial assets, is recognised off balance-sheet using trade date accounting, and subsequently is disclosed on the balance sheet using settlement date accounting. This does not apply to deriva-

tive instruments, which unlike other instruments are recognised on the balance sheet on the trade date rather than on the settlement date.

This method is applied consistently to all purchases and sales of financial assets.

Loans and advances are recognised upon the transfer of cash to borrowers.

Derecognition
A financial asset is derecognised from the statement of financial position upon expiry of contractual rights to cash flows from the asset or upon transfer by the Group of contractual rights to cash flows generated from the asset following a transaction whereby the Group transfers substantially all risks and rewards related to that financial asset, or whereby the Group neither transfers nor retains substantially all risks and rewards related to the financial assets and does not retain control over the financial asset.

Regular-way sale transactions of financial assets are derecognised from the statement of financial position as at the transaction settlement date. This method is applied consistently to all purchases and sales of financial assets. A financial liability (or a part of a financial liability) is derecognised by the Group from the statement of financial position when and only when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires.

Measurement
On initial recognition, financial assets and liabilities are measured at fair value increased, in the case of financial assets and liabilities not classified as measured at fair value through profit or loss, by transaction costs which may be directly attributed to the acquisition or issue of a given financial asset or liability.

After the initial recognition, the Group measures all financial assets at fair value, without reducing it by transaction costs which may be incurred in relation to the sale or other disposal of an asset, except for:
a) loans and receivables, which are measured at amortised cost using the effective interest rate method;
b) held-to-maturity investments, which are measured at amortised cost using the effective interest rate method;
c) investments in equity instruments that do not have a quoted market price on an active market, whose fair value cannot be reliably measured.

If the market price is not available, the fair value of the instrument is estimated using valuation models or discounted cash flow models.

Financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities measured at fair value through profit or loss.

If there is an active market for a financial instrument, fair value is established by reference to current purchase prices.

Fair value of financial instruments not quoted in active markets is determined using valuation models. Valuation models are also used for measuring option instruments. In the case of non-option instruments and debt securities not quoted in active markets, the valuation is made based on discounted cash flows models. The main estimate parameter used for financial instrument measurement is the counterparty risk adjustment.

FX forward, FX swap, IRS and FRA transactions are measured using the discounted future cash flows model, (DCF method).

The DBXSV (DBX Stochastic Volatility) model used by the DB Group is applied for the valuation of option contracts. The model relies on a Monte Carlo simulation, assuming a stochastic variability of the FX rate with a tendency for mean-reverting.

Offsetting financial instruments

Financial assets and financial liabilities are offset only if the Group has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously. The Group is party to ISDA (International Swap Dealer Association) agreements, which enable offsetting financial assets and liabilities (except for securities) upon fulfilment of certain conditions (the same settlement date and currency). In 2015 and 2014, there were no events enabling the Group to offset financial assets and financial liabilities.

Hedge accounting

The Group does not apply hedge accounting.

Impairment of financial assets

Financial assets measured at amortised cost

As at the end of each reporting period, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets is deemed impaired, and an impairment loss is recognised, if − and only if −there is objective evidence of impairment as a result of one or more events which took place after the initial recognition of such asset ("a loss event"), and the loss event (events) has (have) an adverse effect on the estimated future cash flows related to the asset or group of assets, which can be reliably estimated. Identifying a single event which triggered the impairment may not be possible, as impairment may be caused by a cumulative effect of several events. Expected losses related to future events are not recognised, irrespective of their likelihood. Objective evidence that a financial asset or a group of assets is impaired includes data that comes to the holder's attention about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) breach of contract, such as a default or delinquency in interest or principal payments;
c) highly probable bankruptcy of the borrower or other financial reorganisation of the borrower;
d) disappearance of an active market for that financial asset because of financial difficulties.

The most common impairment evidence is breach of contract, such as a default or delinquency in interest or principal payments. If there is objective evidence that the value of loans and receivables or investments held to maturity and measured at amortised cost has been impaired, impairment loss is recognised in the amount equal to the difference between the carrying amount of the assets and the present value of estimated future cash flows. The carrying amount of the asset is reduced by recognising the impairment loss. The amount of the impairment loss is taken to profit or loss.

If in a subsequent period the amount of impairment loss decreases and the decrease can be objectively attributed to an event that occurred after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the balance of provisions. The amount of the reversed loss is taken to profit or loss.

The balance of the Group's impairment losses consists of impairment losses recognised following assessment of individual assets and impairment losses resulting from evaluation of risk on homogeneous exposure groups.

As regards assessment of individual assets, the Group first determines whether objective evidence of impairment exists individually for financial assets that are individually significant, or that are considered non-homogeneous given the specific nature of the product. The Group applies individual assessment to credit exposures exceeding the equivalent of EUR 1m, as well as to loans granted for the purchase of securities or lombard loans, guarantees, margin facilities and multi-purpose facilities.

For the purposes of calculating aggregate impairment losses, financial assets are grouped based on the type of their credit risk, which indicates the borrower's ability to repay the liability as per the agreement (determined for instance on the basis of the Group's credit risk assessment policy or a scale-based assessment process accounting for the asset's type, segment, geographical location, security type, delays in repayment and other material factors). Certain features of the assets are material for the assessment of future cash flows, as they indicate the borrowers' capacity to repay the amounts due in accordance with the terms of the agreement relating to the assessed asset.

The homogeneous exposure portfolio is valued using statistical models.

Individual material credit exposures (non-homogeneous portfolio) with evidence of impairment are assessed individually, at least on a quarterly basis, using the discounted future cash flows method (the DCF method).

To ensure that the model reflects actual conditions in all material respects, the Group periodically reviews the methodology and assumptions used to estimate all material factors affecting the value of current impairment loss indicators.

The Group analyses impairment of credit exposures for which no indication of impairment was found using the concept of loss incurred but not yet reported, related to impairment of loans (IBNR/GVA) and estimated based on historical data on losses incurred in connection with loans with similar risk profiles. The General Value Adjustment (GVA) provision is estimated for all non-homogeneous loans (balance-sheet items) for which no indication of impairment was found and no provisions were recognised based on individual assessment. Furthermore, while determining the GVA provision, the Group accounts for off-balance-sheet items such as guarantees or letters of credit issued. Credit exposures in the homogeneous portfolios which are less than 90 days past due are treated as exposures for which no indication of impairment occurred. The Group therefore includes them in its impairment analysis based on loss incurred, but not yet reported.

For more information on the methodology used to estimate impairment losses related to credit risk, see Note 43.

Financial assets available for sale

In the case of financial assets classified as available for sale, if a reduction in the fair value of an asset has been recognised directly in equity and there is objective evidence of the asset's impairment, the accumulated losses thus far posted directly to equity are removed from equity and taken to profit or loss, even though the asset has not been derecognised. The amount of accumulated losses removed from equity and posted to profit or loss is the difference between the cost of the asset (less any principal repayments and amortisation) and its current fair value, reduced by any impairment losses previously recognised in profit or loss. Impairment losses on investments in equity instruments classified as available for sale are not reversed through profit or loss. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event that occurred after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the reversal amount is recognised in profit or loss.

Financial assets at fair value

When identifying impairment of financial assets measured at fair value, the Group takes into consideration the same indicators as in the case of assets measured at amortised cost, and additionally identifies events which imply a long-term loss of liquidity of a given asset in the market, or which are indicators of disappearance of the market in which a given financial asset was traded.

In the case of financial instruments whose carrying amount is based on prevailing market prices or valuation models, in justified cases the Group takes into account the necessity to recognise an additional fair value adjustment on account of counterparty risk.

i) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment. Depreciation is recognised in the statement of profit or loss based on the straight-line method. Depreciation rates are determined taking into consideration estimated useful lives of items of property and equipment. Land and property and equipment under construction are not depreciated.

Estimated useful lives of key items of property and equipment are as follows:

Leasehold improvements	10 years
Buildings	40 years
Computer hardware	3-4 years
Vehicles	5 years
Other property and equipment	5-10 years

Subsequent expenditure

The cost of replacement of parts of an item of property and equipment is capitalised as it is incurred if it is probable that future economic benefits associated with the asset will flow to the Group, and the cost can be reliably estimated. Other costs are expensed as incurred.

j) Intangible assets

Intangible assets, including intangible assets developed by the Group, having a determinable useful life, are amortised in the statement of profit or loss using the straight-line method and presented at cost less accumulated amortisation. Amortisation rates are determined taking into consideration estimated useful lives of intangible assets, ranging from 2 to 10 years.

Expenditure on intangible assets

Expenditure incurred subsequent to the initial recognition of an acquired intangible asset is capitalised only if it increases the future economic benefits from the asset. In all other cases, such expenditure is expensed as incurred.

k) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on non-current assets held for sale are taken to profit or loss.

Discontinued operations are a part of the Group's operations which represents a separate major line of business or a geographical area of operations and has been disposed of or classified as held for sale, or which comprises a subsidiary acquired exclusively for resale. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

l) Other items of the statement of financial position

Trade and other receivables

Trade and other receivables are recognised at amounts receivable less impairment.

Liabilities

Liabilities other than financial liabilities are recognised at amounts payable.

Other liabilities

Items recognised under other liabilities include interbank settlements, receivables and payables under public charges, revenue accounted for over time (e.g. fees and commissions for services recognised in profit or loss in proportion to the service progress).

m) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include items due within three months of their acquisition date, including cash and balances with Central Bank (other than restricted cash), loans and advances to other banks, amounts due from other banks, and short-term Treasury securities other than those used in investing activities.

.

n) Impairment of assets other than financial assets

The Group's assets, other than tax assets, are tested to determine whether there are any indications of impairment. If such indications are found, the Group carries out periodic impairment measurements at least once a year. Impairment is identified, when the carrying amount of an asset is higher than its recoverable amount, and is recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount in the case of other assets is the higher of the net realisable value less costs to sell or the value in use. The net realisable value calculation may be based on valuations prepared by independent expert appraisers.

Reversal of an impairment loss

An impairment loss is reversed if the estimates used to calculate the recoverable amount change.

An impairment loss may only be reversed to the level at which the carrying amount of the asset is not higher than the carrying amount which would have been determined (allowing for amortisation or depreciation charges) if such impairment loss had not been recognised.

o) Brokerage activities

The Group is engaged in brokerage activities, in particular consisting in offering securities in primary trading or initial public offerings, purchasing or selling securities for a third party's account, intermediating in buying or selling securities traded on foreign regulated markets, and services to investment fund management companies, investment funds, pension fund management companies, and pension funds.

p) Custody services

The Group offers custody services for domestic and foreign securities, and investment and pension funds.

The assets have not been disclosed in these financial statements, as the Group has no control over them.

q) Equity

Equity includes the Parent's share capital and other capitals, funds and accounts created by the Group companies in accordance with applicable laws and articles of association.

Share capital

Share capital comprises only the Parent's capital disclosed at par value, in the amount specified in the Parent's Articles of Association and the entry in the commercial register.

Share premium capital

Share premium capital includes any share premiums received on issue of the Parent's shares (excess of the issue price over the par value of the shares) less direct expenses incurred in connection with the issue.

Revaluation reserve
The revaluation reserve includes differences in the valuation of financial assets available for sale less any relevant charges on account of deferred tax. The revaluation reserve is not distributable.

Retained earnings
Retained earnings comprise profits from previous years (including their portion allocated to the general risk fund and dividend fund) and/or undistributed profits from previous years and the net profit/loss for the period.

The general risk fund is created from profit after tax, in accordance with the Banking Law of August 29th 1997, as amended.

The dividend fund is created from profit after tax, in accordance with a resolution of the Parent's General Meeting.

The net profit/loss for the period is the profit or loss for the year less corporate income tax.

r) Employee benefits

Current employee benefits
Current employee benefits at the Group, including salaries, discretionary bonuses, holiday entitlements, and medical benefits, are recognised in the statement of profit or loss as costs of the period.

Non-current employee benefits
The Group's liabilities under non-current employee benefits are recognised in the amount of benefits that will be received by the employees in the future in exchange for their services in the current and earlier periods. These include provisions for retirement severance payments, estimated based on an actuarial valuation, which is updated annually. Actuarial valuation is performed by a third-party firm.

Share-based payment and deferred cash award schemes
The Group's employees participate in share-based payment and deferred cash award schemes based on the shares of the DB AG Group. The schemes are treated as cash-settled schemes. A provision is established for future payments and recognised in liabilities under 'Other liabilities' and under 'Administrative expenses – salaries and wages' in the statement of profit or loss. The scheme cost is calculated using a valuation model. The fair value is initially calculated as at the day when the award is granted, and then as at each reporting date until it is fully accounted for.

Variable component remuneration policy applicable to persons in management positions at the Parent
Pursuant to Resolution No. 258/2011 of the Polish Financial Supervision Authority of October 4th 2011, the Parent has implemented a variable remuneration component policy applicable to persons in management positions at Deutsche Bank Polska S.A., who determine and have an important influence on the Bank's risk profile.

In 2015, the Parent implemented Corporate Governance Rules issued by the Polish Financial Supervision Authority on July 22nd 2014. Under the Rules (Section 27), the Parent is required to follow a transparent remuneration policy with respect to Management Board members and key managers. Accordingly, the Variable Remuneration Component Policy was converted into the Policy for Fixed and Variable Remuneration Components applicable to persons in management positions, including members of the Management Board of Deutsche Bank Polska S.A. (the „Policy") The Policy includes the rules of determining remuneration for service and other benefits for persons to whom the Policy applies.

Moreover, the Policy was adjusted to reflect the amendments introduced to the Banking Law under the Act on Macro-Prudential Supervision over the Financial System and on Crisis Management in the Financial System.

The variable remuneration amount is determined on the basis of an evaluation of the performance of each person to whom the Policy applies, of the relevant organisational unit (in a three-year horizon) and of the Bank. Individual performance is evaluated in terms of financial and non-financial criteria, in the context of the level of risk associ-

ated with this performance. The criteria are objective and reflect the quality of the Bank management, long-term aspects of its operations, and the manner of the implementation of strategic objectives. Moreover, the variable remuneration of managers in the internal audit unit, in the compliance unit, and in other risk management and HR units, is independent of the economic effects achieved in the areas of the Bank's business which are under their control.

At least 50% of the variable remuneration of persons to whom the Policy applies and who have a particularly important influence on the Bank's risk profile, serves as an incentive to exercise special care in promoting the Bank's interests in the long-term, and is paid in financial instruments. The persons to whom the Policy applies may not dispose of those instruments earlier than permitted under the relevant rules defined by the Bank.

At least 40% of the variable remuneration of persons to whom the Policy applies and who have a particularly important influence on the Bank's risk profile, is paid after the end of the evaluation period for which this remuneration is payable, and the payment is deferred − it is paid in at least three equal tranches over a minimum period of three years immediately following the grant of the discretionary award.

Payment of the remuneration referred to above depends on the performance of the person covered by the Policy in the evaluated period, and takes account of the Bank's risk exposure. The variable remuneration components are financed and paid from the Bank's funds and do not depend on the performance of the Bank's parent or the parent's Group.

The Bank carries out valuations of variable remuneration components in accordance with IAS 19. A provisionfor variable remuneration components is recognised in the statement of profit or loss under 'Operating expenses and general and administrative expenses'.

The remuneration policy applicable to the Bank Management Board members is supervised by the Supervisory Board and the Remuneration Committee, while the remuneration policy covering persons holding management positions is supervised by the Bank's Management Board.

s) Provisions

The Group recognises provisions for future liabilities which can be reliably estimated and for contingent liabilities.

The Group recognises a provision, if it has a present obligation, legal or constructive, resulting from a past event, and if it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation. Where the effect is material, the provision is calculated using expected cash flows discounted at a pre-tax rate, which reflects the current market assessment of the time value of money and, where applicable, the risk relating to a given liability.

A restructuring provision is recognised, if the general provision recognition criteria and the detailed recognition criteria relating to restructuring provisions specified in IAS 37 are met. In particular, a constructive obligation to restructure arises only when the Bank has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A detailed formal plan identifies at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and when the plan will be implemented.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both a) necessarily entailed by the restructuring; and b) not associated with the ongoing activities of the entity. A restructuring provision does not include future operating expenses.

t) Net interest income

Interest income and expenses are recognised on an accrual basis at amortised cost using the effective interest rate method, taking into account IAS 39, including in respect of receivables under threat of impairment. Interest income is accrued as long as it is likely to be received. Accrued interest due to the Group and payable by the Group is presented under relevant items in the statement of financial position.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or a group of financial assets or liabilities) and of allocating interest income or interest expense to the relevant periods. The effective interest rate is a rate that discounts estimated future cash inflows and outflows over the expected life of a given financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates its cash flows, taking into account all provisions of the financial instrument contract, but does not factor in potential future losses from non-performing loans. The calculation takes into account all fees and commission forming an integral part of the effective interest rate, paid or received by the parties, transaction costs, and any other premiums and discounts.

u) Fee and commission income and expense

Fee and commission income is generated from the provision of financial services offered by the Group and is classified in the following categories:
— Commission forming an integral part of the effective interest rate;
— Commission for the provision of banking or brokerage services;
— Commission for specific transactions.

Commission forming an integral part of the effective interest rate is accounted for under net interest income.

Commission for the provision of banking services is included in net fee and commission income pro rata to the service progress. In the case of credit facilities and loans which do not have defined instalment payment dates (e.g. overdraft facilities, credit cards, revolving facilities, factoring facilities) and off-balance-sheet liabilities, commission is accounted for using the straight line method over the product life (effective period of the credit limit).

The following are recognised by the Group on a one-off basis, at the time of the execution of a specific transaction: income from the distribution of investment fund units, investment-linked insurance products and securities, as well as the other fees and commissions for banking activities, for instance for bank transfers, international orders, payment card transactions and other one-off transactions. Under net fee and commission income, the Group recognises costs related to intermediation in the sale of banking products and insurance products, costs of insuring credit products paid by the Group, and direct costs of executing banking services and activities.

Bancassurance income

The Group offers bancassurance products, that is insurance products (individual and group insurance policies, insurance and investment products) sold through the Group's distribution channels.

The Group may act as either an insurer or an insurance intermediary, but never acts in both roles under a single insurance contract.

The accounting policy used for the recognition and accounting for income and expenses relating to insurance products follows directly from the economic substance of these products and applies to the fees received by the Group and representing:
— an integral part of the fee for the financial instrument offered together with the insurance product,
— intermediary fee,
— fee for the execution of additional activities after the insurance product is sold.

Fees received by the Group for the sale of insurance products are included, in whole or in part, in the fee for the financial instrument offered when the insurance product sale transaction is directly connected with the financial instrument sale transaction. The Group verifies whether the terms of the sale of a financial instrument and insur-

ance product meet the criteria for being considered connected transactions on a case-by-case basis. The Group deems two or more transactions connected if certain criteria are met, including in particular:

- The Group does not offer the given financial instrument without the insurance product.
- The Group offers the given insurance product only with the financial instrument, that is there is no possibility of purchasing an insurance product which is identical in terms of the legal form, terms and conditions and economic substance from the Group other than by purchasing the product together with the financial instrument.
- The Group also analyses the connection between products when the conclusion of an insurance contract may be conditional upon the purchase of another financial instrument shown on the balance sheet. If no clear answer can be arrived at based on the key criteria described in the previous paragraph, the Group applies supplementary criteria, such as: penetration rate of insurance products in credit portfolios, interest rates for loan products offered with and without the insurance, number of insurance cancellations, etc.

If two or more transactions prove to be connected based on those criteria, the Group allocates the total amount receivable under those transactions to individual components of the transaction, after reducing it by the amount of estimated provision for the part of the fee which may have to be returned (for instance if the client cancels the insurance, the loan is prepaid, etc.). The provision estimate is based on an analysis of historical data on returns and projected future return trends.

The fee allocation referred to in the previous paragraph is based on the relative fair value method, which involves dividing the total fee into parts proportional to the share of the fair value of the fee for the financial instrument and the fair value of the fee for the intermediary service in their aggregate fair value. To the largest extent possible, the determination of those fair values is based on market data, in particular, with respect to:

- Intermediary service − based on the market approach, which consists in using prices and other market data for most similar market transactions;
- Fee for the financial instrument − based on the income approach, under which future amounts are discounted to their present values based on information on interest rates and other fees applicable to identical or most similar financial instruments offered separately, that is without the insurance product.

The following income recognition principles apply to the individual separated elements of a transaction or a series transactions considered jointly:

- Commission of an insurance agency – to the extent it relates to the charge for a specific transaction, it is disclosed under fee and commission income on the effective date of the insurance policy or its novation. If it is probable that the Group will be obliged to provide further services during the effective period of the policy, the commission, or its part, is deferred and recognised as income over the effective period of the policy.
- Fees/commission being an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate and recognised under interest income.

In accordance with this accounting policy, with respect to connected products in the financial year ended December 31st 2015 the Group recognised 12% of bankassurance income relating to cash loans as income recognised on a one-off basis in the form of commission for specific transactions.In the same period, the balance of bancassurance commission charged, primarily under insurance connected with mortgage loans, was as a rule accounted for as interest income or, when justified, as fee and commission income, over the effective period of the policy.

On a day-to-day basis, the Group estimates a provision for commission returns; the estimated provision is expressed as a percent share of returns in the total gross commission. In calculating this ratio, the Group takes into consideration all insurance renouncements and cancellations as well as prepayments and terminations of loan agreements triggering the termination of the insurance contract. Data on commission returns is regularly collected and verified, and ultimately it affects the amount of the provision. When a new product is added to the offering for which there is no sufficient historical data on commission returns, the Group uses provision rates estimated for products which are most similar to the new one in terms of the offering and sales processes.

v) Dividend income

Dividend income is recognised when the Group becomes entitled to receive dividend.

w) Net gain/loss on sale of financial instruments available for sale

Net trading income includes gains and losses on sale of available-for-sale financial assets.

x) Net gain/loss on instruments at fair value through profit or loss and revaluation

Net gain/loss on instruments at fair value through profit or loss and revaluation comprises:
- gains and losses on the revaluation of assets and liabilities denominated in foreign currencies in relation to the mid rates quoted by the National Bank of Poland for the individual currencies (unrealised gains/losses),
- realised net gain or loss on foreign currency transactions,
- net gain or loss from changes in the fair value of assets and liabilities at fair value through profit or loss,
- realised net gain or loss on derivative instruments.

y) Other income and expenses

Other income and expenses include income and expenses not directly related to the Group's core business (as set out in the Articles of Association). These include in particular income and expenses related to:
- sale or liquidation of non-current assets and assets for disposal,
- remeasurement of non-current assets and assets for disposal,
- sale of other services,
- compensations, penalties and fines received and paid,
- court fees, notary fees or debt collection costs.

z) Operating lease payments

Payments under operating leases are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

aa) Income tax expense

Corporate income tax comprises current and deferred tax. Current tax is calculated on the basis of accounting profit before tax, adjusted for non-taxable income and non-deductible expenses. Accounting profit before tax is also adjusted for tax purposes for income and expenses brought forward which have been realised for tax purposes in a given reporting period, and for deductions from income. The Group recognises deferred tax liabilities for all taxable temporary differences and deferred tax assets for all deductible temporary differences to the extent it is probable that taxable income will be available in the future against which such deductible temporary differences or tax losses carried forward could be offset.

