

Report on Remuneration Policy

**regarding members of the Board of Directors and of
the Supervisory Board of Komerční banka, a. s.**



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1 Introduction

This document constitutes, within the meaning of Section 121k (1) of Act No. 256/2004Coll., on Capital Market Undertakings, as subsequently amended (hereinafter referred to as the ACMU), the remuneration policy in relation to members of the Board of Directors and Supervisory Board of Komerční banka, a.s., having its registered office at Prague 1, Na Příkopě 33, Postal Code 11407, Company Identification No. 453 17 054, entered in the Commercial Register maintained with the Municipal Court in Prague, Section B, File No. 1360 (hereinafter referred to only as “KB”).

1.1 Reasons for the update

The submission of this updated Remuneration Policy is part of a regular review in accordance with the requirements of Section 121k(2) of the ACMU.

1.2 Engagement with shareholders

KB strives for a transparent and proactive approach in relation to its shareholders. In the event of future changes to its Remuneration Policy, KB intends to provide a description and explanation of significant changes together with information on how the views and

opinions of shareholders have been considered. By embracing this approach, the company aims to foster trust with its investors and align remuneration practices with the long-term interests of shareholders.

1.3 Description of the main changes

KB has incorporated the following changes into its Remuneration Policy to reflect shareholder feedback and strengthen remuneration’s alignment with performance while improving transparency and adherence to best practices:

- **Providing more detailed information on the alignment of remuneration with performance while ensuring consistency with the company’s strategic objectives; risk management goals; and environmental, social, and governance (ESG) targets.** Increasing the weight of financial criteria to at least 50%, providing a clearer breakdown of individual criteria, and offering more detail regarding deferral and retention mechanisms, virtual share calculation, and principles related to change of control.
- **Improving transparency:** Clear separation of remuneration details for members of the Board of Directors and Supervisory Board,

ensuring greater clarity as well as eliminating the extraordinary reward mechanism, which is in line with best practices.

- **Incorporating shareholder perspectives:** Feedback from shareholders has been considered and integrated into the revised Remuneration Policy. A requirement for detailed information on performance criteria in the previous version of the policy was a key area of concern. This has been addressed in the revised policy as well as in the subsequent Report on Remuneration. That report contains detailed information and amounts for all remuneration components regarding all members of the Board of Directors and Supervisory Board covered by the Remuneration Policy.

The draft remuneration policy is submitted by the Board of Directors to KB’s General Meeting. Once approved, the policy will be posted by KB on its website together with the date of its approval and will be left there for the whole time of its validity.

The Board of Directors submits the Remuneration Policy to the General Meeting every time it is substantially modified or at least once every 4 years.

2 Remuneration of the Board of Directors

In relation to the Board of Directors, the Remuneration Policy aims to support KB’s overall strategy and business objectives, prevent inappropriate risk-taking and imprudent conduct, take into account

clients’ rights and interests, support cost efficiency and sustainable growth, and strengthen the value of KB as a company from the perspective of its employees, shareholders, and other stakeholders

by applying a sound, business-sensitive Remuneration Policy. The Remuneration Policy is an integral part of both KB’s human resources strategy and its general business strategy.

KB's remuneration arrangements are aligned with and support sound and effective risk management. The goal of risk management is to avoid and prevent the prioritisation of short-term results and goals which are not consistent with the implementation of KB's overall strategy and sustainable growth. The applied remuneration principles aim to prevent taking on excessive, inappropriate risk.

The variable remuneration arrangements (variable components of remuneration) for the members of KB's Board of Directors are set up in a way allowing to take into account all manner of existing and future risks, the costs of securing the required capital and liquidity, and, at the same time, KB's long-term interests and sustainable development. It is based on the following premises:

- Remuneration for the results achieved: The payment of the variable component of remuneration always reflects the business results (financial performance) as well as other of KB's non-financial key performance indicators.
- Linkage to shareholders' interests: The remuneration principles reflect the shareholders' interest in the value of KB by linking the amount of the variable component paid to members of KB's Board of Directors to KB's financial results, inclusive of those obligations arising from KB's corporate responsibility.
- Compliance with legal and regulatory rules: The remuneration arrangements for members of KB's Board of Directors are in accordance with the legislated and regulatory rules. Members of the Board of Directors are subject to special rules of remuneration which apply to staff members having significant impact on the Bank's risk profile (i.e. identified staff) in compliance with the EU Capital Requirements Directive (CRD V as subsequently amended) and its transposition into the Czech legal system made by CNB Regulation No. 354/2021 Coll.

