

# **Statements of Bank Handlowy w Warszawie S.A. on its application of corporate governance rules in 2012**

## **1. Corporate governance rules applied by Bank Handlowy w Warszawie S.A.**

It is the priority of Bank Handlowy w Warszawie ("Bank", "Company") to become the most respected financial institution in Poland with a considerable focus on business and social responsibility. Since 2003, the Bank has complied with corporate governance rules approved by the Warsaw Stock Exchange ("WSE") as the Best Practices in Public Companies 2005 and, as of 1 January 2008, as the Best Practices for WSE Listed Companies. The key objective of the adoption of the corporate governance rules as a standard of the Bank has been to establish transparent relations among all corporate bodies and entities involved in the Company's operation as well as to ensure that the Company and its enterprise are managed properly, with due diligence and loyalty with respect to all shareholders. The willingness to ensure transparency of the operation of Bank Handlowy w Warszawie S.A., including in particular the relations and processes among the Company's statutory bodies, led to the adoption by the Bank of the best practices as set forth in the Best Practices for WSE Listed Companies. The document is available on the website of the Warsaw Stock Exchange. By a resolution of 13 May 2008 adopted by the Management Board and a resolution of 20 May 2008 adopted by the Supervisory Board, the Bank declared its will to comply with the corporate governance rules set forth in the Best Practices for WSE Listed Companies except for three rules not applicable to the Bank's operation. Furthermore, by a resolution of 20 July 2010 adopted by the Management Board and a resolution of 6 August 2010 adopted by the Supervisory Board, the Bank agreed to comply with the corporate governance rules set forth in the Best Practices for WSE Listed Companies amended by a resolution of the Supervisory Board of the Warsaw Stock Exchange of 19 May 2010. In 2012, by a resolution of 10 January 2012 adopted by the Management Board and a resolution of 6 February 2012 adopted by the Supervisory Board, the Bank agreed to comply with the Best Practices for WSE Listed Companies amended by resolutions of the Supervisory Board of the Warsaw Stock Exchange of 31 August 2011 and 19 October 2011.

The Bank continuously takes measures aimed at improving transparency in its organization, the division of powers and the functioning of its governing bodies and their mutual relations. These include the following:

- The Bank has published its financial statements in accordance with the International Financial Reporting Standards (IFRS) since 1 January 2005;
- The Supervisory Board includes independent members;
- The Audit Committee, composed of two independent members, including the independent Chairman of the Committee, has been established within the Bank's Supervisory Board;
- Remuneration of all members of the Company's governing bodies is commensurate with the company size and reflects the scope of duties and responsibilities;
- All significant internal regulations as well as information and documents relating to the Bank's General Meetings are available at the Bank's registered office and on its website.

## **2. Corporate governance rules set forth in the Best Practices for WSE Listed Companies which were not applied by the Bank in 2012**

In May 2008, the Bank declared its will to comply with the Best Practices for WSE Listed Companies except for the following three rules:

- (i) rule II.3 (applicable to the Management Board) and rule III.9 (applicable to the Supervisory Board) in respect of the Supervisory Board's approval of material transactions / agreements with related parties entered into as part of ongoing operations, in particular those related to liquidity management; and
- (ii) rule IV.8 for ensuring a change of the entity authorized to audit the financial statements at least every seven financial years.

The Bank did not apply rules II.3 and III.9 of the Best Practices for WSE Listed Companies only with respect to agreements with related parties entered into as part of ongoing operations, in particular those related to liquidity management.

Considering the nature and the number of transactions entered into as part of ongoing operations, it is not possible from the operational perspective to obtain the Supervisory Board's approval for their conclusion. At the same time, it should be emphasized that reports on the ongoing monitoring of the Bank's operations are submitted to the Supervisory Board on a monthly basis and include among others information on related party transactions exceeding PLN 100 thousand.

The resolution of the Supervisory Board of the Warsaw Stock Exchange of 19 May 2010 repealed rule IV.8 of the Best Practices for WSE Listed Companies. Since 2010, pursuant to the amended corporate governance rules, the Bank has published on its website information about the content of the rule followed by the company ensuring a change of the entity authorized to audit the financial statements.

The Bank did not apply the recommendation to allow the shareholders to participate in a General Meeting using electronic communication means but the Bank did allow an online broadcast of the General Meeting in 2012, recorded the proceedings and published them on its website. Otherwise, the Bank complied with all the recommendations of the Best Practices for WSE Listed Companies.

### **3. Internal control and risk management systems in the process of drawing up financial statements of the Bank**

The financial statements of the Bank are drawn up by the Financial Reporting and Control Department, which is a separate organizational unit in the Financial Division in the Management and Support Sector, reporting directly to the Chief Financial Officer and Vice-President of the Management Board of the Bank.

The process of drawing up the financial statements is covered by the Bank's internal control system aimed at ensuring accuracy and fairness of the data shown in the Bank's financial statements. The internal control system includes identification and control of risks related to the process of drawing up the financial statements, monitoring of the Bank's compliance with legal provisions and internal regulations in this respect, as well as internal audit.

Functional internal control is exercised by every employee and additionally by their direct superiors, peers as well as managers of the Bank's organizational units with respect to the quality and correctness of the employees' performance of duties with the objective of ensuring compliance of such activities with the Bank's control procedures and mechanisms. Risk management is performed by means of internal mechanisms of risk identification, control, monitoring and reporting, executed and supervised by specialized organizational units. The internal control functions include a separate financial control function performed by a separate unit of the Financial Division. The Bank's financial control applies to the accounting policy and financial reporting. The quarterly Risk and Control Self-Assessment (RCSA) ensures an evaluation of control processes and represents a proactive, effective key risk management process, integrated with the process of drawing up the financial statements. The quarterly RCSA process is the Bank's fundamental tool used for monitoring the operational risk levels and changes in the financial reporting environment, identification of new threats, verification of the effectiveness of control mechanisms, and implementation of corrective action plans. The Bank's operational risk monitoring process includes efficient mechanisms ensuring the security of technology systems. The IT systems used in the process of drawing up the financial statements are covered by the Bank's COB plan.

The functional control system is supervised by the Bank's Management Board supported by the Risk and Capital Management Committee.

The Bank's internal audits are conducted by the Audit Department. The Audit Department is responsible for independent and objective assessment of the adequacy and effectiveness of the internal control system and assessment of the Bank's management system including effectiveness of the management of risks related to the activities of the Bank. The Audit Department performs internal controls, undertakes the assessment of activities executed by organizational units of the Bank, and performs audits in subsidiaries of the Bank as part of the Bank's supervision of risks related to the activity of the subsidiaries in terms of their compliance with internal regulations, applicable legal provisions and regulatory requirements, as well as effective and rational control mechanisms. The Audit Department is a separate organizational unit of the Bank, reporting directly to the President of the Management Board.

The Supervisory Board of the Bank exercises supervision over the internal control system and the operations of the Audit Department. The Supervisory Board performs its functions with the support of the Audit Committee, which, as part of the supervisory function and in cooperation with the Bank's Management Board and the statutory auditor, verifies the fairness of the financial statements as well as proper execution of the processes related to their preparation and submits recommendations regarding the approval of the annual and interim financial statements by the Bank's Supervisory Board.

The Head of the Audit Department provides the Management Board and the Audit Committee of the Supervisory Board with audit findings and, on a periodic basis at least once per year, provides the Supervisory Board with collective information on irregularities identified and conclusions drawn in the course of the internal audits performed as well as measures undertaken to eliminate the irregularities. The Head of the Audit Department has the right to participate in meetings of the Management Board and the Supervisory Boards at which issues related to the Bank's internal control are considered.

#### **4. Significant shareholdings**

The Bank's shareholder holding a significant block of the Bank's shares is Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., which holds 97,994,700 shares, representing 75% of the Bank's share capital. The number of votes corresponding to COIC's shareholding is 97,994,700, representing 75% of the total number of votes at the Bank's General Meeting.

All shares issued by the Bank are ordinary bearer shares which do not confer any special control privileges with respect to the Bank.

There are restrictions resulting from Article 25 of the Banking Act: an entity which intends to purchase or acquire, directly or indirectly, shares or rights attached to shares of a domestic bank in an amount that ensures reaching or exceeding the thresholds of 10%, 20%, one-third, 50% of the total number of votes at the General Meeting or of the share capital, respectively, is obliged to notify at each time the Polish Financial Supervision Authority of such intention to purchase or acquire. An entity which intends to become, directly or indirectly, a parent company of a domestic bank in a manner other than by purchasing or acquiring shares or rights attached to shares of a domestic bank in an amount that ensures a majority of the total number of votes at the General Meeting is obliged to notify at each time the Polish Financial Supervision Authority of such intention. The Bank's Articles of Association do not provide for any other restrictions as regards the transfer of its shares.

#### **5. Rules governing the appointment and dismissal of Members of the Management Board and their powers**

The Management Board of the Bank is composed of five to nine members, including the President of the Management Board of the Company, Vice-Presidents of the Management Board of the Company, as well as Members of the Management Board. At least half of the members of the Management Board should be of Polish nationality. Each member of the Management Board is appointed by the Supervisory Board for an individual term of three years. The appointment of two members of the Bank's Management Board including the President requires the approval of the Polish Financial Supervision Authority.

