

## Notice of General Meeting

The Board of Directors of Komerční banka, a. s., calls an

### ***ORDINARY GENERAL MEETING***

***of Komerční banka, a. s.,***

with its registered office at Prague 1, Na Příkopě 33, building identification No. 969, postal code 114 07, registration No. 45317054, registered in the Register of Companies maintained with the Metropolitan Court of Prague, section B, inserted file No. 1360 (hereinafter called “the Bank” or “KB”),

**which will be held on 23 April 2015 at 1 p.m. at the address náměstí Junkových 2772/1, Stodůlky, Prague 5, postal code 155 00, in a meeting room on the ground floor of the building.**

Agenda:

1. Discussion over and approval of the Board of Directors’ report on the Bank’s business activity and state of assets for the year 2014
2. Discussion over the explanatory report on matters under S. 118 (5) (a) – (k) of Act No. 256/2004 Sb., the Act Providing for Business Undertaking in the Capital Market as Amended
3. Discussion over the Board of Directors’ report on relations among related entities for the year 2014
4. Discussion over the annual financial statements with the proposal for the distribution of profit for the year 2014, and over the consolidated financial statements for the year 2014
5. Supervisory Board’s position on the annual financial statements for the year 2014, on the proposal for the distribution of profit for the year 2014, and on the consolidated financial statements for the year 2014; Supervisory Board’s report on its activity; and Supervisory Board’s information on the results of the examination of the Board of Directors’ report on relations among related entities for the year 2014
6. Discussion over the Audit Committee’s report on the results of its activity
7. Approval of the annual financial statements for the year 2014
8. Decision on the distribution of profit for the year 2014
9. Approval of the consolidated financial statements for the year 2014
10. Election of a member of the Supervisory Board
11. Decision on the acquisition of own shares
12. Decision on the appointment of a statutory auditor to make the statutory audit
13. Decision on the revision of the Articles of Association
14. Decision on instructing the Supervisory Board to set the proportion between the fixed and flexible component of the compensation of members of the Board of Directors
15. Setting the proportion between the fixed and flexible component of the compensation for selected employees and groups consisting of such employees, whose activity has a material impact on the overall risk profile of the Bank

#### **Record date:**

The record date for shareholders to be entitled to attend the General Meeting shall be 16 April 2015. Only shareholders listed in the statement from the registry of uncertificated shares of Komerční banka, a. s., on that date shall be entitled to attend, vote and exercise shareholder rights at the General Meeting.

#### **Shareholder rights with respect to the General Meeting:**

##### **1. Attendance and representation of shareholders at the General Meeting:**

Shareholders may attend the General Meeting in person or be represented by a proxy. Each shareholder may give a proxy to an individual or to a legal entity; the proxy shall authorize the individual or legal entity to represent the shareholder at the General Meeting and exercise his shareholder rights including the right to vote on the shareholder’s behalf. A form of proxy which may be used by shareholders for the purpose is available on the website [www.kb.cz](http://www.kb.cz). The form of proxy is also available on paper at the Bank’s head office on business days from 9 a.m. to 4 p.m. Each shareholder may apply to be sent the form of proxy at his own expense and risk in paper form or electronically; the applications must be submitted by e-mail addressed to [valnahromada@kb.cz](mailto:valnahromada@kb.cz) or by mail addressed to the Bank’s head office. The mailbox [valnahromada@kb.cz](mailto:valnahromada@kb.cz) may also be used by shareholders wishing to notify the Bank electronically of the grant of a proxy to a person appointed to represent the shareholder at the General Meeting and of the revocation



of such proxy by the principal. 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 (hereinafter called “the advanced electronic signature”). The rules for the receipt of such notifications including the requirements with respect to their content and form are available on [www.kb.cz](http://www.kb.cz).

Shareholders, or their proxies, will be registered in the place of holding the General Meeting from 12 o'clock. Upon registration, shareholders - individuals shall prove their identity with a valid proof of identity. A member of a governing body of a shareholder being a legal entity shall also hand in a recent statement from the relevant public registry or another document certifying his right to act on behalf of the company. Upon registration, a proxy holder shall present his identity card and hand in his proxy in writing unless the law provides otherwise. A person registered with the registry of uncertificated securities as an administrator or as a person authorized to exercise rights attached to a share does not need to submit a proxy. A representative whose right to represent a shareholder at the General Meeting stems from a fact other than a proxy has the duty to prove this fact upon registration.

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. If the Bank receives a written electronic notification of the grant of a proxy furnished with the advanced electronic signature allowing a clear identification of the signatory, the proxy holder shall not be requested to hand in his proxy in writing upon registration of shareholders or their representatives.

## **2. Rights relating to the attendance at the General Meeting**

Any shareholder is entitled to attend the General Meeting and to vote thereat, to request and receive explanation regarding matters concerning the Bank or entities controlled by the Bank if such explanation is necessary to assess the content of an item of business included in the General Meeting agenda or to exercise shareholder rights thereat. Any shareholder is entitled to file proposals and counter-proposals with respect to the items of business included in the General Meeting agenda.