To avoid any doubt, the variable component of remuneration shall be subject to adjustment, including in cases when a member of the Board of Directors fulfils the requirements of the key performance indicators. A member of the Board of Directors shall not be paid the variable component of remuneration if KB's Supervisory Board decides to impose a malus (annulment) or claw back to the variable component of remuneration for a specific member of the KB Board of Directors under the conditions stated in article 2.3 hereof.

The said remuneration principles contribute to fulfilling the goals of this Remuneration Policy especially by encouraging members of the Board of Directors to prioritise long-term objectives over short-term objectives, motivating them to fulfil collective objectives at the all-KB level as well as their individual objectives, and encouraging members of the Board of Directors to take into account the stakeholders' interests while performing their duties by setting not only financial but also non-financial key performance indicators in accordance with the above-stated principles.

Alignment with strategic plan and budget

The Board of Directors annually submits a budget for the following period to the Supervisory Board, which is in line with KB's strategic plan and risk appetite of the Bank as defined in the KB Risk Appetite Statement (RAS). This budget defines the fundamental business and financial goals for the given year. The key performance indicators for the Board of Directors are derived from the budget and strategic plan and are approved by the Supervisory Board based on the proposal of the Remuneration Committee.

Alignment with effective risk management

The motivation system for members of the Board of Directors and selected groups of employees with a material impact on the Bank's risk profile includes at least one goal from the area of quality and risk management. The weight of indicators from this area must reach at least 20%. The chosen goals are derived from the RAS while focusing on the Board member's or employee's area of responsibility. The RAS is approved by the Bank's Board of Directors and reviewed by the Supervisory Board of KB. The Supervisory Board is regularly presented with an assessment as to compliance with the established RAS limits in the form of the RAS dashboard.

Alignment with sustainability commitments – environmental, social, and governance (ESG) strategy

The KB Group has committed to the corporate social responsibility and sustainability ambitions of the Société Générale group. Société Générale develops its ESG ambitions in four strategic pillars:

- Environmental transformation,
- Local positive impact,
- Responsible employer, and
- Culture of responsibility.

The Board of Directors is responsible for delivering on ESG commitments. Updates to the strategy and information on the specific fulfilment of sustainability goals are regularly submitted to the Board of Directors for review. Sustainability goals are integrated into the strategic objectives and motivational systems of the members of the Board of Directors, top management, and employees in line with their assigned responsibilities.

During preparation of the RAS, the Bank identifies new ESG risks, such as environmental risk, risk associated with the transition to a zero-emission economy, geopolitical risk, and their potential economic impacts. If the Bank evaluates these risks to be material, it sets appropriate limits in the RAS.

2.1 Remuneration components

The remuneration of a member of KB’s Board of Directors consists in a fixed remuneration component and a variable remuneration component, pension benefits, and compensation for termination of service under a non-competition clause. Members of KB’s Board of Directors do not receive remuneration via stock plans in the form of LTI (Long-Term Incentives) as are offered to employees.

2.1.1 Fixed components of remuneration

The fixed components of remuneration consist of i) a fixed monthly remuneration, ii) financial and non-financial benefits, and iii) other fixed components as described below.

Ad i) The amounts of the fixed monthly remuneration reflect the experience and levels of responsibility of the individual members of the Board of Directors and the external competitiveness for the given type of position.

The functions of the members of the Board of Directors are evaluated using the Korn Ferry role size evaluation methodology (Korn Ferry Hay Guide Chart - Profile Method®). The fixed component of remuneration is set on the basis of the job role size. The fixed components of remuneration for members of the Board of Directors may reasonably differ from the target level so as to reflect the individual contributions of the given members of the Board of Directors. These target fixed remuneration components for members

of the Board of Directors and are updated by the responsible staff of the Human Resource Department every year based on relevant salary surveys. The job roles of KB staff members are evaluated in the same way as are the functions of the members of the Board of Directors as stated in article 6 hereof using the procedure set out therein.

