

# **ARTICLES OF ASSOCIATION**

## **OF KOMERČNÍ BANKA, a. s.**

- **draft amendments for the general meeting  
held on 26 June 2002**

**Article I  
Fundamental Provisions**

**Section 1  
Trade Name and Registered Office**

(1) The trade name of the company shall be "Komerční banka, a. s." (hereinafter referred to as "the Bank").

(2) The trade name of the Bank shall not be translated into foreign languages.

(3) The registered office of the Bank shall be at Prague 1, Na Příkopě 33, building identification number 969, post code 114 07.

(4) The Bank has been incorporated in the Commercial Register maintained with the Municipal Court in Prague, Section B, Entry 1360.

(5) The Bank has been established for an indefinite period of time.

**Article II  
Business Activities of the Bank**

**Section 2**

(1) The Bank shall carry on business pursuant to Act No. 21/1992 Coll., the Banking Act, as amended (hereinafter referred to as „the Banking Act,“). The business activities of the Bank shall include:

- a) acceptance of deposits from the public;
- b) granting of loans;
- c) investing in securities on the Bank's own account;
- d) financial leasing;
- e) making and receiving payments and administration of clearing system;
- f) issue and administration of payment instruments, such as payment cards and traveller's cheques;
- g) provision of guarantees;
- h) issue of letters of credit;
- i) provision of collection services;
- j) provision of investment services
- k) dealing on the Bank's own account or on the client's account in:
  - 1. foreign currencies and gold;
- l) financial brokerage;
- m) foreign exchange operations (foreign exchange purchase);
- n) provision of depository services;
- o) provision of banking information;
- p) rental of safe-deposit boxes;
- q) issue of mortgage bonds,
- r) activities directly related to those mentioned in paragraphs a) – q).

**Article III  
Registered Capital of the Bank**

**Section 3**

The registered capital of the Bank shall be CZK 19,004,926,000.

**Article IV**

## **Shares**

### **Section 4 Fundamental Provisions**

The Bank's registered capital specified under Section 3 shall be divided into 38,009,852 listed (quoted) ordinary bearer shares, each of a nominal value of CZK 500. All the Bank's shares shall be uncertificated.

## **Article V Rights and Obligations of Shareholders**

### **Section 5**

(1) Both legal persons (legal entities) and natural persons (individuals) may become shareholders of the Bank.

(2) Any shareholder is entitled to attend the General Meeting and to vote thereat, to request and receive explanation regarding matters concerning the Bank, if such explanation is necessary for the assessment of the subject on the agenda of the General Meeting, and to file proposals and counter-proposals. A shareholder present at the General Meeting shall have the right to the aforesaid explanation also concerning matters regarding entities controlled by the Bank. Should a shareholder intend to file at the General Meeting counter-proposals relating to proposals, the contents of which have been specified in the notification of the General Meeting, or in the case that the resolution of the General Meeting must be recorded in a notarial record, then the shareholder shall be obliged to deliver their proposal or counter-proposal in writing to the Bank at least five working days prior to the date of the General Meeting. The above shall not apply provided that the proposals regard the election of specific persons to the bodies of the Company. The Board of Directors shall be obliged to make public the shareholder's counter-proposal and the Board's opinion thereon in the same manner as used for convening the General Meeting, and to do so at least three days prior to the date of the General Meeting, if possible.

(3) The shareholders shall be entitled to exercise their rights at the General Meeting either in person or through a natural or legal person (a proxy) under the terms and conditions specified by law (hereinafter referred to as "the Attending Shareholder"). Members of the Bank's Board of Directors or Supervisory Board may not stand proxy for the shareholders. When being registered as present at the General Meeting, the shareholders shall provide evidence of their identity by means of an identity document. When being registered as present at the General Meeting, a proxy shall provide evidence of their identity by means of an identity document and shall submit a written power of attorney, unless the law provides otherwise. In addition, a proxy that is a legal entity shall submit an updated excerpt from the Commercial Register or another document evidencing their right to act on behalf of the company concerned. When being registered as present at the General Meeting, the heir of a shareholder shall submit an official document confirming their rights.

(4) The General Meeting may be attended by any shareholder registered in the statutory register of securities as a holder of shares of the Bank as of the seventh calendar day prior to the date of the General Meeting (i.e. the decisive date for the right of the shareholder to attend the General Meeting). The Bank's Board of Directors shall place an application for an excerpt from the statutory register of securities as of the decisive date.

(5) The voting right belonging to a shareholder is governed by the nominal value of their shares; each CZK 500 of the nominal value of the shares shall represent one vote. The vote shall not be further divisible. The casting of votes shall be carried out by means of ballot. However, the voting shall be carried out in a different manner, if the same is requested by the Board of Directors, the Supervisory Board, the Chairman of the General Meeting or if the same is decided upon by the General Meeting. The Board of Directors' proposal, if any, shall be voted upon first. Should the proposal of the Board of Directors be accepted, other proposals shall not be voted upon. Should the proposal of the Board of Directors not be accepted, votes are cast on the proposal of the Supervisory Board, if any. Other proposals shall be voted upon in the sequence in which they have been filed. If a notarial record is to be drawn up concerning the resolution of the General Meeting, the Chairman of

the General Meeting shall be obliged to administer the casting of votes in such a manner that a notarial record of the resolution of the General Meeting containing all statutory requirements may be drawn up.

(6) Any proposals, counter-proposals and requests for explanation shall be made by the Attending Shareholder in writing and placed at a designated place. The Chairman of the General Meeting shall be obliged to ensure that all requests for explanation of matters be answered, as long as such matters form the subject of the agenda of the General Meeting and the requests are made in the course of the General Meeting in accordance with these Articles of Association. The Chairman of the General Meeting shall be obliged to inform the General Meeting of any proposal or counter-proposal made by the Shareholder in compliance with Act No. 513/1991 Coll., the Commercial Code, as amended (hereinafter referred to as "the Commercial Code") and with the Articles of Association. Such a proposal shall be discussed provided that it concerns issues that have been included in the agenda of the General Meeting or provided that all shareholders or their representatives are present and all agree that the proposal be discussed. The sequence in which these proposals and counter-proposals are discussed shall be governed by Section 5, subsection 5 of these Articles of Association. Any Attending Shareholder shall be entitled to request that the minutes clerk of the General Meeting include a protest concerning a resolution of the General Meeting in the minutes of the General Meeting.

(7) The right to receive dividends, the pre-emptive right to subscribe for shares and convertible and priority bonds and the right to the payment of the interest in the liquidation balance otherwise associated with a share may be transferred separately.

(8) The shareholder or shareholders of the Bank holding shares the total nominal value of which exceeds 3% of the Bank's registered capital may request:

- a) that the Board of Directors convene an Extraordinary General Meeting in order to discuss the matters proposed;
- b) that the Board of Directors include issues specified in their request into the agenda of the General Meeting;
- c) that the Supervisory Board examine the discharge of duties by the Board of Directors with regard to the matters specified in the request;
- d) that the Supervisory Board exercise the right to compensation for loss the Bank might have against a member of the Board of Directors;
- e) that a court of justice appoint an expert in order to examine the report on the relationships between the controlled entities and associated entities as specified by the Commercial Code, should there be serious reasons therefor, under the terms and conditions specified by the Commercial Code.

Any request under this subsection shall be in writing and shall be dealt with in accordance with the generally binding legal regulations and with the Articles of Association.

Should the requests under this subsection not be submitted to the Bank in writing, the shareholders concerned shall prove to the Bank, when exercising their respective rights, that they are the authorised shareholders as specified by Section 5, subsection 8 of the Articles of Association as of the date of exercising such right. Should the above-mentioned shareholders fail to evidence such title, the Bank shall verify such data through an excerpt from the statutory register of securities, should the registry make such verification possible. The shareholder shall be obliged to reimburse the Bank for these costs no later than within thirty days from the receipt of the Bank's request to do so.

(9) No shareholder shall be entitled to demand that the investments the shareholder invested in the Bank in order to acquire or increase their holding in the Bank be returned either in the course of the Bank's existence or upon its winding up. However, in the event of the Bank's dissolution and subsequent liquidation, the shareholders shall have the right to an adequate interest in the liquidation balance of the Bank.

(10) Any shareholder shall be entitled to ask the Board of Directors to produce a copy of the minutes of any General Meeting or a part thereof throughout the Bank's existence. Such request shall be in writing. The copy of the minutes or a part thereof shall be made at the expense of the Bank. The copy of the minutes or a part thereof shall be available to the shareholder no later than within sixty

days from the date of receipt by the Bank of the shareholder's request, however, not earlier than on the thirtieth day following the end of the General Meeting concerned.

**Section 6  
Dividend Payment**

(1) The shareholder shall be entitled to a proportion of the Bank's profit approved for distribution to the Shareholders by the General Meeting (a dividend) taking into account the Bank's financial results and terms and conditions specified by the generally binding legal regulations.

(2) The Board of Directors may give an order to the person maintaining the register of uncertificated securities for registration of separately transferable rights to a dividend payable.

(3) The right to a dividend shall belong to any shareholder holding shares on the thirtieth calendar day following the date of the General Meeting at which the resolution on the dividend payment was adopted. If the Board of Directors has decided on registration of the right to receive the dividend in the register of uncertificated securities, the right to receive the dividend shall apply to such shareholder whose right in this respect is registered with the registry of uncertificated securities on the thirtieth calendar day following the date of the General Meeting which resolved on the dividend payment. The dividend shall become payable upon expiration of thirty days following the date which is decisive for origination of the shareholder's right hereunder.

