

# **MONETA Money Bank, a.s.**

**Consolidated financial report as of and for the six  
months ended 30 June 2018**

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# 1 Disclaimer

## Forward-looking statements

This report may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to, *inter alia*, the 2018 financial guidance, profitability, costs, assets, capital position, financial condition, results of operations, dividend and business (together, “forward-looking statements”) of MONETA Money Bank, a.s. and its consolidated subsidiaries (the “Bank” and the “Group”).

Any forward-looking statements involve material assumptions and subjective judgements which may or may not prove to be correct and there can be no assurance that any of the matters set out in forward looking statements will actually occur or will be realized or are complete or accurate. The assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors. Any forward-looking statement contained in this report is made as at the date of this report. The Bank does not assume, and hereby disclaims, any obligation or duty to update forward-looking statements if circumstances or management’s assumptions beliefs, expectations or opinions should change, unless it would be required to do so under applicable law or regulation. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

## Material assumptions for forward-looking statements

A number of economic, market, operational and regulatory assumptions were made by the Bank in preparing its forward looking guidance

Positive macroeconomic outlook will persist in the medium term<sup>1</sup>:

- 3M PRIBOR assumed to gradually increase and reach 2.8%<sup>2</sup> in 4Q 2019
- Consumer loan market portfolio Yield expected to bottom out at around 8%
- 2018 Effective Tax Rate to be reduced by the impact of IFRS 9 one-time charge
- Cost of Risk assumptions:
  - 15 – 20% higher allowance level under IFRS 9
  - 2018 supported by significant gain from legacy NPL monetization
  - Contingency for potential large commercial default
  - Cost of Risk likely to bottom out during 2018
- Flat operating cost impacted by 10% - 15% productivity improvement over next 3 years, offset by increased depreciation and amortization charges of additional investments

## Third parties’ data

Certain industry and market information in this report has been obtained by the Bank from third party sources. This report has been prepared by the Bank. The Bank has not independently verified such information and the Bank does not provide any assurance as to the accuracy, fairness or completeness of such information or opinions contained in this report.

<sup>1</sup> Assumptions used in the Initial 2018 & Medium term guidance published on 7 February 2018.

<sup>2</sup> CNB forecast from 4Q 2017 ([http://www.cnb.cz/cs/menova\\_politika/zpravy\\_o\\_inflaci/2017/2017\\_IV/download/ZOI\\_IV\\_2017\\_T\\_1\\_Makroindikatory.xlsx](http://www.cnb.cz/cs/menova_politika/zpravy_o_inflaci/2017/2017_IV/download/ZOI_IV_2017_T_1_Makroindikatory.xlsx)).

## 2 Letter from the CEO

It gives me pleasure to announce that in the first six months of 2018 MONETA delivered consolidated net profit of CZK 2.1 billion and is targeting to achieve net profit of CZK 3.7 billion for the full year 2018. This was another period of strong performance in both retail and commercial lending. The commercial success resulted in annualized Reported Return on Tangible Equity of 19.6% for the half year ended 30 June 2018.

The pressures we have seen on our net interest income eased somewhat as the benefits of higher interest rates began to flow through, moreover it was also supported by successful lending growth and we generated net interest income of CZK 1,783 million in second quarter<sup>3</sup>. This confirms our expectation to return net interest income to growth path at the end of the year. We also decelerated fee and commission income decrease through our sale of third party products – achieving a 14.5% year-on-year increase in commission income to CZK 270 million.

We are efficiently managing operating costs despite the wage inflation and increase in our investments into IT and digital capabilities, resulting in flat year-on-year base and amounting to CZK 2,370 million in the first half of 2018.

Our profit was positively impacted by the extraordinary gain of CZK 648 million on sale of legacy non-performing portfolio recognized in Cost of Risk.

The Group made real progress in the development of our digital offering to our customers supporting strong lending results achieving gross performing loans year-to-date growth of 7.7% to CZK 131.9 billion as at 30 June 2018.

### Retail Segment

Our retail lending segment continued to show strong growth with lending up 10.1% compared to 31 December 2017. This was driven particularly by mortgages, where we enjoyed a 23.6% increase in gross performing balance, due to tremendous success with production, higher by 82.5% year-on-year. Another driver of progress in retail franchise is auto lending, which grew by 5.4%, and consumer lending, where we enjoyed a 4.9% rise in gross performing loan balance compared to year end.

It was also supported by the strength of our digital offer for customers, with 30% of our new consumer lending originated online, compared to 15% in the first half of 2017, and 7.3% of consumer loan production being done exclusively online.

On the deposit side, we managed to attract new customer retail deposits and grew by 8.5% year to date.

### Commercial Segment

Our commercial lending segment continued to show strong growth up 5.3% in the first half of 2018, with particular strength in small business lending where gross performing



balance grew by CZK 0.9 billion. With rapid build-up in small business instalment lending new production increased by 57.7% year-on-year. This is particularly pleasing as it is one of our key strategic priorities. Coupled with that, we are able to serve small businesses very efficiently through our digital tools, with 23% of our new commercial lending originated online, up from 12% in the first half of 2017, and 5.4% of our small business loan volumes executed completely online.

### Digital Strategy Momentum

Another key strategic pillar is our focus on executing digital strategy. We saw a 67.9% year-on-year increase in our registered users in our Smart Banka platform, reaching 228,000 as at 30 June 2018. Smart Banka saw nearly 3 million transactions in the first half of 2018 and accounted for a 15.4% share of all the bank's payment transactions during the period. I am proud that we have been recognised by Zlata koruna 2018 as the best finance mobile platform.

As we continue to develop our offering, we have also added to an "Open banking" capability which allows clients of our four major competitors to view their accounts within Smart Banka.

In early July 2018, MONETA has tested and successfully launched its brand new, responsive and user-friendly web platform [www.moneta.cz](http://www.moneta.cz).

We are ambitious, though, and believe in the great potential of these new tools offering to serve our customers better and to attract new ones to the Bank.

### Risk Management

The Group has been able to improve its Cost of Risk further in the first half of 2018 leading to a positive result of CZK 151 million as we have continued to reduce our legacy NPL exposure, achieving a CZK 648 million gain from selling down more of our legacy non-performing portfolio. This is

<sup>3</sup> Excluding opportunistic repo operations.

both prudent and efficient for us to do and it is something we will look to continue where opportunity arises.

### **Capital Management**

The Group continues to retain a strong capital position to support our further lending growth and investments with a capital adequacy ratio of 16.0% as of 30 June 2018. We are expecting to approach 15.5% capital adequacy ratio by the end of 2018.

### **Outlook**

We are confident in the benefits our actions are delivering for the Group, customers and shareholders. As a result, we are increasing our guidance across a number of our KPIs, including an uplift of CZK 300 million to our initial net profit guidance for the full year 2018, taking it to more than CZK 3.7 billion.

Tomáš Spurný

CEO and Chairman of the Management Board of MONETA Money Bank, a.s.

### 3 Key performance indicators

	Six months ended 30 Jun 2018	Year ended 31 Dec 2017	Change
<b>Profitability</b>			
Yield (% Avg. Net Customer Loans)	5.6 %	6.3 %	(70) bps
Cost of Funds (% Avg Deposits) <sup>4</sup>	0.20 %	0.15 %	5 bps
NIM (% Avg Int Earning Assets) <sup>5</sup>	3.8 %	4.3 %	(50) bps
Cost of Risk (% Avg Net Customer Loans)	(0.24 %)	0.32 %	(56) bps
Risk-adj. Yield (% Avg Net Customer Loans)	5.8 %	6.0 %	(20) bps
Net Fee & Commission Income / Operating Income (%)	19.0 %	18.7 %	30 bps
Net Non-Interest Income / Operating Income (%)	25.0 %	28.7 %	(370) bps
Reported RoTE	19.6 %	16.0 %	360 bps
Adj. RoTE @ 15.5 % CET1 Ratio	20.2 %	17.7 %	250 bps
RoAA <sup>4</sup>	2.2 %	2.2 %	0 bps
<b>Liquidity / Leverage</b>			
Net Loan to Deposit ratio	90.3 %	87.4 %	290 bps
Total Equity / Total Assets <sup>4</sup>	12.4 %	12.9 %	(50) bps
Liquid Assets <sup>4,5</sup> / Total Assets <sup>4</sup>	27.0 %	36.2 %	(920) bps
LCR	161 %	183 %	(2,220) bps
<b>Equity</b>			
Total Equity (CZK m)	23,158	25,763	(10.1) %
Tangible Equity (CZK m)	21,590	24,462	(11.7) %
<b>Capital Adequacy</b>			
RWA Density <sup>6</sup>	53.3 %	46.3 %	695 bps
CET1 ratio (%)	16.0 %	17.4 %	(140) bps
Tier 1 ratio (%)	16.0 %	17.4 %	(140) bps
<b>Asset Quality</b>			
Non Performing Loan Ratio (%)	3.3 %	4.1 %	(80) bps
NPL Ratio Retail (%)	4.1 %	5.6 %	(150) bps
NPL Ratio Commercial (%)	2.3 %	2.6 %	(30) bps
Core Non Performing Loan Coverage (%)	61.5 %	64.1 %	(260) bps
Core NPL Coverage Retail (%)	62.8 %	67.4 %	(460) bps
Core NPL Coverage Commercial (%)	58.9 %	56.7 %	220 bps
Total NPL Coverage (%)	93.4 %	77.0 %	1,640 bps
<b>Efficiency</b>			
Cost to Income Ratio	49.7 %	47.9 %	180 bps
FTEs (average)	3,240	3,304	(64)
Branches	203	227	(24)
ATMs	655	668	(13)

All ratios are annualized.

<sup>4</sup> Repo transactions with banks and customers which are closed on back-to-back basis by reverse repo transactions with CNB are included.

<sup>5</sup> Interest earning assets include encumbered assets of CZK 10.3 bn in liquid assets and CZK 3.3 bn in Loans to customers.

<sup>6</sup> RWA density ratio recalculated to be in line with BIS Working Papers: Leverage and Risk Weighted Capital Requirements. New methodology applied since June 2018.

## 4 Macroeconomic environment

In the first quarter of 2018, the Czech economy decelerated from the very high growth rates observed in previous quarters. On the other hand, the first quarter of 2018 year-on-year GDP growth amounted to very solid 4.2%<sup>7</sup>, especially in comparison with other countries of the European Union. The key supporting factors were household consumption and the corporate investment activity. International trade contributed to the performance of the Czech economy negatively as the growth of imports outweighed the growth of exports, probably due to currency movements and weaker external demand. Domestic demand remained robust as the retail trade grew by 5.0% year-on-year in May 2018<sup>8</sup>. The financial situation of households is further supported by decreasing unemployment, which reached 2.9% at the end of the second quarter of 2018<sup>9</sup>.

The Czech National Bank (CNB) monetary policy stayed on the track of the new interest rate cycle and monetary tightening. Most recently, the main monetary policy interest rate grew by additional 25 basis points to 1.25% in early August 2018, mainly due to the three following reasons. First, the dynamics of wage development exceeded the CNB expectation, which might impose intrinsic inflationary pressures. Second, CZK exchange rates remained weaker compared to the gradual appreciation projected by the CNB. Finally, besides the mentioned inflationary pressures, the headline inflation was already 60bps<sup>10</sup> above the monetary policy target at the end of June. In addition to the three hikes observed in the first half of 2018, the CNB is expected to continue in tightening of monetary conditions with an estimated gradual increase of the key interest rate to 2.5% before the end of 2020<sup>11</sup>.

The slowdown of the Czech economic growth is limited by several factors, among others also by the domestic labor market. In the second quarter of 2018 the extremely low unemployment rate decreased further and additionally, as reported by the Czech Labor Office, the stock of currently offered job vacancies was higher than the stock of unemployed persons<sup>12</sup>. The lack of labor force accelerated the wage growth to 8.3% year-on-year in the first quarter of 2018 in nominal terms<sup>13</sup>.

The risks for the future economic growth increased in the second quarter of 2018, mainly due to the uncertainty about the future development in international trade.

The start of the new interest rate cycle and good economic performance helped to stabilize the market operating income, which slightly increased by 0.3% year-on-year in the first quarter of 2018<sup>14</sup>. Interest income continued to accelerate its growth and reached a 11.3% increase year-on-year in the first quarter of 2018<sup>14</sup>, while non-interest income continued in decline (by 16.1% year-on-year)<sup>14</sup>.

Operating expenses grew by 0.4% year-on-year, whilst Cost of Risk dropped by 60.9% year-on-year<sup>14</sup>. The banking industry net income decreased by 2.1% in the first quarter of 2018<sup>14</sup>.