When determining the amount of the fixed component of remuneration for a member of the Board of Directors and any subsequent increases, an approach aligned with the principles used for determining and increasing the fixed component of remuneration for employees shall be applied. It is KB’s general remuneration policy to pay according to a median of the market practice in the market of multinational companies and in the banking sector market.

Ad ii) Members of the Board of Directors are entitled to receive employee benefits to the same extent as are KB employees. These include:

- i) a meal allowance,
- ii) allowances for vacation, health purposes, cultural purposes, and personal development as provided through the Cafeteria system,
- iii) a contribution to buy employee shares under the Global Employee Share Ownership Program of Société Générale,
- iv) premium conditions for retail banking products and services provided to employees by Komerční banka,
- v) paid time off for vacation
- vi) sabbatical leave,

- vii) risk life insurance, and
- viii) assistance in difficult life situations in the form of expert consultation.

The structure and level of the employee benefits are every year the subject of an agreement made within the framework of collective bargaining. To prevent any conflict of interest, regarding the members of the Board of Directors, it always is necessary for the Supervisory Board to approve such change based on a recommendation of its Remuneration Committee.

Members of the Board of Directors have the opportunity to receive a contribution towards the purchase of employee shares under the Global Employee Share Ownership Program of Société Générale on the same terms as employees. The contribution consists of a discount on the share price and a financial contribution for employees.

In addition to the above-listed benefits, KB may provide the members of its Board of Directors with other benefits beyond those benefits provided to KB employees. These include:

- i) provision of premium healthcare services as per the terms of the valid Occupational Medical Services Agreement.
- ii) a company car of the upper-middle class category or a contribution when using a personal vehicle for work purposes in accordance with the KB car policy in lieu of assigning a company car.
- iii) a fuel allowance, including a reasonable number of private kilometres together with normal vehicle operation.

Members of the Board of Directors can be provided with pension benefits which are set out in detail within article 5 hereof.

Members of the Board of Directors who are not citizens of the Czech Republic and who are temporarily seconded to the Czech Republic (cumulative condition) can utilise the benefits provided to KB employees with the exception of the long-term sickness benefit, risk life insurance, and KB pension benefits.

Furthermore, KB may provide its members of the Board of Directors who are not citizens of the Czech Republic with benefits associated with their stay abroad (the costs of moving and transportation at the beginning and at the end of their stay; the costs of accommodation and insurance, including health insurance and social security coverage; assistance during the immigration process; costs in preparing tax returns in the Czech Republic; travel expenses within a predefined budget; and costs for children’s tuition and education).

Should it occur that members of the Board of Directors cannot perform their duties due to serious health reasons, they remain entitled to their fixed monthly remuneration for a maximum of 3 months.

For completeness, we state here that members of the Board of Directors are also provided with mobile telephones with calling and data tariff, as well as IT equipment for work and private purposes under the applicable internal rules of KB.

Fixed remuneration levels and their changes for each member of the Board are described in detail in the KB Report on Remuneration that is published regularly on an annual basis.

2.1.2 Variable component of remuneration

The variable remuneration component is paid out to a member of KB’s Board of Directors in the form of annual bonuses. This part of the remuneration is paid out based upon the rate of achieving the financial and non-financial key performance indicators (hereinafter termed the “KPIs”).

KPIs are derived from the budget that the Board of Directors annually submits to the Supervisory Board and from the strategic plan. KPIs are set as specific for individual functions in order appropriately to reflect the specific responsibilities of each Board of Directors member while also avoiding conflicts of interest.

The weights of both financial and non-financial KPIs are expressed in percentage terms. The financial and non-financial KPIs sum to 100%. Based upon a recommendation from its Remuneration Committee, KB’s Supervisory Board is authorised by its decision to set the individual KPIs, including the weights of the KPIs, always for the next reporting period. The sum of all financial KPIs makes up at least 50% of the total weight unless otherwise specified by regulation. The weight of the KPIs in the risk management and compliance area sum always to at least 20%. In approving the KPIs, the Supervisory Board always takes into account compliance with the principles stated in article 2 hereof, including their linkage to shareholders’ interests.