The term of office of a member of the Management Board expires:

- 1) as of the date of the General Meeting which approves the Management Board's report on the activities of the Bank as well as the financial statements for the last full financial year of a Management Board member's term of office;
- 2) upon the death of a Management Board member;
- 3) as of the date of dismissal of a Management Board member;
- 4) as of the date of resignation submitted to the Chairman of the Supervisory Board in writing.

The Management Board decides, by way of resolutions, on the Company's matters not reserved by the applicable laws and the Articles of Association as a responsibility of another governing body, and in particular:

- 1) determines the strategy of the Company;

- 2) establishes and liquidates the Company's committees and determines their competences;
- 3) drafts the Regulations of the Management Board and submits them to the Supervisory Board for approval;
- 4) drafts regulations regarding the management of special funds created from the net profit and submits them to the Supervisory Board for approval;
- 5) determines dividend payment dates within the deadlines specified by the General Meeting;
- 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) resolves issues raised by the President, a Vice-President or a member of the Management Board;
- 9) takes independent decisions regarding acquisition and disposal of real properties, perpetual usufruct or interest in property;
- 10) adopts the Company's draft annual financial plan, accepts investment plans and reports on their implementation;
- 11) accepts reports on the activities of the Company as well as financial statements;
- 12) draws up motions regarding profit distribution or loss coverage methods;
- 13) approves the HR and credit policy as well as legal rules governing the Company's operation;
- 14) approves the principles governing the Company's capital management;
- 15) approves the employment structure;
- 16) determines the fundamental organizational structure of the Company, appoints and dismisses Sector Heads, appoints and dismisses Division Heads and determines the scope of their competence;
- 17) develops the plan of control measures undertaken in the Company and accepts reports on audits conducted;
- 18) resolves other issues subject to submission to the Supervisory Board or the General Meeting pursuant to the Articles of Association;
- 19) decides on contracting liabilities or managing assets whose total value with respect to one entity exceeds 5% of the Company's equity or grants authorizations to designated parties to take the aforementioned decisions; however, with respect to issues for which the Company's Committees have responsibility, such decisions are made upon consultation with the competent Committee;
- 20) determines the organizational structure and the scope of responsibilities of the Audit Department, including mechanisms ensuring audit independence.

The Management Board is in charge of designing, implementing and ensuring proper functioning of the Company's management system. It develops, implements, approves and updates written strategies, procedures, plans and analyses, undertakes other measures in respect of the risk management, internal control and internal capital assessment system and reviews of the internal capital assessment and maintenance process. Members of the Management Board and heads of the organizational units specified in the Regulations of the Management Board are authorized to file motions to be considered by the Management Board with respect to matters within the competence of the aforementioned units.

The President of the Management Board:

- 1) manages the activities of the Management Board, including designation from among the Management Board members of a person performing the role of Deputy President in his/her absence, and determines the method of deputizing other Management Board members in their absence;
- 2) convenes and chairs meetings of the Management Board;
- 3) presents the position of the Management Board to the Company's governing bodies, state and local authorities as well as the general public;

- 4) files motions to the Supervisory Board regarding the appointment or dismissal of members of the Management Board as well as determination of their remuneration;
- 5) issues internal regulations governing the Company's operations and has the right to authorize the remaining members of the Management Board or other employees of the Company to issue such regulations;
- 6) decides on the use of internal audit results and notifies the audited unit of any decisions made with respect to the audit;
- 7) exercises other rights under the regulations adopted by the Supervisory Board.

The President of the Management Board has the right to assign to individual members of the Management Board as well as Division Heads particular responsibilities as specified above, except for those referred to in points (1) and (4).

## **6. Amendments to the Articles of Association**

The General Meeting of the Bank is authorized to introduce amendments to the Bank's Articles of Association. Any changes to the Articles of Associations must be entered in the court register. Pursuant to Article 34.2 of the Banking Act of 29 August 1997, any amendments to the Bank's Articles of Association require approval of the Polish Financial Supervision Authority if they pertain to:

- 1) the Bank's name;
- 2) the Bank's registered office as well as the object and scope of its business activities;
- 3) the governing bodies and their powers, in particular those of members of the Management Board appointed upon the consent of the Polish Financial Supervision Authority, as well as the principles governing the decision-making process, the fundamental organizational structure of the Bank, principles for submitting declarations with respect to property rights and obligations, the procedure for issuing internal regulations and the decision-making process regarding contracting liabilities or disposal of assets whose total value with respect to one entity exceeds 5% of the Bank's equity;
- 4) the principles governing the internal control system;
- 5) equity and financial management principles;
- 6) share privilege or restrictions with respect to the voting right.

## **7. General Meeting procedure, description of its fundamental powers as well as shareholder rights and their exercise method**

### **7.1 General Meeting procedure**

The General Meeting of the Bank operates in accordance with the Regulations of the General Meeting, the Articles of Association as well as applicable laws. The Bank's General Meeting ("General Meeting") follows stable Regulations setting forth detailed principles for conducting meetings and adopting resolutions.

It is the Company's practice that the General Meeting is held at the registered office of the Company in Warsaw. The ordinary General Meeting is convened by the Management Board of the Bank. It should be held within the first six months after the end of each financial year. The Company's practice is to convene the Ordinary General Meeting no later than in the last week of June, before noon. The Supervisory Board has the right to convene an ordinary General Meeting if the Management Board fails to convene such meeting within the timeframe set in the Articles of Association and to convene an extraordinary General Meeting if the Supervisory Board considers it necessary. An extraordinary General Meeting is convened by the Management Board on its own initiative and at the request of a shareholder or shareholders representing at least one-twentieth of the share capital. A request for convening an extraordinary General Meeting should be submitted to the Management Board in writing or in an electronic form. If an extraordinary General Meeting is not convened within two weeks from submission of a request to the Management Board, the registration court may, by way of a decision, authorize the shareholder or shareholders who have made such request to convene the extraordinary General Meeting. The shareholder or shareholders authorized by the registration court should refer to the decision of the registration court mentioned in the previous sentence in the notice convening the

extraordinary General Meeting. The chairman of such an extraordinary General Meeting is appointed by the registration court. An extraordinary General Meeting may also be convened by shareholders representing at least one half of the Bank's share capital or at least one half of the total number of votes in the Bank. The chairman of such a General Meeting is appointed by the shareholders. The General Meeting is convened by way of an announcement placed on the Bank's website and in the manner stipulated for the distribution of current filings by public companies, provided that such an announcement is made at least twenty six days before the scheduled date of the General Meeting. Shareholders who have the right to demand that a certain issue be included on the agenda of a General Meeting should, in order to exercise such right, submit a motion to the Bank's Management Board in writing or in an electronic form along with a justification and a draft resolution related to the proposed item on the agenda, no later than twenty one days before the date of the General Meeting. The Management Board will place the issue on the agenda of the next General Meeting immediately, no later than eighteen days before the scheduled date of the General Meeting. A General Meeting may be cancelled only if it has become expressly irrelevant or there are extraordinary obstacles preventing it. A General Meeting is cancelled, or its date is changed, in the same manner as it is convened, except that the twenty six day period is not applied. Cancellation or change of date of a General Meeting must be made in a manner minimizing the adverse effects for the Bank and the shareholders. The General Meeting can resolve not to consider an issue placed on its agenda and to change the order of issues included on the agenda. However, in order to remove an issue from the agenda or resolve not to consider an issue included on the agenda at shareholders' request, prior consent is required of all present shareholders who have made such a request supported by 80% of votes at the General Meeting. Motions concerning such matters should be justified in a detailed way.

A full text of the documentation to be presented at a General Meeting along with the draft resolutions (and, if a given case does not require passing of a resolution, along with comments of the Management Board) and other information with respect to a General Meeting is placed on the Bank's website as of the day of convening such a General Meeting. Materials to be used at the General Meeting are made available at the Bank's registered office at the time specified in the Bank's announcement convening the General Meeting. Notwithstanding the foregoing, the Bank fulfills all disclosure requirements related to convening of General Meetings imposed by the applicable laws.

The General Meeting is opened by the Chairman of the Supervisory Board and, in his/her absence, by the Vice-Chairman of the Supervisory Board or a member of the Supervisory Board. It is the Company's practice with respect to holding General Meetings that a Chairman of the Meeting is elected immediately after opening the Meeting. The General Meeting does not make any decisions prior to the election of the Chairman.

Through the party in charge of opening the General Meeting, the Bank's Management Board always provides the Chairman of the General Meeting with instructions for performing such a function in a manner ensuring compliance with generally applicable laws, corporate governance rules, the Articles of Association as well as internal regulations of the Bank. Members of the Bank's Management Board and Supervisory Board as well as the statutory auditor of the Bank should participate in the General Meeting if it discusses financial issues.

The General Meeting votes in an open ballot. Secret ballot is applied with respect to elections and motions regarding dismissal of members of the Company's governing bodies or liquidators, holding them liable, as well as in personal matters. In addition, secret ballot must be ordered upon the motion of at least one shareholder present or represented at the General Meeting.

The General Meeting is valid irrespective of the number of shares represented at it, subject to specific circumstances defined by applicable laws. Resolutions are adopted by the General Meeting by an absolute majority of votes cast by the attendees, unless the applicable laws or the Articles of Association provide otherwise.

