



MANAGEMENT REPORT OF MERITUM BANK ICB S.A.

FOR 2014

Gdańsk, 9 March 2015

1. PROFILE OF MERITUM BANK ICB S.A.

ABOUT MERITUM BANK ICB S.A.

Meritum Bank ICB S.A., formerly Bank Współpracy Europejskiej S.A., has operated on the Polish market since mid-1990.

In November 2007, the majority shareholder of the Bank became Innova/4 L.P. investment fund; Innova Capital is the consultant of the fund.

In 2008, the Management Board of the Bank was established. In January 2009, the name was changed to Meritum Bank and the registered office was moved from Wrocław to Gdańsk.

The shareholders in the Bank are as follows: Innova/4 L.P. investment fund, its consultant being Innova Capital, the European Bank for Reconstruction and Development, and WCP COOPERATIEF U.A. (a branch of the private fund Wolfensohn Capital Partners).

Meritum Bank dedicates its offer to middle-income retail customers and micro and small enterprises as well as the self-employed. The strengths of the Bank's offer, which is dedicated to such segments of clients, include: a modern and customer-friendly e-banking platform, a competitive deposit offer as well as a very attractive offer for micro businesses.

An important pillar in the business of Meritum Bank is the development of products in the area of consumer finance. The Bank offers a complete range of credit products, including popular cash loans, consolidation loans, and credit cards. The range of products is supplemented with instalment credits. In 2011, the Bank started to collaborate with Tesco; it offers a broad range of credit products under the Tesco Finance brand.

The distinctive feature of Meritum Bank is the diversification of the distribution channel networks: online banking, the network of own and franchise branches, financial agents as well as the sale of instalment loans via shops.

AUTHORITIES IN BANK ICB S.A.

As of 31 December 2014, the Supervisory Board consisted of:

Supervisory Board of Meritum Bank ICB S.A.	
<i>Chairman of the Supervisory Board</i>	Krzysztof Kulig
<i>Member of the Supervisory Board</i>	Steven J. Buckley
<i>Member of the Supervisory Board</i>	Marcin Drozdowski
<i>Member of the Supervisory Board</i>	Grzegorz Waluszewski
<i>Member of the Supervisory Board</i>	Peter Franklin
<i>Member of the Supervisory Board</i>	Asad Naqvi
<i>Member of the Supervisory Board</i>	Witold Skrok

Since 19 February 2015, the composition of the Supervisory Board has been as follows:

Supervisory Board of Meritum Bank ICB S.A.	
<i>Chairman of the Supervisory Board</i>	Wojciech Sobieraj
<i>Member of the Supervisory Board</i>	Krzysztof Czuba
<i>Member of the Supervisory Board</i>	Witold Skrok
<i>Member of the Supervisory Board</i>	Sławomir Tomkiewicz
<i>Member of the Supervisory Board</i>	Małgorzata Iwanicz-Drozdowska
<i>Member of the Supervisory Board</i>	Marek Michalski
<i>Member of the Supervisory Board</i>	Henryk Baniowski

As of 31 December 2014, the Management Board consisted of:

Management Board of Meritum Bank ICB S.A.

<i>Acting President of the Management Board</i>	Bartosz Chytła
<i>First Vice-President of the Management Board</i>	Joanna Krzyżanowska
<i>Vice-President of the Management Board</i>	Piotr Urbańczyk
<i>Member of the Management Board</i>	Agnieszka Porębska-Kość (formerly Burczyn)

Since 19 February 2015, the Management Board of the Bank has comprised:

<i>Management Board of Meritum Bank ICB S.A.</i>	
<i>Delegated Member of the Supervisory Board</i> <i>Acting President of the Management Board</i>	Krzysztof Czuba
<i>First Vice-President of the Management Board</i>	Joanna Krzyżanowska
<i>Delegated Member of the Supervisory Board</i> <i>Acting Vice-President of the Management Board</i>	Witold Skrok
<i>Member of the Management Board</i>	Grażyna Musiatowicz-Podbiał
<i>Member of the Management Board</i>	Hanna Wangler

2. YEAR OF 2014 – ACTIVITY OF MERITUM BANK ICB S.A.

2014 IN FIGURES

The following comparative data take account of the transformations related to the change of cost presentation that are distributed linearly in time and the costs of reimbursing the provision for insurance premium reimbursements on granted credits. Detailed information on the scope of introduced changes has been given in the Financial Statements of Meritum Bank ICB S. A as of 31 December 2014.

The introduced changes are for the presentation sake only and do not affect the net profit of the Bank as of the year ended on 31 December 2013.

<i>SELECTED FINANCIAL FIGURES</i>	<i>31.12.2014 In PLNk</i>	<i>31.12.2013 (transformed data) In PLNk</i>	<i>Change in %</i>
<i>Profit on interest</i>	345,682	253,541	36.34%
<i>Profit on commissions</i>	9,942	20,863	-52.35%

<i>Profit on operating activity</i>	-6,351	-7,741	-17.96%
<i>Profit on FX positions</i>	825	947	-12.88%
<i>Profit on banking activity</i>	350,098	267,610	30.82%
<i>Difference of the value of reserves and revaluation</i>	-175,045	-144,512	21.13%
<i>Costs of banking operation (including depreciation)</i>	-122,485	-110,428	10.92%
<i>Other operating incomes and costs</i>	5,323	1,204	342.48%
<i>Gross profit / loss</i>	57,891	13,874	317.26%
<i>Net profit</i>	44,551	11,678	281.50%
<i>Receivables from clients</i>	2,763,825	2,346,180	17.80%
<i>Liabilities towards clients</i>	2,911,972	2,582,144	12.77%
<i>Equity</i>	277,845	212,550	30.72%
<i>Assets in total</i>	3,428,906	2,958,369	15.92%
<i>Solvency ratio</i>	15.47%	13.59%	1.88%
<i>Credits / deposits</i>	94.91%	90.86%	4.05%
<i>Costs / incomes</i>	34.99%	41.26%	-6.27%

DEVELOPMENT OF ACTIVITY IN 2014

The year of 2014 saw the continuation of the growth strategy of the Bank's share in the market of products for retail customers and small and medium enterprises. According to the Bank's own estimates prepared based on data made available by Biuro Informacji Kredytowej, the share of the Bank in the volume of cash loans and instalment loan sale increased from 1.5% in 2013 to 1.6% in January-October 2014. According to data provided by the National Bank of Poland, the Bank estimates that its share in the portfolio of credits for micro-businesses increased from 1.26% in 2013 to 1.35% in 2014.

The offer of the Bank, alike in previous years, was dedicated to the three main segments of clients:

- I. a well-off and medium-income client who looks for opportunities to invest his financial resources and for efficient services, in particular via electronic channels;
- II. a broad range of borrowers, both on the mass market served by credit intermediaries and borrowers from higher segments, served by financial consultants, branches, and over the Internet; and
- III. businesses of the micro-segment operating in the sector of services and production, whose owners look for attractive deposit products or those who make the cooperation with the Bank depend on receiving funding.

In 2014, the Bank continued the strategy of developing the sales network of franchise branches. 49 partnership branches were opened; owing to this, the total number of branches as of the end of the year was at 191. Moreover, 16 locations were changed and 14 branches were taken over by new Partners. As of the end of the analysed period, the Bank cooperated with 34 Network Partners (running more than one branch). In total, the Network Partners operated 101 branches, i.e. 53% of the whole franchise network. For using the right to use the Bank's Reputation and the Partnership Package, the Bank received the amount of 2.4 PLNm.

To raise the attractiveness of the partnership network channel model as well as to significantly increase the level of sales, the product and commission terms and conditions were modified, which yielded the following results:

- the sale of cash credits and partly refinancing cash credits amounted to 459.9 PLNm (the increase by 34.3% vs. the previous year);
- the sale of 'Business Loan' product amounted to 52.6 PLNm;
- the value of new deposits exceeded 71.7 PLNm (the increase by 264% vs. the previous year);
- the sale of saving-checking accounts amounted to 22,141 (the increase by 43.6% vs. the previous year); and
- the sale of business accounts amounted to 2,134 (the increase by 57% vs. the previous year).

In 2014, the Bank continued implementing the strategy based on the culture of innovation, which is targeted at strengthening the Bank's position on the highly competitive market of retail customers and small and medium enterprises. The above-mentioned strategy was based on actions aimed at providing clients with simple and functional solutions available on the multi-channel platform. The Bank consistently dedicated its offer to dynamic persons who expect a high quality of services and who value time savings. To meet such expectations in 2014, the Bank prepared and implemented the specially designed solutions that make it possible to use banking services in a fast, simple, and effective manner by everyone. Such solutions implemented in 2014 included:

- mobile banking, which is innovative both in Poland and Europe and provides an option to open a bank account only with mobile communication owing to the OCR technology (automatic reading of data from a photo of an identity card);
- voice banking that gives a possibility to use a bank account with voice instructions;

- eKantor (FX exchange) integrated fully with e-banking and mobile banking, providing the opportunity to operate foreign currency accounts online and on the mobile platform, including the sale and purchase of currencies and making currency transfers to domestic banks;
- the electronic process of applying for credits on a saving-checking account offered to the Bank's clients, with the option to get a credit decision fully on-line; and
- mobile processes of making and operating term deposits.

Electronic banking has been one of the pillars of the Bank's development. Similarly to previous years, it has been one of the most important and strategic sale channels of saving products as well as the basic channel of post-sale services of clients, both individuals and micro-businesses. In 2014, the electronic channels generated more than 40% of the Bank's sale in saving-checking accounts as well as current accounts for businesses and more than 87% sales of the Bank in retail deposits. Compared to 2013, the Bank doubled its database of clients using e-banking. The mobile banking of the Bank has been used by more than 15% active users of online banking during 9 months since its implementation. The characteristics of the Bank's products, their simplicity, and the technological advancement of the Internet and mobile banking system made it possible to keep the main burden of post-sale services of the Bank's clients in the low-cost Internet environment, which was used to carry out 98% transactions of clients in 2014.

3. MACROECONOMIC SITUATION IN 2014

The Polish economy returned onto the growth path in 2014 after the slowdown in 2012-2013. The increase of the Gross Domestic Product was at 3.3% in 2014, almost double the value in 2013 (1.7%). The revival of economy took place since mid-2013; the initial drive of economic revival was the increase of export, its dynamics at 5.7% y/y in 2013 and 6.3% y/y in 2014; however, in 2014 the retail consumption ratios (dynamics 1.1% in 2013 and 3% y/y in 2014) and investments improved as well (dynamics of gross outlays on fixed assets increased from 0.9% y/y in 2013 to 9.4% in 2014).

The economy experienced the apparent revival despite the unfavourable external factors: the weak dynamics of economic growth in the Euro zone, the falling export to Russia (the embargo and economic crisis) and to Ukraine (the economic crisis). It can be expected that the dynamics of economy will gain momentum as the external factors improve.

A new phenomenon appeared in the Polish economy in 2014, namely deflation, caused mostly by the dynamic fall of prices of raw materials on the global markets. Despite the liberal interest rate policy pursued by the Monetary Policy Chamber (RPP), inflation was at -1% as of the end of 2014.

The observed economic revival was reflected on the job market, where the unemployment rate fell to 11.5% as of the end of 2014 from 13.4% as of the end of 2013. The improvement, together with the falling inflation, made the real salaries in the national economy grow by 3.9% y/y in 2014. The economic situation in 2014 was conducive to the enhancement of the social and economic situation of the society. Moreover, the economic situation indices improved; as a consequence, the dynamics of economic revival is expected to continue.

The improvement of economic growth in 2014 was also reflected in the parameters of the banking sector (the presented data come from the study by FSA): assets of the domestic banking sector increased by 9.2% in 2014 (3.3% in 2013), while credits grew by 7.1% in 2014 (3.5% in 2013). The growth of the retail credit portfolio in 2014 amounted to 6.12% (4% in 2013), including the housing credit portfolio in 2014 increased by 6% (4.3% in 2013), and the consumer credit portfolio in 2014 higher by 6% (2.7% in 2013). The increase of credits for businesses in 2014 was at 8.3% y/y (2.1% in 2013). The net profit of the banking sector in 2013 amounted to 14.5 PLNb and was higher by 1.2% than in the previous year. In 2014, the profit of the domestic banking sector on interest increased by 7%, mostly due to the reduced costs of interest, while the profit on commission grew by 1%. The profit on banking activity increased by 3.6% y/y, while overheads fell by 2.3% y/y and impairment revaluation write-offs increased by 4.4% y/y, which contributed to the growth of dynamics in the profit on operating activity by 9.6% y/y and the growth of net profit of the whole sector by 6.8% to the level of 15.21 PLNb.

The economic situation of Poland improved in 2014 after the slowdown in 2012-2013. A positive phenomenon is a fact that the return to the growth path has occurred in all areas of the economy: export, consumption, and investments. Despite the turbulences in the Poland's environment, both in the Euro zone and in the Eastern Europe, the economic situation has improved and the social-economic conditions of the society are getting better as well. The forecasts for 2015 indicate the reinforcement of the positive tendencies in the economy. All the above-mentioned factors should have a positive impact on the situation of the banking sector, in particular on new credits in the consumer credit segment.

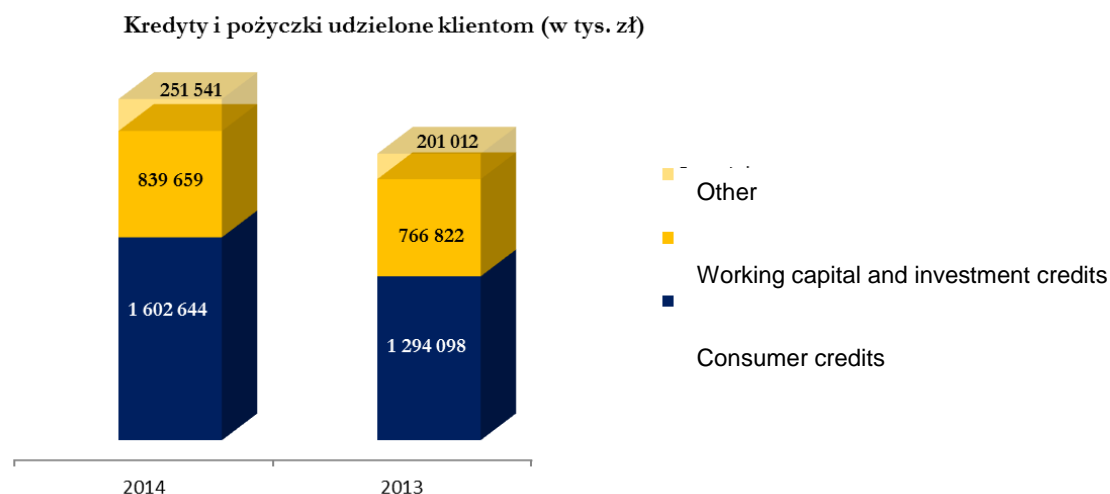
4. FINANCIAL RESULTS OF MERITUM BANK ICB S.A.