To assure maximum transparency and measurability, the target value for each KPI is aligned with the budget and strategic plan and will have threshold values for its fulfilment. The performance scale for evaluation purposes is as follows for most KPIs:

- Achieving the goal corresponding to expectations in the given year means 100% of the target KPI weight.
 - Maximum fulfilment means up to 120% of the target KPI weight.
 - Threshold fulfilment means 50% of the target KPI weight.
 - Values below threshold fulfilment mean 0% of the target KPI weight.
- The implementation and results of selected strategies, projects, and plans, including ESG sustainable development goals, in the form of Company Objectives and Key Results (COKRs), are measured using a success score. This shows the current fulfilment of key results associated with the given goal and is calculated as the arithmetic average of the fulfilment of all key results that were planned and implemented in the evaluated period.
- Depending upon specific responsibilities, KPIs may include indicators such as:

Financial/quantitative indicators	Non-financial/qualitative indicators
Return on equity (ROE)	Compliance with regulatory requirements
Return on normative equity (RONE)	Compliance with qualitative process requirements (such as the quality of key reports, system availability)
Cost-to-income ratio	Implementation of the Risk Appetite Statement and management of the Bank within strategic RAS limits
Net profit	Compliance with the Code of Conduct (Conduct and Compliance)
Budget revenue fulfilment	Customer satisfaction
Budgetary cost discipline	Employee satisfaction
Cost optimisation	Development of managerial culture focused on performance and exemplary conduct
Compliance with selected limits set by the Risk Appetite Statement (RAS):	
Capital adequacy	
Default rate	
Operational risks	
Market share	

KPIs associated with the implementation and outcomes of selected strategies measured by the COKR method are typically a combination of financial and non-financial indicators.

The specific key performance indicators and their weights for individual Board members are described in detail in KB’s Report on Remuneration, which is published annually.

The annual evaluation of KPI fulfilment results takes place in the first quarter of the calendar year following the evaluated period. The Supervisory Board is responsible for evaluating KPIs based on the recommendation of its Remuneration Committee, with the supporting documents being prepared by the designated KB

employees from the Strategy and Finance department, and while comparing the reality of KPI fulfilment against the KPI fulfilment plan. This comparison may also take into account the development of individual indicators over time.

KB is authorised to grant a member of the Board of Directors a variable remuneration component provided that the member of the Board of Directors has not in any way failed to carry out his or her duties in connection with the performance of that individual’s function or acted in violation of KB’s internal regulations, especially in relation to compliance. The final amount of the variable component of remuneration for Board of Directors members is approved by the Supervisory Board based on the recommendation of its Remuneration Committee while taking into account the planned fulfilment for the set of financial and non-financial KPIs against the actual fulfilment of that set of financial and non-financial KPIs for the given financial period, as well as the manner and circumstances under which the key performance indicators were fulfilled, the approach and conduct of the relevant Board of Directors member, and other circumstances reflecting the principles stated in article 2 hereof.

2.2 Deferred variable remuneration related to long-term performance and shareholder interests

To ensure KB’s long-term interests and sustainable development, a variable component of remuneration for members of the Board of Directors is subject to a deferred bonus scheme in line with the EU Capital Requirements Directive (CRD V as subsequently amended) and its transposition into the Czech legal system effected by CNB Regulation No. 354/2021 Coll. as amended.

The non-deferred part is allocated immediately after the evaluation of results, remunerating the Board of Directors members for performances delivered in the evaluated period. The deferred part remunerates the Board of Directors members for sustainability of KB’s performance over the long term resulting from decisions taken in the past.

The minimum period for which the variable remuneration of the members of the Board of Directors is deferred is 6 years from the date upon which the variable remuneration was granted to the member of the Board of Directors in accordance with this Remuneration Policy. This period includes 5 years of deferral and 1 year of retention of non-cash instruments during which non-cash instruments are granted to the board member but are not paid out and remain subject to the clawback condition as outlined in Article 2.2.2. Retention and deferred parts remunerate employees for sustainability of the performance in the long term and constitute at least 70% of variable remuneration. In a case of exceptionally high variable remuneration (i.e. remuneration exceeding 100% of the fixed remuneration component or EUR 300,000), the retention and deferred part represents at least 80% of the variable component.

Before the payment of each deferred component of the variable remuneration, the performance condition is evaluated, and the absence of earlier risky behaviour (a forfeiture condition) is verified to ensure that the paid variable component of remuneration corresponds to performance and risk assessment from the time it was granted to the Board of Directors members. As a result of this reassessment process, the variable component of remuneration may

be reduced or completely withheld. The retained components are subject only to the clawback condition, as described above.

