

Announcement on the Minimum Capital Ratio requirement as from 1 March 2022

Prague, 4 February 2022 – Komerční banka, a.s., with its registered seat at Praha 1, Na Příkopě 33/969, Zip Code 114 07, Id. No. 45317054, registered in the Commercial Register maintained by the Municipal Court in Prague, section B, file No.1360 (hereinafter also Komerční banka or the Bank), announces that

the Bank received information from the Czech National Bank (CNB) 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 10.6% (TSCR - Total SREP Capital Ratio) effective from 1 March 2022, representing an increase by 40 basis points in comparison with the ratio required today. 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 Common Equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%, and
2. Additional requirement of 2.6% set in Pillar 2 above the aforementioned requirements. This additional requirement must be covered at least from 56.25% by Common Equity Tier 1 capital and at least from 75% by Tier 1 capital.

The CNB also assessed a need to stipulate an instruction to maintain additional capital (so called Pillar 2 Guidance (P2G), mainly based on the supervisory stress testing. The need to determine P2G was identified at zero level for Komerční banka.

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 the capital conservation buffer at 2.5%, the O-SII capital buffer at 2.0%, and the countercyclical buffer determined by competent authorities for exposures in particular country (in the Czech Republic currently at 0.5%). Thus, Komerční banka's overall capital requirement as of 1 March 2022 will be approximately 15.6% in relation to the volume of risk-weighted assets. The minimum Common Equity Tier 1 capital level will stand at approximately 10.96% and the minimum Tier 1 capital ratio at approximately 12.95%.

The CNB will increase further its requirement for countercyclical capital buffer on exposures in the Czech Republic by 50 basis points from July 2022, by a further 50 basis points from October 2022, and by an additional 50 basis points from January 2023 as the regulator announced in May 2021, in August 2021, and in November 2021, respectively.

Thus, assuming no further changes in capital requirements, Komerční banka's overall capital requirement as of 1 January 2023 would reach approximately 17.1% in relation to the volume of risk-weighted assets. The minimum Common Equity Tier 1 capital level would stand at approximately 12.46% and the minimum Tier 1 capital ratio at approximately 14.45%.

Komerční banka will continue to apply prudent assumptions about the future development of regulatory capital requirements in its capital planning.