

**DOCUMENT No. 2**

**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**

Based on the provisions of S. 118 (8) of Act No. 256/2004 Sb., the Act Providing for Business Undertaking in the Capital Market as Amended (hereinafter called “the Act”), the Board of Directors of Komerční banka, a. s., as the issuer of its shares, provides shareholders with a summary explanatory report on the below matters required by the Act:

1) Information about the structure of the shareholders' equity of Komerční banka, a. s., including the securities not admitted to trading in the European regulated market and the possible designation of the different kinds of shares or similar securities representing an interest in the issuer and the proportion in the registered capital of each kind of shares or similar securities representing an interest in the issuer

*The information about the structure of the Bank's shareholders' equity is provided in the financial part of the Annual Report. The registered capital of Komerční banka, a. s., is equal to CZK 19,004,926,000 and is divided into 190,049,260 ordinary bearer shares admitted to trading in the European regulated market, each of a nominal value of CZK 100 issued as an uncertificated security. All the shares carry the same rights.*

2) Information about any restrictions on the transferability of securities

*The shares of Komerční banka, a. s., are bearer shares and can be transferred freely.*

3) Information about significant direct and indirect stakes in the issuer's voting rights

*The entities holding a direct interest in the Bank's registered capital exceeding one percent as of 31 December 2018:*

<i><b>Name of company</b></i>	<i><b>Interest in registered capital (%)</b></i>
<i>SOCIETE GENERALE SA</i>	<i>60.35 %</i>
<i>Chase Nominees Limited</i>	<i>4.88 %</i>
<i>Nortrust Nominees Limited</i>	<i>3.87 %</i>
<i>CLEARSTREAM BANKING, s.a.</i>	<i>2.46 %</i>
<i>STATE STREET BANK AND TRUST COMPANY</i>	<i>1.98 %</i>
<i>GIC PRIVATE LIMITED</i>	<i>1.74 %</i>
<i>Brown Brothers Harriman CO.</i>	<i>1.57 %</i>

4) Information about the holders of securities with special rights and a description of these rights

*Komerční banka, a. s., issued ordinary shares and does not have any shares with special rights.*

5) Information about any restrictions on voting rights

*The voting rights attached to the shares of Komerční banka, a. s., are not restricted. The exercise of the voting right may only be restricted for reasons specified by a piece of legislation. Komerční banka, a. s., does not exercise voting rights attached to its own treasury shares.*

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6) Information about contracts between shareholders which may render the transferability of shares or voting rights more difficult, if known to the issuer

*Komerční banka, a. s., is not aware of any contracts between shareholders that would render the transferability of its shares or voting rights more difficult.*

7) Information about special rules for the election and removal of the members of the Board of Directors and for the revision of the Articles of Association

*Members of the Board of Directors of Komerční banka, a. s., are elected by the Supervisory Board upon nomination by its Nominations Committee. The nominee must obtain an absolute majority of votes of all Supervisory Board members. Members of the Board of Directors are elected for the term of four years. Only a person who meets the requirements to serve as a Board of Directors member specified by the Civil Code, by the Corporations Act and by the Banking Act may become a member of the Board of Directors. The Nominations Committee makes sure that each member of the Board of Directors is credible and has sufficient professional qualifications and experience. The Nominations Committee also assesses the balance between the professional qualifications and experience and the diversity of the membership of the Board of Directors as a whole. The professional qualifications, credibility and experience of the members of the Bank's Board of Directors are assessed by the Czech National Bank.*

*The Supervisory Board has a right to decide at any time by an absolute majority of all its members to remove a member of the Board of Directors. In so doing, the Supervisory Board reflects the proposal of the Supervisory Board's Nominations Committee.*

*According to the Bank's Articles of Association, decisions on amendments to the Articles of Association are part of the powers of the general meeting. The draft resolution on the amendments to the Articles of Association and its reasoning are stated in the notice of general meeting. The draft amendments to the Articles of Association are available for shareholders' inspection at the Bank's headquarters and on the Bank's website freely for the period required to convene the general meeting. The Bank shall inform shareholders of this right in the notice of General Meeting. Should a shareholder intend to file a counter-proposal to the proposed amendments to the Articles of Association at the General Meeting, he shall be obliged to deliver his proposal or counter-proposal in writing to the Bank at least 5 business days prior to the date of the General Meeting. The Board of Directors shall make public the wording of the shareholder's counter-proposal jointly with its opinion thereon in the manner required to convene the General Meeting. Decisions on amendments to the Articles of Association are carried by two thirds of the votes of the attending shareholders upon proposal of the Board of Directors, of the Supervisory Board, of a shareholder or shareholders made in accordance with the Corporations Act and with the Articles of Association. Any decision on amendments to the Articles of Association must be recorded in a notarized record containing the approved text of the amendments to the Articles of Association. Komerční banka, a. s., is obligated to notify the Czech National Bank of its intention to make amendments to the Articles of Association relating to the facts that must be stated in the Articles of Association based on a requirement set forth by the law.*

8) Information about special powers of the governing body under the law regulating the legal arrangements of companies and cooperatives

*The Board of Directors of Komerční banka, a. s., is a governing body which decides about all matters of the Bank with the exception of the matters falling under the powers of the General Meeting or of the Supervisory Board. It is within the Board of Directors' exclusive powers to:*