BALANCE SHEET

As of the end of 2014, the Balance Sheet total of the Bank was at 3,428.906 PLNm, after the increase by 15.91% compared to 2013. The increase of the Balance Sheet total amounted to 471,105 PLNk and was lower than in the previous year, when it totalled 754,064 PLNk.

<i>In PLNk</i>	<i>31.12.2014 In PLNk</i>	<i>31.12.2013 (transferred data) In PLNk</i>	<i>Change</i>	<i>Change in pp.%</i>
Cash, operations with the central bank	108,124	33,203	74,921	225.65%
Receivables from the financial sector	69,981	84,248	-14,267	-16.93%
Receivables from the non-financial and budget sectors	2,693,844	2,261,932	431,912	19.09%
Securities	432,406	481,178	-48,772	-10.14%
Fixed assets	39,959	36,033	3,926	10.90%
- <i>participation and shares</i>	1,254	569	685	120.39%
- <i>intangible and legal assets</i>	30,063	26,375	3,688	13.98%
- <i>tangible fixed assets</i>	8,642	9,089	-447	-4.92%
Other assets, accruals	84,592	61,775	22,817	36.94%
Assets in total	3 428 906	2 958 369	470 537	15,91%

A major item in assets in 2014 were receivables from the non-financial sector; their value in the analysed period increased by 19.09%. As of the end of 2014, the portfolio was dominated by receivables from individuals, which constituted 66.56% of the whole credit portfolio. In the previous year, the share of receivables from individuals in the credit portfolio was at 66.05%. The main item in the individual credit portfolio were consumer loans. Working capital and investment facilities amounted to 31.17% of the whole credit portfolio.



Credits and loans granted to clients (in PLNk)

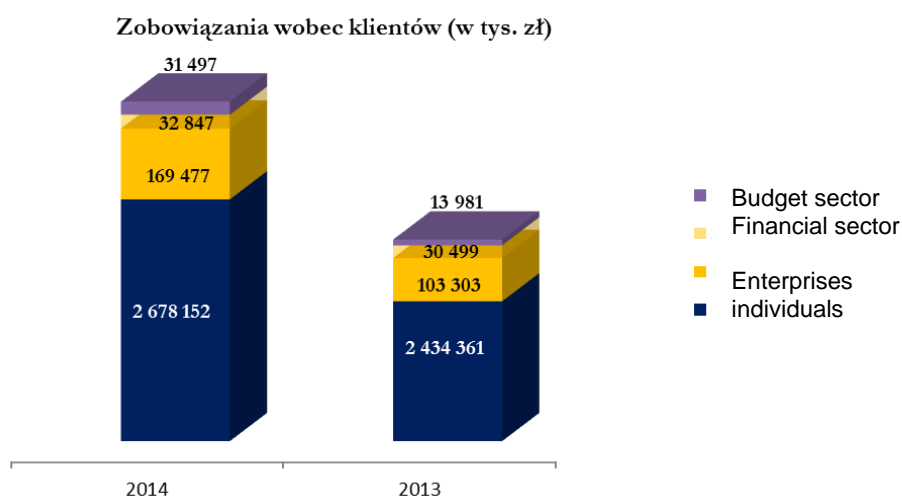
Keeping the high rate of asset increase stems from, inter alia, the growth of new credits faster than last year, which was possible owing to the further development of distribution channels and the credit offer itself. The value of new credits increased by 13.9% in 2014.

<i>In PLNk</i>	<i>31.12.2014 In PLNk</i>	<i>31.12.2013 (transformed data) In PLNk</i>	<i>Change</i>	<i>Change in pp.%</i>
Liabilities towards the Central Bank	0	0	0	,
Liabilities towards the financial sector	32,847	30,499	2,348	7.70%
Liabilities towards the non-financial sector	2,847,628	2,537,664	309,964	12.21%
Liabilities towards the budget sector	31,497	13,981	17,516	125.28%
Other liabilities	91,889	70,175	21,714	30.94%
Subordinated liabilities	147,200	93,500	53,700	57.43%
Equity, including:	277,845	212,550	65,295	30.72%
- <i>initial capital from the revaluation and profit (loss) of previous years</i>	233,293	200,872	32,422	16.14%
- <i>net profit (loss) of the current year</i>	44,552	11,678	32,874	281.50%
Liabilities in total	3,428,906	2,958,369	470,537	15.91%

The most dynamic item in liabilities in 2014 were the liabilities towards the budget sector and the value of subordinated liabilities due to the issuance of 8,000 (in words: eight thousand)

subordinated bonds of the C series of the face value of 10 PLNk each on 21 October 2014. The buy-out date of the bonds was set on 21 October 2022.

Another growing item in 2014 were the liabilities towards the clients from the non-financial sector, which increased by 309,964 PLNk and amounted to 2,847.628 PLNm as of the end of 2014. Liabilities towards the financial sector increased by 2,348 PLNk, i.e. 7.70%, and as of the end of 2014 they totalled 32,847 PLNk. The average interest rate of new deposits received in 2014 was at 3.29%. The highest share in the deposit base of the Bank were liabilities towards individuals, which amounted to 91.97% of all deposits and totalled 2,678.152 PLNm. In the previous year, liabilities towards individuals amounted to 94.28% of the whole deposit base.



Liabilities towards clients (in PLNk)

All liquidity ratios remained above the required levels throughout 2014.

Capitals of the Bank / Capital adequacy

As of the end of 2014, the value of the initial capital of the Bank amounted to 379,342 PLNk. The loss of previous years as of the end of 2014 totalled 145,753 PLNk. The capitals of the Bank including the current profit and after the approval as well as the profit (loss) of previous years amounted to 277,845 PLNk as of 31 December 2014. As of the end of 2013, the capitals of the Bank totalled 212,550 PLNk.

On 22 April 2014, the Management Board of the Bank carried the resolution No. 171/2014 on the earlier buy-out of all subordinated bearer bonds of the A series. Consent to the earlier buy-out of Bonds was given by the Supervisory Board of Meritum Bank ICB S.A. on 22 April.

On 9 May 2014, Meritum Bank ICB S.A. conducted the earlier buy-out of all subordinated bearer bonds of the A series. The initial buy-out date was on 9 May 2020.

On 21 October 2014, the Bank issued 8,000 (in words: eight thousand) 8-year subordinated bearer bonds of the C series of the face value of 10 PLNk (in words: ten thousand zlotys) each, with the buy-out deadline falling on 21 October 2022. Pursuant to the CRR Regulation, bonds fulfil the conditions that make it possible to recognise them in the own supplementary funds of the Bank.

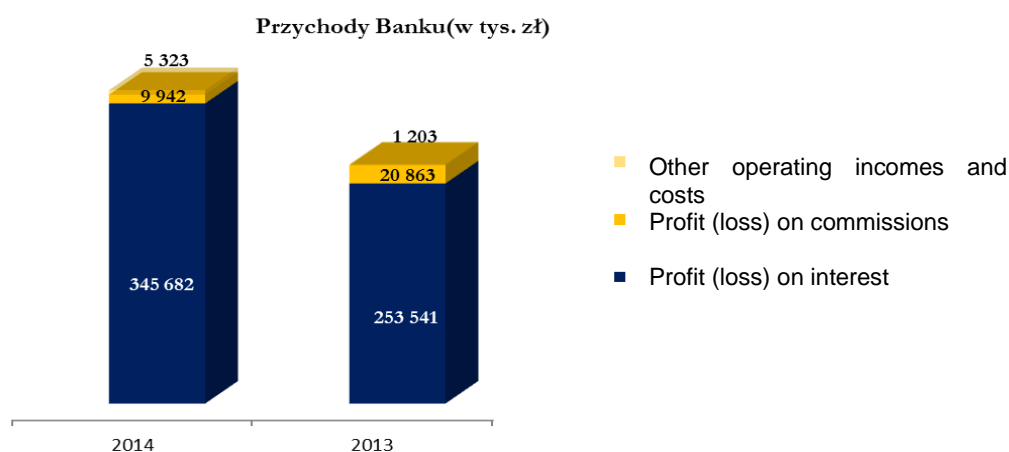
The equity of the Bank in accordance with Article 127 of the Act on banking law amounted to 375,209 PLNk pursuant to CRR as of 31 December 2014, while as of the end of 2013 it totalled 271,689 PLNk. The value of the liquidity ratio as of the end of 2014 was at 15.47%, while as of the end of 2013 it was at 13.59%.

PROFIT AND LOSS ACCOUNT

<i>In PLNk</i>	<i>31.12.2014 in PLNk</i>	<i>31.12.2013 (transformed data) In PLNk</i>	<i>Change</i>	<i>Change in pp. %</i>
Profit (loss) on interest	345,682	253,541	92,141	36.34%
Profit (loss) on commissions	9,942	20,863	-10,921	-52.35%
Profit (loss) on financial operations and FX positions	-5,526	-6,794	1,268	-18.66%
Profit (loss) on banking activity	350,098	267,610	82,488	30.82%
Other operating incomes and costs	5,323	1,204	4,120	342.48%
Costs of banking activity	-114,304	-102,586	-11,718	11.42%
Depreciation	-8,181	-7,842	-339	4.32%
Differences of reserves	-175,045	-144,512	-30,533	21.13%
Gross profit (loss)	57,891	13,874	44,017	317.26%
Income tax	-13,340	-2,196	-11,144	507.47%
Net profit (loss)	44,551	11,678	32,873	281.50%

The net financial profit of Meritum Bank ICB S.A. for 2014 amounted to 44,551 PLNk and was higher than the net profit for 2013 by 32,873 PLNk, i.e. 281.50%.

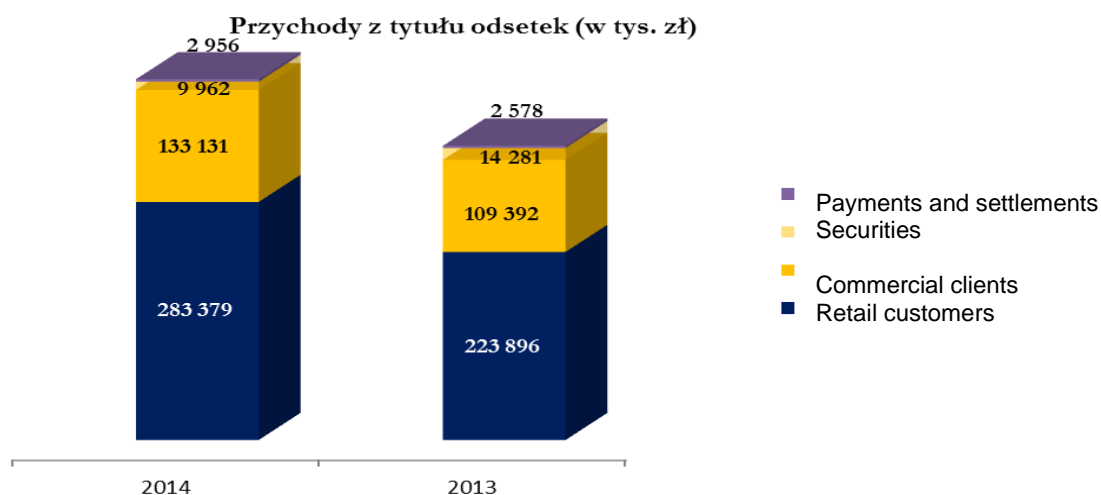
The growth of the financial profit generated in 2014 was influenced mostly by the profit on interest, which was at 345,682 PLNk and was higher by 92,141 PLNk, i.e. 36.34%, than in 2013.



Incomes of the Bank (in PLNk)

Profit (loss) on interest

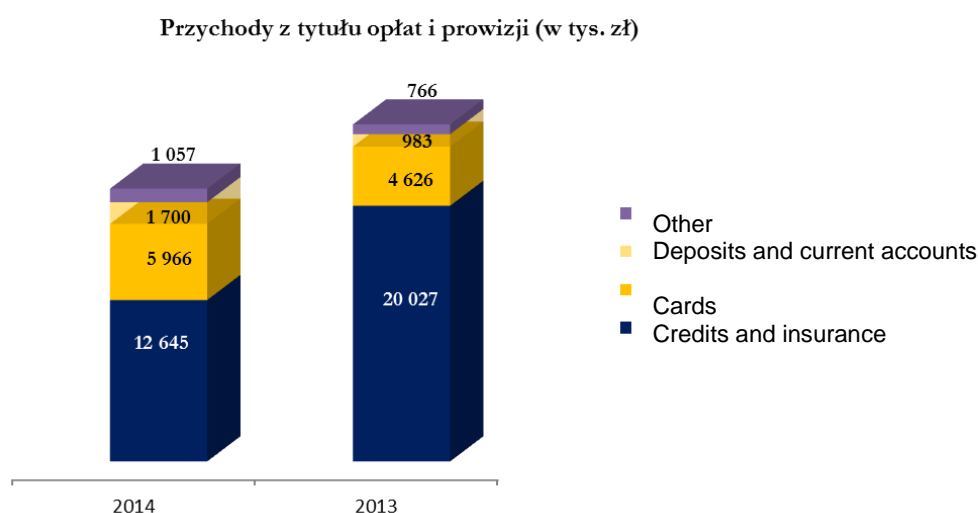
The profit (loss) on interest is the main item in the Bank's incomes in 2014; the income on interest totalled 429,428 PLNk. Despite the lower market interest rates of the credit portfolio, the increase by 22.64% of the income on interest was achieved compared to 2013. The main source of income on interest were credits and loans. The interest costs amounted to 83,746 PLNk and fell by 13.31% compared to the previous year. The fall of interest costs stemmed mostly from the lower cost of obtaining new deposits. The profit on interest increased in 2014 by 92,141 PLNk, achieving the level of 345,682 PLNk.



