

Financial Statements
of Dom Maklerski BZ WBK S.A.
for the 10-month period ended 31 October 2014

Table of contents

1. Income Statement	4
2. Statement of Comprehensive Income	4
3. Statement of Financial Position.....	5
4. Statement of Changes in Equity	6
5. Statement of Cash Flows	8

Explanatory Information to the financial statements

6. General information.....	9
7. Basis of preparation of interim financial statements.....	10
8. Risk management	13
9. Revenue from brokerage activities.....	31
10. Other revenue	31
11. Personnel expenses	31
12. Costs of activities.....	32
13. Financial revenue	32
14. Financial revenue from financial instruments at fair value through profit or loss	32
15. Financial expenses.....	33
16. Tax expense	33
17. Cash and cash equivalents.....	33
18. Cash and cash equivalents by currency	34
19. Financial assets	34
20. Financial instruments at fair value through profit or loss	34
21. Financial instruments available for sale	34
22. Fair value	36
23. Receivables from customers	38
24. Receivables from National Depository of Securities	39
25. Receivables from brokerage houses	39
26. Intangible assets	40
27. Property, plant and equipment.....	43
28. Net deferred tax assets	46
29. Other assets	47
30. Liabilities to customers	47
31. Liabilities to customers by currency	47
32. Finance and operating leases.....	48
33. Other liabilities	48
34. Credits and loans from related parties	51
35. Equity	51
36. Contingent liabilities and collaterals granted	51

37. Related party transactions 53

38. Transactions with members of management and supervisory board 55

39. Remuneration of the management 56

40. Post-balance sheet events 56

41. Changes in presentation of data for the prior period..... 57

1. Income Statement

		from 01.01.2014 to 31.10.2014	from 01.01.2013 to 31.10.2013
	for the period		
Revenue			
Revenue from brokerage activities	Note 9	50 886 985	65 309 736
Other revenue	Note 10	25 255 447	27 285 336
		76 142 432	92 595 072
Expenses			
Fees and commissions		(16 960 236)	(19 034 140)
Operating expenses, including:		(55 557 720)	(57 102 948)
<i>Personnel expenses</i>	Note 11	(34 906 978)	(34 912 507)
<i>Costs of activities</i>	Note 12	(17 034 532)	(18 548 609)
<i>Depreciation/amortization</i>		(3 616 210)	(3 641 832)
		(72 517 956)	(76 137 088)
Profit from operating activities		3 624 476	16 457 984
Financial revenue	Note 13	26 277 273	26 766 534
Financial expenses	Note 15	(5 209 111)	(5 484 532)
Profit/loss on financial transactions		21 068 162	21 282 002
Profit before tax		24 692 638	37 739 986
Income tax expense	Note 16	(4 867 852)	(7 303 132)
Profit for the period		19 824 786	30 436 854

2. Statement of Comprehensive Income

		from 01.01.2014 to 31.10.2014	from 01.01.2013 to 31.10.2013
	for the period		
Profit for the period		19 824 786	30 436 854
Other comprehensive income which can be transferred to the profit and loss account			
Valuation of financial assets available for sale	Nota 35.3	52 500	120 330
- including deferred tax		(9 975)	(22 863)
Other comprehensive income which can not be transferred to the profit and loss account	Nota 35.3	-	(840 459)
Remeasurement of defined benefit obligation		-	(1 037 604)
- including deferred tax		-	197 145
Comprehensive income for the reporting period		19 867 311	29 693 862

3. Statement of Financial Position

	as at	31.10.2014	31.12.2013	31.10.2013
ASSETS				
Cash and cash equivalents	Note 17	794 054 983	746 182 306	812 555 012
Financial assets	Note 19	44 674 408	34 528 396	81 008 390
Receivables from customers	Note 23	26 662 942	72 687 374	70 710 244
Receivables from the National Depository for Securities	Note 24	77 752 955	77 774 744	72 780 403
Receivables from brokerage houses	Note 25	21 647 342	20 539 451	32 614 655
Intangible assets	Note 26	4 425 668	6 198 557	6 377 720
Property, plant and equipment	Note 27	2 702 710	3 496 339	3 255 193
Deferred tax asset	Note 28	2 313 792	2 667 239	2 389 466
Other assets	Note 29	5 603 147	7 259 819	4 415 798
Total assets		979 837 947	971 334 225	1 086 106 881
EQUITY AND LIABILITIES				
Liabilities to customers	Note 30	780 148 574	754 298 167	872 129 997
Liabilities to brokerage houses		143 456	2 309 116	470 530
Finance lease liabilities	Note 32.1	1 105 190	1 428 183	1 499 416
Current income tax liabilities		461 864	697 208	488 350
Other liabilities	Note 33	17 405 135	18 664 215	21 584 677
Total liabilities		799 264 219	777 396 889	896 172 970
Equity				
Share capital	Note 35.1	44 973 500	44 973 500	44 973 500
Other capital	Note 35.2	114 667 767	114 666 407	114 666 407
Revaluation reserve	Note 35.3	1 107 675	1 065 150	(142 850)
Current year profit		19 824 786	33 232 279	30 436 854
Total equity		180 573 728	193 937 336	189 933 911
Total equity and liabilities		979 837 947	971 334 225	1 086 106 881

4. Statement of Changes in Equity

Statement of changes in equity	Share capital	Other capital	Revaluation reserve	Current year profit	Total
Equity as at 1 January 2014	44 973 500	114 664 407	1 065 150	33 232 279	193 937 336
Increases and decreases in the period:	-	1 360	42 525	(13 407 493)	(13 363 608)
Net profit	-	-	-	19 824 786	19 824 786
Dividend for 2013	-	-	-	(33 230 919)	(33 230 919)
Appropriation to the supplementary capital	-	1 360	-	(1 360)	-
Remeasurement of defined benefit obligation					
Change in the net value of instruments available for sale	-	-	42 525	-	42 525
Balance as at 31 October 2014	44 973 500	114 667 767	1 107 675	19 824 786	180 573 728

Statement of changes in equity	Share capital	Other capital	Revaluation reserve	Current year profit	Total
Equity as at 1 January 2013	44 973 500	114 663 717	(240 317)	27 791 816	188 029 175
Increases and decreases in the period:	-	2 690	1 305 467	4 600 004	5 908 161
Net profit	-	-	-	33 232 279	33 232 279
Dividend for 2012	-	-	-	(27 789 126)	(27 789 126)
Appropriation to the supplementary capital	-	2 690	-	(2 690)	-
Remeasurement of defined benefit obligation			1 260 732	(840 459)	420 273
Change in the net value of instruments available for sale	-	-	44 735	-	44 735
Balance as at 31 December 2013	44 973 500	114 666 407	1 065 150	33 232 279	193 937 336

Statement of changes in equity	Share capital	Other capital	Revaluation reserve	Current year profit	Total
Equity as at 1 January 2013	44 973 500	114 663 717	(240 317)	28 632 275	188 029 175
Increases and decreases in the period:	-	2 690	97 467	1 804 579	1 904 736
Net profit	-	-	-	30 436 854	30 436 854
Dividend for 2012	-	-	-	(27 789 126)	(27 789 126)
Appropriation to the reserve capital	-	2 690	-	(2 690)	-
Remeasurement of defined benefit obligation	-	-	-	(840 459)	(840 459)
Change in the net value of instruments available for sale	-	-	97 467	-	97 467
Balance as at 31 October 2013	44 973 500	114 666 407	(142 850)	30 436 854	189 933 911

5. Statement of Cash Flows

	from 01.01.2014	from 01.01.2013
	for the period	to 31.10.2013
	to 31.10.2014	to 31.10.2013
Profit before tax	24 692 638	37 739 986
Total adjustments:	57 611 868	263 001 340
Depreciation/amortization	3 616 210	3 641 832
Profit (loss) on investing activities	(50 043)	6 505
Change in provisions	(3 118 848)	4 209 582
Change in financial assets held for trading	(10 146 012)	(65 014 983)
Change in receivables from customers	46 024 432	(17 488 116)
Change in liabilities to customers	25 850 407	123 315 432
Income tax paid	(4 749 749)	(1 694 323)
Change in other assets and liabilities	264 678	216 697 926
Other adjustments	(79 207)	(672 515)
Net cash flows from operating activities	82 304 506	300 741 326
Inflows	206 761	14 895
Disposal of intangible assets and property, plant and equipment	206 761	14 895
Outflows	(1 015 295)	(116 884)
Acquisition of intangible assets and property, plant and equipment	(1 015 285)	(116 884)
Net cash flows from investing activities	(808 524)	(101 989)
Outflows	(33 623 305)	(187 079 954)
Repayment of short-term loans	-	(158 866 147)
Dividends and other payments to shareholders	(33 230 919)	(27 789 126)
Finance lease payments	(336 727)	(344 350)
Interest	(55 659)	(80 331)
Net cash flows from financing activities	(33 623 305)	(187 079 954)
Total net cash flows	47 872 677	113 559 383
Opening balance of cash	746 182 306	698 995 629
Closing balance of cash	(Note 17)	812 555 012

Explanatory Information to the Financial Statements

6. General information

Dom Maklerski BZ WBK S.A. ("DM BZ WBK") is an investment company with its registered office in Poland, pl. Wolności 15, 60-967 Poznań, with a state statistical number REGON 639631042, registered in the District Court in Poznań — Nowe Miasto i Wilda, VIII Business Division of the National Court Register, under KRS number 0000006408.

The parent company of DM BZ WBK S.A. is Bank Zachodni WBK S.A. and the ultimate parent of the group is Banco Santander S.A. with its registered office in Spain.

Dom Maklerski BZ WBK S.A. trades in financial instruments and its activities consist in:

1. accepting and submitting financial instruments purchase and sale orders executed in domestic and foreign markets;
2. executing financial instruments purchase or sale orders on behalf of customers;
3. acquiring and disposing of financial instruments for its own account;
4. financial instruments offering;
5. providing services of standby underwriting or firm commitment underwriting or similar agreements, if related to financial instruments;
6. providing additional services connected with standby underwriting or firm commitment underwriting;
7. keeping securities accounts and cash accounts auxiliary to the securities accounts;
8. safekeeping of broker-traded financial instruments and registering changes in the holdings of such instruments;
9. preparing investment analyses, financial analyses and other generic recommendations concerning transactions in financial instruments;
10. advising companies on capital structure, corporate strategy and other matters related to such structure or strategy;
11. advisory and other services relating to mergers, demergers and acquisitions of companies;
12. providing investment advisory.

Dom Maklerski BZ WBK S.A. is a member of the Warsaw Stock Exchange and Bondspot S.A.

Dom Maklerski BZ WBK S.A. is a direct participant in the National Depository for Securities.

7. Basis of preparation of financial statements

Statement of compliance

Condensed interim unconsolidated financial statements of DM BZ WBK S.A. for the period from 1 January 2014 to 31 October 2014 were prepared in line with the requirements of the International Financial Reporting Standards (IFRS), as endorsed by the European Union, and in the scope not regulated thereunder – in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 1223 , as amended) and related secondary legislation.

New standards and interpretations or changes to existing standards or interpretations which can be applicable to the Company and are not yet effective or have neither been implemented earlier.

IFRS	Change	Applicable from:	Impact on the Company
IFRS 9 Financial instruments Amendments to IFRS 9	Changes in the classification and measurement – the existing categories of financial to be replaced by two measurement categories, i.e. amortized cost and fair value. Changes in hedge accounting.	1 January 2018	The Company has not yet completed the analysis of changes.
IAS 19 Employee benefits - amendments	The amendments apply contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.	1 January 2015	The Company does not expect that the change will have a material impact on the financial statements
Annual amendments to IFRSs (cycle 2010- 2012)	The issues included: - IFRS 2 Definition of vesting condition’; - IFRS 3 Accounting for contingent consideration in a business combination; - IFRS 8 Aggregation of operating segments and reconciliation of the total of the reportable segments’ assets to the entity’s assets; - IFRS 13 Short-term receivables and payables; - IAS 7 Interest paid that is capitalized; - IAS 16/IAS 38 Revaluation method-proportionate; - IAS 24 Key management personnel.	1 January 2015	The Company does not expect that the change will have a material impact on the financial statements.