The Bank may organize the General Meeting in a manner allowing the shareholders to participate in the General Meeting using electronic communication means, in particular by way of:

- 1) real-time broadcast of the General Meeting;
- 2) two-way real-time communication enabling shareholders who use electronic communication means to speak during the General Meeting from a remote location;
- 3) exercising the voting right in person or through an attorney before or during the General Meeting.

The rules of shareholders' participation in the General Meeting and the procedures followed during the General Meeting, as well as the mode of communication between the shareholders and the Bank through electronic communication means, are set out in the Regulations of the General Meeting. The Regulations of the General Meeting may authorize the Bank to define means of communication between the shareholders and the Bank through electronic communication means other than those set out in the Regulations.

The Management Board will announce other means of communication in the announcement convening the General Meeting. Notwithstanding the foregoing, the Bank may broadcast the General Meeting online, record the Meeting and publish the record of the Meeting on the website of the Bank after the Meeting.

In practice, voting takes place through a computer system for casting and counting votes, which ensures that the number of votes cast corresponds to the number of shares held and eliminates the possibility to identify the votes cast by individual shareholders in the event of secret ballot.

The Chairman of the General Meeting should formulate resolutions in a manner ensuring that each authorized party who objects to the decision constituting the object of the resolution has an opportunity to appeal against it. The Chairman of the General Meeting is obliged to ensure that resolutions are drawn up in a clear and explicit manner. Additionally, the Management Board of the Company provides the Chairman with the potential assistance of the entity rendering legal services to the Company.

Resolutions adopted by the General Meeting are recorded in the form of minutes by a notary public. The minutes should state that the General Meeting has been properly convened and has the capacity to adopt resolutions, as well as list the resolutions adopted, the number of votes for each resolution as well as objections filed. The minutes should be supplemented with an attendance list, including signatures of the participants in the General Meeting. The evidence supporting the fact of convening the General Meeting should be enclosed by the Management Board in the book of minutes.

The Management Board encloses a copy of the minutes in the book of minutes.

General Meetings may be attended by the media.

## **7.2 Fundamental powers of the General Meeting**

The General Meeting should be convened to:

- 1) examine and approve the Management Board's reports on the activities of the Company, its financial statements for the previous financial year as well as the consolidated financial statements of the Company's capital group;
- 2) adopt a resolution on profit distribution or loss coverage;
- 3) acknowledge the fulfillment of duties by the members of the governing bodies of the Company.

In addition to the powers set forth in mandatory provisions of law, the responsibilities of the General Meeting include:

- 4) disposing of and leasing the enterprise or its organized part and establishing a limited property right on the enterprise or its part;
- 5) amending the Articles of Association;
- 6) increasing or reducing the Company's share capital;
- 7) determining the date of exercising the pre-emptive right with respect to new issue shares;
- 8) determining the date of dividend payment for the previous financial year as well as dividend payment deadlines;
- 9) creating and liquidating special funds from profit;
- 10) appointing and dismissing members of the Supervisory Board;
- 11) determining the amount of remuneration paid to members of the Supervisory Board;
- 12) business combination or liquidation of the Company;
- 13) appointing and dismissing liquidators;

- 14) redeeming the Company's shares;
- 15) using the supplementary and reserve capitals, including the reserve capital created for the purpose of collecting undistributed profit (not allocated to dividend paid in a given financial year), as well as the general risk fund.

The General Meeting decides upon profit distribution by determining the amount of allocations for:

- 1) supplementary capital created on an annual basis with allocations from profit in the amount of at least 8% of the profit generated in a given financial year until the capital amounts to at least one third of the share capital. The General Meeting has the right to adopt a resolution imposing the obligation to make further allocations;
- 2) reserve capital;
- 3) general risk fund;
- 4) dividend;
- 5) special purpose funds;
- 6) other purposes.

In the event of the Company's liquidation, upon the motion of the Supervisory Board, the General Meeting appoints one or more liquidators and determines the liquidation method.

### **7.3 Shareholders' rights and their exercise methods**

The Company's shares are disposable bearer shares. The shareholders have the right to a share of the profit disclosed in the financial statements audited by the statutory auditor, which has been allocated to payment to the shareholders by the General Meeting. The profit is distributed proportionately to the number of shares.

The right to participate in the General Meeting of the Bank as a public company is vested exclusively in persons who are the Bank's shareholders at least sixteen days prior to the date of the General Meeting (Date of Registration of participation in a General Meeting). A shareholder participating in the General Meeting is entitled to vote, file motions and raise objections as well as present a concise statement of reasons for his/her position.

Draft resolutions proposed for adoption by the General Meeting as well as other important materials should be provided to the shareholders together with a statement of reasons and the opinion of the Supervisory Board prior to the General Meeting within a time limit sufficient for the shareholders to read and evaluate the above documents.

A shareholder has the right to participate in the General Meeting and exercise his/her voting right in person or through an attorney.

Each shareholder has the right to stand as a candidate for the Chairman of the General Meeting, as well as propose one candidate for the Chairman of the General Meeting to the minutes.

Under every point of the agenda, the shareholder is entitled to make a statement and a response.

On a shareholder's request, the Management Board is obliged to provide him/her with information on the Company, on condition that such a request is justified for the purpose of evaluating the issue included in the agenda. The Management Board should refuse access to information if such an action:

- 1) could be detrimental to the Company, its related party or subsidiary, in particular through the disclosure of technical, trade or organizational secrets of the enterprise;
- 2) could expose a member of the Management Board to criminal, civil or administrative liability.

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

The governing bodies of the Company do not limit information but, at the same time, they comply with the provisions of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies, the Act on Trading in Financial Instruments, the Regulation on current and periodical reporting by issuers of securities and on the conditions under which the legally required information originating in a non-member state can be deemed equivalent thereof, as well as the provisions of the Code of Commercial Companies.



The General Meeting is valid irrespective of the number of shares represented at it, subject to specific circumstances defined by applicable laws. Resolutions are adopted by the General Meeting by the absolute majority of votes cast by the attendees, unless the applicable laws or the Articles of Association provide otherwise.

Each shareholder has the right to object to the provisions of a resolution adopted by the General Meeting as well as present his/her arguments and statement of reasons.

Each shareholder has the right to propose changes and supplements to draft resolutions included in the agenda of the General Meeting until the closing of the discussion regarding a particular item of the agenda with respect to the draft resolution to which the proposal applies. Proposals and their brief justifications should be presented in writing.

A shareholder may file a motion on a formal issue at the General Meeting. Motions on formal issues concern the procedure and voting.

The shareholders have the right to propose their candidates to the Bank's Supervisory Board in writing to the Chairman of the General Meeting or orally to be included in the minutes; in both cases, the proposals require a brief justification.

The shareholders have the right to access the book of minutes and request the issuance of copies of resolutions certified by the Management Board.

Shareholders who voted against a resolution at the General Meeting and, after its adoption, requested their objection to be recorded in the minutes; shareholders who have not been admitted to participate in the General Meeting for no legitimate reasons; and shareholders absent from the General Meeting shall have the right to file an action regarding cancellation of a resolution adopted by the General Meeting only in the event that the procedure for convening the General Meeting was not executed correctly or a resolution was adopted with respect to an issue not included in the agenda.

The shareholders have the right to file an action against the Company in order to cancel a resolution adopted by the General Meeting which does not comply with an applicable legal act.

The Company's shares may be redeemed upon the consent of a shareholder through their acquisition by the Company (voluntary redemption). Share redemption requires the adoption of a relevant resolution by the General Meeting. The resolution should determine in particular the legal basis for the redemption, the amount of consideration payable to the shareholder of the redeemed shares, or a statement of reasons for share redemption without a consideration, as well as the method of reducing the share capital.

The Bank ensures adequate protection of the minority shareholders' rights, within the limits imposed by its corporate status and the associated primacy of the majority rule principle. In particular, in order to ensure equitable treatment of all shareholders, the Bank adheres, among others, to the following practices:

- The General Meetings of the Bank always take place in the Bank's registered office in Warsaw;
- Presence of representatives of the media at the General Meetings is allowed;
- In accordance with the Bank's practice, all important materials prepared for the General Meeting, including draft resolutions with justifications and opinions of the Supervisory Board, are made available to the shareholders no later than 14 days before the date of the General Meeting, at the Bank's registered office and on the Bank's website;
- The General Meeting has stable Regulations setting forth detailed principles for conducting meetings and adoption of resolutions;
- Members of the Supervisory Board and the Management Board take part in the General Meeting in order to provide its participants with explanations and information about the Bank within the scope of their responsibilities;
- The General Meeting participants objecting to a resolution are offered an opportunity for brief presentation of the rationale of their objection. Moreover, each General Meeting participant can submit written statements to the meeting minutes.

## 8. Composition of and changes to the Management Board and the Supervisory Board of the Bank, rules of procedure of the Bank's managing and supervisory bodies

### 8.1 Management Board

The Management Board of the Bank is composed of five to nine members, including the President of the Management Board of the Company, Vice-Presidents of the Management Board of the Company as well as Members of the Management Board. At least half of the members of the Management Board should be of Polish nationality. Each member of the Management Board is appointed by the Supervisory Board for a term of three years.