The voting right belonging to a shareholder is governed by the nominal value of his shares; each CZK 500 of the nominal value of the shares shall represent one vote. The vote shall not be further divisible. Votes shall be cast by ballot. The Board of Directors' proposal, if any, shall be put to the vote first. If carried, other proposals shall not be put to the vote. Other proposals shall be put to the vote in the sequence in which they were filed.

Any requests for explanation shall be made by the attending shareholder orally upon invitation by the General Meeting Chairman or in writing and placed at a designated place. Each shareholder has a limited time to present his proposal; the time limit shall be 10 minutes maximum. Any shareholder's proposal or counterproposal made in writing may be presented by the Chairman of the General Meeting. 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 the law and the Articles of Association. If an explanation cannot be provided due to its complexity, it shall be provided to shareholders by the Bank within 15 days of the day of the General Meeting. The wording of the answer shall be available to shareholders on the Bank's website. 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 the information was posted on the Bank's website [www.kb.cz](http://www.kb.cz) 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. Any attending shareholder shall be entitled to request that the minutes clerk of the General Meeting include a protest concerning a decision of the General Meeting in the minutes of the General Meeting.

Should a shareholder intend to file a counter-proposal to the items of business on the General Meeting agenda, he shall deliver his counter-proposal within reasonable time before the General Meeting, however, no later than 10 days prior to the General Meeting. This shall not apply to proposals for the election of specific persons to the Bank's bodies. The Board of Directors shall make public the shareholder's counter-proposal jointly with their opinion thereon in the way used to convene the General Meeting. This shall not apply if the notification was delivered less than two days prior to the date when the General Meeting is held, or if the cost thereof was grossly disproportionate to the significance and content of the counterproposal, or if the text of the counter-proposal contains more than 100 words. The Bank shall, however, always post at least the shareholders' proposals or counter-proposals on its website [www.kb.cz](http://www.kb.cz) if delivered prior to the General Meeting. If the counter-proposal contains more than 100 words, the Board of Directors shall notify shareholders of the core of the counter-proposal and their opinion thereon and post the counter-proposal on the Bank's website.

Upon request of a Bank's shareholder or shareholders holding shares the total nominal value of which reaches at least 1 % of the Bank's registered capital, and provided that each point of the proposal is supported by a justification or a draft resolution, the Board of Directors shall include the matter specified by these shareholders in the agenda of the General Meeting. The Board of Directors shall publish an amendment to the agenda of the General Meeting no later than 5 days

prior to the record date in the manner specified for the convening of the General Meeting by the law 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 in the presence and with the consent of all shareholders of the Bank.

The total number of the Bank's shares is 38,009,852; each of a nominal value of CZK 500. Each CZK 500 of the nominal value of the shares shall represent one vote. The total number of the votes attached to the shares is 38,009,852.

The documents relating to the General Meeting, that is, the Notice of General Meeting including the draft resolutions, the documents dealing with the agenda items, the wording of the proposals or counterproposals delivered by shareholders, and the information on the total number of shares and on the total number of votes as of the day of publication of the Notice of General Meeting can be obtained on the Bank's website [www.kb.cz](http://www.kb.cz) (for access click on "General Meetings" on the homepage) and in the Bank's head office on business days from 9 a.m. to 4 p.m.

The annual financial statements, the consolidated financial statements, the report on the Bank's business activity and state of assets for the year 2014, and the Board of Directors' report on relations among related entities for the year 2014 will be available to shareholders in the head office of Komerční banka, a. s., on business days from 9 a.m. to 4 p.m. and at the internet address [www.kb.cz](http://www.kb.cz).

**Draft resolutions of the General Meeting (including their reasoning) or explanation of the Board of Directors as to the proposed items of business on the General Meeting agenda**

**Ad 1: Discussion over and approval of the Board of Directors' report on the Bank's business activity and state of assets for the year 2014**

**Resolution No. 1**

The General Meeting approves the Board of Directors' report on the Bank's business activity and state of assets for the year 2014 in the wording submitted by the Board of Directors.

*Reasoning: The Board of Directors' report is submitted to shareholders every year based on the provisions of S. 436 (2) of the Corporations Act and S. 9 (d) of the Articles of Association of the Bank. This report will be part of the Annual Report. The Board of Directors' report is available at the Bank's head office and on the Bank's website [www.kb.cz](http://www.kb.cz). According to the opinion of the members of the Board of Directors, the report gives a true and fair view of the business activity of Komerční banka, a. s., and Komerční banka Group for the year 2014 and of the state of its assets as of 31 December 2014, and gives a summary of all the important information regarding the business operations of Komerční banka, in 2014.*

**Ad 2: Discussion over the explanatory report on matters under S. 118 (5) (a) – (k) of Act No. 256/2004 Sb., the Act Providing for Business Undertaking in the Capital Market as Amended**

The explanatory report on matters under S. 118 (5) (a) – (k) of Act No. 256/2004 Sb., the Act Providing for Business Undertaking in the Capital Market as Amended (hereinafter also called "the ABUCM") is worked out in accordance with the requirement of S. 118 (8) of the ABUCM. This report has to be submitted to shareholders at the General Meeting every year to explain the defensive structures and mechanisms for the case of a take-over bid. This report is not put to the vote. The report is available at the Bank's head office and on the Bank's website [www.kb.cz](http://www.kb.cz). The Board of Directors submits this summary explanatory reports to shareholders and declares that the report gives all the important information regarding the matters required by the above-stated provisions of the ABUCM.