Annual amendments to IFRSs (cycle 2011- 2013)	The issues included: - IFRS 3 Scope exceptions for joint venture; - IFRS 13 Scope of paragraph 52 (portfolio exception); - IAS 40 Claryfing the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classyfing property as investment property or owner occupied property.	1 January 2015	The Company does not expect that the change will have a material impact on the financial statements.
Amendments to IAS 16 and IAS 38	The amendments to IAS 16 and IAS 38 establish the principle relating to consumption of the future economic benefits of an asset in respect of depreciation and amortization. IASB clarified that revenue - based method are not appropriate to calculate depreciation.	1 January 2015	The Company does not expect that the change will have a material impact on the financial statements

Standards and interpretations and changes to standards or interpretations, first applied in 2014

IFRS	Change	Applicable from:	Impact on the Company
IFRS 32 Financial instruments: Presentation	IAS clarifies its requirements to offsetting financial instruments.	1 January 2014	Amendments did not have material impact on the financial statements
IAS 36 Impairment of assets	Amendments IAS 36 modified the disclosure requirement regarding measurement of the recoverable amount of impaired non-financial assets as a consequential amendment to IFRS 13.	1 January 2014	Amendments did not have material impact on the financial statements
IAS 36 Financial instruments: Recognition and Measurement- amendments	The amendments allow hedge accounting to continue in a situation if a hedging derivative was novated.	1 January 2014	Amendments did not have material impact on the financial statements

Basis for preparation of the financial statements

Condensed interim unconsolidated financial statements were prepared in PLN, after being rounded to the nearest full PLN.

Condensed interim unconsolidated financial statements were prepared on the historical cost basis, except for the assets and liabilities at fair value, i.e. financial assets at fair value through profit or loss and financial assets classified as available for sale. Assets and liabilities were presented in the financial statements in order of their liquidity.

The estimates and assumptions are based on historical experience and on other factors which are considered to be reasonable under the circumstances. Their results provide the basis for judgments regarding the carrying amount of assets and liabilities, which does not result directly from other sources.

The estimates and assumptions are reviewed on an ongoing basis. Adjustments to estimates are recognized in the period in which the change occurred, provided it applies to that period only, or in the period, in which the change was introduced and in subsequent periods, if the adjustment impacts both the current and future periods.

Condensed interim unconsolidated financial statements were prepared due to closure of business of Dom Maklerski BZ WBK as a result of incorporation of stockbroking operations into Bank Zachodni WBK.

On 10 June 2014, the KNF gave its consent to Bank Zachodni WBK to expand its stockbroking operations.

On 30 September 2014, the Extraordinary General Meeting of Shareholders of Bank Zachodni WBK S.A. adopted a resolution on division of the Brokerage House, pursuant to the Division Plan of 24 July 2014.

The division has been completed by transferring to Bank Zachodni WBK (the acquiring company) an organised part of the enterprise of the Brokerage House (the divided company), whose business is provision of stockbroking services and other services that do not constitute advertising activity. At the same time, a company has been formed- Giełdokracja Sp. z o.o. – which will take over the part of the Brokerage House business connected with provision of educational services related to the capital market, advertising and communication services, and maintenance of internet portals.

On 31 October 2014, the Court registred the removal of The Brokerage House from the business register (KRS) without a liquidation procedure and on the same day Giełdokracja Sp. z o.o. was registred.

The Brokerage House is now a stand-alone unit of the bank, providing stockbroking services and will formally act as a brokerage office.

Due to the fact of the going concern assumption in the Bank Zachodni WBK structure which was 100% shareholder of the Brokerage House, the accounting policies applied for preparation of these condensed interim unconsolidated financial statements are the same as the ones continuing their activity.

8. Risk management

DM BZ WBK is exposed to various risks related to its operations. They include, among others, credit risk, market risk, liquidity risk and operational risk. The purpose of risk management is to ensure that DM BZ WBK is aware of the risks that it undertakes and that such risks are undertaken in a controlled manner. Risk management policies are drawn up to identify and measure the risk exposure and also to set appropriate limits reducing the scale of exposure to these risks. DM BZ WBK modifies and expands the methods of risk management policies on a regular basis in order to take into consideration the market changes, products changes and law environment.

The Management Board of DM BZ WBK is responsible for the implementation and outlining a risk management structure. The Management Board of DM BZ WBK approves policies and business strategies, and reviews profit/loss, management techniques and risk control.

DM BZ WBK Management Board appointed the Risk Management Committee to manage all risks inherent to the activities of the Company, and its capital adequacy. On the basis of the recommendations issued by the Committee, the Management Board accepts the strategy and policies related to the risk measurement together with the limits determining the maximum acceptable risk exposure level.

Risk management is conducted within the risk profile approved by the DM BZWBK Management Board resulting from the accepted general risk level.

Operational risk

DM BZ WBK defines operational risk as the possibility to incur losses resulting from inadequate or ineffective internal processes or systems, human mistakes and external factors.

The definition includes legal risk, but does not consider strategic and reputational risk.

The operational risk is related to all business processes undertaken by DM BZ WBK. Each organizational unit within DM BZ WBK is responsible for risk identification and risk management within the scope of its activities.

The aim of the operational risk management is to minimize the probability and/or reduce severity of unfavourable events that expose DM to substantial financial or non-financial losses.

DM BZ WBK applies a Policy of Operational Risk Management. Moreover there are detailed procedures and recommendations that describe the methods of identification, estimation, monitoring and limitation of the risk.

The Risk Management Department is responsible for the distribution of the Policy and its guidelines. Directors of specific departments are responsible for their implementation.

The aim of the following processes is to ensure that the risk is adequately managed and that the most important threats are identified:

- identification and estimation of the operational risk – DM BZ WBK applies self-assessment of the risk, identifies and estimates risks connected with its activities to determine the probability and consequences of potential threats;
- reporting and lessons learned from the operational events;
- analysis of the risk indicators, presenting the risk level and acting as the early warning indicators of threats and losses;
- business continuity management plans;

- insurance – DM BZ WBK is insured, among others, against banking risks, IT offences, civil liability (professional and property).

Dom Maklerski BZ WBK cooperates with the BZ WBK S.A. Group in implementing of the risk management strategy and policy in order to fulfil the requirements and use the best operational risk management practices.

There were no significant changes in the operational risk management as compared to the prior period. The predefined operational risk limits were not exceeded.

Market risk

Market risk is defined as possible negative impact on interest rate, currency exchange rates and financial instrument rates on the company's performance.

The main aim of the market risk management conducted by DM BZ WBK is to limit the effect of market factors volatility on the Company's profitability – striving to increase income within the precisely defined risk ratios and keeping the Company's liquidity at the same time.

The Company's Supervisory Board supervises its operations on a continuous basis, defining in the Investment Strategy: short-, medium- and long-term investment objectives, trading portfolio building principles and management methods, the amount designed for investment, as well as principles and mechanisms that prevent the company from exceeding the allowed exposure concentration and size limits.

Audit Committee of the Supervisory Board supports the Board in its obligations related to the internal control and risk management system.

Risk Management Forum of the BZ WBK – Market Risk Panel, defines the strategy for the acceptable market risk in the BZ WBK Group, approves the policy and method of risk measurement and control. The Committee also reviews the activities of individual units of the BZ WBK Group in terms of market risk management.

The Company's Management Board ensures that the trading activity goals determined in the Investment Strategy are achieved using resolutions to allocate limits granted by the Risk Management Forum of the BZ WBK S.A. Group. The Resolutions determine acceptable investment strategies within the allocated funds, limits of unsecured positions for individual instruments and other risk parameters, if applicable. Moreover, the Management Board uses internal regulations to determine the functions of organizational units within DM BZ WBK. In particular, the Management Board determines the composition and rules of operating for the Risk Management Committee.

Risk Management Committee in the Company supervises on a regular basis, among other things, market risk management and trading activity of the Company, based on an authorization of the Management Board of DM BZ WBK. The Committee performs its tasks by, among other, issuing opinions on the applied risk measurement methods, the structure of risk limits and specific funds and by recommending instruments in which funds are invested.

Risk Management Department in DM BZ WBK identifies, monitors and controls the market risk of trading activity of the Company.

The market risk management policies approved by DM BZ WBK determine various ratios and limits. Such limits are subject to review on a regular basis in order to implement the adjustments required by current strategy and goals of DM BZ WBK.

There were no significant changes in the market risk management as compared to the prior period.

Interest rate risk

Interest rate risk is a risk arising from the exposure of the current and future profit or loss of DM BZ WBK and its capital to the adverse effect of interest rate changes whose source may be the contracts concluded by DM BZ WBK producing receivables or liabilities depending on the interest rate and purchase on its own account of financial instruments dependent on interest rates.

Due to the business conducted by DM BZ WBK, the following kinds of interest rate risk may occur:

- risk that revaluation dates are not adjusted, which results in the risk to the income of DM BZ WBK, mainly interest income, in the situation of adverse interest rate changes or a significant change to the structure of the revalued items;
- yield curve risk where the ratio between the interest rates concerning different periods but the same index or market changes. A change in the ratio may have adverse effect on the profit or loss of DM BZ WBK and applies to trading activity.

DM BZ WBK sets forth in its regulations the principles of interest rate risk mitigation by limiting instruments in which the customers' funds and own funds surpluses may be invested. Moreover, value investment limits for individual kinds of securities are being introduced.

Interest calculation principles and the interest on funds accumulated in the cash account are determined by the Management Board of Dom Maklerski BZ WBK. If the customers are offered a fixed interest rate, DM BZ WBK compares this rate on a daily basis with the lowest interest rate received by the Company and monitors the margin. Negotiated interest rates depend on the WIBID and WIBOR rates and may not exceed the interest which may be obtained by DM BZ WBK in the market.

The Accounting Department monitors the capitalization of the interest received on the customers' funds invested by comparing it with the capitalization of interest paid to the customers on their funds on accounts. At the end of each interest period, the Financial Supervision Team conducts an analysis of the costs incurred by DM BZ WBK on account of the paid interest and the income from investing funds. At least once a quarter, interest rates are verified.

Interest rate structure of assets and liabilities as at 31 October 2014 and as at the end of the comparable periods.

	31.10.2014	31.12.2013	31.10.2013
	Carrying amount	Carrying amount	Carrying amount
Assets			
Cash and cash equivalents	794 054 983	746 182 306	812 555 012
- fixed interest rate	-	-	-
- variable interest rate	794 054 983	746 182 306	812 555 012
Liabilities			
Financial liabilities	781 253 764	755 726 350	873 629 413
Liabilities to customers	780 148 574	754 298 167	872 129 997
- fixed interest rate	-	-	-
- variable interest rate	780 148 574	754 298 167	872 129 997
Finance lease liabilities	1 105 190	1 428 183	1 499 416
- fixed interest rate	-	-	-
- variable interest rate	1 105 190	1 428 183	1 499 416

Cash and cash equivalents with variable interest rate are overnight deposits with BZ WBK S.A. – such deposits ensure current liquidity of operating services to customers. Financial liabilities with variable interest rate is the customers' cash on the cash accounts in DM BZ WBK for which the interest is accrued and paid.

Equity risk

The risk of prices of equity instruments is the risk of incurring losses arising from unfavourable changes in the market quotations of equity instruments in the DM BZ WBK portfolio.

The risk of changes in prices of equity instruments is connected with investments in instruments quoted on regulated markets in the European Union. Trading activity on the capital market are conducted by the Market Making Department and Institutional Sales Department.

As at 31 October 2014 financial instruments in the portfolio of DM BZ WBK comprised mainly equity securities quoted on the Warsaw Stock Exchange (note 19).