(4) The Bank shall pay out the dividends as of the due date of the dividend either:

- a) by sending the Bank's payment document to the address of the shareholder or the administrator, or
- b) by a non-cash transfer from the Bank's account to the account of the shareholder or the administrator (with legal entities, this is the sole manner of dividend payment).

(5) Where dividends are paid through the Bank's payment document, they shall be paid out to the shareholders by any payment point of the Bank.

(6) Where dividends are remitted to legal entities by a non-cash transfer, the Bank shall remit the dividends no later than within five working days of receiving the required documents, however, on the dividend due date at the earliest. The required documents shall be as follows: a request for the dividend payment containing the relevant banking details and an updated and officially verified statement from the Commercial Register (or a similar document evidencing registration with the relevant state authority). The signature of the shareholder's statutory body (or its representative) subscribed at the request for the dividend payment must be attested. In addition, if a shareholder is represented by another legal person or natural person, such representative shall be obliged to deliver officially verified powers of attorney from all entities so represented and its updated and officially verified excerpt from the Commercial Register. The Bank shall not assume responsibility for the accuracy and completeness of the data stated by the shareholder.

(7) The Bank's obligation to pay the dividend shall be discharged by sending the Bank's payment document to the address of the shareholder or the administrator specified in the register of uncertificated securities or, in the event of a non cash transfer, upon debiting the dividend from the Bank's account.

(8) The right to claim a dividend shall lapse upon expiration of a four-year period following the dividend due date.

(9) Upon the resolution of the General Meeting, the Board of Directors shall announce the date when the dividend is payable, and the place, method, and the decisive date for the dividend payment as specified in Section 39 of the Articles of Association.

**Article VI  
Bodies of the Bank**

**Section 7  
General Meeting**

The General Meeting shall be the supreme body of the Bank.

## **Section 8 Powers of the General Meeting**

It is within the powers of the General Meeting to:

- a) decide on amendments to and alterations of the Articles of Association, with the exception of alteration in consequence of an increase in the registered capital by the Board of Directors or on the basis of other legal facts determined by law;
- b) to decide on the increase in the registered capital, with the exception of the procedure specified under Section 31 hereof, or on setting off a monetary claim towards the Bank against a claim to be used for payment of the issue price.
- c) elect and recall members of the Supervisory Board, with the exception of the election and recall of members elected by the Bank's employees under Section 13 of the Articles of Association;
- d) approve the Board of Directors' reports regarding the Bank's business activities and the Bank's assets, at least once per accounting period;
- e) decide on a decrease in the registered capital provided that a prior consent of the Czech National Bank has been given, unless the decrease to cover a loss is concerned;
- f) decide on a change in the class or type of the shares;
- g) decide to issue bonds of the Bank;
- h) decide to modify the rights attached to individual classes of the shares;
- i) approve the Annual Financial Statements, Extraordinary Financial Statements, Consolidated Financial Statements and Interim Financial Statements when required by law;
- j) decide on distribution of the profit or coverage of the loss, and to determine royalties;
- k) decide on the financial remuneration of members of the Board of Directors and the Supervisory Board unless the law provides otherwise;
- l) decide on merger of the Bank with another bank being wound up, provided that a prior consent of the Czech National Bank has been given;
- m) decide to wind up the Bank with the prior consent of the Czech National Bank;
- n) approve proposed distribution of the liquidation balance of the Bank's assets;
- o) decide to register participation securities of the Bank in accordance with special legal regulation and to terminate the registration thereof;
- p) decide on concluding a contract the subject matter of which is a transfer of the entity or a part thereof and the lease thereof by the Bank, provided that the conclusion of the said contract on sale of an entity or a part thereof shall be subject to the prior consent of the Czech National Bank, or to decide on conclusion of such contract by a controlled entity;
- q) charge the Board of Directors to decide on increase in the registered capital under the conditions specified in the Commercial Code and the Articles of Association (Section 31);
- r) decide to acquire the Bank's own shares in accordance with the relevant provisions of the Commercial Code;
- s) decide on elimination or restriction of the pre-emptive right to acquire convertible or priority bonds, elimination or restriction of the pre-emptive right to subscribe for new shares in accordance with the Commercial Code;
- t) approve a controlling contract, contract on transfer of profits and contract on silent partnership, and alterations thereof;
- u) approve the acquisition or alienation of assets, when the law so requires;
- v) decide on other matters which, according to the generally binding legal regulations or the Articles of Association, are part of the powers of the General Meeting.

## **Section 9 Convening the General Meeting**

(1) The Regular General Meeting is held at least once a year, however no later than six months from the last day of each accounting period. The General Meeting shall be convened by the Board of Directors or, as the case may be, by a member of the Board of Directors if the Board of Directors fails to agree without undue delay on its convening and the law stipulates a duty to convene the same or if the Board of Directors lacks a quorum long term, unless the generally binding legal regulations specify otherwise.

(2) The Extraordinary General Meeting shall be held if so requested by the shareholders as specified under Section 5, subsection 8. The Extraordinary General Meeting shall also be held should it be convened by the Board of Directors when urgent matters falling within the authority of the General Meeting need to be dealt with.

(3) The Supervisory Board shall convene the General Meeting if it is in the interest of the Bank. The Supervisory Board shall then submit necessary proposals to the General Meeting.

(4) The Annual General Meeting shall be convened by means of a public notice published in *Hospodářské noviny* and on notice boards in the Bank's registered office at least thirty days prior to the date of the General Meeting. Such notice shall contain at least the following:

- a) trade name and registered office of the Bank;
- b) venue, date and time of the General Meeting;
- c) specification as to whether the Annual General Meeting, Extraordinary General Meeting or Substitute General Meeting will be held;
- d) agenda of the General Meeting;
- e) decisive date for participation in the General Meeting;
- f) other data required by law.

Should any alteration of the Articles of Association be on the agenda of the General Meeting, the notification on the General Meeting shall either include the draft amended Articles of Association or outline essential aspects of such proposed alterations; and the draft amended Articles of Association must be available to the shareholders in the registered office of the Bank within the time limit specified for the convening of the General Meeting. The shareholders shall be entitled to ask that a copy of the draft amended Articles of Association be sent to them at their own expense and risk. The shareholders must be advised of these rights in the notification of the holding of the General Meeting.

(5) When the Board of Directors is requested by the shareholders specified under Section 5, subsection 8 to convene the Extraordinary General Meeting, such General Meeting must be convened so that it takes place within forty days of the date on which the request to such effect is delivered to the Board of Directors. Should the Board of Directors fail to convene the Extraordinary General Meeting within such period of time, such shareholders may apply to the relevant court of justice for an order to authorise the shareholders to convene the Extraordinary General Meeting and to execute any acts associated therewith. The notices on the General Meeting shall be made public in the manner specified under Section 9, subsection 5; care shall be taken to ensure that the shareholders are informed of the Extraordinary General Meeting at least fifteen days prior to the date of the Extraordinary General Meeting.

(6) Should a substitute General Meeting be convened due to the failure to constitute a quorum at the Regular General Meeting, Section 11, subsection 2 of the Articles of Association shall apply to the process of the convening.

(7) Upon the request of the shareholders specified under Section 5, subsection 8, the Board of Directors shall declare the matter specified by these shareholders to be the subject of the agenda of the General Meeting. Should such request be delivered after the convening of the General Meeting has been announced, the Board of Directors shall publish an amendment to the agenda of the General Meeting at least ten days prior to the date of the General Meeting in the manner stipulated for the convening of the General Meeting by the Commercial Code and the Articles of Association. If such an announcement is no longer possible, such issue may be included in the agenda of the General Meeting only as specified in the following subsection.

(8) The Board of Directors shall inform the Supervisory Board about the day of the general meeting no later than within the period of time specified by the Commercial Code for a general meeting to be convened.

(9) The proposed agenda of the General Meeting prepared by the Board of Directors shall be communicated to the Supervisory Board so as to make it possible for the Supervisory Board to exercise its right to amend the agenda of the General Meeting.

(10) The General Meeting may be revoked or postponed. The revocation or postponement of the General Meeting shall be communicated in the manner stipulated by the Commercial Code and the Articles of Association for the convening of the General Meeting no later than one week prior to the scheduled date of the General Meeting; otherwise the Bank shall be obliged to reimburse all reasonable expenses of the shareholders who arrived in accordance with the original notice. The General Meeting may only be cancelled by the body of the Bank that convened the same. The Extraordinary General Meeting convened upon a request of the shareholders specified under Section 5, subsection 8 may be revoked or postponed only if the shareholders concerned so request. A new date for the General Meeting shall be determined in accordance with the period of time specified hereunder regarding the convening of the Regular or Extraordinary General Meeting.

## **Section 10**

### **Proceeding at the General Meeting**

(1) The Attending Shareholders or their representatives shall sign an attendance list which shall contain the following details: trade name or name and registered office if a shareholder is a legal person (legal entity), or name and residential address if a shareholder is a natural person (an individual) or a shareholder's proxy on the basis of a power of attorney; nominal value of the shares that constitute the entitlement to vote and, as the case may be, a statement that the shares have no voting rights attached thereto. Should the Bank refuse to enter a certain person in the list of attending shareholders, this fact shall be noted in the list together with the reasons therefor. The accuracy of the attendance list shall be certified by the signatures of the Chairman of the General Meeting and the minutes clerk elected by a majority of votes of the Attending Shareholders.