**Ad 3: Discussion over the Board of Directors' report on relations among related entities for the year 2014**

Under S. 84 (1) of the Corporations Act, the Board of Directors has the duty to inform shareholders of the conclusions of the report on relations among related entities. This report is not put to the vote. The Board of Directors is convinced that the submitted report on relations among related entities for the year 2014 is complete and true. The report on relations among related entities for the year 2014 shows that, during the reporting period from 1 January 2014 to 31 December 2014, Komerční banka, a. s., did not suffer any harm arising from any contract, agreement or another legal act made or adopted by Komerční banka, a. s., or from an influence otherwise exerted by Société Générale S. A., as a controlling entity.

**Ad 4: Discussion over the annual financial statements with the proposal for the distribution of profit for the year 2014, and over the consolidated financial statements for the year 2014**

The draft resolutions including their reasoning are stated in points 7, 8 and 9.

**Ad 5: Supervisory Board's position on the annual financial statements for the year 2014, on the proposal for the distribution of profit for the year 2014, and on the consolidated financial statements for the year 2014;**

**Supervisory Board's report on its activity; and Supervisory Board's information on the results of the examination of the Board of Directors' report on relations among related entities for the year 2014**

In accordance with the requirement of S. 83 (1), S. 447 (3) and S. 449 (1) of the Corporations Act, shareholders will hear the Supervisory Board's statement on the said matters. This statement is not put to the vote. The Board of Directors declares that the Supervisory Board has not expressed any reservations about the annual financial statements for the year 2014, the proposal for the distribution of profit for the year 2014, the consolidated financial statements for the year 2014 nor the Board of Directors' report on relations among related entities for the year 2014.

**Ad 6: Discussion over the Audit Committee's report on the results of its activity**

Shareholders will hear a report on the activity of the Audit Committee established by the General Meeting based on the requirement of Act No. 93/2009 Sb., the Auditors Act as Amended, with terms of reference governed by the same Act and by the Bank's Articles of Association. This report is not put to the vote. The Board of Directors declares that the Audit Committee has not ascertained any serious shortcomings.

**Ad 7: Approval of the annual financial statements for the year 2014**

**Resolution No. 2:**

The General Meeting approves the annual financial statements of Komerční banka, a. s., for the year 2014 in the wording submitted by the Board of Directors.

*Reasoning: Under the Accounting Act, Komerční banka, a. s., has the duty to compile its annual (separate) financial statements and, under the Corporations Act, these are submitted to the General Meeting by the Board of Directors for approval. The annual financial statements for the year 2014 are available at the Bank's head office and on the Bank's website [www.kb.cz](http://www.kb.cz), and will be part of the Bank's Annual Report for the year 2014. The main figures from the financial statements are, in accordance with the law and S. 30 of the Articles of Association, stated in this notice. The Board of Directors declares that the submitted financial statements for the year 2014 give a true and fair view of the accounting and financial position of the Bank and that neither the Supervisory Board nor the auditor of the company has cast any doubt thereon.*

**The main figures from the Annual (Separate) Financial Statements for the year 2014**

<b>CZK million</b>	<b>IFRS</b>
Profit for the accounting period	12,796
Total assets	862,766
Registered capital	19,005
Shareholders' equity	95,634

**Ad 8: Decision on the distribution of profit for the year 2014**

**Resolution No. 3:**

The General Meeting approves the distribution of the profit of Komerční banka, a. s., for the year 2014 in the total amount of CZK 12,796,223,334.21 as follows:

Share in the profit to be distributed among shareholders (dividend)	CZK 11,783,054,120.00
Retained earnings	CZK 1,013,169,214.21

The amount of the dividend per share is CZK 310 before taxation. The dividend can be claimed by each shareholder owning a share of Komerční banka, a. s., with ISIN CZ0008019106 as of 16 April 2015. The dividend shall be due on 25 May 2015.

*Reasoning: The decision on the distribution of profit is, under the Corporations Act and the Articles of Association of Komerční banka, a. s., part of the powers of the General Meeting. The share in the profit is set on the basis of the annual financial statements for the year 2014 approved by the General Meeting. The proposal is that the General Meeting approve the payment of a dividend in the amount of CZK 310 per share before taxation. The aggregate amount of the proposed dividend is CZK 11,783,054,120.00. The payment of a share in profit must be in line with the Corporations Act and is decided by the Board of Directors of the Bank. The dividends will be paid out by Komerční banka, a. s. The dividend payment details can be found at the Bank's website [www.kb.cz](http://www.kb.cz). The Board of Directors declares that the statutory requirements for the payment of dividends have been met. The proposal for profit sharing is in line with the long-term plan for capital management keeping the capital adequacy at a level corresponding to the risks taken under the current economic conditions in the Czech Republic and given the business opportunities of the Bank, and reflects the requirements and changes arising from the new rules of BASEL III. The proposal also leaves adequate space for the future business growth of the Bank and provides a fair compensation to shareholders. The*

dividend due date is set in line with S. 6 (3) of the Articles of Association and, as the day is a Sunday, the dividend becomes due the first business day which follows, which is on 25 May 2015.

