

## **Report of the Audit Committee on the results of its activities**

Shareholders, ladies and gentlemen,

The Audit Committee of Komerční banka, a. s., charged me to present to you the Report of the Audit Committee on the results of its activities for the period from the last general meeting held on 22 April 2016 to our general meeting today. During this period, there were seven regular meetings held by the Committee.

As a part of its terms of reference, the Audit Committee in particular monitored the process of compilation of the annual financial statements and consolidated financial statements; and examined the consistency and relevance of the accounting methods used by the Bank. The Audit Committee monitored the statutory audit and concluded that the Bank's executives followed the recommendations of the external auditor. The Audit Committee also evaluated the effectiveness of the Bank's internal control, internal audit and risk management systems, and concluded that the main risks incurred by the Bank were duly identified and managed. Furthermore, the Audit Committee made recommendations to the Bank's Board of Directors about matters concerning the internal audit function, monitored the way in which the Bank's executives reacted to the Internal Audit's findings and recommendations, and did not detect any substantial shortcomings.

The Committee discussed the "Management Letter" worked out by the company Deloitte Audit, s.r.o., dealing with the findings of the external auditor made in the course of the audit of the financial statements for the year 2015, including the corrective measures recommended for their settlement.

Furthermore, the Audit Committee discussed regular internal audit reports on the corrective measures implementation in the Bank and was informed of all audits carried out by the Internal Audit in individual periods of the year.

At its meetings, the Audit Committee continuously discussed the financial results of the Bank's Financial Group for the individual quarters and the budget for the year 2017. The Committee also discussed the performance of the Bank's rivals and the changes in the stakes held by the Bank in individual areas. Attention was also paid to the capital adequacy of the Bank and of the Financial Group as a whole, and to its objectives and regulatory impacts. This included the expected evolution of the said indicator in the future. The Committee also received information on the Bank's credit risk profile.

The Committee continuously received additional reports and information that it had requested.

The Committee was informed of the external audit activities regarding the compilation of the financial statements for the year 2016 and subsequently of the external audit carried out during the said reporting period.

Furthermore, the Committee dealt in detail with risk mapping, with the internal audit plan for 2017 and with the strategic audit plan for the period 2017 – 2021.

The Committee also discussed the annual financial results of KB's Financial Group for the year 2016 and the consolidated and annual (separate) financial statements of KB as of 31 December 2016 and their annexes worked out under the International Financial Reporting Standards ("the IFRS") and the proposal for the distribution of profit for the year 2016. The Committee regards the results achieved by the bank as favorable, and stated that the financial information reported by the Bank to compile the financial statements was accurate and that the accounting methods used by the Bank were relevant and consistent. Furthermore, they discussed the overall functioning and effectiveness of the Bank's management and control system in 2016 stating that the system covered all principal risks incurred by the Bank.

The documents submitted to the Audit Committee were presented by the competent members of the Board of Directors and Bank's executive directors at all Audit Committee meetings. The meetings were always attended by representatives of the external auditor.

Regarding the selection of the external auditor for the year 2017, the Audit Committee recommended that the Supervisory Board would submit to the General Meeting for approval the nomination of the company Deloitte Audit, s.r.o., as the Bank's external auditor for the year 2017. The Committee also assessed the independence of the audit company Deloitte Audit, s.r.o., and the provision of additional services to the Bank, and stated that the nominated auditor was independent.

The amended Auditors Act effective since last October and the EU legislation impose certain new requirements on the Audit Committee's competence. This resulted in a modification of the Audit Committee Charter and in the specification of other activities which started to be dealt with by the Audit Committee.

Ladies and gentlemen, the Audit Committee exercised all of its powers in compliance with the legal regulations and the Bank's Articles of Association.

Thank you for your attention.