

Mandatory Disclosure
 INSIDE INFORMATION
 17 September 2018 18:00

MONETA Money Bank, a.s. announces a successful disposal of legacy non-performing loan portfolio and a related increase of 2018 consolidated net profit guidance from CZK 3.7 billion to CZK 4.0 billion and upgrade of 2018 dividend guidance from CZK 5.0 to CZK 5.5 per share before tax

MONETA Money Bank, a.s. (“MONETA”) announces an increase of its 2018 consolidated net profit guidance from CZK 3.7 billion¹ to CZK 4.0 billion resulting primarily from a successful disposal of legacy non-performing unsecured consumer loan portfolio and improved performance in net interest income and cost projection. In conjunction with improved short-term outlook, the Management Board of MONETA will consider to propose a higher dividend pay-out at Annual General Meeting to take place in 2019. The previously announced guidance is raised from CZK 5.0 per share before tax² to CZK 5.5 gross per share before tax³.

The following overview details 2018 revised guidance:

	Aug 2018 Guidance ^{1,4}	Revised 2018 Guidance ⁴
Loan Book Growth ⁵ (YoY)	≥ 9%	≥ 11%
Total Operating Income (in billion CZK)	≥ 9.7	> 9.9
Cost Base (in billion CZK)	~ 4.9	< 4.9
Cost of Risk ⁶ (in basis points)	20 – 30	20 – 30
Excluding legacy NPL sales (in basis points)	75 -85	75 -85
Consolidated Net Profit (in billion CZK)	≥ 3.7	≥ 4.0
Return on Tangible Equity ⁷	≥ 16%	≥ 17%
Effective Tax Rate ⁸	~ 17%	~ 17%

¹ Market guidance published on August 8th, 2018 in the semi-annual presentation for IH 2018.

² Considered proposal published on August 8th, 2018 in the semi-annual presentation for IH 2018.

³ Subject to corporate, regulatory and regulator’s limitations and approval of the Annual General Meeting.

⁴ Unaudited.

⁵ Gross performing loans growth. Gross performing loans are performing loans and receivables to customers as determined in accordance with MONETA’s loan receivables categorization rules (Standard, Watch).

⁶ Cost of Risk is calculated as net impairment of loans and receivables for the period divided by the Average Balance of Net Loans to Customers, with Average Balance of Net Loans to Customers being calculated as two-point average of the beginning and ending balances of loans and receivables to customers for the period.

⁷ Return on Tangible Equity is calculated as consolidated net profit divided by tangible equity.

⁸ Effective Tax Rate is calculated as taxes on income divided by profit for the period before tax.

MONETA sold a legacy, fully written-off non-performing portfolio of the unsecured consumer loan receivables (“NPL”)⁹ in total nominal value of CZK 1.2 billion to B2 Kapital Czech Republic. The portfolio consists of approximately 12,000 unsecured consumer loan receivables in default more than 14 years on average. The sale had been successfully conducted from two round competitive auction process with participation of 12 local and international bidders. The winner was selected based on the highest bid. The transaction has generated an extraordinary pre-tax gain of approximately CZK 360 million. The purchase price has been fully paid up by the acquirer at the time of this announcement.

The key transaction parameters are as follows¹⁰:

(i)	Portfolio nominal value	CZK 1,200 million
(ii)	Portfolio net carrying value	CZK 0 million
(iii)	Pre-tax gain from NPL disposal	CZK 360 million

The impact of the NPL portfolio sale positively influences “other operating income” category as a significant portion of the extraordinary gain had been accounted for as such. This treatment is in line with MONETA’s accounting policies and consistent with previous practices. The impact on “other operating income” category will be approximately CZK 300 million, approximately CZK 200 million above expectation in the prior guidance¹¹. Including this NPL portfolio sale, MONETA’s strategy to reduce legacy NPL has generated, as of today, pre-tax gain of in total approximately CZK 1,050 million, enhancing the overall financial performance of MONETA considerably.

Additionally, MONETA’s net interest income guidance increases due to the recent rate hike¹² announced by the Czech National Bank on August 2nd, 2018 and the expectation of two more rate hikes until the end of 2018. In this respect, MONETA wishes to upgrade its guidance of net interest income¹³ for 2H’2018 from CZK 3,635 million to approximately CZK 3,700 million. The improved guidance also incorporates better than expected pricing performance and continued strong growth rate of mortgage, small business and consumer loan portfolios.

MONETA also upgrades “Loan Book Growth” guidance due to the strong performance in the above-mentioned product categories. However, the management expects deceleration of growth in the SME segment due to its effort to reprice certain exposures with the aim to improve overall capital returns and allocation. The repricing effort may lead to decrease of existing loan balances, namely in mid-market subsegment of its commercial portfolio.

⁹ Non-performing loans as determined in accordance with the MONETA’s loan receivables categorisation rules (Substandard, Doubtful, Loss), Stage 3 according to IFRS9.

¹⁰ Amounts are rounded and final impact can differ due to the rounding differences.

¹¹ Market guidance published on August 8th, 2018 in the semi-annual presentation for 1H 2018

¹² Latest CNB forecast from August 2nd, 2018

¹³ https://www.cnb.cz/cs/menova_politika/zpravy_o_inflaci/2018/2018_III/download/ZOI_III_2018_T_1_Makroindikatory.xlsx

¹³ Excluding income from opportunistic repo operations

Lastly, MONETA wishes to inform that it has requested the Czech National Bank to issue its clearance to incorporation of 30% of 2018 mid-year net profit into MONETA's capital and thereby further strengthening MONETA's capital position. If so confirmed by the Czech National Bank, MONETA anticipates to reach capital adequacy ratio in the range of 15.9% to 16.3% before the end of 2018.

PRINCIPAL ASSUMPTIONS FOR MONETA'S UPDATED 2018 GUIDANCE

In preparing this updated 2018 guidance, MONETA has made a number of economic, market, operational, regulatory and other assumptions of both 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, including the following:

- Positive macroeconomic outlook will persist.
- 3M PRIBOR assumed to gradually increase as per the Czech National Bank forecast.¹⁴ issued on August 2nd, 2018 indicating further two rate hikes before the end of 2018.
- Cost of Risk includes contingency for potential large commercial default.

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¹⁴ Latest CNB forecast from August 2nd, 2018

https://www.cnb.cz/cs/menova_politika/zpravy_o_inflaci/2018/2018_III/download/ZOI_III_2018_T_I_Makroindikatory.xlsx