



**Full wording of the**

**ARTICLES OF ASSOCIATION**

**OF KOMERČNÍ BANKA, a. s.**

**29<sup>th</sup> April 2010**

## **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 registered in the Register of Companies maintained with the Metropolitan Court of 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 including:
  - main investment services provided by the receiver and transferor of instructions relating to investment instruments on the client's account relating to investment instruments;
  - main investment services linked with the execution of instructions relating to investment instruments on other than the Bank's account relating to investment instruments;
  - main investment services linked with dealing in investment instruments on the Bank's own account relating to investment instruments;
  - main investment services linked with the management of individual portfolios based on free consideration under contractual covenants made with the client, if the portfolio contains an investment instrument;
  - main investment services linked with the subscription for an issue of investment instruments or its placement relating to investment instruments;
  - complementary escrow and administration investment services for several investment instruments relating to investment instruments;
  - complementary investment services linked with the rental of safe-deposit boxes;
  - complementary investment services linked with the provision of loans and credits for clients aiming at making deals with investment instruments, if the credit or loan provider is a party to this deal relating to investment instruments;
  - complementary investment consultancy services relating to capital structure, business strategy and questions relating thereto, as well as consultancy and services relating to the fusion and purchase of businesses;
  - complementary investment services concerning issue subscriptions relating to investment instruments,
  - complementary investment consultancy services concerning investments in investment instruments relating to investment instruments;

- complementary foreign exchange investment services relating to the provision of investment services;
- k) dealing on the Bank's own account or on the client's account in 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).

(2) The Bank shall further carry on business activities for another as long as they relate to the operation of the Bank and to the operation of other banks, financial institutions and enterprises that provide supporting banking services that are controlled by the Bank. The extent of the business activities shall cover:

- a) accounting consultants' activities, book-keeping, tax record keeping;
- b) procurement of deals;
- c) engineering activities in investment production;
- d) administration and maintenance of real property;
- e) organisation of specialised courses, training, and other educational programs including teaching;
- f) business, financial, organisational, and economic consultancy;
- g) data processing, databank services, network and web administration.

### **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 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. The explanation can be provided in the form of a summary answer to several questions of similar content. The shareholder shall be deemed to have received an explanation also if an additional explanation relating to the agenda items was posted on the Bank's website no later than on the day preceding the day of the General Meeting and is available to shareholders in the place where the General Meeting is held. Should a shareholder intend to file at the General Meeting counter-proposals relating to proposals, the contents of which have been specified in the notice 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 his 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 announced date of the General Meeting, if possible. Any shareholder has the right to make proposals regarding items which will be included in the agenda of the General Meeting before the publication of the Notice of General Meeting. The Board of Directors shall publish each proposal that will be delivered to the Bank no later than seven days prior to the publication of the Notice of General Meeting together with such Notice. Any proposal delivered after this time limit shall be made public by the Board of Directors, if possible, at least three days prior to the announced date of the General Meeting.

3) The shareholders shall be entitled to exercise their rights at the General Meeting either in person or through a natural person or legal entity (a proxy) under the terms and conditions specified by law (hereinafter referred to as "the Attending Shareholder"). The proxy must be in writing and must show whether it may be used by the proxy holder to represent the principal at one or more General Meetings in a specific period. A form of proxy is available to shareholders either in paper form at the Bank's head office or on the Bank's website from the day of publication of the Notice of General Meeting. The Bank shall make it possible for shareholders to send a notification of the grant of a proxy to a person appointed to represent a shareholder at the General Meeting or of the revocation of such proxy electronically. The notification must be furnished with a guaranteed electronic signature established on the basis of a qualified certificate issued by an accredited certification service provider. Should a notification fail to allow the Bank to make a clear identification of the signatory, the Bank shall have a right to request that the notifier indicate the certification service provider that issued his certificate and that keeps his records, or that the notifier attach the certificate to the notification and give consent to the disclosure of his personal data by the certification service provider, so that the Bank may verify his identity. Should the verification of the notifier's identity not be possible, the notifier must submit his proxy upon registration at the General Meeting. This fact shall be notified to the notifier by the Bank, if possible, to the e-mail address indicated by the notifier. The details on the receipt of such notifications and the requirements with respect to their content shall be specified by the Board of Directors on the Bank's website [www.kb.cz](http://www.kb.cz). When being registered as present at the General Meeting, the shareholders shall provide evidence of their identity by means of an identity document. In addition, the authorized representative of a shareholder that is a legal entity shall also submit an up-to-date excerpt from the Register of Companies or another document evidencing his right to act on behalf of the company concerned, When being registered as present at the General Meeting, a proxy shall provide evidence of his identity by means of an identity document and shall submit a written proxy, unless the law provides otherwise. A person registered with the uncertificated securities register as a securities administrator does not need to submit a proxy. When being registered as present at the General Meeting, the heir of a shareholder shall submit an official document confirming his rights. Should a shareholder be represented by a legal entity acting by its authorised representative, the representative shall submit, when being registered as present at the General Meeting, the proxy granted by the shareholder /if the shareholder is a legal entity, he shall also submit an up-to-date excerpt from the Register of Companies or from another statutory register or another document showing the authority of the persons who signed the proxy to act on behalf of the shareholder/ an up-to-date excerpt from the Register of Companies or another document evidencing his right to act on behalf of the company concerned, and present an identity document. Should a shareholder be represented by a legal entity which is represented by a person who was granted a proxy by the legal entity's authorised body, when being registered as present at the General Meeting, the person shall submit the proxy granted by the shareholder /if the shareholder is a legal entity, he shall also submit an up-to-date excerpt from the Register of Companies or from another statutory register or another document showing the authority of the persons who signed the proxy to act on behalf of the shareholder/, the proxy granted by the authorised body of the empowered legal entity, an up-to-date excerpt from the Register of Companies or another document evidencing his right to act on behalf of the company concerned and an identity document.