	31.10.2014	31.12.2013	31.10.2013
Financial instruments at fair value through profit or loss – held for trading, including:	43 750 408	33 656 896	80 071 790
- shares of companies included in the WIG20 index as at the end of the reporting period	38 719 921	30 672 603	77 609 386
- shares and bonds listed on alternative market (New Conect and Catalyst)	5 030 487	1 579 505	2 462 404

DM BZ WBK enters into transactions on futures listed on the Warsaw Stock Exchange.

Futures as at 31 October 2013 and in the comparable periods:

31.10.2014r.

Forward	Number	Nominal value in PLN
FW20Z1420	733	36 151 560
FW20H1520	40	1 984 000
FW40Z14	54	1 904 580
FPKOZ14	538	2 025 570
FPKNZ14	30	125 550
FPZUZ14	-71	(3 556 035)
FLTSZ14	11	28 798

31.12.2013

Forward	Number	Nominal value in PLN
FW20H14	1 280	30 976 000

31.10.2013

Forward	Number	Nominal value in PLN
FW20Z13	3 071	77 757 720

The above future contracts, due to daily marking - to - market, have the fair value of PLN 0.

Concluded future contracts reduce the market risk of DM BZ WBK resulting from its involvement in financial instruments quoted on the Warsaw Stock Exchange.

The risk of the trading portfolio is measured using the Value at Risk ratio and historical analysis where the VaR value is an appropriate percentile from the historical losses distribution in the portfolio. The Management Board of DM BZ WBK sets the permissible VaR level, determining the maximum loss which should not be incurred with the probability of 99% during one day.

Apart from such portfolio ratios as maximum exposure and portfolio risk determined with VaR ratio, the supervision also includes its profitability. Permitted level of losses on trading activity is monitored with the Loss Triger, Stop Loss and Earnings Constraints limits.

Risk ratios as at 31 October 2014 and in the comparable periods:

Equity instrument risk (PLN'000)	<u>VaR</u>			<u>Stress testing</u>		
	31-10-2014	31-12-2013	31-10-2013	31-10-2014	31-12-2013	31-10-2013
Maintenance period in days						
<i>Average</i>	193	664	591	411	903	811
<i>Maximum</i>	585	2 135	2 135	1 310	3 148	3 148
<i>Minimum</i>	79	53	53	81	80	84
<i>At the period end</i>	405	312	751	978	668	983

DM BZ WBK operates with the VaR operating limit whose maximum value amounts to USD 1.04 million.

There were no VaR limits breaches during the reporting period.

Currency risk

Currency risk is the unfavourable (incurring losses) impact of the changes in the foreign exchange rates on the financial result.

DM BZ WBK manages foreign exchange risk generated by the assets of the Company which are held in foreign currencies, so-called foreign exchange positions. Foreign exchange positions include own cash of DM BZ WBK translated into foreign currencies to support the settlement of the foreign market maker's transactions and of the customers in the foreign markets, Forex market, receivables and liabilities arising out from own transactions and the revenue from brokerage fees in the markets.

Similarly to the equity instruments, market risk of foreign exchange positions is measured using the historical analysis (VaR). VaR is supplemented with stress testing.

Main foreign exchange positions of DM BZ WBK as at 31 October 2014 and in the comparable periods (currency positions in the following tables are translated into PLN, all other assets and liabilities items are in PLN).

31.10.2014	PLN	USD	EUR	GBP	Other	TOTAL
ASSETS						
Cash and cash equivalents	767 984 335	7 709 007	16 619 555	698 372	1 043 714	794 054 983
Receivables from customers	26 505 707	137 898	7 326	11 877	134	26 662 942
Receivables from brokerage houses	73 322 646	4 358 470	71 839	-	-	77 752 955
Other assets	5 574 660	28 487	-	-	-	5 603 147
Selected assets	873 387 348	12 233 862	16 698 720	710 249	1 043 848	904 074 027
LIABILITIES						
Liabilities to clients	750 354 927	11 537 773	16 557 844	656 600	1 041 430	780 148 574
Liabilities to brokerage houses	127 155	6 235	-	10 066	-	143 456
Other liabilities	17 401 578	3 544	13	-	-	17 405 135
Selected liabilities	767 883 660	11 547 552	16 557 857	666 666	1 041 430	797 697 165

31.12.2013	PLN	USD	EUR	GBP	Other	TOTAL
ASSETS						
Cash and cash equivalents	730 167 305	11 629 114	2 613 130	770 607	1 002 150	746 182 306
Receivables from customers	72 075 498	477 216	6 192	79 396	49 072	72 687 374
Receivables from brokerage houses	17 940 554	2 598 897	-	-	-	20 539 451
Other assets	7 046 118	213 701	-	-	-	7 259 819
Selected assets	827 229 475	14 918 928	2 619 322	850 003	1 051 222	846 668 950
LIABILITIES						
Liabilities to clients	737 766 763	12 203 843	2 576 239	753 873	997 449	754 298 167
Liabilities to brokerage houses	2 208 833	15 001	-	-	-	2 223 834
Other liabilities	18 659 609	4 606	-	-	-	18 664 215
Selected liabilities	758 635 205	12 223 450	2 576 239	829 977	1 006 627	775 271 498

31.10.2013	PLN	USD	EUR	GBP	Other	TOTAL
ASSETS						
Cash and cash equivalents	792 116 161	16 029 413	2 399 765	1 196 972	812 701	812 555 012
Receivables from customers	69 664 728	695 026	3 462	346 669	359	70 710 244
Receivables from brokerage houses	30 072 750	2 408 059	133 846	-	-	32 614 655
Other assets	4 157 571	258 227	-	-	-	4 415 798
Selected assets	896 011 210	19 390 725	2 537 073	1 543 641	813 060	920 295 709
LIABILITIES						
Liabilities to clients	851 009 984	16 668 627	2 503 848	1 181 705	765 833	872 129 997
Liabilities to brokerage houses	-	126 106	-	344 424	-	470 530
Other liabilities	21 573 295	11 382	-	-	-	21 584 677
Selected liabilities	872 583 279	16 806 115	2 503 848	1 526 129	765 833	894 185 204

The Management Board of DM BZ WBK sets the maximum VaR value and value limits for foreign exchange positions. The Member of the Management Board overseeing the Accounting Department executes ongoing supervision over the compliance with the above limits.

Risk ratios as at 31 October 2014 and in the comparable periods:

Currency risk (PLN'000)	<u>VaR</u>			<u>Stress testing</u>		
	31-10-2014	31-12-2013	31-10-2013	31-10-2014	31-12-2013	31-10-2013
Maintenance period in days						
<i>Average</i>	6	6	4	7	7	11
<i>Maximum</i>	18	18	9	20	20	26
<i>Minimum</i>	1	1	1	2	2	3
<i>At the period end</i>	9	9	5	11	11	6

DM BZ WBK operates with the VaR operating limit whose maximum value in 2014 amounted to USD 13 thousand. There were VaR limits breaches during the reporting period (31.10.2014 – USD 17.14 thousand).

Credit risk

DM BZ WBK defines credit risk as the risk of a default by the party to an agreement before the final settlement of cash flows related to a concluded transaction and the risk of losses as a result of permanent or temporary liquidity problems of the securities issuers, counterparties and clients.

DM BZ WBK is exposed to credit risk mainly in connection with the agency services in securities trading with the limit of receivables and keeping and investing of own and clients' assets.

DM BZ WBK identified the following credit risk exposures:

- 1) **Issuer's risk:** Dom Maklerski performs trading activity on its own account, among others purchasing shares and other financial instruments issued by joint stock companies for its commercial portfolio. If an issuer's financial standing deteriorates, the market value of financial instruments issued by that company decreases substantially, thus impacting DM's performance on the positions;
- 2) **Counterparty risk – agency in stock exchange transactions:** if financial standing of external clients (i.e. those not holding an account in DM and using the Depository Bank services for settlement purposes) deteriorates, Dom Maklerski is obliged to take over their liabilities arising from concluded transactions, i.e. provide securities (in sell transactions) or funds (in buy transactions);
- 3) **Counterparty risk - parking of shares:** Dom Maklerski subscribes new issues of shares or purchases subscription rights on its own account, on behalf of clients. The purpose of the subscription is to purchase specific instruments and hold them on DM's account for a defined period (usually, until stock quotations commence). The purchased shares are then sold to pre-determined clients. The above activities are not aimed at Dom Maklerski generating speculative profit. If a client's standing deteriorates, Dom Maklerski sells the shares on the market at current price, which may contribute to its financial losses;
- 4) **Counterparty risk – institutions:** DM, holding own funds and those of its clients in external financial institutions (banks, foreign brokers), is exposed to the risk of their bankruptcy. DM prudently assumes that funds held on accounts of domestic or foreign financial institutions are included in the bankruptcy estate if their financial standing deteriorates;
- 5) **Counterparty risk – limit of receivables:** DM allows its clients concluding transactions of purchase of selected securities with a partial advance payment. The remaining funds must be delivered by the clients on the transaction settlement date. DM does not credit its clients, allowing only postponed payment of some funds from the date of order to the date of settlement. If a client fails to supply the funds for proper settlement of a transaction, DM is obliged to provide its own funds to the National Depository of Securities. The service is applicable only to buy orders regarding selected instruments on the domestic spot market;
- 6) **Counterparty risk – margins:** clients' transactions on derivative markets necessitate holding a margin on an account in the National Depository of Securities, which is necessary to hedge daily fluctuations of open positions. Insufficient amount of funds deposited by a client makes the Depository call for supplementing the missing amount. If a client fails to do so, DM is obliged to supplement the required margin balance with the National Depository of Securities;
- 7) **Counterparty risk – invoices issued:** DM issues invoices for provided services to its counterparties. Deteriorating financial standing of an entity which has liabilities towards DM may result in inability to recover the amount due;
- 8) **Concentration risk:** any external party may perform a few roles at the same time: as a client, counterparty, custodian bank, etc. Information regarding DM's total exposure to the risk of an entity's standing deterioration and appropriate risk management are of key importance for security of operations. Deteriorated financial standing of an entity where DM holds a significant exposure in many different areas of operation may result in its incurring substantial financial losses. Further, due to a different methodology regarding margins on clients' futures, DM is additionally exposed to the National Depository of Securities.

The aim of the credit risk management is to limit the risk of discharging an obligation by the counterparties that would threaten the achievement of business or financial goals of the Company.

The credit risk management policy in DM BZ WBK determines the policy of credit risk management and the units in DM BZ WBK responsible for identification, measurement and control over credit risk.

Carrying amounts of the financial assets are equal to the maximum exposure to the credit risk.

Maximum exposure to the credit risk as at the end of the reporting period and the comparable periods:

	31.10.2014	31.12.2013	31.10.2013
Assets			
Cash and cash equivalents	794 054 983	746 182 306	812 555 012
Loans and receivables	128 749 132	174 470 839	177 594 978
Receivables from customers	26 662 942	72 687 374	70 710 244
Receivables from National Depository for Securities	77 752 955	77 774 744	72 780 403
Receivables from brokerage houses	21 647 342	20 539 451	32 614 655
Other assets	2 685 893	3 469 270	1 489 676

Liquidity risk

Liquidity risk reflects the possibility of failing to settle the conditional and unconditional liabilities to clients and counterparties.

Liquidity risk reflects the possibility of incurring considerable losses as a result of deterioration of financing conditions (financial risk) and/or sale of assets below their market value (market liquidity risk) in order to satisfy the needs for funds which arise from the obligations of DM BZ WBK.

The Management Board of DM BZ WBK is responsible for the direct management of the Company's liquidity in accordance with the liquidity management and fund outflow policy.

The general principle accepted by DM BZ WBK in the process of liquidity management states that all expected outflows that are about to occur within 1 month connected with the deposits, current accounts, transactions to settle must have full coverage by the expected inflows or liquid assets (mainly securities in the trading portfolio of the market maker) which may be sold.

