

Report
of Bank Handlowy w Warszawie S.A. regarding compliance with corporate governance
rules incorporated in “Best Practices in Public Companies 2005” in 2007.

Warsaw, March 2008

This Report has been drafted on the basis of Art. 29.5 of the Stock Exchange Regulations and Art. 1 of the Resolution no. 1013/2007 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of December 11, 2007 on establishing the scope and structure of the report on the application of corporate governance by listed companies and on the basis of Art. 2.2 of the Resolution no. 13/1171/2007 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of July 4, 2007 on the amendment of the Stock Exchange Regulations.

Corporate governance rules not applied by the Company in 2007

In 2007 Bank Handlowy w Warszawie S.A. (Company or Bank), in line with the declaration regarding the compliance with corporate governance rules published in June 2007 and placed on the Company website, adhered to all the corporate governance rules incorporated in the “Best Practices in Public Companies 2005”.

Description of the working methods of the General Assembly and its key powers as well as the shareholders’ rights and the manner of exercising them

Description of the working methods of the General Assembly:

The General Assembly of Bank Handlowy w Warszawie S.A. operates as per the General Assembly Regulations, the Articles of Association and legal regulations. The General Assembly(Assemblies) of the Bank has/have firm General Assembly Regulations, defining the detailed manner of running the meetings and adopting resolutions.

In line with the Company’s practice, the General Assembly takes place in the Company’s seat, in Warsaw. According to the Company’s Articles of Association, the General Assembly takes place within six months after the end of every financial year. If the Management Board does not call an Ordinary General Assembly within that time, the Supervisory Board is entitled to do so. The Company follows the principle of calling the Ordinary General Assemblies not later than in the last week of June, before noon. An Extraordinary General Assembly is convened by the Management Board on its own initiative, at the request of the Supervisory Board or at the request of shareholders representing at least one tenth of the share capital. For the purposes of General Assemblies, the Company provides a room of a size corresponding to the number of Shareholders, the services of professional interpreters and an electronic system of voting and counting votes.

As practiced by the Company, all relevant material for the General Assembly, including draft resolutions with justifications and the opinion of the Management Board and the Supervisory Board are availed to the Shareholders at least 15 days (financial reports) or 7 days (copies of resolutions) before the date of the General Assembly. Moreover, the materials for the General

Assembly are made available at the Company's registered office on the dates of which the Company informs in the General Assembly announcement and on the Company's website. Irrespectively of the above, the Company meets all of its information obligations resulting from the legal regulations on convening General Assemblies.

Cancellation of the General Assembly on whose agenda specific issues have been placed on the request of authorized entities or that has been convened upon such a request is possible only with the consent of the requesting parties. In other cases, the General Assembly can be cancelled if its organization meets extraordinary obstacles (*force majeure*) or is obviously pointless. Cancellation takes place in the same way as convening, guaranteeing the least negative consequences for the Company and Shareholders, at any rate not later than three weeks before the initially scheduled date. Change of the date of the General Assembly takes place in the same mode as its cancellation even if the suggested agenda remains unchanged. The General Assembly is convened by issuing an announcement in Monitor Sądowy i Gospodarczy (Court and Business Monitor) at least three weeks before the date of the General Assembly.

The General Assembly is opened by the Chairperson of the Supervisory Board, and in his/her absence first the Vice-Chairperson of the Supervisory Board, and then one of the members of the Supervisory Board. Pursuant to the Company's practice of running General Assemblies, the opening of the meeting is immediately followed by the election of the Chairperson of the Assembly. Until the Chairperson is elected, the Company's General Assembly refrains from making any decisions.

Through the person opening the General Assembly, the Management Board of the Company delivers to the Chairperson of the General Assembly an instruction to perform this function in such a manner as to guarantee the observance of the commonly applicable provisions of law, the corporate governance rules, Articles of Association and other internal regulations of the Company. Members of the Supervisory Board and Management Board should be present during the General Assembly. The auditor should be present if financial issues of the Company are to be discussed.

The General Assembly votes in an open ballot. Secret ballot is ordered for elections and for motions to dismiss the members of Company bodies or liquidators, to hold them liable, as well as in personal matters. Secret ballot should also be ordered on the request of even one shareholder present or represented in the General Assembly.

A General Assembly is valid irrespectively of the number of represented shares, subject to specific cases defined in legal regulations. The resolutions of the General Assembly are adopted by an absolute majority of present voters, unless the legal regulations or the Articles of Association state otherwise.

In practice, voting takes place with the use of a computerized system of giving and counting votes which ensures that the number of votes corresponds to the number of shares held and – in the case of secret ballots – eliminates the possibility of identifying the manner of voting by particular shareholders.

The Chairperson of the General Assembly should formulate resolutions in such a way that each authorized person who does not agree with the merits of the decision included in the resolution should have an opportunity to appeal against it. The Chairperson of the General Assembly is obliged to ensure that resolutions are formulated clearly and explicitly. The Management Board

of the Company also provides the Chairperson with potential support of the legal service of the Company.