(2) Members of the Supervisory Board and members of the Board of Directors shall attend the General Meeting of the Bank. The General Meeting may be attended by other persons invited by the convener, unless the General Meeting decides not to permit such attendance.

(3) The Board of Directors may authorise employees of the Bank or third parties (hereinafter referred to as "the Authorised Persons") to attend the General Meeting in order to ensure the same in terms of organisational and technical aspects. The Board of Directors shall be obliged to bind such Authorised Persons to maintain confidentiality concerning confidential facts and information that might cause loss to the Bank. The Authorised Persons shall be, in particular, entitled to examine the right of the shareholder or their proxy to attend the General Meeting as specified by the generally binding legal regulations and the Articles of Association. Until scrutineers are elected, the Authorised Persons shall be entitled to perform their duties

(4) The General Meeting shall be opened by a member of the Board of Directors authorised for this purpose by the Board. The person who opens the General Meeting shall arrange for the election of the Chairman of the General Meeting, two verifiers of the minutes, the minutes clerk and the persons to count votes cast (scrutineers). The election shall be governed by the provisions of Section 5, subsection 5. The Chairman of the General Meeting shall then preside the General Meeting. Rules concerning the technique of the procedure and voting of the general meeting as well as other details can be specified by the Rules of Procedure if such Rules of Procedure are approved by the general meeting.

(5) Should any of the elected officers, in accordance with subsection 4, cease to hold their office during the General Meeting, the General Meeting shall elect a new officer. Such election shall be organised by the Chairman of the General Meeting or a person authorised for this purpose by the Board of Directors or by the Supervisory Board.

(6) The Board of Directors shall ensure that the minutes of the General Meeting are produced within a period of thirty days from the date of the conclusion of the General Meeting. The minutes shall contain:

- a) trade name and registered office of the Bank;
- b) venue and time of the General Meeting;
- c) names of the Chairman of the General Meeting, the minutes clerk, the verifiers of the minutes, and scrutineers;
- d) comments made on individual items on the agenda;
- e) resolutions of the General Meeting and results of voting;



- f) contents of any objection of a shareholder, a member of the Board of Directors or the Supervisory Board concerning the resolution of the General Meeting, if the same is requested by the person raising such objection.

Proposals and statements presented for discussion at the General Meeting along with the attendance **sheet** shall be attached to the minutes of the General Meeting. The minutes shall be signed by the minutes clerk, the Chairman of the General Meeting and two verifiers.

(7) The minutes of the General Meeting together with the respective notice on the holding of the General Meeting and the list of the Attending Shareholders shall be kept in the Bank's archives throughout the Bank's existence. The liquidator shall arrange that such minutes are archived or kept in custody for a period of ten years following the winding-up of the Bank.

## **Section 11 Constituting Quorum and Casting Votes at the General Meeting**

(1) The General Meeting shall constitute a quorum if the Attending Shareholders hold shares whose total nominal value exceeds 30% of the registered capital of the Bank, provided that voting rights are attached thereto.

(2) Should the General Meeting fail to constitute a quorum, the Board of Directors (or the Supervisory Board, should it be the convenor of the General Meeting, or shareholders authorised by a court of justice to convene an extraordinary General Meeting in accordance with the Commercial Court) shall convene a substitute General Meeting. The substitute General Meeting shall be convened by means of a new notice in the manner set out in Section 9, subsection 5 of the Articles of Association; the time limit so specified shall be shortened to fifteen days. The substitute General Meeting shall be held within six weeks of the date on which the originally convened General Meeting should have been held. The substitute General Meeting so convened shall have the same agenda and shall constitute a quorum irrespective of the provisions of Section 11, subsection 1.

(3) The General Meeting shall pass resolutions by majority of votes of the Attending Shareholders unless legal regulations require a qualified majority of votes.

(4) When assessing the capacity of the General Meeting to make decisions and at each particular vote casting at the General Meeting, the shares with no voting rights or the shares where the voting rights cannot be exercised shall not be taken into account.

## **Section 12 Powers of the Supervisory Board**

(1) The Supervisory Board shall oversee the exercise by the Board of Directors of their powers and the carrying on of the business activities of the Bank.

(2) The Supervisory Board shall, in particular:

- a) convene an Extraordinary General Meeting when the Bank's interests so require (Section 9, subsection 3) and propose the General Meeting necessary measures to be taken;
- b) elect and recall members of the Board of Directors;
- c) approve contracts on performance of duties of members of the Board of Directors and consideration provided to members of the Board of Directors, evaluate fulfilment of contracts on performance of duties concluded with members of the Board of Directors;
- d) examine ordinary, extraordinary, interim, and consolidated Financial Statements, proposals for the distribution of profit or the coverage of loss, and submit its opinion to the General Meeting;
- e) be entitled to inspect, through one of its members, all documents and records related to the activity of the Bank;
- f) check whether the books and records are maintained properly and in accordance with the actual state and whether the business activities of the Bank are carried on in compliance with the

- generally binding legal regulations, the Bank's Articles of Association, and resolutions and instructions of the General Meeting;
- mg) provide the Board of Directors with its position on the choice of an external auditor;
  - h) represent the Bank before court or other authorities in disputes with members of the Board of Directors;
  - i) inform the General Meeting of the results of its supervisory activity;
  - j) be entitled to restrict the right on the part of the Board of Directors to act on behalf of the Bank, including acting in any single matter; any such restriction, however, shall not be effective against third parties;
  - k) provide the Board of Directors with its position on conception and annual plan of activities of the Internal Audit and Control Division;
  - l) approve acquisition or alienation of assets in the cases stipulated by law .
  - m) examine the report on relations between the supervised and the supervisor as provided by the Commercial Code and submit the information on the examination of the report to the general meeting if so required by law.

### **Section 13 Election and Recall of Members of the Supervisory Board**

(1) The Supervisory Board shall consist of nine members, natural persons, who meet the conditions specified by the generally binding legal regulations. The term of office of a member of the Supervisory Board shall be four years. Two thirds of the members of the Supervisory Board shall be elected and recalled by the General Meeting and one third by the Bank' s employees. Any member of the Supervisory Board shall be entitled to resign, however, he/she shall be obliged to inform the Supervisory Board thereabout. Such a member shall cease to perform their duties as from the date on which their resignation was discussed or was to be discussed by the Supervisory Board. Should a resigning member of the Supervisory Board announce their resignation at a meeting of the Supervisory Board, their office shall terminate after expiration of two months following such notification, unless the Supervisory Board approves, upon request of such a member, another date of the term of office termination.

The Supervisory Board shall announce the resignation of its member at the forthcoming General Meeting. Details of the election and recall of the Supervisory Board members elected by the employees shall be contained in the Election Rules.

(2) If a member of the Supervisory Board dies, abdicates, is recalled or their term of office terminates otherwise, the Bank's General Meeting shall elect a new member of the Supervisory Board within a period of three months. Unless the number of the Supervisory Board members elected by the General Meeting falls under one half, the Supervisory Board may appoint, upon the proposal of the Remuneration and Personnel Committee of the Supervisory Board, substitute members to hold the office until the forthcoming the General Meeting is held.

### **Section 14 Rights and Obligations of Members of the Supervisory Board**

(1) The Supervisory Board shall exercise its rights either jointly through all its members or through its individual members. The Supervisory Board may decide that the exercise of the supervisory duties be divided among its members. The Supervisory Board shall inform the General Meeting and the Board of Directors thereabout. The Supervisory Board members shall be entitled to enter the Bank's premises and to request relevant documents and records for supervisory purposes. The division of the supervisory duties shall affect neither liability of the Supervisory Board member nor their right to perform other supervisory activities.

(2) The Supervisory Board shall be entitled to require that the Board of Directors members attend a meeting of the Supervisory Board and explain any matter relating to the Bank or its activities.

(3) The Supervisory Board shall observe all principles and instructions approved by the General Meeting insofar as they are in accordance with the generally binding legal regulations and the Articles of Association. Any breach of the approved principles or instructions shall not impact upon effectiveness of the Supervisory Board members' acts against third parties.

(4) Members of the Supervisory Board shall be obliged to exercise their range of powers with due care and diligence and always observe the Bank's best interests. They shall be obliged to maintain confidentiality regarding confidential information and facts that are subject to banking secrecy and other facts the disclosure of which to third parties might result in a loss to the Bank. Those members of the Supervisory Board who caused damage to the Bank by breaching their obligations or assumed liabilities while exercising their supervisory duties shall be liable for such loss jointly and severally. However, the members of the Supervisory Board shall be liable for damage caused to the Bank by their execution of a specific instruction given by the General Meeting only provided that such instruction contravenes legal regulations. Further liability of the Supervisory Board members shall be specified by the Commercial Code.

(5) Members of the Supervisory Board, who are responsible to the Bank for damage, shall be liable jointly and severally if the member of the Supervisory Board concerned failed to settle such damage and creditors cannot satisfy their claims from the Bank's property due to its insolvency or because the Bank stopped making payments. The extent of such liability shall be limited by the extent of the duty of the Supervisory Board members to provide compensation for damage. Liability of the Supervisory Board members is discharged when they settle the damage caused.

