

Report of the Audit Committee of the Supervisory Board
of Bank Handlowy w Warszawie S.A.
for year 2011

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 FSA.

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 2011 the Audit Committee was composed of the following members: Shirish Apte, Mirosław Gryszka, Frank Mannion, Krzysztof Opolski, Stephen Simcock and Wiesław Smulski (until July 14, 2011), with Mirosław Gryszka acting as Chairperson of the Committee and Stephen Simcock acting as Deputy Chairperson of the Committee.

The current composition of the Audit Committee is as follows:

- 1) Mirosław Gryszka – Chairman;
- 2) Stephen Simcock – Vice Chairman;
- 3) Sirih Apte;
- 4) Frank Mannion;
- 5) Krzysztof Opolski;

During the year the Audit Committee met four times on the following dates:

- 1) March 14, 2011;
- 2) May 24, 2011;
- 3) October 26, 2011;
- 4) December 8, 2011.

The Audit Committee is in the 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.

On March 9, 2011 the Chairperson of the Audit Committee – Mr. Mirosław Gryszka and the Committee member, Mr. Krzysztof Opolski, met with the representatives of the Bank’s management to discuss the Recommendations on work of the Audit Committee issued in November 2010 by the Polish Financial Supervision Authority (KNF).

On May 24, 2011, the Audit Committee approved the Control List of the Audit Committee of Bank Handlowy w Warszawie S.A. made on the basis of the recommendations of KNF and constituting the annual plan of the Committee’s works.

The Chairman of the Audit Committee met also with Bank’s CFO to discuss the issue of payments made to the parent company under the so called Echo agreement.

In view of the new Recommendations on work of the Audit Committee issued by the Office of KNF and the recommendations which followed the recent inspection at the Bank conducted

by the Office of KNF concerning the obligation to ensure the independence of the internal audit unit, it is recommended to introduce changes to the Regulations of the Audit Committee.

On December 9, 2011, the Supervisory Board approved the recommendations of the Audit Committee on the change in the Regulations of the Audit Committee. The changes consisted in: (i) indicating that in performing its duties, the Committee applies the guidelines set forth in the Recommendations of the Office of the FSA; (ii) adding the competency regarding the supervision over the Audit Department – this supplement is in line with the content of the Bank's Articles of Association (§ 40 clause 6) and addresses the Recommendations of the Office of the FSA concerning the obligation to ensure the independence of the internal audit unit.

The Audit Committee, in the reporting period, supervised the financial reporting, internal control, risk management as well as internal and external audits in the Bank.

As part of its supervision of the financial reporting, the Audit Committee verified, along with the Bank's management and the Bank's external auditor, 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 external 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 auditor and reviewing the terms of the external 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 Audyt sp. z ograniczoną odpowiedzialnością, ltd partnership, 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 Audit Committee claims that it appropriately fulfilled its mandate for the year ended December 31, 2011.

The Audit Committee highly appreciates the cooperation with the Compliance Department and that between the Audit Department and the Audit Committee. The Audit Committee's assessment of the performance of the Compliance and Audit Departments in 2011 is positive.

Mirosław Gryszka
Chairman of the Audit Committee