(4) The General Meeting may be attended by any shareholder registered in the statutory register of securities as a owner 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. Persons that are designated by the CNB in the statutory register of securities, persons not mentioned therein, or persons empowered by these persons may not attend the General Meeting.

(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 proposal of the Board of Directors or, as the case may be, the proposal of the Supervisory Board, if it convened the General Meeting, if any, shall be voted upon first. Should the proposal of the Board of Directors or of the Supervisory Board, if it convened the General Meeting, be accepted, other proposals shall not be voted upon. 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 orally upon invitation by the Chairman of the General Meeting or 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 these 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 proxies 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 reaches at least 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, provided that each item of the proposal is accompanied with a justification or with a draft resolution;
- b) that the Board of Directors include issues specified in their request into the agenda of the General Meeting, provided that each item of the proposal is accompanied with a justification or with a draft resolution;
- c) that the Supervisory Board examine the exercise of powers by the Board of Directors with regard to the matters specified in the request;
- d) that the Supervisory Board assert the Bank's right to claim damages from a member of the Board of Directors;
- e) that a court of justice appoint an expert in order to examine the report on relations among related entities as specified by the Commercial Code, should there be serious reasons therefor, under the terms and conditions specified by the Commercial Code;
- f) that the Board of Directors file a lawsuit for payment of issue price against shareholders who are in default of payment, or that the Board of Directors take action under 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 authorized to maintain the central register of uncertificated securities for registration of separately transferable rights to a dividend payable.

(3) The dividend record date is the same as the record date for a shareholder to be entitled to attend the General Meeting. The right to a dividend shall thus belong to any shareholder owning shares on the seventh calendar day prior to the date of the General Meeting at which the resolution on the dividend payment was adopted. The dividend shall become payable upon expiration of thirty days following the date of the General Meeting at which the resolution on the dividend payment was adopted.

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

- a) in cash – the dividend shall be payable at sales points of the Bank or
- b) by bank transfer from the Bank's account to the shareholder's or administrator's account upon shareholder's request (with legal entities, this is the sole manner of dividend payment).

(5) Where dividends are remitted to legal entities by bank 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 Register of Companies (or a similar document evidencing registration with the relevant state authority). The signature of the shareholder's authorized 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 entity or natural person, such representative shall be obliged to deliver officially verified powers of attorney from all entities so represented with the exception of the security administrator entered in the central record of booked shares, and its updated and officially verified excerpt from the Register of Companies. If the excerpt from the issue's register only states the information about the share's administrator, the shareholder shall be obligated to submit a property account statement of the security's owner. The Bank shall not assume responsibility for the accuracy and completeness of the data stated by the shareholder.

(6) The Bank's obligation to pay the dividend, in the event of a bank transfer, shall be discharged upon debiting the dividend from the Bank's account.

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

((8) The information on the proposed dividend amount and the information about the dividend payment method shall be published by the Board of Directors in the notice of General Meeting and on the Bank's website 30 days prior to the date of the General Meeting. The results of the vote on

dividend payment shall be made public by the Board of Directors without undue delay after the general meeting on the Bank's website and on [www.londonstockexchange.com](http://www.londonstockexchange.com).

## **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 remove members of the Supervisory Board, with the exception of the election and removal 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 if the law requires so;
- 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 other own resources or coverage of the loss, and to determine royalties;
- k) decide on the compensation of members of the Board of Directors, Supervisory Board and Audit Committee, and approve the service contracts with the members of the Supervisory Board and of the Audit Committee;
- l) decide on merger or division of the Bank or on transfer of assets to the Bank as a member in cases required by the legislation 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 quote participation securities of the Bank in accordance with special legal regulation and to terminate the registration thereof;
- p) approve contracts serving as a basis for a transfer of the business or a part thereof, contracts for the lease of the business or a part thereof, contracts for the pledge of the business or a part thereof;
- q) charge the Board of Directors to decide on an 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 treasury 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 contracts of control, profit transfer contracts and silent partnership contracts, and alterations thereof;
- u) approve the acquisition or disposal 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.
- w) decide on appointment of the auditor to make the statutory audit or to verify other documents if such appointment is required by legal regulations;
- x) decide on the appointment and removal of members of the Audit Committee;
- y) decide on the approval of the rules for the provision of fringe benefits to Audit Committee members.