The resolutions of the General Assembly are included in the minutes and confirmed by a notary. The minutes should state that the General Assembly was convened correctly and that it can adopt resolutions. It should list adopted resolutions and the number of votes for and against a resolution. The minutes should contain the list of attendees with signatures of participants of the General Assembly. The proof of calling a General Assembly should be attached by the Management Board to the minutes book.

A copy of the minutes is held in the minutes book.

The General Assemblies may be attended by the media.

Key powers of the Company's General Assembly

The objective of an Ordinary General Assembly should be to:

1. consider and approve the report of the Management Board on the Company's business and the financial statements for the past financial year as well as the consolidated financial statements of the Company's capital group,
2. adopt a resolution on the division of profits or coverage of losses,
3. grant the Company bodies' members exoneration for meeting their responsibilities.

The General Assembly, apart from other issues provided by the absolutely applicable provisions of law, deals with:

1. the sale and lease of the company or its business units as well as establishment of limited property rights to them,
2. amendments to the Articles of Association,
3. increases or decreases in the Company's share capital,
4. determining the date of the rights to collect newly issued shares,
5. setting the dividend payment day for the previous financial year and the dividend payment deadlines,
6. creation and cancellation of special funds formed of profits,
7. calling and recalling the members of the Supervisory Board,
8. setting the remuneration for the members of the Supervisory Board,
9. mergers or winding up of the Company,
10. calling or recalling liquidators,
11. redemption of Company shares,
12. usage of the supplementary capital and capital reserves, including the capital reserves (fund) created to gather undivided profits (not to be paid out as dividends in a given financial year) and the general risk fund.

The General Assembly decides how to distribute profits by determining the write-offs for:

1. supplementary capital, created every year of profits of at least 8% of profit in a given financial year until the capital does not reach at least one third of the share capital. The General Assembly can adopt a resolution compelling further deductions.
2. capital reserves,
3. the general risk fund,
4. dividends,
5. special funds,
6. other goals.

In the case of Company liquidation, the General Assembly appoints, at the request of the Supervisory Board, one or more liquidators and defines the manner of conducting the liquidation process.

Shareholders' rights and how to perform them

The shares of the Company are disposable bearer shares. The shareholders are entitled to a share in the profits shown in the audited financial statements, assigned by the General Assembly to be paid out to the shareholders. The profits are distributed proportionately to the number of shares.

Holders of bearer shares are entitled to participate in the General Assembly, provided that they submit at the seat of the Bank a name-bearing certificate of deposit at least one week prior to the date of the General Assembly.

A shareholder attending the General Assembly has the right to vote, submit motions and raise objections and to present in brief his/her position.

Draft resolutions proposed for adopting by the General Assembly and other important materials are presented to the shareholders together with a justification and the opinion of the Supervisory Board before the General Assembly, in such time so they could be read and assessed.

A shareholder may participate in the General Assembly and exercise his/her voting rights personally or acting through an attorney.

Each shareholder is entitled to stand as a candidate for the position of the Chairman of the General Assembly and may submit one candidate for the position of the Chairman of the General Assembly into the minutes.

In consideration of each matter on the agenda, a shareholder is entitled to make a statement and a response.

The Management Board is obliged to provide a shareholder, on his/her request, with information relating to the Company, provided it is justified for the purpose of assessing the matter being considered within the agenda. The Management Board refuses to provide information, if:

- 1) it could cause damage to the Bank or its subsidiary or affiliate, particularly by disclosing technical, commercial or organizational secrets of the enterprise,
- 2) it could expose any member of the Management Board to penal, civil or administrative liability.

In justified cases, the Management Board may provide the information in writing not later than within 2 (two) weeks from the date of closing of the General Assembly.

The Company's bodies do not restrict information which is requested by the General Assembly, but at the same time abide the law as laid out in the Act on public offers and conditions of introducing financial instruments into the organized trading system and public companies, the Act on the trade of financial instruments and the Regulation on current and periodical information provided by issuers of securities and the Commercial Companies Code.

Subject to cases provided for in the Commercial Companies Code, the General Assembly is valid irrespectively of the number of represented shares. Subject to cases provided for in the Commercial Companies Code and the Bank's Articles of Association, resolutions are valid when adopted by the absolute majority of votes present.

A shareholder is entitled to raise objections about a resolution of the General Assembly, present his/her arguments and justify the objections.

Each shareholder is entitled to submit proposals of amendments and supplements to draft resolutions included in the agenda of the General Assembly until closing of the discussion over the item on the agenda covering the draft resolution to which the proposal applies. The proposals, together with brief justification, are submitted in writing.

Any shareholder may submit a motion on formal matters. Motions on formal matters are the motions on the manner of proceeding and voting.

Each shareholder is entitled to nominate candidates to the Supervisory Board, in writing to the Chairman of the General Assembly or orally into the minutes, in each case along with a brief justification of the choice of the candidate.

Shareholders are entitled to review the book of minutes and to request the issuance of copies of resolutions, certified by the Management Board.