With regards to long-term liquidity DM BZ WBK introduced a limit identical with the supervisory limit which requires maintenance of the loans taken out at a level not higher than the fourfold level of the supervised capitals.

The tables presented below show the gap based on maturity and due dates as at 31 October 2014 and in the comparable periods.

During the reporting period the level of customers' cash held by DM BZ WBK increased.

31.10.2014	Up to 1 month	1–3 months	3–12 months	1–3 years	3–5 years	Over 5 years	Undetermined	Total
Cash and cash equivalents	794 054 983	-	-	-	-	-	-	794 054 983
Financial assets	-	-	-	-	-	-	44 674 408	44 674 408
Receivables from customers	26 662 942	-	-	-	-	-	-	26 662 942
Receivables from the National Depository for Securities	53 252 955	-	-	-	-	-	24 500 000	77 752 955
Receivables from brokerage houses	21 647 342	-	-	-	-	-	-	21 647 342
Other assets	5 603 147	2 313 792	-	-	-	-	7 128 378	15 045 317
Long position	901 221 369	2 313 792	-	-	-	-	76 302 786	979 837 947
Liabilities to customers	780 148 574	-	-	-	-	-	-	780 148 574
Liabilities to the National Depository for Securities	-	-	-	-	-	-	-	-
Liabilities to brokerage houses	143 456	-	-	-	-	-	-	143 456
Finance lease liabilities	114 080	45 387	256 314	689 409	-	-	-	1 105 190
Other liabilities	8 218 155	698 481	5 318 782	-	-	-	184 205 309	198 440 727
Short position	788 624 265	743 868	5 575 096	689 409	-	-	184 205 309	979 837 947
Gap – balance sheet	112 597 104	1 569 924	(5 575 096)	(689 409)	-	-	(107 902 523)	

Values indicate that there are not liquidity gaps as regards non-adjustment of the maturities of assets and liabilities in the groups up to 1 month, 1M-3M and 3M-6M. The Management Board accepts the risk of maturities non-adjustment resulting from the deposits opened on the customers' cash with the maturity of 3 months and 6 months. In the opinion of the Management Board the risk of losing liquidity caused by the non-adjustment is insignificant and acceptable because the cash is accessible in Bank Zachodni WBK. Potential loss is limited to the amount of accrued interest on the deposits

31.12.2013	Up to 1 month	1–3 months	3–12 months	1–3 years	3–5 years	Over 5 years	Undetermined	Total
Cash and cash equivalents	746 182 306	-	-	-	-	-	-	746 182 306
Financial assets	-	-	-	-	-	-	34 528 396	34 528 396
Receivables from customers	72 687 374	-	-	-	-	-	-	72 687 374
Receivables from the National Depository for Securities	53 274 744	-	-	-	-	-	24 500 000	77 774 744
Receivables from brokerage houses	20 539 451	-	-	-	-	-	-	20 539 451
Other assets	5 707 759	-	3 615 798	-	-	-	10 298 397	19 621 954
Long position	898 391 634	-	3 615 798	-	-	-	69 243 212	971 334 225
Liabilities to customers	754 298 167	-	-	-	-	-	-	754 298 167
Liabilities to the National Depository for Securities	-	-	-	-	-	-	-	-
Liabilities to brokerage houses	2 309 116	-	-	-	-	-	-	2 309 116
Finance lease liabilities	44 295	78 303	408 078	815 878	81 629	-	-	1 428 183
Other liabilities	4 622 664	14 393 754	-	-	-	-	194 282 341	213 298 759
Short position	761 274 242	14 472 057	408 078	815 878	-	-	194 282 341	971 334 225
Gap – balance sheet	137 117 392	(14 472 057)	3 207 720	(815 878)	(81 629)	-	(124 955 548)	

31.10.2013	Up to 1 month	1–3 months	3–12 months	1–3 years	3–5 years	Over 5 years	Undetermined	Total
Cash and cash equivalents	812 555 012	-	-	-	-	-	-	812 555 012
Financial assets	-	-	-	-	-	-	81 008 390	81 008 390
Receivables from customers	70 710 244	-	-	-	-	-	-	70 710 244
Receivables from the National Depository for Securities	48 280 403	-	-	-	-	-	24 500 000	72 780 403
Receivables from brokerage houses	32 614 655	-	-	-	-	-	-	32 614 655
Other assets	4 415 798	2 389 466	-	-	-	-	9 632 913	16 438 177
Long position	968 576 112	2 389 466	-	-	-	-	115 141 303	1 086 106 881
Liabilities to customers	872 129 997	-	-	-	-	-	-	872 129 997
Liabilities to the National Depository for Securities	-	-	-	-	-	-	-	-
Liabilities to brokerage houses	470 530	-	-	-	-	-	-	470 530
Finance lease liabilities	35 506	78 915	338 321	1 046 674	-	-	-	1 499 416
Other liabilities	12 158 789	689 421	5 259 032	-	-	-	193 899 696	212 006 938
Short position	884 794 822	768 336	5 597 353	1 046 674	-	-	193 899 696	1 086 106 881
Gap – balance sheet	83 781 290	1 621 130	(5 597 353)	(1 046 674)	-	-	(78 758 393)	

The Management Board of DM BZ WBK conducts periodic reviews of the Liquidity Policy paying particular attention to the sources of financing the business.

A Member of the Management Board of the Company monitors its liquidity for a middle and long period.

The Accounting Department Director monitors short-term liquidity.

Capital management

In accordance with the current Polish regulations, investment companies are obliged to keep the capital at the level adequate to the kind and scope of its activities and the related risk.

DM BZ WBK is obliged to calculate the capital requirements and capital adequacy in accordance with the regulations that implement the CRD Directive into the Polish law.

The New Basel Capital Accord, Basel II specifies the method of measurement of the minimum capital requirements (pillar 1) and defines the general rules for the assessment of the internal capital (pillar 2) which is the basis for the internal models used to current risk management. The estimated internal capital is therefore more exposed to risk the institution holds and should be subject to a careful and detailed verification of its correctness. The process of estimating internal capital is an integral part of the management process of DM BZ WBK.

The capital management policy covers the following areas:

- keeping and managing the capital in order to meet the regulatory requirements;
- keeping the capital on the level that allows to cover all identified significant risks;
- capital allocation to the segments and types of risk in order to generate targeted returns on capital;
- optimal use of the capital in order to ensure adequate return on equity for the shareholder;
- generating enough capital to support further development of the Company.

The management Board of DM BZ WBK is responsible for all processes of capital management, its estimation and keeping, including processes related to its adequacy in various economic conditions, including stress testing and their impact on internal capital.

The Supervisory Board exercises general supervision over the estimation of internal capital.

Regulatory capital

DM BZ WBK uses the methodology of risk measurement that applies appropriate rules and parameters aiming at calculation of required capital level in order to cover the risks. With regard to the following risks, DM BZ WBK used the following methodology during the reporting period:

- credit risk – standard method;
- operational risk – basic indicator approach;
- market risk – basic measurement method.

The determined capital requirement for the given risks is summed up in order to calculate total minimal capital requirement (Pillar 1).

Total capital requirement and supervised capital as at 31 October 2014 and in the comparable period:

	31.10.2014	31.10.213
OWN FUNDS	156 323 274	153 959 796
I. TIER 1 capital	156 323 274	153 959 796
1. Common Equity Tier 1 Capital	156 323 274	153 959 796
1.1. Common Equity Tier 1 Capital	160 748 942	160 337 516
1.1.1. Capital instruments eligible as CET1 Capital	44 973 500	44 973 500
1.1.4. Accumulated other comprehensive income	1 107 675	697 609
1.1.5. Other reserves	114 667 767	114 667 407
1.2. Reduction in common equity Tier 1 Capital	4 425 668	6 377 720
1.2.4. Intangible assets	4 425 668	6 377 720
2. Additional Tier 1 Capital	-	-
II. TIER 2 Capital	-	-
Total risk exposure	537 029 948	538 387 591
The risk weighted exposure	213 268 027	223 680 154
The own funds requirements	323 761 921	314 707 437
1. Position risk	4 703 239	6 747 914
1.1. Specific and general risk of equity instruments	4 011 382	6 307 990
1.1.1. Specific price risk of equity instruments	3 781 690	6 264 304
1.1.2. General price risk of equity instruments	229 692	43 686
1.2. Specific and general risk of debt instruments	5 861	33 732
1.2.1. Sepcific price risk of debt instruments	5 720	31 234
1.2.2. General price risk of debt instruments	141	2 498
1.3. Price risk of participation units in CIU-s	685 996	406 192
1.4. Price risk of commodities	-	-
1.5. Foreign-exchange risk	-	-
2. Settlement risk/delivery risk	-	-
3. Operational risk	21 197 715	23 520 409
4. Position risk and large exposures exceeding the limits (trading book)	-	-
5. Credit valuation adjustments (CVA)	-	-
6. The risk weighted exposures for credit risk and dilution risk	213 212 302	251 675 472
7. The risk weighted exposures for counterparty credit risk (trading book)	55 725	-

Average monthly levels of supervisory capital and total capital requirements in the reporting period

31.10.2014	January	February	March	April	Mai	June
OWN FUNDS	154 390 114	154 545 657	154 795 622	155 057 819	155 288 496	155 533 007
I. TIER 1 Capital	154 390 114	154 545 657	154 795 622	155 057 819	155 288 496	155 533 007
1. Common Equity Tier 1 Capital	154 390 114	154 545 657	154 795 622	155 057 819	155 288 496	155 533 007
1.1. Common Equity Tier 1 Capital	160 703 194	160 665 637	160 660 345	160 667 068	160 642 823	160 630 697
1.1.1. Capital instruments eligible as CET1 Capital	44 973 500	44 973 500	44 973 500	44 973 500	44 973 500	44 973 500
1.1.4. Accumulated other comprehensive income	1 063 287	1 025 730	1 020 438	1 026 513	1 001 556	989 430
1.1.5. Other reserves	114 666 407	114 666 407	114 666 407	114 667 054	114 667 767	114 667 767
1.2. Reduction in common equity Tier 1 Capital	6 313 081	6 119 980	5 864 723	5 609 249	5 354 327	5 097 691
1.2.4. Intangible assets	6 313 081	6 119 980	5 864 723	5 609 249	5 354 327	5 097 691
2. Additional Tier 1 capital	-	-	-	-	-	-
II. TIER 2 Capital	-	-	-	-	-	-
Total risk exposure	536 635 188	530 423 028	556 943 966	550 905 559	578 127 441	718 350 848
The risk weighted exposure	239 331 745	249 565 987	272 739 349	264 492 574	280 351 412	405 875 293
The own funds requirements	297 303 443	280 857 041	284 204 616	286 412 985	297 776 029	312 475 555
1. Position risk	2 586 560	1 270 848	1 538 654	1 715 324	2 624 367	3 800 329
1.1. Specific and general risk of equity instruments	2 101 012	782 718	1 026 983	1 109 049	2 054 993	3 209 728
1.1.1. Specific price risk of equity instruments	2 024 386	700 457	914 303	893 028	1 871 452	3 063 231
1.1.2. General price risk of equity instruments	76 626	82 261	112 680	216 020	183 541	146 497
1.2. Specific and general risk of debt instruments	39 723	39 368	40 176	37 146	38 521	38 846
1.2.1. Specific price risk of debt instruments	37 408	37 131	38 329	35 722	37 259	37 847
1.2.2. General price risk of debt instruments	2 314	2 237	1 847	1 424	1 262	999
1.3. Price risk of participation units in CIU-s	445 826	448 762	471 495	569 129	530 853	551 755
1.4. Price risk of commodities	-	-	-	-	-	-
1.5. Foreign-exchange risk	-	-	-	-	-	-
2. Settlement risk/delivery risk	-	-	-	-	-	-
3. Operational risk	21 197 715	21 197 715	21 197 715	21 197 715	21 197 715	21 197 715
4. Position risk and large exposures exceeding the limits (trading book)	-	-	-	-	-	-
5. Credit valuation adjustments (CVA)	-	-	-	-	-	-
6. The risk weighted exposures for credit risk and dilution risks	239 302 482	249 556 675	272 727 150	264 482 419	280 325 854	405 829 439
7. The risk weighted exposures for counterparty credit risk (trading book)	29 263	9 312	12 200	10 155	25 558	45 855

