

Report of the Risk and Capital Committee of the Supervisory Board
of Bank Handlowy w Warszawie S.A.
for year 2014

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 2014, the Risk and Capital Committee was composed of the following members: Zdenek Turek – Chairman, Igor Chalupiec – Vice Chairman and Andrzej Olechowski, Frank Mannion (once again appointed as the Committee member on September 30, 2014), Dariusz Mioduski, Stephen R. Volk and Anil Wadhvani (as of September 30, 2014) – the Committee members.

The current composition of the Committee is as follows:

- 1) Zdenek Turek – Chairman;
- 2) Igor Chalupiec – Vice Chairman;
- 3) Frank Mannion;
- 4) Andrzej Olechowski;
- 5) Dariusz Mioduski;
- 6) Stephen R. Volk;
- 7) Anil Wadhvani.

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

March 18, 2014;
May 20, 2014;
September 30, 2014;
December 18, 2014.

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 detail the information on the current economic situation and macroeconomic forecast.

The object of the Committee's analyses was the quarterly information on the regulatory and internal capital as well as the internal capital adequacy assessment process, which includes in particular identification of significant risks.

In all its meetings 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 Committee's analyses also included issues within the field of counteracting money laundering.

During its meeting held on March 18, 2014, the Committee, on the basis of the analysis performed, issued a recommendation to the Supervisory Board to amend the document "Policy and procedure of estimating and maintaining internal capital at Bank Handlowy w Warszawie S.A." as well as it recommended that the Supervisory Board should approve the document "Capital Group of Bank Handlowy w Warszawie S.A. Capital Management in the Year 2014". Further on the Committee discussed also the information on the results of the execution of principles included in the Risk Management Policy for the portfolio of retail credit exposures.

During its next meeting held in May 20, 2014 the Committee received the information on the assumptions of the ECB Comprehensive Assessment exercise, in which Poland participated parallel to the process executed in the EU, based on the decision issued by the local regulator i.e. the Polish Financial Supervision Authority. This assessment was an essential element of the preparations for the implementation of the Single Supervisory Mechanism (SSM).

In the light of the current political situation the Committee discussed the Ukraine-Russia crisis and the Bank's direct exposures. The Committee also dealt with the analysis of the Vendor Management and Data Privacy Controls.

During its September meeting the Committee familiarized themselves with the results of the AQR examination conducted at Bank Handlowy by the Polish Financial Supervision Authority. The exercise consisted of : (i) check for compliance of internal policies and procedures with EBA Implementing Technical Standards and CRR directive; (ii) credit examination of files, sampled in accordance with the EBA sampling methodology (AQR). The AQR test had no impact on Bank Handlowy's books.

Due to the growing Ukraine-Russia crisis, the Committee familiarized themselves with the results of the Rapid Portfolio Review and the Stress Test performed in the Bank to estimate the impact that further actions/sanctions might have on the Polish economy, customers and therefore on the Bank. The Committee recommended that the Supervisory Board should adopt information about results of execution of principles included in The Risk Management Policy for Portfolio of Retail Credit Exposures (Secured and Unsecured).

During its meeting held on December 18, 2014 the Risk and Capital Committee, following an in-depth analysis recommended the Supervisory Board establish a direct functional reporting of Fundamental Credit Risk Unit (FCR) to the Risk and Capital Committee. The Committee also recommended making all the necessary amendments to the Regulations and then it recommended that the Supervisory Board should grant its consent for the appointment of the presented candidate as FCR Unit Head.

The Committee also discussed the issues related to the implementation of the new Strategy of Operational Risk Management for Bank Handlowy. The Committee also made a technology, information security, vendor management and data quality review.

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 Risk and Capital Committee declares that in the year ended 31 December 2014, it performed its mandate properly.

Zdenek Turek
Chairman of the Risk and Capital Committee