Income on interest (PLNk)

Profit on commission

The profit on commission amounted to 9,942 PLNk in 2014 and was lower by 52.35% than in the previous year. In 2013, the profit on commission totalled 20,863 PLNk. Costs due to commission in 2014 totalled 11,426 PLNk and increased by 106.28% compared to the previous year. In 2013, the costs due to commission totalled 5,539 PLNk. The fall of income on commission results from the introduction of changes to the accounting policy made in 2013 with regard to recognising incomes and costs with the sale of bancassurance products.



Income on fees and commissions (in PLNk)

Profit (loss) on financial operations and FX items

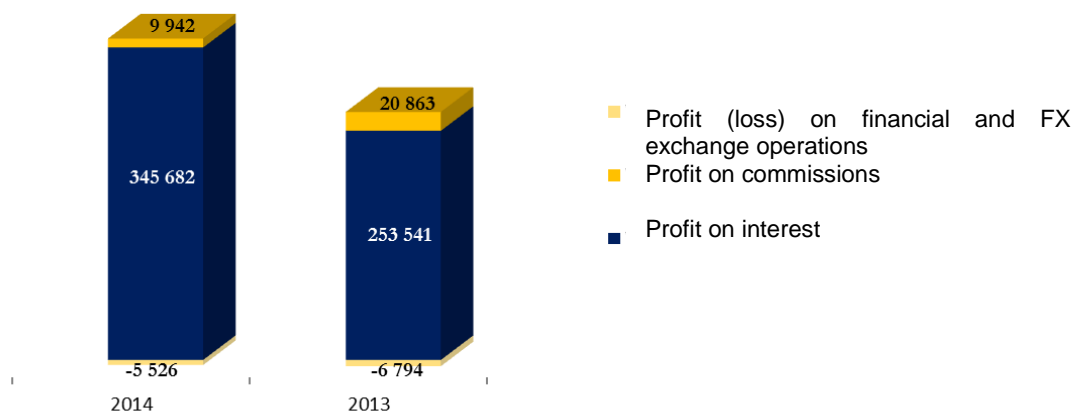
The total profit (loss) on financial operations and FX items amounted to -5,526 PLNk in 2014. The major encumbrance in this item of the Profit and Loss Account were interest costs due to the service of subordinated bonds.

Profit on banking activity

The profit on banking activity totalled 350,098 PLNk. Compared to 2013, it increased by 82,488 PLNk. The increase of incomes was lower than in the previous year.

In 2014, the structure of incomes changed further, although less dynamically than in the previous year. The profit on interest totalled 98.74% and on commission 2.84% of the profit on banking activity. In 2013, these items were at 94.74% and 7.80% respectively.

Wynik na działalności bankowej (w tys. zł)



Profit (loss) on banking activity (in PLNk)

Other operating incomes and costs

In 2014, other operating incomes amounted to 28,498 PLNk. This income was significantly affected by the reversal of the revaluation write-off of development work, other incomes, incomes on the sale of fixed assets as well as the settlement of the joint venture with Tesco Polska Sp. z o. o. and the reimbursement of costs incurred by the Bank due to its operational and financial services amounting to 1,569 PLNk (4,157 PLNk in 2013). The sale of such services took place from 71 service points (70 points as of 31 December 2013) located in Tesco hypermarkets.

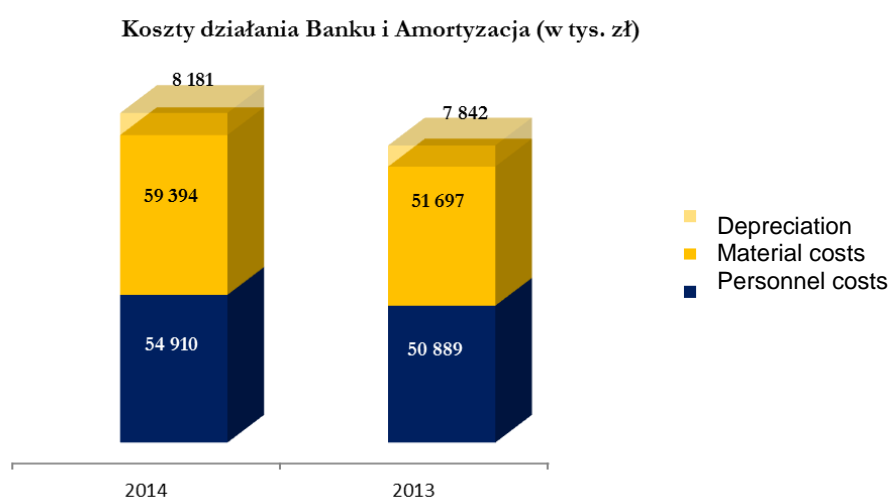
Costs of the Bank's operation and the depreciation of fixed assets

The operating costs of the Bank (net of depreciation) in 2014 totalled 114,304 PLNk, recording the increase by 11,718 PLNk compared to 2013, mostly due to the development of sale channels and the promotional and marketing activity. The increase of costs was higher than in the previous year, when the growth of outlays was at 7,437 PLNk.

In 2014, the personnel costs were maintained on a sustainable level and totalled 54,910 PLNk. The headcount as of the end of 2014 amounted to 717.7 FTEs, a fall compared to 2013. The operational costs (other than promotional outlays) amounted to 48,769 PLNk. The costs of promotion all over 2014 totalled 10,625 PLNk. They were incurred due to the promotion of deposit and credit products of the Bank as well as the development of the own and franchise branch network.

In 2014, the Bank continued measures aimed at rationalising its outlays and raising the efficiency of employment. As a consequence, the Bank was capable of launching new products, offering the clients new sale channels, and developing the new credit campaign, with the relatively low increase of the operating costs of the Bank. At the same time, the net credit portfolio increased by 19.09%, while costs grew by 11.42%. The depreciation of fixed assets and intangible and legal assets amounted to 8,181 PLNk in 2014.

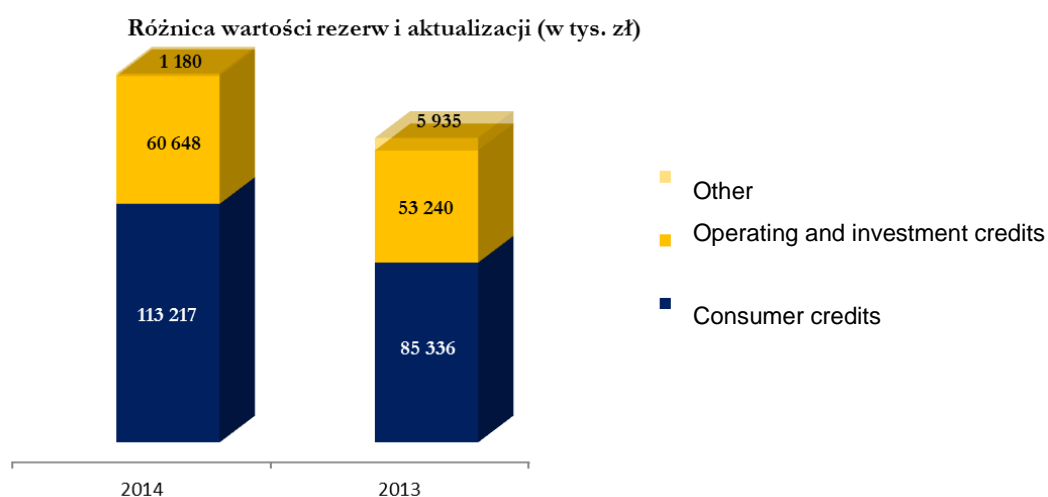
The ratio of costs (including depreciation) to the profit on banking activity was at 34.99%, recoding the increase by 6.28 pp compared to 2013.



Operating costs of the Bank and depreciation (in PLNk)

The difference in the value of reserves and revaluation

In 2014, the difference in the value of reserves and their valuation amounted to 175,045 PLNk compared to 144,512 PLNk in 2013, which means the increase by 30,533 PLNk. The profit on revaluation write-offs grew by 21.13% compared to the previous year.



Difference of the value of reserves and revaluation (in PLNk)

With the dynamic growth of the value of new credits and the credit portfolio, the ratio of the costs of reserves to the generated profit on banking activity was maintained on the level similar to the one of the previous year.

	2014	2013	Change
Value of reserve revaluation** to the profit on banking activity	50.00%	54.00%	-4.00 pp.

Gross profit / loss

The above-mentioned changes that occurred in 2014 in the Profit and Loss Account, in particular the improvement of the ratio of costs to the profit on banking activity and the growth of the portfolio of the Bank's receivables, resulted in the achievement of the positive gross financial profit in the whole year amounting to 57,891 PLNk. The due tax totalled 13,340 PLNk in 2014.

5. OPERATIONS OF MERITUM BANK ICB S.A.

AREA OF RETAIL BANKING AND OFFERS FOR SMEs

The business of the Bank in the segment of enterprises is based on the credit offer dedicated to selected market niches, aimed at providing the comprehensive service and the diversification of sources of income. The leading segment in the Bank are micro enterprises that run the business activity as the self-employed, where the total incomes on sale do not exceed 4 PLNm per year. The Bank is developing its market position in the preferred segment, by offering credit products

that are aimed at fulfilling the main demand of the Clients from the segment of micro enterprises, namely financing the needs related to the business activity. The segment of small and medium enterprises (SMEs) is treated by the Bank as a supplementary area, where the Bank focuses on developing relationships with enterprises from the segment of micro businesses, whose needs with regard to banking products increase with the growing scale of their operations. SME clients are businesses that keep their accounts and generate the annual income on sales at the level from 4 to 25 PLNm.

The sale of banking products to individuals in 2014 encompassed credit products (cash and consolidation credits, instalment credits, credit cards and mortgage loans) as well as term deposits, checking accounts, saving accounts and participation units in investment funds (sold in combination with a term deposit).

CASH AND CONSOLIDATION CREDITS

In 2014, the Bank offered cash and consolidation loans via its own branches, franchise branches, Tesco Finance points, over the Internet as well as through the network of agents working under agency agreements made with the Bank.

As of the end of December 2014, the gross retail portfolio of cash and consolidation credits amounted to 1,801.8 PLNm. The new loans in 2014 amounted to 1,210.3 PLNm. Compared to the new loans in 2013 at 1,025.7 PLN, the sales increased by 18% in 2014. The main distribution channel of cash loans in 2014 were credit agents, whose share in all new loans was at 51%. The average credit term increased, due to the high share of consolidation loans that affected the high average amount of a loan (30.9 PLNk), which increased by 20% vs. 2013.

In 2014, due to the continued fall of NBP interest rates, the Bank adapted its price strategy successively. The limitations resulting from maximum rates (four-fold pawn rate) necessitated the transfer of the income burden from interest towards commissions. The average level of commission increased in 2014 compared to 2013 from 7.7% to 10.4% of the gross amount of credits. Changes in the price offer impact the segment of clients with the lowest risk profile most. As a consequence, the average weighted interest rate of cash and consolidation credits for new credits fell in 2014 from 14.5% in January to 11.1% in December. The average initial commission increased from 11.2% in January 2014 to 12.9% in December 2014.

INSTALMENT CREDITS

In 2014, the Bank continued the sales of instalment loans via the channel of agents and through individual agreements with large commercial chains and distribution companies. As of the end of 2014, the Bank worked with more than 11 thousand shops in Poland. Moreover, the Bank sold instalment loans via 13 large distributors and more than 167 agents. As of the end of December 2014, the portfolio of instalment loans totalled 174.945 PLNm gross, while new loans amounted to 208.9 PLNk.

CREDIT CARDS

In 2014, the Bank continued the sales of credit cards to its own credit customer base and to new customers via its own and franchise branches. However, the main distribution channel of credit cards remained Tesco hypermarkets, with their 71 points that offer financial products of the Bank, where Meritum Bank issues credit cards with the Tesco logo. The cards are connected with the Clubcard loyalty programme and offer a number of functions as a part of the close cooperation with the partner. As of the end of December 2014, the total number of issued credit cards exceeded 30 thousand, and the value of card debt equalled 35.9 PLNm.

SECURED LOANS

In 2014, the Bank continued the sales of mortgage loans and mortgage consolidation loans. The Bank focused on the sale of products via mortgage agents, whose customers feature a significantly lower credit risk, while real estates that constitute securities of loans have higher liquidity. Owing to the improved risk profile, the Bank offered an attractive price offer to this group of customers. This segment of customers constituted 74% of the sales in 2014. The product was appreciated again by financial experts, occupying top positions in rankings of financial comparison sites (including Open Finance, TotalMoney.pl, and Comperia.pl).

The product was offered also to selected clients via franchise branches and selected cash agents. In total, the new secured credits in 2014 amounted to 23.6 PLNm.

CREDITS AND LOANS FOR BUSINESS

In 2014, the Bank offered business credits and loans via its branches, franchise branches, and through financial agents collaborating with the Bank under agency agreements.

As of the end of December 2014, the gross credit and loan portfolio for business totalled 929.6 PLNm and was 13.88% higher than until December 2013, when the gross credit and loan portfolio for business amounted to 403.6 PLNm exclusive of renewed loans, and was higher by

2.4% y/y. The main distribution channel of credits and loans for business in 2014 were financial agents, whose share in total new credits amounted to 71%.

In the development of its offer of corporate credit products, the Bank focused mostly on the 'Business Loan', an unsecured cash loan dedicated to self-employed individuals, private partnerships, and farms. The Business Loan is granted for any purposes related to the conducted business / farming activity, exclusive of certain selected sectors that are exposed to a higher credit risk. Price conditions of a loan depend on its amount and a risk profile in which a Client has been classified by the Bank in his creditworthiness assessment. Moreover, in case of 'professionals', i.e. clients from privileged sectors performing 'public trust jobs', and Clients with lowest credit risk, the Bank has a dedicated loan offer that comes with a simplified sale process. The activity of the Bank in the area of crediting micro-businesses was possible owing to the consistently developed distribution network, its activation and changes introduced to loan terms and agreements, including:

- raising the maximum amount of a loan from 350 PLNk to 400 PLNk within the special offer for selected Professionals, i.e. doctors, dentists, vets, and owners of independent healthcare centres (NZOZ);
- extending the group of 'Professionals' with new sectors / jobs that feature the lower credit risk; and
- adapting further the price strategy of the 'Business Loan' product to the Client segment.

DEPOSITS AND ACCOUNTS FOR BUSINESS

In 2014, the Bank offered deposit products and accounts for businesses and other entities via its own branches, franchise branches, financial agents working with the Bank under agency agreements, and over the Internet.