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

(1) The Regular General Meeting is held at least once a year, however no later than four 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 General Meeting shall be convened by means of a public notice published in the Commercial Bulletin ("Obchodní věstník"), on the Bank's website [www.kb.cz](http://www.kb.cz), on the notice board in the Bank's registered office and on the website [www.londonstockexchange.com](http://www.londonstockexchange.com) at least thirty days prior to the date of the General Meeting. Other documents relating to the General Meeting debate the publication of which is required by the law shall be published on the Bank's website. The notice of General Meeting 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) record date for participation in the General Meeting, and explanation of its meaning for voting at 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 and on the Bank's website [www.kb.cz](http://www.kb.cz) 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 notice of the General Meeting.

(5) When the Board of Directors is requested by the shareholders specified under Section 5, subsection (8) to convene an Extraordinary General Meeting, such General Meeting must be convened so that it would take place no later than within fifty 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 competent court of justice for an order to authorise the shareholders to convene the Extraordinary General Meeting and to execute any acts associated therewith. The notice of General Meeting shall be made public in the manner specified under Section 9, subsection (4) at least twenty one days prior to the date of the Extraordinary General Meeting. Each item of the proposal contained in the request for the convening of the Extraordinary General Meeting must be accompanied with a justification or with a draft resolution.

(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 provided that the proposal is delivered to the Board of Directors no later than 27 days prior to the day of the General Meeting. Should such request be delivered after the publication of the notice of General Meeting, the Board of Directors shall publish an amendment to the agenda of the General Meeting at least seventeen 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 publication is no longer possible, such issue may be included in the agenda of the General Meeting only as specified in the following subsection. Each item stated in the request for the inclusion of a matter in the General Meeting agenda must be accompanied with a justification or with a draft resolution.

(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 Board of Directors shall inform the Supervisory Board and the Audit Committee 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.

(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 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 proxies shall sign at the general meeting an attendance list which shall contain the following details: trade name or name and registered office if a shareholder is a legal entity, or name and residential address if a shareholder is a natural person (an individual) or a shareholder's proxy; 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, members of the Board of Directors, chairman of the Audit Committee or, as the case may be, vice-chairman or another authorized member of this Committee shall attend the General Meeting of the Bank.

(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 at 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 a 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 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 (4) of the Articles of Association; the time limit so specified shall be shortened to fifteen days. The notice of General Meeting must be published no later than within fifteen days of the day for which the original General Meeting was convened. 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 of the powers by the Board of Directors and the carrying on of the business activities of the Bank. The Supervisory Board shall oversee the efficiency and effectivity of the management and control system of the Bank as a whole.

(2) The Supervisory Board shall:

- 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 remove members of the Board of Directors;
- c) approve service contracts with members of the Board of Directors and fringe benefits provided to members of the Board of Directors, evaluate the performance of the service contracts made with members of the Board of Directors;
- d) examine annual, 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 any 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 current 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;
- g) represent the Bank before court or other authorities in disputes with members of the Board of Directors;
- h) inform the General Meeting of the results of its supervisory activity;
- i) 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;
- j) discuss the charter and the strategic and periodic plan of the activities of the internal audit;
- k) approve acquisition or disposal of assets in the cases stipulated by law;
- l) examine the report on relations among related entities 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;
- m) supervise the functionality and effectiveness of the management and control system and make an evaluation thereof at least once a year;
- n) regularly deliberate over matters relating to the Bank's strategic development;
- o) express itself on the Board of Directors' proposal to appoint (in Czech "pověřit") or to remove Director of Internal Audit;
- p) define the principles of compensation of Director of Internal Audit;
- q) discuss the focus and planning of the activities of the internal audit, evaluate the activities of the internal audit and compliance;
- r) discuss the report on the internal audit activities;
- s) take decisions on other matters that are included in the powers of the Supervisory Board by a generally binding legal regulation or by the Articles of Association.

## **Section 13 Election and Removal 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 removed by the General Meeting and one third by the Bank's employees. Any member of the Supervisory Board may resign from his membership; however, he shall be obliged to inform the Supervisory Board thereabout. Such a member shall cease to serve in his position as from the date on which his resignation was discussed or was to be discussed by the Supervisory Board. Should a resigning member of the Supervisory Board announce his resignation at a meeting of the Supervisory Board, his membership terminates after the expiration of two months following such notification, unless the Supervisory Board approves, upon request of such member, another date of termination of the membership. The Supervisory Board shall announce the resignation of its member at the forthcoming

General Meeting. Details of the election and removal 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, resigns, is removed or if his membership terminates in another way, the Bank's General Meeting shall elect a new member of the Supervisory Board within a period of three months. If the number of the Supervisory Board members elected by the General Meeting does not fall below one half, the Supervisory Board may appoint, upon the proposal of the Remuneration and Personnel Committee of the Supervisory Board, substitute members to serve on the Supervisory Board until the forthcoming 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 thereof. 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 authorized 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 serving as 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 to serve as a Supervisory Board member, such member shall be obliged to inform the Bank thereof without delay.

## **Section 15**

### **Meetings of the Supervisory Board**

(1) The Supervisory Board shall elect from its membership 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 a Supervisory Board meeting. The Supervisory Board must also be convened if any member thereof so requests.

