

Report of the Audit Committee of the Supervisory Board
of Bank Handlowy w Warszawie S.A.
for year 2014

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 2014, the Audit Committee was composed of the following members: Shirish Apte, Mirosław Gryszka, Igor Chalupec , Marc Luet (until June 24, 2014), Frank Mannion (once again appointed to act as Vice Chairman of the Committee on September 30, 2014), Anna Rulkiewicz (as of May 20, 2014), 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 Chalupec;
- 5) Anna Rulkiewicz.

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

- 1) March 18, 2014;
- 2) May 21, 2014;
- 3) September 29, 2014;
- 4) December 7, 2014.

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.

At the Audit Committee meeting held on March 18, 2014 the Committee reviewed the Audit Committee Regulations and concluded that no changes were necessary. In the same meeting the Committee approved the 2014 Audit Committee Checklist, constituting an annual plan of work of the Committee. Moreover, as part of financial reporting, the Committee discussed the bancassurance issue in the light of the correspondence with the regulator and the tax issue connected with the settlements with Citi under the so-called ECHO Agreement. The Committee also discussed the issue of the independence of the external auditor, also in connection with the correspondence with the Polish Financial Supervision Authority. Further on, the Committee acknowledged the results and recommendations from the independent external assessment of internal audit function at Bank Handlowy w Warszawie S.A. The assessment was conducted by an external auditor

based on International Standards for the Professional Practice of Internal Auditing (“IIA Standards”) and Recommendation H issued by the Polish Financial Supervision Authority.

Another topic raised was the impact of CRD IV on the corporate governance structure of the Bank. The Committee discussed the main objectives of the CRD IV (Directive 2013/36/UE and Regulation No. 575/2013). The Committee also reviewed the remuneration level of employees of the Internal Audit Department and the Compliance Department.

During its next meeting held on May 20, 2014 the Audit Department discussed, among other things, the cooperation between the Bank and Citi entities operating in Poland in the scope of mutual provision of consulting and advisory services in the area of internal audit. The Committee also familiarized themselves with the disclosure requirements set by Pillar III of Basel II framework (information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A.). As part of this meeting the Audit Committee held a private meeting with representatives of PwC, the Bank’s external auditor, without participation of any members of the Management Board or other representatives of the Bank being present.

The next Audit Committee meeting was held on September 29, 2014. The Committee again discussed the settlements between the Bank and Citi. The Committee received an update on the recommendations issued by the Polish Financial Supervision Authority in the area of bancassurance. The Committee also discussed the planned tax optimization efforts. Moreover, the Committee received the information on the results of the AQR (Assets Quality Review) at Bank Handlowy. And last but not least, the Committee discussed the impact of the new laws regulating corporate restructuring and consumer bankruptcy.

During its next meeting held on December 17, 2014, the Audit Committee discussed, among other things, the financial reporting topics, also in the aspect of people holding the key positions in the process. The Committee issued a positive opinion on the amendments to “Internal Control System Principles” and “Internal Audit Regulations”. The Committee discussed also the planning process of financial statements audit & review by the external auditor of the Bank. The Committee familiarized themselves with the updated information on such topics as the management reporting process and the investor relations and external communication. The Audit Committee approved the 2015 Audit Committee Checklist.

In the reporting period, the Audit Committee supervised financial reporting, internal control, risk management system as well as internal and external audits conducted at the Bank. On the basis of the information provided on a quarterly basis, the Committee positively assesses the functioning of the internal control system and the risk management system in the Bank. The internal control system functioning in the Bank was assessed as adequate to the scale of Bank operations.

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. 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 the Bank's Financial Division (CFO), Audit Department, Legal Division and Compliance Department without participation of the Bank's Management. In the assessment of the Chairman of the Audit 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, 2014.

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 2014 is positive.

Mirosław Gryszka
Chairman of the Audit Committee