The industry total net assets grew by 4.1% year-on-year in the first quarter of 2018, driven partly by an increase in loans to customers (by 5.3% year-on-year)<sup>14</sup>. The growth of customer receivables remained above 4%<sup>14</sup> in the same quarter and accelerated in the segment of households, which confirms that strong credit demand persists. The stock of nonperforming loans continued to decrease and shrank by 20.8% year-on-year with the NPL Ratio decreasing to 3.7%<sup>14</sup>.

The overall profitability of the banking sector, measured by ROE, decreased to 16% in the first quarter of 2018<sup>14</sup> as the Tier 1 capital growth (5.4% year-on-year)<sup>14</sup> outweighed the development in net income. The common equity Tier 1 (CET1) ratio improved year-on-year and reached 17.6% in the first quarter of 2018<sup>14</sup>. The excess total capital grew to CZK 268 billion, from CZK 250 billion in the first quarter of 2017<sup>14</sup>. Thus, the lending capacity of banks remains more than sufficient to finance the potential future economic expansion.

<sup>7</sup> Source: Czech Statistical Office, Quarterly Sector Accounts – 1 quarter of 2018.

<sup>8</sup> Source: Czech Statistical Office, Retail trade – May 2018.

<sup>9</sup> Source: Ministry of Labor and Social Affairs, unemployment statistics.

<sup>10</sup> Source: Czech Statistical Office, Consumer price indices - inflation - June 2018.

<sup>11</sup> Czech National Bank, August 2018 macroeconomic forecast.

<sup>12</sup> Source: Ministry of Labor and Social Affairs unemployment statistics.

<sup>13</sup> Source: Czech Statistical Office, Average wages - 1. quarter of 2018.

<sup>14</sup> Source: Czech National Bank, ARAD.

## 5 Group performance

### 5.1 Business performance

The Group generated consolidated net profit of CZK 2,121 million in the first half of 2018, supported by an extraordinary gain of CZK 648 million on sale of legacy NPLs realized in the first half of 2018.

Solid New Production across both commercial and retail segments supported the Group's gross performing loans year-to-date growth of 7.7% to CZK 131.9 billion as at 30 June 2018.

The retail gross performing loan balance increased by 10.1% when compared to 31 December 2017, standing at CZK 67.4 billion as at 30 June 2018. Majority of this growth was driven by a continuing increase in New Production of mortgage loans, higher by 82.5% year-on-year, which drove balances up by 23.6% during the six months ended 30 June 2018. The consumer loans balance grew by 4.9% in the first six months of 2018 to CZK 36.1 billion, because of improved attrition and solid New Production. MONETA Auto retail loans recorded balance growth of 5.4% since 31 December 2017. However, the decline in outstanding credit card and overdraft balances continued in the first half of 2018 – falling by 9.7% compared to 31 December 2017.

The commercial gross performing loan balance stood at CZK 64.5 billion as at 30 June 2018, an increase of 5.3% from the 31 December 2017 balance. Small business instalment lending New Production grew by 57.7% year-on-year, driving balances up 38.7% year-to-date to CZK 3.1 billion as at 30 June 2018. This was achieved through an expanded physical and digital distribution network. The investment loan balance grew by 3.8% to CZK 35.7 billion as at 30 June 2018 and the working capital balance increased by 11.4% to CZK 10.3 billion when compared to 31 December 2017. The combined balance of MONETA Auto commercial portfolio and MONETA Leasing remained flat at CZK 14.8 billion compared to 31 December 2017, with an increase in MONETA Auto commercial lending being offset by a decline in MONETA Leasing portfolio.

The Group's customer deposits continued their gradual growth, demonstrating an increase in both retail and commercial segments and stood at CZK 139.4 billion (excluding CZK 7.0 billion of repo transactions) as at 30 June 2018, increasing 5.6% from CZK 132.0 billion (excluding CZK 9.4 billion of repo transactions) as at 31 December 2017. Across both segments, balance growth came primarily from current and saving accounts. As the cost of these deposits stayed flat at 0.17%, the Group's overall Cost of Funding (including all due to banks and customers) remained low at 0.20% despite the increasing

interest rate environment. The Loan to Deposit Ratio ended at 90.3%.

The due to banks balance remained significantly lower compared to 31 December 2017 and stood at CZK 14.1 billion as at 30 June 2018. The decrease was driven by net outflow of opportunistic repo operations.

The Group retains a highly liquid position, despite the significantly lower volume of opportunistic externally funded repo operations, compared to last quarter of 2017. The Liquidity Coverage Ratio (LCR) stood at 160.7%, with liquid assets primarily consisting of CZK 21.3 billion in reverse repo operations with CNB and investments into Czech government bonds of CZK 21.0 billion (including CZK 10.0 billion of encumbered assets)<sup>15</sup>. The LCR kept safe above regulatory limit, ending at 160.7% as at 30 June 2018 and confirming excellent liquidity position.

### 5.2 Financial performance

The Group's Net Interest Margin declined to 3.8% in the first six months ended 30 June 2018, from 4.3% for the year ended 31 December 2017. The Yield on loan portfolio declined to 5.6% in the first half of 2018, compared to 6.3% for the year 2017. This was majorly a result of retail Yield decline driven by growth of mortgage franchise, while commercial Yield remained relatively stable.

Net fee and commission income of CZK 905 million for the six months ended 30 June 2018 declined by 1.4% year-on-year. This drop was in line with trends observed in 2017, namely a continued decline in loan servicing fees driven by the run-off of the fee-earning portfolio and deposit servicing fees because of the switch to free current accounts as experienced in prior years. This decline is partially offset by higher transactional fees and third-party income for distributing insurance and investment funds, where the Group achieved year-on-year income growth of CZK 34 million, or 14.5%.

Net income from financial operations amounted to CZK 186 million in the first half of 2018 compared to CZK 516 million in the same period of 2017. The decline was driven by an extraordinary gain on sale of bonds portfolio of CZK 343 million realized in the first half of 2017.

Operating expenses for the first half of 2018 amounted to CZK 2,370 million, up 3.1% year-on-year. The Group incurred CZK 1,172 million of personnel expenses, remaining flat compared to the same period last year. Administrative and other operating expenses reached CZK 930 million, with a 2.5% year-on-year decrease. The saving from no MSA/TSA charges (CZK 47 million) and no IT separation costs (CZK 35 million) in 2018 and lower

<sup>15</sup>Total balance of encumbered assets included in the Consolidated Statement of Financial Position amounts to CZK 13.6 billion of which CZK 10.0 billion relates to Czech government bonds



contribution to Deposit insurance fund and Resolution and recovery fund (CZK 10 million) was partly offset by lower solicitors liability release (CZK 59 million lower year-on-year). Depreciation and amortization expenses increased by 57.6% to CZK 268 million, where the key driver was higher amortization due to investments into IT separation and Digital. The balance of Intangible assets grew 65.4% year-on-year.

Net impairment of financial assets resulted in a net gain of CZK 151 million (pre-tax) for the six months ended 30 June 2018, driven by a gain on sale of legacy NPLs of CZK 648 million. The Core Cost of Risk, excluding the impact of legacy NPL sale, amounted to 78 bps compared to Core Cost of Risk of 59 bps for the full year of 2017.

As a result, the consolidated net profit for the first six months of 2018 was CZK 2,121 million. Annualized Reported RoTE for the half year ended 30 June 2018 increased to 19.6% from 16.0% for the year ended 31 December 2017.

A continued low rate of NPL formation complemented by proactive NPL management resulted in a reduction of the Group NPL Ratio to 3.3% as at 30 June 2018 from 4.1% as at 31 December 2017. The overall Total NPL Coverage stood at 93.4% as at 30 June 2018 (compared to 77.0% at 31 December 2017), following IFRS 9 implementation.

The CET1 Ratio decreased to 16.0%<sup>16</sup> as at 30 June 2018 against 17.4% as at 31 December 2017, driven by the 2017 dividend distribution, IFRS 9 capital reduction and by loan balance growth, partly offset by positive impact of RWA optimization. The CET1 Ratio is gradually reaching the medium-term target of 15.5%.

### 5.3 Outlook for 2018 and risks

The outlook for the economic development for the next quarters remains optimistic. The August macroeconomic forecast by the Czech National Bank predicts a 3.2% GDP growth in 2018<sup>17</sup>, followed by 3.4% growth in 2019. The economy should be supported mainly by domestic demand. The unemployment should decrease further, however, given the current very low level, the wage growth pressures will persist and constitute a risk for the future growth of productivity.

Interest rates are assumed to continue in their gradual increase by approximately 125bps by the end of 2020<sup>17</sup>. This, together with recommendations of CNB aimed at limitation of mortgage lending and real estate price growth, may result in the slowdown of lending activity. On the other hand, the credit appetite, supported by continuously positive financial condition of Czech households and companies, indicate that the growth in lending volumes should still outperform the economic growth of the country.

The positive economic development is visible in all areas of economic activity. Consumption and investment capacity of domestic households and companies increase, which is offset among others in inflation. The growth of deposit balances should continue as disposable income of households increases with growing wages and decreasing unemployment.

The Group delivered CZK 2.1 billion of net profit in the first six months of 2018, which constitutes year-on-year decrease of 3.4% caused primarily by one-off bond sale impact in 2017. Based on the positive results of the first half of 2018, the Group is targeting to achieve consolidated net profit of at least CZK 3.7 billion for the whole year 2018, compared to initial guidance of CZK 3.4 billion.

Operating income is down by 10.1% year-on-year to CZK 4.8 billion, driven by lower income across all categories. Nevertheless, the Group is increasing the full-year target operating income to CZK 9.7 billion at least, compared to CZK 9.5 billion in the initial 2018 guidance, amid the reversal in quarterly net interest income trend.

Operating expenses reached CZK 2.4 billion with the Cost to Income Ratio at 49.7%. The Group remains on track to maintain the full-year cost base at CZK 4.9 billion as communicated in the initial guidance.

The Cost of Risk totalled (24)bps in the first half of the year, as it was positively impacted by legacy NPL sales and improving asset quality. Given these results, we are further improving full-year 2018 guidance on the Cost of Risk to between 20-30bps on reported basis, compared to 45-55bps in the initial guidance.

The Group is exposed to standard risks and uncertainties which have already been disclosed in the prospectus of the Bank relating to public offering and the listing of the Bank's shares on Prague Stock Exchange (IPO). A non-exhaustive list of risks, to which the Group continues to be exposed, is set out below:

- Risk of unfavorable development in the economic environment which may result in a fall in demand for credit products offered principally to individuals and SMEs, as well as greater credit risk.
- Risk that despite the mitigating steps implemented by management the staff attrition at the MONETA Leasing platform would further materially impact the commercial performance.
- Interest rate risk, particularly on the negative rate side.
- Changes in the legal environment, including consumer protection laws.
- Changes in the regulatory environment, including capital and liquidity requirements.

<sup>16</sup> Does not include net profit for 1H 2018, and is subject to corporate, regulatory and regulator's limitations.

<sup>17</sup> Source: Czech National Bank, August 2018 macroeconomic forecast

- Unsettled court and administrative proceedings particularly as described under paragraph 9.15.

## 6 Basic information about MONETA Money Bank, a.s.

BASIC DETAIL ABOUT MONETA	
Name	MONETA Money Bank, a.s.
Registered Office	Vyskočilova 1422/1a, 140 28 Praha 4 – Michle
Company ID	25672720
Legal form	Joint stock company
Date of registration	9 June 1998
Registered share capital	511,000,000
Paid up	100%

Branches, ATMs and employees:

Number of branches as at 30 June 2018: 203  
and 31 December 2017: 227

Number of ATMs as at 30 June 2018: 655 and  
31 December 2017: 668

Number of employees (FTEs) in the first six months  
ended 30 June 2018 was 3,240 (decrease of 64  
compared to the year end 2017)

Business activities:

The Bank and its consolidated subsidiaries (the “Group”) operate in the Czech Republic and focuses primarily on secured and unsecured consumer lending and commercial financing.

The retail portfolio consists of secured and unsecured lending. Unsecured lending products include consumer and auto loans, credit cards and personal overdrafts. Secured lending is provided in the form of mortgages and finance leases.

Commercial lending products comprise of working capital, investment loans, finance and operating leases, auto loans, financing of small business and entrepreneurs, providing guarantees, letters of credit and foreign exchange transactions.

The Group provides a wide range of deposit and transactional products to retail and commercial customers. The Group also issues debit and credit cards in cooperation with VISA and MasterCard. In addition, the Group intermediates additional payment protection insurance which covers the customer’s monthly loan payment in the event of unemployment, accident or sickness. The Group also acts as the intermediary to provide its customers with other insurance and investment products.