The share in the profit for the year 2014 corresponding to own shares held by the Bank stems from S. 309 (2) of the Corporations Act and will be transferred to the account of retained earnings when it falls due. The amount of this part of share in the profit will be determined based on the number of own shares held by Komerční banka, a. s., on the record date, which is 16 April 2015.

#### **Ad 9: Approval of the consolidated financial statements for the year 2014**

##### **Resolution No. 4:**

The General Meeting approves the consolidated financial statements of Komerční banka, a. s., for the year 2014 in the wording submitted by the Board of Directors.

*Reasoning:* In addition to the duty to compile its annual financial statements, under the Accounting Act, Komerční banka, a. s., also has the duty to compile consolidated financial statements that are, under the Corporations Act, submitted to the General Meeting by the Board of Directors for approval. The consolidated financial statements for the year 2014 are available at the Bank's head office and on the Bank's website [www.kb.cz](http://www.kb.cz), and will be part of the Annual Report for the year 2014. The main figures from the consolidated financial statements are, in accordance with the law and the Articles of Association, stated in this notice. The submitted consolidated financial statements give a true and fair view of the accounting and financial position of the consolidated group of which the Bank is part, and neither the Supervisory Board nor the auditor of the company has cast any doubt thereon.

#### **The main figures from the Consolidated Financial Statements for the year 2014**

<b>CZK million</b>	<b>IFRS</b>
Profit for the accounting period	13,361
Profit attributed to shareholders of the parent company	12,985
Total assets	953,261
Registered capital	19,005
Shareholders' equity	109,494

#### **Ad 10: Election of a member of the Supervisory Board**

##### **Resolution No. 5:**

The General Meeting elects Ms. Sylvie Remond, born on 20 July 1963, residing at 11 rue Henri Cloppet-78110 Le Vesinet, French Republic, as a member of the Supervisory Board.

*Reasoning:*

*Ms. Sylvie Remond is nominated by the Nominations Committee of the Supervisory Board for an election for a four-year term of office as a candidate who meets all the prerequisites to serve as a member of the Supervisory Board, who is professionally successful, and whose membership of the Supervisory Board contributes to a well-balanced representation of specific knowledge and areas necessary for the operation of the Supervisory Board. The Czech national Bank has assessed Ms. Remond's professional qualifications, credibility and experience and issued a favorable position on her membership of the Supervisory Board. Ms. Remond's resume is available on the Bank's website [www.kb.cz](http://www.kb.cz).*

#### **Ad 11: Decision on the acquisition of own shares**

##### **Resolution No. 6:**

The General Meeting consents to the acquisition of own ordinary shares under the following conditions:

- The maximum amount of shares that can be held by the Bank at any specific moment shall be 3,800,985 pieces of ordinary shares representing the total nominal value of CZK 1,900,492,500.
- The share purchase value must be at least CZK 1 a piece and at most CZK 7,000 a piece.
- The time for which it is possible for the Bank to acquire the shares is 18 months.

- Shares may not be acquired by the Bank should such acquisition breach the conditions stipulated in S. 301 (1) (b) and (c) and S. 302 of Act No. 90/2012 Sb., the Corporations and Cooperatives Act or, as the case may be, any other applicable legal rules of the Czech Republic or the European Union.

*Reasoning: The Corporations and Cooperatives Act (hereinafter called “the Corporations Act”) allows the Bank to acquire its own shares as long as such resolution is made by the General Meeting while respecting statutory conditions. The reason to allow buying back own shares consists in the management of the Bank’s capital adequacy. The maximum proposed limit for the volume of own shares which may be acquired reflects the said purpose of the acquisition. This limit may be subject to further restrictions by the Czech National Bank that grants prior consent to the acquisition of own shares in accordance with the new regulatory rules of BASEL III. The reason to propose a time period for which it is possible for the Bank to acquire its own shares consists in the renewal of the consent of the General Meeting which takes place every year; this provides a flexible acquisition framework reacting to the evolution of the regulatory and legal environment as well as market changes. The acquisition price range is sufficiently wide to meet the said purpose of the acquisition given the current share price. The lowest price is proposed in a way preventing any limitations, which means at a minimum level; the highest price is proposed considering the acceptable impact on the Bank’s capital.*

#### **Ad 12/ Decision on the appointment of a statutory auditor to make the statutory audit**

##### **Resolution No. 7**

The General Meeting appoints the company Deloitte Audit s.r.o., with its registered office at Karolinská 654/2, 186 00 Prague 8 - Karlín, identification No. 49620592 as the external auditor of Komerční banka, a. s., for the year 2015.