A shareholder who voted against a resolution of the General Assembly, and demanded noting his/her objection in the minutes after the resolution was adopted, a shareholder who, unjustly, was not granted access to the General Assembly, and those shareholders who were unable to attend the General Assembly due to errors in the procedure of calling the General Assembly or adopting a resolution on an issue not listed in the agenda, are entitled to take legal action against the resolution of the General Assembly and have it cancelled.

Shareholders are entitled to take legal action against the Company to revoke a resolution of the General Assembly as being illegal.

The Company's shares can be redeemed with the consent of the shareholder by being purchased by the Company (voluntary redemption). The shares can be redeemed on the condition that the General Assembly resolves to do so. Such a resolution should specify in particular the legal basis for the redemption, the fee to which the shareholder of the redeemed share is entitled or a justification of redeeming the share without the fee and a way of reducing the share capital.

The composition and principles governing the Management and Supervisory Boards of the Company and their Committees

The Management Board of the Company

The Management Board of the Company consists of five to nine members. It is composed of the following: President of the Company's Management Board, Vice-presidents of the Company's Management Board and Members of the Management Board. At least half of the members of the Management Board should be Polish citizens. Every member of the Management Board is appointed for a term of three years.

The present Management Board of the Company consists of six members. The Company's Management Board is composed of:

- Sławomir S. Sikora – President of the Management Board;
- Michał H. Mrozek – Vice-president of the Management Board;
- Edward Wess – Vice-president of the Management Board;
- Sonia Wędrychowicz-Horbatowska – Vice-president of the Management Board;
- Witold Zieliński – Vice-president of the Management Board;
- Lidia Jabłonowska-Luba – Member of the Management Board.

The above-mentioned persons composed the Management Board also in 2007 year.

The Management Board of the Company operates on the basis of the applicable law, the Company's Articles of Association and the Regulations of the Management Board of Bank Handlowy w Warszawie S.A.

The Regulations of the Management Board of Bank Handlowy w Warszawie S.A. define the scope and mode of work of the Management Board as well as the manner of adopting resolutions.

The Management Board makes decisions, in the form of resolutions, concerning the matters of the Bank, not reserved by the applicable law and by the Bank's Articles of Association for the authority of other bodies of the Bank, in particular:

1. determines the strategy of the Bank,
2. establishes and liquidates the Bank's committees and determines their competences,
3. determines and presents its regulations to the Supervisory Board for approval,
4. determines and presents for approval to the Supervisory Board the regulations for the application of special funds created out of net profit,
5. determines the dates of payment of dividend within periods determined by the General Assembly,
6. appoints proxies, general attorneys and general attorneys with the right of substitution,
7. decides on matters specified in the regulations of the Management Board,
8. decides on issues raised by the President of the Management Board, Vice-president or Member of the Management Board,
9. makes sole decisions on acquiring and disposing of real estate, perpetual usufruct or property shares,
10. adopts a draft annual financial plan for the Bank, accepts investment plans, and reports on their implementation,

11. accepts reports on the Company's activities and the financial statements,
 12. formulates motions regarding the division of profits or coverage of losses,
 13. approves personnel and credit policy and legal rules of the Company's activity,
 14. approves principles for managing the Company's capital,
 15. approves an employment structure,
 16. determines a fundamental organizational structure of the Company, appoints and dismisses Heads of Sectors, appoints and dismisses Heads of Divisions and determines their competences,
 17. sets up a plan for auditing and revising actions in the Bank and accepts reports on the conducted audits,
 18. decides upon other matters which, pursuant to the Articles of Association, are submitted to the Supervisory Board or the General Assembly,
 19. decides on making commitments regarding or disposing of assets whose total value in relation to one entity exceeds 5% of the Company's own funds or empowers certain persons to take such a decision; however, with respect to cases covered by the competencies of the Company's Committees, decisions are taken after an opinion of the respective Committee has been provided,
 20. defines the organization and scope of responsibilities of the Internal Audit Department, including the mechanisms ensuring the independence of audits,
- The Management Board develops, implements and ensures the functioning of the management system in the Company; develops, implements, approves and updates written strategies, procedures, plans and analyses and undertakes other actions regarding risk management, internal control and internal capital assessment systems, as well as the reviews of internal capital assessment and maintenance processes.

The members of the Management Board and heads of organizational entities indicated in the Regulations of the Management Board are entitled to submit motions to be considered by the Management Board on matters remaining within the scope of their activities.

The President of the Management Board:

1. manages the activities of the Management Board, including the designation for back-ups in his/her absence from among the Management Board and determines the way in which other members are backed-up in their absence,
2. convenes meetings of the Management Board and chairs them,
3. presents views of the Management Board to the Company's bodies, state and local authorities as well as the public,
4. files motions with the Supervisory Board regarding the appointment or dismissal of the Management Board members and determining their remuneration,
5. issues internal regulations on the Company's activities and may authorize other members of the Management Board or other employees of the Company to issue such regulations,
6. decides on the use of internal control results and informs the controlled unit on the decision in this matter,
7. performs other powers provided for in regulations adopted by the Supervisory Board.