Deferred tax is calculated by applying the tax rate as stipulated in the applicable tax regulations. The carrying amount of deferred tax assets is reviewed at the end of each reporting period, and is reduced to the extent it is no longer probable that the related tax benefits will be realised.

bb) Off-balance-sheet commitments assumed and received

Off-balance-sheet commitments assumed

As part of its operations, the Group enters into transactions that are not recognised as assets or liabilities at the moment of their execution, but give rise to contingent liabilities.

A contingent liability is:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group;
- a present obligation that arises from past events but is not recognised, because it is not probable that an outflow of cash or other assets will be required to settle the obligation, or the amount of the obligation (liability) cannot be measured with sufficient reliability.

The key items of off-balance-sheet commitments assumed are credit facilities granted and guarantees issued by the Group.

Obligations assumed under credit facilities granted by the Group, in the amount corresponding to the amount undrawn by the clients, and commitments assumed under guarantees issued to clients are recognised as off-balance-sheet commitments in the amounts specified in the relevant agreements.

Provisions for the estimated risk are recognised by the Group under ‘Provisions’. Credit risk resulting from off-balance sheet commitments is estimated in line with the requirements of IAS 37 and IAS 39.

Off-balance-sheet commitments received
As part of its operations, the Group also receives security for credit exposures. These are typically guarantees or sureties issued by other banks or non-banking entities. Such guarantees or sureties are recognised as off-balance-sheet commitments received in the amounts specified in the relevant agreements.

Transactions in derivative instruments
The Group enters into transactions in derivative instruments – in currencies (spot, forward, currency swap, currency option, CIRS contracts), interest rates (FRA, IRS, CAP contracts), and securities. The nominal value of the contracts until their settlement is carried off-balance sheet and presented in these financial statements.

cc) Clients’ securities held as part of the Group’s brokerage business

Clients’ financial instruments registered in securities accounts maintained by the Group or held by the Group in safekeeping in certificated form are disclosed as off-balance sheet items by value and volume.

Clients’ financial instruments registered in their securities accounts maintained by the Group as part of its brokerage operations and traded on the regulated secondary market are measured at market price on each business day. If it is impossible to measure the clients’ financial instruments by reference to current market prices, the instruments are measured at fair value which reliably reflects their value.

3. Interest income

Interest income

in PLN thd	2015	2014
Loans and advances to other banks	26,190	31,541
Loans and advances to customers	813,612	904,052
Debt securities, including:	99,109	93,626
– held for trading	25,170	44,883
– available for sale	73,939	48,743
Total	938,912	1,029,219

Interest income earned in 2015 comprises income on financial assets, for which an impairment loss of PLN 11,019 thousand was recognised (2014: PLN 10,602 thousand).

Interest expense

in PLN thd	2015	2014
On deposits from other banks	(96,223)	(112,457)
including subordinated liabilities	(4 783)	(5,269)
On deposits from customers	(126,378)	(200,896)
Total	(222,601)	(313,353)

In 2015, the total amount of interest expense calculated using the effective interest rate method with respect to financial liabilities which are not measured at fair value through profit or loss totalled PLN 24 thousand (2014: PLN 30 thousand).

5. Fee and commission income

Fee and commission income

in PLN thd	2015	2014
Income from:		
Opening and maintaining accounts and settlement transactions	73,266	70,416
Distribution of investment fund units	75,281	78,837
Intermediation in the sale of insurance	26,484	51,783
Loans and advances	56,672	45,037
Brokerage fees	36,545	33,368
Advisory/asset management services	17,956	29,426
Guarantees issued	13,781	14,280
Credit and payment cards	14,467	25,542
Intermediation in the sale of securities	4,729	6,771
Distribution of options	13,604	6,346
Other	25,378	10,551
Total	358,163	372,357

6. Fee and commission expense

Fee and commission expense

in PLN thd	2015	2014
Expenses on:		
Intermediation in the sale of banking and insurance products	(26,287)	(23,708)
Other expenses on intermediation in the sale of insurance	(10,855)	(17,155)
Brokerage services	(11,375)	(10,184)
Payment orders	(4,569)	(4,325)
Expenses to the CSDP	(3,517)	(3,169)
Transaction costs on other markets	(2,657)	(2,298)
Expenses to WSE	(8,617)	(6,342)
Credit and payment cards	(6,451)	(7,832)
Other	(3,699)	(5,551)
Total	(78,027)	(80,565)

7. Net gain/loss on instruments at fair value through profit or loss and revaluation

in PLN thd	2015	2014
Foreign exchange gains/(losses)	70,138	130,058
Net gain/(loss) on debt instruments held for trading	(7,334)	27,061
Net gain/(loss) on equity instruments held for trading	(30)	(143)
Net gain/(loss) on derivative instruments, including:	53,621	16,264
Currency options	778	4,102
Deferred delivery fx transactions, including:	42,255	3,447
FX forwards	33,585	(187)
FX swaps	8,670	3,634
IRSs, FRAs	10,588	8,715
Other	12,553	277
Total	128,948	173,517

8. Net gain/loss on sale of financial instruments available for sale

in PLN thd	2015	2014
Gain on sale of portfolio available for sale	2,717	734
Loss on sale of portfolio available for sale	-	-
Total	2,717	734

9. Other income

in PLN thd	2015	2014
Income from services	7,118	2,749
Other	1,873	1,891
Total	8,991	4,640

10. Impairment losses on financial assets

Increase in impairment losses

in PLN thd	2015	2014
Impairment losses on loans and advances to clients, including:	(634,723)	(448,223)
on impaired exposures	(347,792)	(272,472)
on unimpaired exposures (losses incurred but not reported) (IBNR)	(280,441)	(168,397)
debt collection costs	(6,490)	(7,354)
Other impairment losses	(17,926)	(10,336)
Total increase in impairment losses	(652,649)	(458,559)

Decrease in impairment losses

in PLN thd	2015	2014
Reversal of impairment losses on loans and advances to clients, including:	516,781	302,707
on impaired exposures	261,112	154,554
on unimpaired exposures (losses incurred but not reported)	254,233	144,345
recovery of uncollectible receivables	1,436	3,808
Other impairment losses	11,581	11,658
Total decrease in impairment losses	528,362	314,365
Net cost of impairment	(124,287)	(144,194)

Impairment losses on financial assets account for net gain/(loss) on sale of debt.

11. Administrative expenses

in PLN thd	2015	2014
Personnel costs:	(301,986)	(302,826)
Salaries and wages	(257,568)	(257,923)
Employee benefits	(44,418)	(44,903)
Other administrative expenses, including:	(457,984)	(345,964)
Maintenance and lease of buildings	(99,741)	(81,397)
Operation of IT systems	(87,501)	(69,902)
Other services	(67,818)	(73,058)
Advertising and sponsoring	(20,531)	(11,090)
Communication	(17,889)	(29,402)
Payments to the Banking Guarantee Fund	(112,838)	(36,825)
Taxes and charges	(19,215)	(14,485)
Other	(32,451)	(29,805)
Total	(759,970)	(648,790)

12. Depreciation and amortisation

in PLN thd	2015	2014
Depreciation and amortisation:		
Depreciation of property and equipment	(11,802)	(12,173)
Amortisation of intangible assets	(19,724)	(21,069)
Total	(31,526)	(33,242)

13. Other expenses

in PLN thd	2015	2014
Cost of provisions for operational risk	(5,267)	(4,639)
Donations	(260)	(129)
Net gain/(loss) on sale/liquidation of property and equipment	-	(265)
Other	(12,330)	(1,154)
Total	(17,857)	(6,187)

In 2015, the item „Other" includes PLN 11,518 on account of a recognised provision for identified risk of expenses related to the Bank's operating activities (see Note 29).

14. Income tax expense

in PLN thd	2015	2014
Profit before tax	203,476	354,165
Current tax	(35,576)	(67,754)
Deferred tax	(9,944)	(9,179)
Total corporate income tax in the statement of profit or loss	(45,520)	(76,933)
Reconciliation of increases in loss/decreases in profit		
Profit before tax	203,476	354,165
Corporate income tax calculated at the tax rate of 19%	(38,660)	(67,292)
Non-tax-deductible expenses	(8,267)	(10,372)
Non-taxable income	284	98
Tax credit for expenditure on new technologies	1,050	313
Other items with an impact on the amount of tax expense	73	320
Total corporate income tax in the statement of profit or loss	(45,520)	(76,933)
Calculation of effective interest rate		
Income tax	(45,520)	(76,933)
Effective interest rate	22%	22%

15. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent's shareholders by the weighted average number of ordinary shares outstanding in the period.

in PLN thd	2015	2014
Net profit for period	157,956	277,232
Weighted average number of ordinary shares	2,651,449	2,244,489
Basic earnings per share	0.05957	0.12352

16. Cash and transactions with Central Bank

in PLN thd	Dec 31 2015	Dec 31 2014
Cash*	111,071	124,624
Deposits with Central Bank	792,723	1,418,481
Total	903,794	1,543,105

* Cash means the Polish and foreign currencies (banknotes and coins)

The declared mandatory reserves to be maintained in the period including December 31st 2015 amounted to PLN 602,475.0 thousand, compared with PLN 617,211.0 thousand in the period including December 31st 2014. The reserves were set at the average balance of customers' assets in November 2015 (November 2014) (Art. 38.2 of the Act on the National Bank of Poland).

17. Amounts due from banks

Deposits with other banks, and loans and advances to other banks by type

in PLN thd	Dec 31 2015	Dec 31 2014
Current account	689,634	573,785
Interbank deposits and loans and advances to other banks (including purchased debt)	300,719	181,317
Interest accrued	5,805	1,414
Discount on purchased debt	(62)	(72)
Gross amounts due from banks	996,096	756,444
Impairment losses, including:	(160)	(119)
– recognised individually	-	-
– recognised collectively	(160)	(119)
Net amounts due from banks	995,936	756,325

Deposits with other banks, and loans and advances to other banks by maturity

in PLN thd	Dec 31 2015	Dec 31 2014
Payable on demand	689,634	573,785
With fixed maturities	300,719	181,317
– up to 1 month	28,524	4,135
– over 1 month to 3 months	204,914	40,095
– over 3 months to 1 year	67,281	137,087
– over 1 year to 5 years	-	-
– over 5 years	-	-
Interest accrued	5,805	1,414
Discount on purchased debt	(62)	(72)
Impairment losses	(160)	(119)
Net amounts due from banks	995,936	756,325

Change in impairment losses on amounts due from other banks

in PLN thd	Dec 31 2015	Dec 31 2014
Impairment losses on amounts due from other banks at beginning of period	119	375
Recognition of impairment loss	41	-
Reversal of impairment losses	-	(256)
Write-off of impairment losses	-	-
Other changes	-	-
Impairment losses on amounts due from other banks at end of period	160	119

18. Loans and advances to customers

Amounts due from customers by type

in PLN thd	Dec 31 2015	Dec 31 2014
Natural persons	25,061,578	24,193,767
Businesses	5,252,104	4,677,192
Public sector	35,194	44,269
Interest	56,280	58,319
Gross amounts due from customers	30,405,156	28,973,547
Impairment	(744,949)	(732,778)
Net amounts due from customers	29,660,207	28,240,769

For a detailed description of the Group's credit risk management and more information on credit risk concentration, see Note 43.

Amounts due from customers by maturity

in PLN thd	Dec 31 2015	Dec 31 2014
Payable on demand	1,829,695	1,758,951
Definite	28,269,447	26,932,312
– up to 1 month	837,086	881,370
– over 1 month to 3 months	452,830	476,978
– over 3 months to 1 year	1,915,735	1,730,218
– over 1 year to 5 years	7,561,040	6,712,118
– over 5 years	17,502,756	17,131,628
Other	249,734	223,965
Interest	56,280	58,319
Total	30,405,156	28,973,547

Change in impairment losses

in PLN thd	2015	2014
As at Jan 1	732,778	694,705
Change in impairment losses	12,171	38,073
Impairment losses on loans and advances to customers	628,193	440,869
Receivables written-off against provisions*	(89,654)	(93,612)
Decrease due to foreign exchange gains/(losses)	(11,022)	(10,541)
Reversal of impairment losses on loans and advances to customers	(515,346)	(298,643)
Other decreases	-	-
As at Dec 31	744,949	732,778

* The item includes PLN 68,136 thousand (2014: PLN 60,286 thousand) of receivables written down following the sale of non-performing loan portfolios with a gross carrying amount of PLN 93,367 thousand as at the transaction date (2014: PLN 79,646 thousand).

Net gain/(loss) on sale of debt is accounted for in impairment losses.

Impairment losses on amounts due from customers include the following categories:

in PLN thd	Dec 31 2015	Dec 31 2014
Impairment losses on impaired exposures	676,561	676,569
Impairment losses for losses incurred but not reported (IBNR)	68,388	56,209
Total impairment losses	744,949	732,778

in PLN thd	Dec 31 2015	Dec 31 2014
Gross impaired receivables	947,393	973,944
Impairment losses on impaired exposures	(676,561)	(676,569)
Net impaired receivables	270,832	297,375
Gross unimpaired receivables	29,457,763	27,999,603
Impairment losses for losses incurred but not reported (IBNR)	(68,388)	(56,209)
Net unimpaired receivables	29,389,375	27,943,394
Total gross amounts due from customers	30,405,156	28,973,547
Total impairment losses	(744,949)	(732,778)
Total net amounts due from customers	29,660,208	28,240,769

In 2015, the Group did not make any material changes to the methodology of estimating impairment losses. The methodology of estimating impairment losses is described in Note 43.

19. Financial assets at fair value through profit or loss

in PLN thd	Dec 31 2015	Dec 31 2014
Treasury bonds	198,435	1,456,390
Listed shares in other entities	-	9,512
Valuation of derivative financial instruments	141,786	182,978
Total	340,221	1,648,880

For more information on financial assets at fair value through profit or loss, see Note 35 and Note 43.

Positive market value of unmatured derivative financial instruments

in PLN thd	Dec 31 2015	Dec 31 2014
Interest rate contracts	48,827	59,631
– IRSs	48,794	57,562
– Other interest rate contracts	33	2,069
Currency contracts	92,959	123,347
– FX spots/forwards	16,010	20,530
– FX swaps	31,838	71,579
– Currency options purchased	44,404	30,982
– Currency options embedded in deposits	707	256
Total	141,786	182,978

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

in PLN thd	2015	2014
Balance at beginning of period	1,456,390	3,140,449
Increase	153,036,157	213,459,007
– purchase of debt securities*	153,034,224	213,347,648
– increase in the value of securities**	1,933	111,359
Decrease	(154,294,112)	(215,143,066)
– sale of debt securities*	(154,165,760)	(155,667,216)
– redemption of debt securities*	(63,841)	(59,475,850)
– decrease in the value of securities**	(64,511)	-
Balance at end of period	198,435	1,456,390

* nominal value
** market valuation, interest and discount

Financial assets at fair value through profit or loss by maturity

in PLN thd	Dec 31 2015	Dec 31 2014
up to 1 month	71,483	38,250
over 1 month to 3 months	24,710	39,244
over 3 months to 1 year	158,250	273,920
over 1 year to 5 years	46,660	1,157,249
over 5 years	39,118	130,705
no set maturity		9,512
Total	340,221	1,648,880

20. Financial assets held as investments

in PLN thd	Dec 31 2015	Dec 31 2014
Securities available for sale:		
Treasury bonds	532,896	276,598
NBP bills	5,198,388	3,500,000
Equities*	38,182	3,217
Total	5,769,466	3,779,815

* The item 'Equities' includes VISA shares received in relation to the Group's membership in VISA International and shares in GPW S.A. and BondSpot S.A.

The Parent as a member of Visa Europe Ltd is one of the beneficiaries of the transaction executed on November 2nd 2015 between Visa Inc. a Visa Europe Ltd. As disclosed by Visa Inc., the transaction involves a payment of EUR 16.5bn made in advance to its beneficiaries, and a potential additional payment depending on financial performance, of up to EUR 4.7bn, to be made after four years from the transaction closing, which gives a total transaction value of up to EUR 21.2bn. The amount to be paid in advance includes cash of EUR 11.5bn and preference shares convertible into class A ordinary shares in Visa Inc., whose value is estimated at EUR 5bn.

The Parent received from Visa Europe the following indicative estimates of the payments under the transaction, calculated based on the Bank's share in Visa's business in Europe:
— EUR 7.6m in cash,
— shares with an estimated value of EUR 2.6m (based on exchange rates as at October 18th 2015).

In accordance with the proposed payment schedule, the amounts are to be paid by June 30th 2016.

The terms and the fulfilment of the payment schedule are subject to approval by the regulators of individual European markets.

Based on information received, the Parent made another estimate of the fair value of VISA shares in the Bank's accounting books as at December 31st 2015, and the effect was recognised under other comprehensive income. As the Parent still awaits the final confirmation of the amounts to be received (their value may change due to transaction costs or potential objections of Visa Europe members concerning their participation in the settlement) and given the long period of transaction settlement (uncertainty and the possibility of discounted payments), the Parent recognised in its accounting books as at December 31st 2015, with due regard to the prudent valuation principle, the value of VISA shares at EUR 8.9m.

Change in securities available for sale:

in PLN thd	2015	2014
Balance at beginning of period	3,779,815	1,080,865
Increase	223,615,361	94,747,239
– purchase of debt securities*	223,576,810	94,743,799
– increase in the value of securities**	38,551	3,440
Decrease	(221,625,710)	(92,048,289)
– sale of debt securities*	(144,222)	-
– redemption of debt securities*	(221,477,810)	(91,244,770)
– decrease in the value of securities**	(3,678)	(803,519)
Balance at end of period	5,769,466	3,779,815

* nominal value
** including market valuation, interest and discount

As a member of the Banking Guarantee Fund, the Group maintains Treasury bonds as coverage for the Guaranteed Deposit Protection Fund. As at December 31st 2015, the nominal value of the bonds was PLN 107,000.00 thousand (December 31st 2014: PLN 107,000.00 thousand).

21. Property and equipment

Gross amount

in PLN thd	Land and buildings	Plant and equipment	Fittings and furnishings	Assets under construction	Total
As at Jan 1 2014 − restated	121,041	80,375	23,644	-	225,060
Increase (including)	17	987	223	-	1,227
Purchase	17	987	223	-	1,227
Decrease (including)	(4,443)	(10,429)	(3,456)	-	(18,328)
Disposal	(3,198)	(103)	-	-	(3,301)
Liquidation	(1,245)	(10,326)	(3,456)	-	(15,027)
Impairment	-	-	-	-	-
As at Dec 31 2014	116,615	70,933	20,411	-	207,959
As at Jan 1 2015	116,615	70,933	20,411	-	207,959
Increase (including)	250	10,305	281	4,116	14,952
Purchase	250	10,305	281	4,116	14,952
Decrease (including)	-	(221)	-	-	(221)
Disposal	-	(75)	-	-	(75)
Liquidation	-	(146)	-	-	(146)
Impairment	-	-	-	-	-
Other changes	-	360	(293)	-	67
As at Dec 31 2015	116,865	81,377	20,399	4,116	222,757

Accumulated depreciation and impairment

in PLN thd	Land and buildings	Plant and equipment	Fittings and furnishings	Assets under construction	Total
As at Jan 1 2014 − restated	73,746	74,320	23,305	-	171,371
Depreciation	9,375	2,555	243	-	12,173
Impairment	-	(100)	-	-	(100)
Sale/liquidation	(2,688)	(10,293)	(3,457)	-	(16,438)
Other changes	-	81	-	-	81
As at Dec 31 2014	80,433	66,563	20,091	-	167,087
As at Jan 1 2015	80,433	66,563	20,091	-	167,087
Depreciation	9,084	2,417	301	-	11,802
Impairment	1,611	710	-	-	2,321
Sale/liquidation	-	(221)	-	-	(221)
Other changes	(124)	69	-	-	(55)
As at Dec 31 2015	91,004	69,538	20,392	-	180,934

Carrying amount

in PLN thd	Land and buildings	Plant and equipment	Fittings and furnishings	Assets under construction	Total
As at Jan 1 2014	47,295	6,055	339	-	53,689
As at Dec 31 2014	36,182	4,370	320	-	40,872
As at Jan 1 2015	36,182	4,370	320	-	40,872
As at Dec 31 2015	25,861	11,839	7	4,116	41,823

22. Intangible assets

Gross amount

in PLN thd	Formation expenses	Patents, licenses	Capital expenditure	Total
As at Jan 1 2014 – restated	62	172,901	32,104	205,067
Purchase	-	460	22,059	22,519
Increase/decrease – allocation	-	-	(2,095)	(2,095)
Project settlement	-	11,462	-	11,462
Transfer from capital expenditure	-	-	(13,239)	(13,239)
Other changes	-	-	-	-
As at Dec 31 2014	62	184,823	38,829	223,714
As at Jan 1 2015	62	184,823	38,829	223,714
Purchase	-	208	27,184	27,392
Increase/decrease – allocation	-	-	4,807	4,807
Project settlement	-	21,402	-	21,402
Transfer from capital expenditure	-	-	(21,402)	(21,402)
Other changes	(62)	62	(2,177)	(2,177)
As at Dec 31 2015	-	206,495	47,241	253,736

Accumulated amortisation and impairment

in PLN thd	Formation expenses	Software	Capital expenditure	Total
As at Jan 1 2014 – restated	62	124,656	-	124,718
Amortisation	-	21,069	-	21,069
Provision for amortisation	-	(723)	-	(723)
Liquidation	-	-	-	-
Other changes	-	(370)	-	(370)
As at Dec 31 2014	62	144,632	-	144,694
As at Jan 1 2015	62	144,632	-	144,694
Amortisation	-	19,724	-	19,724
Provision for amortisation	-	(238)	-	(238)
Liquidation	-	-	-	-
Other changes	(62)	62	-	-
As at Dec 31 2015	-	164,180		164,180

Carrying amount

in PLN thd	Formation expenses	Software	Capital expenditure	Total
As at Jan 1 2014	-	48,245	32,104	80,349
As at Dec 31 2014	-	40,191	38,829	79,020
As at Jan 1 2015	-	40,191	38,829	79,020
As at Dec 31 2015	-	42,315	47,241	89,556

23. Deferred tax assets

in PLN thd	Dec 31 2015	Dec 31 2014
Deferred tax assets	86,880	91,225
Deferred tax liabilities	(75,396)	(62,729)
Total deferred tax assets, net	11,484	28,496

Deferred tax assets relate to the following items:

Deductible temporary differences between the tax base and accounting value of assets and liabilities

in PLN thd	Dec 31 2015	Dec 31 2014	Change in 2015
Accrued interest to be paid	34,638	35,099	(461)
Provisions for expenses	149,921	154,863	(4,942)
Premium on debt securities	-	-	-
Impairment losses on credit exposures and fair value of financial instruments	220,980	224,931	(3,951)
Paid costs related to option premium	514	522	(8)
Difference between the tax base and accounting value of property and equipment	2,824	3,159	(335)
Revenue due for current year, received in the following year, as remuneration for financial services	8,367	9,927	(1,560)
Valuation of financial assets – derivatives	39,001	48,752	(9,751)
Valuation of financial assets held for trading	21	245	(224)
Valuation of financial assets available for sale	996	2,634	(1,638)
Deductible tax loss	-	-	-
Total	457,262	480,132	(22,870)
Tax rate	19%	19%	-
Deferred tax assets	86,880	91,225	(4,345)
including taken to revaluation reserve	189	500	(311)
including taken to profit or loss	86,691	90,725	(4,034)

Deferred tax liabilities relate to the following items:

Taxable temporary differences between the tax base and accounting value of assets and liabilities

in PLN thd	Dec 31 2015	Dec 31 2014	Change in 2015
Accrued interest to be received	57,668	62,144	(4,476)
Unrealised discount on securities	139	252	(113)
Prepaid expenses	233,922	189,977	43,945
Valuation of financial assets – derivatives	55,218	65,546	(10,328)
Valuation of financial assets held for trading	13,222	11,372	1,850
Income on securities – received	(11,637)	(15,215)	3,578
Other accrued income	10,117	13,472	(3,355)
Valuation of financial assets available for sale	38,169	2,605	35,564
Total	396,818	330,153	66,665
Tax rate	19%	19%	-
Deferred tax liabilities	75,396	62,729	12,667
including taken to revaluation reserve	7,252	495	6,757
including taken to profit or loss	68,144	62,234	5,910

24. Current tax assets

No such item was recognised as at the end of the reporting period.