As at the day of signing this Report on Activities, the composition of the Company's Management Board was as follows:

Member of the Management Board	Professional experience
<b>Slawomir S. Sikora</b> <i>President of the Management Board</i>	<p>Slawomir S. Sikora is a graduate of the Warsaw School of Economics. In 1990-1994, he served in the Polish Ministry of Finance as the Head of the Banking System and Financial Institutions Department. In 1994-2001, he worked for Powszechny Bank Kredytowy S.A. (PBK) as Vice-President of the Management Board of PBK responsible for Corporate and Investment Banking. In 2001-2003, he was the President of the Management Board of AmerBank.</p> <p>Slawomir S. Sikora was appointed President of the Management Board of Bank Handlowy w Warszawie S.A. on 2 July 2003. He is the Head of Corporate Bank. Since March 2005, he has been holding the office of Chief Executive Officer and Citigroup Country Officer, and has been responsible for overall operations of Citigroup in Poland. He is also a member of the Supervisory Board of the Polish Bank Association and the Management Board of the Polish Confederation of Private Employers Leviathan.</p>
<b>Brendan Carney</b> <i>Vice-President of the Management Board</i>	<p>Brendan Carney was born in the USA. He is a graduate of Economics at the University of Michigan and Wharton School at the University of Pennsylvania.</p> <p>Brendan Carney joined Citi Belgium in March 2010, where he was Head of Consumer Banking. In February 2011, he also took the position of Chief Country Officer for Belgium. In his new role, he was responsible for all Citi operations in Belgium, including Consumer and Institutional Banking. He began his career in Citi in 2002, in Portugal, when he was managing the consumer banking area. Brendan Carney serves as Vice-President of the Management Board of Bank Handlowy w Warszawie SA as of May 21, 2012. He is the Head of the Consumer Bank.</p>
<b>Robert Daniel Massey Jr.</b> <i>Vice-President of the Management Board</i>	<p>Robert Daniel Massey Jr. graduated from Randolph-Macon College, Georgia State University and New York University, having majored in Corporate Finance. He has over 30 years' experience in banking and risk management. In 1975, he started working as a Senior Corporate Banking Executive at Citibank, where he gained extensive experience in corporate finance and credit portfolio management. Next, he served as President and Chief Operating Officer of AMBAC, a municipal bond insurance firm. Later, Mr. Massey became Executive Vice President for Fleet Bank, responsible for the commercial credit process in the State of New York. In 1996, he rejoined Citigroup and held the following offices: Executive Director of Credit Risk Management at Citibank Mexico, Senior Risk Officer for Citigroup's Corporate and Investment Bank in Asia Pacific, Manager responsible for Portfolio Management of Citigroup's credit exposures in Global Technology, Media and Telecommunications, Shipping and Logistics and European Leveraged Finance, and Managing Director in Citigroup's Global Corporate and Investment Bank in New York. In December 2006, he joined Guangdong Development Bank, where he served as Chief Risk Officer and Vice-President of Guangdong Development Bank. Robert Daniel Massey Jr. was appointed Vice-President of the Management Board of Bank Handlowy w Warszawie S.A. on 26 May 2010. He has been the Head of the Risk Management Sector at Bank Handlowy since May 2010.</p>

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**Member of the Management Board****Professional experience**

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**Misbah Ur-Rahman-Shah***Vice-President of the Management Board*

Misbah Ur-Rahman-Shah holds a degree in Commerce from Government College of Commerce and Economics Karachi. He has been with the Polish banking business since 1992, when he became Head of Treasury of Citibank (Poland) S.A. In 1996-1998, he was the Head of Strategy & Management Processes for CEECA. His main responsibilities included strategy implementation in the Corporate Bank. In 1998-2002, as Member of the Management Board of Saudi American Bank (SAMBA), U.K., he was responsible for the treasury business. In 2002-2004, he managed the Sales & Trading Business in Central and Eastern Europe, Russia and CIS. On 12 September 2008, he was appointed Member of the Supervisory Board of Dom Maklerski Banku Handlowego w Warszawie S.A. and then, in 2011, the Chairman of the Supervisory Board. Since 2004, he has been the Head of the Treasury Division of Bank Handlowy w Warszawie S.A. and currently also the Head of Market Business for Central and Eastern Europe. Misbah Ur-Rahman-Shah was appointed Vice-President of the Management Board of Bank Handlowy w Warszawie S.A. on 15 March 2011.

**Witold Zieliński***Vice-President of the Management Board*

Witold Zieliński holds a master's degree and completed post-graduate studies in International Law at the University of Warsaw. He started his career in 1980 in Bank Handlowy w Warszawie S.A. in the Southern European Department in the Foreign Loans Division. In 1986-1990, he worked for the Polish Commercial Office in New York. In 1991, Witold Zieliński joined Citibank (Poland) S.A. In 1992-1995, he was a Member of the Management Board, then he worked for Citibank N.A. London Branch, where he was responsible for the sales of global products and customer risk assessment in Southern and Eastern European markets. In 1998, he set up a representative office of Citibank NA in Kiev and then established a fully licensed Citibank Ukraine, which he ran as President of the Management Board until the end of 2003. In 2004-2005, he was the President of the Management Board of Citibank Romania. Witold Zieliński was appointed Vice-President of the Management Board of Bank Handlowy w Warszawie S.A. on 1 January 2006. He is also the Chief Financial Officer and Head of the Management and Support Sector.

**Iwona Dudzińska***Member of the Management Board*

Iwona Dudzińska holds an MA in Economics and is a senior executive with 15 years' experience in management of strategic projects and complex operation and technology processes. She has been with Citigroup since 1999, first as Senior Branch Operations Officer Citibank (Poland) S.A. responsible for management of documentary operations, local and foreign clearing, money market operations and the bank's administrative functions. She was also in charge of the Corporate Clients Department. In 2001-2004, she managed the Centralized Operations Division of the Corporate and Investment Bank. From April 2004 to July 2008, as the Managing Director, she was the Head of Operations and Technology of the Corporate and Investment Bank. As the Head of Operations and Technology Sub-Sector, she was responsible for all operation and technology activities in the Bank since July 2008. Iwona Dudzińska was appointed Member of the Management Board of Bank Handlowy w Warszawie S.A. on 18 September 2009 for a three-year term of office. She is also the Head of Operations and Technology Sub-Sector.

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In 2012, the Management Board also included Sonia Wędrychowicz-Horbatowska, Vice-President of the Management Board, who resigned as Vice-President of the Management Board of the Bank as of 13 May 2012.

The Management Board of the Company operates on the basis of generally applicable regulations, the Company's Articles of Association as well as the Regulations of the Management Board.

The Regulations of the Management Board of the Bank set forth the scope, rules of procedure of the Management Board as well as the procedure for the adoption of resolutions.

The President of the Management Board convenes and chairs meetings of the Management Board and may also determine fixed meeting dates.

The Corporate Services Office in the Corporate Communication and Marketing Department (“Corporate Services Office”) provides organizational support to the Management Board.

The attendance of members of the Management Board at its meetings is obligatory. Absence must be excused. In addition to members of the Management Board, meetings may be attended by:

- 1) Division Heads;
- 2) Corporate Services Office Head or a designated person;
- 3) Compliance Head;
- 4) Legal Division Head.

The Head of the Audit Department may participate in meetings of the Management Board at which issues related to the Company’s internal control are considered. Upon the motion of members of the Management Board, meetings may be attended by the Company’s employees or third parties competent with respect to a particular matter. The chairman of the meeting may decide upon a debate without the participation of parties not being members of the Management Board.

For resolutions adopted by the Management Board to be valid, the presence of at least half of the members at the meeting is required. Resolutions by the Management Board are adopted by the absolute majority of votes.

The Management Board adopts resolutions by voting in an open ballot. The chairman of the meeting may order a secret ballot on his/her own initiative or upon a motion of a member of the Management Board. A resolution of the Management Board enters into force as of the date of its adoption, unless a different adoption date is specified therein.

In justified cases, resolutions may be adopted by the Management Board in a circular procedure pursuant to a decision of the President of the Management Board or the Deputy President. A resolution may be adopted in a circular procedure provided that all members of the Management Board are notified of its adoption. A resolution adopted in a circular procedure constitutes an appendix to the minutes from the first meeting of the Management Board following its adoption.

Minutes are taken from Management Board meetings, which is a responsibility of the Corporate Services Office. Minutes of Management Board meetings should include:

- 1) the agenda;
- 2) the first and last names of attendees;
- 3) information on excused absence or reasons for the absence of members of the Management Board from a meeting;
- 4) texts of resolutions adopted;
- 5) the number of votes cast for a particular resolution and dissenting opinions;
- 6) the name of the entity or organizational unit or the first and last name of the person in charge of implementation of the resolution; and
- 7) resolution implementation deadline.

The minutes are signed by all members of the Management Board attending the meeting, immediately after they have received the document.

