

THE REMUNERATION POLICY of members of the Board of Directors and of the Supervisory Board of Komerční banka, a. s.

I. INTRODUCTION

This document represents, within the intention of S. 121k (1) of Act No. 256/2004 Sb., the Act to Regulate Business Undertaking in the Capital Market as Amended, a policy of the remuneration of the members of the Board of Directors and of the Supervisory Board of Komerční banka, a.s., with its registered office at Prague 1, Na Příkopě 33 čp. 969, postal code 11407, identification no.: 453 17 054, entered in the register of companies maintained with the Metropolitan Court of Prague in file no. B 1360 (hereinafter called “KB”).

The draft remuneration policy is submitted by the Board of Directors to KB general meeting which approves KB's annual financial statements for 2019. 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 four years.

II. REMUNERATION PRINCIPLES

The goal of KB's remuneration principles is to support KB's overall strategy and business objectives, to prevent inadequate risk-taking and imprudent conduct, to take into account clients' rights and interests, to support cost efficiency and sustainable growth and to 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 resource strategy and its general business strategy.

KB's remuneration arrangements are in line and support sound and effective risk management. The goal of the risk management is to avoid and prevent the prioritization of short-term results and goals which are not in line with the implementation of KB's general strategy and sustainable growth. The applied remuneration principles aim to prevent risk-taking exceeding the adequate risk framework.

The variable remuneration arrangements (the variable component of remuneration) for the members of KB Board of Directors are set up in a way allowing taking into account all kinds of the existing and future risks, the cost of securing the required capital and liquidity and ensuring KB's long-term interests and sustainable development, and rely on the following premises:

- Remuneration for the results achieved: The payment of the variable component of remuneration always reflects the business results (financial performance) and also other non-financial key performance indicators of KB.
- Linkage to shareholders' interests: The remuneration principles reflect the shareholders' interest in the value of KB by linking the amount of the variable component of the members of KB Board of Directors to KB's financial results including the obligations arising from KB's corporate responsibility.
- Compliance with legal and regulatory rules: The remuneration arrangements of the members of KB Board of Directors are in line with the legal and regulatory rules.

For the avoidance of doubt, the variable component of remuneration shall always be discretionary including the cases where a member of the Board of Directors manages to meet 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 Supervisory Board decides to impose a malus (annulment) or claw back the variable component of the remuneration of a specific member of KB Board of Directors under the conditions listed in article III. hereof.

The said remuneration principles contribute to the implementation of the goals of this Remuneration Policy especially by encouraging members of the Board of Directors to favor long-term objectives over short-term objectives, motivate them to implement collective objectives at the all KB level as well as their individual objectives, encourage 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.

III. FIXED, VARIABLE AND OTHER COMPONENTS OF REMUNERATION

3.1 THE BOARD OF DIRECTORS

Members of the Board of Directors are subject to special rules of remuneration which apply to staff members with a significant impact on the risk profile of the bank (identified staff) in compliance with the EU Capital Requirements Directive (CRD IV as amended) and its transposition into the Czech legal system made by CNB Regulation no. 163/2014 Sb. As amended. Decisions on the remuneration of the members of the Board of Directors are taken by the Supervisory Board in compliance with this Remuneration Policy using the procedure and under the conditions set out in article IX. hereof.

The remuneration of a member of KB Board of Directors consists of a fixed component of remuneration and of a variable component of remuneration and a compensation for the termination of service under a non-competition clause. Members of KB Board of Directors do not receive remuneration in the form of stock plans (long term incentives – LTIs).

a) Fixed components of remuneration

The fixed components of remuneration consist of i) a fixed monthly remuneration and ii) financial and non-financial benefits.

Ad i) The amount of the fixed monthly remuneration reflects the experience and level of responsibility of the individual members of the Board of Directors and the external competitiveness in the given type of position.

The functions of the members of the Board of Directors are evaluated using the Hay Group / 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 of the members of the Board of Directors may reassembly differ from the target level so as to reflect the individual contribution of the given member of the Board of Directors. The target fixed components of remuneration of members of the Board of Directors are updated by the responsible staff of the Human Resource Arm every year. The job roles of KB staff members are evaluated the same way as the functions of the members of the Board of Directors as stated in article VI. hereof using the procedure set out therein.

Ad ii) Members of the Board of Directors may benefit from the benefits (employee benefits) to the same extent as KB employees. The benefits include:

- i) Meal vouchers,
- ii) a vacation allowance, health allowance, culture allowance and personal development allowance 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.