Ownership structure:

The latest available list of shareholders holding, according to the registry of the shareholders administered by the Central Securities Depository Prague, more than 1% of the shares is available in the investor relations section of the Bank’s website at <https://investors.moneta.cz/shareholder-structure>.

## Bank's Supervisory Board

The Bank's Supervisory board held 4 meetings in the first six months of 2018.

Name	Position	Position held from	Position held to
Maria Luisa Cicognani	Chair of the Supervisory Board	22 May 2017*	24 April 2021**
Miroslav Singer	Vice Chairman of the Supervisory Board	22 May 2017*	24 April 2021**
Michal Petrman	Member of the Supervisory Board	21 April 2016	21 April 2020
Clare Ronald Clarke	Member of the Supervisory Board	21 April 2016	21 April 2020
Denis Arthur Hall	Member of the Supervisory Board	21 April 2016	21 April 2020
Gabriel Eichler	Member of the Supervisory Board	26 October 2017	26 October 2021
Tomáš Pardubický	Member of the Supervisory Board	26 October 2017	26 October 2021

\* Maria Luisa Cicognani and Miroslav Singer were elected by the General Meeting as the members of the Supervisory Board on 24 April 2017.

\*\*Changes occurred after 30 June 2018 are comprised in the chap. 9.20 Subsequent events.

## Bank's Management Board

The Bank's Management Board held 27 meetings in the first six months of 2018.

Name	Position	Position held from	Position held to
Tomáš Spurný	Chairman of the Management Board	1 October 2015	1 October 2019
Philip Holemans	Vice Chairman of the Management Board	20 April 2016*	18 July 2022**
Jan Novotný	Member of the Management Board	16 December 2013	17 December 2021
Carl Normann Vökt	Member of the Management Board	25 January 2013	25 January 2021
Albert Piet van Veen	Member of the Management Board	1 May 2017	1 May 2021

\* Philip Holemans was elected by the Supervisory Board as the member of the Management Board on 17 July 2014.

\*\* In June 2018 the Bank's Supervisory Board approved the prolongation of the term of Philip Holemans for further 4 years, i. e. from 18 July 2018 to 18 July 2022.

## 7 Auditor's review report



### **KPMG Česká republika Audit, s.r.o.**

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## **Independent Auditors' Review Report to the Shareholders of MONETA Money Bank, a.s.**

### *Introduction*

We have reviewed the accompanying 30 June 2018 condensed consolidated interim financial statements of MONETA Money Bank, a.s. ("the Bank"), as set out in sections 8 and 9 of the consolidated financial report of the Bank as of and for the six months ended 30 June 2018, which comprise:

- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2018;
- the condensed consolidated statement of financial position as at 30 June 2018;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2018; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410"). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

### *Other Matter*

Management is responsible for the preparation of the Bank's consolidated financial report as of and for the six months ended 30 June 2018 report for the six-month period ended 30 June 2018 in accordance with the Act No. 256/2004 Coll., as amended ("Zakon o podnikani na kapitalovem trhu" / "The Act on Capital Markets Undertaking"), which includes the condensed consolidated interim financial statements, as set out in sections 8 and 9, and other information, as set out in sections 1-6 and 10-12 of the consolidated financial report ("the other information").

Our conclusion on the condensed consolidated interim financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the condensed consolidated interim financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the condensed consolidated interim financial statements or our knowledge obtained during the review. If, based on the work we have performed, we identify a material inconsistency in the other information, we are required to report this fact.

Prague  
7 August 2018

A handwritten signature in blue ink that reads 'KPMG Česká republika Audit'. The signature is written in a cursive style.

KPMG Česká republika Audit, s.r.o.

## 8 Condensed consolidated interim financial statements for the six months ended 30 June 2018

### 8.1 Condensed consolidated statements of profit or loss and other comprehensive income for the three-month and the six-month periods ended 30 June 2018

CZK m	Note	Quarter ended		Half-year ended	
		30 Jun 18*	30 Jun 17	30 Jun 18 *	30 Jun 17
Interest and similar income		1,874	1,874	3,747	3,813
Interest expense and similar charges		(92)	(50)	(169)	(97)
<b>Net interest income</b>	<b>9.8</b>	<b>1,782</b>	<b>1,824</b>	<b>3,578</b>	<b>3,716</b>
Fee and commission income		550	539	1,069	1,073
Fee and commission expense		(90)	(79)	(164)	(155)
<b>Net fee and commission income</b>	<b>9.9</b>	<b>460</b>	<b>460</b>	<b>905</b>	<b>918</b>
Dividend income		1	0	1	0
Net income from financial operations		101	413	186	516
Other operating income		41	74	100	153
<b>Total operating income</b>		<b>2,385</b>	<b>2,771</b>	<b>4,770</b>	<b>5,303</b>
Personnel expenses		(579)	(612)	(1,172)	(1,174)
Administrative expenses		(358)	(395)	(826)	(920)
Depreciation and amortisation		(141)	(86)	(268)	(170)
Other operating expenses		(37)	(53)	(104)	(34)
<b>Total operating expenses</b>	<b>9.10</b>	<b>(1,115)</b>	<b>(1,146)</b>	<b>(2,370)</b>	<b>(2,298)</b>
Profit for the period before tax and net impairment of financial assets*		1,270	1,625	2,400	3,005
Net impairment of financial assets**	9.18.6	(130)	(181)	151	(261)
Profit for the period before tax		1,140	1,444	2,551	2,744
Taxes on income		(192)	(289)	(430)	(549)
<b>Profit for the period after tax</b>		<b>948</b>	<b>1,155</b>	<b>2,121</b>	<b>2,195</b>
Items that may be reclassified subsequently to profit or loss					
- Change in fair value of AFS investments recognised in OCI		n/a	26	n/a	(230)
- Change in fair value of AFS investments recognised in P&L		n/a	(320)	n/a	(343)
- Deferred tax		n/a	57	n/a	110
Items that will not be reclassified subsequently to profit or loss					
- Change in fair value of equity instruments designated at FVTOCI		0	n/a	0	n/a
- Deferred tax		0	n/a	0	n/a
<b>Other comprehensive income, net of tax</b>		<b>0</b>	<b>(237)</b>	<b>0</b>	<b>(463)</b>
<b>Total comprehensive income attributable to the equity holders</b>		<b>948</b>	<b>918</b>	<b>2,121</b>	<b>1,732</b>
<b>Profit for the year after tax attributable to the equity holders</b>		<b>948</b>	<b>1,155</b>	<b>2,121</b>	<b>2,195</b>
Weighted average of ordinary shares (millions of shares)		511	511	511	511
Basic and Diluted earnings per share (in CZK)		1.9	2.3	4.2	4.3

\* The financial instruments as at 30 June 2018 have been recognized and presented in accordance with IFRS 9; prior period balances have not been restated.

\*\* Impairment of investment securities has been added in 2018 as a result of application of IFRS 9.

## 8.2 Condensed consolidated statement of financial position as at 30 June 2018

CZK m	Note	30 Jun 18*	31 Dec 17
<b>Assets</b>			
Cash and balances with the central bank		7,498	7,127
Derivative financial instruments**	9.19	146	48
Investment securities	9.11	21,013	n/a
Financial assets available for sale	9.11, 9.19	n/a	57
Financial assets held to maturity	9.11, 9.19	n/a	11,723
Hedging derivatives with positive fair values		33	4
Change in fair value of items hedged on portfolio basis		(81)	(6)
Loans and receivables to banks	9.12	21,981	53,380
Loans and receivables to customers	9.13	132,196	123,680
Intangible assets		1,568	1,301
Property and equipment		1,069	871
Investments in associates		3	2
Current tax assets		368	308
Deferred tax assets		217	386
Other assets		816	853
<b>TOTAL ASSETS</b>		<b>186,827</b>	<b>199,734</b>
<b>Liabilities</b>			
Derivative financial instruments**	9.19	51	68
Due to banks	9.14	14,139	29,643
Due to customers	9.14	146,391	141,469
Hedging derivatives with negative fair values		16	4
Provisions		285	364
Current tax liabilities		11	2
Deferred tax liabilities		251	267
Other liabilities		2,525	2,154
<b>Total liabilities</b>		<b>163,669</b>	<b>173,971</b>
<b>Equity</b>			
Share capital		511	511
Share premium		5,028	5,028
Statutory reserve		102	102
Reserve from revaluation of FVTOCI		0	n/a
Available for sale reserve		n/a	(57)
Share based payment reserve		(2)	(2)
Retained earnings		17,519	20,181
<b>Total equity</b>		<b>23,158</b>	<b>25,763</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>186,827</b>	<b>199,734</b>

\* The financial instruments as at 30 June 2018 have been recognized and presented in accordance with IFRS 9; prior period balances have not been restated.

\*\* These lines have been renamed from Financial assets, resp. liabilities, at fair value through profit or loss to "Derivative financial instruments".



### 8.3 Condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018

CZK m	Share capital	Share premium	Statutory reserve	AFS reserve	Reserve from revaluation of FVTOCI	Share based payment reserve	Retained earnings	Total
<b>Balance as reported 31 Dec 17</b>	<b>511</b>	<b>5,028</b>	<b>102</b>	<b>(57)</b>	<b>n/a</b>	<b>(2)</b>	<b>20,181</b>	<b>25,763</b>
<b>Cumulative effect of adopting of IFRS 9</b>				<b>57</b>			<b>(695)</b>	<b>(638)</b>
<b>Restated balance 1 Jan 18</b>	<b>511</b>	<b>5,028</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>19,486</b>	<b>25,125</b>
Transactions with owners of the company								
- Dividends							(4,088)	(4,088)
<b>Total comprehensive income</b>							2,121	2,121
Profit for the year after tax							2,121	2,121
<b>Other comprehensive income after tax</b>								
- Change in fair value of FVTOCI investment securities					0			0
- Deferred tax					0			0
<b>Balance 30 Jun 18</b>	<b>511</b>	<b>5,028</b>	<b>102</b>	<b>n/a</b>	<b>0</b>	<b>(2)</b>	<b>17,519</b>	<b>23,158</b>
<b>Balance 1 Jan 17</b>	<b>511</b>	<b>5,028</b>	<b>102</b>	<b>363</b>	<b>n/a</b>	<b>(2)</b>	<b>21,266</b>	<b>27,268</b>
Transactions with owners of the company								
- Dividends							(5,008)	(5,008)
<b>Total comprehensive income</b>							2,195	2,195
Profit for the year after tax							2,195	2,195
<b>Other comprehensive income after tax</b>								
Change in fair value of AFS assets								
- Change in fair value of AFS investments recognised in OCI				(230)				(230)
- Change in fair value of AFS investments recognised in P&L				(343)				(343)
- Deferred tax				110				110
<b>Balance 30 Jun 17</b>	<b>511</b>	<b>5,028</b>	<b>102</b>	<b>(100)</b>	<b>n/a</b>	<b>(2)</b>	<b>18,453</b>	<b>23,992</b>

#### 8.4 Condensed consolidated statement of cash flows for the six-month period ended 30 June 2018

CZK m	Half-year ended	
	30 Jun 18	30 Jun 17
<b>Cash flows from operating activities</b>		
<b>Profit after tax</b>	<b>2,121</b>	<b>2,195</b>
<i>Adjustments for:</i>		
Depreciation and amortization	268	170
Impairment of tangible and intangible assets	7	4
Net impairment of financial assets	(151)	261
Net gain on sale of available for sale financial assets	n/a	(343)
Amortisation of coupon of financial assets available for sale	n/a	(37)
Net gain on revaluation of investment securities	(10)	n/a
Amortisation of coupon of investment securities	(65)	n/a
Net interest income from hedging derivatives	38	n/a
Net gain/ loss from revaluation of hedging derivatives	71	n/a
Net gain/ loss from revaluation of items hedged on portfolio basis	(75)	n/a
Release of provision for restructuring not recognized in depreciation and amortization	(63)	n/a
Net loss on sale of tangible and intangible assets	3	3
Dividends on investments	1	0
Tax expense	430	549
	<b>2,575</b>	<b>2,802</b>
<b>Changes in:</b>		
Derivative financial instruments (assets)*	(98)	(9)
Loans and receivables to customers	(9,041)	(5,892)
Other assets	24	(171)
Due to banks	(15,504)	4,593
Due to customers	4,922	9,980
Derivative financial instruments (liabilities)*	(17)	32
Other liabilities	366	(461)
	<b>(16,773)</b>	<b>10,874</b>
Income taxes paid	(338)	(482)
<b>Net cash used in operating activities</b>	<b>(17,111)</b>	<b>10,392</b>
<b>Cash flows from investing activities</b>		
Proceeds from financial assets available for sale	n/a	8,204
Acquisition of investment securities	(9,184)	n/a
Proceeds from investment securities	92	n/a
Proceeds from hedging derivatives	15	0
Acquisition of property and equipment and Intangible assets	(753)	(397)
Proceeds from the sale of property and equipment and Intangible assets	0	20
Dividends received	1	0
<b>Net cash used in investing activities</b>	<b>(9,829)</b>	<b>7,827</b>

**Cash flows from financing activities**

Dividends paid	(4,088)	(5,008)
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<b>Net cash used in financing activities</b>	<b>(4,088)</b>	<b>(5,008)</b>
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<b>Net change in cash and cash equivalents</b>	<b>(31,028)</b>	<b>13,211</b>
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<b>Cash and cash equivalents at beginning of period</b>	<b>60,490</b>	<b>20,424</b>
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<b>Cash and cash equivalents at end of period</b>	<b>29,462</b>	<b>33,635</b>
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Interest received**	3,812	4,014
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Interest paid**	(116)	(100)
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\* Lines "Financial assets at fair value through profit and loss" and "Financial liabilities at fair value through profit and loss" disclosed in 4Q 2017 and earlier reports has been renamed to "Derivative financial instruments" since 1 January 2018.

