

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

The Risk and Capital Committee of Bank Handlowy w Warszawie S.A. is a permanent body of the Bank's Supervisory Board. The Risk and Capital Committee is composed of the Supervisory Board members appointed by the Supervisory Board. The Risk and Capital Committee consists of at least four Supervisory Board members, one of whom acts as the Committee's Chairperson. The Committee operates in accordance with its regulations as set forth in Article 390 of the Commercial Companies Code.

The Committee's Regulations are displayed on the Bank's website www.citibankhandlowy.pl. Under these regulations, the competencies of the Risk and Capital Committee include in particular supervision over introduction of the risk management system by the Management Board in the Bank and assessment of adequacy and effectiveness of the risk management system. In the framework of its competencies related to the supervision over the functioning of the risk management system, the Committee, in particular, verifies the consistency of the Bank's risk taking policy with the strategy and financial plan of the Bank, examines the periodic information presenting the types and sizes of risks surrounding the Bank's operations as well as verifies and presents to the Supervisory Board the recommendations concerning the general risk level of the Bank.

The Risk and Capital Committee also supervises the process of internal capital estimation and capital management. The Committee's competencies as related to the supervision of functioning of internal capital estimation, capital management and capital planning processes involve examination, approval or recommendation, to the extent that requires a resolution of the Supervisory Board, for approval of policies and procedures applicable to the process of internal capital estimation, capital management and capital planning.

In 2013, the Risk and Capital Committee was composed of the following members: Zdenek Turek – Chairman, Igor Chalupec – Vice Chairman and Andrzej Olechowski, Frank Mannion, Dariusz Mioduski and Stephen R. Volk – the Committee members.

The current composition of the Committee is as follows:

- 1) Zdenek Turek – Chairman;
- 2) Igor Chalupec – Vice Chairman;
- 3) Frank Mannion;
- 4) Andrzej Olechowski;
- 5) Stephen R. Volk;
- 6) Dariusz Mioduski.

In accordance with its Regulations, during the reporting period coinciding with the calendar year, the Risk and Capital Committee met four times on the following dates:

March 18, 2013;
May 23, 2013;
September 12, 2013;
December 16, 2013.

The Risk and Capital Committee is in the frequent contact with the Bank's Supervisory Board as well as with the Bank's management and external auditor.

In the reporting period, at its meetings, the Risk and Capital Committee discussed in detail the information on the current economic situation and macroeconomic forecast in all meetings.

The object of the Committee's analyses was the quarterly information on the regulatory and internal capital as well as the internal capital adequacy assessment process, which includes in particular identification of material risks.

In all its meetings the Risk and Capital Committee discussed the issues concerning credit, market, liquidity and price risk as well as non-compliance or operational risk, including the events that took place within the Capital Group of Bank Handlowy w Warszawie S.A.

The Committee's analyses also included issues within the field of counteracting money laundering.

In particular, in its meeting on March 18, 2013 the Committee analyzed the process of capital adequacy assessment (Internal Capital Adequacy Assessment Process – ICAAP) in the year 2013, and soon after, by way of resolution, it recommended that the Supervisory Board should adopt a document entitled "Capital Management in Grupa Kapitałowa Banku Handlowego w Warszawie S.A. for the year 2013". Further on in the meeting the Risk and Capital Committee made an assessment of the principles of risk management concerning credit exposures financing real estate and recommended that the Supervisory Board should adopt a document "Policy on Risk Management Concerning Credit Exposures Financing Real Estate and Security Risk".

During the meeting in December the Risk and Capital Committee familiarized themselves with the current information about the EU directive on capital requirements (Capital Requirements Directive – CRD IV).

The Risk and Capital Committee's discussions also covered the issues concerning the annual supervisory review and assessment (BION).

The Risk and Capital Committee claims that in the reporting year, the Bank's risk management system was effective and adequate to the size of the Bank's operations. The Committee positively assessed the process of internal capital estimation and capital management in the Bank.

In view of the above, the Risk and Capital Committee declares that in the year ended 31 December 2013, it performed its mandate properly.

Zdenek Turek
Chairman of the Risk and Capital Committee