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

- 1) upon preparation, but not later than 30 (thirty) days from each month-end, monthly and periodical (covering the period from the beginning of the year to the end of the preceding month) financial information, compared with the budget adopted in the annual plan and in relation to the previous year;
- 2) immediately upon preparation, but not later than 120 (one hundred and twenty) days after each financial year-end, annual individual and consolidated financial statements drawn up in accordance with the International Financial Reporting Standards and audited by the Company’s statutory auditor;

- 3) immediately upon preparation but in each case not later than by the end of each year, the draft annual plan for the following financial year; and
- 4) immediately, other available financial data related to the Company's operations and financial position as well as the operations and the financial position of the Company's subsidiaries, which may be reasonably requested by a member of the Supervisory Board.

## 8.2 Supervisory Board

The Supervisory Board of the Company is composed of five to twelve members, each of whom is appointed by the General Meeting for a term of three years. In accordance with Article 14.2 of the Articles of Association, the Extraordinary General Meeting of the Bank determined in Resolution No. 6 of 5 December 2006 that the minimum number of members of the Supervisory Board is 8. At least half of the members of the Supervisory Board should be of Polish nationality. The Supervisory Board includes independent members.

As at the day of signing this Report on Activities, the composition of the Company's Supervisory Board was as follows:

Member of the Supervisory Board	Professional experience
<b>Andrzej Olechowski</b> <i>Chairman of the Supervisory Board</i>	<p>Andrzej Olechowski holds a Ph.D. in Economics.</p> <p>Andrzej Olechowski is a member of the Board of Directors of Euronet and of Advisory Committees of Citigroup Europe and Macquarie European Infrastructure Fund. Previously, he was the Minister of Finance and the Minister of Foreign Affairs of the Republic of Poland. He was also a candidate for the office of the President of the Republic of Poland. He is a member of a number of non-governmental organizations, among others, the Chairman of the Polish Group of the Trilateral Commission. He is the author of numerous publications on international trade and foreign policy. Dr. Olechowski is a Professor at the Vistula University.</p> <p>In the years 1991-1996 and 1998-2000 Andrzej Olechowski served as Chairman of the Supervisory Board of Bank Handlowy w Warszawie S.A. He was reappointed to the Supervisory Board on 25 June 2003. He serves as Chairman of the Supervisory Board since 23 July 2012.</p>
<b>Shirish Apte</b> <i>Vice-Chairman of the Supervisory Board</i>	<p>Shirish Apte is Chairman, Banking for Citi Asia Pacific. He is a member of Citi Business Development Committee and the Senior Advisory Group.</p> <p>Mr. Apte took on his current role in January 2012 after serving as CEO for Citi Asia Pacific.</p> <p>Previously, Mr. Apte was CEO of Citi's Central &amp; Eastern Europe Region and, prior to that he was CEO for Central &amp; Eastern Europe, Middle East and Africa (CEEMEA), Citi Markets and Banking.</p> <p>Mr. Apte has more than 30 years' experience with Citi, starting as Relationship Manager with Citibank India. He held various assignments in Corporate Banking, Risk Management and Corporate Finance Investment Banking before becoming Markets &amp; Banking Head in India. Mr. Apte moved to London in 1993 as senior Risk Manager for the group before becoming Corporate Finance Head for CEEMEA, including India. In 1997, he moved to Poland as Country Manager for Citibank Poland and Vice-President of the Management Board of Bank Handlowy w Warszawie S.A. Shirish Apte played a key role in the acquisition of Bank Handlowy by Citigroup in 2000.</p> <p>Shirish Apte is a Chartered Accountant from the Institute of Chartered Accountants in England and has an MBA from London Business School. He is Citi's Senior Statesman at the London Business School. Shirish Apte has been the Vice-Chairman of the Supervisory Board of Bank Handlowy w Warszawie SA. since 25 June 2003.</p>
<b>Adnan Omar Ahmed</b> <i>Member of the Supervisory Board</i>	<p>Adnan O. Ahmed is a Managing Director, Head of Human Resources for Europe, Middle East and Africa (EMEA), and Global Head of Citi Shared Services in Citi Employee Services. Adnan Ahmed joined Citi in July 2010 and is based in London.</p> <p>Prior to joining Citi, he spent a seventeen year career at Morgan Stanley. After the first two years in New York, Adnan spent the rest of his career in Asia, holding various senior positions including Head of Human Resources / Chief Talent Officer, and Chief Administrative Officer. In the</p>

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**Member of the Supervisory Board Professional experience**

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latter role, he had responsibility for the development and execution of cross-divisional strategy and direct accountability for regional infrastructure and support functions, including Finance, Human Resources, Information Technology, Operations, Shared Services, Marketing and Communications, Corporate Services, and Operational Risk. His experiences include Start-Ups, Joint Ventures (China and India) and advising clients, including Corporates and Sovereign Wealth Funds, on their infrastructure, platform, and growth strategies.

Before joining Morgan Stanley, Adnan Ahmed worked at Mitsubishi UFJ Financial group in New York in Corporate Finance, Operations, Credit and Human Resources. Adnan has taught international management courses and lectured at educational institutions including INSEAD and the Hong Kong University. He has also been active in various non-profit organizations, including as a Board Member of the American Chamber of Commerce in Hong Kong, where he co-led a key initiative on Board Governance, and the English Schools Foundation (Hong Kong). He currently serves as a Board member of Temasek Management Services, a wholly owned subsidiary of Temasek Holdings.

Adnan received his MBA degree from the A.B. Freeman School of Business at Tulane University (1990), and holds degrees in BSc Computer Science (Magna Cum Laude, 1988) and BA International Relations (Cum Laude, 1988), also from Tulane. He has been a Member of the Supervisory Board of Bank Handlowy w Warszawie SA since 21 June 2012.

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**Igor Chalupiec**

*Member of the Supervisory Board*

Igor Chalupiec is Executive Partner and President of the Management Board of ICENTIS Sp. z o.o. Corporate Solutions S. K-A and ICENTIS Capital Sp. z o.o. Graduate of the Faculty of Foreign Trade at the Warsaw School of Economics (formerly the Main School of Planning and Statistics) and the Faculty of Law and Administration at the Warsaw University. Licensed broker of securities. In 1991-1995, he was a founder and then manager of Centralne Biuro Maklerskie Banku Pekao SA, currently CDM Pekao SA. In 1995-2000, a Member and then, until 2003, Vice-President of the Management Board of Pekao SA (UniCredit Group) responsible for corporate and investment banking, treasury and custody services as well as asset management. In 2003-2004, Under-Secretary of State in the Ministry of Finance responsible for European affairs, financial markets and financial information. Vice-Chairperson of the Commission for Insurance and Bank Supervision (2003-2004). Author of the Warsaw City 2010 Agenda, the government's capital market development strategy. From October 2004 to January 2007, President of the Management Board and CEO of Polski Koncern Naftowy ORLEN, the biggest Polish company and, after the acquisition of the Lithuanian refinery Mazeikui Nafta in 2006, the biggest fuel company in Central Europe. Member of many Supervisory Boards, including the Warsaw Stock Exchange (1995-2003), Unipetrol, a.s. (2005-2007). Currently a member of the Supervisory Boards of PZU Życie SA and Budimex SA. Member of the Program Council of the Economic Forum in Krynica. Winner of many rewards and distinctions, including the Lesław A. Paga Award for setting modern standards in the Polish economy, the Hermes Award for outstanding contribution to the reconstruction of the Polish capital market and the Vector Award made by the Confederation of Polish Employers.

Igor Chalupiec has been a Member of the Supervisory Board of Bank Handlowy w Warszawie SA since 18 June 2009.

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**Mirosław Gryszka**

*Member of the Supervisory Board*

Mirosław Gryszka is a graduate of the Gdańsk Technical University. Since 1990, he has held managerial positions in Asea Brown Boveri Group and, since 1997, he has been the President of ABB Sp. z o.o. and Country Manager of ABB Group in Poland.

Mirosław Gryszka has been a Member of the Supervisory Board of Bank Handlowy w Warszawie SA since 30 June 2000.

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**Marc Luet**

*Member of the Supervisory Board*

Marc Luet is the Chief Executive Officer of Consumer for Europe, Middle East and Africa (EMEA). He assumed this role in June 2010, and he is responsible for expanding the bank's leading presence in EMEA's developing markets. He oversees Citi's retail banking, wealth

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**Member of the Supervisory Board Professional experience**

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management and credit cards businesses and the strategy to offer high value products, superior service and cutting edge mobile and internet banking solutions to urban customers across the region.

In 2008-2010, Marc Luet was VISA President for CEMEA, where he was responsible for Strategy, Marketing, Sales, Finance, Legal, Corporate Communications, and Regulatory Affairs for the region. He was also a member of the Operating Committee of Visa Inc. Before joining Visa, Marc Luet was CEO of Consumer Finance & Retail International at Fortis Group (2005-2008), CEO at Egg France (2002-2005) and Consumer Business Manager for Hungary and Belgium at Citigroup (1990-2002).

Marc Luet is a graduate of the Institut d'Etudes Politiques de Paris, holds BSc in Economics from the Panthéon Sorbonne University and MBA from the Tuck School of Business Administration at Dartmouth College.

Marc Luet has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 1 June 2011.

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**Frank Mannion**

*Member of the Supervisory Board*

Mr. Frank Mannion is the Citi Chief Financial Officer for Europe, the Middle East and Africa (EMEA), with responsibility for over 1,000 staff across the Region. He assumed this position in January 2011.