\*\* Lines „Interest received“ and „Interest paid“ represent interest as per contractual rate and are included in cash flows from operating activities.

Foreign exchange gains relating to average balance of cash and cash equivalents in foreign currencies for half-year ended 30 June 2018 are in the amount of CZK 20 million (half-year ended 30 June 17: loss CZK 25 million).

## 9 Notes to condensed consolidated interim financial statements

### 9.1 Reporting entity

MONETA Money Bank, a.s. (the 'Bank') is a company domiciled in the Czech Republic. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2018 comprise the Bank and its consolidated subsidiaries (together referred to as the 'Group').

### 9.2 Basis of preparation and presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. These condensed consolidated interim financial statements have been reviewed by the auditor (see the Auditor's Review Report in chap. 7).

The Group's interim financial statements were authorised for issue by the Management Board on 7 August 2018.

#### *Going Concern*

These condensed consolidated interim financial statements are prepared on a going concern basis, as the Management Board of the Bank are satisfied that the Group have the resources to continue in business for the foreseeable future. In making this assessment, the Directors of the Bank have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

#### *Functional and presentation currency*

These condensed consolidated interim financial statements are presented in Czech Koruna (CZK) which is the functional currency of all Group entities. All amounts have been rounded to the nearest million, except where otherwise indicated.

### 9.3 Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those that applied to the last annual financial statements.

### 9.4 Significant accounting policies

The significant accounting policies used in preparation of these interim financial statements are consistent with those used in the Group's last annual financial statements as at and for the year ended 31 December 2017, except for changes in accounting for financial instruments resulting from the adoption of IFRS 9 Financial instruments ("IFRS 9"). Changes in classification and measurement of financial assets and liabilities due to transition to IFRS 9 including financial impact to the opening balance sheet as at 1 January 2018 are described in the Group's last annual financial statements, note 4.1.

In terms of capital adequacy requirements, the Group has decided not to apply the transitional arrangements specified in Article 473a of Regulation (EU) No 575/2013 for mitigating the impact of the introduction of IFRS 9 and analogous expected credit losses (ECLs), and therefore its own funds, capital and leverage ratios will already reflect the full impact of IFRS 9 and analogous ECLs.

Following chapter comprises description of significant accounting policies related to financial assets and financial liabilities that were influenced by transition to IFRS 9 since 1 January 2018.

#### 9.4.1 Recognition and initial measurement

The Group initially recognises financial assets measured at amortised cost on the date on which they are originated. All other financial instruments are recognised on the trade date which is the date the Group becomes a party to the contractual provisions of the instrument.

All financial instruments are initially measured at fair value plus or minus transaction costs, in case of a financial asset respectively financial liability not at fair value through profit or loss. Financial assets include debt and equity instruments.

#### 9.4.2 Debt instruments

Debt instruments include loans and debt securities. They are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through profit or loss (FVTPL).

Classification is based on the assessment of the business model under which the asset is held and on the assessment of contractual cash flow characteristics of the instrument.

The Group has defined its business models as follows:

- Held to collect (HTC) business model for financial assets acquired with the intention to be held until its maturity and to collect contractual cash flows. Sales, which are insignificant or infrequent, related to management of increased credit risk of the asset, or close to maturity of the financial assets are considered to be consistent with HTC business model.

- Held to collect and sell (HTCS) business model for financial assets acquired with the intention to be held to collect contractual cash flows and to be sold. More frequent sales within this portfolio are expected, mainly for the purpose of managing the Group's liquidity needs.
- Other business model for financial assets neither classified as HTC nor HTCS.

Currently, the Group holds all debt financial assets (securities as well as loans and receivables) within HTC business model.

Contractual cash flow characteristics are assessed by analyzing the contractual features of the financial asset to determine whether they are connected with cash flows consistent with basic lending arrangement, i. e. comprising solely payments of principal and interest from principal amount outstanding ("SPPI test"). Principal is the fair value of financial asset at the initial recognition and it changes due to repayments over the time. Interest represents a consideration for time value of money, profit margin, credit risk and other basic lending risks. If a financial asset does not pass SPPI test it is measured at fair value through profit or loss (FVTPL). Currently the Group does not classify any non-derivative debt instrument in the FVTPL.

#### Debt instruments measured at amortised cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is held to collect (HTC) contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the carrying amount. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Interest income from debt instruments measured at amortised cost is recorded in profit or loss in the line "Interest and similar income".

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses in the statement of financial position.

#### Debt instruments measured at FVTOCI

Debt instruments are measured at FVTOCI if they are held within a business model held to collect and sale (HTCS), where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVTOCI are recorded in other comprehensive Income (OCI). Upon derecognition, realized gains and losses are reclassified from OCI to profit or loss. Currently, the Group does not classify any debt instrument in FVTOCI.

### 9.4.3 Equity instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVTOCI at the initial recognition or at the date of transition to IFRS 9.

For equity instruments measured at FVTPL, changes in fair value are recognized in the profit or loss in the line "Net income from financial operations".

A major part of current equity securities portfolio is classified as FVTPL. For the residual minor part, the Group elected the irrevocable option provided by IFRS 9 to classify it as at the date of transition as FVTOCI. All Gains and losses resulting from FVTOCI equity instruments including when derecognized or sold are recorded in OCI and are not subsequently reclassified to profit or loss. Nevertheless, dividends received from FVTOCI equity instruments are disclosed in the profit or loss in the line "Dividend income".

### 9.4.4 Impairment of financial assets

The Group measures allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments:

- Amortized cost financial assets;
- Debt securities classified as measured at FVTOCI; and
- Undrawn loan commitments.

Financial assets migrate through three stages based on the change in credit risk since initial recognition.

#### Expected credit loss impairment model

The Group's allowance for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – If there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, a loss allowance at an amount equal to 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) is recorded. Interest revenue is recognised using the effective interest rate method applied on the financial asset's gross carrying amount.
- Stage 2 – When a financial instrument experiences an SICR subsequent to origination but is not considered to be in default, a loss allowance at an amount equal to full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument) is recorded. Interest revenue is recognised using the effective interest rate method applied on the financial asset's gross carrying amount.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, a loss allowance at an amount equal to full lifetime expected credit losses is recorded. Interest revenue is recognised using the effective interest rate method applied on the financial asset's net carrying amount.

#### Measurement of expected credit loss

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

#### Presentation of allowance for credit losses (ACL) in the statement of financial position

- Financial assets measured at amortized cost: ACL is deducted from the gross carrying amount of the financial assets;
- Debt instruments measured FVTOCI: no ACL is recognized in the statement of financial position because the carrying value of these assets is their fair value. However, the ACL is presented in the accumulated OCI;
- Off-balance sheet credit risks (esp. lending commitments, guarantees): ACL is recognised within liabilities.

#### Purchased or originated credit-impaired financial assets (POCI)

POCI loans should be included in Stage 3 and are always subject to lifetime allowance for credit losses. According to the analysis provided, the Group does not recognise any POCI financial assets in its portfolio.

### 9.4.5 Hedge accounting

The Group has elected to continue to apply the hedge accounting requirements of IAS 39. The hedge accounting policy is described in note 5.6.7 of the Group's consolidated financial statements in the 2017 Annual Report.

## 9.5 Transition to IFRS 9

Transition to IFRS 9 is described in the in the Group's last annual financial statements (note 4.1) including the opening statement of financial position as at 1 January 2018 where adjustments of each line due to transition to IFRS 9 are disclosed. The Group has made no additional changes related to the transition to IFRS 9 not disclosed in the Group's last annual financial statements.



Following table shows reclassification of financial assets between measurement categories and adjustments in carrying values due to transtion to IFRS 9:

Statement of financial position as at 31 Dec 2017	IAS 39		Transition to IFRS 9		IFRS 9		
	Measurement basis IAS 39	Carrying amount IAS 39	Changes in carrying amounts due to reclassification between measurement categories	Changes in carrying amounts due to IFRS 9 transition	Statement of financial position as at 1 Jan 2017	Measurement basis IFRS 9	Carrying amount IFRS 9
Cash and balances with the central bank	Amortised cost	7,127	0	0	Cash and balances with the central bank	Amortised cost	7,127
Financial assets at fair value through profit or loss	FVTPL	48	0	0	Derivative financial instruments	FVTPL	48
Financial assets available for sale	FVTOCI	57	(9)	0	Investment securities		11,846
	<i>FVTOCI</i>	47	0	0	<i>Investment securities</i>	<i>FVTPL</i>	47
	<i>FVTOCI</i>	1	0	0	<i>Investment securities</i>	<i>FVTOCI</i>	1
	<i>FVTOCI</i>	9	(9)	0	<i>Other assets</i>	<i>Amortised cost</i>	0
Financial assets held to maturity	Amortised cost	11,723	0	75	<i>Investment securities</i>	<i>Amortised cost</i>	11,798
Hedging derivatives with positive fair values	FVTPL	4	0	0	Hedging derivatives with positive fair values	FVTPL	4
Change in fair value of items hedged on portfolio basis	FVTPL	(6)	0	0	Change in fair value of items hedged on portfolio basis	FVTPL	(6)
Loans and receivables to banks	Amortised cost	53,380	0	0	Loans and receivables to banks	Amortised cost	53,380
Loans and receivables to customers	Amortised cost	123,680	0	(676)	Loans and receivables to customers	Amortised cost	123,004
Intangible assets		1,301	0	0	Intangible assets		1,301
Property and equipment		871	0	0	Property and equipment		871
Investments in associates		2	0	0	Investments in associates		2
Current tax assets		308	0	0	Current tax assets		308
Deferred tax assets		386	0	(14)	Deferred tax assets		372
Other assets	Amortised cost	853	9	1	Other assets	Amortised cost	863
<b>Total Assets</b>		<b>199,734</b>	<b>0</b>	<b>(614)</b>			<b>199,120</b>

Due to banks	Amortised cost	29,643	0	0	Due to banks	Amortised cost	29,643
Due to customers	Amortised cost	141,469	0	0	Due to customers	Amortised cost	141,469
Financial liabilities at fair value through profit or loss	FVTPL	68	0	0	Derivative financial instruments	FVTPL	68
Hedging derivatives with negative fair values	FVTPL	4	0	0	Hedging derivatives with negative fair values	FVTPL	4
Provisions		364	0	19	Provisions		383
Current tax liabilities		2	0	0	Current tax liabilities		2
Deferred tax liabilities		267	0	0	Deferred tax liabilities		267
Other liabilities		2,154	0	5	Other liabilities		2,159
<b>Total Liabilities</b>		<b>173,971</b>	<b>0</b>	<b>24</b>			<b>173,995</b>
Share capital		511	0	0	Share capital		511
Share premium		5,028	0	0	Share premium		5,028
Statutory reserve		102	0	0	Statutory reserve		102
Available for sale reserve		(57)	0	57	n/a		n/a
Share based payment reserve		(2)	0	0	Share based payment reserve		(2)
Retained earnings		20,181	0	(695)	Retained earnings		19,486
<b>Total Equity</b>		<b>25,763</b>	<b>0</b>	<b>(638)</b>			<b>25,125</b>
<b>Total Liabilities &amp; Equity</b>		<b>199,734</b>	<b>0</b>	<b>(614)</b>			<b>199,120</b>

## 9.6 Consolidation group

The definition of the consolidation group as at 30 June 2018 has not changed compared to the last annual financial statements.

