

Draft amendments to the Articles of Association of Komerční banka, a. s.

Section 6

Dividend Payment

(5) Where dividends are remitted to legal entities by a non-cash transfer, the Bank shall remit the dividends no later than within five working days of receiving the required documents, however, on the dividend due date at the earliest. The required documents shall be as follows: a request for the dividend payment containing the relevant banking details and an updated and officially verified statement from the Commercial Register (or a similar document evidencing registration with the relevant state authority). The signature of the shareholder's authorized body (or its representative) subscribed at the request for the dividend payment must be attested. In addition, if a shareholder is represented by another legal entity or natural person, such representative shall be obliged to deliver officially verified powers of attorney from all entities so represented with the exception of the security administrator entered in the central record of booked shares, and its updated and officially verified excerpt from the Commercial Register. If the excerpt from the issue's register only states the information about the share's administrator, the shareholder shall be obligated to submit an updated property account statement of the security's owner. The Bank shall not assume responsibility for the accuracy and completeness of the data stated by the shareholder.

Section 12

Powers of the Supervisory Board

(1) The Supervisory Board shall oversee the exercise by the Board of Directors of their powers and the carrying on of the business activities of the Bank. The Supervisory Board shall oversee the efficiency and effectivity of the ~~internal~~ management and check system of the Bank as a whole.

(2) The Supervisory Board shall, in particular:

- a) convene an Extraordinary General Meeting when the Bank's interests so require (Section 9, subsection 3) and propose the General Meeting necessary measures to be taken;
- b) elect and remove members of the Board of Directors;
- c) approve contracts for the exercise of office of members of the Board of Directors and unenforceable consideration provided to members of the Board of Directors, evaluate the fulfillment of the contracts for the exercise of office made with members of the Board of Directors;
- d) examine ordinary, extraordinary, interim, and consolidated Financial Statements, proposals for the distribution of profit or the coverage of loss, and submit its opinion to the General Meeting;
- e) be entitled to inspect, through any of its members, all documents and records related to the activity of the Bank;
- f) check whether the books and records are maintained properly and in accordance with the current state and whether the business activities of the Bank are carried on in compliance with the generally binding legal regulations, the Bank's Articles of Association, and resolutions and instructions of the General Meeting;
- g) provide the Board of Directors with its position on the choice of the external auditor;

- h) represent the Bank before court or other authorities in disputes with members of the Board of Directors;
- i) inform the General Meeting of the results of its supervisory activity;
- j) 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;
- k) ~~provide the Board of Directors with its prior position on~~ discuss the charter and ~~on~~ the strategic and ~~annual~~ periodical plan of the activities of the internal audit ~~Unit~~;
- l) approve acquisition or alienation of assets in the cases stipulated by law;
- m) examine the report on relations among related entities as provided by the Commercial Code and submit the information on the examination of the report to the general meeting if so required by law;
- n) supervise the functionality and effectiveness of the management and check system and make an evaluation thereof at least once a year;
- o) regularly deliberate over matters relating to the Bank's strategic development; the effectiveness of the internal management and check system of the Bank as a whole
- p) express itself on the Board of Directors' proposal to appoint* or to remove Director of Internal Audit;
- q) define the principles of remuneration of Director of Internal Audit;
- r) discuss the focus and planning of the activities of the internal audit, evaluate the activities of the internal audit and compliance;
- s) discuss the report on the internal audit activities.

Section 16

Committees of the Supervisory Board

(5) The Audit Committee shall:

- a) make recommendations to the Supervisory Board about its position on the nomination for the appointment* and withdrawal of Director of Internal Audit;
- b) ~~make recommendations to the Supervisory Board about its position on~~ discuss the charter and ~~on~~ the strategic and periodical ~~annual~~ plan of the activities of the Internal Audit ~~Department~~;
- c) monitor and assess the fulfillment of the measures taken by the Board of Directors to deal with the findings and recommendations of the Internal Audit and of the external auditor;
- d) make recommendations to the Supervisory Board about its position on the selection of the external auditor;
- e) cooperate with the external auditor;
- f) check the accounting methods used by the Bank, the soundness of book-keeping and the accuracy of accounting records in particular;
- g) check the ~~internal~~ check and ~~risk~~ management system of the Bank; this includes deliberations over the overall evaluation of the functionality and effectiveness of the management and check system;
- h) discuss the report on the internal audit activities;
- i) discuss the information of the significant shortcomings detected in the management and check system.

