

Change to the dividend proposal in order to support the stabilisation measures of the Czech National Bank, outlook for 2020 result put under review

Prague, 23 March 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, announces in accordance with article 7(3)(i) of the Conditions for Admission of Shares to Trading on the Prime Market of the Prague Stock Exchange:

I.

On 16 March 2020, the Czech National Bank announced several measures aimed at mitigating the negative economic consequences of the Covid-19 outbreak, including that *“Due to high uncertainty regarding further economic developments, the CNB expects in the current situation that banks will, with immediate effect and until both acute and longer-term consequences of the new coronavirus epidemic fade away, refrain from any dividend payouts or any other steps that might jeopardise individual banks' resilience.”*

II.

Komerční banka's equipment with capital is strong even in the light of the negative economic consequences from the current epidemic situation, and well above regulatory requirements.

As of 31 December 2019, KB Group's total regulatory capital for the capital adequacy calculation came to CZK 86.6 billion and the capital adequacy ratio stood at 19.7%. This volume of regulatory capital is adjusted for the volume of foreseeable dividend of CZK 11.0 billion, in accordance with the initial proposal of the Board of Directors to the Supervisory Board, published on 6 February 2020, which was subsequently amended on 23 March 2020. The Core Tier 1 capital amounted to CZK 84.1 billion, and the Core Tier 1 ratio stood at 19.1%, also after adjustment for the foreseeable dividend.

The current overall capital requirements of Komerční banka reach approximately 17.4% in relation to the consolidated volume of risk-weighted assets. The minimum Core Tier 1 capital level is approximately 13.4%.

III.

In order to comply with the recent regulatory measures and aware of its responsibility to prevent any increase in systemic risk in the domestic economy, KB's Board of Directors has decided today to propose to the Supervisory Board to retain net profit earned in 2019. KB intends to take the management capital buffer (i.e. the volume of voluntary reserve exceeding the regulatory capital requirements) back to an adequate level once the health and economic situation normalises.

IV.

Furthermore, Komerční banka announces that due to the significant negative economic consequences of the measures adopted to contain spread of the Covid-19 disease, investors should not rely on the baseline outlook for KB's business and financial results in 2020, as presented with the full year 2019 results announcement on 6 February 2020. The Bank is reassessing assumptions for the updated outlook. It is expected that the slowdown of economic activity will lead to lower transaction activity of clients and smaller demand for loans. Lower interest rate environment will affect net interest income. Consequently, revenues in 2020 will be lower than previously expected. Operating expenditures will reflect various measures and adjustments in operations linked to protection of health and facilitation of distance working, however, the increase in total operating costs will not be material. Cost of risk will increase due to impact of worsened macroeconomic environment on risk profile of the loan portfolio, need to create provisions for exposures that will have been provided a grace period according to KB's offer to the clients, and a pro-cyclical pattern of provisioning under IFRS 9 accounting standard. The Bank assumes that a part of the newly created provisions might be reversed later, once the extraordinary economic situation fades away.