Apart from the Bank, the Group's companies included into the consolidation group as at 30 June 2018 together with the ownership were as follows:

Name	Registered office	Business activity	The Bank's share	Method of consolidation
MONETA Auto, s.r.o.	Vyskočilova 1422/1a, 140 00 Prague 4	Auto financing (Loans and Leases)	100 %	Full
MONETA Leasing, s.r.o.	Holandská 1006/10, Štýřice, 639 00 Brno	Financing of loans and leasing	100 %	Full
MONETA Leasing Services, s.r.o.	Holandská 1006/10, Štýřice, 639 00 Brno	Lease and rental of movables	100 %	Full
Inkasní Expresní Servis s.r.o.	Vyskočilova 1422/1a, 140 28 Prague 4	Debt recovery services	100 %	Full
CBCB - Czech Banking Credit Bureau, a.s	Na Vítězné pláni 1719/4, 140 00 Prague 4	Banking Credit Register	20 %	Equity

## 9.7 Dividends paid

On 25 April 2018 the General Meeting approved the dividend payment of CZK 8 per share before tax which represented the total amount of CZK 4,088,000,000. The dividend was due on 31 May 2018 and was paid by MONETA Money Bank, a.s. through Komerční banka, a.s., ID number: 453 17 054, with its registered office at Prague 1, Na Příkopě 969/33, Post Code: 114 07, as paying agent, by a transfer to bank accounts of the shareholders listed in the registry of book-entry shares of MONETA Money Bank, a.s. as at 2 May 2018.

## 9.8 Net interest income

CZK m	Quarter ended		Half-year ended	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
Interest income from financial assets measured at amortised cost	1,894	1,860	3,785	3,777
Loans to customers	1,782	1,854	3,582	3,766
- <i>out of which interest income from impaired loans</i>	48	66	100	141
- <i>out of which penalty interest</i>	29	40	53	74
Loans to banks	63	3	130	4
- <i>out of which arising from repurchase and reverse repurchase agreements</i>	62	3	129	3
Cash and deposit with central bank and other banks	6	3	8	7
Interest income from investment securities at amortised cost	43	n/a	65	n/a
Interest income from held to maturity financial assets	n/a	0	n/a	0
Interest from hedging derivatives	(20)	0	(38)	0
Interest income from investment securities at FVTOCI	0	n/a	0	n/a
Interest income from available for sale financial assets	n/a	14	n/a	36
<b>Interest income and similar income</b>	<b>1,874</b>	<b>1,874</b>	<b>3,747</b>	<b>3,813</b>
Interest expense from financial liabilities measured at amortised cost	(92)	(50)	(169)	(97)
Due to banks	(21)	(2)	(34)	(3)
Due to customers	(71)	(48)	(135)	(94)
- <i>out of which arising from repurchase agreements</i>	(12)	0	(21)	0
<b>Interest expense and similar expense</b>	<b>(92)</b>	<b>(50)</b>	<b>(169)</b>	<b>(97)</b>
<b>Net interest income</b>	<b>1,782</b>	<b>1,824</b>	<b>3,578</b>	<b>3,716</b>

## 9.9 Net fee and commission income

CZK m	Quarter ended		Half-year ended	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
Insurance	116	93	215	183
Investment funds	27	32	55	53
Penalty fees (incl. early termination fees)	94	85	192	180
Deposit servicing fees	99	123	203	252
Lending servicing fees	50	54	100	110
Transactional and other fees	164	152	304	295
<b>Fee and commission income</b>	<b>550</b>	<b>539</b>	<b>1,069</b>	<b>1,073</b>
<b>Fee and commission expense</b>	<b>(90)</b>	<b>(79)</b>	<b>(164)</b>	<b>(155)</b>
<b>Net fee and commission income</b>	<b>460</b>	<b>460</b>	<b>905</b>	<b>918</b>

## 9.10 Total operating expenses

CZK m	Quarter ended		Half-year ended	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
Personnel expenses	(579)	(612)	(1,172)	(1,174)
Administrative expenses	(358)	(395)	(826)	(920)
Depreciation and amortisation	(141)	(86)	(268)	(170)
Other operating expenses	(37)	(53)	(104)	(34)
<b>Total operating Expenses</b>	<b>(1,115)</b>	<b>(1,146)</b>	<b>(2,370)</b>	<b>(2,298)</b>
<b>FTEs (average)</b>	<b>3,200</b>	<b>3,320</b>	<b>3,240</b>	<b>3,287</b>

Administrative expenses comprise costs on contribution to the Deposit Insurance Fund for 2018 in the amount of CZK 41 million (2017: CZK 44 million) and to the Resolution and Recovery Fund in the amount of CZK 45 million (2017: CZK 52 million).

## 9.11 Investment securities

CZK m	30 Jun 18**	31 Dec 17*
Debt securities measured at amortised cost	20,954	n/a
Government bonds	20,954	n/a
Held to maturity investment securities	n/a	11,723
Government bonds	n/a	11,723
Equity securities measured at FVTOCI	1	n/a
Equity investments	1	n/a
Equity securities measured at FVTPL	58	n/a
Equity investments	58	n/a
Available for sale investment securities	n/a	57
Equity investments	n/a	48
Other investments designated as AFS	n/a	9
<b>Total investment securities</b>	<b>21,013</b>	<b>11,780</b>

\* According to IAS 39.

\*\* According to IFRS 9.

## 9.12 Loans and receivables to banks

CZK m	30 Jun 18	31 Dec 17
Current accounts at banks	389	170
Term deposits in banks payable within 3 months	45	0
Receivables arising from reverse repurchase agreements	21,303	53,107
Cash collaterals granted	227	86
Other	17	17
Included in cash equivalents	21,964	53,363
<b>Total Loans and receivables to banks</b>	<b>21,981</b>	<b>53,380</b>

### 9.13 Loans and receivables to customers

CZK m	30 Jun 18			31 Dec 17		
	Gross carrying amount	Allowance	Carrying amount	Gross carrying amount	Allowance	Carrying amount
<b>Retail loan balances</b>						
Consumer Loans	38,201	(2,060)	36,141	36,813	(1,844)	34,969
Mortgages	25,165	(131)	25,034	20,495	(157)	20,338
Credit Cards & Overdrafts	3,803	(350)	3,453	4,228	(284)	3,945
Auto Loans and Financial Leases	2,981	(142)	2,840	2,840	(109)	2,732
Other	202	(201)	0	505	(505)	0
<b>Total Retail</b>	<b>70,352</b>	<b>(2,884)</b>	<b>67,468</b>	<b>64,881</b>	<b>(2,897)</b>	<b>61,984</b>
<b>Commercial loan balances</b>						
Investment Loans	36,137	(326)	35,811	34,893	(260)	34,633
Working Capital	10,520	(225)	10,295	9,503	(216)	9,287
Auto & Equipment Loans and Financial Leases	14,265	(451)	13,815	14,374	(406)	13,968
Unsecured Instalment Loans and Overdraft	3,860	(167)	3,692	2,925	(167)	2,758
Inventory Financing and Other	1,228	(113)	1,115	1,166	(116)	1,050
<b>Total Commercial</b>	<b>66,010</b>	<b>(1,282)</b>	<b>64,728</b>	<b>62,861</b>	<b>(1,165)</b>	<b>61,696</b>
<b>Total Loans and receivables to customers</b>	<b>136,362</b>	<b>(4,166)</b>	<b>132,196</b>	<b>127,742</b>	<b>(4,062)</b>	<b>123,680</b>

## 9.14 Due to banks and Due to customers

### Breakdown of Due to banks

CZK m	30 Jun 18	31 Dec 17
Deposits on demand	450	445
Term Deposits	520	970
Liabilities arising from repurchase agreements*	8,861	23,155
Other due to banks	4,308	5,073
<b>Total Due to banks</b>	<b>14,139</b>	<b>29,643</b>

\* Transferred financial assets disclosed in the statement of financial position as at 30 June 2018 comprise government coupon bonds from investment securities at amortised cost in the carrying value of CZK 10,046 million. Transferred financial assets as at 31 December 2017 disclosed in the statement of financial position consist government coupon bonds from held to maturity portfolio in the carrying value of CZK 3,371 million. Additionally, securities obtained in repurchase agreements as collateral in the amount of CZK 6,842 million were transferred as collateral according to repo from reverse repurchase agreements as at 30 June 2018 (31 Dec 2017: CZK 29,201 million).

### Other due to banks comprises:

- Loan provided by Komerční banka, a.s. to MONETA Leasing s.r.o. in April 2017. Simultaneously, MONETA Money Bank, a.s. guaranteed the repayment of this loan. This loan amounts to CZK 875 million at 30 June 2018 (CZK 1,750 million at 31 December 2017).
- Loan provided by ING Bank N.V. to MONETA Leasing s.r.o. in September 2017. To secure this loan, MONETA Leasing s.r.o., pledged its trade receivables (in the value of 125 % of financed amount). This loan amounts to CZK 1,250 million at 30 June 2018 (CZK 1,250 million at 31 December 2017).
- Loan provided by European Investment Bank in September 2017 to MONETA Money Bank, a.s. that will be used for financing of SME's. Loan amount of CZK 2,083 million at 30 June 2018 (CZK 2,044 million at 31 December 2017).
- CSA<sup>18</sup> Collaterals in other financial institutions for derivative transactions in the amount of CZK 99 million (CZK 29 million at 31 December 2017).

### Breakdown of Due to customers

CZK m	30 Jun 18	31 Dec 17
Retail Current Accounts	47,213	42,586
Retail Savings Accounts and Term Deposits	42,899	40,435
Commercial Current Accounts	35,578	33,822
Commercial Savings Accounts and Term Deposits	13,284	14,681
Liabilities arising from repurchase agreements	7,001	9,445
Other	416	500
<b>Total Due to customers</b>	<b>146,391</b>	<b>141,469</b>

<sup>18</sup> Credit Support Annex (CSA) is a legal document which regulates credit support (collateral) for derivative transactions



## 9.15 Legal risks

The below legal risks, to which the Group is exposed, have been disclosed in the Bank's 2017 Consolidated Annual Report. The Bank updates information on these legal risks as follows:

### 9.15.1 Significant legal disputes

#### 9.15.1.1 Litigation risks in respect of the 1998 acquisition of a part of Agrobanka's banking business

For information on the litigation risks in respect of the acquisition by the Bank from Agrobanka Praha, a.s., currently Agrobanka Praha, a.s. v likvidaci ("Agrobanka"), of a part of Agrobanka's banking business in June 1998 and the ongoing liquidation of Agrobanka, please see the Consolidated Annual Report for 2017 (pages 89 through 91). Since 31 December 2017, there have been no significant developments in the ongoing court proceedings as described in the Consolidated Annual Report for 2017.

#### 9.15.1.2 Administrative proceedings initiated by Czech Trade Inspection Authority ("CTI") against MONETA Auto, s.r.o. ("MONETA Auto")

For information on the risks relating to various administrative proceedings initiated by the Czech Trade Inspection Authority ("CTI") against MONETA Auto, please see the Consolidated Annual Report for 2017 (page 91). Since 31 December 2017, there have been no significant developments in the administrative proceedings initiated by the CTI against MONETA Auto and related court proceedings as described in the Consolidated Annual Report for 2017.

### 9.15.2 Legal Challenges of General Meeting Resolutions

#### 9.15.2.1 Legal Challenges of Resolutions of General Meeting held on 26 October 2017

For information on the risks relating to the court proceedings on the action filed against the Bank by Arca Capital Bohemia, a.s. challenging the validity of the resolutions adopted by the General Meeting of the Bank held on 26 October 2017, please see the Consolidated Annual Report for 2017 (page 91). Since 31 December 2017, there have been no significant developments in the court proceedings initiated against the Bank by Arca Capital Bohemia, a.s. as described in the Consolidated Annual Report for 2017.

#### 9.15.2.2 Protest and Action against Resolutions of Annual General Meeting held on 25 April 2018

On 24 July 2018, a minority shareholder-individual filed with the Municipal Court in Prague action against the Bank challenging the validity of all resolutions adopted at the Annual General Meeting of the Bank held on 25 April 2018. The claimant asserts that the Annual General Meeting was allegedly inquorate and the resolutions were allegedly not adopted by the requisite majority of the votes, and refers, in this respect, to a protest submitted by another minority shareholder-individual at the Annual General Meeting (for more information on the said protest please see the statement of the Bank published on 27 April 2018 at <https://investors.moneta.cz/en/general-meeting>). The Bank believes that the Annual General Meeting was quorate, all resolutions were duly adopted by the Annual General Meeting in compliance with applicable law, the Bank's Articles of Association and good morals, and that the court action is baseless. The Bank will vigorously contest the court action.

