

PRESS RELEASE

In Prague, 26 October 2023

MONETA reports net profit of CZK 4 billion accompanied by customer deposit growth of 23 per cent

- *Net profit of CZK 4 billion, translating to a Return on Equity of 17.1 per cent.*
- *Operating income of CZK 9.1 billion, of which CZK 3.2 billion generated in the third quarter.*
- *Operating costs flat at CZK 4.2 billion due to rigorous cost discipline.*
- *Cost of risk at CZK 172 million, or 9 bps, supported by successful non-performing loans disposals.*
- *Customer deposit base up 22.7 per cent year-on-year to CZK 393 billion.*
- *Capital adequacy ratio of 19.9 per cent; excess capital of CZK 4 billion; plus, dividend accrual of CZK 3.2 billion.*
- *CNB annual supervisory review end evaluation process (“SREP”) reduces capital requirement by 30 bps to 14.8 per cent effective 2024.*
- *Client base grew by 154 thousand new clients.*

Prague, 26 October 2023 -- MONETA Money Bank (“MONETA”) today announced its unaudited consolidated financial results for the first nine months of 2023. The results exceeded MONETA’s expectations, with a net profit of CZK 4 billion and Return on Equity of 17.1 per cent. Core customer deposits grew 22.7 per cent year-on-year to reach a record CZK 393 billion.

FINANCIAL RESULTS

MONETA delivered net interest income of CZK 6.4 billion, down 11.3 per cent year-on-year due to continued pressure on funding costs. However, from the quarterly perspective, net interest income increased by 1.4 per cent compared to the second quarter of 2023. This was predominantly driven by incremental liquidity generating a positive margin, and a higher yield on the loan portfolio. Net fee and commission income increased by 22.3 per cent year-on-year to CZK 2 billion, thanks to strong commission income from the distribution of third-party products, such as insurance products and pension insurance contracts, which together contributed CZK 0.9 billion.

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MONETA generated total operating income of CZK 9.1 billion in the nine months, a stable result compared to the same period in 2022. On a quarter-to-quarter basis, operating income in the third quarter was up 5 per cent to CZK 3.2 billion, driven by a combination of improved net interest income and strong fee and commission income.

Total operating costs remained flat at CZK 4.2 billion despite inflationary pressures and higher mandatory contributions to regulatory funds during the first half of 2023. Regulatory contributions rose by 34.1 per cent year-on-year to CZK 307 million compared to CZK 229 million in 2022.

The cost of risk remained at a low level during the first nine months of the year, recording a net charge of CZK 172 million, or 9 bps. This was supported by successful disposals of non-performing loans (NPLs) in the nominal amount of CZK 1.2 billion, generating an accounting gain of CZK 291 million. The loan portfolio performed well throughout the period due to good client repayment discipline. The NPL ratio stood at 1.3 per cent for the third quarter in a row, with a total balance of CZK 3.5 billion.

The effective tax rate was 15.3 per cent, against 19 per cent for the comparable period. This was mainly due to investments in Czech government bonds, which generate tax-exempt yields.

MONETA's net profit was CZK 4 billion, translating into a Return on Equity of 17.1 per cent, or CZK 7.8 per share.

BALANCE SHEET AND CLIENT BASE

The balance sheet reached CZK 449 billion as at 30 September 2023, up 20.9 per cent year-on-year. The balance sheet expansion results from core customer deposit growth of 22.7 per cent to CZK 393 billion. Retail deposits grew by 22.3 per cent and commercial deposits rose by 23.9 per cent. In both segments, the growth was concentrated around savings products.

The total gross performing loan portfolio was stable during the period under review. The retail portfolio decreased by 2.5 per cent to CZK 181.6 billion, predominantly due to a slowdown in mortgage lending. The commercial portfolio increased by 5.3 per cent to CZK 89 billion, driven through the distribution of small business-related lending products. MONETA also utilised several opportunities to support clients through working capital financing and the financing of certain investments.

MONETA continues to report lower new lending volumes across all segments due to subdued demand, a prudent approach to underwriting new loans, and higher interest rates. New mortgage lending volumes fell by 70.1 per cent year-on-year, in line with the entire mortgage market. New consumer unsecured lending also decreased by 16 per cent and new commercial lending was down by 26.8 per cent year-on-year.

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Client base continued to expand to 1.6 million clients when MONETA attracted 154 thousand new clients year-on-year.

CAPITAL POSITION

MONETA's capital position remains robust, with regulatory capital at CZK 34 billion and a total capital adequacy ratio of 19.9 per cent, which exceeds the current capital target of 16.1 per cent. Tier 1 ratio stood at 15.5 per cent with an excess capital of 2.3 per cent, or CZK 4 billion, representing CZK 7.8 per share. Separate from the excess capital, MONETA maintains a dividend accrual of 80 per cent of consolidated net profit, which stood at CZK 3.2 billion at the end of the third quarter.