25. Other assets

in PLN thd	Dec 31 2015	Dec 31 2014
Various debtors, net	56,846	65,299
Prepayments and accrued income	9,213	5,436
Public receivables	2,065	762
Other assets	5,620	1,726
Interbank settlements	4,880	899
Amounts due from clients under executed transactions	25,749	30,206
Amounts due from the Central Securities Depository of Poland	34,005	42,587
Accrued income	33,533	24,421
Total	171,911	171,336

Maturity structure of various debtors

in PLN thd	Dec 31 2015	Dec 31 2014
Not past due	56,669	65,551
Past due − up to one year	636	-
Past due − from 1 year to 3 years	338	1,360
Past due − from 3 years to 5 years	272	-
Past due – over 5 years	526	-
Various debtors, gross	58,441	66,911
Impairment losses	(1,595)	(1,612)
Various debtors, net	56,846	65,299

26. Amounts due to other banks

Amounts due to banks by type

in PLN thd	Dec 31 2015	Dec 31 2014
Current account	288,439	510,615
Term deposits	15,449,968	14,253,529
Loans received	426,417	449,694
Interest accrued	23,273	21,604
Total	16,188,097	15,235,442

Amounts due to banks by maturity

in PLN thd	Dec 31 2015	Dec 31 2014
Payable on demand	288,439	510,615
With fixed maturities	15,876,394	14,703,236
– up to 1 month	-	93,935
– over 1 month to 3 months	173,424	63,935
– over 3 months to 1 year	939,530	1,541,474
– over 1 year to 5 years	10,391,438	8,246,509
– over 5 years	4,372,002	4,757,383
Other	(9)	(13)
Interest accrued	23,273	21,604
Total	16,188,097	15,235,442

27. Amounts due to customers

Amounts due to customers by type

in PLN thd	Dec 31 2015	Dec 31 2014
Current account		
Individuals	3,645,336	3,109,344
Businesses	8,786,153	8,813,487
Public sector	45,079	33,616
Total current accounts	12,476,568	11,956,447
Term deposits		
Individuals	2,545,072	2,559,799
Businesses	1,812,944	1,641,100
Public sector	34,845	26,149
Total term deposits	4,392,861	4,227,048
Interest accrued	10,194	12,273
Total	16,879,623	16,195,768

Amounts due to customers by maturity

in PLN thd	Dec 31 2015	Dec 31 2014
Payable on demand	12,476,568	11,956,447
With fixed maturities	4,392,871	4,227,029
– up to 1 month	2,100,593	1,653,440
– over 1 month to 3 months	1,274,697	1,137,522
– over 3 months to 1 year	1,006,817	1,419,441
– over 1 year to 5 years	6,439	12,526
– over 5 years	4,325	4,100
Other	(10)	19
Interest accrued	10,194	12,273
Total	16,879,623	16,195,768

28. Financial liabilities at fair value through profit or loss

Negative market value of unmatured derivative financial instruments

in PLN thd	Dec 31 2015	Dec 31 2014
Interest rate contracts	33,022	45,626
– Securities with future settlement date	21	245
– IRSs	33,001	43,900
– Other interest rate contracts	-	1,481
Currency contracts	83,568	172,655
– FX spots/forwards	20,512	23,807
– FX swaps	17,446	117,611
– Currency options sold	45,610	31,237
Total	116,590	218,281

Financial liabilities at fair value through profit or loss by maturity

in PLN thd	Dec 31 2015	Dec 31 2014
up to 1 month	44,123	48,488
over 1 month to 3 months	15,030	40,770
over 3 months to 1 year	27,898	78,488
over 1 year to 5 years	28,084	46,858
over 5 years	1,455	3,677
Total	116,590	218,281

Offsetting financial instruments

Dec 31 2015	Valuation of derivative financial instruments	Notional offset amount	Margin (received/provided)	Net amount
Financial assets at fair value through profit or loss	141,786	4,233	-	137,553
Financial liabilities at fair value through profit or loss	116,590	4,233	-	112,357

Dec 31 2014	Valuation of derivative financial instruments	Notional offset amount	Margin (received/provided)	Net amount
Financial assets at fair value through profit or loss	182,978	4,575	-	178,403
Financial liabilities at fair value through profit or loss	218,281	4,575	-	213,706

29. Provisions

in PLN thd	Provisions for retirement severance payments	Provisions for off-balance-sheet liabilities	Provisions for disputes	Restructuring provision	Provision for expenses related to the Bank's operating activities	Total
As at Jan 1 2015	664	4,649	738	-	-	6,051
Provisions recognised during the year	482	15,630	-	12,590	11,518	40,220
Provisions reversed during the year	(1)	(11,517)	(88)	-	-	(11,606)
Reclassification of provision	-	-	121	-	-	121
As at Dec 31 2015	1,145	8,762	771	12,590	11,518	34,786
As at Jan 1 2014	652	5,973	967	-	-	7,592
Provisions recognised during the year	12	10,335	-	-	-	10,347
Provisions reversed during the year	-	(11,659)	(229)	-	-	(11,888)
Reclassification of provision	-	-	-	-	-	-
As at Dec 31 2014	664	4,649	738	-	-	6,051

Provisions for off-balance-sheet liabilities

Provisions for off-balance-sheet liabilities comprise provisions for losses incurred but not reported related to off-balance-sheet exposures.

Provisions for disputes

The total value of litigation in court disputes in which the Group acted as the respondent was PLN 24m as at December 31st 2015.

Where the Group believed, that the likelihood of an outflow of resources embodying economic benefits was higher than 50%, the Group recognised provisions for such disputes. As at December 31st 2015, provisions for legal claims arising from disputes in which the Group was a respondent totalled PLN 771 thousand.

The Group is involved in proceedings brought against it by the President of the Office for Competition and Consumer Protection ("President of UOKiK"), related to the use of monopoly practices with respect to credit cards by the Parent and other Polish banks. On December 29th 2006, the President of UOKiK issued a decision. Following an appeal against that decision, in 2013 the Regional Court in Warsaw reduced the penalty imposed on the Parent from PLN 2,894 thousand to PLN 25 thousand. However, in response to a number of appeals filed, the Court of Appeals in Warsaw changed the above decision of the Regional Court by dismissing in whole all appeals filed by banks, including the parent, against the decision of the President of UOKiK and against the ruling of the Regional Court. The Parent paid PLN 2,894 thousand under the decision of the President of UOKiK. The Bank has the right to file a cassation appeal against the ruling of the Court of Appeals.

Restructuring provisions

As at the reporting date, the Parent recognised restructuring provisions, including PLN 1,786 thousand for employment restructuring and PLN 10,804 thousand for restructuring of the branch network.

30. Tax liabilities

As at December 31st 2015, the Group recognised current tax liabilities of PLN 9,035 thousand (December 31st 2014: PLN 7,176 thousand), representing the difference between the tax payable as at that date on income generated from the beginning of

the financial year and total advance payments made in accordance with the simplified procedure under Art. 25.6 of the Corporate Income Tax Act of February 15th 1992. Current tax liabilities of Group companies for 2015 were paid by the statutory deadline.

31. Other liabilities

in PLN thd	Dec 31 2015	Dec 31 2014
Interbank settlements	62,357	91,834
Various creditors	29,120	24,365
Public charges	16,653	11,360
Amounts due to brokerage houses and the CSDP	5,138	18,491
Other payables	19,847	16,349
Provisions, including:	129,583	149,271
for awards and bonuses	35,222	40,170
for unpaid invoices	66,671	93,567
for unused holidays	9,904	9,332
Other	17,786	6,202
Deferred income	27,915	36,515
Total	290,613	348,185

Deferred income includes provisions for the return of insurance commission on intermediation in the sale of insurance offered with consumer loans and distribution of investment-linked insurance products.

32. Subordinated liabilities

Financing provider: Deutsche Financial Services (Malta) Ltd.	Nominal amount in loan currency	Currency	Interest rate as at Dec 31 2015	Maturity date	Amount outstanding as at Dec 31 2015
Principal	55,000	EUR	1.987	Jul 4 2018	234,383
Interest	267	EUR	x	x	1,138
Total	55,267	EUR	x	x	235,521

Financing provider: Deutsche Financial Services (Malta) Ltd.	Nominal amount in loan currency	Currency	Interest rate as at Dec 31 2014	Maturity date	Amount outstanding as at Dec 31 2014
Principal	55,000	EUR	2.111	Jul 4 2018	234,427
Interest	281	EUR	x	x	1,195
Total	55,281	EUR	x	x	235,622

Subordinated liabilities include a loan advanced by Deutsche Bank (Malta) Ltd (formerly Deutsche Financial Services (Malta) Ltd.) on July 4th 2008, repayable after 10 years.

Proceeds from the loan were used for business development. On September 2nd 2008, the PFSA approved the inclusion of the loan proceeds in the Parent's supplementary funds for the purposes of capital adequacy ratio calculation.

33. Common Shares

in PLN thd	Dec 31 2015	Dec 31 2014
Shares outstanding as at Jan 1 2015 – fully paid-up	2,651,449,384	1,837,529,524
Shares outstanding as at Dec 31 2015 – fully paid-up	2,651,449,384	2,651,449,384

SHARE CAPITAL (STRUCTURE)

Series / issue	Type of shares	Number of shares	Series/issue at par value (PLN '000)	Manner of payment for share capital	Registration date	Dividend right (since)
I	ordinary registered	1,000,000	1,000	cash	Nov 4 1991	Jan 1 1992
II	ordinary bearer	2,500,000	2,500	cash	Nov 24 1992	Jan 1 1993
III Series A	ordinary registered	250,000	250	cash	Aug 26 1993	Jan 1 1993
III Series B	ordinary registered	304,960	305	in-kind contribution	Nov 30 1993	Jan 1 1994
III Series C	ordinary bearer	189,465	189	cash	Nov 30 1993	Jan 1 1994
III Series D	ordinary registered	288,883	289	cash	Nov 30 1993	Jan 1 1993
III Series E	ordinary bearer	1,300,000	1,300	cash	Feb 16 1994	Jan 1 1994
III Series F	ordinary bearer	1,666,692	1,667	cash	Apr 13 1994	Jan 1 1994
IV	ordinary bearer	1,971,068	1,971	cash	Jun 16 1994	Jan 1 1994
V	ordinary bearer	3,031,014	3,031	cash	Dec 30 1994	Jan 1 1995
VI	ordinary registered	1,671,915	1,672	in-kind contribution	Jun 23 1997	Jan 1 1997
VII Series A	ordinary bearer	14,261,897	14,262	cash	Dec 22 1997	Jan 1 1998
VIII Series AA	ordinary bearer	235,000,000	235,000	cash	Mar 20 2000	Jan 1 2000
IX Series BB	ordinary bearer	34,620,975	34,621	cash	Jul 25 2000	Jan 1 2000
X	ordinary bearer	38,215,967	38,216	cash	Jul 28 2000 Dec 28 2001	Jan 1 2002
Cancellation of shares	ordinary bearer	(150,568,503)	(150,569)	voluntary cancellation, unpaid	Oct 27 2004	not applicable
XI	ordinary registered	89,000,000	89,000	cash	Aug 18 2005	Jan 1 2005
XII	ordinary registered	121,951,219	121,951	cash	Nov 29 2006	Jan 1 2007
XIII	ordinary registered	185,000,000	185,000	cash	Sep 26 2007	Jan 1 2008
XIV	ordinary registered	257,013,000	257,013	cash	Sep 7 2009	Jan 1 2010
XV	ordinary registered	193,000,000	193,000	cash	May 26 2010	Jan 1 2011
XVI	ordinary registered	167,000,000	167,000	cash	Dec 3 2010	Jan 1 2011
XVII	ordinary registered	121,860,972	121,861	cash	Aug 25 2011	Jan 1 2012
XVIII	ordinary registered	300,000,000	300,000	cash	Oct 25 2011	Jan 1 2012
XIX	ordinary registered	110,000,000	110,000	cash	Apr 27 2012	Jan 1 2013
XX	ordinary registered	107,000,000	107,000	cash	Jun 22 2012	Jan 1 2013
XXI	ordinary registered	813,919,860	813,920	acquisition under Art. 492.1.1 of the Commercial Companies Code	Jan 31 2014	Jan 1 2013
Total number of shares		2,651,449,384				
Total share capital			2,651,449			

Par value per share = PLN 1.00

The Group did not issue any preference shares.

34. Other components of equity

in PLN thd	Dec 31 2015	Dec 31 2014
Share premium	525,366	525,366
Revaluation reserve, including	30,196	112
valuation of portfolio of financial assets available for sale	37,174	61
deferred tax	(7,063)	5
other revaluation reserve	85	46
Retained earnings	1,023,122	865,166
reserve funds	319,948	319,948
capital reserves	501,728	238,091
general risk fund	43,490	29,895
profit for period	157,956	277,232
Total	1,578,684	1,390,644

As at the date of signing these financial statements, the Management Board of the Parent did not resolve on the recommended allocation of profit for 2015. The Management Board intends to recommend to the Supervisory Board a resolution to retain 50% of the profit for 2015 in order to increase capital reserves and to distribute the other 50% of the profit for 2015 to the sole shareholder as dividend.

As at the end of the reporting period, the Group had no commitments relating to any dividends that were declared but not paid.

35. Fair value

Fair value of financial assets and liabilities

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in a direct transaction other than a compulsory sale or liquidation, and is best reflected by a market price, if available.

Below is presented a summary of the carrying amounts and fair values for those groups of assets and liabilities which are not presented at fair value in the statement of financial position:

Dec 31 2015

in PLN thd	Carrying amount	Fair value
Assets		
Deposits with other banks, and loans and advances to other banks	995,936	971,854
Loans and advances to customers	29,660,207	27,562,106
Equity and liabilities		
Amounts due to other banks	16,188,097	16,508,805
Amounts due to customers	16,879,623	17,159,768
Subordinated liabilities	235,521	247,787

Dec 31 2014

in PLN thd	Carrying amount	Fair value
Assets		
Deposits with other banks, and loans and advances to other banks	756,325	737,466
Loans and advances to customers	28,240,769	27,704,485
Equity and liabilities		
Amounts due to other banks	15,235,442	14,953,767
Amounts due to customers	16,195,768	17,095,010
Subordinated liabilities	235,622	252,539

Determination of fair value

Below is presented a summary of the key methods and assumptions used in estimating fair value of financial instruments.

Amounts due from other banks:
The fair value of deposits with other banks has been defined by discounting future cash flows to their present value using market interest rates. Margins used in the discounting comprise the liquidity premium curve quoted by the Deutsche Bank A.G. Group at the end of 2015.

Loans and advances to customers:
The fair value of loans and advances to customers has been determined by discounting future cash flows related to main loan product groups to their present value using current interest rates applicable to an adequate portfolio, that is interest rates applicable to loans granted in the last quarter of 2015. In the case of other amounts due from customers, their fair value is represented by their carrying amount.

The fair value of mortgage loans advanced to customers has been determined as the present value of future cash flows calculated using current interest rates, taking into account the margin changes from the time the loan was granted. The interest rates used in the calculation account for the liquidity premium that the Group would have to pay in transactions made to finance its lending activity.

Amounts due to other banks:
The fair value of the entire portfolio of term deposits has been determined by discounting future cash flows to their present value using market interest rates. For other amounts due from banks, the carrying amount has been used as an approximation of their fair value.

Amounts due to customers
The fair value of fixed rate deposits from customers has been determined by discounting future cash flows related to main deposit product groups to their present value using current interest rates applicable to an adequate portfolio. Interest rates for deposits made in December 2015 were assumed to be the current interest rates. Fair value of floating rate deposits from customersis equal to their carrying amount.

Subordinated loan:
In the case of the subordinated loan, the fair value has been determined by discounting future cash flows to their present value using market interest rates.

The Group calculates fair value of financial instruments using one of the following valuation techniques:
1) Level I – financial instruments whose fair value is determined on the basis of direct quotations available in the market. In this category, the Group has classified its debt securities quoted in active markets.
2) Level II – financial instruments measured at fair value using valuation models in which all material inputs are observable in an active market (either directly or indirectly). In this category, the Group classified its National Bank of Poland bills and derivatives transactions measured on the basis of discounted cash flow models using inputs which are observable in the market or on the basis of option valuation models. Level II financial instruments are measured using yield curves. The yield curves are built based on market quotations of the following

instruments: IRS (to measure IRSs), FRA (to measure IRSs for up to one year), swap points (to measure fx swap and fx forward transactions).

3) Level III – financial instruments measured at fair value on the basis of valuation models in which material inputs are not observable in an active market.

The Group may reclassify its assets or liabilities between Level I and Level II if quotations from an active market cease to be available at the end of a reporting period, or between Level II and Level III if a valuation input which has a material effect on the valuation ceases to be observable. In the discussed reporting periods, there were no reclassifications between fair value levels.

In the case of derivative instrument assets, a valuation adjustment reflecting counterparty risk is calculated (credit value adjustment, CVA). The Group deems the effect of the CVA (which is an unobservable input) to be immaterial from the point of view of the total valuation. Accordingly, the derivative instrument assets are presented in Level II.

The table below presents a breakdown of financial assets and liabilities into the three levels presented above:

Dec 31 2015

in PLN thd	Carrying amount	Fair value	Level I	Level II	Level III
Assets					
Deposits with other banks, and loans and advances to other banks	995,936	971,854	-	971,854	-
Loans and advances to customers	29,660,207	27,562,106	-	-	27,562,106
Financial assets at fair value through profit or loss	340,221	340,221	198,435	141,786	-
Financial assets held as investments	5,769,466	5,769,466	533,148	5,198,388	37,930
Equity and liabilities					
Amounts due to other banks	16,188,097	16,508,805	-	16,508,805	-
Amounts due to customers	16,879,623	17,159,768	-	17,159,768	-
Financial liabilities at fair value through profit or loss	116,590	116,590	-	116,590	-
Subordinated liabilities	235,521	247,787	-	247,787	-

Dec 31 2014

in PLN thd	Carrying amount	Fair value	Level I	Level II	Level III
Assets					
Deposits with other banks, and loans and advances to other banks	756,325	737,466	-	737,466	-
Loans and advances to customers	28,240,769	27,704,485	-	-	27,704,485
Financial assets at fair value through profit or loss	1,648,880	1,648,880	1,465,902	182,978	-
Financial assets held as investments	3,779,815	3,779,815	276,598	3,503,217	-
Equity and liabilities					
Amounts due to other banks	15,235,442	14,953,767	-	14,953,767	-
Amounts due to customers	16,195,768	17,095,010	-	17,095,010	-
Financial liabilities at fair value through profit or loss	218,281	218,281	-	218,281	-
Subordinated liabilities	235,622	252,539	-	252,539	-

As at the end of 2015, the Parent held assets measured at fair value using valuation techniques based on material inputs other than sourced from an active market (Level III). For a description of the measurement, see Note 18.

The table below presents changes in the fair value of instruments measured using measurement methods based on inputs other than data sourced from the market in 2015:

in PLN thd	Assets and shares
Opening balance – Jan 1 2015	-
Gain/loss	37,930
Recognised in the statement of profit or loss	-
Recognised in equity	37,930
Purchase	-
Disposal	-
Repayment/maturity	-
Impairment losses	-
Closing balance – Dec 31 2015	37,930

36. Contingent and off-balance-sheet liabilities

The Group has commitments to provide loans. These commitments include approved loans that have not yet been disbursed and current account overdrafts.

The Group issues guarantees and letters of credit which secure discharge of liabilities towards third parties by the Group's clients. Guarantee and letter-of-credit agreements provide for specified limits and are made on average for periods of up to three years. The Group also issues loan promises.

The values of contingent liabilities under contracts, broken down into individual categories, are presented in the table below. The values of guarantees and letters of credit shown in the table below reflect the maximum possible loss which would be disclosed as at the end of the reporting period if clients defaulted on all of their obligations.

Value of contingent commitments assumed

in PLN thd	Dec 31 2015	Dec 31 2014
Credit facilities	2,736,233	2,681,794
Import/export letters of credit issued/confirmed	22,109	31,968
Guarantees	1,482,866	1,335,248
Other commitments, including:	439,646	269,165
Commitments under loan promises	189,758	43,379
Total	4,680,854	4,318,175

Many of the assumed contingent liabilities will expire before they are fully or partly paid, therefore their values do not reflect anticipated future cash flows.