(2) The Chairman or Vice-Chairman of the Supervisory Board may resign from their position of chairman or vice-chairman by written notification delivered to the Supervisory Board. Their service as chairman or vice-chairman shall terminate the day when, at its closest meeting, the Supervisory Board discusses the resignation, unless the written letter of resignation specifies a later date. The Supervisory Board shall be authorized to withdraw the Chairman or Vice-Chairman of the Supervisory Board from their position. If the Chairman or Vice-Chairman ceases to be a member of the Supervisory Board, he shall also cease to serve as its chairman or, as the case may be, vice-chairman.

(3) 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 approved by the absolute majority of all members of the Supervisory Board.

(4) 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.

(5) No member of the Supervisory Board may be represented by another person in his capacity as a member of the Supervisory Board.

(6) 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.

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

(8) A meeting of the Supervisory Board may, in exceptional cases, be convened by means of communication media or in another suitable manner. All members of the Supervisory Board must be informed of the fact that such meeting is being convened. In this case, the seven-day time limit for the submission of documents does not apply and the documents may be submitted at the meeting itself.

(9) The Chairman or, in his absence, the Vice-Chairman, or, as the case may be, an authorised member of the Supervisory Board may request that members of the Supervisory Board vote remotely either in writing or by means of communication media on condition that all members of the Supervisory Board agree to do so. The remote voting may be used by the absent members of the Supervisory Board if the Supervisory Board holds a meeting, or by all members of the Supervisory Board if the

Supervisory Board does not hold a meeting. All voting members of the Supervisory Board are regarded as present. If the Supervisory Board does not hold a meeting and votes by means of communication media, the voting shall be recorded in minutes. The consent to remote voting must be expressed in the manner which is the same as the manner which may be used for voting under this subsection no later than by the closing of the remote voting. If a member of the Supervisory Board votes remotely, he is deemed to consent to remote voting.

(10) 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, within its terms of reference, at least one committee (hereinafter referred to as "Supervisory Board Committees"), that is, the Remuneration and Personnel Committee, as an advisory and recommending body.

(2) The Remuneration and Personnel Committee shall have at least two members.

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

(4) The Remuneration and Personnel Committee shall:

- a) provide recommendations to the Supervisory Board regarding election and removal of the Board of Directors members,
- b) provide the Supervisory Board with its position on the proposal by the Board of Directors regarding the service contracts made with the Board of Directors members and the fringe benefits provided to the Board of Directors members;
- c) evaluate the performance of the service contracts 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) submit to the Supervisory Board the nominations of candidates for the membership of the Supervisory Board Committees,
- f) make recommendations to the Supervisory Board on the principles of Internal Audit Director's compensation.

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

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

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

(8) 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.

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

(10) 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.

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

(12) The Supervisory Board Committees shall provide the Supervisory Board with regular reports on their activities and, regarding the areas in their range of powers, submit to the Supervisory Board their recommendations focusing on the preparation of decisions to be taken by the Supervisory Board.

### **Section 17 Board of Directors**

(1) The Board of Directors is an authorized 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. The Board of Directors shall further ensure the creation and evaluation of the management and control system, be responsible for its continuous functioning and effectiveness, and create conditions for the independent and objective performance of compliance-related operations and of internal audit.

(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 removed, 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 remove 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 removal, either in person or by mail to the address specified in the service contract unless a later date is specified in the removing notice. The notice of removal 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 the delivery of the notice.

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

(5) The Board of Directors shall elect from its membership a Chairman of the Board of Directors. If the Chairman of the Board of Directors fails to be elected, the Board of Directors shall authorise one of the members of the Board of Directors to serve as Chairman of the Board of Directors. The Chairman of the Board of Directors must be elected by an absolute majority of votes of all members of the Board of Directors.

(6) The Chairman of the Board of Directors may resign from his position of chairman by written notice delivered to the Board of Directors. His service as Chairman shall terminate the day when, at its closest meeting, the Board of Directors discusses the resignation, unless the written letter of

resignation specifies a later date. The Board of Directors shall be authorized to withdraw the Chairman from his position by the absolute majority of votes of all members of the Board of Directors. If the Chairman ceases to be a member of the Board of Directors, he shall also cease to serve as its chairman.

(7) Meetings of the Board of Directors shall be regularly convened, at least 20 times a year, and chaired by its Chairman. If the Chairman is not present, the meeting shall be convened and chaired by a member of the Board of Directors authorized 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 states reasons therefor. If the meeting is not convened within a period of five days from the delivery of the request to the Chairman of the Board of Directors, the said Board of Directors member shall be entitled to convene and chair the meeting himself.

(8) 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. No member of the Board of Directors may be represented by another person in his capacity as a member of the Board of Directors. A matter not included in the agenda of the meeting of the Board of Directors shall be discussed by the Board of Directors only with the consent of all members of the Board of Directors.

(9) A meeting of the Board of Directors may exceptionally be convened by means of communication media or in another suitable manner. All members of the Board of Directors must be informed of the fact that such meeting is being convened. In this case, the three-day time limit for the presentation of documents shall not apply and the documents may be submitted at the meeting itself. Members of the Board of Directors may agree to hold regular meetings of the Board of Directors on agreed dates.

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

(11) Resolutions of the Board of Directors shall be adopted by the absolute majority of members of the Board of Directors present. If the votes are equal, the chairman of the meeting shall give a casting vote under Section 18, subsection (7).