*Reasoning: The appointment of the auditor is, under Act No. 93/2009 Sb., the Auditors Act as Amended, part of the powers of the General Meeting. Based on the recommendation of the Audit Committee, the Supervisory Board proposes that the General Meeting appoint Deloitte Audit s.r.o., as the external auditor that will replace the preceding auditor, Ernst & Young Audit, s.r.o., after five years in accordance with the Group’s approach to external auditor rotation. The Czech National Bank does not have any objections to Komerční banka’s decision to appoint Deloitte Audit s.r.o., to carry out the audit work.*

#### **Ad 13/ Decision on the Revision of the Articles of Association**

##### **Resolution No. 8:**

The General Meeting decided to amend the Bank’s Articles of Association in force as follows:

The current wording of **Section 9 Powers of the General Meeting** is extended by the inclusion of new paragraphs after paragraph (x):

- y) *instruct the Supervisory Board to set the proportion between the fixed and flexible component of the compensation of each member of the Board of Directors at a level higher than 100 % knowing that the total flexible component amount of none of the members of the Board of Directors may exceed 200 % of the fixed component of his total compensation;*
- z) *approve the proportion between the fixed and flexible component of the compensation of each employee at a maximum level higher than 100 % provided that the total flexible component amount of none of the individuals exceeds 200 % of the fixed component of their total compensation;*

Current paragraph (y) of Section (9) of the Articles of Association is referred to as (za).

Subsection (4) of **Section 10 Convening the General Meeting** is amended and newly reads as follows:

*The General Meeting shall be convened by means of a public notice of General Meeting posted on the Bank’s website www.kb.cz, on the notice board in the Bank’s registered office and on the website www.londonstockexchange.com at least thirty days prior to the date of the General Meeting. This notice of general meeting does not require electronic signature. Sending the notice to the shareholder’s address is replaced by publishing the notice in the Mladá fronta DNES daily. 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 or Substitute General Meeting will be held;*
- d) *agenda of the General Meeting including the name of each person nominated as a member of a body of the Bank;*
- e) *record date for participation in the General Meeting, and explanation of its meaning for voting at the General Meeting;*
- f) *draft resolution(s) of the General Meeting and its/their justification.*

*Should any alteration of the Articles of Association be on the agenda of the General Meeting, the Bank shall allow each shareholder to inspect the draft amendments to the Articles of Association free of charge within the time period specified in the notice of General Meeting.*

Subsection (1) and subsection (3) of **Section 12 Constituting Quorum and Casting Votes at the General Meeting** are amended and newly read as follows:

*(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 based on generally binding legal rules. Shareholders whose maximum level of the flexible component of compensation under S. 9 (y) and (z) hereof exceeds the fixed component of their total compensation shall not exercise their voting right, whether directly or indirectly, whenever the General meeting decides about these questions. The number of votes belonging to a shareholder lacking the authorization under the previous sentence shall not be taken into account for the purposes of determining the number of votes needed for the quorum of the General meeting and to adopt a specific resolution on matters specified in S. 9 (y) and (z).*

*(3) The General Meeting shall pass resolutions by majority of votes of the attending Shareholders unless legal regulations or these Articles of Association require a qualified majority of votes. Resolutions of the General Meeting under S. 9( y) and( z) must obtain the consent of at least three-quarters of votes of the attending Shareholders to be carried.*

Subsection (2) of **Section 13 Powers of the Supervisory Board** is amended and newly reads as follows:

*(2) The Supervisory Board shall:*

- a) convene a General Meeting when the Bank's interests so require /Section 10, 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 individual members of the Board of Directors, evaluate the activity of members of the Board of Directors; and, based on an instruction of the General Meeting, set the proportion between the fixed and flexible component of the compensation of each member of the Board of Directors exceeding 100 % knowing that the total flexible component amount of none of the members of the Board of Directors may exceed 200 % of the fixed component of his total compensation;*
- 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; supervise and ascertain the integrity of the accounting and financial reporting systems including the reliability of the financial and operational checks; assess the effectiveness of risk management systems;*
- g) designate the member of the Supervisory Board who shall 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 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 strategic and periodic plan of the activities of the internal audit;*
- k) decide to suspend the service of the member of a Bank's body who announced a conflict of interest under the Corporations Act, or to ban entering into a contract with a member of a Bank's body that is not in the Bank's interest;*
- l) examine the report on relations among related entities as provided by the Corporations Act and submit the information on the examination of the report to the General Meeting if so required by law;*
- m) supervise the efficiency, integrity, adequacy, overall functionality and effectiveness of the management and control system and make an evaluation thereof at least once a year, and deliberate over the mitigation of the risks that are or that might be incurred by the Bank;*
- n) regularly deliberate over matters relating to the Bank's strategic development; supervise and make sure of the fulfillment of the approved strategies including the risk management strategy;*
- o) express itself on the Board of Directors' proposal to appoint (in Czech "pověřit") Director of Internal Audit, Head of Compliance, Risk Management Director, and Head of Operational Risks, assess the activity of these individuals, and grant consent to their removal from office;*
- p) define the principles of compensation of members of the Board of Directors, Director of Internal Audit, Head of Compliance, Risk Management Director, and Head of Operational Risks;*
- q) discuss the focus and planning of the activities of the internal audit, evaluate internal audit activities;*

- r) *approve and regularly evaluate the global principles for the compensation of selected employees or their groups; evaluate the general compensation system;*
- s) *supervise and make sure of the fulfillment of legal obligations and applicable standards by the Bank and the adequacy of its communication system and disclosure of information;*
- t) *take decisions on suitable measures aiming to remedy ascertained shortcomings;*
- u) *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.*

Subsection (2) of **Section 14 Election and Removal of Members of the Supervisory Board** is amended and newly reads as follows