As of the end of December 2014, the balance of deposits and funds collected on business accounts totalled 232.5 PLNm, including 93.2 PLNm of funds on accounts of enterprises, being 146% of the balance collected on accounts of enterprises as of the end of December 2013. In the analysed period, the Bank opened 5.3 thousand accounts for enterprises and other entities, and the number of accounts totalled 14 thousand as of the end of December 2014. Compared to the sale in 2013 at 4.5 thousand accounts, the sales were higher by more than 18% y/y.

While creating the offer of its products, the Bank focused on maintaining competitive costs of operating and serving a business account, free-of-charge online transfers, and the functional system of e-banking, where a single login gives an access to information on the business and individual account.

MARKETING AND PUBLIC RELATIONS

PUBLIC RELATIONS ACTIVITY

In 2014, the Bank was active in the corporate and product PR and expert positioning, to create the image of a stable and reliable financial entity.

Within corporate PR, a briefing was held for journalists in March 2014; moreover, press releases including financial results of the Bank are prepared every quarter.

Product PR was introduced through press releases, information on launching new products and changes to the present offer as well as the participation of the Bank in numerous rankings that assess the offer of financial products available on the market.

Positioning the experts of the Bank was aimed at providing media with original specialist analyses and comments on the current market situation.

PROMOTIONAL ACTIVITY

In 2014, the Bank focused its promotional activity on gaining funding (personal accounts and deposits) and on new credits (cash credits).

The support of personal accounts and deposits for individuals was provided for the whole year over the Internet channel, with a campaign on all main horizontal portals, in Internet search engines and on hundreds of websites of the so-called affiliation network. The promotion of personal accounts was reinforced with the television campaign in May and June. Commercials were broadcast by major national channels (TVP1, TVP2, TVN, Polsat) and in thematic channels.

As a part of supporting the sale of cash loans, the Bank commissioned a promotional lottery with awards for its clients. The lottery was held from mid-June to the end of August 2014. The second edition of the lottery began in December.

For the whole year, the Bank supported the sale of credits via the network of its own and partnership branches with the advertising activity, mostly in the local press and using external advertising carriers available in the neighbourhood of its branches.

IT SYSTEM AREA

CHANGES TO IT SYSTEMS

In 2014, the Bank continued the implementation of changes to its IT systems, in particular in the Consumer Finance products, saving products, and changes in e-banking and mobile banking systems.

The most important changes have been highlighted below:

CHANGES IN CREDIT PRODUCTS AND PROCESSES

In 2014, new products were launched, dedicated mostly to SMEs, including the new product for farmers-entrepreneurs for financing their business activity featuring a convenient process of its obtaining and serving. A new product 'Business Instalments' was introduced, addressed to institutional clients for the purchase of investment assets.

A number of improvements were made to the process of gaining financial data from customers who use the 'Business Loan' product, e.g. with the function to transfer such data directly by Accounting Firms. Other changes included the ones that facilitated the collection of data from the BIK Entrepreneur database for retail customers running a business activity and the standardization of collected information as well as the harmonization of rules followed to assess the creditworthiness and reliability for retail products and the 'Business Loan' for self-employed individuals.

In the processes that concern a cash loan, the differentiation of price parameters was introduced depending on the crediting period and the option to negotiate the commission by agents, and in card products the process of serving the increased amount of the agreement and the launch of the functionality that informs clients with a text on sending a bank statement to the e-mail address, which is particularly important for clients who use card products.

CHANGES IN THE AREA OF SAVING PRODUCTS

In cooperation with TFI funds, new deposit-investment products were prepared and made available to clients, which enabled to collect funds using their partial allocation to investment fund units.

MOBILE BANKING

Last year, the Bank introduced solutions for customers who use smart phones that facilitated the active use of a bank account using mobile devices (mobile phones and tablets). The application is available both to retail customers and businesses that use smart phones with Android or iOS operational programmes. The application offers a whole range of transactions that may be ordered via a phone. In addition to standard inter-bank, tax, and social insurance transfers, the functionality offers the purchase and sale of foreign currencies within the currency accounts of e-Kantor.

A retail customer and a self-employed entrepreneur may open an account with a mobile device alone. A client confirms one's identity with an e-transfer made from another bank. In this process, the Bank offers a possibility of using the OCR functionality. In the first step the client, instead of filling in a form, may take a photo of one's identity card with a phone, from which the system can read the data and complete the form by itself.

Moreover, the application enables the offline operation, i.e. when Internet is not available. A client receives a relevant notice of no access to the network; however, the application will keep operating. The balance of funds on accounts and the history of operations include the data since the last online synchronization, and the client may review one's finances freely.

The application may be activated on any mobile device. A client does not need to be limited to working with the application only with a smart phone, but may rather install the programme on several devices at the same time. The activation does not require the interaction of a user in the e-banking system – it is enough to enter a login and password for remote channels for the Bank to relate automatically the user, the application, and the mobile device used to activate the programme. During the activation, a client provides one's individual PIN number. In addition, authorizations of transactions in the application are protected with one-off text codes.

Mobile Meritum Bank uses the potential of smart phones to carry out financial operations. For example, an account number can be sent with a text or e-mail. Another function are so-called 'photo-transfers', where payment data are read from a photo of a transfer form or invoice. Owing to the geolocalization function, transactions conducted with the application may be shown on a map. The Mobile Meritum Bank system has also the 'Pay me' function. If a client of Meritum puts up a sum for one's friend during an outing together, e.g. at a cinema or restaurant, the 'Pay me' function will facilitate the settlement. The 'Pay me' option makes it possible to split an

account among individuals from a group and to send texts or e-mails including information on the amount to be reimbursed.

Customers of the Bank may use the System with voice commands and make transfers via Facebook or send funds without knowing the account of a receiver to a mobile phone number or e-mail address. Moreover, the Bank offers the PUSH notice function, used to present interesting limited offers to clients and to send information on changes in accounts (e.g. crediting an account) as well as safety messages (e.g. payments from an ATM or logging into remote channels). The client may define which information is to be received with this function.

Another technology implemented in the application is the voice recognition and synthesis. When analysing the needs of users in voice services, the most useful groups of commands have been classified and implemented effectively.

MODIFICATIONS IN THE MAIN BANKING SYSTEM AND OBLIGATORY REPORTING SYSTEMS

During 2014, optimization changes were made to the main banking system to facilitate its operation and to adapt it to serving larger volumes of data. In the area of obligatory reporting systems, the functionalities were added that adapted them to the CRD IV (ITS) reporting requirements.

CHANGES IN THE AREA OF BACK OFFICE

In the course of the year, a number of improvements were introduced into the post-sale service processes, including:

- changes to the service of documents transferred to external archives (including the registration and collection of documents);
- changes to the automatic assignment of issues to be served;
- raising the safety with external entities by implementing the control of subcontracted personnel;
- access to information on reserved accounts in the Bank Account Database; and
- the generator of letters for the Legal Collection Department.

AREA OF RENDERED IT SERVICES

During 2014, most parameters of rendered IT services were above the expected level.

AVAILABILITY OF IT SYSTEMS

Throughout 2014, the mid-year availability of the Bank's systems amounted to 99.97%, which was above the expected level (99.5%) and continued the growing trend of this value from previous years. For comparison, the mid-year availability of systems in 2013 was at 99.93% and in 2012 at 99.73%. The trend proves the growing maturity of applied IT solutions as well as the continuous improvement of the infrastructure service processes. The complete availability during the whole year of 2014 was recorded by 30 out of 40 applications that were used and monitored on the on-going basis.

EFFICIENCY OF IT SYSTEMS

In 2014, the infrastructure of production servers did not reveal any structural deficiencies of resources that might result in the reduced efficiency.

Last year, major optimization changes were made to the E-Banking System, in particular aimed at adapting it to the service of larger volumes as well as at improving the communication with customers. Moreover, the night synchronization processes, in particular of the Back Office system, were also improved.

In Q3 2014, the modification processes were implemented of resource management (the optimization of their use) by the all-bank Data Wholesale, which resulted both in the improved efficiency of user work and savings of outlays on the Bank's infrastructure.

IT SAFETY AREA

In 2014, the Bank again (like in previous years) did not record any major attempted break-ins or safety violations against the infrastructure of the Bank. The level of attempts at unauthorised access in this regard was on a constant level, not posing any hazards to the operating activity. Most attempted attacks were repeated and rather trivial attempts at interfering with the Bank's infrastructure, which were relatively easily detected by the protection layer equipment.

The major growth of hazard was recorded in the area of attacks against client's devices, including two dangerous infections of malware that replaced account numbers of a beneficiary. Therefore, the Bank introduced additional securities to be applied in applications with Internet access and carried out a campaign to make customers aware of the hazard.

REGULATORY CHANGES

In 2014, work continued on adapting the Bank to the requirements of the amended 'D' Recommendation concerning the management of the areas of IT and safety of the data transmission environment in banks. During the conducted Gap Analysis, 138 tasks were identified. The bank completed the work on the tasks as planned in August 2014. In November and December, the audit of the recommendation implementation efficiency was carried out, which proved that the implementation of changes was correct. Only some minor supplementations of conducted work and implemented processes were recommended.

ORGANIZATIONAL OPERATIONS

CHANGES TO THE STATUTE OF THE BANK

On 13 March 2014, the Management Board of the Bank, acting under the authorization to increase the initial capital within the target capital, carried a resolution to amend § 29 of the Statute of Meritum Bank ICB S.A. and a resolution to adopt the harmonised text of the Statute. The former resolution concerned the increase of the initial capital of the Bank from 369,341,580.00 PLN to 376,879,710.00 PLN by issuing 251,271 shares of 'Hh' series. The latter resolution concerned the increase of the initial capital in the Bank within the target capital from the amount of 376,879,710.00 PLN to 379,341,600.00 PLN by issuing 82,063 shares of 'Ii' series.

On 11 September 2014, FSA issued a decision No. DLB/DLB_WL1/700/10/3/2014/ŁK that gave consent to the amendments to the Statute of the Bank. The Management Board convened the Extraordinary Shareholders' Meeting to adopt the amendments to the Statute of the Bank. On 17 November 2014, the Shareholders' Meeting of the Bank was held, where Resolution No. 4 was carried concerning amendments to the Statute and Resolution No. 5 adopting the harmonised text of the Statute. The amendments to the Statute came into effect after their registration by the National Court Register.

The amendments that came into effect as of 19 January 2015, when they were entered into the Register of Entrepreneurs with the Decision of the National Court Register, were as follows:

1. The present content of § 6 of the Statute is revoked in whole and § 6 shall read as follows:

§ 6

(...)

The business of the Bank involves banking activities as well as other activities within the limits set forth in applicable laws.;

2. The present content of § 7(2)(10) of the Statute is revoked in whole and § 7(2)(10) shall read as follows:
„§ 7(2)(10)
(...)
10) accepting and transferring disposal and purchase orders of investment fund share units and investment certificates for the purpose of the Act on investment funds admitted to organised trading;’
3. The present content of § 7(2)(12) of the Statute shall be marked as § 7(2)(14) and § 7(2)(12) shall read as follows:
‘§ 7(2)(12)
(...)
12) rendering intermediary services in granting credits and loans;’
4. In the provisions of § 7(2) of the Statute the new sections 15) and 16) shall be added as follows:
‘§ 7(2)(15-16)
(...)
15) issuing payment instruments;
16) rendering services of a clearing agent for the purpose of the Act on payment services.’
5. The present content of § 7(2)(4) of the Statute is revoked in whole and § 7(2)(4) shall read as follows:
‘§ 7(2)(4)
(...)
4) making exchanges of liabilities into the assets of the debtor’s property on terms and conditions agreed with the debtor and in accordance with the rules given in the Act on Banking Law;’
6. The present content of § 16(5) of the Statute is revoked in whole and § 16(5) shall read as follows:
‘§ 16(5)
(...)
5. The Supervisory Board may also take resolutions by mail or with the means of remote communication. A resolution shall be valid if all the members of the Supervisory Board have been advised of a draft resolution and the majority of members of the Supervisory Board required in compliance with the provisions hereof vote in favour of the resolution.’
7. The present content of § 18(1)(12) of the Statute is revoked in whole and § 18(1)(12) shall read as follows:
„§ 18(1)(12)
(...)
12) giving consent to each and every expenditure of the Bank in excess of EUR 350,000.00 (three hundred and fifty thousand euros) or an equivalent to this amount; except for any expenditures provided for in the financial plan of the Bank and except for any liabilities incurred within the deposit activity of the Bank (including keeping checking-saving accounts, receiving payments for term deposits, keeping escrow accounts and keeping and receiving payments to similar deposit accounts), repo transactions and treasury transactions within the regular business of the Bank;’
8. The present content of § 23(2) of the Statute is revoked in whole and § 23(2) shall read as follows:

‘§ 23(2)

(...)

2. The President of the Management Board solely or two members of the Management Board jointly or a member of the Management Board with a proxy or attorney are authorised to submit declarations of intent on behalf of the Bank.’;

9. The present content of § 24(2) of the Statute is revoked in whole and § 24(2) shall read as follows:

‘§ 24(2)

(...)

2. As regards any businesses that do not require a decision to be taken jointly pursuant to § 23(1)(2), individual members of the Management Board shall run the business of the Bank according to the division of obligations set forth with a resolution of the Management Board. A Member of the Management Board appointed with consent of the Polish Financial Supervision Authority shall supervise the Risk Division.’;

10. The present content of § 28(2)(2) of the Statute is revoked in whole and § 28(2)(2) shall read as follows:

„§ 28(2)(2)

(...)

2) *additional items of the master funds:*

- a) general risk funds for the unidentified risk of banking activity, established with profit in the value determined by the Shareholders’ Meeting,*
- b) the undivided profit of previous years,*
- c) profit pending approval and the net profit of the current reporting period, calculated in line with the applicable accounting policy, minus any and all forecast encumbrances and dividends in amounts not higher than the amounts of profit verified by licensed auditors,*
- d) other items in the Balance Sheet of the Bank determined by the Financial Supervision Authority.’*

ORGANIZATIONAL ACTIVITY

As a consequence of development and extending the operating scale of the Bank, a number of changes were made to the organizational structure:

- I. Changes were made to the division of competences and supervision over organizational entities and units. As of the end of 2014, the organizational division was as follows:
 - The President of the Management Board supervises the Support Division, which includes: the Audit and Internal Control Department, the Personnel Department, the Compliance and Management Board Service Department, the Legal Department, the Promotion Office and H&S and Fire Team, as well as the IT Division, which includes: the Division Director, the IT Service Department, the IT System Development Department, the IT Solution Quality Assurance Department, and the System Safety Team as well as the Financial Market Division, which includes the Treasury Department.
 - The First Vice-President supervises the Commercial Division, including: the Business Banking Department, the Sales Development and Support Department, the Instalment

Credit Department, the Partnership Network Management Department, and the Insurance Office.