The President of the Management Board may entrust individual members of the Management Board or Heads of Divisions with the performance of particular competences provided above, except for those listed in items 1) and 4).

The President of the Management Board convenes meetings of the Management Board and chairs them. The President of the Management Board may establish fixed dates, on which the meetings take place.

The Corporate Services Office in the Corporate Communication and Marketing Department ensures the organizational support for the Management Board.

The attendance of the Management Board members at a meeting is compulsory. Absence must be excused. The Management Board meetings, apart from its members, may be attended by:

1. Heads of Divisions,
2. Director of the Corporate Services Office or a person designated by the Director,
3. Director of the Compliance Department,
4. Head of Legal Division

During the consideration by the Management Board of the issues connected with the functioning of the Bank's internal audit, the meetings of the Management Board may be attended by the Head of the Internal Audit Department.

Upon a motion of the Management Board members, the Company's employees or persons from outside the Bank, competent with respect to a given matter, may participate in a meeting. The chairman of a meeting may order the debate without the participation of persons who are not the Management Board members.

The presence of at least half of the Management Board members is required at a meeting for its resolutions to be valid. The Management Board's resolutions are adopted by the absolute majority of votes.

The Management Board adopts resolutions by voting in an open ballot. The chairman of a meeting may order a secret ballot on his own initiative or upon a motion of a Management Board member. A resolution of the Management Board comes into force on the day of its adoption, unless the other date of its coming into force is provided for therein.

In justified cases a resolution of the Management Board may be adopted by circulation upon the decision of the President of the Management Board or a member of the Management Board acting in the capacity of the President. A resolution may be passed by circulation under the condition that all members of the Management Board have been notified of the proposal to pass that resolution. A resolution adopted by circulation is enclosed to the minutes of the first meeting of the Management Board convened after it is adopted.

Minutes are taken of the Management Board's meetings. The minutes are prepared by the Corporate Services Office.

The minutes of the Management Board's meetings are marked with the clause "banking restricted" and contain:

1. the agenda,
2. first names and surnames of persons attending in the meeting,
3. information on excused absences or the reasons for absence of the Management Board members at a meeting,

4. texts of adopted resolutions,
5. the number of votes for particular resolutions and dissenting opinions,
6. the name of an organizational unit, or the first name and surname of the person entrusted with the implementation of the resolution,
7. the deadline for the implementation of the resolution.

The minutes are drawn up no later than within 3 (three) working days after the meeting. All members of the Management Board present at the meeting sign the minutes immediately after receiving the document.

The Management Board provides the Supervisory Board with the following financial information:

1. as soon as prepared, not later than 30 (thirty) days after the end of each month, monthly and periodic (including period from the beginning of the year to the lapse of the previous month) financial information, including its comparison with the budget approved in the annual plan and in relation to last year,
2. as soon as prepared, not later than 120 (one hundred and twenty) days after the end of each financial year, annual standalone and consolidated financial statements, prepared in accordance with International Accounting Standards and International Accounting Financial Reporting Standards, audited by the Company's auditor,
3. immediately after the preparation and in any event no later than prior to the end of each year, a draft annual plan for the next financial year, and
4. immediately, any other financial data relating to the Company's activity and financial condition and the activity and financial condition of the Company's subsidiaries, which may be reasonably requested by any member of the Supervisory Board.

The Supervisory Board of the Company

The Supervisory Board of the Company consists of five to twelve members all of whom are appointed by the General Assembly for a term of three years. At least half of the members of the Supervisory Board, including the Chairperson, should be Polish citizens.

The present Supervisory Board is composed of:

Chairman: Stanisław Sołtysiński

Vice-Chairmen: Shirish Apte, Andrzej Olechowski

Members: Susan Blaikie, Sanjeeb Chaudhuri, Goran Collert, Mirosław Gryszka, Sabine S. Hansen, Krzysztof L. Opolski, Aneta Polk, Michael Schlein, Wiesław A. Smulski

Half of the Supervisory Board of the Company is composed of independent members. The independence criteria for the Supervisory Board members are specified in the Company's Articles of Association.

The Supervisory Board of the Company operates on the basis of the applicable law, the Company's Articles of Association and the Regulations of the Supervisory Board of Bank Handlowy w Warszawie S.A.

The Supervisory Board acts as provided for in applicable laws and the Company's Articles of Association, in line with the Regulations of the Supervisory Board of Bank Handlowy w Warszawie S.A.