Average monthly levels of supervisory capital and total capital requirements in the reporting period

	31.10.2014	July	August	September	October
OWN FUNDS	155 816 259	156 013 197	156 285 127	156 285 127	155 111 647
I. TIER 1 capital	155 816 259	156 013 197	156 285 127	156 285 127	155 111 647
1. Common Equity Tier 1 Capital	155 816 259	156 013 197	156 285 127	156 285 127	155 111 647
1.1. Common Equity Tier 1 Capital	160 660 492	160 609 347	160 641 555	160 641 555	160 647 903
1.1.1. Capital instruments eligible as CET1 Capital	44 973 500	44 973 500	44 973 500	44 973 500	44 973 500
1.1.4. Accumulated other comprehensive income	1 019 225	968 080	1 000 288	1 000 288	1 006 636
1.1.5. Other reserves	114 667 767	114 667 767	114 667 767	114 667 767	114 667 767
1.2. Reduction in common equity Tier 1 Capital	4 844 233	4 596 150	4 356 428	4 356 428	5 536 256
1.2.4. Intangible assets	4 844 233	4 596 150	4 356 428	4 356 428	5 536 256
2. Additional Tier 1 Capital	-	-	-	-	-
II. TIER 2 Capital	-	-	-	-	-
Total risk exposure	528 857 407	567 372 213	554 631 830	554 631 830	568 611 969
The risk weighted exposure	234 957 855	279 876 365	264 769 601	264 769 601	271 944 661
The own funds requirements	293 899 553	287 495 848	289 862 229	289 862 229	296 667 308
1. Position risk	2 314 249	1 801 953	1 991 263	1 991 263	2 535 669
1.1. Specific and general risk of equity instruments	1 572 858	948 177	1 180 004	1 180 004	2 005 838
1.1.1. Specific price risk of equity instruments	1 400 397	786 844	896 190	896 190	1 777 449
1.1.2. General price risk of equity instruments	172 461	161 333	283 814	283 814	228 388
1.2. Specific and general risk of debt instruments	33 683	76 358	26 675	26 675	15 952
1.2.1. Sepcific price risk of debt instruments	32 834	73 514	26 122	26 122	15 499
1.2.2. General price risk of debt instruments	849	2 844	554	554	453
1.3. Price risk of participation units in CIU-s	707 708	777 418	784 583	784 583	513 880
1.4. Price risk of commodities	-	-	-	-	-
1.5. Foreign-exchange risk	-	-	-	-	-
2. Settlement risk/delivery risk	-	-	-	-	-
3. Operational risk	21 197 715	21 197 715	21 197 715	21 197 715	21 197 715
4. Position risk and large exposures exceeding the limits (trading book)	-	-	-	-	-
5. Credit valuation adjustments (CVA)	-	-	-	-	-
6. The risk weighted exposures for credit risk and dilution risk	234 942 542	279 867 449	264 760 398	264 760 398	271 920 998
7. The risk weighted exposures for counterparty credit risk (trading book)	15 313	8 916	9 203	9 203	23 663

Internal capital

The key aim of Pillar 2 of New Basel Capital Accord, Basel II is conducting the internal capital adequacy assessment process (ICAAP). During ICAAP, DM BZ WBK estimates (determines), allocates and maintains adequate level of internal capital, ensuring the safety of the company's operations taking into consideration the risk profile of DM BZ WBK that results from the approved declaration on the acceptable risk level.

The main goal of ICAAP is to connect the risk profile, risk management and the amount of internal capital.

The process of estimating the internal capital is in compliance with the type, scope and complexity of the operations of DM BZ WBK.

Estimating the total amount of internal capital, DM defines and considers relationship among different risks and their correlation, if they can be reliably determined.

At present, the methodology is very prudent, since it assumes no correlation among risks.

9. Revenue from brokerage activities

Revenue from brokerage activities	01.01-31.10.2014	01.01-31.10.2013
From operations on securities on own behalf, but on account of the principal, including:		
• <i>transactions on shares</i>	43 774 867	60 450 382
• <i>transactions on bonds</i>	37 773 606	51 431 848
• <i>transactions on futures</i>	191 152	725 688
• <i>other</i>	5 377 464	7 793 911
From securities offering	432 645	498 935
Other	2 794 877	559 351
	4 317 241	4 300 003
Total	50 886 985	65 309 736

Other revenue from brokerage activities including mainly revenue from corporate client services (in 2014: 2 616 908 PLN and in 2013: 2 548 267 PLN) and commissions from forex transactions (in 2014: 1 700 333 PLN and in 2013: 1 751 736 PLN).

10. Other revenue

Other revenue	01.01-31.10.2014	01.01-31.10.2013
From keeping customers' securities accounts and cash accounts	6 835 498	6 536 951
From agency services in purchasing and selling investment funds participation units	13 440 162	15 597 929
Fees for acting as the market maker	2 347 521	2 366 802
From the stock exchanges quotations distribution	467 205	544 638
Fees for keeping the registers of the shareholders	305 306	364 712
Reversal of unapplied impairment losses and provisions	-	102 415
Other	1 859 755	1 771 889
Total	25 255 447	27 285 336

11. Personnel expenses

Personnel expenses	01.01-31.10.2014	01.01-31.10.2013
Salaries and wages	(30 013 244)	(31 029 817)
Payroll charges	(4 407 028)	(4 439 240)
Costs of training	(41 553)	(36 814)
Costs of social benefits	(239 106)	(251 604)
Provisions for retirement benefits and unused annual leave	-	1 037 604
Other	(6 047)	(192 636)
Total	(34 906 978)	(34 912 507)

The number of FTE at DM BZ WBK as at 31 October 2013 was 243 and as at 31 October 2013 - 267.

12. Costs of activities

Costs of activities	01.01-31.10.2014	01.01-31.10.2013
Rent and premises maintenance	(4 288 219)	(4 313 742)
IT systems maintenance	(4 209 410)	(4 870 884)
Marketing and representation	(526 040)	(1 071 342)
Postal and telecommunication charges	(614 935)	(578 741)
Advisory and legal services fees	(2 324 637)	(2 968 077)
Data transmission	(1 554 064)	(1 568 399)
Cars and transportation services	(687 486)	(708 159)
Stationery and forms	(188 577)	(189 339)
Other intangible services	(621 029)	(710 835)
Taxes and charges	(219 753)	(343 600)
Costs of other external services	(575 612)	(506 929)
Business trips	(380 850)	(352 501)
Provisions for legal claims and other assets	(200 671)	(107 664)
Other operating expenses	(643 249)	(258 398)
Total	(17 034 532)	(18 548 609)

13. Financial revenue

Financial revenue	01.01-31.10.2014	01.01-31.10.2013
Financial revenue from financial instruments measured at fair value through profit or loss – held for trading	627 651	1 583 063
Dividend income	816 749	1 676 176
Interest on deposits, including:	22 563 270	21 077 842
– on customers' cash	20 012 320	19 011 970
- on own cash	2 550 950	2 065 872
Foreign exchange difference	656 360	18 685
Other	1 613 243	2 410 768
Total	26 277 273	26 766 534

14. Financial revenue from financial instruments measured at fair value through profit or loss

	01.01-31.10.2014	01.01-31.10.2013
Interest income	6 425	4 197
Realized gains	163 195	1 399 222
Revaluation	458 031	179 644
Total	627 651	1 583 063

15. Financial expenses

Financial expenses	01.01-31.10.2014	01.01-31.10.2013
Interest on cash on customers' accounts	(4 531 088)	(4 494 761)
Costs of overdraft facility	(235 642)	(557 763)
Bank fees and commissions	(385 649)	(351 600)
Other	(56 732)	(80 408)
Total	(5 209 111)	(5 484 532)

16. Tax expense

Tax expense	01.01.2014	01.01.2013
	31.10.2014	31.10.2013
Current portion	(4 524 380)	(7 972 843)
Deferred portion	(343 472)	669 711
Total	(4 867 852)	(7 303 132)

Reconciliation of profit/loss charge before tax	01.01.2014	01.01.2013
	31.10.2014	31.10.2013
Profit before tax	24 692 638	37 739 986
Tax rate	19%	19%
Tax expense on profit before tax	(4 691 601)	(7 170 597)
Non-deductible expenses	(177 812)	(146 064)
Non-taxable revenue	1 561	13 529
Total gross profit charge	(4 867 852)	(7 303 132)

Deferred tax charged directly to equity	01.01.2014	01.01.2013
	31.10.2014	31.10.2013
Related to available-for-sale equity instruments	(9 975)	(22 863)
Related to remeasurement of defined benefit plan obligations	-	197 145
	(9 975)	174 282

17. Cash and cash equivalents

Cash and cash equivalents	31.10.2014	31.10.2013	31.10.2013
Bank deposit	4 921 726	5 803 713	13 963 710
Interest on deposits	58 008	65 793	70 697
Current accounts	789 075 249	740 312 800	798 520 605
Total	794 054 983	746 182 306	812 555 012
Including:			
Customers' cash	720 630 111	641 919 862	766 474 618
Subscription of shares and bonds	1 195 515	1 058 850	2 283 937

Customers' cash and the payments to subscribe shares and bonds is restricted cash.

18. Cash and cash equivalents (by currency)

Cash and cash equivalents	31.10.2014	31.12.2013	31.10.2013
In PLN	767 984 335	730 167 305	792 116 161
In foreign currencies translated to PLN	26 070 648	16 015 001	20 438 851
• EUR	16 619 555	2 613 130	2 399 765
• USD	7 709 007	11 629 114	16 029 413
• CHF	1 043 714	958 899	768 848
• GBP	698 372	770 607	1 196 972
• Other	-	43 251	43 853
Total	794 054 983	746 182 306	812 555 012

19. Financial assets

Financial assets	31.10.2014	31.12.2013	31.10.2013
Financial instruments measured at fair value through profit or loss - held for trading	43 750 408	33 656 896	80 071 790
Financial instruments available for sale	924 000	871 500	936 600
Total	44 674 408	34 528 396	81 008 390

20. Financial instruments at fair value through profit or loss

Financial instruments measured at fair value through profit or loss	31.10.2014	31.12.2013	31.10.2013
Equity securities, including:	43 750 408	33 573 315	79 963 570
• quoted	42 109 450	33 503 315	79 963 570
Forward	-	89 581	108 220
Total	43 750 408	33 656 896	80 071 790

21. Financial instruments – available for sale

Available-for-sale financial instruments are the shares of Giełda Papierów Wartościowych w Warszawie S.A. acquired by DM BZ WBK with connection to its brokerage activity.

In accordance with IAS 39, DM BZ WBK measures the A series shares of Giełda Papierów Wartościowych w Warszawie S.A. at fair value determined on the basis of market quotation of B series shares quoted on the Warsaw Stock Exchange.

Financial instruments available for sale	Warsaw Stock Exchange
Registered office	Warsaw, ul. Książęca 4
Scope of business	Stock exchange trading in securities and other financial instruments
Cost of shares	75 354
Carrying amount of shares	924 000
Percentage of capital held	0.050%
Number of ordinary registered A shares	21 000
Share in the total number of votes on the general meeting	0.050%

Changes in financial instruments available for sale during the reporting period ended 31 October 2014 and in the comparable periods.

