

Report of the Audit Committee of the Supervisory Board  
of Bank Handlowy w Warszawie S.A.  
for year 2012

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 PFSA.

The Committee’s Regulations are displayed on the Bank’s website [www.citibankhandlowy.pl](http://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 2012, the Audit Committee was composed of the following members: Shirish Apte, Mirosław Gryszka, Marc Luet (as of July 23, 2012), Frank Mannion, Krzysztof Opolski, Stephen Simcock (until June 20, 2012), with Mirosław Gryszka acting as Chairman of the Committee and Stephen Simcock acting as Vice Chairman of the Committee (until June 20, 2012) and Frank Mannion acting as Vice Chairman of the Committee (as of July 23, 2012).

The current composition of the Audit Committee is as follows:

- 1) Mirosław Gryszka – Chairman;
- 2) Frank Mannion – Vice Chairman;
- 3) Shirish Apte;
- 4) Marc Luet;
- 5) Krzysztof Opolski;

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

- 1) March 15, 2012;
- 2) May 21, 2012;
- 3) September 25, 2012;
- 4) December 5, 2012.

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.

During the Audit Committee meeting held on March 15, 2012 a discussion about control structure at Bank Handlowy took place.

During the next meeting of the Committee, held on May 21, 2012, the Committee considered questions related to the implementation of the EU Capital Requirements Directive (CRD IV). At the same meeting, a draft of the letter of the external auditor to the Management Board (the Management Letter) was talked through, the final version was discussed at the Committee meeting held on 25 September 2012.

At the Committee meeting held in September, the certified auditor rotation requirement introduced by the PFSA was discussed. The Committee approved the recommendation for the Supervisory Board supporting the implementation of the action plan proposed by the Management Board in this respect.

Moreover, also in September, the 2010 supervisory review and assessment (BION) rating received from the PFSA was discussed as well as the requirement related to monitoring, by the Audit Department, of the process of planning and implementation of the strategy adopted by the Bank. The Audit Committee decided to include the strategy implementation reviews to its annual work plan.

During the meeting held on 5 December 2012, the Audit Committee familiarized themselves with information on the current 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 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 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.

The Audit Committee claims that it appropriately fulfilled its mandate for the year ended December 31, 2012.

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 2012 is positive.

Mirosław Gryszka  
Chairman of the Audit Committee