Apart from the rights provided for in applicable laws, the Supervisory Board is authorized to resolve in particular upon:

1. appointing and dismissing the Company's President of the Management Board in a secret ballot,
2. appointing and dismissing in a secret ballot, upon the motion of the President of the Management Board, Vice-presidents and other members of the Company's Management Board,
3. determining the terms and conditions of agreements regulating the employment or another legal relationship between members of the Management Board and the Company,
4. expressing consent for opening or closing a branch office abroad,
5. adopting regulations of the Supervisory Board and approving the following documents adopted by the Company's Management Board:
 - a) regulations of the Management Board,
 - b) regulations for the application of special funds created out of the net profit,
6. expressing prior consent to the disposal of the Company's fixed assets, when the value thereof exceeds one tenth of the Company's share capital,
7. appointing the Company's auditor,
8. granting consent for the employment and dismissal of the person in charge of the Internal Audit Department upon the motion of the Management Board,
9. supervising operations of the internal control in the Company, pursuant to the rules set forth separately in the Company's Articles of Association and the Regulations of the Audit Committee,
10. any benefits to be made by the Company or any of its associated entities for any reason whatsoever, to any of the Management Board members and granting consent for the conclusion by the Company or its subsidiary of a material agreement with any entity associated with the Company, a Supervisory Board member, a Management Board member or entities associated with them,
11. supervision of the management system implementation and the assessment of the system adequacy and efficiency.

The Supervisory Board has also the right to suspend, for major reasons, some or all members of the Management Board and delegate members of the Supervisory Board, for up to three months, to temporarily act as Management Board members who were dismissed, resigned or for other reasons cannot perform their work.

The Supervisory Board members perform their duties personally. The Supervisory Board performs its duties collectively, but each member of the Supervisory Board is entitled to obtain from the Management Board information necessary to perform his/her duties. Meetings of the Supervisory Board take place at least once a quarter. A meeting of the Supervisory Board is convened by the Chairman of Supervisory Board and during his absence by one of the Vice-Chairpersons of the Supervisory Board, on their own initiative, upon the motion of a Supervisory Board member or upon the motion of the Company's Management Board. The Chairman of the Supervisory Board may establish fixed dates on which meetings of the Supervisory Board take place. A notification of convening a meeting containing the agenda and the materials for the

debate are sent by the Supervisory Board's Secretary to the Supervisory Board members by courier upon the confirmation of receipt at least 7 (seven) days before the meeting.

The Supervisory Board meets on the day of the General Assembly approving the report of the Management Board on the Company's business and the financial statements for the last full financial year of working as a member of the Management Board, in which the mandates of the Management Board members expire, in order to select new members of the Company's Management Board.

Every year the Supervisory Board adopts a resolution regarding the report on the operations of the Supervisory Board, containing the Supervisory Board's assessment of the Company's condition and the financial statements of the Company, including the motions of the Management Board regarding the division of profits. The Supervisory Board presents the report to the General Assembly for approval.

Members of the Supervisory Board can participate in adopting resolutions by voting in writing with the help of another member of the Supervisory Board. The Supervisory Board can adopt resolutions in writing or by means of direct long-distance communications.

A meeting of the Supervisory Board is convened by the Chairman of Supervisory Board and in his/her absence by either of the Vice-Chairpersons of the Supervisory Board, and in the absence of both of them – a member of the Supervisory Board selected by the other members.

The presence of at least half of the Supervisory Board members is required at a meeting for the validity of its resolutions. Resolutions of the Supervisory Board are adopted with the absolute majority of votes. Without the consent of the majority of independent Supervisory Board members no resolutions concerning the following should be passed:

1. any benefits to be made by the Bank or any of its affiliates for any reason whatsoever, to the benefit of any of the Management Board members,
2. consent for the conclusion by the Bank or its subsidiary of a material agreement with any entity associated with the Bank, a Supervisory Board member or a Management Board member or entities associated with them,
3. selection of an auditor for auditing the Company's annual report.

Any member of the Supervisory Board is obliged to immediately inform other members about a conflict of interest which has arisen and to refrain from taking part in the discussion or voting on a resolution regarding the matter in relation to which the conflict arose.

The Supervisory Board adopts resolutions in an open ballot except for appointing and dismissing the President of the Management Board and appointing and dismissing, upon the motion of the Management Board's President, Vice-presidents and other members of the Company's Management Board, which are adopted in a secret ballot. The chairperson of the debate may order a secret ballot on his/her own initiative or upon the motion of a Supervisory Board member.

A resolution of the Supervisory Board comes into force on the date of its adoption, unless the resolution provides the later date of coming into force.

Minutes are taken from the Supervisory Board's meetings and contain: the agenda, first names and surnames of the Supervisory Board members present at the meeting, the number of the Supervisory Board members absent with the reason for their absence, the number of votes for every resolution, dissenting opinions and the complete text of the adopted resolutions. A list of the Supervisory Board members present at the meeting and other persons participating in the meeting constitutes an appendix to the minutes. The minutes are signed by all members of the Supervisory Board present at the meeting. The minutes of the Supervisory Board's meetings during its term of office are kept in separate folders, maintained by the Company.

Members of the Bank's Management Board participate in the Supervisory Board meetings, save for meetings or items directly relating to the Company's Management Board. Upon the motion of the Chairman of the Supervisory Board or of the Company's Management Board, the Company's employees or persons from outside the Company, competent in a given matter, may attend the meetings. The Head of the Internal Audit Department may also participate in the Supervisory Board meetings when matters related to the internal control functions are being examined. In particularly justified circumstances the Chairperson of the Supervisory Board may start the debate without the participation of persons that are not the Supervisory Board members, even if the foregoing resolutions provide otherwise.