As part of its operations, the Bank receives security for credit exposures. These are typically guarantees or sureties issued by other banks or non-banking entities. Such guarantees or sureties are recognised as conditional commitments received in the amounts specified in the relevant agreements.

Value of conditional commitments received

in PLN thd	Dec 31 2015	Dec 31 2014
Financial commitments	2,112	222,465
Guarantee commitments	994,488	1,180,140
Total	996,600	1,402,605

The nominal values of current transactions related to currency exchange operations and derivative transactions are presented below.

Customers' securities

in PLN thd	Dec 31 2015	Dec 31 2014
Customers' securities (brokerage business)	1,391,663	1,224,915

Liabilities related to the settlement of currency transactions and derivatives notional amounts

in PLN thd	Dec 31 2015	Dec 31 2014
Current transactions related to currency exchange	1,016,339	883,157
Derivative transactions	23,310,996	22,127,878
Total	24,327,335	23,011,035

Derivative instruments

in PLN thd	Dec 31 2015	Dec 31 2014
Currency forwards	2,578,517	2,179,983
Purchased	1,282,960	1,084,908
Sold	1,295,557	1,095,075
Currency swaps	11,534,543	9,015,048
Purchased	5,776,229	4,487,118
Sold	5,758,314	4,527,930
Interest rate swaps (IRS)	3,776,198	2,273,639
FRAs	-	4,850,000
Transactions in securities	87,500	180,000
Currency options	5,216,686	3,610,990
Notional amount purchased	2,608,343	1,805,495
Notional amount sold	2,608,343	1,805,495
Options embedded in deposits	117,552	18,218
Notional amount purchased	58,776	9,109
Notional amount sold	58,776	9,109
Total derivative transactions	23,310,996	22,127,878

37. Assets hedging

As at December 31st 2015, the Group held assets which secured its liabilities and contingent liabilities, in the form of Treasury bonds with a par value of PLN 107,000.00 thousand (December 31st 2014: PLN 107,000.00 thousand), representing coverage of the Guaranteed Deposit Protection Fund in accordance with Art. 25 and Art. 26 of the Bank Guarantee Fund Act.

38. Operating leases

Deutsche Bank Polska S.A. Group as a lessee

Lease payments under irrevocable operating leases are specified below:

in PLN thd	Dec 31 2015	Dec 31 2014
Up to one year	57,834	63,631
From 1 year to 5 years	144,922	125,268
Over 5 years	60,965	22,184
Total	263,721	211,084

The Group mostly leases vehicles and computer hardware under operating leases. The lease agreements are usually made for periods of two to five years, with an option to prolong the lease thereafter. None of the lease agreements provides for contingent payments. In 2015 and 2014, operating lease costs were PLN 9,413 thousand and PLN 11,757 thousand, respectively.

The Group leases office space under operating lease agreements, which are usually made for five years. Cost of lease of office space in the financial year 2015 was PLN 66,246 thousand (2014: PLN 65,816 thousand); the average monthly cost of lease of office space was PLN 5,520 thousand (2014: PLN 5,485 thousand).

39. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows include deposits with maturities of less than three months, excluding instruments held for investment purposes.

in PLN thd	Dec 31 2015	Dec 31 2014
Cash and balances with Central Bank	903,794	1,543,105
Deposits with balances up to 3 monts	689,634	573,785
Total	1,593,428	2,116,890

40. Remuneration of the Management Board, Supervisory Board and personnel

Remuneration of the Management Board, Supervisory Board and personnel of the Parent in the financial year and in the previous financial year

			2015			2014
in PLN thd	Management Board	Supervisory Board	Personnel	Management Board	Supervisory Board	Personnel
Salaries and wages	10,372	395	264,998	17,362	395	261,693
Other short-term benefits	21	-	5,439	32	-	12,634
Termination benefits	-	-	4,248	630	-	1,886
Cost of share-based payment schemes	3,574	-	323	551	-	159
Total	13,967	395	275,008	18,575	395	276,372

Remuneration of the Management Board, Supervisory Board and personnel of the subsidiary in the financial year and in the previous financial year

			2015			2014
in PLN thd	Management Board	Supervisory Board	Personnel	Management Board	Supervisory Board	Personnel
Salaries and wages	2,168	-	3,657	2,043	-	4,565
Other short-term benefits	400	-	400	522	-	353
Termination benefits	-	-	-	-	-	-
Cost of share-based payment schemes	-	-	-	-	-	-
Total	2,568	-	4,057	2,565	-	4,918

The table above presents remuneration of members of the Management and Supervisory Boards of the Parent and its subsidiary and other Group employees (personnel).

The amounts include base salary, bonuses, social security contributions and additional benefits, such as benefits in kind, life insurance contracts and other insurance.

The item ‘Salaries and wages’ includes:

— cost of provisions for awards and bonuses for 2015, including awards and bonuses to be distributed in 2016. The amount of provision for awards and bonuses to employees was PLN 23,114 thousand. The provision for employee awards and bonuses earned in 2014 and distributed in 2015 was PLN 24,744 thousand.
— cost of variable remuneration components under the variable remuneration component programme for members of the Bank’s management (“VRC Policy”), which totalled PLN 6,685 thousand in 2015 (2014: PLN 6,948 thousand), of which PLN 5,996 thousand (2014: PLN 4,570 thousand) was attributable to the Bank’s Management Board members. The cost of bonuses awarded as part of the Deutsche Bank AG Group’s bonus programmes for the Bank’s personnel (RIA/REA) is included in the cost of share-based payment schemes.

The cost of bonuses awarded as part of the Deutsche Bank AG Group’s bonus programmes for the group’s personnel (RIA/REA) is included in the cost of share-based payment schemes.

Loans, guarantees and other advances granted by the Group to the management

in PLN thd	Dec 31 2015	Dec 31 2014
Management Board members	11,035	10,352
Supervisory Board members	-	-
Total	11,035	10,352

41. Related party transactions

The following entities are related to the Group:
Parent – Deutsche Bank AG.
Other DB Group companies

As part of its operations, the Group executed a number of banking transaction with related parties, chiefly with respect to loans and deposits received, services, and transactions in derivatives. Transactions with related parties are executed on arm’s length terms.

The table below presents the value of material related-party transactions, the balance of individual items as at the year end, and the related income and expenses for the financial year.

DB Securities – subsidiary

in PLN thd	2015	2014
Amounts due from related party, including:	236	350
Fees and commissions receivable	236	350
Other	-	-
Investments in subsidiaries	20,426	20,426
Amounts due to related party, including	83,264	76,036
Amounts in bank accounts	83,164	75,873
Amounts due under fees and commissions	100	163
Other	-	-
Income, including:	4,345	3,670
Interest income	39	17
Fee and commission income	3,662	2,797
Other income	643	856
Expenses, including:	(3,093)	(3,386)
Interest expense	(1,389)	(1,500)
Fee and commission expense	(1,704)	(1,886)

Deutsche Bank AG – Parent

in PLN thd	2015	2014
Amounts due from related party, including:	933,232	270,282
Current accounts, deposits	929,360	268,639
Interest to be received	3,815	-
Financial assets at fair value through profit or loss	57	1,642
Other assets	-	-
Amounts due to related party, including:	9,112,522	8,269,747
Deposits	8,826,352	8,005,834
Loans	273,002	246,414
Interest	2,608	7,675
Financial liabilities at fair value through profit or loss	1,186	9,778
Other liabilities	9,374	46
Off-balance-sheet liabilities:	416,053	461,225
Guarantees issued	279,091	182,483
Financial commitments granted	-	-
FX spots/forwards	8,492	19,050
FX swaps	-	130,671
Interest rate swaps (IRS)	128,469	129,021
Income, including:	7,404	1,338
Interest income	5,533	1,338
Other income	1,871	-
Expenses, including:	(84,840)	(78,444)
Interest expense	(54,451)	(35,755)
Fee and commission expense	(1,754)	(1,257)
Other expenses, including:	(28,635)	(41,433)
Costs related to allocation of IT projects (BEN)	-	(15,935)
Costs related to use of HR systems	-	(4,136)
Other	(28,635)	(21,362)
Net gain/loss on instruments at fair value through profit or loss	(6,728)	-

Deutsche Bank AG London Branch

in PLN thd	2015	2014
Amounts due from related party, including:	75,438	540,824
Current accounts, deposits	13,683	450,762
Fees and commissions receivable	12,323	2,666
Financial assets at fair value through profit or loss	41,765	82,568
Other assets	7,668	4,828
Amounts due to related party, including:	275,589	349,366
Deposits	207,515	171,781
Interest	762	1,216
Financial liabilities at fair value through profit or loss	51,536	164,212
Other	15,776	12,158
Income, including:	31,733	32,691
Fee and commission income	29,340	26,013
Interest income	2,393	6,678
Net gain/loss on instruments at fair value through profit or loss	56,659	-
Other	5,642	(3,409)
Expenses, including:	(20,606)	(65,550)
Interest expense	(4,675)	(9,362)
Other expenses	(15,931)	(56,188)
Off-balance-sheet liabilities:	16,021,852	15,491,054
Guarantees issued	73,966	72,183
FX spots/forwards	211,810	239,643
FX swaps	10,416,490	7,129,894
CAPs/FLOORs	-	-
FRAs	-	4,850,000
Interest rate swaps (IRS)	2,645,869	1,384,730
Currency options	2,673,717	1,814,604

Deutsche Bank Privat – und Geschäftskunden AG

in PLN thd	2015	2014
Amounts due to related party, including:	236,364	340,788
Deposits	236,364	340,551
Interest	-	237
Other		-
Expenses, including:	393	(8,030)
Interest expense	398	(7,584)
Fee and commission expense	(5)	(329)
Other expenses	-	(117)
Income, including:	328	-
Other income	328	-

Deutsche Bank (Malta) Ltd

in PLN thd	2015	2014
Amounts due to related party, including:	235,521	235,623
Subordinated loan	234,383	234,427
Other loans	-	-
Interest on loans	1,138	1,196
Expenses, including:	(4,783)	(11,040)
Interest on loans	(4,783)	(11,040)

Norisbank GmbH

in PLN thd	2015	2014
Amounts due to related party, including:	5,443,198	5,961,936
Deposits	5,437,370	5,954,042
Interest	5,829	7,894
Expenses, including:	(32,261)	(44,529)
Interest expense	(32,261)	(44,529)

Other Group companies

in PLN thd	2015	2014
Amounts due from related party, including:	526	2,160
Current accounts	526	2,160
Other receivables		
Amounts due to related party, including:	163,859	7,203
Amounts in bank accounts	163,859	7,202
Other	-	1
Income, including:	5,952	2,914
Other income	5,952	2,914
Expenses, including:	(10,906)	(5,915)
Other expenses	(10,906)	(5,915)
Off-balance-sheet liabilities	211,840	189,648
Guarantees issued	211,072	189,648
Credit facilities granted	-	-
Guarantees and sureties received	767	767
Letters of credit	2,825	-

42. Events subsequent to the end of the reporting period

On May 24th 2016,The Parent was notified of the PFSA's approval for the classification of a subordinated loan with the principal amount of EUR 300m received under an agreement of April 27th 2016 between Deutsche Bank Polska S.A. and Deutsche Bank AG as a Tier 2 instrument, referred to in Art. 63 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms.

No other material events occurred subsequent to the reporting date which should be included or disclosed in the financial statements.

43. Credit risk

The Group incurs credit risk in relation to balance-sheet credit exposures such as loans granted, as well as off-balance sheet liabilities, which include instruments such as bank guarantees and undrawn credit facilities.

The main objective of credit risk management is to protect the Group's capital by ensuring that the quality of its credit portfolio matches its risk appetite, while maintaining sufficient yields and optimising capital allocation.

The Group defines credit risk as the risk of the borrower's insolvency or the risk of non-payment of the incurred liabilities within the contractual deadline, following from the borrower's inability to repay amounts due to the Group in part or in full.

The Group seeks to mitigate the risk of loss by reviewing the financial standing of borrowers and the likelihood of default before granting the loan and during the lending period, taking adequate security, and monitoring the timeliness of principal and interest repayments.

Lending process organisation

The Parent has isolated sales functions (related to customer procurement), credit approval functions and administration functions related to the preparation and monitoring of loan agreements and collateral, and separated them from other functions in the lending process. The Departments involved in the credit risk management process are organisational units that are independent from sales functions and report directly to the Management Board Member responsible for risk. The Departments involved in the credit risk management process have separate units responsible for approving credit exposures for individual clients, business clients as well as corporate clients, financial institutions and public sector clients, which serves to ensure the highest quality of the decisions.

As a way of responding to the regulatory requirements and with a view to implementing its strategy, the Group created the Property Valuation Office within its risk management structures. The Property Valuation Office employs professional property surveyors and specialists with adequate knowledge and experience, who verify the usefulness of third-party estimate surveys and written opinions on property value (valuation information) prepared by expert appraisers of third-party companies, for the purposes of securing the Group's claims, critically assess the estimated property values, and monitor the property market in Poland on an on-going basis. The Property Valuation Office is also engaged in the process of periodic revision of the valuations of property used to secure credit exposures.

The Bank's credit risk structures include dedicated units responsible for the implementation of credit processes, procedures and policies, and for the analysis and monitoring of the credit portfolio risks. In addition, an independent control function has also been created within the credit risk structures, which is performed by the Data Quality and Integrity Office.

A specialised unit, Quantitative Methods Office, operating within the structures of the Credit Portfolio Management Department, creates, develops and validates rating models in cooperation with the relevant entities of the Deutsche Bank AG Group.

The credit risk structures also include the Restructuring Department. In order to effectively manage credit exposures showing evidence of impairment or meeting early warning criteria, the Restructuring Department assumes responsibility for high-risk exposures and makes every effort to help customers to overcome economic and financial difficulties, while minimising losses. The Restructuring Department assumes responsibility for all exposures with respect to business clients which are past due by more than 30 days or in respect of which impairment indicators have been identified. A restructuring process initiated at such an early stage ensures quick reaction to any deterioration in the borrower's financial standing or exposure quality, and thus minimises losses. The Restructuring

Department is also responsible for the individual client restructuring and collection process, where it focuses on significant-value exposures as part of the pre-defined division of tasks.

In the case of corporate clients, financial institutions and public sector clients, impaired exposures are managed by the Corporate Client Credit Risk Department.

The structures of the Bank's credit risk management units also include the Credit Portfolio Management Department, which is responsible for management information related to credit risk, analyses of the Group's credit portfolios, and cooperation with third-party institutions, including Biuro Informacji Kredytowej S.A. (credit reference agency).

In addition, to support the individual client restructuring and collection processes, the Group has created a separate, specialised unit responsible for that area, i.e. the Debt Collection Department. It is equipped with the necessary tools, systems and staff that are responsible for ensuring timely debt service by the Group's individual customers.

Once the monitoring and payment reminder notice activities are completed, the portfolio is divided between the Restructuring Department and the Debt Collection Department based on a set of pre-defined criteria, to effectively manage the debt recovery process by applying appropriate collection strategies, depending on the exposure amount and the type of customer, utilising specialised bank services and professional IT tools.

In the case of receivables which require restructuring, the Restructuring Department and the Debt Collection Department undertake joint activities with a view to recovering the full amount of the debt.

Rules governing lending decision making and risk assessment

The rules for lending decision making as well as credit risk procedures and policies form the framework for the lending activities conducted by the Group and for credit risk management both with respect to individual exposures and with respect to exposure portfolios. The collection of these policies and procedures is subject to approval by the Bank's Management Board, and in some cases also by its Supervisory Board, with a view to ensuring that the policies and procedures are consistent with the Group's strategy and follow the evolution of the banking system and changes in the economic environment. The regulations in place at the Group cover all stages of the lending process, including lending decision making, credit analysis and risk assessment, monitoring of exposures and of borrowers through internal credit exposure reviews (covering entire portfolios or focused on individual exposures), identification of impairment indicators, security management, and the restructuring and debt collection processes. In order to ensure that the regulations are up to date and comply with the law, they are subject to periodic revision.

As a rule, lending decisions are made in compliance with the 'four eyes principle'. With the IT infrastructure, dedicated rating tools and computation engines in place at the Group, the lending process for individual and business clients is supported by IT tools, which allows decision-making powers to be partially de-escalated to the sales or transactional level.

Lending decision-making powers relate in each case to the Group's total exposure towards a client or a group of clients having capital or organisational links, and to the quality of the credit exposure associated with client or transaction risk (higher-risk exposures may be approved exclusively by employees having appropriate lending decision authority, and thus decisions concerning such exposures are reserved for central units responsible for credit risk).

The Group follows a principle whereby the security offered may not on its own constitute the basis for granting a loan, therefore before a credit decision is made (whether with respect to any new commitment or extension or alteration of an existing one) borrowers must be evaluated in terms of their creditworthiness or ability to fully and timely perform their obligations towards the Group. The loan amount, type, lending period, repayment schedule and purpose for which it is granted must be properly matched with the client's risk profile and the type of business activity conducted by the client.

To quantify credit risk and improve the efficiency of the decision-making process, the Group uses rating tools. The Group has in place:
— IT applications supporting the assignment of ratings to individual and business clients,
— a rating process allowing it to assign ratings in the lending decision process using up-to-date information on the client derived from various sources,
— a re-rating process dedicated to individual and business clients whereby the ratings are regularly updated based on information collected by the Group,
— a system for periodic reviews of credit exposures, depending on client type and the size of the Group's exposure, as part of which client ratings are updated.

The rating methodology depends on the client segment and on the data required by the Group to perform risk assessment. In cooperation with specialised units of the Deutsche Bank A.G. Group, the Group develops rating models which take into account all material information on a client derived from internal sources (e.g. from a data warehouse) and from external sources (e.g. from credit reference agency Biuro Informacji Kredytowej S.A.), provided that the information collected by these sources is applicable to a given type of client.

With respect to individual and business clients, our overall rating philosophy envisages adopting such an approach to customer evaluation that ensures precise measurement of risk and high flexibility in combining rating components. Correctness, transparency and recurrence of rating assignment is achieved by:
— managing workflow systems and the tools that support assignment of ratings,
— portfolio reviews done by the Bank and independent reviews performed by specialised units of the Deutsche Bank A.G. Group,
— validations done locally as part of revision processes or by specialised units of the Deutsche Bank A.G. Group. The Group uses a 21 point rating scale to evaluate client credit risk, where the „iAAA" class designates clients with the lowest risk of default. The Group may re-calibrate its rating models once a year on the basis of current portfolio data.

Optimisation of credit risk

The borrower's creditworthiness and the probability of the borrower's default within a specified time horizon are the key factors taken into account in the decision-making process. Moreover, entering into a credit transaction by the Group is conditional on the provision of security, consistent with the parameters and definitions of the credit products offered by the Group. Whether security is required is determined by the assessment of credit risk associated with the client and with the requested transaction; this does not apply to products which by definition require no security. When accepting any specific security, the Group makes an objective assessment of such security in accordance with its internal criteria.

Security provided to the Group in respect of its credit claims is of key importance to minimising unforeseen risks that may materialise in the future in the lending process. The principal objective of taking security is to mitigate the risk of loss by the Group in the case of the borrower's insolvency.

At the stage of credit analysis, the Group always assumes that the sale of security is substantially tantamount to liquidation of the asset serving as security, therefore any security is valued a priori exclusively from the point of view of its liquidation value.

As a rule, security must be created for the benefit of the Group and perfected before the first disbursement under the loan can be made, and must remain effective throughout the lending period.

The Group has defined a catalogue of forms of security acceptable in the process of approval of credit exposures. Only some of them can be used as credit risk mitigation techniques.

Credit security may take the form of various legal instruments. It may be provided in the form of assets, but also in the form of the security provider's personal liability for repayment of the debt, with the objective of reducing the Bank's risk of loss under granted loans once it comes to debt collection.

Security acceptable to the Group includes:
- Personal security, based on personal liability of the security provider, including:
  - surety under civil law,
  - promissory note,
  - aval,
  - assignment of claims,
  - accession to debt,
  - assumption of debt,
  - bank guarantee,
  - loan insurance,
  - power of attorney over an account,
  - representation on submission to enforcement.
- Security interests in assets, where an entity's liability is limited to the value of individual items of its property, including:
  - security transfer of title,
  - pledge over rights,
  - registered pledge,
  - financial pledge,
  - blocking securities registered in a securities account or blocking investment fund units in the unitholder's register,
  - blocking cash in a bank account,
  - security deposit,
  - mortgage.

In choosing a specific form of security, the Bank takes into account such factors as loan repayment period, borrower's legal status, borrower's financial standing and feasibility of disposal of the security.

If the security is a mortgage over property, a senior mortgage status in the relevant land and mortgage register is preferred.

The basic criteria for evaluating the quality of security include its market value, liquidity, the time and cost required to complete the potential debt collection process, as well as the effectiveness of that process. If an asset is to be used as security defined in the credit approval decision for a given exposure, the Group has to be able to register and monitor it in line with separate procedures.

While estimating the value of security, the Group uses liquidation value, which allows it to realistically asses the amount recoverable in the event of the borrower's default.

The liquidation value, which is equal to average expected proceeds from forced sale of the security, is estimated based on minimum standard percentage deductions from market value (haircuts), consistent with the type of the security and indicated in the credit approval decision.

In the case of financing provided to individual and business clients, the haircuts are reviewed on an annual basis.

The Group monitors security received (its value, and loan to value ratio) on an ongoing basis. Security may be monitored even daily, depending on its form and the type of financing provided to the client. If the Group becomes aware that the security it received is inadequate to the secured credit exposure, the client will be required to provide additional security or repay a part of funds owed to the Group.

With respect to capital requirements, the Group uses external creditworthiness assessments made by the following reputable rating agencies to calculate exposure risk weights and required security levels in accordance with the rules adopted for the Standardised Approach:
1. Fitch Ratings,
2. Moody's Investors Service,
3. Standard and Poor's Ratings Services.

In the case of funded credit protection used by the Group, the assets serving as credit risk mitigation are sufficiently liquid (i.e. their net selling price would be similar to their market price), and their long-term value is stable enough to guarantee effective credit protection.

In the Group's opinion, the correlation (the effect of a deterioration of the debtor's creditworthiness on the quality of security) between the value of assets used as credit protection and the creditworthiness of the debtor is not material.

The Group divides mortgage over property into:
1. mortgage over residential property;
2. mortgage over commercial property.

Risk management

Risk is managed both at the level of individual credit exposures and at the portfolio level.

The process of credit risk management for individual credit exposures involves approving only those exposures for which risk indicators − calculated in accordance with the applicable procedures − are in the pre-defined ranges, as well as monitoring and internal reviews of individual exposures during the lending period. The purpose of exposure monitoring is to identify threats in order to undertake preventive measures and eliminate the consequences of credit risk. As the Group puts particular emphasis on effective monitoring of credit risk, it takes steps to improve its relevant procedures on an ongoing basis, adjusting them to the changing conditions. The Group has also implemented early warning criteria enabling early identification of impairment indications.