Change in financial instruments available for sale	
Balance as at 1 January 2014	871 500
Fair value measurement	52 500
Balance as at 31 October 2014	924 000

Change in financial instruments available for sale	
Balance as at 1 January 2013	816 270
Fair value measurement	55 230
Balance as at 31 December 2013	871 500

Change in financial instruments available for sale	
Balance as at 1 January 2013	816 270
Fair value measurement	120 330
Balance as at 31 October 2013	936 600

22. Fair value

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

The fair value of securities is determined on their market quotations as at the balance sheet date, excluding the transaction costs. And, therefore, in the case of:

- **Shares in the portfolio of DM BZ WBK** — their value is determined on the basis of the prices of instruments quoted on Stock Exchange or other active market,
- **Derivatives in the portfolio of DM BZ WBK** — their value is determined on the basis of prices of instruments quoted on Stock Exchange.

DM BZ WBK owns financial instruments which, according to the adopted IFRS are not measured at fair value. Such instruments include loans and receivables and financial liabilities.

According to IFRS, DM BZ WBK should disclose the estimated fair value of those instruments. The fair value of financial instruments is best reflected by their market value. The fair value of instruments for which the market value is not available must be estimated with internal models based on financial flows discounting.

- **Cash and cash equivalents**
The item comprises mostly cash at bank. DM BZ WBK recognized the fair value of this item comparable to its carrying amount.
- **Receivables**
Receivables include mostly receivables from clients who have investment accounts resulting from executed but not settled purchase transactions, receivables from deferred payment transactions, receivables from clients for which the brokerage house does not keep investment accounts resulting from executed but not settled transactions and receivables from other brokerage houses resulting from executed but not settled transactions with the settlement date of up to 3 days. DM BZ WBK recognized the fair value of these items comparable to their carrying amount.
- **Liabilities to customers**
Liabilities to clients do not have any specified maturity dates or have maturity of up to 3 days. DM BZ WBK recognized the fair value of this item comparable to its carrying amount.
- **Liabilities to brokerage houses**
Liabilities to other brokerage houses are liabilities for executed but not settled transactions. Their maturity is up to 3 days. Due to the short maturity, DM BZ WBK recognized the fair value of this item as comparable to its carrying amount.

Comparison of carrying amounts and fair values of individual groups of assets and liabilities, with the assumption that the fair value for short-term financial assets and short-term financial liabilities is equal to their carrying amount.

	31.10.2014		31.12.2013		31.10.2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash and cash equivalents	794 054 983	794 054 983	746 182 306	746 182 306	812 555 012	812 555 012
Financial instruments measured at fair value through profit or loss – held for trading	43 750 408	43 750 408	33 656 896	33 656 896	80 071 790	80 071 790
Financial assets	43 750 408	43 750 408	33 656 896	33 656 896	80 071 790	80 071 790
Financial instruments - available for sale	924 000	924 000	871 500	871 500	936 600	936 600
Financial assets	924 000	924 000	871 500	871 500	936 600	936 600
Loans and receivables	126 063 239	126 063 239	171 001 569	171 001 569	176 105 302	176 105 302
Receivables from customers	26 662 942	26 662 942	77 687 374	77 687 374	70 710 244	70 710 244
Receivables from National Depository for Securities	77 752 955	77 752 955	77 774 744	77 774 744	72 780 403	72 780 403
Receivables from brokerage houses	21 647 342	21 647 342	20 539 451	20 539 451	32 614 655	32 614 655
Other assets	2 685 893	2 685 893	3 469 270	3 469 270	1 489 676	1 489 676

	31.10.2014		30.12.2013		30.10.2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities						
Financial liabilities	781 397 220	781 397 220	758 035 466	758 035 466	874 099 943	874 099 943
Liabilities to customers	780 148 574	780 148 574	754 298 167	754 298 167	872 129 997	872 129 997
Liabilities to brokerage houses	143 456	143 456	2 309 116	2 309 116	470 530	470 530
Finance lease liabilities	1 105 190	1 105 190	1 428 183	1 428 183	1 499 416	1 499 416
Other liabilities	219 424	219 424	1 545 072	1 545 072	829 261	829 261

Hierarchy of financial instruments at fair value

DM BZ WBK classifies the financial instruments in accordance with three main fair-value hierarchy levels on the basis of data used for their measurement.

Fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – quotations from active markets, but other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (comparable with actual transactions) or indirectly (measurement techniques based on factual transactions), e.g. derivatives.

Level 3 – prices other than from active markets.

Analysis of financial instruments measured at fair value depending on the measurement methodology.

	31.10.2014			Total
	Level 1	Level 2	Level 3	
Financial assets held for trading	43 750 408	-	-	43 750 408
Financial assets available for sale	924 000	-	-	924 000

	31.12.2013			Total
	Level 1	Level 2	Level 3	
Financial assets held for trading	33 656 896	-	-	33 656 896
Financial assets available for sale	871 500	-	-	871 500

	31.10.2013			Total
	Level 1	Level 2	Level 3	
Financial assets held for trading	80 071 790	-	-	80 071 790
Financial assets available for sale	936 600	-	-	936 600

During the period ended 31 October 2014 as well as during the prior periods there were no transfers between the levels.

23. Receivables from customers

Receivables from customers	31.10.2014	31.12.2013	31.10.2013
Receivables from customers resulting from executed but not settled transactions	17 604 449	67 986 070	68 233 619
Receivables from customers - transactions with deferred payment	293 762	310 457	617 715
Other receivables from customers	8 979 035	4 619 561	2 087 628
Gross receivables	26 877 246	72 916 088	70 938 962
Impairment loss on receivables from customers	(214 304)	(228 714)	(228 718)
Total	26 662 942	72 687 374	70 710 244

Change in the balance of impairment losses on receivables from customers	31.10.2014	31.12.2013	31.10.2013
Balance as at 31 December (prior year)	(228 714)	(279 638)	(279 638)
Increases/decreases	14 410	50 924	50 920
Closing balance	(214 304)	(228 714)	(228 718)

24. Receivables from the National Depository for Securities

Receivables from National Depository for Securities	31.10.2014	31.12.2013	31.10.2013
Receivables from settlement fund	14 449 064	15 236 539	14 793 952
Receivables from margin deposit	63 303 891	62 538 205	57 986 451
Total	77 752 955	77 774 744	72 780 403
Long-term portion	24 500 000	24 500 000	24 500 000
Short-term portion	53 252 955	53 274 744	48 280 403
	77 752 955	77 774 744	72 780 403

25. Receivables from brokerage houses

Receivables from brokerage houses	31.10.2014	31.12.2013	31.10.2013
Receivables arising from transactions included in the settlement guarantee system	17 217 033	17 910 501	29 709 180
Receivables arising from transactions concluded on foreign markets	4 430 309	2 628 950	2 905 475
Total	21 647 342	20 539 451	32 614 655

26. Intangible assets

Intangible assets	Licences, patents, and similar values	Other	Expenditure	Total
2014				
Cost at the beginning of the period	17 231 689	966 307	367 770	18 565 766
Increases due to:				
- purchase	-	-	739 412	739 412
- reclassification from expenditure	28 884	-	-	28 884
Decreases due to:				
- liquidation	(1 928 877)	-	-	(1 928 877)
- reclassification from expenditure	-	-	(28 864)	(28 884)
Cost at the end of the period	15 331 696	966 307	1 078 298	17 376 301
Accumulated amortization at the beginning of the period	(11 716 344)	(650 865)	-	(12 367 209)
Increases/decreases due to:				
- current amortization	(2 249 511)	(262 790)	-	(2 512 301)
- liquidation	1 928 877	-	-	1 928 877
Accumulated amortization at the end of the period	(12 036 978)	(913 655)	-	(12 950 633)
Cost	15 331 696	966 307	1 078 298	17 376 301
Amortization	(12 036 978)	(913 655)	-	(12 950 633)
Balance as at 31 October 2014	3 294 718	52 652	1 078 298	4 425 668

Intangible assets	Licences, patents, and similar values	Other	Expenditure	Total
2013				
Cost at the beginning of the period	14 628 108	961 087	2 577 157	18 166 352
Increases due to:				
- purchase	-	-	399 414	399 414
- reclassification from expenditure	2 603 581	5 220	-	2 608 801
Decreases due to:				
- reclassification from expenditure	-	-	(2 608 801)	(2 608 801)
Cost at the end of the period	17 231 689	966 307	367 770	18 565 766
Accumulated amortization at the beginning of the period	(9 055 227)	(330 297)	-	(9 385 524)
Increases/decreases due to:				
- current amortization	(2 661 117)	(320 568)	-	(2 981 685)
Accumulated amortization at the end of the period	(11 716 344)	(650 865)	-	(12 367 209)
Cost	17 231 689	966 307	367 770	18 565 766
Amortization	(11 716 344)	(650 865)	-	(12 367 209)
Balance as at 31 December 2013	5 515 345	315 442	367 770	6 198 557

Intangible assets	Licences, patents, and similar values	Other	Expenditure	Total
2013				
Cost at the beginning of the period	14 628 108	961 087	2 577 157	18 166 352
Increases due to:				
- purchase	-	-	31 644	31 644
- reclassification from expenditure	2 591 898	5 220	-	2 597 118
Decreases due to:				
- reclassification from expenditure	-	-	(2 597 118)	(2 597 118)
Cost at the end of the period	17 220 006	966 307	11 683	18 197 996
Accumulated amortization at the beginning of the period	(9 055 227)	(330 297)	-	(9 385 524)
Increases/decreases due to:				
- current amortization	(2 166 742)	(268 010)	-	(2 434 752)
Accumulated amortization at the end of the period	(11 221 969)	(598 307)	-	(11 820 276)
Cost	17 220 006	966 307	11 683	18 197 996
Amortization	(11 221 969)	(598 307)	-	(11 820 276)
Balance as at 31 October 2013	5 998 037	368 000	11 683	6 377 720

27. Property, plant and equipment

Property, plant and equipment	Land and buildings	Vehicles	Equipment	Other property, plant and equipment	Fixed assets under construction	Total
2014						
Cost at the beginning of the period	1 141 234	2 415 977	12 926 136	2 467 133	459 121	19 409 661
Increases due to:						
- purchase	-	-	-	-	552 831	552 831
- lease	-	191 125	-	-	-	191 125
- reclassification from fixed assets under construction	-	-	560 764	6 950	-	567 714
Decreases, due to:						
- sales, liquidation, donation	(73 798)	(583 444)	(1 319 246)	(85 302)	-	(2 061 790)
- reclassification from fixed assets under construction	-	-	-	-	(567 713)	(567 714)
Cost at the end of the period	1 067 436	2 023 658	12 167 654	2 388 841	167 280	17 814 869
Depreciation at the beginning of the period	(713 798)	(1 110 194)	(11 720 184)	(2 369 146)	-	(15 913 322)
Increases/decreases due to:						
- current depreciation	(85 378)	(368 948)	(615 796)	(33 787)	-	(1 103 909)
- sales, liquidation, donation	64 831	435 693	1 319 246	85 302	-	1 905 072
Depreciation at the end of the period	(734 345)	(1 043 449)	(11 016 734)	(2 317 631)		(15 112 159)
Cost	1 067 436	2 023 658	12 167 654	2 388 841	167 280	17 814 869
Depreciation	(734 345)	(1 043 449)	(11 016 734)	(2 317 631)		(15 112 159)
Balance as at 31 October 2014	333 091	980 209	1 150 920	71 210	167 280	2 702 710