Mr. Mannion began his career in Ireland before moving to join PricewaterhouseCoopers in London.

Mr. Mannion joined Citi in the UK in 1989 in the Planning and Analysis team. He has held various Finance roles, including Technology Finance Manager and Head of CMB EMEA Product Control. He served as CMB EMEA Regional Controller, responsible for Product Control, Controllers and Regulatory Reporting and subsequently in March 2008 he was appointed the Citi Regional Franchise Controller for EMEA with responsibility for over 800 people covering all the businesses.

Mr. Frank Mannion has a Commerce Degree from the National University of Ireland - Galway and is a Chartered Accountant. He lives in London with his family.

Frank Mannion has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 28 June 2010.

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**Dariusz Mioduski**

*Member of the Supervisory Board*

Chief Executive Officer and President of the Management Board of Kulczyk Investments S.A. and Kulczyk Holding S.A., an international investment group, focused on the creation of deals and investment opportunities in global emerging markets, particularly in the areas of energy, mineral resources and infrastructure. He has extensive transactional and regulatory experience, particularly in the areas of privatizations, mergers and acquisitions and project finance in power, infrastructure, oil and gas sectors.

Prior to becoming the CEO of Kulczyk Investments in 2007, Mr. Mioduski was the Executive Partner at CMS Cameron McKenna responsible for energy and infrastructure practice in Poland. He spent four years in the New York and Warsaw offices of White & Case LLP and before that was with Vinson & Elkins LLP in Houston

He is a member of the Board of the Central Europe Energy Partners Association, the Vice President of the Harvard Club of Poland and the Vice President of the Polish Business Roundtable. He is also a member of the Polish Chapter of the Young Presidents' Organization. Mr. Mioduski is also a member of the Board of Directors of several public and non-public companies including Kulczyk Oil Ventures Inc., Autostrada Wielkopolska S.A., Aurelian Oil & Gas Corp. and KI Energy S.a r.l.

Dariusz Mioduski holds Juris Doctor degree (1990) from Harvard Law School and Bachelor of Arts degree (1987) from the University of St. Thomas in Houston.

Dariusz Mioduski has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 12 September 2011.

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**Krzysztof Opolski**

*Member of the Supervisory Board*

A graduate in 1971, Krzysztof Opolski holds a degree in Pedagogy and Psychology from Warsaw University. In 1990, he received the academic title of Assistant Professor (Habilitation degree) in Economic Sciences and, in 2003, he rose to the rank of Full Professor (Professor Ordinarius) of Economic Sciences. He also served as Assistant Professor at the

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**Member of the Supervisory Board Professional experience**

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Warsaw University and previously, in 1972-1991, he was Senior Assistant Lecturer. In 1980-1982, he was Deputy Dean at the Warsaw University's Faculty of Economic Sciences and, in 1994, he became Senior Assistant Professor (Professor Extraordinarius) at the Banking and Finance Department. Since 2006, he has been Head of Warsaw University's Strategy and Economic Politics Department. His career extends outside Warsaw University, starting with the Institute of Science Policy and Higher Education, where he served as Research Secretary in 1971-1989. In 1991-1998, he was Managing Director and President of the Management Board of OLYMPUS Centrum Edukacji i Rozwoju Biznesu S.A. In 1995-1997, he was a member of the Supervisory Board of RUCH SA and, from 1996 to 1999, he was Deputy Rector at the Higher School of Banking, Finance and Management in Warsaw. In 1997-2000, he was an expert in the Employment and Remuneration Policy Department of Powszechna Kasa Oszczędności BP. From 2002 to 2005, he was a member of the Supervisory Board of RUCH S.A. and, between 2003 and 2005, he served as Quality Consultant at the W. Orłowski Clinical Hospital. Professor Opolski was Quality Consultant in the Marshal's Office of the Mazowieckie Voivodeship. He was the Editor-in-Chief of *Ekonomia* magazine and, in 2005-2006, he was a member of the team of economic advisors to the Prime Minister of Poland. He is a member of the Consortium for Higher Education Researchers (CHER) in Kassel and a member of the Supervisory Board of Axa Polska and of the Supervisory Board of Centrum Giełdowe S.A. in Warsaw. He is a member of the team of advisors to the Commander-in-Chief of the Police, a member of the jury of the Teraz Polska contest, a member of the New Connect Advisory Committee at WSE and the WSE's Reporting Standards Council. Professor Opolski is the author of many books and scientific publications on economics and management and recently on strategy and management of financial institutions. His main publications include: *Biznesplan, jak go budować i analizować* (co-author, Warsaw 2007), *Audyt strategiczny jako szansa na poprawę pozycji rynkowej firm* (co-author, Warsaw 2009), *Wealth Management, bankowość dla bogatych* (co-author, Warsaw 2010). In 2006-2009, he was a member of the Supervisory Board of Bank Handlowy w Warszawie S.A. At present, in addition to his position at the Warsaw University, he is the Head of the Team of Advisors to the President of the National Bank of Poland (since August 2009).

Krzysztof Opolski was a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. in 2006-2009. He was reappointed to the Supervisory Board on 28 June 2010.

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**Stanisław Sołtysiński**  
*Member of the Supervisory Board*

Stanisław Sołtysiński, Professor of Law. From 2000 to June 2012, Professor Sołtysiński served as Chairman of the Supervisory Board of Bank Handlowy w Warszawie S.A. At the same time, he is engaged in scientific activities as a law professor at the Adam Mickiewicz University in Poznań (where he also held the position of Dean of the Faculty of Law and Administration) and a recurring visiting professor at the University of Pennsylvania Law School in Philadelphia, the College of Europe in Bruges, the Max Planck Institute in Munich and the International Law Academy in the Hague. He is a member of many scientific associations and organizations. Among others, he is a correspondent member of the Polish Academy of Learning and a member of the Board of Directors of UNIDROIT. He is a co-author of the Commercial Companies Code. Professor Sołtysiński is also in private law practice as a partner in the law firm Sołtysiński, Kawecki i Szlęzak - Legal Advisors.

Professor Sołtysiński was appointed to the Supervisory Board of Bank Handlowy w Warszawie S.A. on 26 March 1997 and was the Chairman of the Supervisory Board from 30 June 2000 to 20 June 2012. He is a member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 21 June 2012.

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**Zdenek Turek**  
*Member of the Supervisory Board*

Zdenek Turek is currently responsible for the performance of all of Citi's businesses in Russia, the Czech Republic, Hungary, Romania, Slovakia, Bulgaria, Kazakhstan and Ukraine. He is based in Moscow.

Citi provides a broad range of services including consumer, securities

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**Member of the Supervisory Board Professional experience**

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and markets and corporate and investment banking across the CEE region, one of Citi's top priority markets globally.

Prior to his current role, between 2005 and 2008, Zdenek Turek was Citi Country Officer for Citibank South Africa and Division head for Africa, a region with 16 countries of Citi's presence.

From 2002 to 2005, Zdenek Turek was the Citi Country Manager for Hungary, also managing the Central European cluster of 5 countries (Hungary, Czech Republic, Romania, Slovakia and Bulgaria).

Zdenek Turek joined Citi in 1991 in Prague where he held a number of Corporate Bank and Corporate Finance management roles before moving to Citi Romania in 1998 as Head of Citi in Romania.

Prior to joining Citi, Zdenek Turek was a member of the Foreign Exchange Department of the Czechoslovak Central Bank focusing mainly on Export/Import and Business sectors (1986-1990). He then joined A.I.C., an Austrian Management Consulting firm as Deputy Head of Representative Office, Prague responsible for corporate advisory focusing on restructuring and financial recovery of industrial companies.

Zdenek Turek was born in Kolin, Czech Republic. He graduated with an MA in Finance and Banking from the University of Economics, Prague in 1986, an Advanced Management Development Program from Wharton University in 1997 and an MBA from INSEAD in 2010. Zdenek Turek is a member of the American Chamber of Commerce Board in Russia. He is a member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 21 June 2012.

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Stephen R. Volk holds the function of Vice Chairman of Citigroup Inc. and is responsible for Citigroup Senior Management matters as well as Investment Banking. He is also a member of the Citigroup Executive Committee.

Before joining Citigroup in September 2004, Mr. Volk held the function of Chairman of Credit Suisse First Boston, where he worked together with the CEO on the company strategic management and client key matters. His professional experience with Credit Suisse First Boston began in August 2001 and before that he worked for Shearman & Sterling, a New York-based law firm, where he had been Senior Partner since 1991. During his career in Shearman & Sterling, Mr. Volk acted as legal counsel to a number of corporations including Citicorp. The firm provided advisory services for Citicorp within a wide range of fields including restructuring of the Citigroup debt portfolio in Latin America. Among some important transactions carried out with substantial participation of Mr. Volk were the following: mergers of Glaxo and SmithKlein, Viacom-Paramount, Viacom-CBS and Vivendi-Universal-NBC. He joined Shearman & Sterling in 1960 after graduating from Dartmouth College and Harvard Law School and became a Partner of this company in 1968.

Mr. Volk is a Director of Continental Grain Company and a former Director of Consolidated Edison, Inc. as well as Trizec Hahn Properties. He is also a member of the Council on Foreign Relations, the Dean's Advisory Board of Harvard Law School and a fellow of the American Bar Foundation.