(6) A member of the Supervisory Board may not carry on a business activity which is identical with or similar to the business of the Bank or enter into business relations with the Bank, may not act as an intermediary for other persons in transactions with the Bank, may not participate in the business activity of another entity as a partner with unlimited liability or as a person controlling other persons engaged in business identical with or similar to the business activities of the Bank, may not act as or be a member of the statutory body or other body of another legal entity engaged in an identical or similar business activity as the Bank, unless such legal entity is a holding-type group. Members of the Supervisory Board may conclude banking deals as individuals (clients) provided that such banking deals are concluded under the terms and conditions customary in trade.

(7) The breach of the duties stated above shall entitle the Bank to demand that the breaching member of the Supervisory Board assign their trade to the Bank or render the proceeds thereof or, as the case may be, transfer their rights to the Bank. This shall not affect the Bank's right to damages or other consequences arising out of or in connection with a breach of these duties. Such entitlement of the Bank shall cease to exist if the Bank does not exercise the same within a period of three months of the day on which the Bank was informed of the breach of the duties, however, not later than one year from the date of its origin. The provisions contained in the previous sentence shall not apply to the right to claim damages.

(8) The Bank shall be obliged to reimburse the Supervisory Board members for the expenses which have been necessary or which have been spent purposefully while discharging the office of a member of the Supervisory Board.

(9) Should a member of the Supervisory Board cease to meet the terms and conditions required by the generally binding legal regulations and the Articles of Association for the holding of the office of the Supervisory Board member, such member shall be obliged to inform the Bank thereabout without delay.

## **Section 15 Meetings of the Supervisory Board**

(1) The Supervisory Board shall elect from among its members a Chairman and Vice-Chairman of the Supervisory Board. The Chairman and Vice-Chairman of the Supervisory Board must be elected by an absolute majority of votes of all members of the Supervisory Board. The Chairman of the Supervisory Board or, in his absence, the Vice-Chairman shall convene the meetings of the Supervisory Board. The Chairman may authorise a member of the Supervisory Board to convene the Supervisory Board meeting. The Supervisory Board must also be convened if any member thereof so requests.

(2) The Supervisory Board shall constitute a quorum if at least five members of the Supervisory Board are present at the meeting. Resolutions of the Supervisory Board are adopted if they are approved by absolute majority of all members of the Supervisory Board.

(3) Meetings of the Supervisory Board shall be held at least once in three calendar months and shall be convened in writing. All members must receive an invitation with documents to be discussed no later than seven calendar days prior to the scheduled date of the meeting.

(4) A member of the Supervisory Board may not be represented by any other person in the performance of their office.

(5) Minutes shall be taken of the meetings of the Supervisory Board. The minutes shall be signed by the Chairman and by the minutes clerk. The minutes shall also contain opinions of a minority of members, if they so require; a divergent opinion by the members of the Supervisory Board elected by the employees shall be always included in the minutes. The minutes must be archived throughout the existence of the Bank. The minutes shall specify the transactions of the meeting and all resolutions taken.

(6) The Supervisory Board shall exercise its powers over the bodies of the Bank by means of its resolutions.

(7) A meeting of the Supervisory Board may be convened by means of communication media or in another suitable manner. The convening of such a meeting of the Supervisory Board must be communicated to all members of the Supervisory Board. In such an event, the seven-day time limit for presentation of the documents shall not apply and the documents may be submitted at the meeting itself.

(8) The Chairman or, in his absence, the Vice-Chairman of the Supervisory Board, or a member of the Supervisory Board charged therefor may request that all members of the Supervisory Board take a per rollam resolution by voting in writing or by means of communication media, provided that all members of the Supervisory Board agree with this manner of voting. Such resolution shall be adopted if at least 5 members of the Supervisory Board voted for. Such a per rollam resolution must be recorded in the minutes at the forthcoming meeting of the Supervisory Board.

(9) Details of the conduct of the meetings shall be set forth in the Rules of Procedure of the Supervisory Board.

## **Section 16 Committees of the Supervisory Board**

(1) The Supervisory Board shall set up at least the following two committees (hereinafter „Supervisory Board Committees,“) as advisory and recommending bodies:

- a) Remuneration and Personnel Committee, and
- b) Audit Committee;

(2) The Remuneration and Personnel Committee as well as Audit Committee shall each have three members.

(3) Members of the Supervisory Board Committees shall be elected and recalled by the Supervisory Board.

(4) The Remuneration and Personnel Committee shall:

- a) provide recommendations to the Supervisory Board regarding election and recall of the Board of Directors members,
- b) provide the Supervisory Board with its position on the proposal by the Board of Directors regarding the contracts on the discharge of office made with the Board of Directors members and the consideration paid to the Board of Directors members,
- c) evaluate the fulfilment of the contracts on the discharge of office made with the Board of Directors members,

- d) provide its position on the proposal for the distribution of royalties between the members of the Bank bodies,
- e) propose motions to the Supervisory Board concerning occupation of offices in the Supervisory Board Committees.

(5) The Audit Committee shall:

- a) inspect accounting documents and records, and monitor whether the books are kept properly, particularly whether the accounting records fairly reflect actual state;
- b) co-operate with the Internal Audit and Control department of the Bank and external auditors of the Bank, and make use of the facts thereby ascertained for its supervising activities.

(6) Each of the Committees of the Supervisory Board shall elect its Chairman and Vice-Chairman, who shall represent the Chairman in case of the Chairman's absence.

(7) The Supervisory Board Committees shall meet when necessary, however, at least once in a year.

(8) The meeting of the Supervisory Board Committee shall be convened by the Chairman of the respective Committee or its Vice-Chairman in the Chairman's absence, or by an authorised member of the respective Committee.

(9) The Supervisory Board Committees shall constitute a quorum if all members of the Committee have been duly invited to the meeting of the Committee and if a simple majority of all members of the Committee is present at the meeting.

(10) Resolutions of any Committee of the Supervisory Board shall be adopted by an absolute majority of all its members.

(11) Minutes shall be taken of the meetings of the Supervisory Board Committees signed by the Chairman or Vice-Chairman or another authorised member of the Committee. The minutes shall also include opinions of a minority of the Committee members if they so require. The minutes must be archived throughout the existence of the Bank.

(12) Details concerning the procedure of the Supervisory Board Committee meeting shall be set forth in the Rules of Procedure of each Supervisory Board Committees.

## **Section 17 Board of Directors**

(1) The Board of Directors is a statutory body which manages the Bank's activities and acts in its name. The Board of Directors shall ensure business management, including proper maintenance of the accounting records of the Bank.

(2) The Board of Directors shall observe the generally binding legal regulations, the Articles of Association, and the resolutions and instructions approved by the General Meeting, provided that these comply with legal regulations and the Articles of Association. Any breach of the approved instructions shall not impact upon effectiveness of the acts of the Board of Directors members against third parties

(3) The manner of acting of the Board of Directors is set forth in Section 38 hereof.

## **Section 18**

(1) The Board of Directors consists of six members, natural persons, who meet the conditions provided in legal regulations and who are elected by the absolute majority of all Supervisory Board members at recommendation of the Remuneration and Personnel Committee. The term of office of the members of the Board of Directors shall be four years.

(2) If a member of the Board of Directors dies, abdicates, is recalled, or their term of office terminates otherwise, the Supervisory Board shall elect a new member of the Board of Directors no later than within three months from the date when the member's term of office expires or terminates otherwise.

(3) The Supervisory Board shall be whenever entitled to decide by the absolute majority of all its members to recall a member of the Board of Directors. The decision of the Supervisory Board is based on a proposal of the Remuneration and Personnel Committee of the Supervisory Board. The term of office of a member of the Board of Directors shall terminate upon delivery of the notice of recall, either in person or by mail to the address specified in the contract on the discharge of duties unless a later date is specified in the recalling notice. The of recall notice shall be deemed delivered also in the case when the document is returned to the Bank by the post office as undeliverable or when the Board of Directors member by their acting or failure to act shall prevent that the notice is delivered.

(4) Any member of the Board of Directors may resign from their office by written notice delivered to the Board of Directors or the Supervisory Board. In such a case the term of office shall terminate as of the date on which their resignation is discussed or was to be discussed by the Supervisory Board. The Supervisory Board shall be obliged to discuss their resignation at the meeting immediately following the receipt of the notice. Should the resigning member of the Board of Directors announce their resignation at the meeting of the Supervisory Board, their term of office shall terminate after expiration of two months following such notification, unless the Supervisory Board approves, upon request of this member, different time for the term of office termination.

(5) The Board of Directors shall elect from among its members a Chairman and Vice-Chairman of the Board of Directors. If no Chairman or Vice-Chairman of the Board of Directors is elected, the Board of Directors shall authorise any of the members of the Board of Directors to hold the office of the Chairman or Vice-Chairman of the Board of Directors. The Chairman and Vice-Chairman of the Board of Directors must be elected by an absolute majority of votes of all members of the Board of Directors.

