

REPORT
on the activities of the Supervisory Board of Bank Handlowy w Warszawie S.A.

in the period from the Ordinary General Meeting held in 2008
to the Ordinary General Meeting held in 2009

I. Composition of the Supervisory Board

The composition of the Bank's Supervisory Board remained unchanged during the reporting period.

The composition of the Bank's Supervisory Board was as follows:

Mr. Stanisław Sołtysiński	Chairman of the Board	entire reporting period
Mr. Shirish Apte	Vice Chairman of the Board	entire reporting period
Mr. Andrzej Olechowski	Vice Chairman of the Board	entire reporting period
Ms. Susan Blaikie	Member of the Board	entire reporting period
Mr. Sanjeeb Chaudhuri	Member of the Board	entire reporting period
Mr. Goran Collert	Member of the Board	entire reporting period
Mr. Mirosław Gryszka	Member of the Board	entire reporting period
Ms. Sabine Hansen	Member of the Board	entire reporting period
Mr. Krzysztof Opolski	Member of the Board	entire reporting period
Ms. Aneta Polk	Member of the Board	entire reporting period
Mr. Wiesław Smulski	Member of the Board	entire reporting period
Mr. Michael Schlein	Member of the Board	entire reporting period

In the reporting period the composition of the Committees of the Supervisory Board was as follows:

Audit Committee

Mr. Mirosław Gryszka	Committee Chairman	entire reporting period
Mr. Shirish Apte	Committee Member	entire reporting period
Ms. Susan Blaikie	Committee Member	entire reporting period
Mr. Krzysztof Opolski	Committee Member	entire reporting period
Ms. Aneta Polk	Committee Member	entire reporting period
Mr. Wiesław Smulski	Committee Member	entire reporting period

Remuneration Committee

Mr. Stanisław Sołtysiński	Committee Chairman	entire reporting period
Mr. Shirish Apte	Committee Member	entire reporting period
Mr. Andrzej Olechowski	Committee Member	entire reporting period
Ms. Sabine Hansen	Committee Member	entire reporting period

Strategy and Management Committee

Mr. Shirish Apte	Committee Chairman	entire reporting period
Mr. Andrzej Olechowski	Vice Chairman	entire reporting period
Mr. Goran Collert	Committee Member	entire reporting period
Mr. Mirosław Gryszka	Committee Member	entire reporting period
Mr. Krzysztof Opolski	Committee Member	entire reporting period
Mr. Stanisław Sołtysiński	Committee Member	entire reporting period

Risk and Capital Committee

Ms. Susan Blaikie	Committee Chairperson	entire reporting period
Ms. Sabine Hansen	Committee Member	entire reporting period
Mr. Andrzej Olechowski	Committee Member	entire reporting period
Mr. Krzysztof Opolski	Committee Member	entire reporting period

The Supervisory Board points out that in the reporting period its members included individuals having in-depth knowledge of law, economics, banking, management and finance. The majority of the Supervisory Board members have practical knowledge gained due to holding managerial functions in international economic institutions. In view of the Supervisory Board, the qualifications of the Supervisory Board members ensure proper execution of the Supervisory Board's tasks resulting from the provisions of law. The structure of the Supervisory Board, including its individual committees, ensures an effective use of the experience and expertise of the Supervisory Board members, thus contributing to the achievement of the goals set for the Supervisory Board.