2.2.1 Performance condition for deferred variable components

At the Date of Grant of the deferred variable components, the performance for the year N-1 (N-1 referring to the year preceding the Date of Grant of deferred remuneration) is recorded after the closing of KB Group’s financial statements. The performance condition is based on the KB Group’s profitability in year N-1, as measured by the KB Group Net Income.

If KB Group’s net income for the year N-1 is greater than zero, then 100% of the deferred variable remuneration component with the Date of Grant in year N will be paid;

If the year N-1 KB Group net income is equal to or less than zero, the performance condition is not satisfied and the deferred variable remuneration component with the Date of Grant in year N will be withheld in its entirety.

The KB Group net income corresponds to the reported KB Group net profit attributable to equity holders adjusted for possible exceptional items.

2.2.2 Forfeiture condition

The variable remuneration of the Board of Directors members can be partially or completely withheld during the entire deferral and retention period if a member of the Board of Directors significantly contributed to a decline or negative financial performance, in cases

of fraud or other fraudulent intent, or based on gross negligence that led to significant losses.

2.2.3 Virtual shares (KBTPs)

An important part (i.e. at least 50%) of the variable component is awarded in instruments tied to KB’s share price – KB virtual shares (KBTPs).

Virtual shares (KBTPs) are instruments that have the value of one KB share per KBTP unit. Virtual shares are neither existing shares nor other securities issued by the Bank or another member of KB Group but represent a component of remuneration determined based on the share price settled in cash. Virtual shares are not exchangeable or convertible into shares or other securities already issued (or to be issued) by the Bank or another member of the Group. Virtual shares do not represent an option or right to acquire any shares or other securities issued or to be issued by the Bank or another member of KB Group.

The initial reference value of a virtual share is calculated as the average value of the volume-weighted price of KB shares over 20 trading days when the Prague Stock Exchange is open for transactions immediately before the relevant date as determined by the KB Supervisory Board at its meeting.

KBTPs are subject to a 12-month retention period, during which the forfeiture condition may be applied. The final amount paid in connection with KBTPs is equal to the product of the number of KBTPs and their final reference value.

Personal hedging against fluctuations in the price of the KBTP is prohibited (“prohibition on hedging”).

If during the relevant retention period the KB General Meeting of Shareholders approves the payment of a dividend, the recipient member of the Board of Directors will receive on the payment date an additional amount equal to this gross dividend per share multiplied by the number of KBTPs. The right to this special payment accrues to a member of the Board of Directors only during the retention period and does not arise in any other period.

Details regarding KBTPs, their value, and the method of calculation are described in KB’s Report on Remuneration, which is published annually.

2.3 Malus and clawback

KB has a right to annul the entire variable component of remuneration or its part (so-called “malus”) in the case that a member of the Board of Directors will have breached his or her duties in connection with that member’s service or violated or made any acts contrary to the rules of compliance. KB further has the right to annul the whole variable component of remuneration or its part in the case that, by his or her conduct, a member of the Board of Directors will have breached the law or the internal rules of KB (especially in the case that he or she committed a crime or fraud, breached the rules of ethics, divulged a trade secret, exposed KB to an excessive risk, damaged KB’s reputation, or caused financial or other harm to KB). KB also has the right to apply malus in cases where the risk management criteria and indicators and the performance indicators for the award of the variable component of remuneration fail to be met in a significant way. Malus may be applied to all or part of the variable remuneration up until such time as that variable remuneration is paid out.

KB has a right to claim the repayment (“clawback”) of the variable component of remuneration or its part already awarded or paid out in the case that a member of the Board of Directors significantly contributed to the negative financial results of KB, committed fraud or another serious breach of his or her duties or acted with serious negligence resulting in a significant loss to KB. The clawback can be applied for the whole time of the deferral and retention of the variable component of remuneration.

2.4 Ratio of fixed to variable remuneration components

The ratio between the fixed and variable remuneration components is variable, taking into account the manner and circumstances of KPI

fulfilment and while considering the circumstances and possibilities of their fulfilment. In accordance with a decision of the General Meeting on 22 April 2016, however, the maximum amount of the variable component of the remuneration for a board member for a given year must not exceed 200% of the fixed component of the remuneration for the respective calendar year.