In the case of portfolio risk, risk management is performed by developing appropriate lending procedures, which includes setting the admissible risk parameters for individual customers and credit products, as well as principles for assessing customers' creditworthiness before a loan is granted, allocating customers to the appropriate risk categories, and setting concentration limits.

The Group also has in place a regularly-updated 'Industry list', which specifies the level of credit risk in individual industries based on external and internal data, enabling optimum management of industry-specific credit risk and appropriate structuring of the credit portfolio in terms of exposure to particular industries.

The Group also carries out regular stress testing of its credit portfolios to evaluate their sensitivity to changes in the macroeconomic environment.

Indications of impairment of individual material exposures are identified chiefly through quarterly monitoring. In the case of a portfolio of exposures, ongoing monitoring of the timeliness of debt service by customers is carried out to identify indications of impairment.

The method of valuation applied to a credit portfolio depends on the risk profile and the size of credit exposure. The homogeneous exposure portfolio is valued using collective methods based on statistical models. For the purposes of the valuation, exposure portfolios are grouped based on common characteristics. Individual material credit exposures (non-homogeneous portfolio) with evidence of impairment are assessed individually by experts, at least on a quarterly basis.

Credit risk for an exposure portfolio is measured by monitoring the level of exposures for which indications of impairment have been identified in relation to all credit exposures, distribution of risk classes (ratings), and regular monitoring of receivables past due by more than 90 days.

Identification of impairment

The methodology for identifying and estimating impairment is based on a breakdown of the Group's credit exposures into homogeneous and non-homogeneous portfolios. Each individual credit exposure has to be assigned

to a specific portfolio and may only be included in this one portfolio for the duration of a given reporting period. However, an exposures may be transferred to another portfolio during a product's life if its amount changes. Exposures are assigned to the homogeneous and non-homogeneous portfolios by reference to a materiality threshold set at EUR 1m. Furthermore, non-homogeneous exposures include, irrespective of the financing amount, the exposure types indicated below in the section characterising the non-homogeneous exposure portfolio.

The homogeneous portfolio is defined as a collection of credit exposures of up to EUR 1m which are tested for impairment collectively due to the similar structure and characteristics of the products included in a given category. What is more, given their large number, agreements in the homogeneous portfolio cannot be tested for impairment individually. Six homogeneous portfolios have been defined based on such attributes as:
— product definition,
— product origination and administration process,
— presence/type of security,
— customer type,
— number of loan/credit facility agreements of similar size,
— amount of credit exposures of a given type.

The following homogeneous portfolios are currently distinguished:
— Retail Exposure Portfolio,
— Mortgage Loan Portfolio,
— Business Loan Portfolio,
— CF Loan Portfolio,
— Credit Card Portfolio,
— Restructured CF Exposure Portfolio.

If a collection of credit facilities/loans is to be considered homogeneous (uniform), it is important that the risk profile indicating the customer's ability to meet their obligations and the losses incurred in connection with a specific credit facility/loan should be similar. In the case of homogeneous portfolios, impairment testing consists in monitoring past exposures/limits, relevant provisions, losses incurred, amounts written-off against provisions without derecognition, and the quality of the relevant portfolio which is determined through the transfer of credit exposures to successive delinquency baskets.

Past experience concerning losses generated by a specific portfolio is adjusted on the basis of the observation of homogeneous portfolio data to reflect the current conditions which did not affect historic data.

Collective analysis of the credit portfolio
As prescribed by the adopted methodology, for a given homogeneous portfolio the Group computes impairment losses reflecting the estimated amount of losses incurred on that homogeneous portfolio as at the reporting date. Based on the homogeneous characteristic of such portfolios, the Group developed an automatic process for recognition of adequate impairment losses and provisions.

If there is objective evidence of impairment of a credit exposure recognised at amortised cost, the amount of impairment loss is estimated as the difference between the amortised cost of the exposure and the present value of future cash flows discounted using the effective interest rate.

The Group identifies the following impairment indications for homogeneous portfolios:
— significant financial difficulties experienced by the borrower;
— defaulting on the agreement by delaying or discontinuing repayments.

Because of the application of the collective approach to the homogeneous portfolios, the impairment indications are observed based on the following variables:
— a loan/credit facility agreement has been terminated or interest accrual has been discontinued;
— credit exposure is past due 90 days of more;

— for economic or legal reasons related to the counterparty's financial difficulties, the counterparty has been granted a concession which would not have been granted otherwise. A concession means changes that have significantly modified cash flows resulting from the balance-sheet credit exposure (a drop in NPV).

Exposures in respect of which at least one of the above indications has been identified are treated as impaired exposures regardless of any existing collateral arrangements. Identifying a single event which triggered the impairment may not be possible, and the impairment may result from the coincidence of a number of the above indications.

The main objective of the collective approach is to replace complex characteristics of individual agreements by selecting common, average characteristics reflecting the behaviour of a given portfolio segment. Such an approach makes it possible to correctly value the entire portfolio as well as its individual segments. Impairment losses are recognised on both impaired exposures and non-impaired exposures in respect of which, as required by IAS 39, the Group recognises impairment losses for losses incurred but not reported (IBNR), as the historical data shows that such losses were incurred, but such exposures are not treated as impaired because no impairment indications have been identified or it is not possible to allocate incurred losses to individual exposures. In accordance with IAS 37, the Group also tests for impairment off-balance-sheet credit exposures by assessing whether there is objective evidence of any circumstances potentially changing the probability of the exposure materialisation, and determines the probability that a given exposure will be used in the future. The Group recognises provisions for that part of an off-balance-sheet exposure for which it is probable that an outflow of resources will occur, unless no reliable estimate can be made.

For the purposes of impairment measurement, the Group uses a statistical model that offers a consistent approach and allows it to calculate impairment losses and IBNR losses for credit exposures showing specific characteristics.

In 2014, the Group changed the methodology of estimating impairment losses. Before the changes were made, the collective model used by the Group for estimating impairment loss parameters was based on the average exposure flows between delinquency baskets (net flow rates) in the successive months and on the loss severity ratio. Based on the above data, for each portfolio and each delinquency basket loan loss allowance was determined. The loan loss allowance was computed for each of the homogeneous portfolios, based on vintage historical data, for exposures exceeding a pre-defined past-due threshold.

The changes to the methodology introduced in 2014 involved replacing the model based on net flow rates with an approach based on calibrating each component of the impairment loss rate as a separate item. Based on historical data, the PD, LGD and CCF parameters presented below are calibrated at regular intervals. In addition, contrary to the previous methodology, the Group directly estimates the provisions for off-balance-sheet liabilities in the portfolio of homogeneous exposures. The Group decided to retain the segmentation of homogeneous portfolios as defined in the previous methodology, and added one more portfolio of unsecured restructured exposures to individual clients.

The components of the impairment measurement model are:
— the PD model that assesses the value at risk of impairment in the Loss Identification Period (LIP);
— the LGD model that assesses the amount of losses if impairment is identified, taking into account the effective interest rate for the purposes of estimating the time value of money;
— the EAD model that assesses the expected value of an exposure at the moment when impairment is identified. In the case of on-balance sheet exposures, EAD is equal to the exposure's gross carrying amount. In the case of off-balance sheet liabilities, EAD is equal to the off-balance sheet liability amount multiplied by CCF. The CCF specifies what portion of an off-balance sheet exposure is expected by the Group to be converted into an on-balance sheet exposure in the Loss Identification Period.

The general model of impairment loss measurement is as follows:

$$\textit{Impairment loss} = PD \cdot LGD \cdot EAD$$

In 2015, changes were made to account for the modification of the LGD parameter as a result of changes in the LTV level. That relationship was applied to the mortgage portfolio with respect to both unimpaired and impaired exposures. The new solution makes it possible to reflect market changes potentially affecting the mortgage portfolio in the portfolio impairment loss measurement without undue delay; in particular, it facilitates taking into account exchange rate movements and changes in the value of security.

The parameters of the collective impairment loss measurement model for homogeneous portfolios are calibrated on a quarterly basis. The impairment loss measurement model has a point-in-time (PIT) character, which is ensured, inter alia, by using the most up-to-date information to calibrate parameters and assigning higher weights to the most recent observations. The model as well as its component parameters are historically tested on a regular basis. Incurred losses are verified against expected losses at least once a year. The verification of incurred losses is performed in such a manner as to ensure that the effects of verification are accounted for as at the last day of the financial year.

Individual analysis of impairment of credit exposures

The following exposure types are allocated to the non-homogeneous portfolio:
- all credit exposures administered by the corporate client, financial institution and public sector areas,
- exposures which are non-homogeneous due to the nature of financing, customer type and collateral type, including:
  - exposures to local government institutions,
  - bank guarantees,
  - loans granted to finance the purchase of securities and loans secured with securities or other liquid assets, i.e. lombard loans and loans granted for purchase of shares,
- credit exposures in the corporate client (small and medium-sized enterprises) and individual client areas, where the exposure amount exceeds the defined materiality threshold.

If an indication of impairment occurs and is observed for a non-homogeneous exposure, an impairment loss is recognised in the amount equal to the difference between the current exposure amount measured at amortised cost and the present value of estimated future cash flows.

Non-homogeneous loans are tested for impairment if there is objective indication of impairment. Credit exposures must be reviewed in a number of cases, including the following situations:
- the borrower defaults on the loan agreement, i.e. payments are overdue by 90 or more days; in the case of financial sector entities the delinquency period implying an impairment is 45 days,
- the loan agreement has been terminated,
- for economic or legal reasons related to the counterparty's financial difficulties, the counterparty has been granted a concession which would not have been granted otherwise. A concession means changes that have significantly modified cash flows resulting from the balance-sheet credit exposure (a drop in NPV).
- the borrower has challenged the credit exposure and initiated court proceedings,
- the borrower has declared or is likely to declare bankruptcy,
- recovery proceedings have been instituted,
- as a result of a periodic review of the credit exposure, factors indicating increased risk have been identified, and assessment of the borrower's financial standing has led to a downgrading of its rating to a specific class,
- as part of such review, the borrower's financial standing has been assessed negatively, which entailed the necessity to submit the exposure to the Restructuring Department,
- liquidation of the company has been announced,
- a third party has initiated enforcement of claims against security,
- the debtor has been deleted from the register of businesses,
- the whereabouts of the borrower and the borrower's assets are unknown,
- the client's credit rating by a recognised and generally accepted external rating institution has been downgraded, for instance from investment-grade to speculative-grade, the rating of the client's home country has been downgraded from investment-grade to speculative-grade, or the rating of any debt securities issued by the client has been downgraded,

— an application has been filed requesting initiation of enforcement proceedings against the client,
— an active market in which a given on-balance-sheet credit exposure was quoted is disappearing due to financial difficulties

In the case of non-homogeneous credit exposures, it is not necessary that multiple indicators of impairment are observed.

In addition, in respect of unimpaired non-homogeneous credit exposures, a provision is recognised in respect of losses incurred but not reported, called the General Value Adjustment (GVA). The GVA is calculated on the basis of probability of default by the client (PD), expected exposure value in the case of default, and loss given default (LGD).

Non-homogeneous exposures in the case of which impairment indicators have been identified are not always impaired exposures. If additional compensation, for instance interest on overdue debt, has been received, or the loan is extended at the current interest rate, than such additional income may be taken into account in the estimate of the present value of future cash flows.

If the impairment loss decreases in the next period when credit exposure is estimated, and the decrease can be objectively associated with an event which occurred subsequent to the impairment estimate, the loss is reversed (i.e. an appropriate amount of a previously recognised impairment loss is reversed). Impairment losses may be reversed in full only if the present value of expected future cash flows is equal to the carrying amount of the credit exposure.

Valuation models, including the assumptions on the basis of which the Group estimates impairment losses, are subject to periodic reviews with a view to reducing differences between the estimated and actual value of the losses.

Policies for writing-off receivables against provisions without derecognition

The methodology for writing-off receivables against provisions depends on the type of the portfolio to which a given credit exposure is allocated.

In accordance with the methodology for recognising impairment losses on a homogeneous portfolio, after a specific number of months have passed after an exposure was found to be impaired (60 months), this exposure, unless it has been recovered (repaid), is subject to a simulated write-off against provisions, with an automatic recognition of a charge equal to 100% of the exposure value.

In the case of non-homogeneous exposures, a decision to transfer an exposure to off-balance sheet records is made on a case-by-case basis if the Group decides that in view of the borrower's financial standing, the receivable cannot be recovered.

With respect to non-homogeneous exposures and secured homogeneous portfolios, any decision to write off receivables against provisions may be made only by employees of the Restructuring Department and of the Debt Collection Department, having appropriate credit discretions and authorities. The process of writing-off receivables against provisions is triggered automatically after an exposure reaches a certain delinquency status only in the case of homogeneous exposures. However, in each case a decision may be made by the Restructuring Department or the Debt Collection Department to make an early write-off or to withhold writing off an exposure against provisions, provided that any such decision must be documented and reflect the financial situation of the borrower.

The Group's results with respect to impairment losses, including information on costs of losses incurred but not reported (IBNR) and debt collection are presented in Note 10 – Impairment losses on financial assets.

Changes in impairment losses, including a specification of items such as amounts written off against provisions, foreign exchange differences, and reversal of impairment losses, are presented in Note 18 – Loans and advances to customers.

Maximum exposure to credit risk

in PLN thd	Dec 31 2015	Dec 31 2014
Credit risk exposures related to on-balance sheet assets are as follows:		
Loans and advances to banks	995,936	756,325
Loans and advances to customers:	29,660,207	28,240,769
Loans to individual customers:	24,639,099	23,519,308
Credit cards	116,603	117,540
Cash loans and other loans to individual customers	2,069,333	2,060,095
Mortgage loans	22,453,163	21,341,674
Loans to corporate customers	4,985,934	4,677,192
Loans to public sector customers	35,174	44,269
Financial assets at fair value	340,221	1,648,880
Financial assets held as investments	5,769,466	3,779,815
Debt securities	5,731,284	3,776,598
Shares and participation units	38,182	3,217
Credit risk related to off-balance sheet items is as follows:	4,680,854	4,318,175
Guarantee commitments	1,504,975	1,335,248
Lending commitments and other commitments related to loans	3,175,879	2,982,927

Given that loans and advances to banks and securities held by the Group are not subject to impairment and no impairment indications are identified in respect of them, they are not included in the tables presenting impaired and/or past due exposures.

The amount that best reflects the maximum exposure to credit risk is influenced by the security taken by the Group. As at December 31st 2015, the financial effect of the value of security received by the Group on the amount of impairment losses recognised on impaired portfolios in the case of which impairment losses were estimated through individual assessment, was PLN 154,970 thousand (as at December 31st 2014: PLN 115,393 thousand).

Breakdown of financial
assets into unimpaired and impaired exposures as at December 31st 2015

in PLN thd	Natural persons	Share	Businesses	Share	Central banks and governments	Share	Total	Share
Unimpaired financial assets, including:	24,542,260	97.7%	6,061,820	94.3%	5,929,719	100.0%	36,533,799	97.5%
– not past due and unimpaired	24,018,545	95.6%	6,021,315	93.7%	5,929,719	100.0%	35,969,579	96.0%
– past due but unimpaired	523,715	2.1%	40,505	0.6%	-	0.0%	564,220	1.5%
Impaired financial assets	573,949	2.3%	365,009	5.7%	-	0.0%	938,959	2.5%
Total	25,116,209	100%	6,426,829	100%	5,929,719	100%	37,472,758	100%

in PLN thd	Exposures	Impairment losses	Ratio of coverage with provision
Unimpaired loans and advances, including:	30,462,293	68,527	0.2%
Non-homogeneous portfolio	3,785,896	11,742	0.3%
Homogeneous portfolio	26,676,397	56,785	0.2%
Impaired loans and advances, including:	938,959	676,583	72.1%
Non-homogeneous portfolio	229,827	127,029	55.3%
Homogeneous portfolio	709,132	549,554	77.5%
Total	31,401,252	745,110	2.4%

Credit quality of unimpaired and not past due financial assets
based on ratings as at December 31st 2015

in PLN thd

Not past due	Natural persons	Businesses	Central banks and governments	Total
iAAA	-	1,022	-	1,022
iAA+	-	(5)	-	(5)
iAA	-	11,277	-	11,277
iAA-	2,450	9	-	2,459
iA+	41,575	83,851	-	125,426
iA	669,803	75,397	-	745,200
iA-	4,495,722	1,001,831	5,929,719	11,427,272
iBBB+	7,444,774	212,719	-	7,657,493
iBBB	4,961,474	600,679	-	5,562,153
iBBB-	2,496,984	495,505	-	2,992,489
iBB+	1,424,087	732,523	-	2,156,610
iBB	1,124,613	826,099	-	1,950,712
iBB-	671,432	666,547	-	1,337,979
iB+	285,039	407,027	-	692,066
iB	152,673	297,926	-	450,599
iB-	85,997	99,152	-	185,149
iCCC+	59,822	119,679	-	179,501
iCCC	44,373	28,211	-	72,584
iCCC-	29,025	13,872	-	42,897
iCC+	1,833	-	-	1,833
iCC	-	-	-	-
iCC-	-	-	-	-
iC+	-	-	-	-
iC	-	-	-	-
iC-	-	-	-	-
iD	41,946	8,792	-	50,738
None	(15,078)	339,201	-	324,123
Total	24,018,544	6,021,314	5,929,719	35,969,577

Past due but unimpaired loans
as at December 31st 2015

in PLN thd

Past due	Natural persons	Businesses	Total
1-29	364,116	8,716	372,832
30-59	97,915	28,963	126,878
60-89	61,684	2,826	64,510
90-179	-	-	-
Total	523,715	40,505	564,220

Breakdown of credit exposures
into homogeneous and non-homogeneous portfolios as at December 31st 2015

in PLN thd	Exposures	Share
Non-homogeneous portfolio	4,015,723	12.8%
Homogeneous portfolio	27,385,529	87.2%
Total	31,401,252	100.0%

Breakdown of the credit portfolio

into unimpaired and impaired exposures as at December 31st 2014

in PLN thd	Natural persons	Share	Businesses	Share	Central banks and govern-ments	Share	Total	Share
Unimpaired loans and advances, including:	23,639,927	97.5%	5,305,351	93.7%	5,232,988	100.0%	34,178,266	97.2%
– not past due and unimpaired	23,125,745	95.4%	5,246,100	92.6%	5,232,988	100.0%	33,604,833	95.6%
– past due but unimpaired	514,182	2.1%	59,251	1.0%	-	0.0%	573,433	1.6%
Impaired loans and advances	610,264	2.5%	357,425	6.3%	-	0.0%	967,689	2.8%
Total	24,250,191	100%	5,662,776	100%	5,232,988	100%	35,145,955	100%

in PLN thd	Exposures	Impairment losses	Ratio of coverage with provision
Unimpaired loans and advances, including:	28,762,302	56,329	0.2%
Non-homogeneous portfolio	3,361,098	11,011	0.3%
Homogeneous portfolio	25,401,204	45,318	0.2%
Impaired loans and advances, including:	967,689	676,568	69.9%
Non-homogeneous portfolio	305,245	179,028	58.7%
Homogeneous portfolio	662,444	497,540	75.1%
Total	29,729,991	732,897	2.5%

Credit quality of unimpaired

and not past due financial assets as at December 31st 2014

in PLN thd Not past due	Natural persons	Businesses	Total
iAAA	-	2,264	2,264
iAA+	-	3	3
iAA	2,890	8,127	11,017
iAA-	82,080	2,842	84,922
iA+	259,291	63,646	322,937
iA	1,684,385	743,498	2,427,883
iA-	6,335,805	190,797	6,526,602
iBBB+	6,400,597	423,895	6,824,492
iBBB	3,406,974	174,446	3,581,420
iBBB-	1,540,568	289,275	1,829,843
iBB+	743,704	549,667	1,293,371
iBB	447,168	581,651	1,028,819
iBB-	258,503	645,671	904,174
iB+	178,839	451,119	629,958
iB	123,383	171,638	295,021
iB-	52,250	97,890	150,140
iCCC+	40,786	135,519	176,305
iCCC	39,511	22,007	61,518
iCCC-	19,131	41,155	60,286
iCC+	4,029	-	4,029
iCC	1,500	405	1,905
iCC-	1,420	-	1,420
iC+	-	-	-
iC	1,612	-	1,612
iC-	774	-	774
iD	38,032	12,595	50,627
None	1,462,512	455,015	1,917,527
Total	23,125,744	5,063,125	28,188,869

Past due but unimpaired loans
as at December 31st 2014

in PLN thd

Past due	Natural persons	Businesses	Total
1-29	359,911	15,000	374,911
30-59	97,085	32,372	129,457
60-89	57,186	11,879	69,065
90-179	-	-	-
Total	514,182	59,251	573,433

Breakdown of credit exposures
into homogeneous and non-homogeneous portfolios as at December 31st 2014

in PLN thd	Exposures	Share
Non-homogeneous portfolio	3,666,342	12.3%
Homogeneous portfolio	26,063,649	87.7%
Total	29,729,991	100.0%

Unimpaired loans and advances

	Dec 31 2015		Dec 31 2014	
in PLN thd	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
No evidence of impairment	29,375,579	996,094	27,777,231	756,443
Evidence of impairment, including:	90,620	-	228,628	-
– past due loans	1,301	-	4,453	-
– loans with other objective evidence of impairment	89,319	-	224,174	-
Gross	29,466,199	996,094	28,005,859	756,443
Impairment losses for losses incurred but not reported (IBNR)	(68,388)	(160)	(56,209)	(119)
Net	29,397,811	995,934	27,949,650	756,324

Credit risk concentration

a) geographical concentration

in PLN thd	Dec 31 2015		Dec 31 2014	
City	Exposure	Share	Exposure	Share
Warsaw	13,314,586	35.5%	12,166,149	34.6%
Kraków	1,780,437	4.8%	1,684,632	4.8%
Wrocław	1,844,606	4.9%	1,731,144	4.9%
Poznań	840,499	2.2%	834,143	2.4%
Gdańsk	836,490	2.2%	796,394	2.3%
Other	18,856,140	50.3%	17,933,493	51.0%
Total	37,472,758	100%	35,145,955	100.0%

b) sector concentration

in PLN thd	Dec 31 2015 Exposure	Dec 31 2015 Share	Dec 31 2014 Exposure	Dec 31 2014 Share
Natural persons:	25,116,210	67.0%	24,250,192	69.0%
Businesses:	6,426,828	17.2%	5,662,775	16.1%
Central banks and governments	5,929,719	15.8%	5,232,988	14.9%
Total	37,472,758	100.0%	35,145,955	100.0%
Manufacturing	1,879,395	5.0%	1,662,782	4.7%
Distribution	1,229,077	3.3%	1,267,388	3.6%
Real estate activities	450,713	1.2%	541,118	1.5%
Construction	352,329	0.9%	263,243	0.7%
Transportation	197,923	0.5%	96,256	0.3%
Other	2,317,391	6.2%	1,649,013	4.7%
Total businesses:	6,426,828	17.2%	5,479,800	15.6%

Breakdown of the credit portfolio (balance sheet) by product

in PLN thd Loan type	Dec 31 2015 Exposure	Dec 31 2015 Share	Dec 31 2014 Exposure	Dec 31 2014 Share
Mortgage loans	22,609,745	72.0%	21,667,597	72.9%
Consumer loans	2,306,092	7.3%	2,281,705	7.7%
Investment loans	2,636,379	8.4%	2,279,180	7.7%
Overdraft facilities*	927,515	3.0%	965,469	3.2%
Lombard loans	68,344	0.2%	132,254	0.4%
Working capital facilities	510,065	1.6%	420,269	1.4%
Factoring**	249,624	0.8%	163,924	0.6%
Other	1,962,157	6.2%	1,684,774	5.7%
Credit cards	131,331	0.4%	134,819	0.5%
Total	31,401,252	83.8%	29,729,991	84.6%
Derivative instruments	141,787	0.4%	182,978	0.5%
Securities	5,929,719	15.8%	5,232,986	14.9%
Total	37,472,758	100.0%	35,145,955	100.0%

* current account overdraft facilities, credit facilities in current account, overdraft facilities for companies;
** recourse factoring facilities, purchase of debt claims.