Minimum requirement for capital and eligible liabilities (MREL) stands at 20.6 per cent (including the management buffer), which is comfortably covered by the MREL ratio at 23.8 per cent as of 30 September 2023.

In October 2023, the Czech National Bank (CNB) updated the capital requirement for 2024 following its Supervisory Review and Evaluation Process (SREP). Based on the SREP, the CNB reduced MONETA's capital requirement by 30 bps. MONETA's total capital management target will therefore decline from 16.1 to 15.8 per cent effective from 1 January 2024.

LIQUIDITY POSITION

MONETA continues to maintain a robust and improving liquidity position. The balance of high-quality liquid assets more than doubled over the past 12 months to stand at CZK 143 billion. The Liquidity Coverage Ratio stood at 312 per cent at 30 September 2023, comfortably above the regulatory limit of 100 per cent.

Liquidity was further underpinned by the CNB's approval of MONETA's updated bond programme, which allows MONETA to issue mortgage-backed bonds. These bonds can serve as collateral with the CNB against which MONETA can draw liquidity in the amount of CZK 70 billion from the central bank should the need arise. This additional capacity would, if fully drawn, increase the balance of high-quality liquid assets to CZK 210 billion, representing more than 50 per cent of core customer deposits. In September, MONETA issued such bonds on its own book in the amount of CZK 15 billion with the possibility of an immediate increase to CZK 90 billion.

DIGITAL CAPABILITIES

MONETA's number of digital users continues to grow. The award-winning Smart Banka mobile application is now used by more than 1 million clients, up 43.4 per cent year-on-year.

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Concerning digital platform security, MONETA is moving away from authorisation via SMS confirmation codes sent to clients. This is based on the last 12 months' experience, with 95 per cent of all cyber-attacks involved stolen SMS confirmation codes. MONETA has therefore introduced a more secure method that came into effect 1 October 2023.

The shares of digital originations during the first nine months of the year were 48 per cent for consumer loans and 32 per cent for small business loans. In the same period, online origination for retail current deposits and for retail savings products, was 43 per cent and 58 per cent respectively.

MARKET OUTLOOK

MONETA seeks to deliver 2023 net profit of CZK 5 billion, or CZK 300 million above the guidance published on 27 July 2023.

Market guidance published on 27 July 2023

Metrics	2023	2024	2025	2026	2027	Cumulative
Total operating income (CZK bn)	≥12.0	≥12.8	≥13.1	≥13.5	≥14.0	65.4
Total operating expenses (CZK bn)	≤5.7	≤5.8	≤5.9	≤6.0	≤6.1	29.5
Operating profit (CZK bn)	≥6.3	≥7.0	≥7.2	≥7.5	≥7.9	35.9
Cost of risk (bps)	15-35	30-50	35-55	35-55	35-55	n/a
Effective tax rate (%)	~16.0	~16.5	~16.5	~16.5	~16.5	n/a
Net profit (CZK bn)	≥4.7	≥4.8	≥5.0	≥5.3	≥5.6	≥25.4
Earnings per share (CZK)	≥9.2	≥9.4	≥9.8	≥10.4	≥11.0	≥49.8
Return on Tangible Equity (RoTE, %)	≥16.0	≥16.0	≥16.0	≥16.0	≥16.0	n/a

Commenting on MONETA's financial results for the first nine months of 2023, Tomáš Spurný, Chief Executive Officer and Chairman of the Management Board of MONETA, said:

“Despite very challenging environment, I am pleased to report both, strong quarterly results, and good performance year-to-date. I am also pleased that our strategy to increase level of deposits has been successful and we are also able to maintain our cost discipline. In addition, so far, our concerns over deteriorating quality of assets have not materialised and we were able to successfully execute non-performing assets disposals. I am grateful to all my colleagues. Well done!”

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MONETA 3Q 2023 Earnings call will be held on 26 October 2023 at 10am CET. Information how to register for the call can be found on investor web pages at <https://investors.moneta.cz/financial-results>.