Supervisory Board Committees

The permanent committees of the Supervisory Board are:

1. Audit Committee,
2. Remuneration Committee, and
3. Risk and Capital Committee.

The Supervisory Board may pass a resolution on the establishment of committees other than the above, which consist exclusively of the members of the Supervisory Board. A resolution of the Supervisory Board defines the scope of activity of the committee.

Pursuant to this provision, in 2003 the Supervisory Board formed the **Strategy and Management Committee** with the objective to analyze, on an ongoing basis, all issues related to the work of the Bank's bodies and enhancement of their operations. This Committee is composed of: Shirish Apte as Chairman, Stanisław Sołtysiński, Andrzej Olechowski, Goran Collert, Mirosław Gryszka and Krzysztof Opolski as committee members. The Committee meets as convened by the Chairman.

Audit Committee

The Audit Committee is composed of:

- 1) Mirosław Gryszka – Committee Chairman
- 2) Susan Blaikie – Vice-Chairman of the Committee
- 3) Shirish Apte - Committee Member
- 4) Krzysztof Opolski - Committee Member
- 5) Aneta Polk - Committee Member
- 6) Smulski Wiesław - Committee Member

The Audit Committee is a permanent committee of the Company's Supervisory Board. Within the scope of its duties and responsibilities, the Committee oversees Financial Reporting, Internal Control and Risk Management, Internal Audit and External Audit.

The Committee members perform their functions under Article 390 of the Commercial Companies Code. The Committee submits to the Supervisory Board an annual report on its activities. The report for each calendar year is submitted by the end of the first quarter of the following year. The annual reports are made available to shareholders by placing them on the Bank's websites. The Committee reports to the Supervisory Board at the Board's next meeting the proceedings of each meeting of the Committee and all recommendations made by the Committee at such meetings.

The Committee is composed of at least three members of the Supervisory Board, including at least two independent members and one of them is the Committee's Chairman. The Committee's members, including the Chairman and the Vice-Chairman, are elected by the Supervisory Board. All of the members of the Committee are financially literate. The presence of at least three members of the Committee members is required at a meeting for the validity of its resolutions.

The Chairman convenes a meeting of the Committee on his own initiative or at the request of a member of the Committee. If the Chairman of the Committee cannot, for any reason, call the meeting, the Vice-Chairman does so. A meeting of the Committee may also be convened at the request of a Committee Member or the Chairman of the Bank's Supervisory Board.

The Secretary of the Committee, who is also the Secretary of the Supervisory Board, distributes to the members of the Committee a notice to convene a meeting. The notice will include the agenda as well as material, which will represent the subject matter of the meeting.

The Committee meets at least four times per annum, on dates specified by the Chairman of the Committee in cooperation with the Vice-Chairman of the Committee.

At least annually, the Committee meets:

- 1) the Bank's Head of Internal Audit, without any member of management present;
- 2) the Company's Auditor, without any member of the Bank's management present;
- 3) separately, without any person who is not a member of the Committee present.

The Committee may also meet with individual members of the Company's management as the Committee considers appropriate.

The agenda of the meeting of the Committee consists of standing items and matters examined on a motion. A list of standing items reviewed at the meeting of the Committee are determined by way of a resolution of the Committee. Matters for the meeting of the Committee may be brought up by the Committee and by the remaining members of the Supervisory Board.

On the basis of material received, the Secretary prepares a draft agenda of a meeting with a list of invited persons and submit it to the Chairman and the Vice-Chairman for approval. If approved by the Chairman and Vice-Chairman, the agenda of a meeting is delivered with necessary material to the members of the Committee.

All members of the Committee are required to attend its meetings. A member of the Committee member who is not able to attend the meeting notifies the Secretary of the Committee within seven days prior to the meeting. The Committee may retain such consultants or advisors as it may

require to assist it and may invite officers and employees of the Company or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. Persons invited by the Chairman and Vice-Chairman, in order to report on particular matters, attend the Committee's meeting or a part thereof.

The Chairman of the Committee chairs meetings of the Committee. In case of the absence of the Chairman, the Vice-Chairman chairs the meeting of the Committee. The Chairman of the Committee in cooperation with the Vice-Chairman of the Committee may decide to remove a matter from the agenda, particularly in order to have a motion supplemented or an opinion given.

The Committee adopts its resolutions by absolute majority of votes of members of the Committee present at the meeting. The Chairman in agreement with the Vice-Chairman may adopt a decision to review an issue under circulation procedure. The Committee's members perform their functions under these Regulations based on Article 390 of the Commercial Companies Code. The Committee submits to the Supervisory Board an annual report on its activities. The report for each calendar year is submitted by the end of the first quarter of the following year. The annual reports are made available to shareholders by placing them on the Bank's websites. The Committee reports to the Supervisory Board at the Board's next meeting the proceedings of each meeting of the Committee and all recommendations made by the Committee at such meetings.