The structure and level of the employee benefits is 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, they are also confirmed by the Supervisory Board based on a recommendation made by the Remuneration Committee.

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

- viii) Premium health care including in particular the following services: Consultancy, dental care, immunization, physiotherapy, eye examination, preventive health screenings, allergy testing;
- ix) a company car within the upper middle class category, in line with KB's car provision policy;
- x) fuel allowance including a reasonable number of private kilometers together with normal vehicle operation.
- xi) Members of the Board of Directors who are citizens of the Czech Republic can be provided with pension benefits which are set out in article V. hereof.
- xii) Members of the Board of Directors who are not citizens of the Czech Republic and who are temporarily seconded to the Czech Republic can benefit from the benefits provided to KB employees with the exception of the long-term sickness benefit, risk life insurance and KB pension benefits. Furthermore, KB provides 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 secondment, the costs of accommodation, insurance, including health insurance and social security coverage, assistance during the immigration process, the costs of preparation of tax returns in the Czech Republic, travel expenses within a predefined budget, children's tuition costs, education).
- xiii) In the case that members of the Board of Directors cannot temporarily perform their duties on serious health grounds, the Supervisory Board may let them keep their right to their fixed monthly remuneration.

For the sake of completeness, members of the Board of Directors are also provided with a mobile telephone with a calls and data tariff and IT equipment for work and private purposes under the applicable internal rules of KB.

b) The variable component of remuneration

The variable component of remuneration of a member of KB Board of Directors is paid out in the form of annual bonuses. This part of the remuneration is paid out based on the rate of achievement of the financial and non-financial key performance indicators (hereinafter called the "KPIs") in particular: return on equity, net banking income, compliance with the cost budget, transformation of the cost structure, cost income ratio, capital adequacy, implementation of regulatory and control

function requirements, market share, development of business, client satisfaction, employee satisfaction, risk and compliance management, development of KB management culture, managerial behavior, CRS, realization of strategic plan, digitalization, innovation, effective organization management, support of key employees and talents.

Financial KPIs and non-financial KPIs have both their weight which is expressed with a percentage. The sum of the financial and non-financial KPIs is 100%. KB Supervisory Board is, based on a recommendation from the Remuneration Committee, authorized to set by their decision the individual KPIs including the weight of the financial and non-financial KPIs always for the next reporting period; the ratio of the financial KPIs to the non-financial KPIs always stands at at least 60:40 meaning that the sum of all non-financial KPIs makes at least 40%. The minimum weight of the KPIs in the risk management and compliance area is always at least 20%. While approving the key performance indicators, the Supervisory Board always takes into account the compliance with the Principles stated in article II. hereof including linkage to shareholders' interests.

The annual evaluation of the achievement of the KPIs is made during the first quarter of the calendar year immediately following the period which is being evaluated. An achievement bracket is set for each KPI. The evaluation of the key performance indicators is under the responsibility of the Supervisory Board who act on the basis of a recommendation from the Remuneration Committee; the supporting materials are prepared by competent KB staff from the Arm of Strategy and Finance who compare the real achievement of the KPIs against the planned achievement of the KPIs.

KB has a right to award a member of the Board of Directors a variable component of remuneration provided that the member of the Board of Directors did in no way breach his duties in connection with his service nor did he violate or make any acts contrary to KB internal rules, and compliance in particular. The amount of the variable component of remuneration to be awarded to members of the Board of Directors is determined by the Supervisory Board at their discretion taking into account the plan of achievement of the set financial and non-financial KPIs and the real achievement of the set financial and non-financial KPIs for the given reporting period and other facts reflecting the principles stated in article II. hereof.

In order to ensure KB's long-term interests and sustainable development, the variable component of remuneration of members of the Board of Directors is subject to a deferred bonus scheme in line with the EU Capital Requirements Directive (CRD IV as amended) and its transposition into the Czech legal system made by CNB Regulation no. 163/2014 Sb. as amended. The minimum deferral period for the payment of the variable component of remuneration of members of the Board of Directors is five years from the day when the given member of the Board of Directors was awarded the variable component of remuneration in accordance with this Remuneration Policy. The payment of at least 40% of the variable component of remuneration is always deferred; in case of extremely high amounts, it is 60%.

An important part, i.e. at least 50% of the variable component, is awarded in instruments tied to KB share price (KB quasi shares / KBTP). These instruments are subject to a retention period of 12 months. The part of the variable component of remuneration tied to KB share price is settled (paid out) in money. Hedging against fluctuations in the price of the non-monetary instruments is prohibited ("prohibition on hedging"). The retention period is the period with a right to dividends. The right for dividend payments does not arise in any other period.