(12) The Chairman or, in his absence, an authorised member of the Board of Directors may request that members of the Board of Directors vote remotely either in writing or by means of communication media on condition that all members of the Board of Directors agree to do so. The remote voting may be used by the absent members of the Board of Directors if the Board of Directors holds a meeting or by all members of the Board of Directors if the Board of Directors does not hold a meeting. All voting members of the Board of Directors are regarded as present. If the Board of Directors does not hold a meeting and votes by means of communication media, the voting shall be recorded in minutes. The consent to remote voting must be expressed in the manner which is the same as the manner which may be used for voting under this subsection no later than by the closing of the remote voting. If a member of the Board of Directors votes remotely, he is deemed to consent to remote voting.

(13) 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 the names of the members of the Board of Directors who voted against the resolutions of the Board of Directors or abstained from voting. Unless documented otherwise, members not listed shall be deemed to have voted in favour of 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.

(14) 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 annual, 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, and on the state of the Bank's assets at least once for each accounting period;
- e) to decide to grant and revoke procuration;
- f) decide on the appointment, removal and compensation 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 entering into the loan agreement;
- h) submit to the Supervisory Board for information quarterly and semi-annual financial statements;
- i) decide on acts which are beyond the scope of the Bank's common trade relations;
- j) define and make a regular evaluation of the Bank's overall strategy including the setting of the principles and targets for its fulfilment and arranging the continued and effective operation of the internal control system;
- k) approve the Bank's annual plans and budgets as well as the strategic and annual plans of legal entities controlled by the Bank under the Banking Act;
- l) enter into the contract for the performance of the statutory audit or, as the case may be, for the provision of other services with the auditor;
- m) 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;
- n) decide on the issue of bonds of the Bank with the exception of decisions on the issue of bonds for which the decision of the General Meeting is required by the law;
- o) decide on an increase in the registered capital if so authorised by the General Meeting;
- p) enter into collective agreements;
- q) decide on providing loans or guarantees to persons with a special relationship to the Bank pursuant to the Banking Act;
- r) approve the charter and the strategic and periodic plan of the activities of the Internal Audit;
- s) approve the Annual Reports of the Bank;
- t) approve and regularly evaluate the security principles of the Bank including the security principles for information systems;
- u) decide on establishing other funds and on the rules governing creation and usage thereof;
- v) approve the report on relations among related entities within the intention of the Commercial Code;
- w) approve and regularly evaluate the Bank's structure;
- x) approve the principles of the personnel and compensation policy;
- y) evaluate the overall functioning and effectivity of the management and control system at least once a year;
- z) approve and regularly evaluate the risk management strategy, the strategy relating to the capital and to capital adequacy and the information systems development strategy;
- za) approve and regularly evaluate the principles of the internal control system including principles aiming to prevent any possible conflict of interest and compliance-related principles.
- zb) discuss the audit report with the auditor.

(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 the proper maintenance of the Bank's accounting including the due administrative and accounting processes;
- 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 acquisition or disposal of fixed assets of the Bank exceeding CZK 30,000,000 as a single case or as a total of related cases;
- f) approve the business continuity plan 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 authorized 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 an authorised body or member of an authorised body or a member of the supervisory body of another legal entity which is engaged in business, unless he is a member of an authorised body or the supervisory body of another bank, a foreign bank or a financial institution which are part of the same consolidated group as the bank, of the supervisory body of another legal entity controlled by the bank, of the authorised body or of the supervisory body of an organizer of the regulated market with investment instruments, of a company providing support banking services, of a housing cooperative or of a similar foreign entity.

(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 that the General Meeting would wind up the Bank with liquidation or adopt another measure, unless special legal regulations specify otherwise.

(7) The Board of Directors shall be obliged to file without undue delay an insolvency petition with the competent court provided that the terms and conditions stated 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 to serve as a Board member, he shall be obliged to inform the Bank thereabout without delay.

**Section 20a**  
**Position and Terms of Reference of the Audit Committee**

- (1) The Bank shall set up an Audit Committee.
- (2) The Audit Committee shall:
  - a) monitor the process of compilation of the annual financial statements and consolidated financial statements; and the integrity of the financial information provided by the Bank, namely by examining the consistency and relevance of the accounting methods used by the Bank;
  - b) evaluate the effectiveness of the Bank's internal control, internal audit and, where applicable, risk management systems and, in this context, at least once a year, review and evaluate the internal control, internal audit and risk management systems to ensure the proper identification and management of the main risks faced by the Bank; and, furthermore, make recommendations to the Bank's Board of Directors and Supervisory Board about matters concerning the internal audit function, and support the effective functioning of the internal audit, especially by:
    - i) recommending the selection of the Director of Internal Audit and his appointment and repeated appointment to the post or, as the case may be, his removal, recommending the budget of his unit, and other matters stated in the Internal Audit Charter;
    - ii) monitoring the way in which the Bank's executives react to the Internal Audit's findings and recommendations.
  - c) monitor the statutory audit of the annual financial statements and consolidated financial statements; and, in this context, obtain and evaluate information relating to audit activities; evaluate the effectiveness of the statutory audit function and the way in which the Bank's executives follow the recommendations made by the auditor to the Bank's executives; and cooperate in the communication between the auditor and the Bank's executives;
  - d) review the independence of the auditor and audit company and the provision of additional services to the Bank, and, in this context, review and monitor the objectivity of the auditor, cooperate with the auditor and obtain and evaluate information which could threaten their independence; and review the nature and scope of the additional services provided to the Bank by the auditor;
  - e) recommend the auditor to the Board of Directors,
  - f) accept and discuss information, communication and declarations with the auditor in accordance with legal regulations; this shall not affect the Board of Directors' authority to discuss the audit report with the auditor;
  - g) if needed, provide other bodies of the Bank with information on matters falling under the powers of the Audit Committee.
- (3) The Audit Committee shall exercise also other powers which may arise from legal regulations. The powers of the Audit Committee shall not affect the powers of other bodies of the Bank under legal regulations and these Articles of Association.
- (4) The Audit Committee shall approve the rules of procedure of the Audit Committee governing its activities.

