Mandatory Disclosure
INSIDE INFORMATION
8 October 2018 7:00am CET

MONETA Money Bank, a.s. is in discussions with Home Credit Group B.V., and has entered into a non-binding Memorandum of Understanding regarding the potential acquisition of Air Bank and Home Credit's Czech and Slovak businesses

MONETA Money Bank, a.s. ("MONETA", also the "Bank") and Home Credit Group B.V. ("HCGBV", also the "Seller"), a subsidiary of PPF Financial Holding B.V. ("PPFFH"), are in discussions regarding the potential acquisition of Air Bank a.s. and Home Credit's Czech and Slovak businesses and other subsidiaries of Home Credit B.V. (collectively termed as "HCCZ") by MONETA (the "Transaction").

Today, MONETA and HCGBV, a global consumer finance lender and subsidiary of PPFFH, entered into a non-binding memorandum of understanding with respect to the Transaction (the "Memorandum of Understanding").

The Management Board will seek approval for the Transaction at a General Meeting, the date for which will be announced in due course. The anticipated authorisation to issue new shares will include a request for existing shareholders to forego pre-emptive rights for the newly issued shares.

On the **8th October 2018** the Management Board will organise teleconference calls with shareholders and analysts where the Transaction will be presented and discussed (for more details please see section IV. below).

I. STRATEGIC RATIONALE AND HIGHLIGHTS OF THE TRANSACTION

- **Establishing a leading Czech retail bank**

  Transformational combination of the three complementary businesses of MONETA, Air Bank and Home Credit will create a leading Czech retail bank, accelerating overall growth as well as profitability potential. The Transaction will create a listed, unique and strong challenger bank able to leverage a large customer base and with the capabilities to achieve market success against incumbent competitors. Further, anticipating to compete for a leading market position in consumer lending combined with its increased size will strengthen the Bank's ability to sustain investments, costs and achieve our targeted results in an increasingly competitive market.

- **Doubling customer base from 1 million to 2 million**

  The customer base of MONETA, currently standing at 1 million, will be reinforced by the rapidly growing, 637,000-strong client base of Air Bank and further complemented by more than 469,000 retail borrowers of Home Credit. Equally importantly, Air Bank's clients come from the younger, digitally-savvy and metropolitan-based demographic segments of the Czech population, further complementing MONETA's historically rural-based reach and footprint. Both customer bases have minimal overlap and are therefore highly attractive to combine. The retail deposit base of MONETA will be more than doubled.

- **Combining into the third largest network in the Czech Republic with 237 branches and 1,005 ATMs**

  The combined entity will operate a 237-strong retail branch network being reinforced through 35 up-to-date, modern and premium-located Air Bank branches. The branch network will be supported by 1,005 ATMs, benefiting from the modern and well-positioned ATMs of Air Bank. Additionally, MONETA's consumer credit distribution capacity will be enhanced by Home Credit's 2,961 point-of-sale retail partners, further supporting the combined entity in maintaining leadership in point-of-sale financing. The retail partner network will significantly enhance the existing distribution of MONETA Auto, focusing on the financing of new and used vehicles.

- **Increasing competitive capabilities**

  The intended combination will increase competitive capabilities by bringing together Air Bank's best-practice customer experience track record and culture with MONETA's results-oriented sales capabilities. Additionally, the combined entity will benefit from mutual excellence in innovation and digital skills. It will provide a complementary range of financial services covering a broad span of the Czech retail banking market from the "near to prime" to "mass affluent" and "upper middle" segments. Furthermore, the combined entity will leverage Air Bank's unique and best-in-class brand to compete against incumbent market participants as a full-service, customer-value-driven, predominantly retail bank.

- **Targeting 75% of lending activities in retail and small business segments**

  The combined entity will have a strong focus on the dynamic and profitable Czech retail banking market segment, seeking to maintain above-market growth and best-in-class profitability. The starting position will yield a retail and small business loan book in excess of 60 percent of total loans. In the medium term, the combined business model will seek more than 75 percent of its lending activities across retail and small business clients through omni-channel distribution and partner distribution networks.

- **Delivering at least 10% cost synergies from the combined expense base**

  The envisaged Transaction will allow the combined entity to achieve significant cost and investment synergies. These will be realized through the elimination of duplicate functions, branch network rationalisation, optimisation of advertising costs and gradual migration onto a common IT platform. Equally importantly, significant investment synergy is envisaged through overall scale and efficiency improvements. Restructuring costs related to the combination have been estimated at CZK 1.3bn, with the majority of the charge anticipated in the second half of 2019. The annual cost synergies have been estimated at CZK 1.0bn and should be fully realized in the medium term.

