

Report of the Audit Committee of the Supervisory Board
of Bank Handlowy w Warszawie S.A.
for the year 2020

The Audit Committee of Bank Handlowy w Warszawie SA (the “Bank”) is a standing committee of the Bank’s Supervisory Board. The Audit Committee is composed of the Supervisory Board members appointed by the Supervisory Board. The majority of members of the Audit Committee, including its Chairperson, are independent within the meaning of Article 129(3) of the Act of May 11, 2017 on auditors, audit firms and public supervision. The Chairperson of the Audit Committee also meets independence criteria set out in § 14(4) of the Charter. Pursuant to Article 129(5) and Article 129(1) of the above-mentioned Act, members of the Audit Committee have knowledge and skills related to the financial sector and at least one member of the Audit Committee has knowledge and skills related to accounting or audit of financial statements.

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 2020, the Audit Committee was composed of the following members: Ms. Barbara Smalska as Chairwoman, Mr. Frank Mannion as Vice Chairman, and as Members: Ms. Anna Rulkiewicz, Ms. Kristine Braden from December 4, 2020 and Messrs. Shirish Apte until December 1, 2020, Igor Chalupec and Marek Kapuściński.

The current composition of the Audit Committee is as follows:

- 1) Ms. Barbara Smalska – Chairwoman (independent member);
- 2) Mr. Frank Mannion – Vice Chairman;
- 3) Ms. Kristine Braden;
- 4) Mr. Igor Chalupec (independent member);
- 5) Mr. Marek Kapuściński (independent member);
- 6) Ms. Anna Rulkiewicz (independent member);

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

- 1) March 25, 2020,
- 2) May 26, 2020,
- 3) September 24, 2020,
- 4) December 4, 2020.

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.

On February 24, 2020, the Audit Committee adopted a resolution issuing a positive opinion on the Annual Compliance Plan for the Bank in 2020 and a resolution recommending to the Supervisory Board the approval of the annual Report on compliance monitoring function performance and management of compliance risk at Bank Handlowy w Warszawie S.A. in the year 2019.

At its meeting on March 24, 2020, the Audit Committee carried out an annual review of its regulations. No need was identified to amend them, though it might be required when the expected Recommendation Z issued by the Polish Financial Supervision Authority comes into force. At another item of the agenda, the Committee approved the so-called Checklist, which constitutes the annual work schedule for the Committee.

Under the item concerning the activities of the Internal Audit Department, the Committee accepted and positively assessed the "Internal Audit Department Report for 2019". The Audit Plan for 2019 was fully implemented. The Committee was presented the update on the assessment of organizational independence of the Internal Audit Department. The Regulations of the Internal Audit Department set out that the Internal Audit Department is independent within the organization. The status of the Internal Audit Department as independent unit did not change in 2019. Current reporting rules applicable to Internal Audit enable it to perform its duties and do not limit the responsibility of the Internal Audit Head to the Audit Committee. In addition, there were no limitations of the scope of work, resources and access that would affect Internal Audit.

The Committee was presented a report on the implementation of the Internal Audit Strategy for 2019-2021. The Committee also discussed the results of the Quality Assurance and Improvement Program for the Internal Audit Department.

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 presented at the meeting, 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 2019”, “Report on the business activities of Bank Handlowy w Warszawie S.A. in 2019” and “Annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the fiscal year ended on 31 December 2019” and “Report on business activities of the Capital Group”. 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, 2019”.

Under the item covering a tax and accounting update, the Committee discussed the CJEU judgement concerning a reduction in the total cost of a consumer loan in case of its early repayment as well as the new General Interpretations issued by the Ministry of Finance, resulting in the requirement to apply the 23% VAT rate to cash processing and safekeeping services.

As the next item of the agenda, the Committee carried out an annual assessment of adequacy and effectiveness of the internal control system, including the adequacy and effectiveness of the control function, compliance unit and internal control unit. The Committee concluded that the internal control system was adequate and effective and recommended that this assessment be confirmed by the Supervisory Board in the “Report on the activities of the Supervisory Board of Bank Handlowy w Warszawie S.A.”

Having reviewed the Compliance Department’s Report on independent assessment of the Bank’s compliance with Principles of Corporate Governance for Supervised Institutions, the Audit Committee recommended that the Supervisory Board confirm that in 2019 the Bank acted in accordance with the Principles of Corporate Governance for Supervised Institutions, with the exception of those principles which were decided not to be applied.

The Committee also approved amendments to the Auditor Selection Procedure.