Stephen R. Volk has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 20 November 2009.

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**Stephen R. Volk**  
*Member of the Supervisory Board*

In 2012, the Supervisory Board also included Stephen Simcock (whose term of office expired on 20 June 2012) and Alberto J. Verme (who resigned as of 19 June 2012).

The Supervisory Board of the Company operates on the basis of generally applicable regulations, the Company's Articles of Association as well as the Regulations of the Supervisory Board of Bank Handlowy w Warszawie S.A.

Apart from the rights and responsibilities stipulated in the applicable laws, the powers of the Supervisory Board include:

- 1) appointment and dismissal of the President of the Management Board of the Company in a secret ballot;

- 2) appointment and dismissal of Vice-Presidents and other members of the Company's Management Board in a secret ballot upon the motion of the President of the Management Board;
- 3) determination of the terms and conditions of employment contracts or other legal relationships between members of the Management Board and the Company;
- 4) granting consent to opening or closing of foreign branches;
- 5) adoption of the Regulations of the Supervisory Board as well as the approval of:
  - a) Regulations of the Management Board of the Company;
  - b) regulations for management of special funds created from the net profit;as adopted by the Management Board of the Company;
- 6) granting prior consent to undertaking measures with respect to management of the Company's fixed assets whose value exceeds 1/10 of the Company's share capital;
- 7) appointment of the Company's statutory auditor;
- 8) granting consent to employment and dismissal of the Head of the Audit Department upon the motion of the Management Board and supervision over operations of the Audit Department;
- 9) any benefits provided by the Company and its related parties to members of the Management Board as well as granting consent to entering into a material agreement by the Company or its subsidiary with the Company's related party, member of the Supervisory Board or the Management Board as well as their related parties;
- 10) supervision over implementation and monitoring of the Bank's management system, including in particular supervision over compliance risk management, as well as evaluation, at least once a year, of the adequacy and effectiveness of this system;
- 11) approval of the Bank's operational strategy and the principles of prudent and stable management of the Bank;
- 12) approval of the fundamental organizational structure of the Bank, adjusted to the size and profile of incurred risk and determined by the Bank's Management Board;
- 13) acceptance of the general level of the Bank's risk;
- 14) approval of the principles of the Bank's compliance risk policy;
- 15) approval of the Bank's internal procedures concerning internal capital assessment, capital management and capital planning processes;
- 16) approval of the Bank's information policy;
- 17) approval of the internal control procedure;
- 18) approval of the general rules of the policy governing the variable components of remuneration for persons in managerial positions and performing periodic reviews of those rules;
- 19) approval of the policy governing the variable components of remuneration for persons in managerial positions in the Bank;
- 20) approval of the list of managerial positions in the Bank which have a significant impact on the risk profile in the Bank.

Additionally, the Supervisory Board is responsible for suspending individual or all members of the Management Board for material reasons as well as delegating members of the Supervisory Board to temporarily (for a period not exceeding three months) act in the capacity of members of the Management Board who have been dismissed, submitted a statement of resignation or are incapable of performing their duties for any other reasons.

Members of the Supervisory Board perform their duties in person. The Supervisory Board performs its duties collectively; each member of the Supervisory Board has the right to be provided by the Management Board with information required for due performance of their duties. Meetings of the Supervisory Board are held at least once a quarter. Such meetings are convened by Chairman of the Supervisory Board and, in his/her absence, by one of Vice-Chairmen of the Supervisory Board on their own initiative, upon the motion of a member of the Supervisory Board or upon the motion of the

Management Board of the Company. The Chairman of the Supervisory Board may determine fixed dates of the Supervisory Board's meetings. Notices convening such meetings, including the agenda and materials to be debated upon, are distributed by the Secretary of the Supervisory Board to members of the Supervisory Board at least 7 (seven) days prior to the date of the meeting.

The Supervisory Board meets on the date of the General Meeting which approves the Management Board's report on the activities of the Company as well as the financial statements for the last full financial year of performing the function of member of the Management Board in which the terms of office expire, for the purpose of electing new members of the Management Board of the Company.

On an annual basis, the Supervisory Board adopts a resolution regarding the report on the activities prepared by the Supervisory Board, presenting the Supervisory Board's evaluation of the Company's position, evaluation of the Supervisory Board's activities, evaluation of the internal control system and the significant risk management system, as well as the results of the evaluation of the financial statements of the Company, including proposals of the Management Board as to profit distribution. The above document is submitted by the Supervisory Board to the General Meeting for approval.

Members of the Supervisory Board may participate in the adoption of resolutions by casting their vote in writing or through another member of the Supervisory Board. The Supervisory Board may adopt resolutions in a circular procedure or via telecommunication means.

Meetings of the Supervisory Board are chaired by the Chairman of the Supervisory Board and, in his/her absence, by one of the Vice-Chairmen of the Supervisory Board. If both the Chairman and Vice-Chairman are absent, the meeting is chaired by a member of the Supervisory Board elected by the remaining members.

For resolutions adopted by the Supervisory Board to be valid, the presence of at least half of the members at the meeting is required. Resolutions of the Supervisory Board are adopted by the absolute majority of votes. Without the consent of the majority of independent members of the Supervisory Board, no resolutions should be adopted with respect to:

- 1) any benefits provided by the Company or its related parties to members of the Management Board;
- 2) granting consent to entering into a material agreement by the Company or its subsidiary and the Company's related party, member of the Supervisory Board or the Management Board or their related parties;
- 3) appointment of the statutory auditor responsible for auditing the financial statements of the Company.

Each member of the Supervisory Board is obliged to immediately inform the remaining members of a conflict of interests and refrain from taking part in the discussion as well as voting on a resolution with respect to which a conflict has arisen.

The Supervisory Board adopts resolutions in an open ballot, except for the appointment and dismissal of the President of the Management Board of the Company in a secret ballot as well as the appointment and dismissal of Vice-Presidents and other members of the Company's Management Board in a secret ballot upon the motion of the President of the Management Board. The chairman of the meeting may decide upon a secret ballot with respect to other issues on his/her own initiative or upon a motion of a member of the Supervisory Board.

A resolution of the Supervisory Board enters into force as of the date of its adoption, unless a later effective date is specified therein.

Minutes are taken from the meetings of the Supervisory Board and should include the agenda, the first and last names of the present members of the Supervisory Board, the number of members absent from the meeting with the reasons for their absence, the number of votes for individual resolutions, dissenting opinions, as well as the full text of resolutions adopted. The list of members of the Supervisory Board attending the meeting as well as other participants constitutes an appendix to the minutes. The minutes are signed by all members of the Supervisory Board attending the meeting. The minutes from the meetings of the Supervisory Board for the whole term of its office are collected in a separate file stored by the Company.

Members of the Management Board of the Company attend meetings of the Supervisory Board, except for meetings concerning directly the Management Board. Upon the motion of the Chairman of

the Supervisory Board or upon the motion of the Management Board of the Company, meetings may be attended by the Company's employees or third parties competent with regard to a particular matter. The Head of the Audit Department may participate in meetings of the Supervisory Board at which issues related to the Company's internal control are considered. In specially justified circumstances, the Chairman of the Supervisory Board may decide to convene a meeting without the participation of parties other than members of the Supervisory Board, irrespective of any previous regulations providing otherwise.

### **Supervisory Board Committees**

Standing Committees of the Supervisory Board include:

- 1) Audit Committee; and
- 2) Remuneration Committee;
- 3) Risk and Capital Committee.

The Supervisory Board has the right to adopt a resolution on the appointment of committees other than those specified above and composed exclusively of members of the Supervisory Board. The relevant resolution of the Supervisory Board sets forth the scope of responsibilities of such a committee.

In line with the aforementioned procedure, in 2003 the Supervisory Board appointed the **Strategy and Management Committee** responsible for ongoing analyses of all issues related to the activities performed by the Bank's corporate bodies as well as streamlining of their functioning. The Committee is composed of: Shirish Apte acting as the Chairman, Stanisław Sołtysiński acting as the Vice-Chairman, and Igor Chalupiec, Mirosław Gryszka, Marc Luet, Andrzej Olechowski, Zdenek Turek and Stephen R. Volk acting as Committee members. Alberto J. Verme was a member of the Committee until 19 June 2012 and Stephen Simcock until 20 June 2012.

#### **Audit Committee**

The Audit Committee is composed of:

- 1) Mirosław Gryszka – Chairman of the Committee,
- 2) Frank Mannion – Vice-Chairman of the Committee,
- 3) Shirish Apte - Member of the Committee,
- 4) Marc Luet – Member of the Committee,
- 5) Krzysztof Opolski - Member of the Committee,

Stephen Simcock was a member of the Committee until 20 June 2012.

The Audit Committee is a standing committee of the Company's Supervisory Board.

The roles and responsibilities of the Audit Committee include monitoring of financial reporting, monitoring of the effectiveness of the internal control and internal audit systems, monitoring of risk management, monitoring of audit performance and monitoring of the independence of the auditor.

