

Annex No. 2 – Declaration of Compliance

**Declaration of Compliance with PRIBOR Code of Conduct**

Dated: 24.01.2017  
To: The Czech Banking Association  
From: Komerční banka, a.s.

Dear Sirs,

1. We refer to PRIBOR Code of Conduct published by the Czech Banking Association on 26<sup>th</sup> of January 2016 and available on its website.
2. We hereby confirm that we are in compliance with PRIBOR Code of Conduct except the setting of “submitter - approver” structure as described in the article 6.2 which states:

*“The Panel Banks shall maintain the submitter/approver structure (both have to be natural persons), in which the “Submitter” proposes the quote submission and the “Approver” reviews its reasonableness, approves it for submission and oversees the submission process. Each Panel Bank shall ensure a substitute for the Submitters and Approvers is duly appointed. Each Submitter must have sufficient knowledge of the interbank market relevant to PRIBOR submissions and each Approver must have both such expertise and seniority to be able to challenge the quotes proposed by the Submitter.”*

Komerční banka, a.s. implemented different setting: the submission is calculated by a calculation model (formula) and the submission is validated or modified and sent to the calculation agent by a Submitter.

Daily formula calculation is maintained by departments different from the submitter. Every day an independent department verifies whether formula input data is correct and ensures that submission proposal is automatically generated. The Submitter receives the calculation of a submission and consequently checks proposed values and adjusts it if needed (manual intervention) or approves the proposal. After that, the Submitter sends the submission to the calculation agent. In both submission cases (manual intervention by the Submitter; approval of the model proposal by the Submitter) the ex-post mechanism of automatic controls is launched. One of the controls checks if there is a manual intervention by the Submitter and if so, the Risk department as the professional counterweight is automatically informed by e-mail. The Submitter is asked to provide reasoning of its manual intervention. The Submitter explanation is then challenged by Risk. If there is any inconsistency regarding explanation, the escalation process involving various departments is launched.

In order to fulfil the requirements of the article 6.2 of the ČBA Code of Conduct, both the Submitter’s team as well as Risk team are staffed with persons with deep knowledge of the interbank market relevant to PRIBOR submissions and have both necessary expertise and seniority.

The whole process is oversight by Benchmark Governance Committee (the committee independent from the submitter and composed by relevant employees from different departments).

Where any article of the Code of Conduct describes submitter/approver structure and any obligations related to submitter or approver as the individuals, it has to be taken into account that Komerční banka, a.s. implemented different settings as described above.

In Prague

Komerční banka, a.s.

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a horizontal line.

Name: Jan Pokorný

Function: Member of the Board

A handwritten signature in blue ink, written in a cursive style, positioned above a horizontal line.

Name: Peter Palečka

Function: Member of the Board