Section 17

Board of Directors

(1) The Board of Directors is an authorized body which manages the Bank's activities and acts in its name. The Board of Directors shall ensure business management, including proper maintenance of the accounting records of the Bank. The Board of Directors shall further ensure the creation and evaluation of the management and check system, be responsible for its continuous functioning and effectiveness, the implementation of the internal control system, systematically monitor its functionality, and create conditions for the independent and objective performance of compliance-related operations and of internal audit.

(2) The Board of Directors shall observe the generally binding legal regulations, the Articles of Association, and the resolutions and instructions approved by the General Meeting, provided that these comply with legal regulations and the Articles of Association. Any breach of the approved instructions shall not impact upon the effects of the acts of the Board of Directors members with respect to third parties

(3) The manner of acting of the Board of Directors is set forth in S.38 hereof.

Section 18

(1) The Board of Directors consists of six ~~five~~ members, natural persons, who meet the conditions provided in legal regulations and who are elected by the absolute majority of all Supervisory Board members at recommendation of the Remuneration and Personnel Committee. The term of office of the members of the Board of Directors shall be four years.

(2) If a member of the Board of Directors dies, abdicates, is removed, or their term of office terminates otherwise, the Supervisory Board shall elect a new member of the Board of Directors no later than within three months from the date when the member's term of office expires or terminates otherwise.

(3) The Supervisory Board shall be whenever entitled to decide by the absolute majority of all its members to remove a member of the Board of Directors. The decision of the Supervisory Board is based on a proposal of the Remuneration and Personnel Committee of the Supervisory Board. The term of office of a member of the Board of Directors shall terminate upon delivery of the notice of removal, either in person or by mail to the address specified in the contract for the exercise of office unless the notice of removal specifies a later date. 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 that the notice is delivered.

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

(5) The Board of Directors shall elect from among its members Chairman ~~and Vice-Chairman~~ of the Board of Directors. If no Chairman ~~or Vice-Chairman~~ of the Board of Directors is elected, the Board of Directors shall authorize any of the members of the Board of Directors to hold the office of Chairman ~~or Vice-Chairman~~ of the Board of Directors. The Chairman ~~and Vice-Chairman~~ of the Board of Directors must be elected by the absolute majority of votes of all members of the Board of Directors.

(6) The Chairman ~~or Vice-Chairman~~ of the Board of Directors may resign from his ~~their~~ position of chairman ~~or vice-chairman~~ by written notice delivered to the Board of Directors. The term of the Chairman ~~or Vice-Chairman~~ shall terminate as of the date on which his ~~their~~ resignation is discussed by the Board of Directors at its closest meeting, unless the written notice of resignation specifies a later date. The Board of Directors shall be authorized to withdraw its Chairman ~~or Vice-Chairman~~ from his ~~their~~ position by the absolute majority of votes of all members of the Board of Directors. Should the Chairman ~~or Vice-Chairman~~ cease to be a members of the Board of Directors, his ~~their~~ position of chairman ~~or, as the case may be, vice-chairman~~ of the Board of Directors is terminated at the same time.

(7) Meetings of the Board of Directors shall be regularly convened, at least 20 times a year, and presided over by its Chairman ~~or, in his absence, the Vice-Chairman of the Board of Directors~~. If the Chairman ~~and Vice-Chairman are~~ is not present, the meeting shall be convened and presided over by a member of the Board of Directors authorized therefor by the Board of Directors. Any member of the Board of Directors may ask that the Board of Directors meeting be convened provided that such member gives reasons therefor. If the meeting is not convened within a period of five days from the delivery of the request to the Chairman ~~or Vice-Chairman~~ of the Board of Directors, the said Board of Directors member shall be entitled to convene and preside the meeting himself.

(8) The meetings of the Board of Directors shall be convened in writing. Each member of the Board of Directors must receive an invitation with the documents to be discussed at least three calendar days prior to the date of the meeting. The invitation shall contain the place, date and agenda of the meeting. Members of the Board of Directors may not be represented by another person serving as a member of the Board of Directors in their place. A matter not included in the agenda of the meeting of the Board of Directors shall be discussed by the Board of Directors only with the consent of all members of the Board of Directors.

(9) A meeting of the Board of Directors may exceptionally be convened by means of communication media or in another suitable manner. The convening of such a meeting of the Board of Directors must be communicated to all members of the Board of Directors. In this case, the three-day time limit for the submission of documents does not apply and the documents may be submitted at the meeting itself. Members of the Board of Directors may agree to hold regular meetings of the Board of Directors on set dates.

(10) The Board of Directors shall constitute a quorum in the presence of the absolute majority of the Board members.

(11) Resolutions of the Board of Directors shall be carried by the absolute majority of members of the Board of Directors present. The chairperson's vote shall be decisive in the event of a tie within the intention of S. 18 (6).