Property, plant and equipment	Land and buildings	Vehicles	Equipment	Other property, plant and equipment	Fixed assets under construction	Total
2013						
Cost at the beginning of the period	1 150 864	2 600 581	12 859 445	2 519 911	126 940	19 257 741
Increases due to:						
- purchase	-	-	-	-	552 831	552 831
- lease	-	176 750	-	-	-	176 750
- reclassification from fixed assets under construction	-	-	192 633	28 017	-	220 650
Decreases, due to:						
- sales, liquidation, donation	(9 630)	(361 355)	(125 942)	(80 735)	-	(577 662)
- reclassification from fixed assets under construction	-	-	-	-	(220 650)	(220 650)
Cost at the end of the period	1 141 234	2 415 977	12 926 136	2 467 193	459 121	19 409 661
Depreciation at the beginning of the period	(617 088)	(991 802)	(11 070 900)	(2 356 266)	-	(15 036 056)
Increases/decreases due to:						
- current depreciation	(103 256)	(476 318)	(760 338)	(93 615)	-	(1 433 527)
- sales, liquidation, donation	6 546	357 926	111 054	80 735	-	556 261
Depreciation at the end of the period	(713 798)	(1 110 194)	(11 720 184)	(2 369 146)		(15 913 322)
Cost	1 141 234	2 415 977	12 926 136	2 467 193	459 121	19 409 661
Depreciation	(713 798)	(1 110 194)	(11 720 184)	(2 369 146)		(15 913 322)
Balance as at 31 December 2013	427 436	1 305 783	1 205 952	98 047	459 121	3 496 339

Property, plant and equipment	Land and buildings	Vehicles	Equipment	Other property, plant and equipment	Fixed assets under construction	Total
2013						
Cost at the beginning of the period	1 150 864	2 600 581	12 859 445	2 519 911	126 940	19 257 741
Increases due to:						
- purchase	-	-	-	-	85 39	85 239
- lease	-	176 750	-	-	-	176 750
- reclassification from fixed assets under construction	-	-	180 762	28 017	-	208 779
Decreases, due to:						
- sales, liquidation, donation	(9 630)	(361 355)	(125 942)	(73 072)	-	(569 996)
- reclassification from fixed assets under construction	-	-	-	-	(208 779)	(208 779)
Cost at the end of the period	1 141 234	2 415 977	12 914 268	2 474 856	3 400	18 969 734
Depreciation at the beginning of the period	(617 088)	(991 802)	(11 070 900)	(2 356 266)	-	(15 036 056)
Increases/decreases due to:						
- current depreciation	(86 180)	(395 785)	(539 858)	(85 257)	-	(1 207 080)
- sales, liquidation, donation	6 546	357 926	111 054	73 072	-	548 595
Depreciation at the end of the period	(696 722)	(1 029 661)	(11 599 707)	(2 368 451)		(15 694 541)
Cost	1 141 234	2 415 977	12 926 136	2 467 193	3 400	18 949 734
Depreciation	(696 722)	(1 029 661)	(11 599 707)	(2 368 451)		(15 694 541)
Balance as at 31 October 2013	444 512	1 386 315	1 314 561	106 405	3 400	3 255 193

28. Net deferred tax asset

Deferred tax asset	31.12.2013	Increases	Decreases	31.10.2014
Provisions for incurred costs	2 894 819	-	(678 908)	2 215 911
Deferred income	7 040	98 008	-	105 048
Valuation of securities	96 483	-	(56 458)	40 025
Remeasurement of defined benefit plan obligations	-	-	-	-
Other	300 772	-	(23 177)	277 595
Total	3 299 114	98 008	(758 543)	2 638 579

Deferred tax liability	31.12.2013	Increases	Decreases	31.10.2014
Unrealized interest income on securities and interbank deposits	12 856	-	(1 748)	11 108
Measurement of assets available for sale	151 268	9 975	-	161 243
Valuation of securities	23 286	30 568	-	53 854
Remeasurement of defined benefit plan obligations	98 582	-	-	98 582
Other	345 883	-	(345 883)	-
Total	631 875	40 543	(347 631)	324 787

	31.12.2013	Increases	Decreases	31.10.2014
Net deferred tax asset	2 667 239	445 639	(799 086)	2 313 792

Deferred tax asset	31.12.2012	Increases	Decreases	31.12.2013
Provisions for incurred costs	1 202 583	1 692 236	-	2 894 819
Deferred income	-	7 040	-	7 040
Valuation of securities	74 168	22 315	-	96 483
Remeasurement of defined benefit plan obligations	197 145	-	(197 145)	-
Other	380 266	-	(79 494)	300 772
Total	1 854 162	1 721 591	(276 639)	3 299 114

Deferred tax liability	31.12.2012	Increases	Decreases	31.12.2013
Unrealized interest income on securities and interbank deposits	17 985	-	(5 129)	12 856
Measurement of assets available for sale	140 774	10 494	-	151 268
Valuation of securities	42 027	-	(18 741)	23 286
Remeasurement of defined benefit plan obligations	-	98 582	-	98 582
Other	107 904	237 979	-	345 883
Total	308 690	347 055	(23 870)	631 875

Change in the net deferred income tax	31.10.2014	31.12.2013	31.10.2013
Opening balance	2 667 239	1 545 472	1 545 472
Changes charged to profit or loss	(343 472)	1 230 843	669 712
Changes charged to equity	(9 975)	(109 076)	174 282
Closing balance	2 313 792	2 667 239	2 389 466

29. Other assets

Other assets	31.10.2014	31.12.2013	31.10.2013
Various debtors	4 575 537	6 217 706	3 254 768
Cost prepayments	1 530 573	1 159 803	1 040 403
Other	238 791	408 982	540 481
Impairment losses on other assets	(741 754)	(526 672)	(419 854)
Total	5 603 147	7 259 819	4 415 798

Change in the balance of impairment losses on other assets	31.10.2014	31.12.2013	31.10.2013
Balance as at 31 December (prior year)	(526 672)	(471 349)	(471 349)
Increases/decreases	(215 082)	(55 323)	51 495
Closing balance	(741 754)	(526 672)	(419 854)

30. Liabilities to customers

Liabilities to customers	31.10.2014	31.12.2013	31.10.2013
Liabilities to customers due to executed but not settled transactions	34 094 002	91 152 809	92 263 514
Liabilities to customers due to funds kept on accounts	727 238 324	645 192 782	760 123 242
Other liabilities to customers	18 816 248	17 952 576	19 743 241
Total	780 148 574	754 298 167	872 129 997

31. Liabilities to customers (by currency)

Liabilities to customers	31.10.2014	31.12.2013	31.10.2013
In PLN	750 354 927	737 766 763	851 009 984
In foreign currencies translated to PLN	29 793 647	16 531 404	21 120 013
· EUR	16 557 844	2 576 239	2 503 848
· USD	11 537 773	12 203 843	16 668 627
· CHF	1 041 430	997 091	765 470
· GBP	656 600	753 873	1 181 705
· Other	-	358	363
Total	780 148 574	754 298 167	872 129 997

32. Finance and operating lease

32.1. Finance lease

DM BZ WBK is a party to finance lease contracts concluded with the companies belonging to the Bank Zachodni WBK S.A. Group. The contracts are executed to finance i.a. purchases of company cars.

Lease payments			
by maturity	31.10.2014	31.12.2013	31.10.2013
Up to 1 year	415 781	530 675	452 742
1-5 years	689 409	897 508	1 046 674
Total	1 105 190	1 428 183	1 499 416

32.2. Operating lease

DM BZ WBK leases office space. The most significant contracts concern the premises in Poznań, pl. Wolności 15 and in Warsaw, ul. Grzybowska 5a.

The standard term of these contracts varies from 5 to 10 years. Lease payments are indexed on the annual basis so that the price will reflect market values. A small portion of space is sub-leased outside DM BZ WBK.

In 2014 and 2013 DM BZ WBK incurred expenditures on rent from the above properties in the amount of PLN 3,564.4 thousand and 3,560.4 thousand. These fees were charged to profit or loss under rent and premises maintenance.

Total obligations on account of irrevocable operating lease:

Lease payments			
by maturity	31.10.2014	31.12.2013	31.10.2013
Up to 1 year	2 615 876	2 662 904	2 933 513
1-5 years	2 662 562	4 630 574	5 046 240
Over 5 years	-	42 228	70 380
Total	5 278 438	7 335 706	8 050 133

33. Other liabilities

Other liabilities			
	31.10.2014	31.12.2013	31.10.2013
Various creditors	4 49 401	2 829 552	6 057 650
Deferred income	552 883	37 055	567 835
Settlements with issuers - payments for issues	1 195 515	1 058 850	2 283 937
Accrued expenses	2 206 974	2 669 548	3 450 439
Provisions, including:	8 950 362	12 069 210	9 224 816
<i>Employee provisions</i>	<i>8 757 250</i>	<i>11 867 881</i>	<i>9 023 487</i>
<i>Provision for legal claims</i>	<i>193 112</i>	<i>201 329</i>	<i>201 329</i>
Total	17 405 135	18 664 215	21 584 677

33. 1. Provisions

Change in the balance of provisions	31.10.2014	31.12.2013	31.10.2013
Opening balance	12 069 210	5 015 234	5 015 234
Employee provisions	11 867 881	4 909 488	4 909 488
Provisions for legal claims	201 329	105 746	105 746
Provision charges/revaluation	4 136 654	8 668 203	5 218 861
Employee provisions	4 130 325	8 489 340	5 039 998
Provisions for legal claims	6 329	178 863	178 863
Provision utilization	(7 247 285)	-938 081	-938 081
Employee provisions	-7 240 956	-925 999	-925 999
Provisions for legal claims	(6 329)	(12 082)	(12 082)
Provision releases	-8 217	-676 146	(71 198)
Employee provisions	-	-604 948	-
Provisions for legal claims	(8 217)	(71 198)	(71 198)
Closing balance	8 950 362	12 069 210	9 224 816
Employee provisions	8 757 250	11 867 881	9 023 487
Provisions for legal claims	193 112	201 329	201 329

DM BZ WBK recognizes provision resulting from an existing obligation, for legal or customary, certain or very probable liabilities whose amounts may be reliably estimated. These liabilities result from past events and an outflow of funds to cover them is probable.

Employee provisions comprise the categories referred to in Note 33.2.

33. 1. Provisions

Provisions for legal claims

Provisions for contingent liabilities arising from pending court proceedings in which DM BZ WBK is one of the parties are recognized on the basis of the amount in dispute and of a subjective assessment of the probability that the judgment will award payment of a benefit.

33.2. Employee benefits

Employee benefits

Employee benefits include in particular wages and salaries, social security charges, paid annual leave, awards and bonuses, and free-of-charge non-cash benefits.

DM BZ WBK recognizes the following provisions for the above benefits:

Provisions for retirement allowance (defined benefit plan obligations)

Provisions for retirement allowance of DM BZ WBK are calculated by estimating the amount of the employee's future remuneration in the period when the employee will reach the normal retirement date and by estimating the future retirement allowance. The allowances are adjusted to the present value by discount.

The retirement allowance is recognized proportionally to the expected period of performing work by the employee.

Provision for unused annual leave

The unused annual leave liability is estimated at the expected value (based on current wages or salaries) on an undiscounted basis.

Provision for employee awards and bonuses

Liabilities due to employee bonuses and awards is determined on the basis of profit and measured at the amount of the probable payment on an undiscounted basis.

Balances of the above provisions:

Provision	31.10.2014	31.12.2013	31.10.2013
Provision for unused annual leave	1 736 110	1 736 110	1 728 027
Provision for retirement allowance	1 105 493	1 105 493	1 710 441
Provision for employee awards and bonuses	5 915 647	9 026 278	5 585 019
Total	8 757 250	11 867 881	9 023 487

Detailed changes in employee provisions were presented in Note 33.

34. Credits and loans from related parties

On 11 July 2013 Dom Maklerski BZ WBK S.A. and Bank Zachodni WBK S.A. concluded an overdraft agreement amounted to PLN 185,750,000 (as at 31 October 2014 not used) to finance the working capital.

The collateral of the Bank's receivables under the concluded agreement is an authorization to debit all existing and future accounts, excluding client's accounts.

DM BZ WBK S.A. and Bank Zachodni WBK S. A. concluded an agreement to give an bank guarantee and agreement to establish a deposit in connection with the rental of office space in the Atrium building in Warsaw, at Al. Jana Pawła II 23, totalling PLN 75,098.78 and with the rental of office space in the Business Centre in Łódź, totalling USD 10,176.53.