Major credit exposures
as at December 31st 2015
(net of government and central bank exposures)

in PLN thd PKD (Polish Classification of Business Activities) code		Limit granted	Exposure	Concentration ratio
1	64.19.Z	1,222,778	942,112	10.79%
2	07.29.Z	426,150	411,731	10.53%
3	64.19.Z	212,460	13,255	5.25%
4	64.91.Z	189,637	134,607	4.69%
5	33.10.Z	124,209	11	3.07%
6	46.90.Z	105,098	-	2.60%
7	61.20.Z	70,289	27,007	1.74%
8	47.59.Z	66,614	-	1.65%
9	64.19.Z	59,612	-	1.47%
10	64.30.Z	56,570	2,252	1.40%

Major credit exposures
as at December 31st 2015
(net of government and central bank exposures)

in PLN thd

PKD (Polish Classification of Business Activities) code		Limit granted	Exposure	Concentration ratio
1	64.19.Z	661,639	457,757	3.40%
2	64.19.Z	460,730	272,287	5.10%
3	07.29.Z	350,720	346,802	9.19%
4	52.21.Z	117,186	-	3.07%
5	64.91.Z	106,558	87,084	2.79%
6	47.64.Z	96,045	1	2.52%
7	47.59.Z	66,336	-	1.74%
8	77.39.Z	61,534	34,656	1.61%
9	66.30.Z	60,018	-	0.08%
10	45.11.Z	59,288	51,215	1.55%

Maturity structure of exposures
at December 31st 2015

Maturity

in PLN thd	Individuals	Businesses	Central banks and govern-ments	Total
up to 1 year	626,669	3,571,556	5,353,887	9,552,112
1–5 years	1,083,839	833,621	476,473	2,393,933
5–10 years	2,658,724	1,174,900	95,776	3,929,400
10–20 years	12,404,578	846,688	3,583	13,254,849
over 20 years	8,342,399	63	-	8,342,463
Total	25,116,210	6,426,828	5,929,719	37,472,758

Total exposure at carrying amount, without accounting for effects of risk mitigation,
and average exposure in the period by class as at December 31st 2015

Category

in PLN thd	Exposure	Average exposure
Natural persons	25,116,183	167
Businesses	6,285,069	759
Central banks and governments	5,929,719	204,473
Total	37,330,971	204,663

Impaired exposures by key geographical areas
as at December 31st 2015

in PLN thd

City	Exposure	Provision
Warsaw	127,548	77,933
Kraków	49,288	33,670
Wrocław	57,210	36,426
Poznań	29,888	18,881
Gdańsk	11,595	8,624
Other	654,702	494,687
Total	930,231	670,221

Maturity structure of exposures
as at December 31st 2014

Maturity

in PLN thd	Natural persons	Businesses	Total
up to 1 year	738,234	3,104,480	3,842,714
1–5 years	992,758	636,852	1,629,610
5–10 years	2,388,111	869,375	3,257,486
10–20 years	10,058,623	869,011	10,927,634
over 20 years	10,072,465	82	10,072,547
Total	24,250,191	5,479,800	29,729,991

Total exposure at carrying amount, without accounting for effects of risk mitigation,
and average exposure in the period by class as at December 31st 2014

Category

in PLN thd	Exposure	Average exposure
Individuals	24,250,191	131
Businesses	5,479,800	733
Total	29,729,991	150

Impaired exposures by key geographical areas
as at December 31st 2014

City

in PLN thd	Exposure	Provision
Warsaw	143,996	93,502
Kraków	60,522	50,274
Wrocław	50,177	23,679
Poznań	25,758	14,330
Gdańsk	9,969	7,292
Other	677,267	487,493
Total	967,689	676,570

Restructuring of receivables exposed to credit risk

The process of collection of receivables from clients is pursued at various stages of an exposure's life, including at the loan monitoring stage, prior to a repeated default in timely repayment, as well as at the debt restructuring and debt collection stages. The process comprises general standards for active intervention as well as the measures to be taken and the deadlines by which they must be taken; the overriding objective is to achieve immediate repayment of matured liabilities by clients.

In order to effectively manage credit exposures showing evidence of impairment or meeting early warning criteria, or where there has been a default in timely repayment, specialised units assume responsibility for such high-risk exposures and make every effort to help customers overcome their economic and financial distress while minimising losses.

The decision-making and exposure monitoring are based on standardised processes approved within the Group (which vary depending on the exposure amount and the type of client), supported by a specialised IT system dedicated to managing non-performing receivables.

The purpose of loan restructuring is to agree such debt settlement terms and conditions which are acceptable to the Group. The process includes: defining a schedule for repayment of the client's entire debt, obtaining additional legal security (where required), and – in the case of exposures which are due and payable in whole – entering into relevant settlement agreements. Any debt restructuring involves a client's application containing a debt repayment proposal, some basic documents confirming that the client earns revenue/income that enables the client to repay the debt, as well as a decision made at an appropriate decision-making level.

If an exposure is identified as impaired while the restructuring process is in progress, an appropriate impairment loss is recognised.

The debt collection process comprises debt collection activities undertaken by the Bank's internal units or by specialised external debt collection agencies. Such interventions are undertaken both with respect to exposures which are due and payable in whole and ones which are partially due and payable, before the agreement is terminated, with a view to recovering the highest possible amount of matured debt and carrying out the required enforced collection process.

Concentration limits provided for in the Banking Law

Standards and limits imposed under the Banking Law (Art. 71 of the Banking Law), and maximum authorised amounts under its regulations

1. In accordance with Art. 71 of the Banking Law, the aggregate amount of the Group's debt claims, off-balance sheet liabilities and shares held by the Group directly or indirectly in another entity, additional contributions to the equity of a limited liability company, or the higher of limited partner contributions or sums in a limited partnership or a limited joint-stock partnership (exposure), exposed to the risk associated with a single entity or entities interconnected with capital or organisational links, may not exceed an exposure concentration limit equal to 25% of the Group's own funds.
2. Pursuant to Art. 71.1a of the Banking Law, the Group's exposure towards another domestic bank, credit institution, foreign bank or a group of entities interconnected with capital or organisational links which includes at least one domestic bank, credit institution or foreign bank, may not exceed 25% of the Group's own funds.

The values subject to maximum authorised limits as at the dates stated were as follows:

in PLN thd	Dec 31 2015	Dec 31 2014
Limit to exposure concentration (25% of own funds) in accordance with Art. 71 of the Banking Law and Art. 395 of the CRR	1,018,849	958,239
Limit to exposure concentration (25% of own funds) in accordance with Art. 71.1a of the Banking Law and Art. 395 of the CRR	1,018,849	958,239

As at December 31st 2015 and December 31st 2014, the Group did not exceed the limits applicable under Art. 71.1 of the Banking Law.

Art. 79a.4 of the Banking Act

As at December 31st 2015 and December 31st 2014, the Group did not exceed the limits applicable under Art. 79a.4 of the Banking Law, stipulating that the aggregate amount of loans, cash advances, bank guarantees and sureties granted to members of governing bodies and persons holding managerial positions at the bank, or to an entity having capital or organisational links to a member of the bank's governing bodies or a person holding a managerial position at the bank, may not exceed 10% of the bank's total required capital.

in PLN thd	Dec 31 2015	Dec 31 2014
The Group's Common Equity capital	4,042,017	3,761,525
10% of the Group's Common Equity capital	404,202	376,152

Internal concentration limits

Moreover, as part of managing its retail credit portfolio, the Group applies the following internal concentration limits:

- Sector limits − to manage the risk of excessive concentration of the credit portfolio in a specific sector of the economy / group of sectors,
- Geographical limits − to manage the risk of excessive concentration of the individual client credit portfolio in any specific province of Poland,
- Currency limits − to manage the risk of excessive portfolio concentrations in terms of the share of loans denominated in foreign currencies,
- Product limits − to manage the risk of excessive concentration of certain products (e.g. loans for the financing of commercial properties) in the credit portfolio,
- Limits concerning quality of the credit portfolio (e.g. limit for past due loan exposures, limit for migration between delinquency classes (periods of delay), limit for early defaults),
- Limits for non-standard transactions − to manage the risk related to transactions made on non-standard terms,
- Limits for the retail credit portfolio,
- Limits for the portfolio of exposures secured with mortgages,
- Limits for the portfolio of exposures under loans provided to finance property.

As at December 31st 2015, the following instances of exceeding the internal limits were identified:

- Early default limit for the portfolio of credit cards for natural persons − as at December 31st, the defaults amounted to 21.83%, or 273% of the limit, and represented defaults under 32 cards, totalling PLN 78 thousand. The majority of past due amounts were repaid after the report date.
- Limit for derogations in the business client exposure portfolio – as at December 31st, derogations amounted to 36.44%, which represented 145.76% of the limit.
- Limit for other derogations in the cash loan portfolio – as at December 31st, derogations amounted to 20.78%, which represented 138.53% of the limit.
- Limit for process derogations in the cash loan portfolio – as at December 31st, derogations amounted to 10.20%, which represented 102.00% of the limit.

Forbearance exposures

The Parent reports consolidated data on forbearance exposures based on the draft Technical Standards, in accordance with the EBA Final draft Implementing Technical Standards on Supervisory reporting on forbearance and non performing exposures under article 99(4) of Regulation No 575/2013 no EBA/ITS/2013/03/rev1 dated July 24th 2014. After the final wording of the standards is published by ABA, the regulations applicable at the Group will be verified for compliance with the published standards and adjusted where necessary.

In line with the adopted definition, forbearance occurs when all of the following conditions are met:

- the client is in financial difficulties which may result in the client’s inability to service debt in accordance with the conditions stipulated in the credit agreement;
- a resolution has been made to grant forbearance to the client in order to enable the client to meet contractual obligations or to prevent difficulties in debt service, i.e. to modify the terms of the agreement or to refinance the exposure in part or in whole, where such modification or refinancing is not driven by commercial reasons and was granted in the course of a debt collection/restructuring process on terms deviating from the standard market terms.

Exposure value in PLN thd	Total loans and advances to customers				including forborne loans and advances				Share of forborne loans and advances in total loans and advances (at net value)
	Gross amount	Impairment losses	Net amount	Impairment losses/gross amount	Gross amount	Impairment losses	Net amount	Impairment losses/gross amount	
Unimpaired exposures	36,533,799	(68,527)	36,463,122	0.2%	449,522	(18,503)	431,019	4.1%	
Central and local government institutions	5,964,914	(35)	5,964,878	0.0%	-	-	-	-	-
Credit institutions	1,051,211	(146)	1,048,915	0.0%	1	-	1	-	-
Businesses	4,975,414	(33,955)	4,941,459	0.7%	66,638	(4,705)	61,933	7.1%	1.30%
Households	24,542,260	(34,391)	24,507,869	0.1%	382,883	(13,798)	369,085	3.6%	1.50%
Impaired exposures	938,958	(676,583)	262,375	72.1%	305,906	(198,892)	107,014	65.0%	
Central and loca lgovernment institutions	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Businesses	365,009	(233,891)	131,118	64.1%	145,935	(95,188)	50,747	65.2%	38.70%
Households	573,949	(442,692)	131,257	77.1%	159,971	(103,704)	56,267	64.8%	42.90%

In accordance with the draft Technical Standards, the Bank uses the following criteria for exit from the forbearance category (exposure restructuring):
— the exposure is not classified as non-performing (as defined by EBA);
— a two-year watch period has lapsed since the forbearance exposure lost the non-performing status, and the exposure has been regularly repaid over that period;
— in the watch period, no delay of more than 30 calendar days has occurred, and no further forbearance measures been applied to the exposure.

44. Market and liquidity risk

Risk management in the asset and liability management process focuses mainly on the following two risks:
— liquidity risk, and
— market risk.

Division of powers and responsibilities

A key role in the asset and liability management process is played by the Bank's Supervisory Board and Management Board, while the Asset-Liability Committee (ALCO) exercises direct supervision.

The Supervisory Board defines the strategy, as well as the liquidity and market risk appetite. The Supervisory Board supervises the Group's risk taking policy for its consistency with the strategy, and approves plans for acquiring and maintaining third-party funds considered stable financing sources.

The Management Board's responsibilities include the implementation and supervision of the entire risk management system, supervision of the implementation of the asset and liability management policy, approval of internal limit systems, methodologies used to compute individual risk metrics, and contingency plans for market and liquidity risks.

With a view to streamlining the asset and liability management process, the ALCO Committee was appointed to provide opinion and advice to the Management Board. Six members of the Management Board were appointed to the Committee, whose key responsibilities include:
— controlling and monitoring of the risk level;

— approving the current strategy for asset and liability management;
— recommending to the Management Board a methodology for calculating individual risk metrics, setting risk limits, and defining long-term strategies for the market and liquidity risks.

The Liquidity Management Office (LMO) is responsible for operational management of the liquidity risk. Its key task is to manage the current, medium- and long-term liquidity.

LMO is also responsible for the management of market risk of those business lines whose exposures are classified in the banking book.

Responsibility for the management of the trading book market risk rests with the Proprietary Position Management Department (PPMD), while the Financial Risk Department (FRD) is responsible for risk identification, measurement, monitoring and reporting. FRD is independent of business units and its primary responsibilities include:
— identifying the market and liquidity risks,
— developing and implementing management methodologies for each risk,
— preparing risk analyses, computing the individual risk metrics, and controlling performance against limits,
— calculating economic capital for market risk.

Liquidity and market risk management process
The liquidity and market risk management process at the Group is divided into the following stages:
1) Risk identification (responsibility of the Financial Risk Department);
2) Implementation and use of appropriate risk management tools, including:
   (a) defining the risk management strategy and risk appetite (the risk management strategy is prepared by the Supervisory Board);
   (b) defining risk limits (the internal limit system is approved by the Parent's Management Board after it has been approved by the ALCO Committee);
   (c) ensuring an appropriate organisational structure within the Group responsible for maintenance of the appropriate asset and liability structure; at the Bank, the market and liquidity risk management is centralised at the Proprietary Position Management Department in the case of the trading book, and at the Liquidity Management Office in the case of the banking book.
3) Risk measurement and monitoring (responsibility of the Financial Risk Department). In addition to the regulatory metrics for market and liquidity risks, the Group has implemented its own risk monitoring measures;
4) Control of the market and liquidity risk management system (the Parent's Management Board supervises the risk control system at the Group and reports on it to the Supervisory Board; the ALCO Committee is responsible for the day-to-day control).

Liquidity risk

Liquidity risk is a risk arising from inability to meet all payment obligations as they fall due. Liquidity is a state when the Group has the ability to meet its current and future obligations in the satisfactory and timely manner, without incurring a loss in the ordinary course of business or under other predictable conditions. Liquidity risk is inherent in the operations of any bank. It is not connected with any individual product but it follows from the overall structure of the balance sheet, as a very important aspect of the Group's operations is its exposure to maturity mismatches which may result, inter alia, from the Group taking short-term deposits and extending relatively long-term loans. As a consequence, the Group is exposed to a risk that depositors' demands to pay out funds may exceed the Group's ability to convert its assets into cash. Therefore, maintaining adequate liquidity means an ability to immediately cover all payments related to maturing deposits, lending activities, early terminations of deposits, increased demand for loan products, and other obligations of the Group.

The Group identifies the following types of liquidity risk:
— Risk of maturity mismatch between assets and liabilities – the risk of failure to meet current liabilities as they fall due because of differences in the amounts and timing of cash flows expected when assets and liabilities reach maturity.
— Settlement risk – the risk of failure to meet current liabilities as they fall due because of limitations in transfer of funds.

- Concentration risk – the risk of failure to meet current liabilities as they fall due because of dependence on, or excessive exposure to, a single entity or a group of related entities.
- Option risk – the risk of failure to meet current liabilities as they fall due because of the counterparty's right to change the amounts and timing of the cash flows.

The main objective of liquidity management is to finance cash-flow shortfalls or appropriately manage any cash-flow surpluses.

Liquidity management is effected by:
- maintaining an appropriate financing structure to ensure an appropriate time configuration of the cash flows;
- maintaining an appropriate level of liquid assets;
- maintaining the ability to meet payment obligations;
- identifying the Bank's desired and acceptable liquidity risk level by defining risk appetite and a set of internal liquidity limits to mitigate the liquidity risk;
- ongoing analysis of the liquidity position, monitoring of the Bank's performance against relevant limits, performing regular liquidity stress tests, and monitoring of early warning indicators (triggers);
- having in place a liquidity contingency plan.

Roles and duties
The Bank's Management Board is responsible for liquidity risk management. The Supervisory Board, which is responsible for exercising supervision over the Management Board, approves the liquidity risk management strategy adopted by the Management Board. The Bank has an Asset-Liability Committee (ALCO), which provides the Management Board with opinions and advice and whose duties include monitoring of the current liquidity risk level by analysing the liquidity profile and the assets financing structure, as well as evaluation of the measures taken as part of liquidity risk management. The Committee recommends relevant regulations for approval by the Bank's Management Board, which makes binding decisions as to implementation of such regulations. Responsibility for direct liquidity management and implementation of the Bank's liquidity strategy at the operating level, as well as for maintaining liquidity within supervisory limits and the Bank's internal limits is fully centralized and rests with the Liquidity Management Office, while the Financial Risk Department is responsible for the identification, measurement and monitoring of positions, as well as for controlling performance against the limits. Such an organisational structure guarantees separation of the risk management functions from the accounting functions, and from risk monitoring, measurement and control.

Liquidity risk management strategy
The Liquidity Management Office seeks to maintain availability of a sufficient amount of liabilities acquired at acceptable cost and expected to cover potential outflows under the Bank's liabilities. Therefore, the liquidity management policy consists in maintaining and acquiring diversified and stable financing sources (the most important of which is a diversified deposit base), resistant to seasonal phenomena. The Bank's other key financing sources are equity, as well as interbank loans and deposits. The Bank's policy with respect to the interbank deposit market provides for both investing surplus funds on the interbank market and contracting loans to control the liquidity level or finance lending activity.

Financing strategy:
The Bank's financing strategy takes into consideration the currency structure of its assets and varies depending on the currency.
- PLN
  A stable and diversified client deposit base is the main and the most important source of funding for the Bank's złoty-denominated assets, followed by the equity base and non-current interbank deposits (as the balance of clients' deposits with initial maturities exceeding one year is small, the Bank accepts long-term interbank deposits for the purpose of partial financing of its lending operations (especially financing of its mortgage loans)).
- CHF and EUR
  Given a shortage of local, stable sources of financing for assets denominated in the euro and the Swiss franc, the Bank finances such assets with liquidity it obtains within its Group by accepting deposits and contracting loans denominated in CHF and EUR for periods of up to 10 years.

Excess liquidity

To ensure sufficient liquidity to cover any increased current outflows, the Bank maintains an appropriate volume of current assets by:

— investing in NBP money-market bills and Treasury securities (with a rating corresponding to the rating of the Polish government), in order to guarantee sufficient liquidity of the Bank's securities portfolio,
— investing in current interbank deposits,
— managing the balance in nostro accounts.

As at December 31st 2015, liquid assets stood at PLN 6.8bn, accounting for 18% of the Bank's total assets. To ensure availability of liquid assets that can serve as additional liquidity buffer in the event of potential downgrading of the Bank's credit rating and the consequent potential outflow of funds, the Bank has set a limit whereby its liquid assets may not fall below 15% of its total assets.

Also, a crucial element of the Bank's liquidity risk management strategy is support from the Bank's strategic investor, provided by means of:

— contingent credit facilities granted to the Bank, under which the Bank may at any time obtain medium-term and long-term financing up to the available limit,
— a Declaration of Backing,
— cooperation with the DBAG Treasury Department in the liquidity management process.

Liquidity risk reporting

The Financial Risk Department, responsible for reporting on liquidity risk, prepares daily reports presenting, based on previous business-day data, regulatory liquidity levels together with information on the Bank's performance against supervisory and internal limits (serving as warning signals). Additional analyses of the stability and concentration of the deposit base, the funding matrix (maturity mismatch analysis of assets and liabilities with maturities above one year, on a nominal basis), adjusted liquidity gap and liquidity stress tests carried out to examine the Group's liquidity in crisis situations (together with information on performance against the related internal limits) are presented at the meetings of the Asset-Liability Committee (ALCO).

Liquidity risk measurement

The Bank manages liquidity risk through:

— providing information on the current and structural liquidity position;
— analysing maturity structure of the Bank's positions;
— developing adequate risk metrics;
— calibrating risk limits designed to mitigate liquidity risk;
— analysing liquid assets and sources of financing;
— performing contingency stress tests − in order to obtain information on the liquidity position in a crisis situation.

An important tool used in liquidity risk management is the analysis of the liquidity gap (maturity mismatch of assets and liabilities) based on contractual and adjusted maturity dates analysis. The liquidity gap analysis helps to monitor the liquidity position across the organisation in the short-term, medium-term and long-term perspective. The objective of the liquidity gap method is to provide early warning of a maturity mismatch of assets and liabilities that could be dangerous to the Bank. The warning function allows the Group to react in advance or plan the use of an appropriate financial instrument to bridge the negative gap. The liquidity gap analysis is performed based on data on positions of the entire Bank (including off-balance sheet transactions).

