

Announcement on setting of limits for payment of dividends from 2019 and 2020 profits by Czech National Bank

Prague, 18 March 2021 - 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 the information from the Czech National Bank to the credit institutions on distribution of profits from 2019 and 2020.

According to this information, the Czech National Bank (CNB), due to the persisting uncertainty regarding economic impacts of the ongoing Covid-19 pandemic, has stipulated limits for payments of dividends from the profits generated in 2019 and 2020, which will be applied to the credit institutions under the supervision of the CNB.

In the first step, the CNB has set quantitative limits for maximum volume of dividends from the profits generated in the years 2019 and 2020. In the following step, the CNB will assess the risk profile of the institutions, their business model and other relevant factors in the evaluation and review process. Based on this assessment, the volume of allowed dividend may be further decreased.

The CNB has set the initial maximum volume of dividends as the lowest of the following four values:

- 100 basis points of the total risk weighted assets as of 31 December 2020,
- 25% of the cumulative net profit for the years 2019 and 2020,
- Such volume, paying of which would lead the total capital adequacy to stand 4 percentage points above the overall capital requirement,
- Such volume, paying of which would lead the adjusted leverage to stand at 7%. The adjusted leverage ratio is the leverage ratio after exclusion of exposures towards the Czech National Bank.

The initial quantitative limit will be set in reference to the audited financial results of the credit institutions for the year 2020.

The CNB has also informed, that it will assess the proposals of the credit institutions on an individual basis. It will take into consideration documentation submitted by the credit institutions for the SREP process, including the ICAAP/ILAAP reports, business, financial and capital plans and results of the stress test. The CNB will focus on as soon as the regulators allow the assessment of adequacy of allowances created in relation to the Covid-19 crisis, as well as the plans for further creation of allowances. During the assessment of the risk profile and capital equipment of the institutions, the CNB will also consider a potential impact of planned or ongoing mergers or acquisitions, or other business changes.

According to the information received, the CNB expects that it will be ready to communicate the results of the assessment of the proposals for dividend payments to the institutions during the third quarter of 2021.

Komerční banka expects that the CNB will clarify in the future the timeframe for validity of these limitations for payments of dividends. Komerční banka intends, as soon as the regulators allow, to return the capital surplus exceeding the volume needed in accordance with the outlook for organic and inorganic growth in risk-weighted assets (as envisaged in KB Change 2025 strategic plan) and for capital requirements, to the shareholders. The Board of Directors declared its readiness to call an extraordinary general meeting during 2021.