**Section 20b**  
**Membership of the Audit Committee**

- (1) The Audit Committee shall consist of 3 members.
- (2) Audit Committee members shall be appointed and removed by the Bank's general meeting. The Audit Committee members shall be appointed from the membership of the Supervisory Board or third parties.
- (3) A member of the Audit Committee must be an individual who meets the same requirements as those specified by a generally binding legal regulation to serve as a member of the Supervisory Board. Members of the Audit Committee are required to have the professional qualifications and experience to guarantee the good performance of their duties. The person who nominates a new member to the Audit Committee shall, if possible, ensure the availability of his professional curriculum vitae. If the legal regulations set forth other requirements with respect to the members or membership of the Audit Committee, they must be observed. If an Audit Committee member

ceases to comply with the requirements set forth by the generally binding legal regulations and these Articles of Association for serving as a member of the Audit Committee, it is his duty to inform the Bank thereof without delay.

- (4) Audit Committee members shall be appointed for the term of four years and can be re-appointed. The membership of the Audit Committee expires no later than three months after the expiration of the four-year term unless a new Audit Committee member is appointed in the meantime.
- (5) An Audit Committee member can resign from his membership by written notification delivered to the Audit Committee or to the general meeting. The Audit Committee membership shall then cease on the day on which the resignation was or was to be discussed by the Audit Committee. The Audit Committee shall be obligated to discuss the resignation of its member at its earliest meeting. If, however, the Audit Committee member announces his resignation at a meeting of the Audit Committee, his membership terminates after the expiration of two months following the notification unless the Audit Committee approves, upon request of such member, another date of termination of the membership. If the Audit Committee Chairman (or, in his absence, the Vice-Chairman) fails to call the Audit Committee meeting to discuss the Audit Committee member's resignation within the preset period or without undue delay, the resigning member has a right to call the Audit Committee meeting himself/herself.
- (6) If the number of the Audit Committee members did not fall below 50 %, the Audit Committee can appoint substitute members for the Audit Committee. A substitute member for the Audit Committee shall, in this case, become a member of the Audit Committee by the next general meeting. The substitute members for the Audit Committee shall meet the same requirements as the members of the Audit Committee under (3) above and must also comply with (5) above except for the last sentence.
- (7) In the case that a member of the Audit Committee dies, resigns or is removed or if his membership terminates in another way and the Audit Committee no longer has a quorum, the next general meeting must appoint new Audit Committee members.
- (8) The Audit Committee shall elect and withdraw from its membership a Chairman and Vice-Chairman who shall substitute for the Chairman in his absence.

#### **Section 20c Meetings of the Audit Committee**

- (1) The Audit Committee shall meet as necessary, as a rule once a trimester, however, at least four times in a calendar year.
- (2) Meetings of the Audit Committee shall be called by the Audit Committee Chairman or, in his absence, its Vice-Chairman by a written invitation. The invitation shall specify the date, time and place of the meeting and its agenda. With the consent of all Audit Committee members it is possible to call a meeting by means of communication media. The invitation must be delivered to the Audit Committee members no later than seven days prior to the meeting.
- (3) The procedure for calling meetings as set out in (2) above shall not apply if the date of the next meeting and its agenda were discussed at any other prior meeting of the Audit Committee. However, the Audit Committee Chairman or, in his absence, the Vice-Chairman may call an Audit Committee meeting regardless of the previously set date of the meeting or its agenda even in this case.
- (4) If the Chairman and Vice-Chairman cannot call an Audit Committee meeting or if the Audit Committee needs to decide on a matter allowing no delay, the Audit Committee meeting can be called by any Audit Committee member following the procedure set out in (2) above. If called by several Audit Committee members, the meeting shall be held on the first meeting date stated.
- (5) The Audit Committee Chairman or, in his absence, the Vice-Chairman are obligated to call an Audit Committee meeting every time when asked to do so by an Audit Committee member stating a reason therefor.

- (6) Audit Committee meetings shall be held at the Bank's head office unless the Audit Committee decides otherwise.
- (7) Minutes of all Audit Committee meetings and all adopted decisions shall be recorded and signed by the Chairman and by the minutes clerk appointed by the Audit Committee; if the Audit Committee Chairman does not chair an Audit Committee meeting, the minutes of the meeting shall be signed also by the chairman of the meeting. Every Audit Committee member has a right to request that the minutes also include his position. The minutes must be archived throughout the existence of the Bank.
- (8) The cost of the meetings and other activities of the Audit Committee shall be borne by the Bank.