- The Vice-President of the Management Board supervises the Financial Division, which includes: the Accounting Department, the Planning and Analysis Department, the Project and Ownership Supervision Department, and the Operational Division, which includes: the Division Director, the New Credit Department, the Customer and Partner Service Department, the Clearing Operations Department, and the Organizational Process Development Office. Moreover, the Vice-President supervises the Risk Division, which comprises: the Commercial Credit Risk Management Department, the Risk Management System Office, the Retail Credit Risk Management Department, the Operational Risk and Abuse Control Office, the Fraud Prevention Office, the Planning and Reserve Manager and the Monitoring and Collection Department.
- The Member of the Supervisory Board supervises the Own Sales Division, which includes: the Sales Department, the Internet Banking Department, the Transaction and Deposit Product Department, and the Investment Product Department.

Since 19 February 2015, after the change of the composition of the Management Board in Meritum Bank, the following division of competences and supervision has applied: the President of the Management Board supervises the Support Division, the First-Vice President of the Management Board supervises the Commercial Division, the Own Sales Division and the Financial Market Division, the Vice-President of the Management Board supervises the Financial Division and the Operational Division. One of the members of the Management Board supervises the IT Division, and the other the Risk Division.

II. Moreover, the following changes were made to the organization of the Bank:

- In the Own Sales Division:
 - the Sales Department and the Investment Product Department were established;
 - the name of the Deposit and Investment Product Department was changed to the Transaction and Deposit Product Department;
 - the TESCO Project Management Unit was established in the Sales Department, which includes Regions and the Sales Support Team;
 - the TESCO Project Management Department was liquidated; and
 - the Branch Sales Unit was established in the Sales Department;
- In the Commercial Division:
 - the name of the Branch Banking and Enterprise Department was changed into Enterprise Banking Department;
 - in the Enterprise Banking Department, the name of the Brokerage Channel Sale Team was changed to the Sale Support Team;
 - the Instalment Credit Department was established;
 - the Instalment Sale Unit was liquidated in the Sale Development and Support Department;

- The Sale Support Team was transferred from the Enterprise Banking Department in the Commercial Division to the Sales Department in the Own Sales Division;
- The following organizational units were transferred; Regions and Branches, Offices – ‘Financial Service Centres’, Direct Sales Teams from the Enterprise Banking Department in the Commercial Division to the Branch Sales Unit in the Sales Department in the Own Sales Division;
- In the Support Division, the Promotional Office was renamed the Marketing Communication Department;
- In the Risk Division:
 - The Risk Management System Office was renamed the Planning, Reserve and Financial Risk Management Department and took over the tasks of the unit of the Planning and Reserve Manager;
 - The Commercial Credit Risk Management Department was renamed the Secured Credit Risk Management Department;
 - The Retail Credit Risk Management Department was renamed the Unsecured Credit Risk Management Department;
 - The name of the Risk Management System Office was changed to the Planning, Reserves and Financial Risk Management Department;
 - In the Planning, Reserves and Financial Risk Management Department, the Financial Risk Unit and the Planning and Reserve Unit were established, which took over the former tasks of the Planning and Reserve Manager Unit;
 - The Commercial Credit Risk Management Department was renamed the Secured Credit Risk Management Department;
 - In the Secured Credit Risk Management Department, the Credit Policy Unit and the Decision and Credit Risk Monitoring Unit were established;
 - The name of the Retail Credit Risk Management Department was changed to the Unsecured Credit Risk Management Department;
 - In the Unsecured Credit Risk Management Department, the Credit Policy – Retail Products Unit, the Credit Policy – Micro SME Product Unit, and the Decision System and Report Unit were established;
 - In the Secured Credit Risk Management Department, the Policy and Credit Risk Monitoring Unit was established;
 - The Credit Policy Unit and the Decision and Credit Risk Monitoring Unit were merged and introduced into the structure of the Policy and Credit Risk Monitoring Unit;
- The Internet Marketing Team was transferred from the Internet Banking Department in the Own Sales Division to the Marketing Communication Department;
- The Commercial Credit Analysis Unit was renamed the Analysis and Credit Decision Unit and was transferred from the Operational Division to the Risk Division, into the structure of the Secured Risk Management Department;
- In the Financial Division:
 - in the Planning and Analysis Department, the Cost Controlling and Project Management Office was established;

- in the Project and Ownership Supervision Department, the Administration and Security Unit was merged with the Real Estate Management Unit. The newly established unit was named the Real Estate Management and Administration Unit;
- In the Project and Ownership Supervision Department, the Procurement Policy and Commercial Negotiations Unit was established;
- In the Operational Division:
 - the organizational unit of New Credit Department was liquidated;
 - the Customer and Partner Service Department was renamed the Operational Centre Department;
 - the Credit Application Verification Unit was transferred to the Operational Department.

6. RISK MANAGEMENT

The main aim of risk management in the Bank is to guarantee the safety of funds deposited in the Bank and to obtain the stable growth of incomes.

Risk management in the Bank is effected with supervisory requirements and applicable bylaws approved by the Management Board.

OPERATIONAL RISK

In 2014, the Bank continued its adopted policy in operational risk management, without any major changes in its profile.

The Bank analyses in detail the causes of any operational incidents and losses as well as the levels of tolerance limits to operational risk. In 2014, the analysis was carried out and, as a consequence, the conducted revision of processes enabled to improve them and to raise the safety of their performance, in particular in respect of the cooperation with agents and in conducting transactions.

The Bank monitors the levels of KRIs (Key Risk Indicators) by assessing the causes of their changes and the impact of potential exceeding the alarm and threshold values on the Bank's exposure to operational risk. In 2014, the changes of KRIs levels had no impact on the increase of losses due to operational risk or the change of risk profile.

In the area of the business continuity management, a key role was played by the update of specific Business Continuity Plans for Critical and Key processes, based on the Business Continuity Strategy adopted by the Management Board for Meritum Bank ICB S.A. and testing

the adopted Business Continuity Plans. The next stage involved the preparation of the time schedule of works for 2015. In the last quarter of 2014, work was commenced that involved the repeated BIA analysis in all organizational units of the Bank; the received analysis will be used to carry out the revision of the list of Critical and Key processes.

CREDIT RISK

COMMERCIAL LOANS

In 2014, the Bank continued the process of developing tools that support credit risk management in the area of financing business activities of clients.

The Bank improved the efficiency of credit application verification processes and regularly optimised the credit policy, by developing the offer dedicated to clients from the best risk segments, including the ones operating in the so-called 'privileged sectors', thus limiting the offer to clients operating in other industries.

Moreover, in order to improve the portfolio quality, the Bank introduced a number of changes to the collection strategy, which resulted in the improved efficiency of operations and the higher recovery that limited the level of losses, including in particular the organization of the internal site collection process.

RETAIL CREDITS

In 2014, the Bank continued the development of the credit policy criteria through the regular analysis of their efficiency and adapting them to the macroeconomic situation and the regulatory environment. The optimization of the credit policy that involved, inter alia:

- limiting the sales of new credits to clients from segments of higher risk;
- ending cooperation with instalment counterparties whose goods were characterised by increased default ratios;
- introducing changes to the credit offer parameters for agents of increased risk;
- updating the value of household maintenance costs; and
- continuing the process of site verification of selected counterparties

made it possible to increase the share of clients with the best risk profile in new credits.

Simultaneously, the Bank developed the broad access to the databases of information, including business information agencies, which resulted in the cooperation with all such entities on the domestic market.

The new loan campaign is characterised by a stable level of the risk ratio, which is falling in a long term. Moreover, the Bank developed its operational processes related to collection and enforcement activities significantly. The regular monitoring of payment situations of clients allowed the adaptation of actions to their present economic and financial situation.

SECURED CREDITS

In 2014, the Bank implemented a number of changes to the credit policy in the area of secured risks in line with the requirements of the new S Recommendation.

Moreover, to raise the efficiency of secured credit risk management processes, the Bank changed the organizational structure, by centralising the service of such products, and optimised the processes of application assessment and value verification of accepted securities.

The systematic monitoring of the credit portfolio quality and the on-going changes to the credit policy as well as the implemented collection processes result in the maintenance of stable default ratios that fulfil the expectations.

FX RISK

The Bank keeps the exposure to FX risk on a low level, by maintaining a low FX position. Throughout 2014, no capital requirement occurred due to the FX risk. The Bank still did not grant any loans in or denominated in foreign currencies. The Bank does not intend to change its policy within FX risk in the near future.

INTEREST RATE RISK

The Bank continued the regular (weekly) measurements of funding cost. In 2014, this cost followed the market rates, by stabilising with low fluctuations during the year.

A positive interest rate gap is maintained resulting from financing credits of a variable interest rate with medium- and long-term deposits of a fixed rate. To limit the mismatch of interest rates, the Bank offered long-term deposits based on a variable interest rate (WIBOR). Moreover, it supported the increase of funds on checking and saving accounts, which also bear interest at a variable rate.

LIQUIDITY RISK

In 2014, the Bank focused on keeping a stable and diversified financing, whose dominant source was the retail deposit portfolio. The Bank kept the concentration of deposits on a low level consistently — the ‘TOP10’ ratio (the share of the ten largest depositories) during the year was maintained within the range 3%-6%. The percentage of deposits held by individuals, which is characterised by the highest stability, amounted to about 90% of the entire base.

The Bank supported the sale of mid- and long-term products. As a consequence, the medium period of a term deposit was about 7 months.

Throughout 2014, the short-term M1 and M2 measures and long-term M3 and M4 measures were above the limits.

7. HUMAN RESOURCE MANAGEMENT

HEADCOUNT

The headcount at Meritum Bank ICB S.A. as of 31 December 2014 amounted to 717.7 FTJs, with 734 employees. Compared to 2013, the headcount was lower by 1.61%.

The headcount by areas of employment:

	Persons	FTJs
Total	734	717.7
Head Office	650	633.83
Regions	14	13.87
Financial Service Centres	39	39
Branches	31	31

PERSONNEL TRAINING AND DEVELOPMENT

The development policy includes a number of trainings aimed at raising the qualifications of personnel. Employees had an opportunity to attend the following trainings:

- management staff development programme aimed at the enhancement of knowledge and skills in HR management;

- trainings for personnel of branches and partnership branches, which included: system training, product training, and sales techniques;
- internal trainings conducted by dedicated officers of the Bank as well as external trainers;
- external trainings carried out by consulting firms, including legal, financial, and IT issues; and
- language trainings for the personnel of the Bank within the 'Language Factory' project.

8. CORPORATE SOCIAL RESPONSIBILITY

WE SUPPORT STUDENTS AND GRADUATES

Meritum Bank helps in making first steps on a career path. We give a chance to gain experience, extend one's competences, and develop professional interests. Internships and placements at Meritum Bank gave students and graduates opportunities to become actively involved in interesting projects. Individual tasks were implemented by trainees under the supervision of a mentor. Owing to the properly selected tasks, trainees / apprentices at our Bank learnt the jobs not only in specific organizational units but in the whole organization as well. In 2014, we implemented the project of holiday placements and internships for students of TriCity universities.

EMPLOYEES AS VOLUNTEERS

In 2014, the staff of the Bank, in cooperation with the City Social Care Centres, supported the most underprivileged families in the TriCity within the project entitled 'Christmas Package'. The involvement and enthusiasm of our personnel made it possible to help numerous families in difficult situations.

9. CORPORATE GOVERNANCE DECLARATION

RULES AND SCOPE OF APPLYING CORPORATE GOVERNANCE

The Corporate Governance for supervised institutions was adopted at Meritum Bank ICB S.A. in the wording published on 22 July 2014 by the Financial Supervision Authority. The system of the Corporate Governance of Meritum Bank consists of bylaws in numerous operating areas of the Bank.

In line with applicable law, the Bank has the Statute that determines, inter alia, the internal organization of the Bank, its purpose and operating modes. The system of corporate governance at Meritum Bank comprises also regulations related to the activities of its authorities, i.e. the Supervisory Board and the Management Board. The Regulations of the Supervisory Board determine the organization and mode of taking actions by the Supervisory Board, including the mode of carrying resolutions. Moreover, the Regulations detail the provisions of the Code of Commercial Companies, other laws, and the Statute of the Bank. The Regulations of the Management Board are a document that organizes the operation and activities of this authority. The document governs, among other, the mode and scope of resolutions adopted by the Management Board and details the activities and functions of the Management Board Members. The Manual of preparing and flow of Executive Information in the Bank plays an important role for the proper operation of the corporate governance system in the Bank. As regards executive information, the organizational units of the Bank indicated in the Manual submit the required reports to the Supervisory Board and the Management Board.

Another element of the corporate governance system in the Bank is the Policy of Variable Remuneration Elements for Executive Officers. The scope of this regulation encompasses all persons in managerial positions in the Bank, if their impact on the risk profile is significant. The objective of the Policy is to support the efficient and proper management of the Bank rather than to encourage managers to take excessive risks above the risk appetite accepted by the Supervisory Board. Moreover, the Policy is designed to support the implementation of the Bank's operational strategy.

The bylaws of the Bank that provide corporate governance include also internal regulations related to the maintenance of proper relationships with affiliated entities and third parties. To provide the more efficient implementation of the rules of corporate governance in the above-mentioned area, the Bank has introduced instructions that set forth the mode and procedures for specific organizational units of the Bank when fulfilling the information obligations towards the Supervisory Board in the area of the Bank's operations as well as the procedures of obtaining consent of the Supervisory Board when conducting transactions and the regulations on the provision of information to the Supervisory Board and the shareholders of the Bank due to the Shareholders' Agreement of which the Bank is a party.

Moreover, in order to provide the due fulfilment of obligations of the Bank as the issuer of subordinated bonds, the Bank holds a manual that determines the procedure and rules for

organizational units when fulfilling the information obligation in the fulfilment of the provisions of the Regulations of the Alternative Trading System organised by BondSpot S.A. and GPW S.A., Bank's Dealership Agreement, and the provisions of the Regulation of the Minister of Finance of 19 February 2009 on on-going and periodic information provided by issuers of securities and terms and conditions of recognising as equivalent information required under the rules of law of a state other than a Member State.