*(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 two months. The membership of a member of the Supervisory Board also terminates by the election of a new member, unless the decision of the General Meeting says something else. If the number of the Supervisory Board members does not fall below one half, the Supervisory Board may appoint, upon the proposal of the Nominations Committee of the Supervisory Board, substitute members to serve on the Supervisory Board until the forthcoming General Meeting is held. The time of service as a substitute member of the Supervisory Board is not counted as a part of the time of service as a member of the Supervisory Board.*

New subsection (6) is inserted in **Section 15 Rights and Obligations of Members of the Supervisory Board**, and the following subsections are renumbered:

*(6) A member of the Supervisory Board may not concurrently serve on the bodies of other legal entities to an extent greater than serving in one position of executive member together with two positions of non-executive member or serving in four positions of non-executive member unless the Czech National Bank allows his serving in one more non-executive member position on a body of another legal entity. An executive member of a body means a member of a body holding an executive management position within the bank. Serving in one position means serving in the position of executive and non-executive member within the same group of the controlling bank; the same institutional protection system under Art. 113 (7) of Regulation(EU) No 575/2013 of the European Parliament and of the Council; and within a corporation in which the bank holds a qualified interest.*

Current subsection 6 is referred to as subsection 7.

Current subsection 7 is referred to as subsection 8.

Current subsection 8 is referred to as subsection 9.

**Section 16 Meetings of the Supervisory Board** is extended by the inclusion of new subsection (11):

*(11) Should the Risk Management Director come to the conclusion that a risk evolves in a way which has or which might have an adverse impact on the Bank, he shall, if needed, report his concerns including the reasons therefor to the Supervisory Board directly. In the case of findings with a potential significant negative impact on the Bank's financial situation, the Risk Management Director shall initiate an extraordinary meeting of the Supervisory Board which may be held based on a decision of the Supervisory Board or upon his justified proposal.*

**Section 17 Committees of the Supervisory Board** newly reads as follows:

*(1) The Supervisory Board shall set up, within its terms of reference, a Risk Committee, a Nominations Committee, a Remuneration Committee and, as the case may be, other committees (hereinafter referred to as "Supervisory Board Committees") as its advisory and recommending bodies.*

*(2) The Supervisory Board Committees shall have at least two members.*

*(3) Members of the Supervisory Board Committees shall be members of the Supervisory Board, shall be elected and removed by the Supervisory Board, and shall meet the appropriate professional, time and other prerequisites for the performance of their activities and dedicate to them corresponding and sufficient capacities.*

*(4) The terms of reference, powers, composition, meeting and decision-making method and the incorporation of a Supervisory Board Committee into the Bank's organization hierarchy and information flows shall be specified by the charter of each of the committees and by the Bank's internal regulations.*

*(5) 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.*

Subsection (1) of **Section 18 Board of Directors** newly reads as follows:

*(1) The Board of Directors is a governing body which manages the Bank's activities. The Board of Directors is charged with business management, including arrangements for proper maintenance of the accounting records of the Bank, the integrity of the accounting and financial reporting systems, the reliability of financial and operating checks, the continuous performance of activities and the permanent functioning of the Bank in the financial market in line with its business purpose and plan of activities. The Board of Directors shall ensure a continuous and effective performance*

*of the risk management function, compliance function and internal audit function. The Board of Directors shall further ensure the creation of a complex and reasonable management and control system, its compliance with legal regulations, and be responsible for its continuous functioning and effectiveness. The Board of Directors shall ensure the setting and maintenance of the management and control system so as to ensure the adequacy of information and communication when conducting the Bank's operations.*

Subsection (1) and subsection (3) of **Section 19** are amended and newly read as follows

*(1) The Board of Directors consists of six members, natural persons, who meet the conditions provided in legal regulations and who are elected by an absolute majority of all Supervisory Board members at recommendation of its Nominations Committee. The term of office of the members of the Board of Directors shall be four years. Members of the Board of Directors serve in executive management positions within the Bank and are charged by the Board of Directors to manage selected arms.*

*(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 Nominations 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.*

In **Section 20 Powers of the Board of Directors**, subsection (1) paragraphs (r), (w) (z) and (za) are amended and newly read as follows:

- r) approve the charter and the purpose of the risk management function, compliance function and internal audit function, the strategic and periodic plan of the Internal Audit;*
- w) approve and regularly evaluate the Bank's structure to keep it functional and effective; this includes separation of incompatible functions and prevention of the occurrence of a possible conflict of interest;*
- z) approve and regularly evaluate the risk management strategy, the strategy relating to the capital and to capital situation, the information and communication system development strategy and the human resource management strategy;*
- za) approve and regularly evaluate the principles of the internal control system including principles aiming to prevent the occurrence of any possible conflict of interest, compliance-related principles, internal-audit-related principles and security and safety principles;*

In **Section 21 Obligations of the Members of the Board of Directors**, subsection (4) and new subsection (9) read as follows:

*(4) Furthermore, a member of the Board of Directors may not concurrently serve on the bodies of other legal entities to an extent greater than serving in one position of executive member together with two positions of non-executive member or serving in four positions of non-executive member unless the Czech National Bank allows his serving in one more non-executive member position on a body of another legal entity. An executive member of a body means a member of a body holding an executive management position within the bank. Serving in one position means serving in the position of executive and non-executive member within the same group of the controlling bank; the same institutional protection system under Art. 113 (7) of Regulation (EU) No 575/2013 of the European Parliament and of the Council; and within a corporation in which the bank holds a qualified interest.*

*(9) Should, due to positions held in another legal entity, a member of the Board of Directors get into even a possible conflict of interest with the interest of the Bank, he shall inform the Board of Directors and the Supervisory Board thereof and abstain from voting on any matters relating to the Bank's relation to such entity.*

Article VII is inserted after Section 21.