Remuneration Committee

The Remuneration Committee is composed of:

- 1) Stanisław Sołtysiński - Committee Chairman
- 2) Shirish Apte – Committee Member
- 3) Andrzej Olechowski – Committee Member
- 4) Sabine Hansen – Committee Member

The Remuneration Committee is a permanent committee of the Company's Supervisory Board. The Remuneration Committee is an advisory body of the Supervisory Board, and the Committee's members perform their functions under Article 390 of the Commercial Companies Code. The Committee submits to the Supervisory Board an annual report on its activities. The report for each calendar year is submitted by the end of the first quarter of the following year. The annual reports are made available to shareholders by placing them on the Bank's websites. The Committee reports to the Supervisory Board at the Board's next meeting the proceedings of each meeting of the Committee and all recommendations made by the Committee at such meetings.

The Committee's powers include:

- 1) assessing, in light of market conditions, remuneration of members of the Company's Management Board. The assessment consists of analyzing reports of independent experts or independent market research companies and informing the Supervisory Board of significant changes in the market conditions for remunerating management board members by competitive entrepreneurs.
- 2) assessing remuneration of the Company's Management Board members with regard to the scope of their duties and the way in which the duties are performed. The assessment consists of

analyzing relations between the remuneration of individual members of the Company's Management Board and their current scope of duties and the way in which such duties are performed and informing the Supervisory Board of significant changes in the relations, referred to above.

3) providing the Supervisory Board with a recommendation on amounts of remuneration of the Company's Management Board member, every time prior to its determination or modification. The recommendation is presented after the assessment of the qualifications and scope of duties of a member of the Company's Management Board and proposing an adequate remuneration. The Committee's proposal covers a total amount of the remuneration and its individual elements.

4) performing an overall assessment of the correctness of the Company's policy on remuneration received by the Company's directors that are not on the Management Board.

The Committee consists of at least 3 (three) Supervisory Board members, including 1 (one) independent member of the Supervisory Board. The Committee members, including the Chairman and the Vice-Chairman is elected by the Supervisory Board in an open ballot.

The Committee's meetings are convened by the Chairman of the Committee on his own initiative or, if the Chairman of the Committee may not, for any reasons, convene the meeting, the Vice-Chairman does so. The meetings are also convened at the request of a Committee member or the Chairman of the Supervisory Board. The Committee's meetings are held at least twice a year on the dates specified by the Chairman of the Committee. The agenda of the Committee's meeting includes standing items and the issues to be examined upon a motion.

The Secretary of the Committee on the basis of the material received draws up a draft agenda with a list of invited persons and deliver it to the Chairman of the Committee for his approval.

The Committee's meeting is attended by all the Committee members. A Committee's member who is not able to attend the meeting informs the Secretary of the Committee thereof 7 (seven) days before the scheduled date of the meeting. The Committee's meeting or a specific part of the meeting is attended by the persons invited by the Chairman of the Committee and, in particular, by the persons, who are to present individual issues.

The Committee's resolutions are adopted by the absolute majority of votes of the Committee members present.

The Chairman of the Committee may make a decision that a given issue is examined on a circular basis. The Committee member voting against may demand to include its dissenting opinion in the minutes.

Minutes are taken at Committee meetings. The minutes are signed by the Chairman and the Secretary. The minutes of the Committee meeting are approved by the Committee members at the nearest subsequent meeting of the Committee.

Risk and Capital Committee

The Risk and Capital Committee is composed of:

- 1) Susan Blaikie - Committee Chairman
- 2) Andrzej Olechowski - Committee Member

3) Krzysztof Opolski - Committee Member

4) Sabine Hansen – Committee Member.

The Committee members perform their functions under Article 390 of the Commercial Companies Code. The Committee submits to the Supervisory Board an annual report on its activities. The report for each calendar year is submitted by the end of the first quarter of the following year. The annual reports are made available to shareholders by placing them on the Bank's website and in the Bank's headquarter. At the subsequent meeting of the Supervisory Board, the Committee submits to the Board the minutes of each meeting of the Committee and on the recommendations of the Committee discussed at such meetings. These Regulations are made available on the Bank's web pages and in the Bank's headquarters.

The Committee's competencies with regard to the supervision of the risk management system functioning include supervising the implementation by the Bank's Management Board the risk management system, assessing the adequacy and effectiveness of the risk management system and supervising the process of internal capital estimation and capital management.

The Committee consists of at least four members of the Supervisory Board, one of whom is the Committee Chairperson. At least three Committee members must participate in the meeting to ensure validity of the Committee's resolutions.

The Committee meetings are convened by the Committee Chairperson on his/her own initiative or at request of a Committee member. Should the Committee Chairperson be unable to convene a meeting due to any reasons whatsoever, the Vice-Chairperson convenes such a meeting. The meetings are also convened at request of a Committee member or of the Supervisory Board Chairperson.

The Committee meetings are held at least once every six months at the dates determined by the Committee Chairperson in consultation with the Committee Vice-Chairperson.