The rules of corporate governance are included in the Non-Conformity Risk Management Policy, which determines the basic rules for personnel of Meritum Bank ICB S.A. and explains the key processes that identify the non-conformity risk and enable the management of this area on all organizational levels of the Bank. Within this regulation, the Bank keeps the policy of full compliance with law and the principles of integrity and business ethics in all areas of its operation. Owing to this approach, Meritum Bank is creating the reputation of an organization that acts honestly and in line with high standards, which supports the development of a high level of trust and loyalty among clients and counterparties.

There is also an adequate and efficient internal control system at Meritum Bank, aimed at providing the adequacy of administrative and accounting procedures as well as the compliance of operations with the rules of law and the supervisory recommendations and the rules of bylaws, taking into account the regulations concerning risk management. The regulations of the internal control system at the Bank are an element of the management process at the Bank and the aim of the internal control system is to improve the fulfilment of tasks and provide the safety and stability of the Bank's operations.

The Bank makes sure that its relationships with the shareholders and clients are good. To maintain such proper relationships, the Bank maintains the transparent Information Policy that determines the scope of information that has to be announced according to the regulations of the Act on banking law and the Rules of Corporate Governance for supervised institutions published by the Financial Supervision Authority. In this manner, the Bank fulfils its obligation to provide correct and complete information to the present and potential clients of the Bank. Another objective of the Information Policy of the Bank is to enable clients to verify the prices of products and services offered by the Bank against alternative solutions, including services of other banks, by publishing information on its products and services.

As a part of following the rules of corporate governance, the Bank publishes a list of information concerning its operations, including with regard to different corporate events and offered

products, for example in the system of Electronic Information Base (EBI) on the website of GPW Catalyst and the Bank's website. The Information Policy of the Bank, in addition to the scope of information to be announced, determines also the frequency of announcements that is adequate to the scale of the Bank's business, the form and place of announcement, the rules of approving and verifying announced information that is not covered by the audit of the financial statements by a licensed auditor and the rules of verifying the Policy.

Moreover, Meritum Bank ICB S.A. follows the rules of preventing conflicts of interest determined in the Policy of Counteracting Conflicts of Interest. The Policy sets forth the rules of preventing the conflicts of interest in the Bank, including with regard to rendering investment services as well as procedures in accepting and offering gifts by the personnel of the Bank. It also determines the rules that should be followed by the employees of the Bank when participating in sport, recreational and entertainment events as well as in trainings and conferences organised or sponsored by the Bank's Clients or Counterparties. The rules of the Policy apply also to services rendered by the employees of the Bank for its Clients or Counterparties. The Bank takes necessary steps to avoid any conflicts of interest in its business; if any conflicts of interest are identified, it manages them so as to minimise the risk of violating the interests of the Bank as well as its Clients and Counterparties.

SYSTEM OF INTERNAL CONTROL IN THE PROCESS OF PREPARING FINANCIAL STATEMENTS

Financial Statements are prepared in the Accounting Department in line with the Accounting Policy adopted by the Management Board in the wording enclosed to the Resolution No. 434/2013. The most important accounting principles have been described in the Financial Statements of Meritum Bank ICB S.A. prepared as of 31 December 2014. The books of account are kept according to the Chart of Accounts of Meritum Bank ICB S.A., which is administered by the Accounting Department.

The Accounting Department, which reports to the Vice-President of the Management Board, is responsible for preparing the financial statements and the regular financial reports. The regular financial reports are prepared in accordance with the Resolution of the Management Board No. 36/2012, which sets forth the rules and procedure of preparing the financial reports.

The underlying documents for preparing the Financial Statements are the correctly and reliably kept books of account. The Financial Statements are prepared as of the day of closing the books

of account after the introduction of the complete list of revisions approved by the Director of Accounting Department in consultation with other organizational units of the Bank.

The process of verifying the financial statements is subject to the functional and institutional controls, which are determined in the Regulations of Internal Control System at Meritum Bank ICB S.A. updated on 21 January 2014 with the Resolution No. 20/2014. The purpose of the controls is to provide the reliability of executive information and the financial reporting, to monitor the compliance with applicable rules of law and bylaws as well as to identify and assess the level of risk resulting from the business activity.

The functional control consists of the following elements:

- The preliminary control that involves the analysis of tasks / activities to be carried out in terms of their conformity to applicable bylaws before one starts to carry them out;
- The on-going control that consists in testing the purpose, correctness, and completeness of conducted tasks during their performance in compliance with applicable regulations;
- The follow-up control that encompasses control activities taken upon completing an operation. The follow-up control involves the verification of correctness and completeness of completed tasks and the security level of assets and property of the Bank. The follow-up control is also aimed at proving the existence and correctness of the preliminary and on-going controls.

The key risks and control mechanisms of the financial statements preparation process are also subject to the independent institutional control exercised by the Audit and Internal Control Department. Monitoring the efficiency of the control system involves the regular tests, assessments, and improvements of existing internal control mechanisms. In case of any recognised non-conformities, remedial plans are created aimed at limiting the recognised risks and improving the efficiency of the control environment operation.

The annual and mid-year financial statements are subject to tests and revisions carried out by the licensed auditor selected by the Supervisory Board. The auditor authorised to audit and revise the financial statements of the Bank in 2014 was Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.

The independent external auditor verifies the content of the annual and mid-year financial statements. The annual audit involves the verification of the correctness of preparing the

statements and the assessment of the control environment of key processes related to their preparation.

The Management Board submits the analysed and adopted annual financial statements together with the opinion of the licensed auditor and the management report on the operations of the Bank to the Supervisory Board and the shareholders in compliance with the regulations of the Code of Commercial Companies and the provisions of the Statute.

SHAREHOLDERS – MAJOR SHARE PACKAGES

Pursuant to the Register of Shares of Meritum Bank ICB S.A. as of 31 December 2014, the shareholders with more than 5% shares in the share capital were as follows: Innova Financial Holdings S.a.r.l, its consultant being Innova Capital, the European Bank for Reconstruction and Development, and WCP COOPERATIEF U.A. (a branch of the private fund Wolfensohn Capital Partners).

<i>Shareholder</i>	<i>Number of shares</i>	<i>Value of shares in PLN</i>	<i>Share at AGM in %</i>
<i>INNOVA FINANCIAL HOLDING S.a.r.l</i>	6,307,389	189,222	46.99%
<i>European Bank for Reconstruction and Development</i>	3,026,886	90,807	23.90%
<i>WCP Cooperatief U.A.</i>	3,048,471	91,454	24.07%

Innova Capital

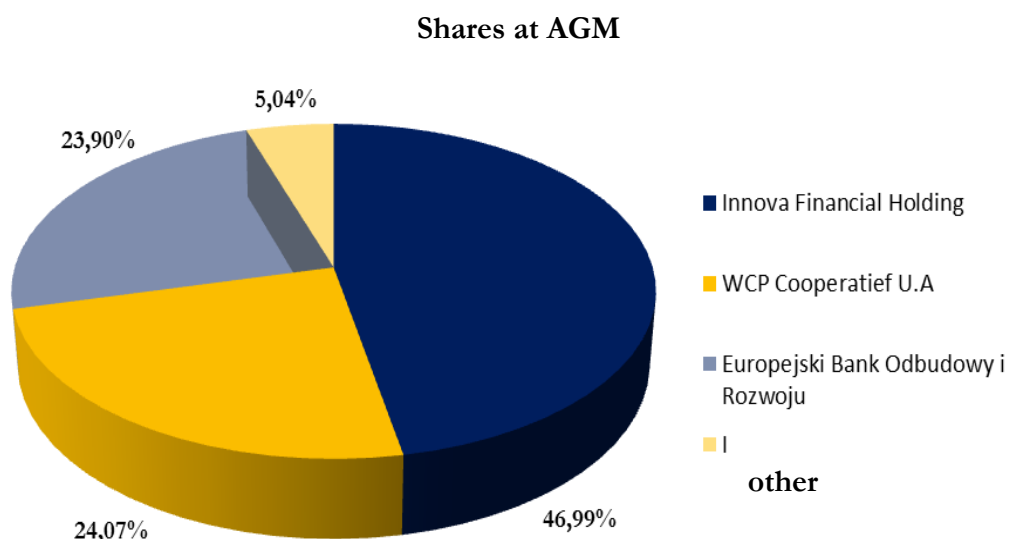
is among the first and most active private equity companies in the Central Europe. During 17 years of its operation, the Company has completed 40 investment projects, mostly in the manufacturing, telecommunication, business services, financial services, and media industries, of the total value of about 0.5 billion euros. Innova Capital manages five investment funds, with total capitals of almost 900 million euros. Investors in Innova include reputable institutions from the Western Europe and the United States. The team of the Company is made of managers with long international experience in consulting, management, and investment banking, which contributes to the growing goodwill of companies in which Innova Capital invests. Examples of such businesses include Euronet, Polcard and Dom Finansowy QS. The portfolio of Innova Capital includes Expander, GTS, Marmite, Libet, La Fantana, and Donako.

European Bank for Reconstruction and Development

is one of the largest financial investors in the region. Members of this international institution include 61 states and two inter-governmental institutions. It supports the development of market economies and democracies in the Central and Eastern Europe as well as the banking sector in counteracting the effects of the financial crisis. The rule followed by EBRD is to promote the sustainable development of the private sector with respect for the natural environment and cultural heritage. The total liabilities of the Bank in Poland amount to almost 5 billion euros.

Wolfensohn Capital Partners

is a private investment fund specialising in capital investments on emerging markets, especially in the financial service sector. The fund is managed by James D. Wolfensohn, the former long President of the World Bank and an experienced investment banker.



On 20 October 2014, the preliminary Share Purchase Agreement was made concerning the shares in the Bank. The transaction involved the purchase of 12,382,746 shares in Meritum Bank that constitute 97.9% initial capital in the Bank and represent 95% total number of votes at the AGM of the Bank by Alior Bank S.A. from Innova Financial Holding S.à.r.l., WCP Cooperatief U.A. and the European Bank for Reconstruction and Development.

The implementation of the preliminary SPA depended on the fulfilment of conditions precedent, which included obtaining consent from the Office of Competition and Consumer Protection and

a decision of the Financial Supervision Authority on no grounds to raise an objection to the purchase of shares in Meritum Bank by Alior Bank. The transaction was closed on 19 February 2015.

Alior Bank S.A.

The Bank started its operation in November 2008 as a bank of new type, combining the principles of traditional banking with innovative solutions and products. In December 2012, Alior Bank had its IPO at the Warsaw Stock Exchange, by conducting the largest public offering of a private company in the history of GPW of the total value of 2.1 PLNb. Since March 2014, the shares of Alior Bank have been a part of the WIG20 index, which includes twenty largest and most liquid companies listed on the Warsaw Exchange.

SHARE CONTROL AUTHORITIES

Pursuant to the Statute of the Bank, shares of ‘A-L’ shares are preferential with regard to votes, namely every share is entitled to five votes at the Annual General Meeting, while every share in the Bank from series M to series P is entitled to two votes at the Annual General Meeting.

RULES OF APPOINTING AND DISMISSING MEMBERS OF THE MANAGEMENT BOARD

The Supervisory Board appoints, dismisses or changes positions of the Management Board members and makes contracts of employment with them.

A mandate of the Management Board member expires at the latest on the day of holding the shareholders’ meeting that approves the financial statements for the last full financial year of serving as the Management Board member as well as due to death, resignation or dismissing the member from the Management Board. If a member of the Management Board resigns, his mandate expires on the date of submitting a resignation to the Bank and in the event of dismissing from the Management Board composition, on the day indicated in the resolution.

RULES OF AMENDING THE STATUTE OF THE BANK

A resolution of the Shareholders’ Meeting and an entry in the National Court Register are required for an amendment to the Statute of the Bank.

Amendments to the Statute of the Bank require a permit of the Financial Supervision Authority if they concern:

- the firm,
- the registered office, the business or scope of the Bank's activity,
- the authorities and their competences,
- the rules of the internal control system, and
- equity and rules of financial management.

PROCEDURES AND AUTHORITIES OF THE SHAREHOLDERS' MEETING

The Shareholders' Meetings are convened as ordinary or extraordinary meetings by the Management Board. The Ordinary Shareholders' Meeting should be held within six months of the end of every financial year. The Supervisory Board is entitled to convene the Ordinary Shareholders' Meeting, if the Management Board fails to do so by the deadline set in section 2 and the Extraordinary Shareholders' Meeting, if it deems so advisable.

The shareholders representing minimum half of the authorised capital or minimum half of all votes in the Bank may convene the Extraordinary Shareholders' Meeting. A shareholder(s) representing minimum one-twentieth of the initial capital may require the Extraordinary Shareholders' Meeting to be convened and specific matters to be included in the agenda of the next Shareholders' Meeting. The request should be submitted to the Management Board in writing or by e-mail.

The Shareholders' Meeting is held at the registered office of the Bank or in another location in the territory of the Republic of Poland.

Any businesses introduced by the Management Board into the agenda of the Shareholders' Meeting should be submitted to the Supervisory Board in advance.

If the Management Board receives from the shareholders representing at least the twentieth part of the authorised capital a request for including a business into the agenda of the Shareholders' Meeting, the Management Board should submit it to the Shareholders' Meeting. Provisions of Item 1 apply accordingly.

The agenda of the Shareholders' Meeting is to be determined by the authority (the Management Board or the Supervisory Board) or a person who convenes the Shareholders' Meeting.

The Shareholders' Meeting is opened by the Chairman or Vice-Chairman of the Supervisory Board. If neither of them can open the Shareholders' Meeting, the Meeting is opened by a

member of the Supervisory Board or a shareholder representing the highest number of votes at the Meeting. Next, the shareholders appoint the Chairman of the Shareholders' Meeting.

Subject to any provisions specified in the Code of Commercial Companies and this Statute, the Shareholders' Meeting is capable of taking a resolution if the shares authorised to at least 51% (fifty-one per cent) of the total number of votes are represented.

Unless the Code of Commercial Companies or the Statute provide for otherwise, resolutions are taken with an absolute majority of votes.

As regards businesses mentioned in § 10(1)(5) of the Statute, resolutions are taken with the minimum three-fourth majority.