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GROSS PERFORMING LOAN PORTFOLIO AS OF 30 SEPTEMBER 2023

CZK bn	30/09/2023	30/09/2022	% change
Mortgage loans	129.2	132.6	(2.5%)
Consumer lending	47.4	48.6	(2.5%)
Auto loans	2.5	2.5	0.7%
Credit cards and overdrafts	2.4	2.4	(0.8%)
Retail Total	181.6	186.1	(2.5%)
Investment loans	46.2	46.5	(0.6%)
Working capital loans	19.0	14.7	29.7%
Small business loans	13.3	12.3	8.3%
Auto loans	7.4	6.6	12.0%
Commercial leases	2.5	3.9	(36.0%)
Commercial total	88.5	84.0	5.3%
Total gross performing loan portfolio	270.1	270.2	0.0%

FUNDING BASE AS OF 30 SEPTEMBER 2023

CZK bn	30/09/2023	30/09/2022	% change
Retail core customer deposits	298.1	243.8	22.3%
Commercial core customer deposits	94.5	76.2	23.9%
Core customer deposits total	392.6	320.0	22.7%
Subordinated deposits	2.9	-	n/a
Issued securities	8.4	8.7	(4.0%)
Due to banks and other ¹	4.9	2.1	132.4%
Wholesale total	16.2	10.9	49.3%
Total funding base	408.8	330.9	23.5%

OPERATING PLATFORM AS OF 30 SEPTEMBER 2023

	30/09/2023	30/09/2022	% change
Number of branches	140	154	(9.1%)
Number of ATMs ²	2,009	1,415	42.0%
Number of clients (million)	1.6	1.5	3.0%

¹ Excluding opportunistic repo operations and CSA.

² Shared ATM network including 566 MONETA's ATMs, 817 KB ATMs, 368 Air Bank ATMs and 258 UniCredit Bank ATMs as of 30 September 2023 and 552 MONETA's ATMs and 863 KB ATMs as of 30 September 2022.

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FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2023

Consolidated unaudited statement of profit or loss for the period ended 30 September 2023

CZK m	3Q 2023 YTD	3Q 2022 YTD	% change
Interest and similar income	15,998	11,057	44.7%
Interest expense and similar charges	(9,602)	(3,849)	149.5%
Net interest income	6,396	7,208	(11.3%)
Fee and commission income	2,395	1,979	21.0%
Fee and commission expense	(434)	(375)	15.7%
Net fee and commission income	1,961	1,604	22.3%
Dividend income	2	3	(33.3%)
Net income from financial operations	649	223	191.0%
Other operating income	44	74	(40.5%)
Total operating income	9,052	9,112	(0.7%)
Personnel expenses	(1,766)	(1,854)	(4.7%)
Administrative expenses	(1,147)	(1,094)	4.8%
Depreciation and amortisation	(939)	(934)	0.5%
Regulatory charges	(307)	(229)	34.1%
Other operating expenses	(34)	(40)	(15.0%)
Total operating expenses	(4,193)	(4,151)	1.0%
Profit for the period before tax and net impairment of financial assets	4,859	4,961	(2.1%)
Net impairment of financial assets	(172)	126	n/a
Profit for the period before tax	4,687	5,087	(7.9%)
Taxes on income	(715)	(964)	(25.8%)
Profit for the period after tax	3,972	4,123	(3.7%)

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Consolidated unaudited statement of financial position as of 30 September 2023

CZK m	30/09/2023	30/09/2022	% change
Cash and balances with the central bank	13,365	10,035	33.2%
Derivative financial instruments with positive value	690	768	(10.2%)
Investment securities	88,056	53,808	63.6%
Hedging derivatives with positive fair values	3,991	5,380	(25.8%)
Change in fair value of items hedged on portfolio basis	(989)	(2,484)	(60.2%)
Loans and receivables to banks	68,120	28,495	139.1%
Loans and receivables to customers	268,987	268,766	0.1%
Intangible assets	3,252	3,315	(1.9%)
Property and equipment	2,443	2,297	6.4%
Investments in subsidiaries and associates	2	2	0.0%
Current tax assets	33	14	135.7%
Other assets	1,113	940	18.4%
Total Assets	449,063	371,336	20.9%
Due to banks	7,379	6,569	12.3%
Due to customers	393,012	320,610	22.6%
Derivative financial instruments with negative value	674	747	(9.8%)
Hedging derivatives with negative fair values	1,502	934	60.8%
Change in fair value of items hedged on portfolio basis	(113)	(595)	(81.0%)
Issued bonds	3,740	4,096	(8.7%)
Subordinated liabilities	7,561	4,645	62.8%
Provisions	308	267	15.4%
Current tax liability	146	490	(70.2%)
Deferred tax liability	418	406	3.0%
Other liabilities	3,461	3,140	10.2%
Total Liabilities	418,088	341,309	22.5%
Share capital	10,220	10,220	0.0%
Statutory reserve	102	102	0.0%
Other reserves	1	1	0.0%
Retained earnings	20,652	19,704	4.8%
Total Equity	30,975	30,027	3.2%
Total Liabilities & Equity	449,063	371,336	20.9%