In **Section 22 Position and Terms of Reference of the Audit Committee**, subsection (2) paragraphs (b), (c) and (e) are amended and newly read as follows:

*The Audit Committee shall:*

- b) monitor the effectiveness of the Bank's internal control, internal audit and risk management systems and, in this context, at least once a year, review and evaluate the internal control and internal audit systems and discuss the report on internal audit activities; and, furthermore, make recommendations to the Bank's Board of Directors and Supervisory Board about matters concerning internal audit;*
- 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 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;*
- e) recommend the auditor to the Supervisory Board.*

In **Section 26 Remote Decisions of the Audit Committee**, subsections (1), (2) and (6) are amended and newly read as follows:

- (1) *The Audit Committee can also vote remotely. 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 shall be deemed to consent to remote voting.*
- (2) *Decisions may be taken remotely in one of the forms below:*
  - 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 image (e.g. by telephone, call conference or video conference).*
- (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. Information on votes cast and decisions made hereunder shall be recorded in the minutes of the Audit Committee meeting.*

The designation of Article VII after Section 27 is left out.

In **Section 28 Audit**, subsection (1) and subsection (3) newly read as follows:

- (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;*
  - c) *compile Auditor's Reports on verification of the Bank's financial statements and on the management and control system;*
  - d) *verify the information disclosed under S. 11b 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.*
- (3) *The nomination for the auditor submitted to the General Meeting by the Supervisory Board shall reflect the recommendation of the Audit Committee. Should the Supervisory Board nominate an auditor other than the one nominated in the recommendation of the Audit Committee, the Supervisory Board must duly justify such nomination to the General Meeting, in particular state the reasons for diverging from the recommendation of the Audit Committee.*

**Section 38 Disclosure and Publication Duty** newly reads as follows:

*The notice of General Meeting shall be published in the manner specified in 10, (4) of the Articles of Association. The Bank shall disclose the information specified by the generally binding legal regulations in the way defined by the generally binding legal regulations. Any matters relating to the management and administration of the Bank shall be posted on the Bank's website [www.kb.cz](http://www.kb.cz).*

In **Section 39 Structure and Organisation of the Bank**, subsection (1) paragraph (a) Head Office is amended and newly reads as follows:

**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 composition of the Bank's committees and its changes are determined by Chair of the Board of Directors.*

Original Section 40 Authorities and Responsibilities of the Bank Executive Directors is left out. The subsequent provisions are renumbered.

The title of Section 40 newly reads **Authorities and Liabilities of Bank Employees Authorized to Make Banking Transactions**.

In **Section 41 Organisation of the Management and Control System**, subsection (1) and subsection (2) are amended and newly read as follows:

(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, the internal control system and the arrangements for the credibility, professional qualifications and experience of the members of the Board of Directors and Supervisory Board, and the arrangements for the professional qualifications and experience of the Board of Directors and Supervisory Board as a whole allowing the understanding of the Bank's activities, including sufficient understanding of the main risks. 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.*

**In Section 42 Internal Audit**, subsections (1), (2) and (3) newly read as follows:

(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 Chair of the Bank's Board of Directors, is charged by the Bank's Board of Directors, based on the prior position of the Bank's Supervisory Board, to carry out internal audit. The Board of Directors may not remove the Internal Audit Director without the consent of the 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:*

- *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 Bank 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 Charter that shall be approved by the Bank's Board of Directors. 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.*

**Section 45 Closing Provision** reads as follows:

*The Bank conformed to the Corporations Act by the decision of the General Meeting on 28th January 2014 with effect from 10 March 2014.*

*These amended Articles of Association shall take force and become effective on the day of approval by the General Meeting of the Bank.*

*Reasoning:*

*The reason for the revision of the Articles of Association consists in their harmonization with the amendments to Act No. 21/1992 Sb., the Banking Act as Amended, which took effect on 22 July 2014, with Decree No. 163/2014 Coll., on the performance of the activity of banks, credit unions and investment firms, and with the amendments to Act No. 93/2009 Sb., the Auditors Act as Amended. The explanatory report on the amendments to the Articles of Association is available on the Bank's website [www.kb.cz](http://www.kb.cz).*

**Ad 14/ Decision on instructing the Supervisory Board to set the proportion between the fixed and flexible component of the compensation of members of the Board of Directors**

**Resolution No. 9**

The General Meeting instructs the Supervisory Board to set the level of the flexible component of the compensation of the individual members of the Board of Directors in a range of 0 % to 200 % of the fixed component knowing that the flexible component of none of the individuals may exceed 200 % of the fixed component of his compensation.

