

Report of the Audit Committee of the Supervisory Board
of Bank Handlowy w Warszawie S.A.
for year 2016

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.citihandlowy.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 2016, the Audit Committee was composed of the following members: Shirish Apte, Mirosław Gryszka, Igor Chalupiec, Frank Mannion, Marek Kapuściński (as of September 28, 2016) and Anna Rulkiewicz, 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 (independent member);
- 2) Frank Mannion – Vice Chairman;
- 3) Shirish Apte;
- 4) Igor Chalupiec – (independent member);
- 5) Marek Kapuściński – (independent member);
- 6) Anna Rulkiewicz – (independent member).

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

- 1) February 26 – March 10, 2016;
- 2) May 16, 2016;
- 3) September 28, 2016;
- 4) December 9, 2016.

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 meeting of the Audit Committee held on February 26 and March 10, 2016, the Committee carried out the annual review of the Regulations of the Audit Committee and, on the basis of the results of the review made by the Legal Division and dedicated team from the Finance Division, the Committee stated that the Regulations of the Audit Committee required no changes.

At another item of the agenda, the Committee was advised on the change of the so-called Checklist, which constitutes the annual work schedule for the Committee, and approved the "Report on business activities of the Audit Committee for 2015".

Then, within the context of events in the area of accounting and taxes, further actions were discussed concerning the so-called uniform control file. The amendment to the Tax

Ordinance effective July 1, 2016 imposes a duty on taxpayers that maintain books in an electronic form to submit at the request of a tax body data from tax books and accounting documents required for the needs of controls, in an electronic file to be predefined by the Ministry of Finance. With regard to the next item in the agenda, preliminary calculations concerning the amount of the tax levy were presented to the Committee. Further at the meeting, the Audit Committee assessed positively the "Internal Audit Report for 2015" and recommended the Bank's Supervisory Board to approve the Report. The Committee also acknowledged results of the external qualitative review of the Internal Audit function at the Bank. The Audit Committee received the information concerning the Market Abuse Regulation (MAR). The new EU's regulation and the amended directive introduce changes in the regime of market abuse within reporting duties of public companies, the use of internal information (insider trading) and the prevention of manipulations. Next, the Committee got familiar with the report on compliance and compliance risk management in 2015 at Bank Handlowy w Warszawie S.A., including the performance of tasks within the Bank's security, and recommended the Supervisory Board to approve the report.

The Audit Committee, after acknowledging the report presented by Compliance Department concerning an independent assessment of the Bank's compliance with "Principles of Corporate Governance for Supervised Institutions", recommended the Supervisory Board to approve the Report of Compliance Department on the independent assessment of the Bank's compliance with "Principles of Corporate Governance for Supervised Institutions".

Next, within the frames of supervision over financial reporting, the Audit Committee carried out, supported by the Bank's management and statutory auditor, review of annual financial statements (stand-alone and consolidated) and, having got acquainted with the opinion and report of the statutory auditor, adopted the resolution regarding recommending the Supervisory Board to approve the "Annual financial statements of Bank Handlowy w Warszawie S.A. for the fiscal year ended on 31 December 2015", "Report on the business activities of Bank Handlowy w Warszawie S.A. in 2015" and "Annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the fiscal year ended on 31 December 2015" and "Report on business activities of the Capital Group". The Audit Committee was advised on independence of the statutory auditor who had audited financial statements at the Bank. The Committee received a written confirmation of independence signed by the Key Statutory Auditor.

The Audit Committee positively assessed and recommended to the Supervisory Board the adoption of

At the same meeting, the Audit Committee positively assessed and recommended to the Supervisory Board the appointment of a statutory auditor. The Committee received the information concerning the solvency ratio in accordance with the document "Information on Capital Adequacy in the Capital Group of Bank Handlowy w Warszawie S.A. as at December 31, 2015".

At the meeting held on May 16, 2016, in the context of the information on accounting and taxes, the Audit Committee discussed the levy imposed by the Bank Guarantee Fund. In addition, the Regulation (EU) No. 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities was discussed in length.

At the next meeting held on September 28, 2016, the Audit Committee reviewed, in addition to the standard set of reports, remuneration for employees in Audit Department and Compliance Department and assessed favorably the level of their remuneration.

At the December meeting, the Audit Committee got familiar with results of BION review and evaluation process. Then, the Committee was updated on the implementation of KNF's Recommendation W at the Bank. Next, the Risk and Capital Committee decided to

recommend the amendments to the “Rules of the Functioning of Internal Controls at Bank Handlowy w Warszawie S.A.”. In the further part of the meeting, the Committee gave its consent to approve the “Audit Plan of Bank Handlowy w Warszawie S.A. for 2017” and recommended the Bank’s Supervisory Board to approve the “Regulations of the Audit Department Control.” An update concerning the vendor management area was also provided. The Committee received the information on the external auditor’s audit plan.

Moreover, the ongoing 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 at its meeting held on December 9, 2016 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.

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.

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. Based on the information received on a quarterly basis, the Committee confirms its positive assessment of both operation of the internal control, risk management and compliance risk management systems used by the Bank and activities of the Bank’s Internal Audit function. This assessment covers all the key controls, including the internal controls over financial reporting and the operational controls.

The Audit Committee claims that it appropriately fulfilled its mandate for the year ended December 31, 2016.

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 2016 is positive.

Mirosław Gryszka
Chairman of the Audit Committee