

Report of the Audit Committee of the Supervisory Board
of Bank Handlowy w Warszawie S.A.
for year 2013

The Audit Committee of Bank Handlowy w Warszawie SA (the "Bank") is a permanent body of the Bank's Supervisory Board. The Audit Committee is composed of the Supervisory Board members appointed by the Supervisory Board. The Audit Committee includes at least two independent members and one of them shall be the Committee's Chairperson. The Committee operates in accordance with its regulations, as set forth in Article 390 of the Commercial Companies Code. In performing its duties, the Committee applies also the guidelines set forth in the "Recommendations concerning work of the Audit Committee" issued by the Office of the Polish Financial Supervision Authority.

The Committee's Regulations are displayed on the Bank's website www.citibankhandlowy.pl. Under these regulations, the Audit Committee oversees the reliability of the Bank's financial reporting, its systems of internal control and the process for monitoring and evaluating the risks to which the Bank is exposed. The Committee also reviews and assesses the independence and results of the external auditor examinations.

In 2013, the Audit Committee was composed of the following members: Shirish Apte, Mirosław Gryszka, Igor Chalupiec (as of 22 July 2013), Marc Luet, Frank Mannion, Krzysztof Opoliski (as of 28 June 2013), with Mirosław Gryszka acting as Chairman of the Committee and Frank Mannion acting as Vice Chairman of the Committee.

The current composition of the Audit Committee is as follows:

- 1) Mirosław Gryszka – Chairman;
- 2) Frank Mannion – Vice Chairman;
- 3) Shirish Apte;
- 4) Igor Chalupiec;
- 5) Marc Luet.

During the reporting period, the Audit Committee met five times on the following dates:

- 1) March 18, 2013;
- 2) May 23, 2013;
- 3) July 30, 2013;
- 4) September 12, 2013;
- 5) December 16, 2013.

The Audit Committee is in frequent contact with the Bank's Supervisory Board and with the Bank's Management; the representatives of the external auditor take part in the Committee meetings related to financial statements.

On 22 February 2013 the Vice Chairman of the Audit Committee met with representatives of the Polish Financial Supervision Authority as part of the inspection conducted at the Bank. The discussion concerned, among other things, the relationships between the Audit Committee and an external authority authorized to examine financial statements.

During the Audit Committee meeting held on March 8, 2013 the Committee adopted a recommendation for the Supervisory Board in respect of approval of the "Principles of Internal Audit". In the same meeting the Committee adopted the following document: "Strategy of Internal Audit" and recommended that the Supervisory Board should approve it. Further on in the meeting the Audit Committee approved the application to the Supervisory Board for an election of an expert auditor for the purposes of auditing the annual financial statements for the year 2013 and a review of partial abbreviated financial statements for the

year 2013: of Bank Handlowy w Warszawie S.A. and Grupa Kapitałowa Banku Handlowego w Warszawie S.A., the requirement of auditor rotation introduced by PFSA was taken into account. The Committee also participated in the process of appointing a head of Audit Department in the Bank. The Committee also conducted an annual review of its Regulations – it was concluded that no changes were necessary.

The issues regarding the manner of presenting common areas set out in the meeting of the Audit Committee, as well as the meeting of the Risk and Capital Committee, were discussed in the Audit Committee meeting held on 23 May 2013. During the same meeting the Committee accepted and recommended to the Supervisory Board the adoption of the document entitled “Information on the Capital Adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at 31 December 2012” which had been drawn up in order to fulfill the disclosure requirements defined as part of the Third Pillar of the New Basel II Capital Accord set forth in PFSA’s Resolution no. 385/2008.

In connection with the completion of the recruitment process regarding the position of the director of Audit Department, the Audit Committee conducted a thorough assessment of the candidate at a special meeting held on 30 July 2013. During the meeting Members of the Committee had an opportunity to make an assessment in a direct interaction with the candidate. As a result of the conducted procedure the Audit Committee expressed consent to employ the candidate at a position of the Director of Audit Committee.

In the Audit Committee meeting on 12 September 2013 post-inspection recommendations were discussed together with the schedule of implementing the recommendations after PFSA’s inspection. The discussion also concerned a number of issues which had regulatory significance, including the US regulation “Foreign Account Tax Compliance Act (FATCA)”. The Committee also discussed the content of the so-called Management Letter sent by an entity authorised to examine the Bank’s financial statements.

During the meeting in December the Committee discussed the principles of cooperation of Bank Handlowy w Warszawie S.A. with the parent company. The Committee also familiarized themselves with the current information on the Capital Requirements Directive (CRD IV). Further on in the meeting the Audit Committee familiarized themselves with information on the status of the management reporting process, the area of investor relations and external communication.

In the reporting period, the Audit Committee supervised financial reporting, internal control, risk management as well as internal and external audits conducted at the Bank.

As part of its supervision of financial reporting, the Audit Committee verified, along with the Bank’s Management and the Bank’s certified auditor, the annual financial statements (standalone and consolidated) and then recommended them for approval by the Supervisory Board.

Moreover, the verification covered the following areas of the Bank’s activities: appropriateness of the Bank’s accounting and financial reporting, any changes to the Bank’s accounting and financial reporting as recommended by the Management or the Bank’s certified auditor, the accounting treatment of significant risks, key estimates and judgments of the Management that may be material to the Bank’s financial reporting.

Within the framework of its competence concerning internal audit, the Audit Committee verified and approved the Audit Department's Annual Audit Plan and then supervised the execution of the audit plan on the basis of quarterly reports submitted by the Audit Department Head. The Committee also regularly reviewed the processes related to the assessment of internal control mechanisms in the Bank. The Committee analyzed key risk areas of internal control that were highlighted as a result of the Management's control and self assessment process and / or as a result of internal audit findings. The Audit Committee also reviewed the Annual Compliance Plan and regularly analyzed updates from the Head of Compliance on the status of regulatory controls.

In the reporting period, the Audit Committee performed its duties in respect of external audit by recommending to the Supervisory Board the selection of the Bank's certified auditor and reviewing the terms of the certified auditor's contract. As part of its regular activity, the Committee reviewed the independence and effectiveness of the Bank's auditor's performance. The Audit Committee received a written statement of the auditor, i.e. KPMG Audyty sp. z ograniczoną odpowiedzialnością, ltd partnership, and next PricewaterhouseCoopers Sp. z o.o., submitted as required pursuant to Article 88 point 2 of the Act on certified auditors, their self-government, entities authorized to audit financial statements and on public supervision (Journal of Laws of 2009, No. 77, item 649), that confirms a fulfillment of impartiality and independence requirements as specified in the Act. The Committee reviewed the Bank's external auditor's plan for the audit of the Bank's financial statements, which included key areas of audit focus, auditor independence and the proposed audit fee, and reviewing the terms of engagement of the audit.

In the reporting period, the Committee dealt also with the issue of Human Resources management and safety of work in the Bank.

The Committee Chairman held individual meetings with representatives of the Bank's independent auditor as well as Heads of Bank's Financial Department, Audit Department and Legal Department without participation of the Bank's Management. In the assessment of the Chairman of the Committee, the cooperation between the abovementioned areas is correct as in previous years.

The Audit Committee claims that it appropriately fulfilled its mandate for the year ended December 31, 2013.

The Audit Committee very positively evaluates the cooperation with the Compliance Department and that between the Audit Department and the Audit Committee. Moreover, the Audit Committee's assessment of the performance of the Compliance and Audit Departments in 2013 is positive.

Mirosław Gryszka
Chairman of the Audit Committee