(6) Meetings of the Board of Directors shall be regularly convened, at least 20 times a year, and presided over by the Chairman or, in his absence, the Vice-Chairman of the Board of Directors. If the Chairman and Vice-Chairman are not present, the meeting shall be convened and presided over by a member of the Board of Directors authorised therefor by the Board of Directors. Any member of the Board of Directors may ask that the Board of Directors meeting be convened provided that such member gives reasons therefor. If the meeting is not convened within a period of five days of the delivery of the request to the Chairman or Vice-Chairman of the Board of Directors, the Board of Directors member concerned shall be entitled to convene and preside the meeting.

(7) The meeting of the Board of Directors shall be convened in writing. Each member of the Board of Directors must receive an invitation with the documents to be discussed at least three calendar days prior to the date of the meeting. The invitation shall contain the place, date and agenda of the meeting. Members of the Board of Directors may not be represented by any third party in the discharge of their duties. A matter not included in the agenda of the meeting of the Board of Directors shall be discussed by the Board of Directors only if all members of the Board of Directors agree.

(8) A meeting of the Board of Directors may be convened by means of communication media or in another suitable manner. The convening of such a meeting of the Board of Directors must be communicated to all members of the Board of Directors. In such an event, the three-day time limit for presentation of the documents shall not apply and the documents may be submitted at the meeting itself. Members of the Board of Directors may agree on holding regular meetings of the Board of Directors on the agreed upon dates.

(9) The Board of Directors shall constitute a quorum if an absolute majority of the Board members is present.

(10) Resolutions of the Board of Directors shall be adopted by an absolute majority of members of the Board of Directors present. The chairperson's vote shall be decisive in the event of a tie within the intention of section 18, subsection 6.

(11) The Chairman or, in his absence, the Vice-Chairman of the Board of Directors, or a member of the Board of Directors authorised therefor may request that all members of the Board of Directors take a per rollam resolution by voting in writing or by means of communication media, provided that all

members of the Board of Directors agree with this manner of voting. Such resolution shall be adopted if majority of all members of the Board of Directors voted for. Such a per rollam resolution must be recorded in the minutes at the forthcoming meeting of the Board of Directors.

(12) Minutes shall be taken of all meetings of the Board of Directors. The minutes shall be signed by the Chairman, by another member of the Board of Directors as a verifier, and by the minutes clerk. The minutes of the meeting shall contain names of the members of the Board of Directors who voted against the resolutions of the Board of Directors or abstained from the voting. Unless documented otherwise, members not listed shall be deemed to have voted for the resolution. The minutes shall not be destroyed and must be archived throughout the existence of the Bank. The minutes shall describe the course of conduct of the meeting and all adopted resolutions.

(13) Details of the conduct of the meetings of the Board of Directors shall be set forth in the Rules of Procedure of the Board of Directors.

## **Section 19**

### **Powers of the Board of Directors**

- (1) It is within the exclusive powers of the Board of Directors to:
- a) convene the General Meeting and implement its resolutions;
  - b) submit to the General Meeting for approval the ordinary, extraordinary and consolidated Financial Statements and the interim Financial Statements along with a proposal for the distribution of profit (the same must be available to the shareholders for inspection at least thirty days prior to the date of the General Meeting) or a proposal for the coverage of loss;
  - c) submit to the General Meeting proposals for amendments to and alterations of the Articles of Association as well as proposals for increasing or decreasing the Bank's registered capital;
  - d) submit to the General Meeting a Report on the Bank's Business Activities, the state of the Bank's assets and information on the principles of the Annual Plan of the Bank, and to do so at least once for each accounting period;
  - e) to decide to grant and revoke procuration;
  - f) decide on the appointment, recall and remuneration of selected managers of the Bank;
  - g) approve acts in connection with the realisation of security instruments for the Bank's claims whose price exceeded CZK 100,000,000 as at the date of the claim origin and the presumed realisation price thereof is lower than 50% of the security instrument price ascertained upon the conclusion of the loan agreement;
  - h) submit to the Supervisory Board for information quarterly and semi-annual financial statements;
  - i) decide on acts which are outside the scope of common trade relations of the Bank;
  - j) approve the Bank's strategic plans, annual plans and budgets as well as strategic and annual plans of legal entities controlled by the Bank under the Banking Act;
  - k) approve the choice of an external auditor;
  - l) inform the Supervisory Board of the General Meeting day no later than within the period specified by the Commercial Code for a general meeting to be convened;
  - m) decide on the issue of bonds of the Bank;
  - n) decide on an increase in the registered capital if so authorised by the General Meeting;
  - o) conclude a collective agreement;
  - p) decide on providing loans or guarantees to persons with a special relationship to the Bank pursuant to the Banking Act;
  - q) approve the conception and annual plan of activities of the Internal Audit and Control Division and submit the same to the Supervisory Board for review;
  - r) approve the Annual Reports of the Bank;
  - s) approve the security policy of the Bank;
  - t) decide on establishing other funds and on the rules governing creation and usage thereof;
  - u) approve the report on relations between the supervised and the supervisor within the intention of the Commercial Code.

(2) In addition to the above mentioned, the Board of Directors shall:

- a) manage activities of the Bank and conduct its business affairs;
- b) ensure that the Bank's accounting is maintained properly;
- c) exercise employer's rights;

- d) exercise rights in respect of the Bank's property interests resulting from the ownership holdings of the Bank;
- e) approve the Bank's organisation rules;
- f) approve the acquisition or alienation of fixed assets of the Bank exceeding CZK 30,000,000 as a single case or as a total of related cases;
- g) approve the plan for securing the continuity of business activities and the fire protection plan.

## **Section 20**

### **Obligations of the Members of the Board of Directors**

(1) Members of the Board of Directors shall be obliged to exercise their range of powers with due care and diligence and always observe the Bank's best interests. They shall be obliged to maintain confidentiality regarding confidential information and facts the disclosure of which to third parties might result in a loss to the Bank. Those members of the Board of Directors who caused damage to the Bank by breaching their obligations or assumed liabilities while exercising their duties of the Board of Directors members shall be liable for such loss jointly and severally. However, the members of the Board of Directors shall be liable for damage caused to the Bank by their execution of an instruction given by the General Meeting only provided that such instruction contravenes legal regulations.

(2) Members of the Board of Directors, who are responsible to the Bank for damage, shall be liable jointly and severally if the member of the Board of Directors concerned failed to settle such damage and creditors cannot satisfy their claims from the Bank's property due to its insolvency or because the Bank stopped making payments. The extent of such liability shall be limited by the extent of the duty of the Board of Directors members to provide compensation for damage. The liability of the Board of Directors members is discharged when they settle the damage caused.

(3) A member of the Board of Directors may not carry on a business activity which is identical with or similar to the business of the Bank or enter into business relations with the Bank, may not act as an intermediary for other persons in transactions with the Bank, may not participate in the business activity of another entity as a partner with unlimited liability or as a person controlling other persons engaged in business identical with or similar to the business activities of the Bank, may not act as or be a member of the statutory body or other body of another legal entity engaged in an identical or similar business activity as the Bank, unless such legal entity is a holding-type group. Members of the Board of Directors may conclude banking deals as individuals (clients) unless they conclude such banking deal in the name of the Bank and provided that such banking deal is concluded under the terms and conditions customary in trade. The breach of the duty stated above shall entitle the Bank to demand that the breaching member of the Board of Directors render the proceeds of the trade to the Bank or, as the case may be, transfer respective rights to the Bank. This shall not affect the Bank's right to damages or other consequences arising out of or in connection with a breach of this duty.

(4) Such entitlement of the Bank shall cease to exist if the Bank does not exercise the same within a period of three months of the day on which the Bank was informed of the breach of the duty, however, not later than one year from the date of its origin.

(5) Furthermore, a member of the Board of Directors must not be at the same time a statutory body or member of a statutory body or a member of the Supervisory Board of another legal entity which is engaged in business, unless he is a member of a statutory body or the Supervisory Board of a financial institution controlled by the Bank or a legal entity entitled to organise the supply and demand for securities or a company providing support banking services pursuant to the Banking Act.

(6) The Board of Directors shall convene the General Meeting without undue delay when it ascertains that a settlement of a loss shown in any of the financial statements from the Bank's disposable funds would still leave an unsettled amount representing a half of the Bank's registered capital, or that could be envisaged taking into account all the circumstances, or if the Board of Directors establishes that the Bank has become insolvent, in which case it will recommend the General Meeting to wind up the Bank with liquidation or adopt another measure, unless special legal regulations specify otherwise.

(7) Based on a resolution of the General Meeting convened in accordance with subsection 6, the Board of Directors shall be obliged to file without undue delay with the relevant court a petition in



bankruptcy or a proposal for permission of composition provided that the terms and conditions stipulated by the generally binding legal regulations have been met. Should the members of the Board of Directors fail to comply with the above obligation, they shall be liable to the creditors for any loss incurred by the creditors in consequence thereof, unless the Board of Directors members prove that the loss was not caused by them.

(8) Should a member of the Board of Directors cease to meet the terms and conditions required by the generally binding legal regulations and the Articles of Association for the holding of the office of the Board of Directors member, such member shall be obliged to inform the Bank there about without delay.

## **Article VII Audit**

### **Section 21**

(1) The Bank shall be obliged to ensure that auditors:

- a) verify the Bank's Financial Statements;
- b) verify the management and control system of the Bank including the risk management system;
- c) compile Auditor's Report on verification of the Bank's Financial Statements and systems in compliance with par. b) of this provision.

in compliance with the generally binding legal regulations and with International Accounting Standards.