As regards businesses mentioned in: (i) § 10(1)(3) of the Statute concerning the payment of dividend to the shareholders above 50% (fifty per cent) of net profit for the previous financial year, (ii) § 10(1)(11) of the Statute concerning any issues other than resulting from the necessity to adapt the provisions of the Statute to the applicable rules of law or the recommendations of the Polish Financial Supervision Authority, the National Bank of Poland or any other banking supervision authorities, (iii) § 10(1)(12-17) of the Statute and (iv) concerning any businesses submitted to the Shareholders' Meeting by the Supervisory Board pursuant to the provisions of § 17(4) of the Statute, resolutions shall be adopted with votes in favour given by the shareholders holding in total minimum 90% (ninety per cent) of the total number of votes.

Voting is public.

Secret voting is held for the appointment or motions for the dismissal of members of the Supervisory Board of the Bank or liquidators, for making them liable, as well as for any personal issues or in other cases mentioned in the Code of Commercial Companies. Moreover, secret voting should be ordered upon request of even one shareholder, who is either present or represented at the Shareholders' Meeting

MANAGEMENT BOARD PROCEDURES

The Management Board of the Bank comprises from 3 (three) to 7 (seven) members appointed for the common five-year term of office.

The Management Board of the Bank runs the business of the Bank and represents the Bank, taking resolutions and other relevant material and legal actions. In particular, the Bank:

- pursues the policy of the Bank and manages all its operations, including by adopting the business plan of the Bank,
- jointly, with resolutions, takes decisions that concern the matters listed in the Statute of the Bank;
- carries out the review of the capital estimation process at least once a year,
- provides the suitable organization of the management process, including of all types of risks (including the risk of liquidity, operational risk, non-compliance risk and other risks that are considered to be material for the Bank's business), in particular by setting the level of acceptable risk, the methods of risk management, setting the obligations of individual process participants and determining the rules that identify the risk measurement and control, and
- gives the powers of proxy and appoints attorneys.

The President of the Management Board solely or two members of the Management Board jointly or a member of the Management Board with a proxy are authorised to submit declarations of intent on behalf of the Bank. Attorneys may be appointed in the Bank to act within their authorization. A power of proxy may be revoked by every member of the Management Board acting solely.

The Management Board keeps a Share Register and is authorised to issue shares to their owners as well as copies of shares, having received an application from a shareholder and the notice of their loss. With regard to any redemption and issue of share copies an announcement on the destruction or loss of shares is to be published in *Monitor Sądowy i Gospodarczy*. The announcement should set a minimum term of at least 14 days for filing any objections or submission of the lost shares.

Decisions on taking on liabilities or disposing of assets of the total value per a single entity in excess of 5% of equity within the term financial operations, and deposit operations on the inter-banking market or taking on collateral loans are taken within the competences of individual members of the Management Board.

CHANGES TO THE MANAGEMENT BOARD IN 2014

In 2014, there were no changes to the composition of the Management Board in Meritum Bank.

On 19 February 2015, the Supervisory Board dismissed the following persons from the Management Board of Meritum Bank ICB S.A.: Mr Piotr Urbańczyk – Vice-President of the Management Board, Mr Bartosz Chytła – Member of the Management Board, Ms Agnieszka Porebska-Kość – Member of the Management Board and appointed the following persons to be members of the Management Board in Meritum Bank ICB S.A.: Ms Hanna Wangler, Ms Grażyna Musiatowicz-Podbiał, and delegated the Members of the Supervisory Board to act temporarily as Members of the Management Board in Meritum Bank ICB S.A.: Mr Witold Skrok and Mr Krzysztof Czuba.

PROFILES OF MANAGEMENT BOARD MEMBERS (as of 31 December 2014)

Bartosz Chytła – acting President of the Management Board

He has worked in the banking sector since 1996. He started his professional career in Pierwszy Polsko-Amerykański Bank. After 2004, he was the Vice-President in Fortis Bank, where he was responsible for the segments of retail banking and SMEs. He created and implemented the growth strategy in these areas. In 2008, as the Member of the Management Board in DnB Nord, he was in charge of retail banking. From 2009 to 2012, he served as the President of DnB NORD Polska, where he carried out the comprehensive restructuring of the bank that resulted in the growth of its profits. In 2009-2011, he was a member of the Management Committee in DNB Nord. In 2012, he became the Vice-President of Getin Holding. From 1 October 2013 to 19 February 2015, Mr Chytła was an acting President of the Management Board responsible for the Support Division, the IT Division, and the Financial Market Division.

Joanna Krzyżanowska – First Vice-President of the Management Board

Joanna Krzyżanowska has worked in the banking sector since 1995. She was responsible for the development and implementation of GE Money strategy on the Polish market for 12 years. She managed the development of consumer credits and created a highly effective, specialized structure of car and cash loans, followed by instalment loans. In 2000, Ms Krzyżanowska was delegated to supervise the development and implementation of the credit cards strategy on the Polish market. Since 2005, she was responsible also for the development of mortgages and repositioning the Bank under the new name, GE Money. Ms Krzyżanowska created a

management model of combined sales and marketing functions unique for GE Money, implemented next in 50 countries. She initiated the development of the GE Money Bank branches network in Poland. Since 2008, Ms Krzyżanowska has been overseeing the development of the business and distribution channels of Meritum Bank as its First Vice-President.

Piotr Urbańczyk – Vice-President of the Management Board

Piotr Urbańczyk has been involved in banking since 1992. After graduating, he started his first job in Bank Zachodni (presently BZ WBK), where Mr Urbańczyk worked for 6 years, including 4 years as the Treasury Director. In 1998, he accepted the challenge of creating the structures of a new bank – Lukas Bank, where he was responsible for the area of finance in the Management Board. In 2002, he started to work on another new banking project – Dominet Bank, with the responsibility for the areas of finance, accounting, reporting and financial markets. From 2007 to Q1 2009, he worked for the Fortis Financial Group (the buyer of Dominet Bank). From 5 May 2009, Mr Urbańczyk was the Vice-President of the Management Board in Meritum Bank in charge of its Finance Division. In the period from 25 January 2011 to 30 September 2013, he worked as the President of Meritum Bank. From 1 October 2013 to 19 February 2015, he was the Vice-President of the Management Board and was responsible for the Financial Division, the Operational Division, and the Risk Division.

Agnieszka Porębska-Kość (formerly Burczyn) – Member of the Management Board

Ms Agnieszka Porębska-Kość has worked in the banking sector since 1996. She started her professional career in Pierwszy Polsko-Amerykański Bank. She was involved in Fortis Bank after 2000, where she was responsible for the management and development of retail banking and SMEs. In August 2008, she started to work for Bank DnB NORD, where she was in charge of developing the retail and SME banking. She created the strategy and financial plan of the Bank in these areas. From February 2010 to May 2012, she served in the Management Board, being responsible for retail and SME banking in the areas of development and sales. From January to August 2013, she worked for Idea Expert, initially as the consultant of the Management Board and next as the Vice-President, in charge of the sales in retail, car, mortgage, and SME credits. From 5 December 2013 to 19 February 2015, she acted as the Management Board Member and was responsible for the Own Sales Division.

PROFILES OF MANAGEMENT BOARD MEMBERS (as of 19 February 2015)

Krzysztof Czuba – acting President of the Management Board

In 1994-2007, Mr Czuba worked for Bank BPH S.A. as the Branch director, Macro-Region Director, and next as the Executive Director in charge of the Area of Sales and Distribution in the Retail Banking Division. He was involved in the strategic projects of the Bank during the merger with PBK and after its acquisition by HVB and Unicredit. At that time, he gained considerable experience in the decentralization of operation, creating and implementing new segmentations of customers and the reorganizations and mergers of banks. He is the co-author of the concept and strategy of Alior Bank. After the beginning of the operational activity by the Bank in 2008, he managed the Retail Banking Division. Since 2009, he acted as the Vice-President of the Management Board in Alior Bank. At present, he is in charge of the Business Division, i.e. the whole sales area in Alior Bank that includes the segments of retail and business clients. Moreover, he is responsible for the Private Banking, the Brokerage House, and the Treasury Department.

He created the fourth largest banking distribution network on the Polish market from the ground up, which consists of own and franchise branches and agents. He played a key role in creating and implementing the strategic projects of Alior Bank, including the modern network of mini-branches Alior Bank Express and Alior Sync, a virtual bank, whose innovative solutions were recognised both in Poland and abroad. He graduated from the Cracow University of Economics majoring in organization and management. Moreover, he completed a number of international specialist courses in management, including the General Management Program in Germany and the Professional Banking Cyber School in Switzerland.

Joanna Krzyżanowska – First Vice-President of the Management Board

See the profile above.

Witold Skrok – acting Vice-President of the Management Board

In 1991–2000, he worked in the Department of Financial Policy and Analysis at the Ministry of Finance and after 2001 in Bank BPH S.A., where he initially took the position of the Controlling Department Director. Next, in 2004-2006, he managed the Reporting and Executive Information Department. In 2006-2008, he was the Executive Director with the CFO function. In that period, he also served in the Supervisory Board of Górnośląski Bank Gospodarczy S.A. and collaborated

Meritum Bank ICB S.A.

Management Report of Meritum Bank ICB S.A. for 2014

with Centrum Analiz Społeczno-Ekonomicznych (CASE). He has been involved in the project of creating Alior Bank since its very beginning. In 2008-2011, he was the Director of the Finance Area and since 2011 he has worked as the Vice-President of the Management Board and CFO in charge of supervising the work of the units in the Finance Area within developing budgets, the strategy of organization development, creating reports, analyses and forecasts required for executive needs of the Bank, and for providing information required by external institutions. He is a graduate of the Warsaw School of Economics and has completed numerous courses and trainings in banking, finance, and taxes, including the Visiting Program Partners and Financial Programming and Policy at the IMF Institute, Washington.

Hanna Wangler – Member of the Management Board

She has worked in the banking sector for 17 years. In 2001-2005, she was the Risk Management Officer and the Retail Portfolio Management Director at GE Money Bank S.A. in 2005-2010. Her duties included the management of the credit portfolio quality at the Bank and ensuring the conformity of the credit policy with the internal requirements of the Bank and external regulations. In 2010-2013, Ms Wangler was the Executive Director of the Retail Customer and Micro-SME Risk Management Department at Bank BPH S.A. She has managed the Risk Division at Meritum Bank ICB S.A. for almost two years, being responsible for creating the risk strategy and the risk function management (including the supervision over the credit, operational, and market risk management) and the credit policy of the Bank. Ms Wangler graduated from the Gdansk University and completed great many professional courses in risk management in Poland and abroad.

Grażyna Musiatowicz-Podbiał

Grażyna Musiatowicz-Podbiał has managed IT teams for more than a dozen years. She has been involved in the banking sector since 2000. Until 2005, she worked as the IT System Development Department Director and the E-Banking Department Director at Nordea Bank Polska S.A. She was in charge of implementing the e-banking system and the development of the retail and corporate banking systems. During the merger of Nordea Bank Polska S.A. and LG Petro Bank SA, she successfully implemented IT projects aimed at integrating the systems of both institutions and their further development in the structures of the merged bank. In 2005, she joined the team of GE Money Bank SA; in the position of the System Development Department she was responsible for the development and stable operation of the provided IT solutions and the strategy of their growth. Since 2008, she has been in charge of the IT Division at Meritum

Bank ICB S.A. Her duties include the development and implementation of the development strategy of the Bank, preparing business plans and budgets including the method of their performance as well as defining and implementing the development strategy of the data transmission system architecture. She graduated from the Gdansk University and the Nicolaus Copernicus University in Torun. She holds PhD in economics, majoring in economic information, and the Master of Business Administration.

SUPERVISORY BOARD PROCEDURES

The Supervisory Board comprises 7 members who are appointed by the Shareholders' Meeting for the 5-year joint term.

In addition to any rights and obligations specified in the rules of law, the competences of the Supervisory Board include in particular:

- on-going supervision of the Bank's activity, including the supervision of the introduction of the management system and the assessment of adequacy and efficiency of the system;
- assessing the reports of the Management Board on the operation of the Bank and the financial statements for the previous year in terms of their compliance with books and documents as well as the actual status, assessing the motions of the Management Board concerning the distribution of profit or covering losses as well as submitting a report to the Shareholders' Meeting on the conducted assessment;
- analysing information from the Management Board on the operation and results of credit and deposit activity as well as the interest rate policy and the application of prudence principles in the Bank's operation;
- determining the terms and conditions of granting credits, cash loans, bank guarantees and guarantees to the members of the Bank's authorities and other persons set forth in the act on banking law;
- approving written internal control procedures and analysing annual reports of the Bank on the internal control in the Bank;
- approving the strategy and the annual financial plans of the Bank;

- approving the information policy of the Bank;
- approving the principles of the Bank's policy within the complete system of risk management in the Bank;
- approving the procedures concerning the processes of internal capital estimation, capital management and capital planning;
- establishing and closing branches, agencies and other organizational entities of the Bank that draw up their balance sheets, either in Poland or abroad;
- appointing, dismissing or changing positions of members of the Management Board, including the Vice-President of the Management Board in charge of marketing, the Vice-President of the Management Board in charge of finance, the member of the Management Board responsible for risk management or a member of the Management Board in charge of IT and suspending members of the Management Board;
- concluding and amending employment agreements with members of the Management Board;
- approving and making significant changes to the Bank's business plan;
- giving consent to the modifications of the accounting policy and rules, except for changes resulting from the necessity to adapt the accounting policy and rules to the requirements of applicable rules of law or other regulations that concern accounting policy;
- giving consent to the purchase or acquisition by the Bank of shares or stocks in other entities and to the procurement of an enterprise or its organised part;
- giving consent to establishing a subsidiary by the Bank, to the participation of the Bank in a joint venture or to financing of the Bank's subsidiary or joint venture by the Bank;
- giving consent to the disposal, lease or rental of any of the Bank's assets of the value exceeding 10% of the authorised capital of the Bank.

CHANGES TO THE SUPERVISORY BOARD IN 2014

On 8 September 2014, Ms Magdalena Magnuszewska resigned from the membership in the Supervisory Board in Meritum Bank ICB S.A., effective as of 29 September 2014.

On 19 September 2014, Mr Łukasz Doktor resigned from the membership in the Supervisory Board in Meritum Bank ICB S.A., effective as of 29 September 2014.