35. Equity

35.1. Share capital

The share capital of DM BZ WBK is PLN 44,973,500 and consists of 222,930 registered shares of A series with nominal value of PLN 100 each and 226,805 ordinary registered shares of B series with nominal value of PLN 100 each.

The Company's main shareholder is Bank Zachodni WBK S.A. with its registered office in Wrocław, which holds 222,929 A series shares and 226,805 B series shares constituting 99.99% of the share capital.

Series/Issue	Share type	Preference	Type of limitation of rights to shares	Number of shares	Series value at nominal price
A	registered	none	none	222 930	22 293 000
B	registered	none	none	226 805	22 680 500
				449 735	44 973 500

35.2. Other capitals

	31.10.2014	31.12.2013	31.10.2013
Opening balance	114 666 407	114 663 717	114 663 717
Appropriation of profit to the supplementary capital	1 360	2 690	2 690
Total	114 667 767	114 666 407	114 666 407

Supplementary capital is made up of appropriations of net profit in accordance with the applicable laws. The capital is not subject to distribution. It is created to cover losses. Annual appropriations to the supplementary capital from the net profit should be at least 8% of net profit until the supplementary capital reaches at least one third of the Company's share capital. The amount of appropriation to the supplementary capital is determined by the General Meeting of Shareholders.

Reserve capital is created from profit allocations in the amount adopted by the General Meeting of Shareholders. The decision on reserve capital use is taken by the General Meeting of Shareholders.

35.3. Revaluation reserve

	31.10.2014
Revaluation reserve as at 31 December 2013	1 065 150
Change in measurement of financial assets available for sale:	
Increase:	52 500
- Equity instruments at the beginning of the period	52 500
Deferred tax liability	(9 975)
Balance as at 31 October 2014	1 107 675
- including deferred tax	(259 825)

Revaluation reserve comprises the changes in the measurement of financial assets available for sale considering the deferred tax and remeasurement of defined plan obligations. The revaluation reserve is not subject to distribution.

	31.12.2013
Revaluation reserve as at 31 December 2012	(240 317)
Change in measurement of financial assets available for sale:	
Increase:	55 230
- Equity instruments at the beginning of the period	55 230
Deferred tax liability	(10 494)
Change in remeasurement of defined benefit obligation:	
Increase:	518 855
- Defined benefit obligation in the period	518 855
Deferred tax liability	(98 582)
Reclassification of defined plan obligations from profit and loss (change of presentation comparative data)	1 037 604
Deferred tax liability	(197 145)
Balance as at 31 December 2013	1 065 150
- including deferred tax	(249 850)

	31.10.2013
Revaluation reserve as at 31 December 2012	(240 317)
Change in measurement of financial assets available for sale:	
Increases:	120 330
- Equity instruments at the beginning of the period	120 330
Deferred tax liability	(22 863)
Balance as at 31 October 2013	(142 850)
- including deferred tax	262 219

36. Contingent liabilities and collaterals granted

As at 31 October 2014, DM BZ WBK S.A. did not give any guarantees or suretyship, or sign any underwriting agreements.

With relation to the signed overdraft agreement and bank guarantee agreement, DM BZ WBK S.A. gave an authorization to debit all existing and future bank accounts as collateral of the Bank's receivables under the agreements, excluding client's accounts.

Significant court proceedings of DM BZ WBK

As at 31 October 2014 there were no significant court proceedings concerning liabilities or receivables of DM BZ WBK. The Company considers court proceedings as significant if the amount constitutes at least 10% of the equity of DM BZ WBK.

The amount of all the pending court proceedings totals PLN 515,86 thousand, out of which PLN 227,93 thousand constitutes the amount in dispute in which DM BZ WBK S.A. is the defendant and PLN 99,40 thousand constitutes the amount in disputes in which DM BZ WBK is a plaintiff, while PLN 188,53 thousand is the amount concerning bankruptcy proceedings.

37. Related party transactions

DM BZ WBK has mutual transactions with the entities of the BZ WBK SA Group.

Most of them relate to operations carried out in the normal business activity.

The following table presents details on transactions with the parent and other related parties of the BZ WBK S.A. Group

37.1. Transactions with the ultimate parent

Banco Santander	31.10.2014	31.12.2013	31.10.2013
	Liabilities	Liabilities	Liabilities
Liabilities to customers	302	156	156

Banco Santander	31.10.2014		31.10.2013	
	Expenses	Revenue	Expenses	Revenue
Other revenue	-	3 288 454	-	3 880 272
Financial expenses	317	-	20	-

37.2. Transactions with the parent

Bank Zachodni WBK S.A.	31.10.2014		31.12.2013		31.10.2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	789 440 471	-	737 809 873	-	807 766 468	-
Liabilities to customers	-	-	-	1 619 760	-	865 966
Other assets	83 860	-	470 904	-	155 311	-
Other liabilities	-	105 743	-	646 359	-	575 577

Bank Zachodni WBK S.A.	31.10.2014		31.10.2013	
	Expenses	Revenue	Expenses	Revenue
Financial revenue, including:		22 618 136		21 025 235
- interest on deposits		22 618 136		21 025 235
Other revenue		233 004		233 004
Fees and commissions	1 034 444	-	1 193 745	-
Financial expenses, including:	621 305		916 814	
- overdraft costs	225 872		554 599	
- bank fees and commissions	380 243		349 332	
- interest on cash in bank	15 190		12 883	
Operating expenses, including:	4 990 595		4 474 506	
- costs of rent and premises maintenance	3 373 740		3 386 514	

37.3. Related party transactions

	31.10.2014		31.12.2013		31.10.2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.						
Other assets	593 070	-	574 926	-	621 710	-
BZ WBK Asset Management S.A.						
Other assets	-	-	2 336	-	690	-
BZ WBK Inwestycje Spółka z o.o.						
Liabilities to customers	-	394 224	-	354 838	-	355 636
BZ WBK Leasing S.A.						
Other liabilities	-	1 105 190	-	1 428 183	-	1 499 416

	31.10.2014		31.10.2013	
	Expenses	Revenue	Expenses	Revenue
BZ WBK Towarzystwo Funduszy				
Inwestycyjnych S.A.				
Other revenue, including		5 801 218		6 116 867
- agency services in purchasing investment funds				
participation units		5 682 471		5 979 522
- other		118 747		137 345
BZ WBK Asset Management S.A.				
Other revenue	-	2 089	-	7 596
BZ WBK Inwestycje Spółka z o.o.				
Financial expenses	6 259	-	7 492	-
Other revenue	-	8 500		7 221
BZ WBK Leasing S.A.				
Financial expenses	61 613	-	82 701	-

BZ WBK -Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	31.10.2014	31.12.2013	31.10.2013
	Liabilities	Liabilities	Liabilities
Liabilities to customers	1 479 269	373 300	4 290 942

BZ WBK -Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	31.10.2013		31.10.2013	
	Expenses	Revenue	Expenses	Revenue
Other revenue	-	40 044	-	21 077
Financial expenses	53 610	-	40 696	-

38. Transactions with members of the supervisory and management bodies

During the reporting period there were no transactions with members of the Supervisory Board and Management Board.

39. Remuneration of the management

Salaries of key members of the management of DM BZ WBK:

	31.10.2014	31.10.2013
Basic pay	5 707 804	6 353 500
Annual bonuses and other remuneration	5 223 963	1 528 604
Total	10 931 767	7 882 104

	31.10.2014	31.10.2013
Management Board	3 092 739	1 742 600
Senior personnel	7 839 028	6 139 504
Closing balance	10 931 767	7 882 104

The remuneration of the Member of the Supervisory Board in the reporting period totaled PLN 8,367.

40. Post balance sheet events

On 30 September 2014, the Extraordinary General Meeting of Shareholders of Bank Zachodni WBK S.A. adopted a resolution on division of the Brokerage House, pursuant to the Division Plan of 24 July 2014.

The division has been completed by transferring to Bank Zachodni WBK (the acquiring company) an organised part of the enterprise of the Brokerage House (the divided company), whose business is provision of stockbroking services and other services that do not constitute advertising activity. At the same time, a company has been formed- Gieldokracja Sp. z o.o. – which will take over the part of the Brokerage House business connected with provision of educational services related to the capital market, advertising and communication services, and maintenance of internet portals.

On 31 October 2014, the Court registered the removal of The Brokerage House from the business register (KRS) without a liquidation procedure and on the same day Gieldokracja Sp. z o.o. was registered.

The Brokerage House is now a stand-alone unit of the bank, providing stockbroking services and will formally act as a brokerage office.

41. Changes in presentation of data for the prior period

In 2013 the presentation of actuarial gain and losses has been changed (as a result of revised IAS 19 and IAS 1) – below we present restatement of income statement, statement of comprehensive income and statement of changes in equity.

a) in the income statement:

- change of personnel expenses in Note 11 due to application of revised IAS 19 “Employee benefits” - recognition of actuarial gains or losses related to changes in actuarial assumptions in other comprehensive income and not as previously in income statement. The restatement of comparative data for the year 2013 due to this change resulted in an increase of the net profit for the year 2013 by the amount of PLN 840 459 and a decrease of other capital and reserves (revaluation reserves) by the same amount.

Income statement	31-10-2013 before restatement	Restatement	31-10-2013 after restatement
Personnel expenses, including:	(35 950 111)	1 037 604	(34 912 507)
<i>Provisions for retirement benefits and unused annual leave</i>	-	1 037 604	1 037 604
Profit before tax	36 702 382	1 037 604	37 739 986
- Income tax expense	(7 105 987)	(197 145)	(7 303 132)
Profit for the period	29 596 395	840 459	30 436 854

b) In the statement of comprehensive income

- change of presentation actuarial gains and losses due to application of revised IAS 19 “Employee benefits”.

Statement of comprehensive income	31-10-2013 before restatement	Restatement	31-10-2013 after restatement
Profit for the period	29 596 395	840 459	30 436 854
Other comprehensive income which can be transferred to the profit and loss account	97 467	-	97 467
Valuation of financial assets available for sale	120 330	-	120 330
- including deferred tax	(22 863)	-	(22 863)
Other comprehensive income which can not be transferred to the profit and loss account	-	(840 459)	(840 459)
Remeasurement of defined benefit obligation	-	1 037 604	1 037 604
- including deferred tax	-	(197 145)	(197 145)
Comprehensive income for the reported period	29 693 862	-	29 693 862

- c) in the statement of changes in equity
- remeasurement of defined benefit plan obligations for 2013 resulted in a decrease of revaluation reserve, at the same time an increase of retained earnings position by PLN 840 459.

Statement of changes in equity	31-10-2013 before restatement	Restatement	31-10-2013 after restatement
Revaluation reserve as at 1 January 2013	600 142	-	600 142
Remeasurement of defined benefit obligation	-	(840 459)	(840 459)
Change in the net value of instruments available for sale	97 467	-	97 467
Balance as at 31 October 2013	697 609	(840 459)	(142 850)

Signatures of Members of the Management Board of DM BZ WBK			
Date	Name and surname	Function	Signature
30-01-2015	Mateusz Morawieckii	President of the Management Board	
30-01-2015	Andrzej Burliga	Member of the Management Board	
30-01-2015	Eamonn Crowley	Member of the Management Board	
30-01-2015	Michael McCarthy	Member of the Management Board	
30-01-2015	Piotr Partyga	Member of the Management Board	
30-01-2015	Juan de Porras Aquirre	Member of the Management Board	
30-01-2015	Marcin Prell	Member of the Management Board	
30-01-2015	Marco Antonio Silva Rojas	Member of the Management Board	
30-01-2015	Mirosław Skiba	Member of the Management Board	
30-01-2015	Feliks Szyszkowiak	Member of the Management Board	
Signature of the person responsible for keeping the accounting records:			
Date	Name and surname	Function	Signature
30-01-2015	Wojciech Skalski	Financial Accounting Area Director	