(2) The Bank shall ensure the submission of the reports to the Czech National Bank by the set deadlines.

( 3) The Board of Directors shall ask the Supervisory Board for its opinion as to the choice of an external auditor.

## **Article VIII Financial Management of the Bank**

### **Section 22**

The accounting period shall commence on 1 January and end on 31 December of the calendar year, unless a legal regulation specifies otherwise.

### **Section 23 Financial Statements**

(1) The Bank shall maintain its accounts in the prescribed manner and in accordance with the generally binding legal regulations. The proper maintenance of the accounts shall be ensured by the Board of Directors which shall submit ordinary, extraordinary and consolidated Financial Statements to the auditors, together with a request for verification of the Bank's financial management for the respective year. Having received the auditors' report on verification of the Financial Statements and the Bank's financial management for the respective year, the Board of Directors shall forthwith pass the Financial Statements along with the auditors' report and a proposal for the distribution of profit or for the coverage of loss to the Supervisory Board for review.

(2) The ordinary, extraordinary, consolidated and, as the case may be, interim Financial Statements shall be submitted by the Board of Directors to the General Meeting for approval. The Supervisory Board shall examine the ordinary, extraordinary, consolidated and, as the case may be, interim Financial Statements and the proposal for the distribution of profit or coverage of loss and shall present its position statement to the General Meeting.

(3) The Bank shall be obliged to publish the main data from the Financial Statements verified by the auditor and to issue the Annual Report for the purpose of publication thereof in accordance with the generally binding legal regulations.

#### **Section 24** **The Bank's Accounting Statements**

The Board of Directors shall be obliged to submit to the Supervisory Board the quarterly and semi-annual accounting statements forming, as specified by the relevant accounting rules, the Financial Statements of the Bank, i.e. Balance Sheet and Profit and Loss Statement, always within a period of thirty days of the end of the respective calendar quarter or half-year.

#### **Section 25** **Distribution of Profit**

(1) The distribution of profit of the Bank shall be decided by the General Meeting upon the Board of Directors' proposal; such proposal shall first be reviewed by the Supervisory Board.

(2) The General Meeting may distribute the Bank's profit after tax particularly in the manner specified below. The order of the methods of the profit distribution stated herein shall not be binding on the General Meeting unless the General Meeting decides otherwise in compliance with the generally binding legal regulations:

- a) allocation to the reserve fund under Section 27 of the Articles of Association;
- b) allocation to the Bank's funds;
- c) payments of dividends;
- d) payments of royalties to the members of the Board of Directors and the Supervisory Board;
- e) increase in the registered capital of the Bank;
- f) payment of employees' shares in profit (if approved by the General Meeting);
- g) undistributed profit;
- h) coverage of loss from previous years;
- i) issue of bonds with the bond holder's participation in profit;
- j) payment of profit under a silent partnership contract.

(3) Provisions of subsection 2, paragraphs b), c), d), e), f) and h) may be applied also to the distribution of undistributed profit from previous years. The Bank shall not be entitled to distribute any profit or any other Bank's own resources among its shareholders if the amount of the shareholders' capital as shown by the ordinary or extraordinary Financial Statements would not reach the minimum level at which, in accordance with the Commercial Code, the Bank is entitled to distribute any profit or any other Bank's own resources among its shareholders.

(4) The amount of the profit to be distributed shall not exceed the amount of the profit for the accounting period shown in the Financial Statements decreased by the statutory allocation to the reserve fund and by the unsettled loss of previous years, and increased by the undistributed profit of previous years and the profit-based funds which the Bank may use at its discretion.

#### **Section 26** **Method of Settlement of Loss**

(1) The General Meeting shall decide on the method of the loss coverage.

(2) A loss arising from the Bank's annual accounting statement shall be covered, in particular, as follows:

- a) from the undistributed profit from previous years;
- b) from the Bank's reserve fund;

- c) from other funds of the Bank;
- d) by decreasing the registered capital of the Bank.

The order in which the methods for the loss coverage are stated above shall not be binding upon the General Meeting.

### **Section 27 Reserve Fund**

(1) The reserve fund of the Bank shall consist of the following funds:

- a) reserve fund created from net profit;
- b) reserve fund created by acquisition of own shares.

(2) The reserve fund created from the net profit shall be created by the Bank to the amount of 20% of the registered capital of the Bank. Should the fund not reach this amount, the Bank shall be obliged to replenish the fund annually with 5% of the Bank's net profit until the target amount is achieved. Should the amount of the reserve fund derived from the profit fall below 20% of the registered capital, due to the use thereof or due to an increase in the registered capital of the Bank, the obligation of the Bank to replenish the reserve fund annually with 5 % of its profit shall be renewed until the amount of 20% of the registered capital has been reached. The reserve fund of the Bank created from the net profit shall serve exclusively to cover losses. The use of the reserve fund shall be decided on by the General Meeting.

(3) The reserve fund created by acquisition of the Bank's own shares shall be created by the Bank in the amount of the value of its own shares shown in the Balance Sheet in assets. The Bank shall create such reserve fund from profit or from other funds available to the Bank. The Board of Directors shall be obliged to decrease this reserve fund if the Bank alienates its own shares in total or in part or if the Bank uses the same to decrease the registered capital.

### **Section 28 Creation of Other Funds**

The Bank may also create other funds. The creation of other funds shall be decided on by the Board of Directors. The Board of Directors shall specify the rules for the generation and disbursement of the funds. If such funds are generated or replenished from the profit, the allocation into such funds shall be approved by the General Meeting.

### **Section 29 Increase in the Registered Capital**

(1) Any increase in the registered capital shall be decided on by the General Meeting or the Board of Directors on the basis of authorisation thereto by the General Meeting in accordance with Section 31.

(2) The notice on the convening of the General Meeting at which an increase in the registered capital is to be discussed shall also contain, in addition to the particulars of such a notice required under Section 9, subsection 5 of the Articles of Association, the reasons for the proposed increase in the registered capital, the method and extent of such increase, the proposed class, form, type and number of shares to be newly issued, the nominal value of the new shares or new nominal value of the existing shares and, if the increase in the registered capital proposed is to be carried out by subscription for new shares, the time limit for such subscription and the issue price proposed or a method of the determination of such price or information concerning the fact that such price shall be determined by the Board of Directors, including the minimum amount which the Board of Directors may fix for the issue price. If an issue of a new class of shares is proposed, the rights attached to such shares shall be specified as well as the consequences which the issue thereof will have for the rights attached to shares previously issued. Where the issue price is to be settled by non-monetary contributions, the notice on the convening of the General Meeting shall specify the object of such contributions and valuation thereof specified in a report of an expert/experts in accordance with the Commercial Code. If a proposal is submitted to the General Meeting to approve a set-off of a claim to

be used for the issue price payment against a claim towards the Bank, the notice shall specify the claims to be set off as well as the reasons for the proposed set-off. Where a restriction or exclusion of the pre-emptive right is proposed to the General Meeting, the notice shall specify the reason why the pre-emptive right is to be restricted or excluded.

(3) Each shareholder of the Bank shall have a pre-emptive right to subscribe for a part of the Bank's new shares, if these are intended to increase the registered capital, such part being proportionate to their share in the registered capital of the Bank provided that such shares are to be subscribed for by monetary investments. The pre-emptive right shall be separately transferable as from the date when the resolution of the General Meeting regarding the increase in the registered capital is entered in the Commercial Register. The shareholder shall also have a pre-emptive right to acquire convertible and priority bonds. The pre-emptive right of shareholders to subscribe for new shares or to acquire convertible and priority bonds may be excluded or restricted by a resolution of the General Meeting only if so required by the material interests of the Bank. If the General Meeting has to decide on the restriction or exclusion of the pre-emptive right of shareholders, the Board of Directors shall submit to the General Meeting a written report stating the reasons for the exclusion or restriction of the pre-emptive rights of the shareholders and substantiation of the proposed issue price, the method of the determination thereof, or the authorisation of the Board of Directors to determine the issue price of new shares.

(4) Detailed terms and conditions for the subscription for shares shall be determined by a resolution of the General Meeting. The implementation of the resolution shall be ensured by the Board of Directors.

(5) Within thirty days of the General Meeting's resolution on increasing the registered capital by subscription for shares, the Board of Directors shall be obliged to file a petition for entering the resolution in the Commercial Register. As soon as the entry is made, the Board of Directors shall make such resolution public without undue delay. The subscription for shares may not commence prior to entry of the General Meeting's resolutions in the Commercial Register, except when such petition has already been filed and the share subscription depends on a condition subsequent in the form of a legally effective ruling dismissing the petition for such entry of the General Meeting's resolutions in the Commercial Register.

(6) The Board of Directors shall be obliged to file a petition for entry of the new amount of the registered capital in the Commercial Register after the shares have been subscribed in the amount corresponding to the proposed increase of the registered capital and the payment thereon.

(7) A subscriber shall be obliged to pay the total issue price of the shares subscribed for by this subscriber within the period of time determined by the Articles of Association or the General Meeting. Should the subscriber fail to settle the total issue price of the shares within the determined time limit, the subscription for the shares in question shall become ineffective.