The tables below present assets and liabilities by their contractual maturity dates as at December 31st 2015 and 2014.

Assets (on-balance sheet and off-balance sheet items)
by maturity as at December 31st 2015

in PLN thd	Total	<1M	>1M-3M	>3M-6M	>6M-1Y	>1Y-5Y	>5Y
Cash and balances with Central Bank	903,797	903,797	-	-	-	-	-
Deposits with other banks, and loans and advances to other banks*	1,220,337	948,141	204,914	8,765	58,517	0	-
Loans to customers*	30,100,339	2,668,709	452,830	633,415	1,282,321	7,522,961	17,540,104
Financial assets held as investments	5,764,165	5,198,388	-	32,376	-	458,444	74,956
Financial instruments at fair value	338,122	69,573	15,268	24,235	152,782	37,033	39,231
Contingent guarantee commitments received	994,701	681,555	-	-	-	-	313,146
Contingent financing commitments received	1,538	45	227	1,266	-	-	-
Off-balance-sheet instruments – long position	7,710,431	5,714,820	798,204	315,766	552,591	305,558	23,490
Total	47,033,429	16,185,028	1,471,442	1,015,824	2,046,211	8,323,996	17,990,927

* at nominal value.

Liabilities (on-balance sheet and off-balance sheet items)
by maturity as at December 31st 2015

in PLN thd	Total	<1M	>1M-3M	>3M-6M	>6M-1Y	>1Y-5Y	>5Y
Amounts due to other banks*	16,212,688	336,295	173,424	511,505	428,025	10,391,438	4,372,001
Amounts due to customers*	17,105,524	14,813,177	1,274,697	611,144	395,740	6,439	4,325
Financial instruments at fair value	114,447	19,631	13,875	15,158	44,821	16,622	4,340
Subordinated liabilities*	234,383	-	-	-	-	234,383	-
Contingent financing commitments assumed	3,190,363	176,255	498,065	788,839	854,930	481,938	390,336
Contingent guarantee commitments assumed	1,490,491	66,241	137,226	175,517	300,496	716,417	94,593
Off-balance-sheet instruments – short position	7,681,354	5,708,790	799,820	303,618	552,664	295,474	20,989
Total	46,029,250	21,120,390	2,897,107	2,405,781	2,576,676	12,142,711	4,886,585

* at nominal value

Liquidity gap
as at December 31st 2015

in PLN thd	Total	<1M	>1M-3M	>3M-6M	>6M-1Y	>1Y-5Y	>5Y
Liquidity gap (assets – equity and liabilities)	1,004,179	(4,935,362)	(1,425,664)	(1,389,958)	(530,465)	(3,818,715)	13,104,342
Accumulated liquidity gap		1,004,179	5,939,541	7,365,205	8,755,163	9,285,628	13,104,342

Assets (on-balance sheet and off-balance sheet items)
by maturity as at December 31st 2014

in PLN thd	Total	<1M	>1M-3M	>3M-6M	>6M-1Y	>1Y-5Y	>5Y
Cash and balances with Central Bank	1,543,113	1,543,113	-	-	-	-	-
Deposits with other banks, and loans and advances to other banks*	928,049	750,868	40,095	5,657	131,429	-	-
Loans and advances to customers*	28,691,289	2,639,926	476,615	595,862	1,134,842	6,712,416	17,131,627
Financial assets held as investments	3,780,159	3,502,873	-	-	-	57,468	219,819
Financial instruments at fair value	1,639,368	38,250	39,244	26,117	247,803	1,157,249	130,705
Off-balance-sheet guarantee commitments received	1,180,140	784,160	-	860	131	-	394,990
Off-balance-sheet financing commitments received	221,466	2,600	5,133	213,733	-	-	-
Off-balance-sheet instruments – long position	6,074,421	3,028,550	1,402,385	737,514	634,824	263,794	7,354
Total	44,058,005	12,290,339	1,963,472	1,579,743	2,149,029	8,190,927	17,884,495

* at nominal value

Liabilities (on-balance sheet and off-balance sheet items)
by maturity as at December 31st 2014

in PLN thd	Total	<1M	>1M-3M	>3M-6M	>6M-1Y	>1Y-5Y	>5Y
Amounts due to other banks*	15,259,695	650,394	63,935	755,368	786,107	8,246,509	4,757,383
Amounts due to customers*	16,378,592	13,805,002	1,137,522	995,963	423,479	12,526	4,100
Financial instruments at fair value	218,281	48,488	40,770	44,147	34,342	46,858	3,677
Subordinated liabilities*	234,427	-	-	-	-	234,427	-
Off-balance-sheet financing commitments assumed	2,974,738	193,576	420,714	668,730	894,191	444,266	353,262
Off-balance-sheet guarantee commitments assumed	1,344,358	153,320	111,559	192,685	329,929	504,048	52,817
Off-balance-sheet instruments – short position	6,109,348	3,037,928	1,410,088	754,525	641,068	259,554	6,185
Total	42,519,437	17,888,706	3,184,588	3,411,416	3,109,115	9,748,187	5,177,424

* at nominal value

Liquidity gap
as at December 31st 2014

in PLN thd	Total	<1M	>1M-3M	>3M-6M	>6M-1Y	>1Y-5Y	>5Y
Liquidity gap (assets – equity and liabilities)	1,538,568	(5,598,368)	(1,221,116)	(1,831,673)	(960,086)	(1,557,261)	12,707,071
Accumulated liquidity gap		1,538,568	7,136,936	8,358,051	10,189,724	11,149,811	12,707,071

To obtain a more realistic view of the liquidity position, the Group applies in the liquidity gap analysis adjustments based on customer behaviour modelling.

In the case of assets, adjustments are applied to:
— revolving credit facilities, for which the actual repayment date cannot be determined (customers may also make multiple drawdowns under the facility limit) – the most probable trajectory of repayment and drawdown cash flows is determined based on historical data, with the use of the Monte Carlo simulation;
— transfers of lost and doubtful loan balances (based on the classification used for the purpose of corporate income tax calculations) to the last time window;
— accounting for mortgage loan prepayments with a significant effect on the actual maturity profile, which is shorter than the maturity specified in the agreement;
— accounting for overpayments under mortgage loans, credit cards and cash loans by deducting such overpayments from the maturity profile;
— transfers of liquid securities (Treasury bonds and bills) to the category of „from 7 days up to 1 month” in order to reflect the possibility of their sale (for the same reason in the adjusted liquidity gap analysis securities are disclosed at current market value).

In the case of liabilities, adjustments are applied to deposits − they take account of the fact that the actual period of holding deposits is longer than declared. The Group adjusts the balances on the basis of historical data on deposit withdrawals, renewals, terminations and new placements. In the case of current accounts and overnight deposits, the maximum cash outflow recorded in the individual time windows is taken into account. Adjustments to savings accounts are based on the results of an analysis of renewals of original deposits in those accounts.

In the case of off-balance sheet items, adjustments are applied to undrawn funds available under loan and credit facility agreements (except for the free cash amount that is already accounted for in the adjustments to revolving facilities). Potential balance increases within the next 30 days are projected based on the historical analysis.

In 2015, the Group complied with the requirements of Resolution No. 386/2008 of the Polish Financial Supervision Authority (PFSA) concerning the establishment of mandatory liquidity standards for banks (M1 – M4 regulatory liquidity measures).

As at December 31st 2015, the supervisory liquidity measures were as follows:

M1 − short-term liquidity gap (PLN)	820,073,850.00
M2 − short-term liquidity ratio	1.07
M3 − coverage of illiquid assets with regulatory capital	32.77
M4 − coverage of illiquid assets and assets of limited liquidity with regulatory capital and stable external funds	1.08

Also, in accordance with the currently effective new provisions of EU Regulation No. 575/2013 and Commission Delegated Regulation of 10 October 2014 to supplement Regulation (EU) 575/2013 with regard to liquidity coverage requirement for credit institutions, the Bank's net outflow coverage ratio was above the required level. As at December 31st 2015, the net outflow coverage ratio was 101%. In addition, appropriate internal measures and limits for short-term, medium-term and long-term liquidity risk have been introduced to facilitate the monitoring of liquidity risk at the Bank.

The most important of those measures and limits include:
- stress-testing results,
- asset-liability mismatch ratios, calculated on the basis of adjusted liquidity gap for time horizons of 6 months and 1 year − measures based on reported adjusted liquidity gap, applicable to time horizons of 6 months and 1 year (cumulatively) and presenting coverage with assets maturing by a specific date of the sum of liabilities maturing by that date and net outflow from off-balance sheet items taken into account in the adjusted liquidity gap report,
- Maximum Cash Outflow (MCO) analysis − used to monitor liquidity over time horizons of up to 8 weeks in order to identify any excessive liquidity gaps and excessive dependence on short-term funding. Expected cash flows for defined products are monitored to project future funding requirements, and maximum cash outflow limits are set. An MCO report includes contractual cash flows under deposit transactions executed in the interbank market and with other DB Group members.

The market (product) liquidity risk is reflected in the above measures through a continuous analysis of the market and use of appropriate haircuts in the analysis. In addition, any market liquidity changes (no possibility to execute transactions) or growth of spreads trigger the launch of contingency plans.
- Coverage Ratio – a long-term liquidity ratio that shows what percentage of assets with maturities longer than T is covered with liabilities with maturities longer than T.
- Mortgage Coverage Ratio – a long-term liquidity ratio that shows what percentage of mortgage-backed loans with maturities longer than T is covered with liabilities with maturities longer than T.

An additional tool used to monitor liquidity risk is the analysis of the deposit base stability, as a diversified and stable deposit base is the main and the most important source of funding for the Bank.

Stress tests

Stress-testing results are a crucial element of the liquidity risk management process, as they demonstrate that the Bank has the ability to withstand certain defined stress scenarios over an 8-week time horizon (inflows and outflows are compared in periods of 1-5 days and 2-8 weeks). The purpose of such analyses is to identify any liquidity shortfalls and to define appropriate remedies, taking into account major liquidity risk factors such as turmoil in the financial markets, deposit run, drawdown of funds available under credit facilities, or assessment of the available counterbalancing capacity, e.g. from liquid assets.

Four stress test scenarios are used by the Bank:
1. Severe Downgrade − scenario for the DB Group which assumes deterioration of DBAG's financial position and credit rating;
2. Systematic Market Risk − this scenario assumes a general crisis of the financial system;
3. Simultaneous Combined − this scenario combines the above two scenarios;
4. Local scenario − based on the Simultaneous Combined scenario, but with limited ability to draw funds from the Group's limit.

Stress testing results are compared with internal limits and the appetite for medium-term liquidity risk is defined. Additionally, liquidity stress-testing results are used as a liquidity deterioration criterion in the liquidity contingency plans. Triggers for 1st degree liquidity maintenance include one or more negative results of the stress test scenario analysis (for any time horizon). Moreover, stress-testing results are used for setting internal MCO limits.

Market risk

Market risk is the risk of assets losing their value, liabilities increasing, or profit/loss changing adversely as a result of the sensitivity of the Group's portfolio to the volatility of market parameters (prices).

In its operations, the Group identifies the following market risks:
— interest rate risk and
— currency risk.

The target profile of market risk reflects the nature of the Group's operations and the adopted risk taking strategy. The Group subdivides its market risk exposures into the trading book exposures and banking book exposures.

The Group's trading book transactions include:
1) the Group's proprietary trading transactions executed with a view to realising a gain on a change in the price of a given financial instrument in a short time horizon;
2) transactions concluded by the Group acting as a market maker, including in particular trade in Treasury bonds and FX instruments;
3) transactions hedging positions taken in the course of the Group's trading activities;
4) process of the transfer and management of the risk exposure related to the instruments in the Deutsche Bank Polska S.A.'s banking book.

The other activities are classified as non-trading and primarily include:
1) branch transactions with clients: deposits, loans, payments in foreign currencies from PLN accounts, repayments and disbursements under currency loans;
2) transactions with corporate clients: deposits, credit facilities, payments, transactions financing foreign trade, and guarantees;
3) interbank transactions securing appropriate liquidity to the Group;
4) maintaining a pool of liquid assets securing appropriate liquidity to the Group;
5) process of the transfer of the risk exposure related to the instruments in the Deutsche Bank Polska S.A.'s banking book to the trading book and management of that exposure.

Market risk measurement

The main method used by the Group to measure and monitor the market risk is the Value at Risk (VaR) method. VaR is calculated with the historical simulation method, based on data covering the last 250 days, with the confidence level of 99%, in a one-day horizon. The Supervisory Board has defined the Group's appetite for market risk as the VaR for the trading and banking books.

Below are presented the limits and values of VaR for the banking and trading books:

in PLN thd	Limit	As at Dec 31 2015	Minimum in 2015	Maximum in 2015	Average in 2015	As at Dec 31 2014
VaR – banking book	1,250	952.75	250.30	1,563.19	678.48	476.41
VaR – trading book	6,000	313.97	68.60	5,777.09	1,622.15	1,659.28

Apart from VaR, depending on the type of market risk, the Group uses additional risk measurement and monitoring methods as described below.

Interest rate risk

Interest rate risk is the risk of assets losing their value, liabilities increasing, or profit/loss changing adversely as a result of the sensitivity of the Group's portfolio to interest rate movements.

The Group identifies the following interest rate risks:
- Risk of mismatch of remeasurement dates, related to mismatches between the values of assets, liabilities and off-balance-sheet items remeasured at a given time. The risk is monitored and hedged based on the results of the interest rate gap analysis, as well as the computed PV01 and VaR values;
- Client option risk, related to the client's options embedded in banking products and exercisable as a result of changes in interest rates. The Group identifies client option risk in the following products:
  - credit facilities and loans whose terms provide for the borrower's option of full or partial prepayment, maturity date postponement, change of the repayment schedule, change of the currency, or change of the interest rate (from a fixed rate to a floating rate);
  - term deposits whose terms provide for the client's right to withdraw the funds at any time.

  The Group mitigates and offsets client option risk through a commission system in respect of prepayments, the application of zero or reduced interest rates in respect of deposit terminations, as well as through ON transfer rate in respect of certain products;
- Base risk, related to imperfect match between the interest rates applicable to income-generating instruments and expense-generating instruments that have the same remeasurement periods. This risk is monitored through additional analyses of net interest income, assuming asset remeasurement on different dates and to different extents.
- Yield curve risk, related to a change in the relation between interest rates applicable to different maturities but to the same index or market. The risk is analysed and reported based on the VaR method.

The unit with primary responsibility for interest rate risk management is the Proprietary Position Management Department (PPMD). The interest rate risk relating to transactions made by individual business line sales teams (e.g. the Treasury Product Sales Department) is transferred to PPMD on a daily basis.

The Liquidity Management Office (LMO) is responsible for the banking book interest rate risk; the risk generated by products of the GTB and PBC business lines is transferred to LMO on a daily basis. LMO may close an interest rate risk exposure with PPMD.

The VaR limit for the banking book interest rate risk was increased towards the end of the year after a decision had been made to increase the Treasury bond portfolio in the banking book. As at the end of 2015, the interest rate risk limit was PLN 5.5m for the trading book and PLN 4m for the banking book.

Interest rate risk reporting
The Financial Risk Department reports on interest rate risk metrics in daily reports and monthly reports (discussed at the ALCO Committee's meeting), which include information on changes in positions, risk levels and exceeded limits.

Metrics used to measure/monitor interest rate risk

The Group uses the following methods to measure/monitor interest rate risk:
- VaR method;
- analysis of the present value of one basis point (BPV, PV01);
- interest rate gap analysis;
- stress tests;
- economic capital for interest rate risk;

VaR is the basic metric of interest rate risk. Interest rate VaR values and limits are presented in the table below.

in PLN thd	Limit	As at Dec 31 2015	Minimum in 2015	Maximum in 2015	Average in 2015	As at Dec 31 2014
IR VaR − banking book	4,000.00	555.40	240.05	1,549.39	678.46	470.86
IR VaR − trading book	5,500.00	315.86	71.11	5,439.68	1,428.32	1,351.90

Additionally, for the trading book exposures, the Parent's Management Board has established limits for the BPV sensitivity measure. BPV is a multidimensional vector showing (in money terms) relations between a change in the market value of a financial instrument and an increase or decrease of 1 basis point in the market interest rate, in all time intervals of the yield curve.

In addition to the VaR method, the interest rate gap analysis is another tool used to measure the interest rate risk of the banking book. This metric shows the sensitivity of interest income from banking book instruments to interest rate changes.

In order to estimate the effects of interest rate shocks, the Group runs stress tests for the following scenarios:
1. a scenario based on historical data analysis and providing for the largest curve movements (given a forty-day window);
2. hypothetical scenarios of yield curve shifts;
3. abrupt change in interest rates (irrespective of the date) by 200 basis points up or down.

To estimate the economic capital for interest rate risk, the Group uses the stress tests referred to above and additionally:
1. calculates 10-day VaR for the trading book and banking book positions;
2. performs a stress test consisting in the calculation of the effect of interest rate changes equal to the first and ninety-ninth centiles of the observed historical annual changes.

The economic capital is equal to the difference between: (i) the larger of the deviation of the change in the value of the trading book portfolio or banking book portfolio resulting from running interest rate shock scenarios and VaR 10, and (ii) Pillar 1 capital.

Currency risk

Currency risk is the risk of assets losing their value, liabilities increasing, or profit/loss changing adversely as a result of the sensitivity of the Group's portfolio to currency exchange rate movements.

Currency risk results from:
1. foreign-currency transactions executed with the Group clients,
2. transactions executed by the Proprietary Position Management Department in managing the Group's proprietary position,
3. execution of transactions other than currency transactions, which generate a foreign currency position for the Group (e.g. interest on deposits in foreign currencies).

The unit with primary responsibility for currency risk management is the Proprietary Position Management Department (PPMD). The currency risk relating to transactions made by individual business line sales teams (e.g. the Treasury Product Sales Department) is transferred to PPMD on a daily basis.

The Liquidity Management Office (LMO) is responsible for the banking book currency risk; the risk generated by products of the GTB and PBC business lines is transferred to LMO. LMO may close a currency risk exposure with PPMD.

The VaR limit for the trading book currency risk is higher than the VaR limit for the banking book currency risk. At the end of 2015, the limits were PLN 1.2m and PLN 0.3m, respectively.

Currency risk measurement

The key metrics used in the assessment of currency risk are::

— VaR,
— currency position of the Group, and
— analysis of stress scenarios.

Currency risk reporting

The Financial Risk Department prepares daily reports presenting VaR for currency risk, open foreign currency positions (as at the close of the previous day) and, on that basis, the calculated risk metrics, stress-test analyses, and information on performance against limits. In addition, at ALCO meetings, apart from summary presentations of performance against limits and the results of stress tests, the ongoing currency risk management strategies are discussed.

Currency risk limits

The key limit for currency risk is the Value at Risk (VaR) limit. Foreign-exchange VaR together with the current limit is presented in the table below.

in PLN thd	Limit	As at Dec 31 2015	Minimum in 2015	Maximum in 2015	Average in 2015	As at Dec 31 2014
FX VaR – banking book	300	47.80	27.10	199.48	61.20	71.70
FX VaR – trading book	1,200	11.85	1.83	854.20	136.41	45.78

VaR is calculated using the historical simulation method with a 99% confidence level and 250 days' historical market data.

Currencies used in the Group's FX operations

As at Dec 31 2015

Assets

in PLN thd

Item	USD	GBP	CHF	EUR	Other	Total
Cash and transactions with Central Bank	12,405	718	2,819	23,205	-	39,147
Deposits with other banks, and loans and advances to other banks	604,444	5,977	13,159	175,945	171,053	970,578
Loans and advances to customers	245,062	8,084	5,438,422	8,960,512	-	14,652,080
Financial assets held as investments	-	-	-	37,930	-	37,930
Other assets	76	-	1	29,679	-	29,756
Total	861,987	14,779	5,454,401	9,227,271	171,053	15,729,491

Equity and liabilities

in PLN thd

Item	USD	GBP	CHF	EUR	Other	Total
Amounts due to other banks	5,043	339	5,141,963	8,390,012	605	13,537,962
Amounts due to customers	613,761	48,704	78,120	2,116,378	214,294	3,071,257
Other liabilities	1,749	6,972	7	14,546	183	23,457
Subordinated liabilities	-	-	-	235,521	-	235,521
Total	620,553	56,015	5,220,090	10,756,457	215,082	16,868,197

As at Dec 31 2014

Assets

in PLN thd

Item	USD	GBP	CHF	EUR	Other	Total
Cash and transactions with Central Bank	12,159	847	2,661	19,996	-	35,663
Deposits with other banks, and loans and advances to other banks	450,240	10,784	59,487	136,318	69,626	726,455
Loans and advances to customers	559,935	534	5,400,078	9,073,233	-	15,033,780
Financial assets held as investments	575	-	-	-	-	575
Other assets	219	-	-	14,076	-	14,295
Total	1,023,128	12,165	5,462,226	9,243,623	69,626	15,810,768

Equity and liabilities
in PLN thd

Item	USD	GBP	CHF	EUR	Other	Total
Amounts due to other banks	7,382	182	5,411,303	8,300,773	21,219	13,740,859
Amounts due to customers	519,523	23,197	56,803	2,014,098	43,109	2,656,730
Other liabilities	1,697	11,795	7	34,951	(51)	48,399
Subordinated liabilities	-	-	-	235,622	-	235,622
Total	528,602	35,174	5,468,113	10,585,444	64,277	16,681,610

45. Capital management

In accordance with the applicable laws, the Group is required to maintain own funds at a level adequate to its risk exposure the scale of its business. The measure used to determine capital adequacy is the capital adequacy ratio. Pursuant to the capital-adequacy decision issued for the Parent, the Polish Financial Supervision Authority (PFSA) expects that the Parent will meet the total capital adequacy ratio (CAR) requirement at a minimum level of 12% and the Tier 1 (T1) capital ratio requirement at a level of at least 9%.

The Group manages risk and capital by applying a set of rules and using a specific organisational structure and processes of measurement, control and allocation adjusted to the profile of its business.

The approach used by the Group in risk and capital management is based on the following general principles:
- The Management Board of the Bank exercises overall supervision over the risk and capital management process;
- The Group manages individual risks and capital through coordinated processes, implemented at the relevant organisational units;
- The units involved in the risk control process are organisationally and functionally independent from the business units.