2.5 Change of control

In the case of a change of control, conditions of the variable remuneration schemes should continue based upon the current Remuneration Policy (e.g. performance conditions will not automatically be waived in the event of a change of control).

Similarly, deferred bonus schemes are expected to continue in accordance with the rules set out in the Remuneration Policy. Early vesting of deferred bonuses as a consequence of a change of control is not allowed.

Special one-off payments to members of the Board triggered by a change of control event are generally not allowed, unless exceptional circumstances justify such payments.

3 Remuneration of the Supervisory Board

As a listed company, KB strives through its Remuneration Policy in relation to members of the Supervisory Board to ensure simplicity and transparency, that remuneration level is comparable in order to attract quality members to the Supervisory Board, and that there is balance in terms of remuneration, responsibility, and time dedicated to the role.

3.1 Remuneration components

The remuneration of Supervisory Board members consists of:

- i) fixed monthly remuneration.
- ii) fixed remuneration dependent on participation in Supervisory Board meetings, where the member’s participation lasted at least

75% of the meeting’s total duration. This fixed remuneration is applicable for a maximum of six meetings per year.

These fixed remuneration components constitute 100% of the total remuneration related to the performance of the Supervisory Board member’s role. Assuming the maximum amount of all fixed remuneration is paid to a Supervisory Board member, the overall ratio of fixed monthly remuneration to fixed remuneration for meetings is as follows: the fixed monthly remuneration constitutes 62.5% and the fixed remuneration for meetings constitutes 37.5% of the total annual remuneration of a Supervisory Board member. The Chairperson of the Supervisory Board is entitled to payment at a rate of 150% of the regular fixed monthly remuneration.

Members of the Supervisory Board are not entitled to any remuneration for participation in Supervisory Board committees, except that the Chairperson of the Audit Committee is entitled to a fixed monthly remuneration and a fixed remuneration dependent on participation in committee meetings, limited to six meetings. The Chairperson of the Audit Committee is a member of the Supervisory Board and receives also remuneration as a member of the Supervisory Board.

The remuneration, as listed below, is applied to all Supervisory Board members, as approved by the General Meeting on 30 April 2014, and to the Chairperson of the Audit Committee as approved by the General Meeting on 25 April 2017.

Member Supervisory Board	CZK 22,000 per month	CZK 16,500 for attending meeting, maximum CZK 99,000	Maximum annual remuneration CZK 363,000
Chairperson Supervisory Board	CZK 55,000 per month	CZK 41,250 for attending meeting, maximum CZK 247,500	Maximum CZK 907,500
Chairperson Audit Committee	CZK 20,000 per month	CZK 10,000 for attending meeting, maximum CZK 60,000	Maximum annual remuneration CZK 300,000

Members of the Supervisory Board are provided with a mobile phone or a contribution for a mobile phone for both business and private

purposes, as well as other necessary IT equipment. The company provides reimbursement for reasonable travel expenses incurred in connection with a Supervisory Board Member’s discharging his or her duties.

3.2 Specifications for Supervisory Board members elected by employees

In addition, the members of the Supervisory Board elected by employees are paid a monthly base salary as well as salary compensation for absence from work in accordance with their

employment contract in accordance with the Labour Code. As KB employees, they are also entitled to a variable remuneration component (performance bonus), pension benefits, and other employee benefits. The wage conditions of KB employees are further detailed in Article 6 of this Remuneration Policy.

4 Conditions of contract duration

Komerční banka does not provide guaranteed bonuses, signing bonuses, or any other remuneration in a guaranteed amount. In case of their termination as a member of the Board of Directors or Supervisory Board, a member is not entitled to payment of any remuneration bearing the features of a golden parachute (i.e. pre-agreed remuneration in the event of termination of office paid as an entitlement even in the event of failure to fulfil the KPIs).

4.1 Termination of the contract

The term of office for members of KB’s Board of Directors and Supervisory Board terminates by expiration of that term of office, resignation from the position, dismissal from the position, death, loss of competence to perform the duties, or in consequence of other circumstances associated with termination of service. A member of the Board of Directors may continue to be an employee of KB after the termination of his or her service on the Board of Directors based

on an employment contract or on a managerial contract entered into before the creation of his or her membership.