**Section 20d**  
**Audit Committee Voting**

- (1) The Audit Committee shall constitute a quorum if a simple majority of all Audit Committee members attend the meeting.
- (2) If the Audit Committee fails to constitute a quorum as set out in (1) above, the Chairman or, in his absence, the Vice-Chairman can call a new Audit Committee meeting with the agenda unchanged. Such meeting shall take place within seven days from the previous meeting, however, the day after the previous meeting at the earliest.
- (3) Decisions on all matters discussed by the Audit Committee must be approved by the absolute majority of votes to be passed. If the votes are equal, the chairman of the meeting shall give a casting vote. The chairman of the meeting shall mean the Audit Committee Chairman or, in his absence, the Audit Committee Vice-Chairman.
- (4) The person in question shall not vote in the proceedings with respect to the election and removal of Chairman and Vice-Chairman of the Audit Committee.

**Section 20e**  
**Audit Committee Remote Voting**

- (1) The Audit Committee can vote remotely with the consent of all of its members. The consent to remote voting shall be expressed in the form allowed under (2) below no later than by the remote vote closing. If a member of the Audit Committee casts his vote remotely (or, as the case may be, abstains from voting in the form set out in (2) below), he is considered to consent to remote voting.
- (2) The following forms of remote voting can be used:
  - a) in writing, including the use of devices that allow recording the will of the voting member of the Audit Committee and identifying the voter (e.g. by fax or e-mail);
  - b) using devices which allow the transmission of voice or, as the case may be, the transmission of the voter's voice and picture (e.g. by telephone, call conference or video conference).
- (3) Remote voting can be used upon the request of:
  - a) the Chairman or, in his absence, of the Vice-Chairman of the Audit Committee;
  - b) all Audit Committee members present at an Audit Committee meeting if the Audit Committee fails to constitute a quorum due to the number of absentees.
- (4) The rules for the adoption of decisions by remote voting shall be the same as the rules for the adoption of decisions at Audit Committee meetings. To state the quorum and to adopt decisions by remote voting, it shall be deemed that all Audit Committee members are present and that the Audit Committee Chairman (or, in his absence, the Vice-Chairman) is in the chair.
- (5) Information about the vote under (1) – (4) shall be recorded in minutes.

- (6) If the Audit Committee constitutes a quorum at a meeting, votes under (2) above can be cast also by members who are not present at the meeting in person; these members shall also be considered present when determining the number of votes necessary to adopt a decision. The vote of the Audit Committee member who is not present at the Audit Committee meeting in person must clearly show his will; voting by proxy of a member of the Audit Committee present at the meeting in person is not admissible. Information on votes cast and decisions made hereunder shall be recorded in the minutes of the Audit Committee meeting.

**Section 20f**  
**Duties of the Members of the Audit Committee**

- (1) Members of the Audit Committee shall have the duty to serve on the Committee with professional care and not to disclose confidential information and facts the disclosure of which to third parties might result in a loss to the Bank. This non-disclosure duty continues to apply also after the termination of their service as Audit Committee members.
- (2) The consequences of a breach of the duties set out in (1) above are specified by the applicable legal regulations.
- (3) Members of the Audit Committee are subject to the same competition ban as members of the Supervisory Board under 14 (6).
- (4) Members of the Audit Committee shall be liable for damage caused to the bank by a breach of an obligation while serving as Audit Committee members under the conditions and to the extent set forth by legal regulations. Should the damage be caused by several members of the Audit Committee, their liability to the Bank shall be joint and several.

**Article VII**  
**Audit**

**Section 21**

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

- 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.
- d) verify the information under S. 11a of the Banking Act to the extent provided by the regulation of the Czech National Bank.

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 nomination for the auditor submitted to the General Meeting by the Board of Directors may be based only on a recommendation of the Audit Committee.

**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 annual, 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 annual, 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 annual, 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 and to the Audit Committee 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 owner'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 annual 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 Loss Settlement**

(1) The General Meeting shall decide on the way to cover loss.

(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 treasury 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 treasury shares shall be created by the Bank in the amount of the value of its treasury 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 disposes of its treasury 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 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 (4) 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 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 Register of Companies. 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 Register of Companies. 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 Register of Companies, 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 Register of Companies.

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

(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 Register of Companies 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 Register of Companies 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 Register of Companies 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 Register of Companies.

### **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 Register of Companies.

## **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 treasury 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 Register of Companies.

## **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 or dismissal of an insolvency 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 Register of Companies.

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

The Board of Directors as the authorized 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**

The notice of general meeting shall be published in the manner specified in section 9, subsection (4) of the Articles of Association. Should generally binding legal regulations require that some data be published in the Commercial Bulletin, 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) Head Office;
  - b) Sales Network.

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 internal regulations.

Various Bank Committees can be established at the Head Office. The Board of Directors shall decide about the establishment and dissolution of the Bank Committees. The membership of the Bank's committees and its changes are approved by the Chief Executive Officer.

### 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. Powers of the organisational units are specified in the internal Bank regulations and by authorisations and resolutions of the Board of Directors or directors of the Bank authorised therefor by the Board of Directors.