(8) Subscription for shares to increase the registered capital by non-monetary contributions shall only be possible if required by material interests of the Bank. Permission to make a non-monetary contribution may be granted by the General Meeting in compliance with the generally binding legal regulations. The Board of Directors shall submit to the General Meeting a written report stating the reasons for the subscription for shares by way of non-monetary contributions and justifying the proposed issue price or the method of determination of the same. Should a non-monetary contribution be permitted, the list of subscribers shall contain the subject of the investment and its value assessment in the amount approved by the General Meeting. The non-monetary contributions must be provided prior to filing a petition for entry of the increased registered capital in the Commercial Register.

(9) When the General Meeting decides to issue convertible bonds or priority bonds, it shall concurrently decide on a conditional increase in the registered capital of the Bank in the extent to which the rights of exchange arising from the convertible bonds (i.e. bonds associated with the right to exchange the same for the Bank's shares) or pre-emptive rights arising from the priority bonds (i.e. bonds associated with the priority rights to subscribe for the Bank's shares) may be exercised. The amount of the conditional increase in the registered capital of the Bank shall not exceed one half of the registered capital entered in the Commercial Register as of the date of the respective resolution of the General Meeting. Those terms and conditions of the issue of the bonds and the conditional increase in the registered capital which are not stipulated by the generally binding legal regulations or by any resolution of the General Meeting shall be determined by the Board of Directors.

(10) The Board of Directors shall file a petition for entry of the General Meeting's resolution on the conditional increase in the registered capital in the Commercial Register within thirty days of the date when the General Meeting passed this resolution. The issue of convertible and priority bonds shall not start until the General Meeting's resolution is entered in the Commercial Register and until it is made public in accordance with Section 39 of the Articles of Association. The right to exchange a bond for shares shall be exercised by delivering a written application for the exchange of the bonds for the Bank's shares. The delivery of such written application to the place and within the time limit determined by the General Meeting shall substitute the subscription for and payment on the shares. The pre-emptive right shall be exercised by subscription for the Bank's shares. The procedure concerning the subscription for shares shall be governed by Section 29, subsection 6, and Section 32 of the Articles of Association; detailed terms and conditions shall be specified by a resolution of the General Meeting. The Bank shall issue shares in the amount of the exercised exchange and pre-emptive rights only after the increase in the registered capital has been entered in the Commercial Register.

### **Section 30 Increase in the Registered Capital from the Bank's Own Resources**

Under the terms and conditions specified by relevant provisions of the generally binding legal regulations, the General Meeting may decide, upon a proposal of the Board of Directors, to increase the registered capital from the Bank's own resources.

### **Section 31 Increase in the Registered Capital by Resolution of the Board of Directors**

Under the conditions stipulated in the Commercial Code and the Articles of Association, the General Meeting may authorise the Board of Directors to increase the registered capital by subscription for shares or from the Bank's own resources, but by no more than one third of the amount of the registered capital at the time when the General Meeting authorises the Board of Directors to increase the registered capital. The Board of Directors shall be entitled to decide on amending the Articles of Association if the amendment results from an increase in the registered capital by the Board of Directors as stipulated in the Articles of Association (Section 31).

### **Section 32 Payment for Shares**

(1) If the shares are subscribed for by monetary contributions, the subscriber shall be obliged to pay the entire nominal value of the shares subscribed by them, as well as share premium if any, within five business days of the subscription date, unless the General Meeting resolves otherwise. Should the subscriber fail to do so, the subscription for shares shall be ineffective and the Bank shall return to the subscriber the amount paid to that date including interest thereon in the amount specified by the Commercial Code. Should the shares be subscribed for on the basis of a public offer, the shares shall be subscribed for by an entry in the list of subscribers provided that the entry contains the data required by generally binding legal regulations. The subscribed shares shall be paid, in case of monetary contributions, by a transfer to the account opened by the Board of Directors of the Bank.

(2) Should the subscribed shares be paid by non-monetary contributions, the shares may be subscribed for only by such non-monetary contributions and at such value thereof as approved by the General Meeting. Non-monetary contributions must be paid prior to the filing of a petition for entering the increase in the registered capital in the Commercial Register.

### **Section 33 Consequences of Default in Shares Payment**

If a subscriber fails to pay the value of the issue price of the shares in due time, the subscription for shares shall be ineffective and the Bank may refrain from the issue of the shares with respect to which the subscriber is in default of the payment of the issue price, in the manner stipulated by the Commercial Code.

### **Section 34 Decrease in Registered Capital**

(1) A decrease in the registered capital shall be decided on by the General Meeting by a two-thirds majority of the votes of the Attending Shareholders. The decrease in the registered capital shall be subject to a prior consent of the Czech National Bank unless the registered capital is being decreased in order to cover a loss. The registered capital of the Bank may be decreased as follows:

- a) by decreasing the nominal value of the Bank's shares;
- b) by withdrawing the shares from the market upon a proposal to shareholders;
- c) by refraining from the issue of shares under Section 33 of the Articles of Association;
- d) by cancelling or by destroying own shares held by the Bank.

(2) The notice on the General Meeting convening shall specify the reasons for the proposed decrease in the registered capital and the manner and extent of such a decrease, as well as the method of using the amount of such reduction. If the registered capital is to be decreased—upon a proposal made to the shareholders, the notice shall also include additional data in compliance with the generally binding legal regulations.

(3) Within thirty days of passing the General Meeting's resolution to decrease the registered capital, the Board of Directors shall file a petition for entry of this resolution in the Commercial Register.

### **Section 35 Decrease in the Nominal Value of Shares**

The nominal value of the shares shall be reduced by modifying the nominal value of such shares on the basis of the Bank's instruction to the statutory register of uncertificated securities.

### **Section 36 Withdrawal of Shares from the Market based on a Public Offer**

The manner of withdrawing the shares from the market on the basis of a public offer to purchase the shares shall be decided by the General Meeting. The resolution of the General Meeting may determine that the registered capital shall be reduced by the extent of the nominal value of the shares withdrawn from the market or by a fixed amount.

## **Article IX Common, Interim and Closing Provisions**

### **Section 37 Winding-up and Cessation of the Bank**

(1) The Bank may be wound up based on

- a) resolution of the General Meeting on the winding-up of the Bank and its merger, transfer of the Bank's assets, or division thereof;

- b) resolution of the General Meeting on the dissolution of the Bank and subsequent liquidation thereof;
- c) resolution of a court of justice on the winding-up of the Bank;
- d) cancellation of a bankruptcy order upon fulfilment of the distribution arrangement, cancellation of a bankruptcy order due to a lack of the Bank's assets to cover the costs of the bankruptcy proceedings, or rejection of a bankruptcy petition due to a lack of the Bank's assets.

The resolution of the General Meeting under paragraph a) and paragraph b) above shall be subject to a prior consent of the Czech National Bank.

(2) Should the Bank be dissolved with subsequent liquidation, the process of liquidation shall be governed by relevant generally binding legal regulations. The distribution of the liquidation balance among the shareholders shall be decided upon by the General Meeting according to the shareholders' interests in the registered capital of the Bank.

(3) The Bank shall cease to exist as of the date when it is struck off from the Commercial Register.

### **Section 38 Acting on Behalf of the Bank**

The Board of Directors as the statutory body shall act on behalf of the Bank in all matters, either by all members of the Board of Directors jointly or by any two members of the Board jointly.

### **Section 39 Disclosure and Publication Duty**

If publication of certain data is required by the Commercial Code, Part Two, or by the Articles of Association, such data must be published both in the daily *Hospodářské noviny* and on the Bank's official notice boards (marked as „Information for shareholders,“) in the registered office of the Bank. Should generally binding legal regulations require that some data be published in the Commercial Bulletin ("*Obchodní věstník*"), the Bank shall release the said data therein.

### **Section 40 Structure and Organisation of the Bank**

1) The general organisational division of Komerční banka is as follows:

- a) Executive Committee of the Bank;
- b) Bank Committees;
- c) Head Office;
- d) Sales Network.

Powers of organisational units of the Bank as specified by the general organisational division above, and division of the basic sections into organisational units (including the determination of the powers, authorities, obligations and liabilities thereof) are specified in more detail in the Organisational Rules of the Bank and other internal regulations of the Bank. The Organisational Rules may be amended from time to time in accordance with the decision of the Board of Directors of the Bank as required by needs of the Bank, observing the Articles of Association of the Bank.

#### Executive Committee of the Bank

The Board of Directors appoints the Executive Committee whose members include the Chief Executive Officer, Deputy Chief Executives and other executive officers of the Bank. The Chief Executive Officer performs the duties of the Executive Committee Chairman; in his absence the Executive Committee shall be managed by an Executive Committee member authorised therefor. The Executive Committee shall meet regularly at least 20 times per year and shall resolve all important matters relating to everyday banking business unless the law or the Articles of Association stipulate

that they fall within the range of powers of the general meeting, the Board of Directors, or the Supervisory Board of the Bank.

### Bank Committees

The Bank Committees shall be the collective decision-making bodies. Establishment and dissolution of the Bank Committees shall be decided upon by the Board of Directors; changes to the personnel of the Bank Committees shall be approved by the Chief Executive Officer.

### Head Office of Komerční banka

The powers of the Head Office of the Bank shall include, in particular, carrying on business activities of the Bank by means of provision of products and services to clients, and by carrying out other activities relating to the management, methodological guidance and co-ordination of all organisational units of the Bank. The Head Office units shall be entitled to include into their powers (both temporarily and permanently) any matters which fall within the powers of the Sales Network units. The Head Office shall be formed by organisational units of the Head Office. Details shall be set forth in the Organisational Rules.