(12) The Chairman or, in his absence, ~~the Vice-Chairman, or, possibly,~~ an authorized member of the Board of Directors may request that members of the Board of Directors vote in extrasessional voting procedure either in writing or by means of communication media on condition that all members of the Board of Directors consent to the use of this vote in advance. The extrasessional

voting procedure can be used by the absent members of the Board of Directors if the Board of Directors meets in session, or by all members of the Board of Directors if the Board of Directors does not meet in session. All voting members of the Board of Directors are considered as present. If the Board of Directors does not meet in session and votes are cast by means of communication media, the voting shall be recorded in minutes.

(13) Minutes shall be taken of all meetings of the Board of Directors. The minutes shall be signed by the Chairman, by another member of the Board of Directors as a verifier, and by the minutes clerk. The minutes of the meeting shall contain the names of the members of the Board of Directors who voted against the resolutions of the Board of Directors or abstained from voting. Unless documented otherwise, members not listed shall be deemed to have voted in favor of the resolution. The minutes shall not be destroyed and must be archived throughout the existence of the Bank. The minutes shall describe the course of conduct of the meeting and all adopted resolutions.

(14) Details of the conduct of the meetings of the Board of Directors shall be set forth in the Rules of Procedure of the Board of Directors.

Section 19

Powers of the Board of Directors

(1) It is within the exclusive powers of the Board of Directors to:

- a) convene the General Meeting and implement its resolutions;
- b) submit to the General Meeting for approval the ordinary, extraordinary and consolidated Financial Statements and the interim Financial Statements along with a proposal for the distribution of profit (the same must be available to the shareholders for inspection at least thirty days prior to the date of the General Meeting) or a proposal for the coverage of loss;
- c) submit to the General Meeting proposals for amendments to and alterations of the Articles of Association as well as proposals for increasing or decreasing the Bank's registered capital;
- d) submit to the General Meeting a Report on the Bank's Business Activities, the state of the Bank's assets and to do so at least once for each accounting period;
- e) to decide to grant and revoke procuration;
- f) decide on the appointment*, removal and remuneration of selected managers of the Bank;
- g) approve acts in connection with the realisation of security instruments for the Bank's claims whose price exceeded CZK 100,000,000 as at the date of the claim origin and the presumed realisation price thereof is lower than 50% of the security instrument price ascertained upon entering into the loan agreement;
- h) submit to the Supervisory Board for information quarterly and semi-annual financial statements;
- i) decide on acts which are beyond the scope of common trade relations of the Bank;
- j) define ~~approve~~, and make a regular evaluation of the Bank's overall strategy including the setting of the principles and targets for its fulfillment and arranging the continued and effective operation of the internal check system;
- k) approve the Bank's annual plans and budgets as well as the strategic and annual plans of legal entities controlled by the Bank under the Banking Act;
- ~~lk~~) approve the choice of the external auditor;
- ~~ml~~) inform the Supervisory Board of the General Meeting day no later than within the period specified by the Commercial Code for a general meeting to be convened;
- ~~nm~~) 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;
- ~~on~~) decide on an increase in the registered capital if so authorised by the General Meeting;
- ~~po~~) enter into a collective agreement;

- ~~qř)~~ decide on providing loans or guarantees to persons with a special relationship to the Bank pursuant to the Banking Act;
- ~~rř)~~ approve the charter and the strategic and periodic annual plan of activities of the Internal Audit Unit ~~and submit the same to the Supervisory Board for review;~~
- ~~sř)~~ approve the Annual Reports of the Bank;
- ~~ts)~~ approve and regularly evaluate the security ~~principles~~ policy of the Bank including the security principles for information systems;
- ~~uř)~~ decide on establishing other funds and on the rules governing creation and usage thereof;
- ~~vř)~~ approve the report on relations among related entities within the intention of the Commercial Code.
- ~~wř)~~ approve and regularly evaluate the Bank's ~~structure organisation structure~~ and to make a regular assessment of its functionality;
- ~~xř)~~ approve the principles of the personnel and remuneration policy;
- ~~yř)~~ evaluate the overall functioning and effectivity of the management and check system at least once a year;
- ~~zř)~~ approve and regularly evaluate the risk management strategy, the strategy relating to the capital and to capital adequacy and the information systems development strategy;
- ~~zař)~~ approve and regularly evaluate the principles of the internal check system including principles aiming to prevent any possible conflict of interest and compliance-related principles.
- ~~x)~~ approve the charter of the internal audit

(2) In addition to the above mentioned, the Board of Directors shall:

- a) manage activities of the Bank and conduct its business affairs;
- b) ensure the proper maintenance of the Bank's accounting including the due administrative and accounting processes;
- c) exercise employer's rights;
- d) exercise rights in respect of the Bank's property interests resulting from the ownership holdings of the Bank;
- e) approve the acquisition or alienation 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 plan for securing the continuity of business activities and the fire protection plan.