KB has a right to annul the whole variable component of remuneration or its part ("malus") in the case that a member of the Board of Directors breached his duties in connection with his 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 conduct, a member of the Board of Directors breached the law or the internal rules of KB (especially in the case that he committed a crime or fraud, breached the rules of ethics, divulged a trade secret, exposed KB to an excessive risk, damaged KB's reputation, caused financial or other harm to KB). KB also has the right to apply the 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. KB has the right to annul the variable component of remuneration or its part until the said component 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 duties or acted with serious negligence, which resulted 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.

c) The ratio of the fixed component of remuneration to the variable component of remuneration

Based on the decision of the general meeting of 22 April 2016, the maximum amount of the variable component of remuneration of a member of the Board of Directors for a given year may not exceed 200% of the fixed component of remuneration for that year.

d) Extra reward

The Supervisory Board may, in exceptional cases, decide on the payment of an extra reward to a member of the Board of Directors for extraordinary performance of tasks and while respecting the principles set out in article II. hereof. The payment of the extra reward for extraordinary performance of tasks is subject to the same deferral rules as in the case of payment of the variable component of remuneration. Also, the maximum amount of the extra reward and of the variable component of remuneration of a member of the Board of Directors for the given year may not, as a sum, exceed 200% of the fixed component of remuneration for that year.

3.2 THE SUPERVISORY BOARD

The remuneration of members of KB Supervisory Board consists of a fixed monthly remuneration and a fixed fee depending on the member’s attendance at Supervisory Board meetings. These fixed components of remuneration make up 100% of the total remuneration of the members of the Supervisory Board relating to their service as members of the Supervisory Board. The chair of the Audit Committee is also entitled to a fixed monthly remuneration and a fixed fee depending on his attendance at the Committee meetings.

The amount of the fixed monthly remuneration of Supervisory Board members and of the chair of the Audit Committee is set by a decision of the general meeting and stated in the contracts of service.

The fixed component of remuneration based on the attendance at Supervisory Board meetings is paid out depending on the number of the Supervisory Board meetings attended by a Supervisory Board member for at least 75% of their total duration. A Supervisory Board member is entitled to receive a fixed fee set by a decision of the general meeting for each meeting thus attended. Under this arrangement, a Supervisory Board may be paid a fixed fee for a maximum of six meetings within one calendar year.

In addition to this, Supervisory Board members elected by KB employees are paid a monthly fixed salary and also a compensation for a loss of salary under their contract of employment within the intention of the Labor Code as KB employees. As KB employees, they are also awarded a variable component of remuneration (performance bonus), pension benefits and other benefits (employee benefits). The salary conditions of KB employees are set out in detail in article VI. hereof.

KB reimburses Supervisory Board members for travel expenses incurred in connection with the performance of their duties as Supervisory Board members. Furthermore, Supervisory Board members receive a mobile telephone for business and private purposes and other necessary IT equipment.

IV. CONDITIONS OF CONTRACT DURATION

The term of office of a member of the Board of Directors and Supervisory Board of KB terminates by expiration of the term of office, resignation from the position, removal from the position, death, loss of competence to perform the duties or in consequence of another fact which is, by statute, associated with the termination of service. A member of the Board of Directors may continue to be an employee of KB after the termination of his service on the Board of Directors based on an employment contract or on a managerial contract entered into before the creation of his membership.

The term of office of the members of the Board of Directors is four years. In the case of a member's removal from the Board of Directors, 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 or another discretionary reward in the form of extra reward relating to the performance of his duties as a member of the Board of Directors. The decision on the award of these amounts is taken by the Supervisory Board through the Remuneration Committee.

In the case of termination of their service, members of the Board of Directors are entitled to receive a monetary compensation based on their non-competition clause (in the case that they are invited by KB to do so in writing) 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 six and at most twelve months from the termination of the member's service on the Board of Directors.

Komerční banka does not provide guaranteed bonuses, starting incentives or any other bonuses in a guaranteed amount. The payment of any variable component of remuneration bearing the features of a golden parachute (i.e., pre-agreed non-discretionary remuneration paid even in the case of insufficient performance) to a member who stops serving on the Board of Directors or on the Supervisory Board is prohibited.

Any other payments relating to the termination of the contract of a member of the Board of Directors shall always be subject to an approval by the Supervisory Board based on a recommendation from the Remuneration Committee.

The term of office of the members of the Supervisory Board is four years.

