

Report of the Audit Committee of the Supervisory Board
of Bank Handlowy w Warszawie S.A.
for year 2015

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 2015, the Audit Committee was composed of the following members: Shirish Apte, Mirosław Gryszka, Igor Chalupiec, Frank Mannion, 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) Anna Rulkiewicz (independent member).

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

- 1) March 19, 2015;
- 2) May 28, 2015;
- 3) September 30, 2015;
- 4) December 3, 2015.

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 March 19, 2015, 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 2014”. Subsequently, within the context of events in the field of accounting and taxes, the manner of recognizing the cost of the Bank Guarantee Fund in the financial statements was discussed. Further at the meeting, the Committee approved the “Report of the Compliance Department for 2014” and assessed positively the “Report of the Audit Department for 2014”. The Committee also handled the issue of implementation of the Recommendation D of the Polish Financial Supervision

Authority (KNF) analyzing the “Form – Recommendation D implementation audit” prepared by the Bank’s Audit Department. The Committee also discussed the admissibility of applying negative interest rate to banking products and solutions adopted by the Bank in this regard. The Committee also got acquainted with changes of provisions in the scope of co-operation with a statutory auditor with regard to recommendation and selection of an audit company.

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 2014”, “Report on the business activities of Bank Handlowy w Warszawie S.A. in 2014” and “Annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the fiscal year ended on 31 December 2014” 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 the “Strategy of disclosing and assessing adequacy of information disclosed by Bank Handlowy w Warszawie S.A.” and “Policy of Bank Handlowy w Warszawie S.A. on disclosing information on capital adequacy”.

At the same meeting, the Audit Committee positively assessed and recommended to the Supervisory Board the appointment of a statutory auditor.

At the meeting of the Audit Committee held on May 28, 2015, the Committee was advised on the change of the Checklist of the Audit Committee for 2015. At another item of the agenda, the Committee recommended the Bank’s Supervisory Board the approval of actions connected with quality review of Audit functions at Bank Handlowy w Warszawie S.A. carried out by an external auditor. Further at the meeting, the Audit Committee accepted the engagement of the Bank’s statutory auditor to provide attestation services.

At the next meeting held on September 30, 2015, the Audit Committee accepted the agreement for the provision of specialist services concluded with an external auditing company in the scope of quality review of internal audit functions at the Bank. At the same meeting, the Committee again addressed the issue of independence of the statutory auditor, auditors team and entity licensed to audit financial statements, whereby the Committee did not raised any objections in that matter. Further at the meeting, the Audit Committee analyzed remuneration of the Audit Department and Compliance Department employees and positively assessed the level of their remuneration.

At the meeting held on December 3, 2015, the Audit Committee was advised on the Financial Process and Financial Reporting. The Committee also took a closer look at key control procedures regarding regulatory financial reporting. At another item of the agenda, the Committee approved and recommended to the Supervisory Board the acceptance of the amendment to the document “Audit Department Strategy” and the approval of the “Regulations of the Audit Department Control”. The Committee also assessed positively the results of analysis of compliance with the requirements prescribed by a letter by KNF dated July 24, 2015.

The Committee also got acquainted with latest news on, among others, the operation of the management information system and the area of investor relations and HR management. Further, the Committee was advised on current operation of the Local Regulatory Reporting Commission.

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 risk management system in the Bank.

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 3, 2015 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, 2015.

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 2015 is positive.

Mirosław Gryzka
Chairman of the Audit Committee