- **Strengthening the existing shareholder base - 24.48% holding by HCGBV**

  The Transaction will strengthen the existing shareholder base through the addition of a 24.48% holding by HCGBV, an experienced global consumer finance lender. HCGBV is majority-owned by PPF Group, the largest privately-held CEE investment group, holding significant assets in banking, insurance, consumer finance, real estate, telecommunication and mining.

- **Improving profitability and shareholder returns by more than 10%**

  The Transaction aims to improve profitability and shareholder returns against the aspirations set forth by MONETA's management in its medium-term plan and communicated through medium-term guidance. Furthermore, the Transaction is expected to be earnings and dividend accretive in the first full year of ownership. The business case outcome anticipates the earnings per share and dividend per share capacity of the combined entity to increase by at least 10 percent in the first full year post-closing of the Transaction.

Additionally, the Transaction significantly improves the Bank's competitive position and sustainability in the increasingly competitive market over medium- to long-term.

II. BUSINESS CASE – OUTLOOK OF PRO-FORMA FINANCIAL METRICS

The envisaged Transaction and the underlying business case create an opportunity to improve profitability as well as dividend capacity over both the near and the long term, with initial results already expected to be evident in the first year following the closing of the Transaction.

- The Transaction aims to deliver earnings per share and dividend per share accretion of at least 10% from the first full year following the closing of the Transaction. The pro forma business case shows a positive outcome regarding earnings growth and dividend capacity. The below table does not constitute a profit or dividend forecast and should not be construed as such.

2020 outlook, CZK	Standalone	Pro forma combined	Accretion
Net profit (in billion)	3.8	5.5	+45%
Earnings per share	7.4	8.1	+10%
Dividend (in billion)	2.6	3.8	+45%
Dividend per share	5.2	5.7	+10%

- Irrespective of the Transaction, the expected 2018 dividend will not be affected and if final agreement is reached, and the Transaction is consummated, the Seller will not be entitled to the 2018 dividend. The new shares will be issued only after 2018 dividends are paid. Further, based on the pro forma business case, the 2019 dividend capacity is expected to be at a minimum of CZK 3.4 per share.

In addition, the Transaction aims to deliver a return on investment of at least 10% in the medium-term[1], based on the pro forma business case. The anticipated return on investment in the first full year of investment is estimated at approximately 8%.

MONETA has conducted preliminary financial analysis and estimates resulting in a mutually-agreed business case under certain material assumptions, inherent risks and limitations, including those set out in section VI. below. The business case has not been validated by due diligence.

[1] Return on investment (annual) is calculated on the basis of the following formula: Incremental net consolidated profit for the year / price paid for the Transaction in the amount of CZK 19.75 billion.

Additional legal, IT, accounting, tax and risk-related due diligence processes will be conducted before the end of 2018. In parallel, the Bank plans to obtain a fairness opinion prior to holding a General Meeting on deciding whether to proceed with the Transaction.

The following tables provide comparative figures based on (A) a standalone business plan of MONETA and (B) a pro forma business case based on preliminary discussion and analysis. The results set forth in MONETA's standalone business plan had been previously communicated through medium-term market guidance[2] concerning net profit for the year 2020. The year 2019 had not been previously communicated and constitutes current MONETA standalone guidance.

A) Outlook of MONETA standalone key financial metrics

	2019	2020	2023[3]
Net loans (in CZK billion)	≥150	≥160	≥190
Deposits (in CZK billion)	≥150	≥170	≥210
Net consolidated profit (in CZK billion)	≥3.6	≥3.8	≥4.0
Number of shares (in million pieces)	511	511	511
Earnings per share (in CZK)	≥7.0	≥7.4	≥7.8
Dividend (in CZK billion)	≥2.5	≥2.6	≥2.8
Dividend per share (in CZK)	≥4.9	≥5.2	≥5.4
Pay-out ratio	≥70%	≥70%	≥70%
Targeted capital adequacy ratio	≥16%	≥16%	≥16%

2 Market guidance published on February 7th, 2018 in the annual presentation for FY2017.

3 This statement is not a profit or dividend forecast and should not be construed as such, nor should it be interpreted to mean that the future earnings per share, profits, dividends, margins or cash flows of MONETA will necessarily match or be greater than the historically published figures.

B) Outlook of pro forma combined key financial metrics[4]

Pro forma combined 2019 key financials metrics include HCCZ net profit for the second half of 2019 (after closing of the Transaction) and related implementation and restructuring charges.