V. THE MAIN CHARACTERISTICS OF KB PENSION BENEFITS

KB may provide the members of the Board of Directors who are citizens of the Czech Republic with a monthly contribution of up to a maximum of 5% from the member's total gross remuneration for the performance of his duties as a member of the Board of Directors paid out in the given month either towards an additional pension savings plan or towards a supplementary pension plan with a state contribution depending on 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 above pension systems.

The Supervisory Board members elected to represent KB employees are subject to the same rules relating to the provision of a contribution towards an additional pension savings plan or towards a supplementary pension plan with a state contribution as KB employees. The contribution amount as well as all the other rules regarding the 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 up to a maximum of 5% of the salary.

The Supervisory Board members who are not KB employees are not provided by KB with any pension benefits.

VI. THE SALARY CONDITIONS OF THE EMPLOYEES OF KOMERČNÍ BANKA

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

Similarly to members of KB Board of Directors, KB employees receive remuneration in the form of a fixed component of remuneration (the base salary in particular) and a variable component of remuneration (hereinafter called the "bonus") and other monetary and other benefits which are regulated by the collective agreement and other internal rules of KB. In addition to this, KB employees may be granted rights to obtain shares of the parent company Société Générale (Long Term Incentives – LTIs).

The base salary is paid out to employees on a monthly basis. The base salary is a reward for the performance of their job within KB. The base salary is set on the basis of the employee's job role category and of an assessment of 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 single employee.

All the job roles within KB are evaluated using the Hay Group / Korn Ferry role size evaluation methodology (Korn Ferry Hay Guide Chart - Profile Method©). The job role size subsequently allows an effective management of the internal justice system and of the external competitiveness of the remuneration of KB employees and members of KB Board of Directors. The functions of the members of KB Board of Directors are evaluated the same way as 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 the employees' individual contribution, his or her potential or other aspects of the different employees doing the given job. The target base salaries are updated by responsible KB HR staff members each year. During this process, they take into account the internal salary justice within KB, external market remuneration factors and KB's strategy in the area of human resource management.

Besides the base salary, there is also a variable remuneration plan set up for employees for the quality of the performance of the company, team and individual objectives. The variable component amount is expressed as a percentage of the annual base salary and varies for different groups of employees. The variable component level is set in the collective agreement. The level of a variable component of remuneration exceeding 100% of the fixed component of remuneration is subject to approval by the general meeting. The general meeting has approved a level exceeding 100% of the fixed component of remuneration for employees ensuring important investment activities.

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

KB employees may benefit from benefits (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 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.

VII. THE 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.

The general meeting approves the Remuneration Policy which is submitted to the general meeting by the Board of Directors after its approval by the Supervisory Board based on a proposal made by the Remuneration Committee.

The Remuneration Committee is an advisory and initiative 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 cooperates especially with the units of Risk Management and Compliance. The draft Remuneration Policy is worked out for the Remuneration Committee by KB HR Executive Director according to KB's remuneration principles and KB's human resource management strategy. KB HR Executive Director makes sure that the remuneration of the members of the Board of Directors and of the Supervisory Board complies with the applicable legislation and regulatory rules.

VIII. REMUNERATION POLICY REVIEW

This articles regulates the decision-making process adhered to by KB when reviewing this Remuneration Policy, describes the measures adopted to prevent conflict of interest and the way of addressing it 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.

In the case that the Supervisory Board find out that the Remuneration Policy is not duly respected, they propose that the HR Executive Director would take corrective measures leading to compliance with this Remuneration Policy.

To prevent any conflict of interest, KB Board of Directors do not interfere in the Remuneration Policy review. The Remuneration Committee is made up of non-executive Supervisory Board members, its chairman is independent and, to prevent any conflict of interest, its charter states that if an independent member expresses dissent with a resolution which is put to the vote, the resolution must receive the consent of all the committee members to be carried. The independent member's dissent must subsequently be recorded in the meeting minutes.

IX. REMUNERATION POLICY IMPLEMENTATION

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



The Remuneration Policy is implemented by KB Supervisory Board through the Remuneration Committee especially 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 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 make sure that the remuneration system duly reflects all kinds of risks and liquidity and capital levels. To duly exercise its responsibilities, the Remuneration Committee closely cooperates with persons ensuring control functions (risk management, compliance, audit), with committees (e.g. the Risk Committee, the Audit Committee) 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 its remuneration therefore does not depend on the financial results of KB and consists only of a fixed component a part of which depends on the Supervisory Board member's active approach.