Members of the Committee perform their roles pursuant to Article 390 of the Code of Commercial Companies. The Committee submits annual reports on its activities to the Supervisory Board. A report for each subsequent calendar year is submitted by the end of the first quarter of the following year. The aforementioned reports are made available to the shareholders through their publication on the Bank's website. During the first subsequent meeting of the Supervisory Board, the Committee provides the Supervisory Board with a report on every meeting of the Committee as well as recommendations of the Committee discussed at such meetings.

The Audit Committee should consist of at least two independent members, one of whom performs the function of the Committee Chairman. At least one member of the Committee should meet the independence requirements referred to in Article 56.3.1, 56.3.3 and 56.3.5 of the Act on Auditors, Their Self-government and the Entities Authorized to Audit Financial Statements, and on Public Supervision, as well as hold qualifications within the field of accounting or financial auditing.

Audit Committee meetings are convened by the Committee Chairman on his/her own initiative or upon the motion of a Committee member. Should the Committee Chairman be unable to convene a meeting

for any reason whatsoever, the above right is exercised by the Vice-Chairman. Meetings are also convened upon the motion of a Committee member or the Chairman of the Supervisory Board.

A notice convening the meeting, including the agenda and materials subject to discussion, is distributed to members of the Audit Committee by the Secretary of the Committee (this role is performed by the Secretary of the Supervisory Board). Meetings of the Audit Committee are held at least four times per year on dates determined by the Chairman upon consultation with the Vice-Chairman of the Committee.

At least once every year, the Audit Committee meets:

- 1) with the Head of the Audit Department, without the participation of the management;
- 2) with the statutory auditor of the Company, without the participation of the management;
- 3) members of the Audit Committee, exclusively.

At its discretion, the Audit Committee may also meet with individual executives of the Company.

The agenda of the Audit Committee includes standing items as well as issues considered upon motion. The list of standing items considered at the Committee's meetings is determined in a resolution adopted by the Committee. The Supervisory Board, individual Committee members as well as the remaining members of the Supervisory Board have the right to propose issues to be considered at the Committee's meetings.

Based on materials received, the Secretary of the Audit Committee prepares a draft agenda, including a list of invitees, and submits it to the Committee Chairman and Vice-Chairman for approval. The draft agenda approved by the Committee Chairman and Vice-Chairman is distributed with materials to Committee members.

All members of the Audit Committee are obliged to participate in its meetings. A Committee member unable to take part in the meeting should inform the Secretary of the Committee accordingly seven days prior to the specified meeting date. The Committee has the right to consult advisors and invite the Company's employees or third parties to its meetings to discuss or examine the issues considered by the Committee. Parties invited by the Committee Chairman or Vice-Chairman may participate in the meeting or its relevant part.

Meetings of the Committee are chaired by the Chairman of the Audit Committee. In the Chairman's absence, meetings are chaired by the Vice-Chairman. Upon consultation with the Vice-Chairman of the Committee, the Chairman may remove an issue from the agenda, in particular for the purpose of supplementing a motion or obtaining an opinion.

Resolutions of the Audit Committee are adopted by the absolute majority of votes cast by Committee members attending a meeting.

Upon consultation with the Vice-Chairman of the Committee, the Chairman may decide on considering a matter by circular procedure.

### **Remuneration Committee**

The Remuneration Committee is composed of:

- 1) Andrzej Olechowski – Chairman of the Committee,
- 2) Adnan Omar Ahmed – Vice-Chairman of the Committee,
- 3) Shirish Apte – Member of the Committee,
- 4) Stanisław Sołtysiński – Member of the Committee.

Alberto J. Verme was a member of the Committee until 19 June 2012.

The Remuneration Committee is a standing committee of the Company's Supervisory Board.

The Remuneration Committee is an advisory body of the Supervisory Board and the Committee members perform their functions pursuant to Article 390 of the Code of Commercial Companies. The Committee submits annual reports on its activities to the Supervisory Board. A report for each subsequent calendar year is submitted by the end of the first quarter of the following year. The aforementioned reports are made available to the shareholders through their publication on the Bank's website. During the first subsequent meeting of the Supervisory Board, the Committee provides the

Supervisory Board with a report on every meeting of the Committee as well as recommendations of the Committee discussed at such meetings.

The powers and responsibilities of the Remuneration Committee include:

- 1) evaluating the remuneration paid to members of the Company's Management Board against market criteria;
- 2) evaluating the remuneration paid to members of the Company's Management Board with respect to the scope of duties of members of the Company's Management Board and their performance;
- 3) providing the Supervisory Board with recommendations as to the amount of remuneration paid to individual members of the Company's Management Board each time prior to its determination or modification;
- 4) performing a general assessment of the correctness of the remuneration policy adopted by the Company with respect to its executives not being members of the Management Board;
- 5) issuing opinions on the policy governing the variable components of remuneration for persons in managerial positions in the Bank;
- 6) issuing opinions on and monitoring of the variable components of remuneration for persons in managerial positions in the Bank related to risk management and compliance of the Bank with legal provisions and internal regulations.

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

Remuneration Committee meetings are convened by the Committee Chairman on his/her own initiative or by the Vice-Chairman if the Committee Chairman is unable to convene a meeting for any reason whatsoever. Meetings are also convened upon the motion of a Committee member or the Chairman of the Supervisory Board. Meetings of the Remuneration Committee are held at least 2 (two) times a year on dates determined by the Chairman of the Committee. The agenda of the Remuneration Committee includes standing items as well as issues considered upon motion.

Based on materials received, the Secretary of the Remuneration Committee prepares a draft agenda, including a list of invitees, and submits it to the Committee Chairman for approval.

All members of the Remuneration Committee are obliged to participate in its meetings. A Committee member unable to take part in the meeting should inform the Secretary of the Committee accordingly 7 (seven) days prior to the specified meeting date. Parties invited by the Committee Chairman, and in particular parties presenting individual issues, participate in the Committee meeting or its relevant part.

Resolutions of the Remuneration Committee are adopted by the absolute majority of votes cast by Committee members attending a meeting.

The Chairman of the Remuneration Committee may decide on considering a matter by circular procedure. A member of the Remuneration Committee voting against may request that a dissenting opinion be included in the minutes.

Minutes are taken from the meetings of the Remuneration Committee. They are signed by the Chairman and the Secretary. The minutes from the Committee meeting are acknowledged by the Committee members at the first subsequent meeting of the Committee.

### **Risk and Capital Committee**

The Risk and Capital Committee is composed of:

- 1) Zdenek Turek – Chairman of the Committee,
- 2) Igor Chalupec – Vice-Chairman of the Committee
- 3) Frank Mannion – Member of the Committee
- 4) Andrzej Olechowski – Member of the Committee,
- 5) Stephen R. Volk – Member of the Committee,
- 6) Dariusz Mioduski – Member of the Committee.

Alberto J. Verme was a member of the Committee until 19 June 2012 and Stephen Simcock was a member of the Committee until 20 June 2012.

Members of the Committee perform their roles specified in these Regulations pursuant to Article 390 of the Code of Commercial Companies. The Committee submits annual reports on its activities to the Supervisory Board. A report for each subsequent calendar year is submitted by the end of the first quarter of the following year. The aforementioned reports are made available to the shareholders through their publication on the Bank's website. During the first subsequent meeting of the Supervisory Board, the Committee provides the Supervisory Board with a report on every meeting of the Committee as well as recommendations of the Committee discussed at such meetings. The Committee's Regulations are published on the Bank's website and made available at its registered office.

The Committee is responsible for supervision over the implementation of the risk management system by the Bank's Management Board, assessment of the adequacy and effectiveness of the risk management system, as well as supervision over the internal capital assessment and capital management process.

The Committee consists of at least four members of the Supervisory Board, one of whom performs the function of the Committee's Chairman. For the resolutions adopted by the Committee to be valid, at least three members must participate in the meeting.

Committee meetings are convened by the Committee Chairman on his/her own initiative or upon the motion of a Committee member. Should the Committee Chairman be unable to convene a meeting for any reason whatsoever, the above right is exercised by the Vice-Chairman. Meetings are also convened upon the motion of a Committee member or the Chairman of the Supervisory Board.

Meetings of the Committee are held at least on a semi-annual basis on dates determined by the Committee Chairman upon consultation with the Vice-Chairman of the Committee.

A notice convening the meeting, including the agenda and materials subject to discussion, is distributed to members of the Committee by the Secretary of the Committee (this role is performed by the Secretary of the Supervisory Board). The notice should include the agenda as well as materials related to the matters discussed at the meeting. The agenda of the Committee includes standing items as well as issues considered upon motion. The Supervisory Board, individual Committee members as well as the remaining members of the Supervisory Board have the right to propose issues to be considered at the Committee's meetings.

All members of the Committee are obliged to participate in its meetings.

The Committee has the right to consult advisors and invite the Bank's employees or third parties to its meetings to discuss or examine the issues considered by the Committee.

Parties invited by the Committee Chairman or Vice-Chairman may participate in the meeting or its relevant part.

Meetings of the Committee are chaired by the Chairman of the Audit Committee. In the Chairman's absence, meetings are chaired by the Vice-Chairman of the Committee.

Resolutions of the Committee are adopted by the absolute majority of votes cast by Committee members attending a meeting. Upon consultation with the Vice-Chairman of the Committee, the Committee Chairman may decide on considering a matter by circular procedure.

Minutes are taken from the Committee's meetings.