The term of office for members of the Board of Directors is 4 years. In the case of a member’s dismissal from the Board of Directors for a reason that does not involve a breach of duties or other serious misconduct, the given member of the Board of Directors may be awarded a pro rata part of the variable component of remuneration for the given year under conditions of the current Remuneration Policy, e.g. based on achievement of the financial and non-financial “KPIs”. Similarly, deferred bonus schemes are expected to continue in accordance with the rules set out in the Remuneration Policy. Early vesting of deferred bonuses because of a dismissal from the Board of Directors is not allowed. A decision on the award of these amounts is taken by the Supervisory Board through the Remuneration Committee.

Members of the Board of Directors are entitled to a monetary payment in the event of termination of their service under the non-compete clause if KB issues a written request to comply with the non-compete obligation agreed upon in the service contract. That payment will be in the amount of the fixed monthly component of remuneration of the given member of the Board of Directors for the period of at least 6 months from termination of the member’s service on the Board of Directors.

Any other payments relating to termination of the contract of a member of the Board of Directors shall always be subject to approval by the Supervisory Board based on a recommendation from the Remuneration Committee. All payments related to termination of service must not, in total, exceed 18 times the fixed monthly component of remuneration.

The term of office for members of the Supervisory Board is 4 years.

4.2 New members of the Board of Directors and Supervisory Board

This remuneration policy applies to the same extent and under the same conditions also for new members of the Board of Directors and of the Supervisory Board.

5 Main characteristics of KB pension benefits

KB may provide members of the Board of Directors who are citizens of the Czech Republic with a monthly contribution up to a maximum 5% of the member’s total gross remuneration for the performance of his or her duties as a member of the Board of Directors. It will be paid out in the given month either to an additional pension savings plan, a supplementary pension plan with state contribution, or other pension systems offered to employees according to the choice of the member of the Board of Directors.

Based on a recommendation received from the Remuneration Committee, the Supervisory Board of KB may decide on a change of KB’s contribution to the pension systems described above.

The Supervisory Board members elected to represent KB employees are subject to the same rules relating to the provision of a contribution to an additional pension savings plan, a supplementary pension plan with state contribution, or other pension system as KB

employees. The contribution amount as well as all the other rules regarding award of the contribution are part of the valid collective agreement entered into between KB as employer and its employees represented by the trade union. The maximum contribution amount may reach a maximum 5% of the salary.

KB will not provide pension benefits to those Supervisory Board members who are not KB employees.

6 Salary conditions for KB employees

The basic remuneration principles applied throughout the company under KB’s human resource strategy are reflected in the remuneration arrangements concerning members of the Board of Directors and Supervisory Board. This Remuneration Policy has been worked out while taking into account the salary and working conditions of KB employees as described below.

Similarly to members of KB’s Board of Directors, KB employees receive remuneration in the form of a fixed component of (the base

salary in particular) and a variable component (hereinafter termed the “bonus”) as well as additional monetary and other benefits which are regulated by the collective agreement and other internal rules of KB.

The base salary is paid out to employees on a monthly basis. The base salary is remuneration for performance of their jobs within KB. The base salary is established on the basis of an employee’s job role category and an assessment as to the scope and difficulty of the job

and the degree to which the given employee meets the prerequisites for its optimal performance. Therefore, the fixed components of remuneration within KB are duly graded according to the required qualification and, in particular, responsibility of every individual employee.

All the job roles within KB are evaluated using the Korn Ferry role size evaluation methodology (Korn Ferry Hay Guide Chart - Profile Method©). The job role size subsequently allows for an effective

management of a system of internal equity and external competitiveness concerning the remuneration of KB employees and members of KB's Board of Directors. The functions of the members of KB Board of Directors are evaluated in the same way as are the job roles of KB employees.

The target base salary of employees in a given job role is set based on the role size. Individual employees' salaries may reasonably differ from the target level to reflect their individual contributions, their potential, or other aspects of the individual employees doing a given job. The target base salaries are updated each year by responsible staff members in KB's human resources department. During this process, they take into account the internal salary equity within KB, external market remuneration factors, and KB's strategy in the area of human resource management.