During the meeting held on May 26, 2020, the Audit Committee approved the “Audit Committee Activity Report for 2019” and positively assessed amendments to the Internal Audit Regulations. The Committee also discussed the increased cost of risk due to COVID-19 related provision. Further on, several accounting and tax issues, mostly related to COVID-19 relief programs (loan holidays, PFR subsidies program, BGK liquidity guarantee) as well as an update on implementation of mandatory disclosure rules (MDR) were discussed. The Committee was also acquainted with the impact of the COVID-19 pandemic on litigations.

At the next meeting, on September 24, 2020, in addition to regular items, the Audit Committee was acquainted with the positive result of the independent review of Internal Audit’s compliance with IIA standards and with Recommendation H of the PFSA.

Within the framework of the financial reporting system, the Committee was presented the semi-annual financial statements for the period ended June 30, 2020. The auditor carried out a review of the financial statements and the Management Board report and issued an unqualified report. The Committee reviewed and accepted the additional disclosures, related to COVID-19, included in the financial statements.

The Committee also analyzed the regular Report on remuneration levels in the Internal Audit Department and Compliance Department.

During its meeting in December, in addition to regular items of the agenda, the Audit Committee accepted the approval of the "Audit Plan of Bank Handlowy w Warszawie S.A. for 2021", was acquainted with the information on Management Reporting and Planning Processes, as well as the information on investor relations and external communications. The Committee also analyzed the current situation regarding the issue of fee returns for prepaid consumer loans, related to the CJEU ruling, and its impact on financial results of the Bank.

The ongoing verification of the Audit Committee covered the following areas of the Bank's activities: the impact of COVID-19 pandemic on Bank's operations, implementation of strategic goals, 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 statutory 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, 2019 verified and approved the Audit Department's Annual Audit Plan and then supervised the execution of the audit plan in 2020 based on 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 by the Management's control and self-assessment process and / or as a result of internal audit findings. The Committee assessed the internal control system and concluded that it is adequate and effective and recommended that the Supervisory Board should confirm that assessment. The Audit Committee also reviewed the Annual Compliance Plan and regularly analyzed updates from the Head of Compliance on the status of regulatory controls.

Considering § 70.1.7 & 8 and § 71.1.7 & 8 of the Regulation of the Minister of Finance of 29 March 2018 on the Current and Periodic Information Provided by Issuers of Securities and the Conditions for Recognizing the Information Required by Legal Regulations of a Non-Member State as Equivalent, it is the assessment of the Committee that:

- 1) The selection of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. as an audit firm to audit annual financial statements of the Bank and the Bank's Capital Group for 2019, was duly carried out in compliance with the regulations, including those governing the audit firm selection and selection procedure;
- 2) KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and the members of the audit team have satisfied the conditions to issue an impartial and independent report from audit of annual financial statements in accordance with the applicable regulations, auditing standards and principles of professional ethics;
- 3) The regulations on rotation of audit firm and key auditor as well as mandatory breaks in audit engagements have been complied with;
- 4) The Bank has the audit firm selection policy and the policy regarding the provision of additional non-audit services for the Bank by the audit firm, its affiliate or member of the audit firm's network, including any services that are conditionally exempted from the ban on provision by the audit firm;
- 5) The provisions regarding the appointment, composition and operation of the Audit Committee of the Bank's Supervisory Board have been complied with, including those regarding the fulfillment of independence criteria and the requirements as to knowledge and skills in the field of finance, accounting or audit of financial statements by its members;
- 6) The Audit Committee of the Bank's Supervisory Board has fulfilled the audit committee tasks as provided for in the applicable regulations.

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, submitted in accordance with the requirements of the Act on statutory auditors, audit companies and public supervision, that confirmed that the objectivity and independence requirements set out in that Act were met. The Committee reviewed the Bank's external auditor's plan for the audit of the Bank's financial statements with respect to key areas of audit focus, risk assessment, planned approach, auditor independence, audit fee and terms of engagement. The Committee also approved provision of additional non-audit services by the auditor, as permitted by the act on statutory auditors.

The Committee Chairwoman 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 Chairperson of the Audit Committee, the cooperation between the above-mentioned areas is correct.

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 information provided on a quarterly basis, the Committee confirms

its positive assessment of the internal control, risk management and compliance risk management systems used by the Bank and the activities of the Bank's internal audit function. This assessment covers all the key controls, including especially 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, 2020.

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 2020 is positive.

Barbara Smalska

Chairperson of the Audit Committee