- a) convene the General Meeting and implement its resolutions;*
- b) submit to the General Meeting for approval the annual, extraordinary and consolidated financial statements and the interim financial statements along with a proposal for the distribution of profit (the*

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*same must be available to the shareholders for inspection at least thirty days prior to the date of the General Meeting) or a proposal for the coverage of loss;*

- c) submit to the General Meeting proposals for amendments to and alterations of the Articles of Association as well as proposals for increasing or decreasing the Bank's registered capital;*
- d) submit to the General Meeting a Report on the Bank's Business Activities, and on the state of the Bank's assets at least once for each accounting period, and the annual report;*
- e) decide to grant and revoke procuration;*
- f) decide on the appointment, removal and compensation of selected managers of the Bank;*
- g) approve acts in connection with the realisation of security instruments for the Bank's claims whose price exceeded CZK 100,000,000 as at the date of the claim origin if the presumed realisation price thereof is lower than 50 % of the security instrument price ascertained upon entering into the loan agreement;*
- h) submit to the Supervisory Board for information quarterly and semi-annual financial statements;*
- i) decide on acts which are beyond the scope of the Bank's common trade relations;*
- j) define and make a regular evaluation of the Bank's overall strategy including the setting of the principles and targets for its fulfilment and arranging the continued and effective operation of the internal control system;*
- k) approve the Bank's annual plans and budgets;*
- l) enter into the contract for the performance of the statutory audit or, as the case may be, for the provision of other services with the auditor;*
- m) inform the Supervisory Board of the General Meeting day no later than within the period specified by the Corporations Act for a General Meeting to be convened;*
- n) decide on the issue of bonds of the Bank with the exception of decisions on the issue of bonds for which the decision of the General Meeting is required by the law;*
- o) decide on an increase in the registered capital if so authorised by the General Meeting;*
- p) enter into collective agreements;*
- q) decide on providing loans or security of debts to persons with a special relationship to the Bank pursuant to the Banking Act;*
- 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;*
- s) decide to pay out a share in profit based on the fulfillment of conditions set forth by generally binding legal regulations;*
- t) approve and regularly evaluate the security principles of the Bank including the security principles for information systems;*
- u) decide on establishing other funds and on the rules governing the creation and usage thereof;*
- v) work out the report on relations among related entities within the intention of the Corporations Act;*
- w) approve and regularly evaluate the Bank's structure to keep it functional and effective; this includes the separation of incompatible functions and prevention of the occurrence of a possible conflict of interest;*
- x) approve the principles of the personnel and compensation policy;*
- y) evaluate the overall functioning and effectivity of the management and control system at least once a year;*
- z) approve and regularly evaluate the risk management strategy, the strategy relating to the capital and to capital 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;*
- zb) discuss the audit report with the auditor;*
- zc) approve the Bank's election rules governing the way and rules to elect and remove members of the Supervisory Board elected by Bank employees after a discussion with the trade unions that operate within the bank;*
- zd) call and organize elections and removals of members of the Supervisory Board elected by Bank employees and inform the Supervisory Board of the results of such elections.*

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*In addition to the above mentioned, the Board of Directors shall in particular:*

- a) manage activities of the Bank and conduct its business affairs;*
- b) ensure the proper maintenance of the Bank's accounting including the due administrative and accounting processes;*
- c) exercise employer's rights;*
- d) exercise rights in respect of the Bank's property interests resulting from the ownership holdings of the Bank;*
- e) approve the acquisition or disposal of fixed assets of the Bank exceeding CZK 30,000,000 as a single case or as a total of related cases;*
- f) approve the business continuity plan.*

*Based on the consent of the general meeting held on 25 April 2017, Komerční banka, a. s., was authorized to acquire ordinary treasury stock of Komerční banka, a. s., of a nominal value of CZK 100 a piece under the following conditions:*

- The maximum amount of shares that can be held by the Bank at any specific moment shall be 19,004,926 pieces of ordinary shares representing the total nominal value of CZK 1,900,492,600.*
- The share purchase value must be at least CZK 1 a piece and at most CZK 1,400 a piece.*
- The Bank may acquire shares for the period of five years.*
- 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 the Corporations Act, or, as the case may be, any other applicable law of the Czech Republic or of the European Union.*

*The Board of Directors' report on the business activities of Komerční banka, a. s., and on the state of its assets for 2018 submitted to the general meeting contains information on the acquisition of the treasury stock by Komerční banka, a. s., in 2018.*

*The General Meeting did not authorize the Board of Directors to take a decision on an increase in the registered capital.*

9) Information about important contracts with the issuer as a contracting party which take effect, are altered or discharged if the person in control of the issuer changes as a consequence of a take-over bid, and about the effects thereof, with the exception of the contracts the disclosure of which would cause material harm to the issuer; this shall not affect other duties to disclose such information under this Act or under other legal regulations.

*Komerční banka, a. s., did not enter into any such important contracts.*

10) Information about contracts between the issuer and the members of its Board of Directors or employees which stipulate the issuer's obligation to perform in the event that they cease to serve as members of the Board of Directors or to be employed in connection with a take-over bid.

*Komerční banka, a. s., did not enter into any such contracts.*

11) Information about possible programs which allow the members of the Board of Directors and employees of the company to acquire company's securities, options on these securities or other rights attached thereto under preferential conditions, and on the method used to exercise the rights attached to these securities.

*There are no such programs in Komerční banka, a. s.*