In addition to the base salary, there is also a variable remuneration plan set up for employees relating to quality in achieving company,

team, and individual objectives. The amount of the variable component is generally expressed as a percentage of the annual base salary and varies for different groups of employees. The level of the variable component is set in the collective agreement. A level of a variable remuneration component exceeding 100% of the fixed remuneration component is subject to approval by the General Meeting. The General Meeting has approved a level exceeding 100% of the fixed remuneration component for employees providing important investment activities.

KB has a right to annul the entire variable remuneration component or its part in the case that an employee breached his or her work duties or violated or made any acts contrary to KB's internal rules, and of compliance in particular. The variable remuneration component is awarded to an employee based on the decision of his or her supervisor.

KB employees may take advantage of employee benefits in accordance with the applicable internal rules of KB.

In order to incentivize employees by involving them in the results of the Société Générale Group and to support their loyalty, selected KB employees may receive rights to free shares of the parent company Société Générale (long-term incentives – LTIs). An employee is vested with the LTIs ownership 3 years from their grant provided that he continues to be an employee of KB and meets the performance criteria evaluated on the level of the Société Générale Group. LTIs are not granted to members of the Board of Directors and to employees who are subject to special rules for the remuneration of staff members with a significant impact on the risk profile of the Bank (identified staff) and to rules for the deferral of the variable component of remuneration.

7 Decision-making process in respect of defining the Remuneration Policy

This article regulates KB's decision-making process in respect of defining this Remuneration Policy and describes the role of the Remuneration Committee.

Engagement with shareholders is an important aspect of the remuneration policy review process. Their views and feedback are carefully considered during review of the Remuneration Policy.

The Remuneration Committee is an advisory and initiating body of the Supervisory Board, has access to all KB information systems and

may request any information within the scope of its powers from individual bank units. It co-operates especially with the Risk Management and Compliance units. The draft Remuneration Policy is worked out for the Remuneration Committee by KB's Executive Director of Human Resources in accordance with KB's remuneration principles and its human resource management strategy. The Executive Director of Human Resources makes sure that remuneration of the members of the Board of Directors and Supervisory Board complies with the applicable legislation and regulatory rules.

8 Remuneration policy review

This article regulates the decision-making process adhered to by KB when reviewing this Remuneration Policy. It describes measures adopted to prevent conflicts of interest and the way of addressing these when reviewing this Remuneration Policy.

The Remuneration Policy is regularly reviewed and evaluated by the staff of KB Internal Audit. The audit results are subsequently submitted to the Remuneration Committee, Supervisory Board, and

Audit Committee at their meetings. The feedback of internal control functions, too, is duly taken into account in review of the Remuneration Policy.

Should the Supervisory Board determine that the Remuneration Policy is not duly respected, it will propose that the Executive Director of Human Resources take corrective measures leading to compliance with this Remuneration Policy.

To prevent conflicts of interest, the KB Board of Directors does not intervene in the review of the Remuneration Policy. The Remuneration Committee is composed of non-executive Supervisory Board members and has an independent chairperson. Any dissent by an independent member must then be recorded in the minutes of the relevant meeting.

9 Remuneration policy implementation

This article regulates the decision-making process within KB in respect of implementing this Remuneration Policy, describes the measures adopted to prevent conflicts of interest, and the way of addressing these when implementing this Remuneration Policy, as well as the role of the Remuneration Committee.

The Remuneration Policy is implemented by KB's Supervisory Board through the Remuneration Committee, in particular by approving, upon a proposal made by the Remuneration Committee, any remuneration provided to members of the Board of Directors as described herein. The Remuneration Committee drafts the Supervisory Board's decisions on remuneration of members of the Board of Directors, supervises and evaluates the overall remuneration system in KB with a view to making sure that the remuneration system duly reflects all kinds of risks, as well as liquidity and capital levels. To duly exercise its responsibilities, the Remuneration Committee co-operates closely with persons in control functions (risk

management, compliance, audit), with committees (e.g. the Risk and Audit committees) and with other competent units (e.g. Human Resources, Strategy and Finance).

The fixed component of remuneration of members of the Supervisory Board is set based on the amount of remuneration approved by the General Meeting. The proposal for the amount of remuneration is submitted to the General Meeting by the Supervisory Board based on a proposal from the Remuneration Committee. The proposal is based on the fact that the Supervisory Board is a supervisory body of KB and therefore its remuneration does not depend on KB's financial results but consists only of a fixed component, part of which depends on the Supervisory Board member's active approach.