## 9.16 Segment Reporting

Group's operating segments are following: Commercial, Retail and Treasury /Other. The Segments are described in more detail in the last annual financial statements.

The Management Board of the Bank (the chief operating decision maker) does not use the below presented segmental view on all items of the Statement of Profit or Loss. For this reason, Operating expenses, Taxes and consequently Profit for the year before tax and Profit for the year after tax are not reported for segments but only on the Total level.

CZK m	Commercial	Retail	Treasury / Other	Total
<b>Quarter ended 30 Jun 18</b>				
Interest and similar income	531	1,252	91	1,874
Interest expense and similar charges	(13)	(48)	(31)	(92)
Net fee and commission income	138	315	7	460
Dividend income	0	0	1	1
Net income from financial operations	0	0	101	101
Other operating income	18	22	0	41
<b>Total operating income</b>	<b>674</b>	<b>1,542</b>	<b>169</b>	<b>2,385</b>
Net impairment of financial assets	(120)	8	(18)	(130)
<b>Risk adjusted operating income</b>	<b>554</b>	<b>1,550</b>	<b>151</b>	<b>2,255</b>
Total operating expenses				(1,115)
<b>Profit for the period before tax</b>				<b>1,140</b>
Tax on income				(192)
<b>Profit for the period after tax</b>				<b>948</b>

CZK m	Commercial	Retail	Treasury / Other	Total
<b>Quarter ended 30 Jun 17</b>				
Interest and similar income	513	1,339	22	1,874
Interest expense and similar charges	(10)	(38)	(2)	(50)
Net fee and commission income	126	329	5	460
Dividend income	0	0	0	0
Net income from financial operations	0	0	413	413
Other operating income	16	58	0	74
<b>Total operating income</b>	<b>645</b>	<b>1,688</b>	<b>438</b>	<b>2,771</b>
Net impairment of financial assets	(51)	(130)	0	(181)
<b>Risk adjusted operating income</b>	<b>594</b>	<b>1,558</b>	<b>438</b>	<b>2,590</b>
Total operating expenses				(1,146)
<b>Profit for the period before tax</b>				<b>1,444</b>
Tax on income				(289)
<b>Profit for the period after tax</b>				<b>1,155</b>

CZK m	Commercial	Retail	Treasury / Other	Total
<b>Half-year ended 30 Jun 18</b>				
Interest and similar income	1,073	2,501	173	3,747
Interest expense and similar charges	(24)	(94)	(51)	(169)
Net fee and commission income	255	635	15	905
Dividend income	0	0	1	1
Net income from financial operations	0	0	186	186
Other operating income	38	62	0	100
<b>Total operating income</b>	<b>1,342</b>	<b>3,104</b>	<b>324</b>	<b>4,770</b>
Net impairment of financial assets	(142)	313	(20)	151
<b>Risk adjusted operating income</b>	<b>1,200</b>	<b>3,417</b>	<b>304</b>	<b>4,921</b>
Total operating expenses				(2,370)
<b>Profit for the period before tax</b>				<b>2,551</b>
Tax on income				(430)
<b>Profit for the period after tax</b>				<b>2,121</b>

CZK m	Commercial	Retail	Treasury / Other	Total
<b>Half-year ended 30 Jun 17</b>				
Interest and similar income	1,031	2,735	47	3,813
Interest expense and similar charges	(19)	(76)	(2)	(97)
Net fee and commission income	259	648	11	918
Dividend income	0	0	0	0
Net income from financial operations	0	0	516	516
Other operating income	46	109	(2)	153
<b>Total operating income</b>	<b>1,317</b>	<b>3,416</b>	<b>570</b>	<b>5,303</b>
Net impairment of financial assets	(7)	(254)	0	(261)
<b>Risk adjusted operating income</b>	<b>1,310</b>	<b>3,162</b>	<b>570</b>	<b>5,042</b>
Total operating expenses				(2,298)
<b>Profit for the period before tax</b>				<b>2,744</b>
Tax on income				(549)
<b>Profit for the period after tax</b>				<b>2,195</b>

## Assets and liabilities by segment

CZK m	Commercial	Retail	Treasury / Other	Total
<b>30 Jun 2018</b>				
Total assets of the segment	68,932	72,144	45,751	186,827
Net value of loans and receivables to customers	64,728	67,468	0	132,196
Total liabilities of the segment	51,489	91,943	20,237	163,669

CZK m	Commercial	Retail	Treasury / Other	Total
<b>31 Dec 2017</b>				
Total assets of the segment	66,010	66,233	67,491	199,734
Net value of loans and receivables to customers	61,696	61,984	0	123,680
Total liabilities of the segment	51,654	84,571	37,746	173,971

## 9.17 Related parties

The following transactions were done between related parties:

CZK m	Quarter ended		Half-year ended	
	30 Jun 2018	30 Jun 17	30 Jun 2018	30 Jun 17
Key members of the management*				
Operating expenses	(19)	(30)	(39)	(63)

CZK m	30 Jun 2018	31 Dec 17
Key members of the management*		
Loans and receivables to customers	17	17
Due to customers	25	24

\*Includes members of the Supervisory Board, Management Board and other Key Executive Managers.

## 9.18 Risk management

The Group aims to achieve competitive returns at an acceptable risk level as part of its business activities. Risk management covers the control of risks associated with all business activities in the environment in which the Group operates and ensures that the risks taken are in compliance with regulatory limits, as well as falling within its risk appetite.

Since 1 January 2018, the Group measures allowance for credit losses using the expected credit loss approach that is required by IFRS 9 and described in chapter 9.4.4 Impairment of financial assets. Changes in classification and measurement of financial assets and liabilities due to transition to IFRS 9 including financial impact to the opening balance sheet as at 1 January 2018 are described in the Group's last annual financial statements, note 4.1.

Other risk management policies and practices have not changed since 31 December 2017, except of transfer of approval process of the products of MONETA Leasing from MONETA Leasing to the Bank in 2Q 2018, implementation of the automatic approval process for mortgages in 2Q2018 (however, the majority of mortgages is still approved by authorized underwriters from the Risk Division) and slightly change in the organization structure of Risk Division of the Bank (especially the responsibility for model governance has been transferred to newly established department in 1Q 2018).

### 9.18.1 Capital Management

Regulatory Capital and its components and capital adequacy:

CZK m	30 Jun 18	31 Dec 17
Regulatory Capital	19,584	20,653
RWA	122,470	118,547
out of which Credit Risk	108,133	103,178
out of which Operational Risk	14,165	15,293
out of which CVA	172	75

Capital adequacy (%)	30 Jun 18	31 Dec 17
RWA / Total Assets	65.55%	59.4 %
CET1 Ratio	15.99%	17.42 %
Tier 1 Ratio	15.99%	17.42 %
Total Capital Ratio	15.99%	17.42 %

The framework used for capital management involves monitoring and complying with the capital adequacy limit in accordance with the Basel III rules codified in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended. Furthermore, from local perspective, the regulatory framework is given by Banking Act No. 21/1992 Coll., as amended, and CNB Decree No. 163/2014 Coll., as amended.

In order to calculate the Regulatory Capital requirement for credit risk, on individual as well as on consolidated basis, the Bank uses the standardised (STA) approach. To calculate the capital requirement for operational risk, the Bank uses the alternative standardised approach (ASA) on an individual basis. The standardised approach (TSA) is used to calculate the capital requirement for operational risk on a consolidated basis for the rest of the consolidated Group.

## 9.18.2 Loans and receivables to banks and customers according to their categorization (IFRS 9)

The following table shows categorization of receivables to banks and customers summarized according to Stages applied for measurement of allowance for credit losses (IFRS 9):

CZK m	30 Jun 2018							
	Loans and receivables to banks			Total	Loans and receivables to customers			Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Performing before due date	21,981	0	0	21,981	125,042	3,519	0	128,561
Performing past due date	0	0	0	0	2,098	1,244	0	3,342
Total performing	21,981	0	0	21,981	127,140	4,763	0	131,903
Total non-performing*	0	0	0	0	0	0	4,459	4,459
<b>Gross loans and receivables</b>	<b>21,981</b>	<b>0</b>	<b>0</b>	<b>21,981</b>	<b>127,140</b>	<b>4,763</b>	<b>4,459</b>	<b>136,362</b>
Individual allowances	0	0	0	0	0	0	(415)	(415)
Portfolio allowances	0	0	0	0	(1,072)	(354)	(2,326)	(3,752)
<b>Total allowances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,072)</b>	<b>(354)</b>	<b>(2,741)</b>	<b>(4,166)</b>
<b>Net loans and receivables</b>	<b>21,981</b>	<b>0</b>	<b>0</b>	<b>21,981</b>	<b>126,068</b>	<b>4,410</b>	<b>1,718</b>	<b>132,196</b>

Following table shows categorization of receivables to banks and customers (IAS 39):

CZK m	31 Dec 2017		
	Receivables to banks	Loans and receivables to customers	Total
Performing before due date	53,380	118,699	172,079
Performing past due date	0	3,769	3,769
Total performing	53,380	122,468	175,848
Total non-performing*	0	5,274	5,274
<b>Gross loans and receivables</b>	<b>53,380</b>	<b>127,742</b>	<b>181,122</b>
Allowances	0	(4,062)	(4,062)
<b>Net loans and receivables</b>	<b>53,380</b>	<b>123,680</b>	<b>177,060</b>
Individual allowances	0	(396)	(396)
Portfolio allowances	0	(3,666)	(3,666)
<b>Total allowances</b>	<b>0</b>	<b>(4,062)</b>	<b>(4,062)</b>

\* Represents Stage 3 according to IFRS 9 methodology of calculation of allowance for credit losses.

### 9.18.3 Walk of allowances to Loans and receivables to customers (IFRS 9)

Walk of allowances for three and six-month periods ended 30 June 2018 to loans and receivables - **retail customers** (IFRS 9)

CZK m	Quarter ended				Half-year ended			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Balance at beginning of period*</b>	<b>740</b>	<b>296</b>	<b>2,231</b>	<b>3,267</b>	<b>708</b>	<b>305</b>	<b>2,493</b>	<b>3,506</b>
Purchases and originations	73	2	6	81	135	5	8	148
Derecognition and maturities	(39)	(9)	(87)	(135)	(77)	(18)	(179)	(274)
Transfer to (out) Stage 1	81	(71)	(10)	0	191	(167)	(24)	0
Transfer to (out) Stage 2	16	(15)	(1)	0	(2)	25	(23)	0
Transfer to (out) Stage 3	(14)	(76)	90	0	(22)	(175)	197	0
Remeasurements, changes in models and methods	(73)	142	57	126	(149)	294	136	281
Use of allowances (write offs)	0	0	(455)	(455)	0	0	(777)	(777)
Foreign exchange adjustments	0	0	0	0	0	0	0	0
<b>Balance at end of period</b>	<b>784</b>	<b>269</b>	<b>1,831</b>	<b>2,884</b>	<b>784</b>	<b>269</b>	<b>1,831</b>	<b>2,884</b>

Walk of allowances for three and six-month periods ended 30 June 2018 to loans and receivables - **commercial customers** (IFRS 9)

CZK m	Quarter ended				Half-year ended			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Balance at beginning of period*</b>	<b>221</b>	<b>75</b>	<b>908</b>	<b>1,204</b>	<b>180</b>	<b>76</b>	<b>976</b>	<b>1,232</b>
Purchases and originations	50	1	15	66	83	2	16	101
Derecognition and maturities	(6)	(4)	(23)	(33)	(11)	(8)	(37)	(56)
Transfer to (out) Stage 1	25	(19)	(6)	0	62	(50)	(12)	0
Transfer to (out) Stage 2	4	(4)	0	0	5	5	(10)	0
Transfer to (out) Stage 3	3	(15)	12	0	3	(27)	24	0
Remeasurements, changes in models and methods	(9)	51	33	75	(34)	87	36	89
Use of allowances (write offs)	0	0	(31)	(31)	0	0	(85)	(85)
Foreign exchange adjustments	0	0	1	1	0	0	1	1
<b>Balance at end of period</b>	<b>288</b>	<b>85</b>	<b>909</b>	<b>1,282</b>	<b>288</b>	<b>85</b>	<b>909</b>	<b>1,282</b>

\* Balance of allowances as of 1 Jan 2018 is after transition to IFRS 9.