### **(2) Internal regulations**

The basic internal regulations of the Bank elaborate the corresponding provisions of the Articles of Association that pertain to the organisational structure and management of the Bank. The regulations can be amended based on the decision of the Board of Directors if the Bank's needs so require and if the organisational structure of the Bank laid down by the Articles of Association is respected. The range of powers of the different organisational parts of the Bank within the framework of the basic organisational division of the Bank mentioned above and the division of the basic parts into different organisational units (including the specification of their range of powers, authorities, obligations, and liabilities) shall be specified in more details also in other internal regulations of the Bank.

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

(1) Pursuant to the Banking Act, the Chief Executive Officer, his Deputy Chief Executive Officers and the Executive Directors of the different Bank Arms specified in the internal regulations of the Bank shall be the Bank executive directors.

(2) The Bank's executive director may serve as a member of the Bank's Board of Directors; a member of the Bank's Board of Directors must be an executive director 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 directors 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 directors 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 internal regulations.

(4) The other Bank executive directors 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, 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 Executive Officers. 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 responsibilities of the Chief Executive Officer and of the other Bank executive directors shall be governed by the Bank's 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 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, 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 directors 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 directors 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 internal regulations of the Bank.

## **Section 43**

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

(1) The Management and Control System (hereinafter referred to as the "MCS") shall include the prerequisites of the due administration and management of the Bank, the risk management system and the internal control system. The MCS covers all activities of the Bank and includes all structural units of the Bank.

(2) The Board of Directors shall ensure the creation and evaluation of the MCS and be responsible for its continued functioning and effectiveness. The monitoring and evaluation of the MCS is made on all management levels and by the Internal Audit Unit and is part of everyday banking activities. The requirements with respect to the MCS shall be specified in the internal regulations of the Bank.

## **Section 44**

### **Internal Audit**

(1) The Internal Audit Unit has a special position within the Bank's structure. The Internal Audit is established by the Board of Directors. Internal Audit Director, organisationally subordinated to the Bank's Chief Executive Officer, is charged to carry out internal audit and removed by the Bank's Board of Directors based on the prior position of the Bank's Supervisory Board. The Internal Audit exercises its activity independently of the Bank's executive activities. The activity of the Internal Audit can only be performed upon request of and tasks to the Internal Audit can only be assigned by the following executive directors and bodies of the Bank:

- Chief Executive Officer and Chairman of the Board of Directors
- Bank's Board of Directors
- Supervisory Board
- Audit Committee
- Director of Internal Audit

The Director of Internal Audit shall notify the internal audit findings, the proposed measures to rectify the problems and the elimination of the detected shortcomings to the Bank's Board of Directors, the Audit Committee, and the Supervisory Board. The Director of Internal Audit shall submit to the Board of Directors, the Audit Committee and the Supervisory Board at least once a year an overall evaluation of the functioning and effectiveness of the MCS and a report on the internal audit activities.

(2) The Internal Audit carries out an independent, objective, assuring, and consultancy activity aiming at adding value and at perfecting the process in the organisation. The Internal Audit helps the organisation to attain its goals by setting forth a systematic methodical approach to the assessment and enhancement of the effectivity of the risk management, of the management and control systems, and of the organisation's administration and management. This basic scope of the Internal Audit's activities is exercised by carrying out the following activities: audits, analysis and independent risk assessment, special projects, activities of consulting and examination, and monitoring and corrective actions tracking.

(3) The detailed extent of the powers and the activities of the Internal Audit are governed by the Bank's Internal Audit Guidelines that shall be approved by the Bank's Board of Directors after a prior discussion by the Supervisory Board. The Internal Audit shall have the following powers to carry on its activity:

- a) the Internal Audit shall abide by its own procedures and assessment criteria to carry on audit activities and to work out the auditor's report;
- b) the Internal Audit shall have access to all premises where audited activities take place;
- c) when carrying out its activity, the Internal Audit shall have access to all relevant documents of the Bank;
- d) when carrying out their activity, auditors can make copies of all documents containing relevant information and can record the running of discussions.;
- e) the Internal Audit can request the co-operation of any Bank's employee within the framework of the performance of audit activities;
- f) within the framework of the continued monitoring of the Bank's activity, the Internal Audit can request from any Bank's unit current information on the activities of this Bank's unit, on any breach of internal or external rules, on the results of an inspection by an external entity;
- g) the Internal Audit shall have the right and obligation to find out information on the fulfilment of the measures recommended in the auditor's report or in the report on the inspection by an external entity;
- h) if the findings might have a substantial negative impact on the Bank's financial situation, the Director of Internal Audit must initiate an extraordinary meeting of the Supervisory Board.

(4) Significant shortcomings of the MCS shall be notified to the Bank's Board of Directors, to the Audit Committee, and to the Supervisory Board.

#### **Section 45**

#### **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 46 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 47 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 notice 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 48 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.

The Board of Directors of Komerční banka, a. s., has made out this unabridged version of the Articles of Association according to the amendments to the Articles of Association approved by the General Meeting on **29 April 2010**.

Henri Bonnet  
Chairman of the Board of Directors  
Komerční banka, a. s.

Peter Palečka  
Member of the Board of Directors  
Komerční banka, a. s.