	2019[4]	2020	2023
Net loans (in CZK billion)	≥190	≥210	≥260
Deposits (in CZK billion)	≥260	≥290	≥350
Net consolidated profit (in CZK billion)	≥3.3	≥5.5	≥6.0
Number of shares (in million pieces)	676.6	676.6	676.6
Earnings per share (in CZK)	≥4.8	≥8.1	≥8.9
Dividend (in CZK billion)	≥2.3	≥3.8	≥4.2
Dividend per share (in CZK)	≥3.4	≥5.7	≥6.2
Pay-out ratio	≥70%	≥70%	≥70%
Targeted capital adequacy ratio	≥17%	≥17%	≥17%
Return on investment[1]	n.a.	≥8%	≥10%

III. KEY TRANSACTION TERMS

- MONETA will acquire 100% of shares in HCCZ from HCGBV for a total consideration of **CZK 19.75 billion** via a combination of cash and newly issued MONETA shares, to consist of the following:
  - **CZK 6.75 billion** cash payment upon the closing of the Transaction.
  - **CZK 13.0 billion** consisting of 165,605,096 (referred to as "165.6 million") newly-issued shares of MONETA, which equates to a holding of 24.48%, to be issued to HCGBV upon the closing of the Transaction.
- Closing of the Transaction is currently anticipated for 1st July 2019 subject to General Meeting approval and relevant regulatory approvals.

[4] Figures of MONETA as combined with HCCZ. 2019 includes related implementation and restructuring charges and only net income portion earned by HCCZ post-closing on July 1st 2019 is recognised in the pro forma financials. This statement is not a profit or dividend forecast and should not be construed as such, nor should it be interpreted to mean that the future earnings per share, profits, dividends, margins or cash flows of MONETA combined with HCCZ will necessarily match or be greater than the historically published figures of any of the involved entities.

- HCGBV will not be entitled to receive the dividend for 2018, the distribution of which the Management Board of MONETA intends to propose for shareholder approval at the General Meeting to be held in 2019.
- The value of the newly-issued MONETA shares has been negotiated and fixed at **CZK 78.50** per share, taking as its basis the average trading price between 1st July and 30th September 2018. The newly-issued shares will not receive the 2018 dividend.
- At closing, **HCCZ entities must have at least CZK 8.872 billion of equity on an audited consolidated basis.** In the event the equity condition is not met at closing, a price adjustment mechanism will be triggered, and the price decreased accordingly by the Transaction "price to equity" multiple of 19.75 / 8.872.
- The Transaction will be, in part, financed through the issuance of Tier 2 and/or AT1 capital instruments. The issuance will aim to maintain the **total Capital Adequacy Ratio** of the combined entity at or above **17%** post-completion of the Transaction. The **CET1 capital ratio** of the combined entity post-completion of the Transaction had been modelled in the pro forma business case at a minimum level of **12.75%.** This capitalisation level represents management expectation.
    - The standalone MONETA capital requirement is expected to increase to 16 percent (including 100 bps management buffer) due to the full phase-in of the countercyclical buffer.
    - The business case anticipates the Bank will be subject to an additional regulatory capital requirement of 100 bps as a result of the Transaction, covered by the CET1 capital layer.
- The Management Board will seek **shareholder approval for the Transaction at a General Meeting**. The date of the meeting will be announced in due course, following completion of due diligence and the provision of the fairness opinion. The resolutions will include a request for existing shareholders to forego pre-emptive rights for the newly issued shares to be allotted to the Seller.
    - No rights issue and no capital contributions from MONETA shareholders will be required.
- MONETA shall expand its Supervisory Board from 7 to 9 members, of which 3 members must, by law, be elected employee representatives. HCGBV shall have the right to co-opt at closing and nominate at the next General Meeting (i) a minimum 20% of the Supervisory Board members for so long as it holds at least 20% of MONETA shares outstanding or (ii) 1 Supervisory Board member as long as it holds at least 10% of MONETA shares outstanding.
    - The approval of all shareholder-nominated Supervisory Board members is subject to a shareholder vote at the General Meeting and the approval of the regulator.
- As a result of the Transaction, the Bank plans to enlarge the Management Board from its current 5 members to 6 members.
- The current CEO of Air Bank, Mr. Michal Strcula, will join the Management Board of MONETA as the Board member responsible for Retail banking.