#### 9.18.4 Break down of allowances according to loan type and stages (IFRS 9)

30 Jun 2018 CZK m	Stage 1	Stage 2	Stage 3	Total
<b>Retail loans</b>	<b>784</b>	<b>269</b>	<b>1,831</b>	<b>2,884</b>
Consumer Loans	581	174	1,305	2,060
Mortgages	18	9	104	131
Credit Cards & Overdrafts	122	72	156	350
Auto Loans and Financial Leases	45	13	84	142
Other	18	1	182	201
<b>Commercial loans</b>	<b>288</b>	<b>85</b>	<b>909</b>	<b>1,282</b>
Investment Loans	96	23	207	326
Working Capital	41	10	174	225
Auto & Equipment Loans and Financial Leases	80	35	336	451
Unsecured Instalment Loans and Overdraft	66	16	85	167
Inventory Financing and Other	5	1	107	113
<b>TOTAL allowances to loans</b>	<b>1,072</b>	<b>354</b>	<b>2,740</b>	<b>4,166</b>
Debt instruments measured at amortised costs	7	0	0	7
<b>TOTAL allowances</b>	<b>1,079</b>	<b>354</b>	<b>2,740</b>	<b>4,173</b>
Financial guarantees	25	10	0	35
Loan commitments - Retail	32	5	0	37
Loan commitments - Commercial	20	2	0	22
<b>TOTAL liabilities to off balance sheet items</b>	<b>77</b>	<b>17</b>	<b>0</b>	<b>94</b>

#### 9.18.5 Coverage of Non-Performing Loans and receivables (Stage 3 according to IFRS 9)

CZK m	30 Jun 2018	31 Dec 2017
Retail	2,915	3,639
Commercial	1,544	1,635
<b>Total NPL</b>	<b>4,459</b>	<b>5,274</b>

CZK m	30 Jun 2018	31 Dec 2017
Retail	1,832	2,453
Commercial	909	927
<b>Total allowances to NPL</b>	<b>2,741</b>	<b>3,380</b>

CZK m	30 Jun 2018	31 Dec 2017
Retail	98.9 %	79.6 %
Commercial	83.1 %	71.2 %
<b>Total NPL coverage</b>	<b>93.4 %</b>	<b>77.0 %</b>

CZK m	30 Jun 2018	31 Dec 2017
Retail	4.1 %	5.6 %
Commercial	2.3 %	2.6 %
<b>NPL Ratio</b>	<b>3.3 %</b>	<b>4.1 %</b>



### 9.18.6 Net impairment of financial assets

CZK m	Quarter ended		Half-year ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
Additions and release of loan loss allowances	(206)	(216)	(342)	(340)
Additions and release of unused commitments allowances, provisions, and other	(14)	13	(12)	(1)
Use of loan loss allowances	486	511	862	1,401
Income from previously written-off receivables	159	57	749	227
Write offs of uncollectable receivables	(494)	(519)	(876)	(1,490)
Change in allowances to Investment securities	(3)	0	(3)	0
Change in allowances to operating receivables	(4)	0	(7)	0
Collection expense	(54)	(27)	(220)	(58)
<b>Net impairment of financial assets</b>	<b>(130)</b>	<b>(181)</b>	<b>151</b>	<b>(261)</b>

The increase of the Income from previously written-off receivables from CZK 227 million for the six months ended 30 June 2017 to CZK 749 million for the six months ended 30 June 2018 was caused by a sale of legacy Non-Performing Loans.

### 9.18.7 Maximum credit risk exposures

CZK m 30 Jun 18	Statement of financial position	Off- balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	7,498	0	7,498	0
Derivative financial instruments**	146	0	146	99
Investment securities measured at FVTPL	58	0	58	0
Equity investments	58	0	58	0
Investment securities measured at FVTOCI	1	0	1	0
Equity investments	1	0	1	0
Investment securities measured at amortized cost	20,954	0	20,954	0
Treasury and corporate bonds	20,954	0	20,954	0
Hedging derivatives with positive fair values	33	0	33	0
Interest rate swaps	33	0	33	0
Change in fair value of items hedged on portfolio basis	(81)	0	(81)	0
Loans and receivables to banks	21,981	0	21,981	20,867
Current accounts at banks	389	0	389	0
Term deposits in banks payable within 3 months	45	0	45	0
Receivables arising from reverse repurchase agreements	21,303	0	21,303	20,867***
Cash collaterals granted	227	0	227	0
Other	17	0	17	0
Loans and receivables to customers	132,196	23,470	155,666	58,560
Consumer authorized overdrafts and credit cards	3,453	5,093	8,546	0
Consumer loans	36,141	1,137	37,278	0
Mortgages	25,034	5,820	30,854	24,882
Commercial loans	50,914	11,359	62,273	25,596
Auto & Equipment Financial Lease	4,451	0	4,451	3,845
Commercial	4,451	0	4,451	3,845
Retail	0	0	0	0
Auto & Equipment Loans	12,203	61	12,264	4,237
Commercial	9,363	61	9,424	4,237
Retail	2,840	0	2,840	0
Other loans	0	0	0	0
Commercial	0	0	0	0
Retail	0	0	0	0
Issued guarantees and credit limits on guarantees	0	1,941	1,941	275
Issued letter of credit	0	74	74	0
Other assets	4,041	0	4,041	0

\* Available collateral represents realisable value of collateral relevant for each loan exposure. The realisable value of collateral is capped up to the Total exposure presented in the statement of financial position on a loan- by-loan basis for the purpose of the presentation in these breakdowns.

\*\* Line "Financial assets at fair value through profit and loss" used in 4Q 2017 and earlier reports has been renamed to "Derivative financial instruments" since 1 January 2018.

\*\*\* Thereof securities obtained in repurchase agreements as collateral in the amount of CZK 6,842 million were transferred as collateral according to repo from reverse repurchase agreements as at 30 June 2018 (31 Dec 2017: CZK 29,201 million).

CZK m 31 Dec 17	Statement of financial position	Off- balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	7,127	0	7,127	0
Derivative financial instruments**	48	0	48	28
Financial assets available for sale	57	0	57	0
Treasury and corporate bonds	0	0	0	0
Equity investments	57	0	57	0
Financial assets held to maturity	11,723	0	11,723	0
Treasury and corporate bonds	11,723	0	11,723	0
Hedging derivatives with positive fair values	4	0	4	0
Interest rate swaps	4	0	4	0
Change in fair value of items hedged on portfolio basis	(6)	0	(6)	0
Loans and receivables to banks	53,380	0	53,380	52,033
Current accounts at banks	170	0	170	0
Term deposits in banks payable within 3 months	0	0	0	0
Receivables arising from reverse repurchase agreements	53,107	0	53,107	52,033***
Cash collaterals granted	86	0	86	0
Other	17	0	17	0
Loans and receivables to customers	123,680	20,109	143,789	52,942
Consumer authorized overdrafts and credit cards	3,945	5,039	8,984	0
Consumer loans	34,969	910	35,879	0
Mortgages	20,338	3,775	24,113	20,207
Commercial loans	47,728	10,333	58,061	24,230
Auto & Equipment Financial Lease	5,057	0	5,057	4,378
Commercial	5,057	0	5,057	4,378
Retail	0	0	0	0
Auto & Equipment Loans	11,643	52	11,695	4,127
Commercial	8,911	52	8,963	4,127
Retail	2,732	0	2,732	0
Other loans	0	0	0	0
Commercial	0	0	0	0
Retail	0	0	0	0
Issued guarantees and credit limits on guarantees	0	1,660	1,660	160
Issued letter of credit	0	1	1	1
Other assets	3,721	0	3,721	0

\* Available collateral represents realisable value of collateral relevant for each loan exposure. The realisable value of collateral is capped up to the Total exposure presented in the statement of financial position on a loan- by-loan basis for the purpose of the presentation in these breakdowns.

\*\* Line "Financial assets at fair value through profit and loss" used in 4Q 2017 and earlier reports has been renamed to "Derivative financial instruments" since 1Q 2018 reports.

\*\*\* Thereof securities obtained in repurchase agreements as collateral in the amount of CZK 29,201 million were transferred as collateral according to repo from reverse repurchase agreements as at 31 December 2017.

## 9.19 Fair values of financial assets and liabilities

The following table shows the carrying values and fair values of financial assets and liabilities that are not presented in the Group's statement of financial position at fair values.

CZK m	30 Jun 2018		31 Dec 2017	
	Carrying value		Fair value	
<b>FINANCIAL ASSETS</b>				
Cash and balances with the central bank	7,498	7,127	7,498	7,127
Investment securities at amortised cost*	20,954	n/a	19,854	n/a
Financial assets held to maturity*	n/a	11,723	n/a	11,238
Loans and receivables to banks	21,981	53,380	21,981	53,380
Loans and receivables to customers	132,196	123,680	133,774	125,555
<b>FINANCIAL LIABILITIES</b>				
Due to banks	14,139	29,643	14,088	29,631
Due to customers	146,391	141,469	146,391	141,469

\* Difference between fair value and carrying value is mainly driven by different market and effective interest rates of the government bonds.

The following table summarizes the hierarchy of fair values of financial assets and financial liabilities that are carried at fair value in the statement of financial position:

CZK m	30 Jun 2018			31 Dec 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>						
Derivative financial instruments*	0	146	0	0	48	0
Investment securities measured at FVTPL	0	0	58	n/a	n/a	n/a
Investment securities measured at FVTOCI	0	0	1	n/a	n/a	n/a
Financial assets available for sale	n/a	n/a	n/a	0	0	57
Hedging derivatives with positive fair values	0	33	0	0	4	0
Change in fair value of items hedged on portfolio basis	0	0	(81)	0	0	(6)
<b>FINANCIAL LIABILITIES</b>						
Derivative financial instruments*	0	51	0	0	68	0
Hedging derivatives with negative fair values	0	16	0	0	4	0

\* Line "Financial assets / liabilities at fair value through profit and loss" used in 4Q 2017 and earlier reports has been renamed to "Derivative financial instruments".

There were no transfers between level 1 and 2 during the period of the six months ended 30 June 2018 and the year ended 31 December 2017.

The Group uses the following inputs and techniques to determine the fair value under level 1, 2 and level 3.

The level 1 is based on quoted prices for identical instruments in active markets.

The level 2 assets include mainly financial derivatives and treasury bills. For derivative exposures the fair value is estimated using the present value of the cash flows resulting from the transactions taking into account market inputs like FX spot and forwards rates, benchmark interest rates and swap rates. The fair value of treasury bills is calculated as the present value of cash flows using the benchmark interest rates.

The level 3 assets include equity instruments not traded on the market and Change in fair value of items hedged on portfolio basis where the fair value is calculated using the valuation techniques including expert appraisals.

Movement analysis of level 3 financial assets and liabilities

CZK m	As at 1 Jan 2018	Sales	Additions	Total gains and losses in the period recognised in OCI	Total gains and losses in the period recognised in P/L	As at 30 Jun 2018
Investment securities at FVTOCI	1	0	0	0	0	1
Investment securities at FVTPL	47	0	0	0	11	58
<b>Total</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>59</b>

CZK m	As at 1 Jan 2017	Sales	Additions	Total gains and losses in the period recognised in OCI	As at 31 Dec 2017
Available for sale					
Equity investments	40	0	0	8	48
Other investments designated as AFS	9	0	0	0	9*
<b>Total</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>57</b>

\* Other investments designated as AFS were transferred to Other assets as at 1 January 2018 due to transition to IFRS 9.

## 9.20 Subsequent events

The Bank announced election of a current member of its Supervisory Board, Mr. Gabriel Eichler as Chairman of the Supervisory Board with effect from 2 August 2018. Ms. Maria Luisa Cicognani resigned from the Supervisory Board and its Remuneration Committee as of 1 August 2018.

## 10 Management affidavit

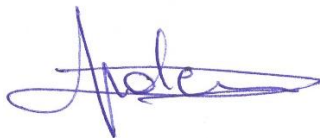
To the best of our knowledge, we believe that this consolidated financial report gives a fair and true view of the Group's financial position, business activities and results for the first six months of 2018, and outlook for the development of Group's financial situation, business activities and results.

Prague, 7 August 2018

Signed on behalf of the Management Board:



Tomáš Spurný  
Chairman of the Management Board



Philip Holemans  
Vice Chairman of the Management Board

## 11 Alternative performance measures

In this report, certain financial data and measures are presented which are not calculated pursuant to any accounting standard and which are therefore non-IFRS measures. These financial data and measures are Cost of Funds/Cost of Funding, Net Interest Margin, Net Non-Interest Income, Reported Return on Tangible Equity, Yield Cost to Income Ratio, Tangible Equity, Adjusted Return on Tangible Equity, Adjusted Tangible Equity, Adjustment for Cost of Funds, Excess Capital, Cost of Risk, Risk Adjusted Yield, Risk Adjusted Operating Income, Return on Average Assets or RoAA, Loan to Deposit Ratio, Regulatory Capital, CET1, CAR, CET1 Ratio, Tier 1 Capital, LCR, Total NPL Coverage, NPL / Non-Performing Loans, Core NPL Coverage, NPL Ratio, Risk-Weighted Assets / RWA, and New Production / New Volume.

