

# **Komerční banka to accept subordinated Tier 2 loan in the amount of EUR 100 million**

Prague, 9 October 2017 – Komerční banka, a.s., with its registered office at Na Příkopě 33/969, 114 07 Prague 1, registration No. 45317054, entered in the register of companies maintained with the Metropolitan Court of Prague, section B, file No.1360 (Komerční banka, or the Bank), announces that

on 9 October 2017, it concluded as a borrower the agreement with Société Générale, a French *société anonyme* incorporated under the laws of France, having a share capital of EUR 1 009 641 917,50, whose registered office is located at 29 Boulevard Haussmann, 75009 Paris, France, registered with the Trade and Company Registry of Paris under number 552 120 222 (Société Générale, or SG) as a lender on provisioning of a Tier 2 subordinated loan in the amount of EUR 100 million, the value date 9 October 2017, with 10 year maturity and a call option for the benefit of the Bank after 5 years, at an interest rate of *EURIBOR 3 months plus 1.26%*. As of the contract date, Société Générale holds 60.35% ownership stake in Komerční banka.

The transaction took place in direct continuation of the Bank's announcement on 9 February 2017, in which Komerční banka disclosed intention in coming years gradually to reinforce its capital by Tier 2 capital. The loan is part of Komerční banka's gradual optimisation of the capital structure. It will reinforce the Bank's voluntary capital buffer over the increasing capital requirements of the Czech National Bank and enhance the Bank's capacity to grow risk-weighted assets as well as to pay dividends. The increase in Komerční banka's regulatory capital due to the loan will correspond to approximately 0.58% of consolidated risk-weighted assets as of 30 June 2017. Inclusion of the loan into the regulatory capital of Komerční banka is subject to regulatory approval of the Czech National Bank.

The loan is denominated in EUR in order to better align currency structures of KB's capital and assets. The loan has been accepted from Société Générale, after the Bank assessed other opportunities available on the market and concluded that the loan from SG provides the most effective option for the Bank.

The Bank may in the following years continue to gradually increase the volume of Tier 2 instruments which according to the Czech National Bank may cover up to 2 percentage points of Komerční banka's risk-weighted assets. In order to optimise the structure of its regulatory capital and to mitigate roll-over risk, Komerční banka contemplates to utilise the full space for inclusion of Tier 2 capital in several steps. The actual decisions on potential further Tier 2 reinforcement will reflect the required level of regulatory capital as well as the prevailing market conditions.