

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

The Risk and Capital Committee of Bank Handlowy w Warszawie S.A. is a permanent body of the Bank's Supervisory Board. The Risk and Capital Committee is composed of the Supervisory Board members appointed by the Supervisory Board. The Risk and Capital Committee consists of at least four Supervisory Board members, one of whom acts as the Committee's Chairperson. The Committee operates in accordance with its regulations as set forth in Article 390 of the Commercial Companies Code.

The Committee's Regulations are displayed on the Bank's website www.citibankhandlowy.pl. Under these regulations, the competencies of the Risk and Capital Committee include in particular supervision over introduction of the risk management system by the Management Board in the Bank and assessment of adequacy and effectiveness of the risk management system. In the framework of its competencies related to the supervision over the functioning of the risk management system, the Committee, in particular, verifies the consistency of the Bank's risk taking policy with the strategy and financial plan of the Bank, examines the periodic information presenting the types and sizes of risks surrounding the Bank's operations as well as verifies and presents to the Supervisory Board the recommendations concerning the general risk level of the Bank.

The Risk and Capital Committee also supervises the process of internal capital estimation and capital management. The Committee's competencies as related to the supervision of functioning of internal capital estimation, capital management and capital planning processes involve examination, approval or recommendation, to the extent that requires a resolution of the Supervisory Board, for approval of policies and procedures applicable to the process of internal capital estimation, capital management and capital planning.

In 2011, the Risk and Capital Committee was composed of the following members: Alberto Verme – Chairman, Igor Chalupec –Deputy Chairperson and Andrzej Olechowski, Sanjeeb Chaudhuri (until April 14, 2011), Frank Mannion (from March 15, 2011) and Stephen Simcock – the Committee members.

The current composition of the Committee is as follows:

- 1) Alberto Verme – Chairman;
- 2) Igor Chalupec – Vice Chairman;
- 3) Frank Mannion
- 4) Andrzej Olechowski;
- 5) Stephen Simcock.

In accordance with its Regulations, during the reporting period, the Risk and Capital Committee met four times on the following dates:

March 14, 2011;
May 24, 2011;
October 26, 2011;
December 8, 2011.

The Risk and Capital Committee is in the frequent contact with the Bank's Supervisory Board as well as with the Bank's management and external auditor.

In the reporting period, at its meetings, the Risk and Capital Committee discussed in details the information on the current economic situation and macroeconomic forecast for 2011-2012.

The Risk and Capital Committee discussed the issues concerning credit, market, liquidity and price risk as well as non-compliance or operational risk, including the events that took place within the Capital Group of Bank Handlowy w Warszawie S.A.

The Risk and Capital Committee also analyzed the quarterly information on the regulatory and internal capital as well as the internal capital adequacy assessment process, which includes in particular identification of material risks.

Every quarter, the Committee received current information on the currency option portfolio and discussed also information on the credit risk, market and liquidity risk, price risk, compliance risk or operational risk, including the operational risk issues at the level of the Capital Group of Bank Handlowy w Warszawie S.A.

The Risk and Capital Committee discussions covered also the issues concerning the supervisory review and assessment (BION). According to the letter of the Polish Financial Supervision Authority (KNF), the Bank is subject to this process which covers the following areas: credit risk, market risk, liquidity risk, operational risk, model risk, business activity risk, hard-to-measure risk, capital risk/ICAAP, management.

The Risk and Capital Committee received also information on the control at Bank's registered place of business conducted by the Office of the Comptroller of the Currency – OCC and the Federal Reserve Bank of New York – FRBNY (06/06/2011 – 06/17/2011) approved by KNF. The main objective of the control was to assess the scope of the implementation and efficiency of the risk management systems and control mechanisms for RCB and LCB as at 03/31/2011.

The Risk and Capital Committee claims that in the reporting year, the Bank's risk management system was effective and adequate to the size of the Bank's operations. The Committee positively assessed the process of internal capital estimation and capital management in the Bank.

In view of the above, the Committee declares that in the year ended 31 December 2011, it performed its mandate properly.

Alberto J. Verme
Chairman of the Risk and Capital Committee