

Report of the Risk and Capital Committee
of Bank Handlowy w Warszawie S.A.
for the year 2020

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

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

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

In connection with the implementation by Poland of Capital Requirements Directive (CRD) IV and the harmonization of Polish law with the solutions provided for in the Capital Requirements Regulation (CRR), the Committee's authority encompasses supervision over the functioning of the risk management system, such authority consisting in:

- 5) issuing opinions concerning the Bank's overall current and future willingness to take a risk;
- 6) issuing opinions concerning a risk management strategy developed by the Management Board of the Bank and an update to be presented by the Management Board on the implementation of the strategy;
- 7) supporting the Supervisory Board of the Bank in overseeing the implementation of the risk management strategy by senior management;
- 8) reviewing the pricing of assets and liabilities offered to the clients to gain assurance that they reflect in full the Bank's business model and its risk strategy, and if the pricing fails to properly reflect types of risk according to such model and strategy, then presenting a proposal to the Management Board of the Bank aimed at ensuring the adequacy of the pricing of assets and liabilities given such types of risk.

In 2020, the Risk and Capital Committee was composed of the following members: Frank Mannion – Chairman, Igor Chalupec – Vice Chairman, Marek Kapuściński, Gonzalo Luchetti, Andrzej Olechowski, Barbara Smalska, Zdenek Turek and Stephen R. Volk.

The current composition of the Risk and Capital Committee is as follows:

- 9) Frank Mannion – Chairman;
- 10) Igor Chalupec – Vice Chairman;
- 11) Marek Kapuściński;
- 12) Gonzalo Luchetti;
- 13) Andrzej Olechowski;
- 14) Barbara Smalska;
- 15) Zdenek Turek;
- 16) Stephen R. Volk.

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

24 March 2020,
26 May 2020,
23 September 2020,
03 December 2020.

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

In the reporting period, at its meetings, the Risk and Capital Committee discussed in detail the information on the current economic situation and presented macroeconomic forecast. The Committee also monitored the indicators included in the Recovery Plan and the risks connected with Covid-19 pandemic.

The issues subject to analyses of the Committee included information about regulatory capital and internal capital as well as about the Bank's internal capital estimation process, covering in particular material risk identification process, provided at each meeting.

The Risk and Capital Committee discussed the issues concerning credit, market, liquidity and price risk as well as non-compliance or operational risk, including the events that took place within the Capital Group of Bank Handlowy w Warszawie S.A. Specifically, the Committee, at its every meeting, reviewed the detailed information provided by the Fundamental Credit Risk Team regarding results of the assessment of credit processes at the Bank. The permanent items of the agenda considered by the Committee also include an update concerning a pricing policy applicable to assets and liabilities offered to the Bank's clients.

At the meeting held on March 24, 2020, the Committee was presented an update on the impact of Covid-19 pandemic on the corporate client portfolio. Next, the Committee recommended that the Supervisory Board approve the total acceptable risk level of the Bank and amendments to the "Principles of prudent and stable risk management within the Capital Group of Bank Handlowy w Warszawie S.A." The Committee was also presented the annual report of the IT & IS Commission confirming that no security incidents affecting the key risk ratios had occurred in the reporting period. Next, the Committee recommended that the Supervisory Board assess the risk management system as effective and adequate to the nature, scale and complexity of operations of the Bank and acknowledge the results of assessment of implementation of certain risk management policies.

At the next meeting, held on May 26, 2020, the Risk and Capital Committee accepted the Report on activities of the Risk and Capital Committee for 2019 and the document "Report on the implementation of the Retail Credit Exposure Policy and on the status of mortgage

secured credit exposures for the first quarter of 2020” and recommended that the Supervisory Board approve the reports on risks connected with retail credit exposures.

On July 17, 2020, the Risk and Capital Committee recommended that the Supervisory Board approve the following documents: “Recovery Plan for Bank Handlowy w Warszawie S.A.” and the “Recovery Plan for the Capital Group of Bank Handlowy w Warszawie S.A.”

At the meeting on September 23, 2020, the Committee discussed issues relating to the client portfolio of Commercial Bank. The Committee carried out a review of the “Retail Credit Exposure and Mortgage Secured Credit Exposure Policy for the first half of 2020” and decided to recommend that the Supervisory Board approve the reports on risks connected with retail credit exposures. The Committee was presented an update on the impact of Covid-19 pandemic on activities of the Bank.

At the next meeting, on December 3, 2020, the Committee continued the discussion on the client portfolio of Commercial Bank. In addition, the Committee accepted the quarterly “Report on performance of the Retail Credit Exposure Policy and on the status of mortgage secured credit exposures for the third quarter of 2020” and decided to recommend that the Supervisory Board approve the reports on risks connected with retail credit exposures. It also discussed some issues related to the risk generated by the fair value hedging model. The Committee continued to monitor the impact of Covid-19 pandemic on activities of the Bank.

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

In view of the above, the Committee declares that in the year ended December 31, 2020, it performed its mandate properly.

Frank Mannion
Chairman of the Risk and Capital Committee