The Group's own funds

Rules of computing own funds
In accordance with the provisions of the Banking Law and Regulation 575/2013, the Group's own funds comprise:
- Common Equity Tier 1 capital
- Additional Tier 1 capital
- Tier 2 capital

The Group's Common Equity Tier 1 capital is composed of:
1) capital instruments, provided that the conditions stipulated in Art. 28 of the CRR Regulation are met, together with the related share premium;
2) retained earnings;

   Profit for the current period or profit for the year is included in Common Equity Tier 1 capital exclusively if:
   - the profit has been approved by the Bank's General Meeting of Shareholders, or
   - the Group has obtained the Financial Supervision Authority's approval for including the profit into the Group's own funds, having met the conditions stipulated in Art. 26.2 of CRR Regulation.

3) accumulated other comprehensive income, including unrealised gains/losses on remeasurement of the portfolio of financial instruments available for sale (AFS) measured at fair value;
4) capital reserve;
5) general risk fund.

The Group's Additional Tier 1 capital is composed of:
capital instruments, provided that the conditions stipulated in Art. 52.1 of the CRR Regulation are met, together with the related share premium, after deductions required under Art. 56 of the CRR Regulation and after the application of Art. 79 of the CRR Regulation. Those instruments do not qualify as Common Equity Tier 1 (CET1) or Tier 2 capital.

Currently, the Group holds no instruments which would qualify as Additional Tier 1 (AT1) capital.

The Group's Tier 2 capital is composed of:
— capital instruments and subordinated loans, together with the related share premium, provided that the conditions stipulated in Art. 63 of the CRR Regulation are met.

The extent to which Tier 2 instruments qualify as Tier 2 items during the final five years of maturity of the instruments is calculated in accordance with Art. 64 of CRR Regulation by multiplying the result derived from the calculation in point (a) by the amount referred to in point (b) as follows:
a) par/nominal value of the instruments or subordinated loans on the first day of the final five year period of their contractual maturity divided by the number of calendar days in that period;
b) the number of remaining calendar days of contractual maturity of the instruments or subordinated loans.

As at December 31st 2015, the Parent used a subordinated loan meeting all the criteria defined in Art. 63 of the CRR Regulation and maturing in less than five calendar years. Accordingly, the loan qualifies as Tier 2 instrument, in an amount defined in accordance with Art. 64 of CRR Regulation.

Capital adequacy in 2014–2015

in PLN thd	Dec 31 2015	Dec 31 2014
Common Equity capital	4,042,017	3,761,525
Deductions from Common Equity capital	(96,529)	(93,026)
Additional capital	129,908	164,458
Own funds	4,075,396	3,832,956
Total capital ratio (%)	14.59%	14.05%

Operational risk

Operational risk management strategy and process at the Group
Operational risk is understood as the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events, including legal risk. The definition of operational risk does not cover business risk and reputational risk.

The Group's operational risk management strategy defines the key processes necessary to manage operational risk. The degree of the strategy's formalisation and complexity is adjusted to the specific character of the Group's operations and its current and target risk profile.

The Group manages operational risk in accordance with applicable laws, including Resolutions and Recommendations of the Polish Financial Supervision Authority.

In order to align the risk management process with the types and scale of its operations, the Group has implemented an integrated operational risk management process comprising the following components:
— risk identification,
— risk analysis and assessment to evaluate exposure,
— response, i.e. choosing and taking measures appropriate to the exposure (limitation, transfer, acceptance, avoidance),
— risk monitoring,

— reporting risk analysis and assessment results in a systematic manner,
— defining process participants and their functions, duties and scopes of responsibility.

Using appropriate procedures, an analysis is carried out to identify and assess operational risks involved in products, bank processes and outsourced activities, both before they are implemented and throughout their life or duration.

While identifying areas of increased operational risk, the Group gathers information on operating losses, monitors specific key risk indicators serving as an early warning system, and uses other elements of the process (enabling efficient risk management), such as: regular operational risk inspections (primarily at the field branches of the Group's distribution network), self-assessment of risks, and scenario analyses.

Structure and organisation of units managing operational risk at the Group

The Group's operational risk management structure has been approved by the Management Board of the Bank, and implemented throughout the organisation to build all employees' (at various organisational levels) awareness of their responsibilities regarding operational risk. As part of the risk management process, each of the Group's operating units is responsible for actively managing operational risk in its respective area of operations.

In addition to observing division of responsibilities among employees, the Group also applies the 'four eyes principle', implemented both in its procedures and IT systems, with the access to such systems being controlled and depending on the employee's scope of responsibilities.

To ensure efficient management of operational risk, the Group has established the Operational Risk Management Department as a dedicated unit responsible for the implementation of the operational risk management strategy.

Scope and type of risk reporting and measurement systems

The Group has defined rules for escalation, reporting and monitoring of operational risk. The identified mitigation measures are monitored until fully implemented.

Operational risk identification takes place at all of the Group's operating areas. The identified risks are then evaluated in terms of potential losses and the possible frequency of such losses. The results obtained in the process of operational risk identification and assessment are monitored on an ongoing basis, analysed and periodically reported to the Group's governing bodies.

The Group annually calculates its operational risk appetite for a given year, representing the level of risk which, given its structure, is acceptable to the Group. Specific limits are defined based on the calculated risk appetite, and compliance with the limits is subject to regular monitoring and quarterly reporting.

Losses related to operational risk in 2014 and 2015
by type and event category

The table below sets forth gross operational losses incurred by the Group in 2014−2015 by event category.

Share in total gross operational losses for 2014 and 2015

Operational event category	2015	2014
Internal fraud	0.10%	0.0%
External fraud	15.50%	13.3%
Employment related principles and workplace safety	5.60%	4.0%
Clients, products and operational practices	66.30%	67.1%
Losses related to property and equipment	2.00%	0.7%
Disruption to bank operations and system failures	0.30%	0.0%
Transaction execution, delivery and operational process management	10.20%	14.9%

Rules of operational risk mitigation; strategies and processes for monitoring the effectiveness of operational risk mitigation methods

In line with the applied structure of operational risk management, the Group implements the operational risk management model in which all employees, in particular organisational unit managers, are responsible for day-to-day risk management, in accordance with their respective scopes of duties and responsibilities. In the course of day-to-day operations, they perform actions mitigating the identified operational risks in their respective areas of responsibility.

Material risks identified at the Group are subject to mitigation measures with specified implementation deadlines, taking into consideration the residual risk remaining after the mitigation measures are applied.

Capital buffers

Not applicable as at the date of these financial statements.

46. Variable component remuneration policy

Qualitative information

Information on the decision-making process used for determining the remuneration policy, as well as the number of meetings held during the financial year by the main body in charge of supervision of the remuneration policy, including, where applicable, information on the composition and scope of responsibilities of the remuneration committee, external consultant whose services were used in determining the remuneration policy, as well as the roles of any parties concerned

Pursuant to Resolution No. 258/2011 of the Polish Financial Supervision Authority of October 4th 2011, in 2012 Deutsche Bank Polska S.A. (“Bank”) implemented (using support of an external consultant, Ernst & Young Polska), and the Supervisory Board approved, a Variable Remuneration Component Policy applicable to persons in management positions at Deutsche Bank Polska S.A. (“Policy”) who determine and have an important influence on the Bank’s risk profile.

All positions at the Bank were reviewed in relation to the key risks managed at the Bank. Based on the review, management positions that have an important influence on the Bank’s risk profile. The list of management positions that have an important influence on the Bank’s risk profile was approved by the Supervisory Board and forms Appendix 3 to the Policy.

In 2012, the Remuneration Committee was established at the Bank pursuant to Par. 6 of Resolution No. 258/2011 of the Polish Financial Supervision Authority. The Remuneration Committee is an advisory body of the Supervisory Board and its members perform their duties pursuant to Art. 390 of the Polish Commercial Companies Code.

In 2015, the Remuneration Policy was revised to meet the regulatory requirements arising as a result of:

a) implementation of the Corporate Governance Standards at the Bank;
   Following implementation of the Corporate Governance Standards, the Policy was amended by adding provisions on:
   - remuneration for work and other employee benefits;
   - sources of financing for variable remuneration components;
   - definition of the scope or powers and responsibilities of bodies supervising the Bank’s remuneration policy.

   Following the introduction of these amendments, the Variable Remuneration Component Policy was converted into the Policy for Fixed and Variable Remuneration Components applicable to persons in management positions, including members of the Management Board of Deutsche Bank Polska S.A.

b) amendments introduced to the Banking Law under the Act on Macro-Prudential Supervision over the Financial System and on Crisis Management in the Financial System.

   Where it refers to the remuneration policy, the Act in particular stipulates that the Bank's remuneration policy should also cover its subsidiaries and take into consideration the remuneration policy of the Bank's parent.

Additionally, the list of persons who have an important influence on the Bank's risk profile underwent a regular verification.

In the period from January 1st to December 31st 2015, the Remuneration Committee consisted of:
1) Mr Peter Tils
2) Mr Hubert A. Janiszewski, PhD, and
3) Mr Pedro Larena.

The responsibilities of the Remuneration Committee include:
- defining the terms and conditions of employment for Management Board members to be set out in their employment contracts, managerial contracts or other agreements;
- issuing opinions on the remuneration system in place at the Bank, including in particular monitoring of the amounts and components of remuneration;
- monitoring and issuing opinions on the variable remuneration component policy, including the amounts and components of remuneration for persons holding management positions at Deutsche Bank Polska S.A., based on the principles of prudent and stable risk, capital and liquidity management and with particular attention paid to the long-term interests of the Bank and of the Bank's shareholders;
- monitoring and issuing opinions on variable remuneration components for persons holding management positions at the Bank which are involved in risk management and ensuring compliance of the Deutsche Bank Polska S.A.'s activities with applicable laws and internal regulations.

Meetings of the Remuneration Committee are held at least once a year. The meetings are convened by the Committee Chairperson, or on the initiative of a Supervisory Board member, or at the request of the Management Board of the Bank. In 2015, the Remuneration Committee held four meetings.

Performance-based remuneration

Deutsche Bank Polska S.A. pursues a local remuneration policy, in conjunction with the DB Group's general remuneration policy, to ensure consistent risk management at the DB Group and reduce the risk of conflicts of interest.

The variable remuneration component policy applicable to persons holding management positions at Deutsche Bank Polska S.A. supports conservative and stable risk, capital and liquidity management, and plays a special role in promoting the interests of the Bank, its shareholders, investors and other stakeholders, in the long-term horizon.

Total remuneration comprises fixed and variable components. The fixed components should represent a sufficiently large portion of the entire remuneration amount to enable the Bank to pursue a flexible policy with respect to the variable portion.

The variable remuneration amount is determined on the basis of an evaluation of the performance of each person to whom the Policy applies, of the relevant organisational unit (in a three-year horizon) and of the Bank. Individual performance is evaluated on the basis of financial and non-financial criteria, in the context of the level of risk associated with this performance. The criteria should be objective and should reflect the quality of the Bank management, long-term aspects of its operations, and the manner of the implementation of strategic objectives. Moreover, the variable remuneration of managers in the internal audit unit, in the compliance risk management unit, and in other risk management and HR units, is independent of the economic effects achieved in the areas of the Bank's business which are under their control.

The variable remuneration components are financed and paid from the Bank's funds and do not depend on the performance of the Bank's parent or the parent's Group.

Key information on the remuneration policy
The variable portion of the remuneration of persons holding management positions depends on the results of their individual evaluation, as well as the performance of their organisational unit and of the Bank as a whole. Individual evaluation is performed on the basis of the employee evaluation procedure in place at the Bank. The variable remuneration component amounts are reviewed every year by the Remuneration Committee, a consulting and advisory body supporting the Supervisory Board.

At least 50% of the variable remuneration of persons holding management positions enumerated in Section 1 of Appendix 3 to the Policy, who have a particularly important influence on the Bank's risk profile, serves as an incentive to exercise special care in promoting the Bank's interests in the long-term, and is paid in financial instruments. The persons to whom the Policy applies may not dispose of those instruments earlier than permitted under the relevant rules defined by the Bank.

At least 40% of the variable remuneration of persons holding management positions enumerated in Section 1 of Appendix 3 to the Policy, who have a particularly important influence on the Bank's risk profile, is paid after the end of the evaluation period for which this remuneration is payable, and the payment is deferred – it is paid in three equal tranches over the three years immediately following the grant of the discretionary award.

The variable remuneration for a given year is paid in accordance with the following rules:
1. up to 30% of the variable remuneration amount for a given year (such year is referred to as "Y") is paid in cash in the next year (Y+1);
2. up to 30% of the variable remuneration for Y is paid in the form of financial instruments in the next year (Y+1);
3. at least 20% of the variable remuneration for Y is paid in cash in equal instalments in arrears over the next three or more years, i.e. Y+2, Y+3, Y+4;
4. at least 20% of the variable remuneration for Y is paid in financial instruments in equal instalments in arrears over the next three or more years, i.e. Y+2, Y+3, Y+4.

Due to the legal form of Deusche Bank Polska S.A. and the fact that its shares are not admitted to public trading, the Bank uses virtual instruments.

Payment of a part of the Unit Pool (at least 20% of the VRC) is deferred and made in three equal tranches:
- the first tranche may be paid not earlier than in the period beginning 12 months after the Award Date and ending on the last day of the year in which payment of such tranche became possible;
- the second tranche may be paid not earlier than in the period beginning 24 months after the Award Date and ending on the last day of the year in which payment of such tranche became possible;
- the third tranche may be paid not earlier than in the period beginning 36 months after the Award Date and ending on the last day of the year in which payment of such tranche became possible.

If no tranche is paid within the periods referred to above, the payment is made automatically on the last day of a given period.

The value of Deferred Units is estimated on the Award Date, while their final value for the purpose of payment of relevant tranches is calculated on the basis of approved financial statements in the year is which a tranche is paid. A decision on the calculation of the value of Deferred Units is made by the Remuneration Committee. Units are redeemed at a written request of the entitled person.

The possibility to actually receive the deferred payment in a given year depends on the fulfilment of the following conditions:
- the Bank has generated a profit for the previous year;
- the individual performance of a given person holding a management position in a three-year horizon has been assessed positively

Quantitative information

The present analysis covers all persons covered by the Policy for Fixed and Variable Remuneration Components applicable to persons holding management positions, including Management Board members, at Deutsche Bank Polska S.A., as defined in Resolution No. 258/2011, who have a particularly important or important influence on the Bank's risk profile. The list of managerial positions covered by the Policy is attached as Appendix 3 to the Policy.

Summary quantitative information on remuneration paid in 2015 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy, by business line

Business line in PLN thd	2015 Total remuneration (fixed + variable*)	2014 Total remuneration (fixed + variable*)
Retail and business banking	4,828	4,547
Corporate banking	11,801	13,119
Bank management	13,648	11,330
Total	30,277	30,277

* A portion of the variable remuneration due for 2014 and paid in 2015 in the form of financial instruments and:
— The first tranche of deferred cash payment and the first tranche of deferred remuneration in the form of financial instruments due for 2013 and paid in 2015;
— The second tranche of deferred cash payment and the second tranche of deferred remuneration in the form of financial instruments due for 2012 and paid in 2015;
— Remuneration for 2011 under the Deutsche Bank AG Group's share-based payment and cash award programme.

Summary quantitative information on remuneration paid in 2015 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy

in PLN thd	2015 The Bank's Management Board	2015 Other persons holding positions	2014 The Bank's Management Board	2014 Other persons holding positions
Number of FTEs	9	34*	9	32*
Fixed remuneration	7,273	12,611	7,153	11,348
Variable remuneration**	6,264	4,129	6,254	4,241
Total	13,537	16,740	13,407	15,589

* Two persons employed until December 31st 2015.
** A portion of the variable remuneration due for 2014 and paid in 2015 in the form of a cash payment and in the form of financial instruments and:
— The first tranche of deferred cash payment and the first tranche of deferred remuneration in the form of financial instruments due for 2013 and paid in 2015;
— The second tranche of deferred cash payment and the second tranche of deferred remuneration in the form of financial instruments due for 2012 and paid in 2015;
— Remuneration for 2011 under the Deutsche Bank AG Group's share-based payment and cash award programme.

Summary quantitative information on variable remuneration awarded for 2015 and 2014 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy, broken down into cash payments and financial instruments

in PLN thd	2015 The Bank's Management Board	2015 Other persons holding positions	2014 The Bank's Management Board	2014 Other persons holding positions
Variable remuneration in cash*	1,982	3,029	2,940	3 ,441
Variable remuneration in financial instruments**	1,982	181	2,940	299
Total	3,964	3,210	5,880	3,740

* A portion of the variable remuneration for 2015 payable in cash.
** A portion of the variable remuneration for 2015 payable in the form of financial instruments.

The value of deferred units is estimated on the date they are awarded (calculation as at December 31st 2015), while their final value for the purpose of payment of relevant tranches is calculated on the basis of approved financial statements in the year is which a tranche is paid. A decision on the calculation of the value of deferred units is made by the Remuneration Committee.

Summary quantitative information on deferred remuneration of Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy, broken down into the vested and non-vested portion

	2015		2014	
in PLN thd	The Bank's Management Board	Other persons holding positions	The Bank's Management Board	Other persons holding positions
Deferred variable remuneration – vested*	2,186	281	1,006	30
Deferred variable remuneration – non-vested**	5,756	758	5,238	793
Total	7,942	1,039	6,244	823

* The item comprises:
— A portion of the variable remuneration for 2012 (the second tranche of deferred cash payment and the second tranche of deferred variable remuneration in the form of financial instruments due for 2012 and paid in 2015);
— A portion of the variable remuneration for 2013 (the first tranche of deferred cash payment and the first tranche of deferred variable remuneration in the form of financial instruments due for 2013 and paid in 2015);

** The item comprises:
— A portion of the variable remuneration not granted for 2012 (the third tranche of deferred cash payment and the third tranche of deferred variable remuneration in the form of financial instruments);
— A portion of the variable remuneration not granted for 2013 (two tranches of deferred cash payment and two tranches of deferred variable remuneration in the form of financial instruments);
— A portion of the variable remuneration not granted for 2014 (three tranches of deferred cash payment and three tranches of deferred variable remuneration in the form of financial instruments).

Summary quantitative information on remuneration paid in 2015 to Deutsche Bank Polska S.A.'s employees covered by the variable remuneration component policy − deferred remuneration

	2015		2014	
in PLN thd	The Bank's Management Board	Other persons holding positions	The Bank's Management Board	Other persons holding positions
Deferred variable remuneration for 2012 and 2013*	2,186	281	1,006	30
Share-based payment and cash award programme**	781	-	1,198	-
Total	2,967	281	2,204	30

* The item comprises:
— The second tranche of deferred cash payment and the second tranche of deferred variable remuneration in the form of financial instruments due for 2012 and paid in 2015;
— The first tranche of deferred cash payment and the first tranche of deferred variable remuneration in the form of financial instruments due for 2013 and paid in 2015.

** Remuneration for 2011 under the Deutsche Bank AG Group's share-based payment and cash award programme.

In 2015, one payment was made at Deutsche Bank Polska S.A. in connection with the termination of an employment relationship with a person covered by the Policy; the payment amount was PLN 126.25 thousand.

In 2015, there were no payments at Deutsche Bank Polska S.A. in connection with employment of new persons covered by the Policy.

In the reporting period, there were no performance-related reductions of the variable remuneration awarded under the variable remuneration component policy.

In 2015, none of the persons employed at Deutsche Bank Polska S.A. received total remuneration in excess of EUR 1m.

Signatures of all Management Board Members

(Signature)	(Signature)	(Signature)
Krzysztof Kalicki President of the Management Board	Leszek Niemycki Vice-President of the Management Board	Zbigniew Bętkowski Member of the Management Board Person in charge of keep-ing the Bank's accounting books
(Signature)	(Signature)	(Signature)
Piotr Gemra Member of the Management Board	Tomasz Kowalski Member of the Management Board	Łukasz Barwicki Member of the Management Board
(Signature)	(Signature)	(Signature)
Kamil Kuźmiński Member of the Management Board	Piotr Olendski Member of the Management Board	Magdalena Rogalska Member of the Management Board

Warsaw, June 10th 2016

04 -

Further Information

Independent Auditor's Opinion – 157

Independent Auditor’s Opinion

This version of our opinion is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

To the General Shareholders’ Meeting and the Supervisory Board of Deutsche Bank Polska S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Deutsche Bank Polska S.A. Group (hereinafter called “the Group”), having Deutsche Bank Polska S.A., Al. Armii Ludowej 26, Warsaw, as its parent company (hereinafter called “the Parent Company”), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income for the year from 1 January 2015 to 31 December 2015, the statement of changes in consolidated equity, the consolidated statement of cash flows for the financial year and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board’s Responsibility

The Parent Company’s Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and the Report on the Group’s operations and for the correctness of the books of account in accordance with the applicable regulations. The Parent Company’s Management Board is also responsible for internal controls as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the consolidated financial statements and the Report on the Group’s operations meet the requirements of the Accounting Act of 29 September 1994 (“the Accounting Act” – Journal of Laws of 2013, item 330 as amended).

Auditor's Responsibility

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion and the report on whether the consolidated financial statements present, in all material respects, a true and fair view of the Group’s financial position and its financial results in accordance with the regulations and the applicable accounting policies and on the correctness of the accounting records constituting the basis for their preparation.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance. 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 the auditor's 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, the auditor considers internal control relevant to the Group'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 audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements in all material respects:
a. give a true and fair view of the Group's financial position as at 31 December 2015 and its financial performance and its cash flows for the year from 1 January 2015 to 31 December 2015, in accordance with the International Financial Reporting Standards as adopted by the European Union;
b. comply in terms of form and content with the applicable laws to the Group;
c. have been prepared on the basis of correctly maintained consolidation documentation.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Group's operations
The information contained in the Report on the Group's operations for the year from 1 January 2015 to 31 December 2015 accommodates the requirements of article 49 paragraph 2 of the Accounting Act and the Banking Law of 29 August 1997 ("the Banking Law" – Journal of Laws of 2015, item 128 as amended) and is consistent with the information contained in the audited consolidated financial statements.

Based on the knowledge of the Group and its environment obtained during our audit we have not identified any material misstatements in the Report on the Group's operations.

Financial information included in section III "Financial situation" of the Report on the Bank's operations has been audited in accordance with the scope described in paragraph Auditor's Responsibility above and the requirements of the Banking Law. In our opinion, financial information included in section III "Financial situation" of the Report on the Bank's operations has been prepared, in all material respects, in accordance with the requirements of the Banking Law.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

(Signed on the Polish original)

Katarzyna Łącka
Key Registered Auditor
No. 13131

Warsaw, 21 June 2016

Bank's Head Office

al. Armii Ludowej 26
00-609 Warsaw, Poland
tel. (+48 22) 579 90 00
fax (+48 22) 579 90 01
www.db-polska.pl
e-mail: db.komunikacja@db.com