IV. SHAREHOLDER COMMUNICATION AND EXPECTED TRANSACTION TIMELINE

Discussions between MONETA and HCGBV are at a preliminary stage and no binding agreement has been signed. Consummation of the Transaction will be preceded by, and is subject to, the following:

8th October 2018 at 11am CET (conducted in English)	**Teleconference call with the European and Asian shareholders and analysts** attended by the members of the Management Board where the Management Board will present the Transaction. The details for the teleconference are as follows:

CZ	+420 225 439 717
UK	+44 207 194 3759
Switzerland	+41 445 831 805
Germany	+49 692 222 25429
Hong Kong	+8 523 077 3574
Singapore	+6 564 298 400
Participants' passcode:	**16756038#**

8th October 2018 at 1pm CET (only in Czech language)	**Teleconference call with the Czech shareholders and analysts** attended by the members of the Management Board where the Management Board will present the Transaction. The details for the teleconference are as follows:

CZ	+420 225 439 717
Participants' passcode:	**19907374#**

8th October 2018 at 3pm CET / 9am EST (conducted in English)	**Teleconference call with the US and Canadian shareholders and analysts** attended by the members of the Management Board where the Management Board will present the Transaction. The details for the teleconference are as follows:

US Toll free	8 442 860 643
Canada	+1 416 216 4194
Participants' passcode:	**26573867#**

9th - 10th October 2018	The Management Board will conduct an **investor roadshow in London** and will host lunch there to address the broader investor base. Additionally, management anticipates setting up 1:1 meetings through J.P. Morgan.[5]

[5] J.P. Morgan acts as sole financial advisor to MONETA.

11th October 2018	The Management Board will conduct an **investor roadshow in Boston** and will host lunch there to address the broader investor base. Additionally, management anticipates setting up 1:1 meetings through J.P. Morgan.[5]
12th October 2018	The Management Board will conduct an **investor roadshow in New York** and will host lunch there to address the broader investor base. Additionally, management anticipates setting up 1:1 meetings through J.P. Morgan.[5]
Q4 2018	Completion of a fairness opinion by an independent party. Completion of due diligence of HCCZ by MONETA. Completion of due diligence of MONETA by HCGBV. Negotiation of Transaction documents between MONETA and HCGBV. Approval of the Transaction at MONETA's General Meeting.
Q1 2019	Signing of binding Transaction documents between MONETA and HCGBV upon authorisation from the General Meeting.
1st July 2019	Issuance of appropriate bank regulatory approvals for the Transaction by the Czech National Bank and the National Bank of Slovakia. Completion of antitrust clearance of the Transaction. Issue of approvals for prospectuses concerning new shares, and Tier 2 and/or AT1 bonds of MONETA by the Czech National Bank.

The Management Board is also open to individual phone calls or individual visits to MONETA. This would be agreed and organized by MONETA's Investor Relations, Ms. Linda Kavanová. Please send any requests to: investors@moneta.cz.

V. UNAUDITED PRO FORMA FINANCIALS OF HCCZ ENTITIES

- **Air Bank** is a modern and innovative financial institution offering next generation products and services through primarily digital channels. It began operations in 2011 and, with over 637,000 customers and a net promoter score ("NPS") above 70[6], has quickly established itself as the bank of choice for Czech Republic's young, tech-savvy, urban population.

CZK m	Pro forma 1H'18[7]
Net retail loans	**16,765**
Total assets[8]	107,602
Customer deposits	98,021
Shareholders' equity	**6,962**
Number of customers ('000)	637
Branches	35
ATMs	354

- **Home Credit Group** is a leading provider of consumer finance. Founded in 1997, Home Credit Group focuses on responsible lending primarily to people with limited credit history. Home Credit Group drives and broadens financial inclusion providing a positive and safe borrowing experience – the first for many of its customers. In doing so, Home Credit Group promotes higher living standards and meets borrowers' financial needs. Its services are simple, easy and fast.

CZK m	Pro forma 1H'18[7]
Net customer loans[9]	**14,714**
Total assets	17,637
Shareholders' equity	**782**
Number of customers ('000)	469
Point of sale distribution units	1,935[10]
Number of retail partners	2,961

6 Source: Ipsos market study.
7 Source: HCCZ company data.
8 Including CZK 10.2 bn of intragroup loans and CZK 3.1 bn Corporate loans which will be excluded from the Transaction perimeter as well as CZK 14.5 bn loans provided to Home Credit's Czech and Slovak businesses.
9 Including loans sold to SPVs.
10 . . Point-of-sale distribution units in the Czech Republic as of June 2018.