On 29 September 2014, the Extraordinary Shareholders' Meeting of Meritum Bank ICB S.A. appointed Mr Marcin Drozdowski and Mr Mirosław Gronicki to act as members of the Supervisory Board of Meritum Bank ICB S.A.

On 17 November 2014, Mr Mirosław Gronicki resigned from the Supervisory Board in Meritum Bank ICB S.A.

On 17 November 2014, the Extraordinary Shareholders' Meeting of Meritum Bank ICB S.A. carried a resolution to appoint Mr Witold Skrok the member of the Supervisory Board in Meritum Bank ICB S.A.

The resignation of Mr Mirosław Gronicki and the appointment of Mr Witold Skrok took place on the condition of and upon carrying resolution No. 3/2014 by the Extraordinary Shareholders' Meeting of Alior Bank S.A. convened on 2 December 2014 with the current report No. 63/2014 concerning the conditional increase of the initial capital in Alior Bank S.A. with the issue of ordinary bearer shares of H series with the simultaneous waiver of the acquisition right of the present shareholders of Alior Bank S.A. in whole, the issue of subscription warrants of D series with the simultaneous waiver of the acquisition right of the present shareholders of Alior Bank S.A., and the amendments to the statute of Alior Bank S.A.

The above-mentioned condition was fulfilled on 2 December 2014.

Mr Krzysztof Kulig, Mr Steven J. Buckley, Mr Marcin Drozdowski, Mr Grzegorz Waluszewski, Mr Peter Franklin and Mr Asad Naqvi resigned from the Supervisory Board of Meritum Bank ICB S.A. on 3 February 2015. The Extraordinary Shareholders' Meeting carried a resolution to appoint into the Supervisory Board Mr Wojciech Sobieraj, Mr Witold Skrok, Mr Krzysztof Czuba, Mr Sławomir Tomkiewicz, Mr Henryk Baniowski, Ms Małgorzata Iwanicz-Drozdowska, and Mr Marek Michalski and a resolution on electing Mr Wojciech Sobieraj the Chairman of the Supervisory Board. The appointment of Mr Wojciech Sobieraj, Mr Krzysztof Czuba, Mr Witold Skrok, Mr Sławomir Tomkiewicz, Ms Małgorzata Iwanicz-Drozdowska, Mr Marek Michalski and Mr Henryk Baniowski came into effect on the condition of purchasing 12,382,746 shares of Meritum Bank ("Transaction Closing") by Alior Bank S.A. with its registered office in Warsaw, effective as of closing the transaction. The Transaction Closing took place on 19 February 2015.

PROFILES OF SUPERVISORY BOARD MEMBERS (as of 31 December 2014)

Krzysztof Kulig – Chairman of the Supervisory Board

He joined Innova Capital in 2001. He was the co-author of the investments in BWE, Expander Advisors Sp. z o.o., Polcard S. A. and Dom Finansowy QS. At present, he serves in the Supervisory Board in Meritum Bank S.A. (BWE) and Expander Advisors Sp. z o.o. He is responsible for developing investments in services for entrepreneurs, in particular financial services. Mr Kulig is also in charge of recruitment. Before joining Innova Capital, he worked for Heidrick & Struggles, where he was the Chief Consultant and Manager for Professional Services and E-Business. Mr Krzysztof Kulig gained extensive experience during five years in the position of the Executive Director and the Vice-President of the Polish branch of Euronet Worldwide.

Steven J. Buckley – Member of the Supervisory Board

In 1980-81, he was the Personnel Consultant for Information Consultation and in 1983-1985 the Vice-President of the American Commission for Consumer Product Safety. After 1986, he worked for Booz Allen & Hamilton, as the Partner and Senior Partner, and for Black Forest Investments. In 1986-1990, Mr Buckley was involved in Bain & Company, an international consulting firm specialising in management. In 1990-1994, he worked as the Specialist-Consultant for Company Assistance Limited (Dublin, Ireland). Since 1994, he has been the President of Poland Partners Management Company, which manages the investment fund of 63.5 PLNm, looking for private equity investments in Poland. He manages the operations of Poland Partners in Poland. At present, he is the Co-Founder and Executive Partner in Innova Capital, responsible for investments in Euronet, PolCard, Orange Slovensko, and Orange Romania. He focuses on developing the investment opportunities in financial services, telecommunication businesses and media in the region of the Central and Eastern Europe.

Grzegorz Waluszewski – Member of the Supervisory Board

In 1991-1999, Mr Waluszewski was the co-owner of BIG Autohandel, the largest Ford dealer in Poland. Since 1991, Mr Waluszewski was involved (as the owner or co-owner) in entities operating on the financial, real estate, factoring and insurance markets, including BIK Brokers Sp. z o.o., BIK Serwis Sp. z o.o., and GJ Investment Sp. z o.o. He has been the Chairman of Supervisory Boards in: Futura Leasing SA (since 1995) (also a shareholder), Prime Car Management S.A. (also a shareholder) and since 2010 in Masterlease Sp. z o.o. (entities operating

under the name: Masterlease Polska). Since 2006, he has served as the Vice-Chairman of the Supervisory Board in Cross Finance Sp. z o.o. He has worked as the Member of the Supervisory Board in Meritum Bank ICB SA since 2011. He is a member of Lions Club and Past President LC Gedania, the member of the Round Table 4 Sopot and Past President RT Poland, the Chairman of the Polish Association of Authorised Ford Dealers, the representative in the European authorities and consultant of the CEO of Ford Europe for Central and Eastern Europe (since 1999), the Member of the Association of Theatrum Gedanense, the Member of the Gdansk Business Club, and the Member of the American Chamber of Commerce in Poland.

Peter Franklin – Member of the Supervisory Board

He started his professional career in HSBC, London, Malaysia, and Hong Kong (1975-1978). In 1979-1986, he worked for The Chase Manhattan Bank, London and Hong Kong, where he served in different positions related to credit analyses, credit markets, and capital markets. In 1987-1992, he was employed by ANZ Bank, Hong Kong, where he was responsible for making credit contracts, sales, and commerce. In 1992-2009, he was involved in the General Electric/ GE Capital Group. In 2000-2002, he worked as the CFO for GE Real Estate Europe, Paris. He was also the CFO at GE Consumer Finance Europe, Dublin (2000-2002) and the Treasurer at GE Capital Asia Pacific, Hong Kong and Singapore (1992-2000), responsible for financial management and the balance sheets in the operations of GE Capital in the whole Asia. In 2006-2008, he was the CFO at GE Corporate Financial Services. In 2008-2009, he worked as the CFO for GE Money, CEE, Paris (2008-2009). He also served in the supervisory boards of GE Capital banks in Poland (Chairman), Hungary and the Czech Republic. At present, he is the non-executive Director appointed by the European Bank for Reconstruction and Development at Banca Transilvania (Romania) and Meritum Bank (Poland).

Asad Naqvi – Member of the Supervisory Board

In 2000-2004, Mr Naqvi worked for Lazard, New York. In 2004-2008, he was employed by The Resource Group (TRG), Washington DC, in the position of the Acquisition and Investment Director. He was one of 2 persons of the investment team in the investment holding established by IFC, EMP and AIG Capital Partners. Since 2009, he has been involved in WOLFENSOHN FUND MANAGEMENT in New York and London, in the positions of the Director of the Private Equity Funds. He has analysed and implemented investment projects for the global private equity fund established by James D. Wolfensohn (former President of the World Bank), specialising in financial services, retail, and renewable energy sector. He was involved in 4

transaction closures. He was advanced to the position of Director, at present managing the office of the Company in London. He worked on the following closed transactions: Meritum Bank, Moscow Stock Exchange MICEX-RTS, BTG Pactual, and Banco Daycoval. He has been appointed to the Supervisory Board of Meritum Bank. He created, verified, and analysed investment ideas within his own research and network of contacts, generating transaction opportunities for the fund. He has established and implemented the investment initiative of firms in the Central and Eastern Europe.

Marcin Drozdowski – Member of the Supervisory Board

In 2004-2006, he worked for Accenture Sp. z o.o., Warsaw, as the Analyst. He also was on a placement in the Merger and Acquisition Department in Dresdner Kleinwort Wasserstein Bank, Frankfurt a/Mein. In 2006-2010, he was the Vice-Director in the Corporate Finance Department at KPMG Advisory Sp. z o.o. Sp.k. based in Warsaw. Since 2010, he has worked for Innova Capital Sp. z o.o. Sp. k. as the Investment Director.

Marcin Drozdowski majored in Finance and Banking from the Warsaw School of Economics and obtained the title of Diplomkaufmann from the University of Mainz, Germany.

Witold Skrok – Member of the Supervisory Board

See the profile above.

PROFILES OF SUPERVISORY BOARD MEMBERS (as of 19 February 2015)

Wojciech Sobieraj – Chairman of the Supervisory Board

Since 2008, Mr Sobieraj has served as the President of the Management Board in Alior Bank S.A. In 2002-2006, he worked as the Vice-President of the Management Board in BPH S.A., where he was in charge of the Retail Banking Division. During his employment with BPH S.A., he also worked in the position of the Chairman of the Supervisory Board in Górnośląski Bank Gospodarczy S.A. and BPH Bank Hipoteczny S.A. From 1997 to 2002, he was an officer, manager and partner in The Boston Consulting Group (BCG), Boston and London, and a co-founder of the BCG office in Warsaw, where he worked as the Partner and Vice-President. At BCG, he also worked as the Financial Service Director for the Central and Eastern Europe. Moreover, he was an expert in mergers and acquisitions and the banking payment market. In 1991-1994, Wojciech Sobieraj was the owner of Central European Financial Group in New York,

involved in analysing capital markets in the Eastern Europe. At the same time, he obtained the broker licence at Wall Street and worked as the assistant in the Department of Finance and Operations at the New York University. He graduated from the Warsaw School of Economics. In 1993, he started education at the New York University, Stern School of Business, and in 1995 was granted the title of Master of Business Administration.

Krzysztof Czuba – Member of the Supervisory Board

See the profile above.

Witold Skrok – Member of the Supervisory Board

See the profile above.

Sławomir Tomkiewicz – Member of the Supervisory Board

He graduated from the Faculty of Law at the Nicolaus Copernicus University in Torun and the post-graduate course in capital investments at the Higher School of Banking in Poznań. He has worked in the financial sector since 1998. He worked as the Director of the Capital Investment Office at Bank BPH S.A., the Member of the Management Board at BPH Towarzystwo Funduszy Inwestycyjnych S.A. and the Executive Director of Legal-Organization Area in Alior Bank S.A. He has served in supervisory boards and management boards in more than a dozen capital companies, including banks and other financial institutions.

His expertise is in commercial law, M&A transactions, and regulations of the capital market. He is fluent in English.

Małgorzata Iwanicz-Drozdowska – Member of the Supervisory Board

She has worked for the Warsaw School of Economics since 1995, where she has obtained her degrees and in 2009 the title of the professor of economic sciences. She is a recognised expert at analysing banking operations, bank risk, financial safety networks, and financial stability. In 1993-2007, she was actively involved in the banking sector (Polski Bank Rozwoju S.A. and Bankowy Fundusz Gwarancyjny). She has also worked for Instytut Badań nad Gospodarką Rynkową and Warszawski Instytut Bankowości. She was on placements in Belgian and German banks as well as the Federal Deposit Insurance Corporations, US. She is an author and co-author of more than 100 studies and books on banking and the financial service market, and has been involved in domestic and foreign research projects.

Marek Michalski – Member of the Supervisory Board

He is the Dean at the Faculty of Law and Administration at the Cardinal Stefan Wyszyński University in Warsaw (UKSW), the Head of the Department of Commercial Law at Private WPiA UKSW, the Chairman of the Court of Mediation at Krajowy Depozyt Papierów Wartościowych S.A. and the judge of the Court of Mediation at the Financial Supervision Authority. Until 2008, he has the member of the Warsaw Stock Exchange Council. Prof. Marek Michalski was also the Director of the Legal Office of Krajowy Depozyt Papierów Wartościowych S.A. and the consultant of the Minister of Treasury. He was involved in the legislation processes of security trading, investment funds, compensation certificates, merchandise exchanges, and reprivatisation. He is an author and co-author of more than 100 papers and books concerning the problems of securities and financial instruments, public security trading, banking law, capital market law, commercial law, and joint stock companies.

Henryk Baniowski – Member of the Supervisory Board

In 1987-1991, Mr Baniowski worked at Sendzimir Steelworks, where he was involved in designing and implementing systems of production process automation. In 1991-2007, he worked for Bank Przemysłowo-Handlowy S.A., where he served in executive positions for 12 years, including 6 years as CIO BPH. He participated in and coordinated numerous IT projects, including mergers (responsible for the technological merger of Bank BPH and PBK, the operational IT division of Bank BPH), within the international group of HVB, Bank Austria, and Unicredit.

Since 2007, he has been the CIO responsible for building the organizational structures of the IT Department, developing the IT environment of the Bank and coordinating the IT scope in numerous innovative projects on the financial market.

10. DECLARATION OF THE MANAGEMENT BOARD

PREPARATION OF THE FINANCIAL STATEMENTS

The Management Board of Meritum Bank ICB S.A. declares that to the best of its knowledge:

- the annual Financial Statements and the comparative data have been prepared in line with applicable accounting principles and reflect correctly, reliably and clearly the material and financial standing of Meritum Bank ICB S.A. and its financial results, and

- the Management Report of Meritum Bank ICB S.A. reflects correctly its development and achievements.

MAJOR CONTRACTS

The Management Board declares that as of 31 December 2014, Meritum Bank ICB S.A.:

- was not involved in any entities or capital groups holding shares in excess of 10% of the Bank's equity,
- had no clients whom the Bank had granted financing on terms and conditions significantly different from the generally applied terms and conditions;
- made no major transactions with associated entities on terms and conditions other than at arm's length;
- the value of court proceedings pending in 2014 had no impact on the financial standing of the Bank; and
- the Bank issued 9,210 bank enforcement titles for the total of 220,099 PLNk.

Signatures of the Management Board Members of Meritum Bank ICB S.A.

9 March 2015	Krzysztof Czuba acting President of the Management Board
9 March 2015	Joanna Krzyżanowska First Vice-President of the Management Board
9 March 2015	Witold Skrok acting Vice-President of the Management Board
9 March 2015	Grażyna Musiatowicz-Podbiał Member of the Management Board

Hanna Wangler

9 March 2015

Member of the Management Board