II. EVALUATION OF THE FINANCIAL PERFORMANCE AND OVERALL POSITION OF THE COMPANY

- (i) Since the merger with Citibank Poland S.A. the net profit generated by Bank Handlowy w Warszawie S.A. (henceforth: the "Bank") has been growing consistently. However, the year 2008 was a period of a dramatic downturn of the global economy. Despite an unfavorable situation in the Bank's macroeconomic environment and disturbances in the financial markets, the net profit generated by the Bank as at the end of 2008 was at the level of PLN 645.7 million.
- (ii) The key factors affecting the financial profit in 2008 included an increase in the interest income, a decrease in the profit on trade financial instruments and revaluation as well as a decrease in the profit on fees and charges.
- (iii) The increase in the interest income was driven mainly by an increase in revenue from loans, advances and other receivables from the non-financial sector, primarily retail products, including credit cards. A decrease in the profit on fees resulted principally from lower fees on investment and insurance products in the Global Consumer Bank as well as fees on fiduciary services in the Corporate Bank. The profit on trade financial instruments and revaluation includes negative valuation of FX options, which had a negative impact on this P/L item to a considerable degree.
- (iv) The Supervisory Board favorably assesses the cost cutting policy continued by the Bank. Compared to 2007, costs fell by 2.0%, i.e. PLN 29.3 million. Amortization/depreciation and personnel costs decreased in the Corporate Bank, primarily in consequence of lower personnel, technology, advertising and marketing expenses. Simultaneously, GCB costs increased, mainly as a result of growing expenses related to increasing acquisition and customer portfolio as well as rising technology expenditure on development of the Bank's systems. The cost efficiency improved – the cost to income ratio fell by 0.8 percentage point compared to 2007.
- (v) In 2008, loans remained the key item of the Bank's assets. As at the end of 2008, the balance of loans extended to the financial sector decreased considerably compared to the 2007 year-end with a simultaneous increase in the balance of loans extended to the non-financial sector. Deposits, which at the end of 2008 increased compared to 2007 both as regards the non-financial and financial sector, remained the key item of the Bank's liabilities.

- (vi) Compared to the previous year, as at the end of 2008 the value of the Bank's equity increased slightly compared to the 2007 year-end. In view of the Supervisory Board, the level of the Bank's equity is sufficient to maintain the financial security of the institution and the funds deposited by customers, ensuring at the same time further growth opportunities. As at the end of December 2008, the Bank's solvency ratio was at the level of 11.7%, remaining invariably one of the highest among large banks operating on the Polish market. The high level of the Bank's solvency ratio proves its financial security and a strong capital base.
- (vii) The Supervisory Board favorably assesses the efforts undertaken by the Bank to enhance the competitive edge of its product range and customer acquisition. The Bank's potential customers in the Commercial Bank include all companies operating in Poland, except for sectors excluded permanently due to the Bank's general policy as well as companies in restricted entities' lists due to international or American sanctions. The Bank enjoyed a particularly strong position as regards services provided to international corporations as well as the largest Polish enterprises. The customers were offered a diversified, comprehensive and state-of-the-art range of financial and transactional services addressed to enterprises, with modern liquidity management solutions (Consolidated Account, Cash Pool) as well as bulk payment and receivables management products (Speedcollect, Direct Debit, Unikasa). The key achievements of GTS in 2008 include e.g. development of an innovative "Micropayments" product, "Lider SEPA w Polsce" (SEPA Leader in Poland) award, the Europroduct award for the escrow account as well as a 70% share in the Polish market of prepaid cards. The Bank provided fiduciary services to foreign institutional investors as well as custody services to domestic financial entities, in particular pension and investment funds and equity insurance funds. In 2008 the Bank maintained its leading position in the above area. Changes in the institutional customer service model initiated at the beginning of 2008 and aimed at maximizing the effectiveness of the corporate services platform and operational efficiency were fully implemented. The above concerns e.g. launching an integrated service platform dedicated to both microenterprises and companies with a turnover of up to PLN 75 million, enabling full and dynamic cooperation with the SME sector. In 2008 a new offer addressed to SME customers was introduced, combining a standardized package offer for the mass market with a tailored approach to medium sized enterprises with more elaborate needs. As for the Global Consumer Bank, 2008 was the most successful year in the Bank's history as regards the number of credit cards sold, which exceeded 296 thousand (as at the end of the year, the total number of cards exceeded one million). In 2008 the Bank continued to extend its deposit offer with new solutions, owing to which it had a wide variety of deposit products and value-added services as at the end of the year. The customers had access to a comprehensive offer of savings accounts, time deposits, including a new product – progressive deposit as well as savings accounts with the new SuperSavings Account. The number of checking accounts increased by 31% compared to 2007, reaching the level of 403 thousand as at the end of 2008. Introduction of further innovative solutions related to banking products and services constituted one of the Bank's top priorities. The Bank was the first on the market to offer its customers the possibility to make payments through their mobile phones directly from their bank accounts. The "Pay by Mobile" service was regarded by the "Mobile Internet" monthly as the most innovative solution implemented in 2008. Additionally, in 2008 the Bank introduced the SMS Locator Service, providing information on the nearest branch or ATM where customers may withdraw funds free of charge. Moreover, the Cash Back Service was introduced providing customers with the additional possibility to withdraw their funds free of charge while making payments for products and services with Maestro cards, which additionally allows them to order cash delivery by post (also through the Internet) to a recipient within the territory of Poland.
- (viii) The Supervisory Board reviews the Bank's relationship with its majority shareholder on a regular basis. The relationship has several dimensions such as implementation of new banking products and IT systems, risk management, financial control, human resources management and internal control. The Supervisory Board favorably assesses