### Sales Network

The Sales Network shall be formed by organisational units of the Sales Network, in particular the sales points and the Sales Network management units in the regions which carry out the sale of products and services in the respective region or a part thereof. Details shall be set forth in the Organisational Rules. Powers of the organisational units are specified in the Organisational Rules and other internal Bank regulations, by authorisations and resolutions of the Board of Directors or officers of the Bank authorised therefor by the Board of Directors.

## 2) Organisational Rules

The Organisational Rules shall form the basic internal regulation. It shall specify in details individual provisions of the Articles of Association on the structure, organisation and management of the Bank. The Organisational Rules of the Bank may be amended from time to time based on the decision of the Board of Directors of the Bank if the Bank's needs so require, provided that the basic structure specified in the Articles of Association of the Bank is observed.

## **Section 41 Authorities and Responsibilities of the Bank Executive Officers**

(1) Pursuant to the Banking Act, the Chief Executive Officer and the Deputy Chief Executives and the directors of organisation units directly subordinated to the Chief Executive Officer or to the Deputy Chief Executives shall be the Bank's executive officers.

(2) The Bank's executive officer may perform an office of a member of the Bank's Board of Directors; a member of the Bank's Board of Directors must be an executive officer of the Bank. However, the Chief Executive Officer does not need to be the Chairman of the Bank's Board of Directors.

(3) The Chief Executive Officer shall take decisions on priorities concerning the Bank management. Within the scope of instructions of the Bank's Board of Directors, he shall charge other executive officers of the Bank with duties and shall co-ordinate their activities, take decisions on the Bank activities within the scope of the approved business plan and strategy of the Bank and instructions of the Board of Directors, and shall ensure performance thereof by means of charging other Bank employees with duties; he shall ensure communication between the Bank executive officers and the Board of Directors and the Supervisory Board in accordance with the legal regulations, Articles of Association and internal regulations of the Bank and instructions of the Board of Directors.



Details of the powers, authorities and liabilities of the Chief Executive Officer shall be governed by the Bank's Organisational Rules and other internal regulations.

(4) The Deputies to the Chief Executive Officer and the other Bank's executive officers shall, in particular, take part in the executive management (control) of the Bank, co-ordinate activities of subordinated employees and, for this purpose, support the Board of Directors and the superior executive officers of the Bank, supervise fulfilment of the Bank's business plan and strategy as well as the tasks assigned by the Board of Directors, the Chief Executive Officer and the Deputy Chief Executives by the subordinated employees. They shall ensure communication with the subordinated employees and within the Bank in accordance with legal regulations, the Articles of Association and internal regulations of the Bank, instructions of the Board of Directors or the Chief Executive Officer of the Bank. Details of the powers, authorities and liabilities of the Deputy Chief Executives and of the other Bank's executive officers shall be governed by the Bank's Organisational Rules and other internal regulations.

## **Section 42**

### **Authorities and Liabilities of Other Employees of the Bank**

(1) For the purpose of the Articles of Association of the Bank, "banking deals" shall mean transactions which form part of the subject of the business of the Bank to which the Bank is entitled under Section 2 hereof.

(2) Banking deals within the Bank may be transacted by employees specified in the Organisational Rules of the Bank and in the internal regulations of the Bank. Such employees shall be liable for the performance of their respective obligations to their respective superior employees, in accordance with legal regulations and internal regulations. The powers and obligations of the employees entitled to transact banking deals shall include in particular the following operations:

- a) when transacting banking deals, to proceed independently within the scope of their respective powers, the job definition, the Organisational Rules and other internal regulations of the Bank, in accordance with the legal regulations in force, the Articles of Association of the Bank, internal regulations of the Bank, instructions given by the executive officers or, as the case may be, by other senior employees, taking into account the interests of the Bank in order to achieve the best possible profit;
- b) according to the instructions of the executive officers of the Bank or, as the case may be, senior employees, and in accordance with the legal regulations, the Articles of Association of the Bank and the internal regulations of the Bank, to prepare data for the banking deals, should the same be necessary for the conclusion of such banking deals;
- c) to transact business with clients of the Bank and when doing so, to protect the good reputation of the Bank and just interests of the Bank and the clients;
- d) to act on behalf of the Bank within the scope of their powers and job definition within the scope determined by the internal regulations of the Bank to the extent common when discharging the duties and authorities assigned.

The authorities and liabilities of the employees entitled to transact banking deals shall be specified in more details in the Organisational Rules of the Bank and other internal regulations of the Bank.

## **Section 43**

### **Organisation of the Internal Control System**

(1) The Bank's Internal Control System shall include all activities through which it will be ascertained whether the activities carried out and the results achieved correspond to the planned and determined activities and results. The Internal Control System shall integrate all means and activities, available at the Bank, which shall support the management, control, regulation and verification of the Bank activities in order to increase the level of certainty of efficiency and effect of operations, trustworthiness of the financial statements, observation of standards and laws and achievement of the Bank's objectives. The Internal Control System shall be a process implemented by the Board of Directors and by respective executive officers on all levels who all are responsible therefor. The Board

of Directors shall be finally responsible for creating and maintaining an adequate and efficient Internal Control System.

(2) Basic elements of the Internal Control System shall be as follows:

- a) check carried out by the executive officers on all levels of the Bank
- b) check carried out by specialised units integrated into various parts of the Bank
- c) checks made by the of Internal Control unit
- d) activities of the Bank's units and other entities within the Bank, acting independently from other bank activities.

(3) The units and other entities mentioned in subsection 2, paragraph d) above shall be, in particular:

- a) Internal Audit
- b) Compliance Department
- c) Supervisory Board carrying out supervisory activities according to the Commercial Code and the Bank's Articles of Association
- d) Audit Committee as a special body of the Supervisory Board.

(4) Extent of the powers, authorities and liabilities of elements of the Internal Control System shall be governed by the Bank's Organisational Rules and other internal regulations.

(5) The Internal Audit department has a special position within the Bank's organisational structure. The Internal Audit Director, organisationally subordinated to the General Manager, is appointed by the Board of Directors. The Internal Audit Director may not be a member of the Board of Directors or of the Supervisory Board. The Internal Audit Director can be recalled by the Board of Directors after a prior consent of the Supervisory Board. The detailed extent of powers and the independent position of the Internal Audit department are governed by the Internal Audit Statute.

(6)

The Director of Internal Audit shall be obliged to notify the audit findings to the Supervisory Board once he or she has informed the Board of Directors thereon. If the findings might have a negative impact on the Bank financial management, the Director of internal Audit shall be obliged to initiate an extraordinary meeting of the Supervisory Board

#### **Section 44 Legal Status of the Bank and Settlement of Disputes**

(1) The establishment, legal status and winding-up of the Bank as well as any and all legal relationships arising from the Bank's Articles of Association, labour law relations and other relationships within the Bank, including those concerning the Bank's employees' health insurance and social security, shall be governed by the generally binding legal provisions.

(2) Any dispute which may arise between the shareholders and the Bank, between the Bank and members of the Bank's bodies, or among shareholders in connection with their holdings in the Bank, shall be settled by conciliation. Should the parties fail to settle such dispute amicably, the dispute shall be referred to and resolved by a court of respective jurisdiction.

#### **Section 45 Interpretation Provision**

Should any of the provisions of the Articles of Association prove to be invalid, ineffective or disputable – with respect to the existing legal system or to the alteration thereof – or should any provision be missing, the remaining provisions shall be unaffected thereby. In such cases, those provisions of the relevant generally binding legal regulations corresponding most closely to the nature and purpose of the Articles of Association shall apply, or where no such provision exists, the provisions shall be derived from established business customs and practice.

**Section 46**  
**Amendment of the Bank's Articles of Association**

(1) Should the agenda of the General Meeting include any amendment to the Articles of Association of the Bank, the notification on the General Meeting shall at least describe the nature of the proposed amendments, and the proposed amendment to the Articles of Association must be available to the shareholders in the registered office of the Bank at least within a period of time specified for the convening of the General Meeting. The shareholders shall be entitled to request that a copy of the draft amended Articles of Association be sent to them at their expense and risk. The shareholders must be notified of such right in the notification of the General Meeting.

(2) Should a shareholder intend to file at the General Meeting counter-proposals relating to the proposal for alteration of the Articles of Association, then the shareholder shall be obliged to deliver their proposal or counter-proposal in writing to the Bank at least five business days prior to the date of the General Meeting. The Board of Directors shall be obliged to make the counter-proposals of the shareholder and the Board's opinion thereon public at least three days prior to the date of the General Meeting, if possible, using the manner identical with that used for the convening of the General Meeting,

(3) The amendment to the Articles of Association may be adopted by the General Meeting by a two-thirds majority of the votes of the Attending Shareholders upon a proposal made by the Board of Directors, Supervisory Board, a shareholder or shareholders in accordance with the Commercial Code and the Articles of Association. The Bank shall be obliged to inform the Czech National Bank of the intended amendment to the Articles of Association regarding the facts which must be specified in the Articles of Association as required by the Commercial Code or by the Banking Act.

**Section 47**  
**Closing Provision**

These amended Articles of Association shall become valid and effective on the date when adopted by the General Meeting of the Bank, unless otherwise specified by the Commercial Code.