VI. PRINCIPAL RISKS AND ASSUMPTIONS OF THE BUSINESS CASE

The outcome of the business case outlined in section II. above may, in the same way as the outcome of any other business case, prove to be incorrect due to inaccurate inputs, flawed assumptions, wrong underlying methodologies or errors in the development, design, implementation or use of the business case, interpretation of its outputs or inability of the business case to properly factor in all risks associated with the business operations of MONETA and/or HCCZ, and is based on a number of economic, market, operational, regulatory and other assumptions of both a quantitative and judgemental nature. These assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, which are outside the control of MONETA and/or HCCZ. They include the following:

- Positive macroeconomic outlook in the Czech Republic, Slovak Republic and European Union will persist until 2023.
- No changes to the prevailing global and national political conditions that may be material to operations of MONETA, its group or combined entity.
- Expectations of the development of key macroeconomic indicators, namely inflation rate, benchmark interest rate, unemployment rate and foreign exchange rate are in line with the Czech National Bank forecast published on August 2nd 2018[11].
- No changes to the EU and national regulatory environment, rules and oversight, including accounting, reporting and auditing standards that may be material to the operations of MONETA, its group or combined entity.
- No change in Pillar I, Pillar II, MREL and/or macro-prudential capital requirements and other measures against the business case, which already includes announced increases of the countercyclical buffer in 2019 and considers a management buffer of 100bps. The business case anticipates the Bank will incur an increased capital requirement of 100 bps as a result of the Transaction, covered by CET1 capital layer. As a result, the CAR target stands at 17%, subject to the Management Board review upon confirmation of the capital requirement by the regulator.
- MONETA will receive confirmation from the Czech National Bank to incorporate current period profit at every quarter end into the retained earnings, starting from 30 June 2019 at latest.
- No material changes to the domestic operating environment including, but not limited to, changes in product pricing, customer demand, market consolidation and new market entrants beyond the business case.
- No material adverse event that will have an impact on the financial performance of MONETA, its group or combined entity.

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[11] CNB forecast from August 2nd 2018: https://www.cnb.cz/cs/menova_politika/zpravy_o_inflaci/2018/2018_III/download/ZOI_III_2018_T_1_Makroindikatory.xlsx.

- The timing and amount of the cost synergies generated by the combined entity will not differ from projections contained in the business case.

Besides, the outcome of the business case outlined in section II. above is also based on certain factors which are within the influence of the Management Board of MONETA, such as:

- No material acquisitions, joint venture agreements or disposals by MONETA or its group.
- No material changes to the dividend policy of MONETA.
- No material changes in the strategy of MONETA and its group.

IMPORTANT NOTICE

As at the date of this announcement, the terms and conditions of the Transaction are still being negotiated and no legally binding agreement has been entered into. Recipients should note that the Memorandum of Understanding may or may not lead to the parties entering into a definitive agreement, or that once entered the terms of the Transaction may not fully or substantially reflect the contents of this press release. Further, the Transaction contemplated thereunto is subject to corporate and regulatory approvals as mentioned in section IV. above and, therefore, the Transaction may or may not be consummated. Recipients of this announcements are also reminded to exercise caution when dealing in the shares of MONETA.

THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR A SOLICITATION OF OFFERS TO PURCHASE OR SUBSCRIBE FOR SHARES OF MONETA, OTHER SECURITIES OR OTHER FINANCIAL INSTRUMENTS. This announcement does not constitute a prospectus or a public offer of any shares or other securities within meaning of the Act No 256/2004 Coll., the Capital Markets Act, as amended, or the Directive 2003/71/EC of the European Parliament and of the Council, the Prospectus Directive, as amended. Copies of this announcement may not be sent to countries, or distributed in or sent from countries, in which this is barred or prohibited by law. Persons into whose possession this announcement comes should inform themselves about and observe all such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such jurisdiction. This document does not constitute a recommendation regarding any securities.

THIS ANNOUNCEMENT IS NOT A PROXY STATEMENT NOR A SOLICITATION OF PROXIES UNDER THE U.S. SECURITIES LAWS. The securities referred to herein are exempt from the proxy rules of the U.S. Securities Exchange Act of 1934, as amended. This announcement does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in the United States. The securities referred to in this announcement have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of *the Securities Act and in each case in compliance with the laws of the applicable state or other jurisdiction of the United States.*

This announcement may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements of MONETA with respect to, inter alia, profitability, costs, assets, capital position, financial condition, results of operations, dividend and business (together, "forward-looking statements"). 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 realised 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 MONETA. 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. No statement in this announcement is a profit or dividend forecast or estimate and no statement in this announcement should be construed as such, nor should any statement be interpreted to mean that the future earnings per share, profits, dividends, margins or cash flows of MONETA for the current or future financial years would necessarily match or be greater than the historically published figures. Any forward-looking statement contained in this announcement is made as at the date of this announcement and cannot be relied upon as a guide to future performance. MONETA 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.