the efforts undertaken by the Management Board to adequately account for the services provided by the majority shareholder.

- (ix) Taking into consideration the situation in international financial markets, worse growth perspectives of the Polish economy as well as a threat of considerable recession in the leading world economies, according to the Supervisory Board further close cooperation with the Management Board is required to examine the effect of such risk factors on the position of the Bank.
- (x) In view of the Bank's financial performance, its secure position, stable capital adequacy and liquidity ratios as well as an innovative product offer, the Supervisory Board favorably assesses the Bank's business activities in 2008 and expresses its belief that the measures undertaken and planned will contribute to the Bank's achievement of optimum financial results and market position in the period of the economic slowdown.

III. EVALUATION OF THE INTERNAL CONTROL SYSTEM AND THE MATERIAL RISK MANAGEMENT SYSTEM

- (i) Pursuant to the Articles of Association, the Bank has an internal control system which exercises control over its operations, both in terms of their legality and correctness, as well as the accuracy of the statements and information submitted by the Bank.
- (ii) The internal control system is aimed at supporting decision making processes which contribute to ensuring effectiveness and efficiency of the Bank's operations, credibility of its financial reporting and compliance of the Bank's operations with provisions of laws and internal regulations. The internal control system includes risk control mechanisms, examining the Bank's compliance with legal provisions and internal regulations as well as internal audit.
- (iii) The Bank's internal audits are conducted by the Audit and Risk Review Department, a separate organizational unit of the Bank, reporting directly to the Management Board. The task of the ARR Department is to examine and assess, independently and objectively, the adequacy and efficiency of the internal control system, as well as to issue opinions on the Bank's management system, including the efficiency of the management of risk related to the Bank's operations.
- (iv) Functional internal control is exercised by every employee of the Bank and additionally by their direct superiors, peers as well as managers of the Bank's organizational units with respect to the quality and correctness of the employees' performance of duties, with the objective to ensure compliance of such activities with the Bank's procedures and control mechanisms.
- (v) The Supervisory Board exercises supervision over the activities of the Audit and Risk Review Department. On a periodic basis, at least once per annum, the ARR Department provides the Supervisory and the Management Boards with information on irregularities identified and conclusions arrived at in the course of the internal audits performed as well as measures undertaken with the objective to remove the irregularities or implement the conclusions. The ARR Head is invited to participate in the meetings of the Management and Supervisory Boards during which issues related to the Bank's internal control are considered.
- (vi) The Supervisory Board has appointed a standing Audit Committee. The roles and responsibilities of the Committee include supervision over financial reporting, internal control, risk management as well as internal and external audits. The Committee submits annual reports on its activities to the Supervisory Board.

The Supervisory Board positively assesses the functioning of the internal control system in the Bank.