*Reasoning:*

*Based on the provisions of S. 9 (2) (b) of Act No. 21/1992 Sb., the Banking Act as Amended, and on the newly adopted Articles of Association of the Bank, the Board of Directors asks the General Meeting to instruct the Supervisory Board to set the proportion between the fixed and flexible component of the compensation of each member of the Board of Directors higher than 100 % knowing that the total flexible component amount of none of the individuals may exceed 200 % of the fixed component of his total compensation. See the reasoning for point 15/ below.*

**Ad 15/ Setting the proportion between the fixed and flexible component of the compensation for selected employees and groups consisting of such employees, whose activity has a material impact on the overall risk profile of the Bank**

**Resolution No. 10**

The General Meeting approves the maximum proportion between the fixed and flexible component of the compensation of employees of the Investment Banking Unit at a level of 200 % of the fixed component of compensation. The flexible component may range from 0 % to 200 % of the fixed component and may not exceed 200 % of the fixed component of the compensation of none of the individuals.

*Reasoning:*

*Based on the provisions of Annex No. 1, point 10 of Decree No. 163/2014 Coll., on the performance of the activity of banks, credit unions and investment firms, the Board of Directors requests that the General Meeting would approve a maximum level of the proportion between the fixed and flexible component of the compensation of selected employees or their groups higher than 100 % knowing that the total flexible component amount may not, in any of the individuals, exceed 200 % of the fixed component of his total compensation.*

*The provisions of Annex No. 1, point 10 of Decree No. 163/2014 Coll., on the performance of the activity of banks, credit unions and investment firms, limits the maximum proportion between the fixed and flexible component of compensation to 100 % of the fixed compensation, unless the General Meeting sets a higher maximum proportion reaching up to 200 % of the fixed component of compensation.*

*The request for approval is supported by a recommendation of the Remuneration Committee dated 30 April 2014, which revised the existing Principles of compensation within the Bank and recommended a maximum proportion between the fixed and variable part of the compensation of KB employees at a level of 200 % of the base salary. Unless decided otherwise, this recommended maximum proportion includes the compensation relating to the 2014 financial year and further.*

*This approach is also in line with the attitude of Société Générale, which had a similar approach approved by the ordinary general meeting held in May 2014.*

*The goal of this request is maintaining competition as to the compensation of the Bank employees and members of the Board of Directors having key knowledge and skills to achieve goals of the Bank while maintaining an effective risk management (the principles of a sound and effective risk management in the area of compensation are described below).*

*The increased proportion between the fixed and variable component of the compensation concerns employees of the Investment Banking Unit and members of the Bank's Board of Directors, who account for fewer than 0.3 % of the Bank employees. All Bank employees and members of the Board of Directors who will receive a flexible part of compensation*

higher than 100 % of their fixed compensation will be subject to rules for the deferment of the variable component and its payment in non-monetary instruments.

Increasing the maximum proportion between the fixed and variable component will allow the Bank to face the threat of distortion of competition in a highly specialized and limited labor market in comparison with entities which are not subjected to banking regulations (such as hedge funds and private equity) with no need to increase the fixed compensation component. It will therefore allow maintaining a maximum level of flexibility of the variable compensation in relation to the above-listed Bank employees.

The maximum proportion represents a ceiling the real variable compensation amount depending on the fulfillment of individual and collective goals.

Principles of an effective risk management in the area of compensation:

- In accordance with Commission delegated regulation (EU) No 604/2014 of 4 March 2014, the Bank has identified the employees, whose activity has a material impact on its risk profile.
- The Bank has adopted rules for the compensation of the employees having the greatest impact on the Bank's risk profile. The rules consist in the deferment of the flexible component and in the use of non-monetary instruments – quasi-shares; the employees receiving quasi-shares in the form of a deferred payment are banned from any form of hedging against any price movements of these instruments. The long-term component of the deferred part of the compensation of the employees accounts for at least 40 % of the variable compensation, of which two thirds are paid out in KB quasi-shares. 50 % of the short-term component consist of KB quasi-shares. All the variable components which are paid out by KB in the form of quasi-shares are subject to a retention period which is not shorter than 6 months.
- The total flexible component system is set in a way allowing putting no restrictions on the Bank's ability to strengthen its capital. The payment of the flexible compensation component is based on the business results of the Bank; the flexible component amount bound to the fulfillment of the goals is therefore in no way guaranteed even in the case that an employee attains the goals by his performance. The criteria applied for the calculation of the cumulative amount of the flexible components to be paid out also include correction according to current and future risk.
- The flexible compensation component for selected employees is always bound to performance and corrected according to the risk involved in order to prevent taking unreasonable risks. The goals set for individual employees, teams and units are, if possible, applied using the SMART<sup>1</sup> principles. Not only financial criteria, but also non-financial criteria (such as the ethical conduct of the employees in question) must be taken into account during the performance appraisal process.
- An independent verification of the Strategy and policy of compensation and of other documents as well as of compensation practice is made every year.
- The decision on the compensation package for members of the Board of Directors is adopted by the Supervisory Board taking into account the findings of the control functions (Risk Management, Compliance and Internal Audit).

Albert Le Dirac'h  
Chairman of the Board of Directors  
Komerční banka, a. s.

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

---

<sup>1</sup> An acronym defining the basic requirements for the goals that should be Specific, Measurable, Aligned, Realistic and Timed.