The Secretary of the Committee, who is the Secretary of the Supervisory Board, distributes to the Committee members the notification on the meeting, containing the meeting agenda and the material subject to deliberations. The notification should contain the meeting agenda and the material on the subjects to be discussed at the meeting.

The Committee meeting agenda includes standing items and matters considered at request. The Supervisory Board and individual Committee members as well as the other Supervisory Board members have the right to bring matters to Committee meetings.

All Committee members are obliged to participate in the Committee meetings. The Committee may use opinions of advisors and may invite to its meetings Bank employees or other persons for the purposes of discussing or examining the matters discussed by the Committee. The persons invited by the Committee Chairperson or the Committee Vice-Chairperson participate in the Committee meeting or in its respective part.

The Committee Chairperson chairs the meetings of the Committee. In the case of the Chairperson's absence, the Committee's meeting is chaired by the Vice-Chairperson. Resolutions of the Committee are adopted by an absolute majority of the votes of the present Committee members.

In consultation with the Committee Vice-Chairperson, the Committee Chairperson may decide to have an issue considered through circular (written) procedure. Minutes of the Committee meetings are drawn up.

Internal control and risk management systems in the process of drafting financial statements of the Bank

The financial statements of the Bank are drafted by the Financial Reporting and Control Department, which constitutes a separate organizational entity in the Financial Division, in the Management and Support Sector, reporting directly to the Chief Financial Officer, a Member of the Management Board.

The process of drafting financial statements is covered by the Bank's internal control system, intended to support decision-making processes, enhancing the credibility and reliability of financial reporting. The internal control system covers risk control mechanisms connected with the process of drafting financial statements, auditing the Bank's compliance in that area with applicable laws and internal regulations as well as internal audits.

The internal control function is performed by every employee, his/her direct supervisor, persons cooperating with him/her and managers of organization units of the Bank with respect to the quality and correct performance of every employee's work in order to ensure compliance of the work with procedures and the Bank's control mechanisms. Within the internal control functions, there is a separate financial control function, performed by the Financial Division, and the self-assessment process. The financial control in the Bank covers the areas of accounting policy and financial reporting. The quarterly self-assessment constitutes an evaluation and proactive, effective key risks management process, integrated with the process of drafting financial statements. Risk management is conducted by means of internal control mechanisms. The quarterly self-assessment process is a fundamental instrument to monitor the risk levels of the Bank and changes in the financial reporting environment, to identify new threats and prepare action plans. In the operational risk monitoring process, the Bank has implemented effective mechanisms in the IT security area. The IT systems used in the process of drafting financial statements are covered by the Bank's COB plan.

The functional control system is supervised by the Bank's Management Board with help of the Risk, Control System and Compliance Committee.

The Bank's internal audits are conducted by the Internal Audit Department, a separate organizational unit of the Bank, reporting to the Management Board. The Audit Department reports directly to the President of the Management Board. The objective of the Internal Audit Department is to review and assess, in an independent and objective manner, the risks related to the business of units participating in the process of preparing the financial reporting of the Bank as well as the effectiveness of the internal control system. For that purpose, the Internal Audit Department regularly controls and assesses their compliance with the law, internal regulations and the risks incurred.

The Bank's Supervisory Board supervises the functioning of the internal control system and the actions of the Internal Audit Department. The Supervisory Board performs its functions with help of the Audit Committee which is also responsible, along with the Management Board and the Bank's auditor, for the review of the reliability of drafted financial statements and the correct

functioning of processes leading to the drafting, and gives recommendations on approving the annual and interim financial statements to the Bank's Supervisory Board.

The Head of the Internal Audit Department provides to the Supervisory and Management Boards, periodically, yet at least once a year, information on inconsistencies and conclusions of internal audits completed and actions taken to remedy the inconsistencies or follow the requests. The Head of the Internal Audit Department is entitled to attend the meetings of the Management and Supervisory Boards at which internal control issues are discussed.

Signatures of all Management Board Members

| | | | |
|------------|--------------------------------|-------------------------------------|-----------|
| 13.03.2008 | Sławomir S. Sikora | President of Management Board | |
| | | | |
| Date | Name | Position / function | Signature |
| | | | |
| 13.03.2008 | Michał H. Mrozek | Vice- President of Management Board | |
| | | | |
| Date | Name | Position / function | Signature |
| | | | |
| 13.03.2008 | Edward Wess | Vice- President of Management Board | |
| | | | |
| Date | Name | Position / function | Signature |
| | | | |
| 13.03.2008 | Sonia Wędrychowicz-Horbatowska | Vice- President of Management Board | |
| | | | |
| Date | Name | Position / function | Signature |
| | | | |
| 13.03.2008 | Witold Zielniński | Vice- President of Management Board | |
| | | | |
| Date | Name | Position / function | Signature |
| | | | |
| 13.03.2008 | Lidia Jabłonowska - Luba | Member of Management Board | |
| | | | |
| Date | Name | Position / function | Signature |