- (vii) The Supervisory Board has appointed a standing Risk and Capital Committee, which is responsible for supervision over the risk management system implemented in the Bank

as well as evaluation of its effectiveness. The Committee submits annual reports on its activities to the Supervisory Board. As regards supervision over the risk management system, the Committee is in particular responsible for verification of the compliance of the Bank's risk policy with its strategy and financial plan, verification and provision of recommendations to the Supervisory Board with respect to the Bank's general risk level as well as examination of the periodic information on the types and size of the risk assumed by the Bank in the course of its business operations.

The Supervisory Board positively assesses the functioning of the material risk management system in the Bank.

IV. EVALUATION OF THE ACTIVITIES UNDERTAKEN BY THE SUPERVISORY BOARD

(i) Corporate governance

During the reporting year, the Supervisory Board, within the scope of its competencies, applied the rules of Corporate Governance in Public Companies.

(ii) Settlements between the Bank and Citi

During the reporting period, the Supervisory Board monitored and supervised issues related to settlements between the Bank and Citi.

During its first meeting on 1 October 2008, the Supervisory Board approved the amount of the fees payable for the services rendered by Citi entities to the Bank under the ECHO agreement entered into in 2007. At the same meeting, the Supervisory Board adopted a resolution on the approval of amendments in the "Citigroup Inc. Incentive Remuneration Schemes". On 27 October and 18 December 2008 the Supervisory Board of the Bank approved in writing amendments to the so called ITO agreement for IT system support. In line with the adopted procedure, the Supervisory Board approved all material agreements entered into with related parties. The majority of the aforementioned agreements pertain to IT services (USAT, UKAT, ITO) as well as back-up centers (APPC Agreement).

(iii) Amendments to the Bank's Articles of Association and Regulations

Pursuant to Resolution No. 13 adopted in writing on 17 September 2007, the Supervisory Board amended the Regulations of the Supervisory Board, introducing the possibility to distribute materials used during the Board's meetings as encrypted email messages.

(iv) Miscellaneous issues

In line with the Basel II requirements, on 9 January 2009 the Bank's Supervisory Board approved the "Principles for Prudent and Stable Risk Management in the Capital Group of Bank Handlowy w Warszawie SA". Additionally, the Board approved changes to the Fundamental Organizational Structure of the Bank. At its meeting of 9 December 2008, the Supervisory Board was provided with information on the Bank's Financial Plan for 2009. On 19 March 2009 the Supervisory Board acknowledged the "Report on outsourcing banking activities, supervision and control over outsourcing risk in Bank Handlowy w Warszawie S.A." as well as the "Report on the Activities of the Compliance Department in 2008", discussed issued related to FX options and issued a recommendation regarding the Bank's non-payment of dividends for 2008.

V. EVALUATION OF THE BANK'S FINANCIAL STATEMENTS

At its third meeting on 19 March 2009 the Supervisory Board favorably assessed the Management Board's report on the activities of the Bank and the Bank's Capital Group in the 2008 financial year as well as the financial statements of the Bank and the Bank's Capital Group for the 2008 financial year, including the opinion and report on the audit of the financial statements of the bank and the Bank's Capital Group drawn up by KPMG Audyt sp. z o.o. acting as the Bank's statutory auditor – concluding that the submitted financial statements of the Bank and the Bank's Capital Group for the 2008 financial year had been prepared in accordance with the accounting records and documents as well as the facts and in line with the requirements of the Accounting Act. At the same meeting a resolution was adopted on the selection of the Bank's statutory auditor.

The Supervisory Board assessed favorably the motion of the Management Board regarding distribution of profit for the 2008 financial year.

In view of the above, the Supervisory Board concludes that it has achieved its objectives resulting from the applicable laws in the reporting period.

This report has been considered and approved by way of resolution during the meeting of the Supervisory Board on 18 May 2009, for the purpose of presentation to the Ordinary General Meeting of the Bank.