External Audit

Section 21

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

- a) verify the Bank's Financial Statements;
- b) verify the management and check system of the Bank including the risk management system;;
- c) compile Auditor's Report on the verification of the Bank's Financial Statements and systems in compliance with par. b) of this provision;
- d) verify the information under S. 11a of the Banking Act to the extent provided by the regulation of the Czech National Bank.

in compliance with the generally binding legal regulations and with International Accounting Standards.

(2) The Bank shall arrange the submission of the reports to the Czech National Bank by the set time limits.

- (3) The Board of Directors shall ask the Supervisory Board for its opinion as to the choice of an external auditor.

Section 39

Disclosure and Publication Duty

If publication of certain data is required by the Commercial Code, Part Two, or by the Articles of Association, such data must be published both in the daily Hospodářské noviny and on the Bank's official notice boards (marked as "Information for shareholders") in the registered office of the Bank. In addition, the notice of general meeting shall be published also in the Commercial Bulletin ("Obchodní věstník"). Should generally binding legal regulations require that some data be published in the Commercial Bulletin, the Bank shall release the said data therein.

Section 43

Organisation of the Internal Management and Check System

(1) ~~The Internal Management and Check System (hereinafter called the "IMCS") shall include the prerequisites of the due administration and management of the Bank, the risk management and the internal check system. The IMCS namely covers all activities of the Bank, through which it will be ascertained whether the activities carried out and the results achieved correspond to the planned and determined activities and results, whether they comply with the Bank's overall strategy while spending optimal costs, and whether they comply with the corresponding laws and regulations. The IMCS shall further integrate all operations and activities that guarantee that the information used by the Bank for its decision-making processes and provided to third parties shall be up to date, reliable, and complete. The IMCS includes all structural units of the Bank.~~

(2) ~~The IMCS shall be a process implemented by the Board of Directors, by respective executive directors, by other Bank's employees, and by members of all Bank's bodies all of which are responsible therefor. 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 IMCS 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 IMCS shall be specified in the internal regulations of the Bank.~~

Section 44

Internal Audit

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

- Chief Executive Officer and Chairman of the Board of Directors
- Bank's Board of Directors
- Supervisory Board and its 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 Unit carries out an independent, objective, assuring, and consultancy activity aiming at adding value and at perfecting the process in the organisation. The Internal Audit helps the organisation to attain its goals by setting forth a systematic methodical approach to the assessment and enhancement of the effectivity of the risk management, of the management and check 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: formal audits, analysis and independent risk assessment, submission of managerial reports, special projects, activities of consulting and examination, and monitoring and corrective actions tracking.

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

- a. The Internal Audit shall abide by its own procedures and assessment criteria to carry on audit activities and to work out the auditor's report;.
- b. The Internal Audit shall have access to all premises where audited activities take place.
- c. When carrying out its activity, the Internal Audit shall have access to all relevant documents of the Bank, ~~information, and papers on the audited entity, including information and documents generated by the audited entity itself.~~ However, the rights stemming from the corresponding legislation have to be respected.
- d. When carrying out their activity, auditors can make copies of all documents containing relevant information and can record the running of discussions. ~~However, the rights stemming from the corresponding legislation have to be respected.~~
- 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 fulfillment of the measures recommended in the auditor's report or in the report on the inspection by an external entity.
- h. ~~The Director of Internal Audit Unit shall have a right to notify the audit findings to all entities with substantial interest in the Bank's operation, such as the Board of Directors, the Audit Committee, and the Supervisory Board.~~ If the findings might have a substantial negative impact on the Bank's financial situation performance, the Director of Internal Audit must ~~has a right to~~ initiate an extraordinary meeting of the Supervisory Board.

(4) ~~Serious~~ Significant shortcomings of the IMCS ~~discovered in any manner~~ shall be notified to the Bank's Board of Directors, to the Audit Committee, and to the Supervisory Board.

** Translator's note: The English version of Ss. 12 (2) p), 16 (5) a) and 19 (1) f) continues to use the term "appoint / appointment" to refer to the Czech term "pověření" even though in previous versions of the Articles of Association, it referred to "jmenování". As the English term, however, involves both of the meanings, it was selected by the translator as the best equivalent. Nevertheless, it is necessary to note that the "appointment" in these Articles of Association refers to the necessity of entering into a labor contract which serves as the basis for to the creation of an employment relationship.*