

Announcement on the Minimum Capital Ratio requirement as from 1 January 2021

Prague, 10 December 2020 – 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 (hereinafter also Komerční banka or the Bank), announces that

the Bank received information from the Czech National Bank on the minimum level of capital ratio set for Komerční banka by the joint decision of the College of supervisors of the Société Générale Group.

According to this decision, Komerční banka is required to maintain a capital ratio on a consolidated basis at the minimum level of 10.2% (TSCR - Total SREP Capital Ratio) effective from 1 January 2021, and unchanged from the ratio required in 2020. This requirement includes:

1. Minimum capital requirement according to the Article 92 (1) of the EU regulation on prudential requirements for credit institutions and investment firms, i.e. maintaining a Tier 1 core capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a capital ratio of 8%, and
2. Additional requirement of 2.2% set in Pillar 2 above the aforementioned requirements. This additional requirement must be covered fully by Tier 1 capital, and, at least 75% of this requirement must be covered by Core Tier 1 capital.

In accordance with its previous communication on its regulatory approach to the Czech banking sector in the context of ongoing pandemic crisis and significant uncertainty regarding the future economic development, the Czech National Bank has also stipulated a recommendation that Komerční banka refrains from any dividend distributions from its profits before reaching a mutual agreement with the Czech National Bank.

Moreover, credit institutions in the Czech Republic are simultaneously subject to the combined capital requirements, which are additive to the TSCR requirement set in the aforementioned joint decision. As of today, KB is required to maintain a combined capital buffer comprising, in the case of Komerční banka, the capital conservation buffer at 2.5%, the countercyclical buffer set by for exposures in particular countries (in the Czech Republic currently at 0.5%) and the capital systemic buffer at 3.0%.

Thus, Komerční banka's overall capital requirements reach approximately 16.2% in relation to the consolidated volume of risk-weighted assets. The minimum Core Tier 1 capital level is approximately 12.2% and the minimum Tier 1 capital ratio stands at approximately 14.2%.

As of 30 September 2020, Komerční banka's consolidated capital adequacy stood at 21.6% and the Core Tier 1 ratio was at 20.9%. Tier 2 capital represented 0.7% of risk-weighted assets.