These alternative performance measures are included to (i) extend the financial disclosure also to metrics which are used, along with IFRS measures, by the management in evaluating the Group's performance, and (ii) provide to investors a further basis, along with IFRS measures, for measuring of the Group's performance. Because of the discretion that the Group has in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other companies. These measures should not be used as a substitute for evaluating the performance of the Group based on the Consolidated Financial Statements of the Group. Non-IFRS measures have limitations as analytical tools, and investors should not consider them in isolation, or as a substitute for analysis of the Group's results as reported under IFRS and set out in the Consolidated Financial Statements of the Group, and investors should not place any undue reliance on non-IFRS measures. Non-IFRS measures presented in this report should not be considered as measures of discretionary cash available to the Group to invest in the growth of the business, or as measures of cash that will be available to the Group to meet its obligations. Investors should rely primarily on the Group's IFRS results and use the non-IFRS measures only as supplemental means for evaluating the performance of the Group.

## 11.1 Adjusted Return on Tangible Equity – Reconciliation

The following table shows the Group's annualised Adjusted Return on Tangible Equity, adjusted at management target CAR of 15.5 %, as at 30 June 2018 and 31 December 2017:

CZK m (unless otherwise indicated)	30 Jun 18	31 Dec 17
<b>Reported Profit after tax (A)</b>	<b>2,121</b>	<b>3,923</b>
Excess Capital (B = H - (G x J))	601	2,278
Cost of Funds% (C)	0.2%	0.2%
Tax Rate (D)	19%	19%
Adjustment for Cost of Funds (E = B x C x (1-D))	0	(3)
Adjusted Profit after tax (F)	2,121	3,920
Reported Total Risk-Weighted Assets (G)	122,470	118,547
Regulatory Capital (H)	19,584	20,653
Reported CAR percentage (I = H / G)	16.0%	17.4%
Target CAR percentage (J)	15.5%	15.5%
Excess Capital (B = H - (G x J))	601	2,278
Equity (K)	23,158	25,763
Intangible Assets and Goodwill (L)	1,568	1,301
Tangible Equity (M = K - L)	21,590	24,462
Excess Capital (B = H - (G x J))	601	2,278
Adjusted Tangible Equity (N = M - B)	20,989	22,184
Reported Return on Tangible Equity (A / M)	19.6%	16.0%
<b>Adjusted Return on Tangible Equity (F / N)</b>	<b>20.2%</b>	<b>17.7%</b>

*Note: Cost of Funds, Reported Return on Tangible Equity and Adjusted Return on Tangible Equity for the six months ended 30 June 2018 are annualised.*

The Reported Return on Tangible Equity is based on actual financial figures for the respective period as calculated in the above tables. Adjusted return on Tangible Equity is based on a management target CAR of 15.5 % (consisting of 11% total SREP capital ratio, 2.5% conservation buffer, 1% countercyclical buffer (including the increase of countercyclical buffer of 0.5% effective from 1<sup>st</sup> July 2018) and 1% management buffer). In addition to a capital rebase to 15.5%. CAR earnings have been adjusted for substitution of capital assuming the blended Cost of Funding of the period (annualised 0.2 % in period of six months ended 30 June 2018 and 0.2 % in 2017) and 19.0 % corporate tax rate. Earnings have not been adjusted for potential liquidity constraints.

Adjusted Tangible Equity reflects the Tangible Equity adjusted for the capital exceeding a management target CAR of 15.5 %.

Definition of other alternative performance measures is provided in the Glossary below.



## 12 Glossary

<b>Adjusted RoTE or Adjusted Return on Tangible Equity (at 15.5% CAR)</b>	Adjusted Return on Tangible Equity is based on a management target CAR of 15.5% (consisting of 11% total SREP capital ratio, 2.5% conservation buffer, 1% countercyclical buffer (including anticipated increase of countercyclical buffer of 0.5% effective from 1st July 2018) and 1% management buffer).
<b>ACL</b>	Allowance for Credit Losses
<b>Annualised</b>	Adjusted so as to reflect the relevant rate on the full year basis.
<b>ARAD</b>	Public database that is part of the information service of the Czech National Bank. It is uniform system of presenting time series of aggregated data for individual statistics and financial market areas.
<b>Average balance of due to banks and due to customers</b>	Two-point average of the beginning and ending balances of Due to banks and Due to customers for the period
<b>Average balance of net interest earning assets</b>	Two-point average of the beginning and ending balances of Net Interest Earning Assets for the period
<b>Average balance of net loans to customers</b>	Two-point average of the beginning and ending balances of Loans and receivables to customers for the period
<b>AFS</b>	Available For Sale
<b>Bank</b>	MONETA Money Bank, a.s.
<b>Bps</b>	Basis points
<b>CAR</b>	Capital Adequacy Ratio calculated as percentage of Regulatory Capital to Risk-Weighted Assets
<b>CEO</b>	Chief Executive Officer
<b>CET1</b>	Common Equity Tier 1 capital represents regulatory capital which mainly consists of paid-up registered share capital, share premium, retained profits, disclosed reserves and reserves for general banking risks, which must be netted off against accumulated losses, certain deferred tax assets, certain intangible assets and shares held by the Bank itself
<b>CET1 Ratio</b>	CET1 as a percentage of RWA
<b>CNB</b>	Czech National Bank
<b>CZK</b>	Czech Koruna
<b>Cost of Funds (% Avg Deposits)</b>	Interest expense and similar charges for the period divided by average balance of due to banks and due to customers
<b>CoR or Cost of Risk or Cost of Risk (% Avg Net Customer Loans)</b>	Net impairment of loans and receivables for the period divided by average balance of net loans to customers
<b>Cost to Income Ratio</b>	Ratio (expressed as a percentage) of total operating expenses for the period to total operating income for the period
<b>Core NPL Coverage</b>	Ratio (expressed as a percentage) of Loss allowances for NPL to total NPL
<b>CRR</b>	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended
<b>CTI</b>	Czech Trade Inspection
<b>Customer deposits</b>	Due to customers

<b>Credit Valuation Adjustment or CVA</b>	The difference between the risk-free portfolio value and the fair value of the portfolio that takes into account the possibility of a counterparty's default (calculated in accordance with CRR).
<b>EAD</b>	Exposure At Default
<b>Effective Tax Rate</b>	Taxes on income divided by profit for the period before tax
<b>Excess Capital</b>	Capital exceeding the management target CET1 Ratio, currently 15.5% (consisting of 11% total SREP capital ratio, 2.5% conservation buffer, 1% countercyclical buffer (including anticipated increase of countercyclical buffer of 0.5% effective from 1st July 2018) and 1% management buffer)
<b>Expected credit loss (ECL) model</b>	The impairment model that measures credit loss allowances using a three-stage approach based on the extent of credit deterioration of financial asset since origination; Stage 1 – financial assets with no significant increase in credit risk since initial recognition, Stage 2 - financial assets with significant increase in credit risk since initial recognition but not in default, Stage 3 – financial assets in default.
<b>FTE</b>	The average recalculated number of employees during the period is an average of the figures reported to Czech Statistical Authority (CSA) on a monthly basis in accordance with Article 15 of Czech Act No. 518/2004. The figures reported to CSA equal to quotient of the following nominator and the following denominator. The nominator is defined as all hours worked by all employees, their related leaves/holidays and their related sick days. The denominator represents a standard working hours per an employee and a month.
<b>FVTOCI</b>	Financial assets measured at Fair Value Through Other Comprehensive Income
<b>FVTPL</b>	Financial assets measured at Fair Value Through Profit or Loss
<b>GDP</b>	Gross Domestic Product
<b>Gross performing loans</b>	Performing Loans and Receivables to customers as determined in accordance with the Bank's loan receivables categorization rules (Standard)
<b>Group</b>	Bank and its consolidated subsidiaries
<b>HTC</b>	Held To Collect
<b>HTCS</b>	Held To Collect and Sell
<b>Investment securities</b>	Equity and debt securities in the Group's portfolio, consist of securities measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL)
<b>k</b>	thousands
<b>IFRS</b>	International Financial Reporting Standards
<b>Liquid Assets</b>	Liquid assets comprise of cash and balances with central banks, investment securities (not transferred as collateral in repurchase agreements), loans and receivables to banks and prior transition to IFRS 9 also financial assets at fair value through profit or loss, financial assets available for sale, financial assets held to maturity (not transferred as collateral in repurchase agreements).
<b>LCR</b>	Liquidity Coverage Ratio measures the ratio (expressed as a percentage) of a Bank's buffer of high quality liquid assets to its projected net liquidity outflows over a 30-day stress period, as calculated in accordance with CRR and EU Regulation 2015/61
<b>LGD</b>	Loss Given Default
<b>Loan to Deposit Ratio or L/D Ratio</b>	Loan to deposit ratio calculated as net loans and receivables to customers divided by customer deposits
<b>m</b>	Millions
<b>MONETA Auto</b>	MONETA Auto, s.r.o.
<b>MONETA Leasing</b>	MONETA Leasing, s.r.o.
<b>Net Customer Loans</b>	Net loans and receivables to customers
<b>Net Income</b>	Profit for the period after tax

<b>Net Interest Earning Assets</b>	Cash and balances with the central bank, investment securities loans and receivables to banks, loans and receivables to customers and prior to transition to IFRS 9 also financial assets at fair value through profit and loss, financial assets available for sale, financial assets held to maturity
<b>Net Interest Margin or NIM (% Avg Int Earning Assets)</b>	Net interest and similar income divided by average balance of net interest earning assets
<b>Net Non-Interest Income</b>	Total operating income less net interest and similar income for the period
<b>Net Profit</b>	Profit for the period after tax
<b>New Volume / New Production</b>	Aggregate of loan principal disbursed in the period for non-revolving loans
<b>No.</b>	Number
<b>NPL/Non-Performing Loans</b>	Non-performing loans as determined in accordance with the Bank's loan receivables categorization rules (Substandard, Doubtful, Loss) and pursuant to CNB Decree 163/2014 Coll., Stage 3 according to IFRS9
<b>NPL Ratio or Non-Performing Loans Ratio</b>	Ratio (expressed as a percentage) of total gross receivables categorized as non-performing to total gross receivables
<b>OCI</b>	Other Comprehensive Income
<b>Online origination</b>	Represents new volume originated from online applications and leads (client with contact details)
<b>PD</b>	Probability of Default
<b>Q</b>	Quarter
<b>Reported Return on Tangible Equity or Reported RoTE</b>	Profit after tax divided by Tangible Equity
<b>Regulatory Capital</b>	Mainly consists of paid-up registered share capital, share premium, retained profits, disclosed reserves and reserves for general banking risks, which must be netted off against accumulated losses, certain deferred tax assets, certain intangible assets and shares held by the Company in itself (calculated pursuant to CRR)
<b>Return on Average Assets or RoAA</b>	Profit after tax divided by Tangible Equity
<b>Risk Adjusted Operating Income</b>	Calculated as total operating income less Net impairment of financial assets
<b>Risk Adjusted Yield or Risk Adjusted Yield (% Avg Net Customer Loans)</b>	Interest and similar income from loans to customers less net impairment of financial assets divided by average balance of net loans to customers
<b>Risk-Weighted Assets or RWA</b>	Risk-Weighted Assets calculated pursuant to CRR
<b>RWA density</b>	Ratio of RWA to the Leverage Exposure (consisting of On&Off-balance sheet Gross Loans and receivables and counterparty credit risk)
<b>Small Business</b>	An enterprise with an annual turnover of up to CZK 60 million

<b>Small business (new) production</b>	New Volume of unsecured instalment loans and receivables to customers
<b>SME</b>	An enterprise with an annual turnover of up to CZK 200 million
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>Tangible Equity</b>	Calculated as total equity less intangible assets and goodwill
<b>Tier 1 Capital</b>	The aggregate of CET1 Capital and Additional Tier 1 which mainly consists of share capital, to the extent not included in CET1 Capital, and certain unsecured subordinated debt instruments without a maturity date
<b>Tier 1 Ratio</b>	Tier 1 Capital as a percentage of Risk-Weighted Assets
<b>Tier 2 Capital</b>	Regulatory Capital which consists of certain unsecured subordinated debt obligations with payment restrictions
<b>Total NPL Coverage</b>	Ratio (expressed as a percentage) of Loss allowances for loans and receivables to customers to NPL
<b>Yield (% Avg Net Customer Loans)</b>	Interest and similar income from loans to customers divided by average balance of net loans to customers