Mandatory Disclosure
PUBLIC DISCLOSURE OF INSIDE INFORMATION

MONETA Money Bank, a.s.

Consolidated Financial Report as of and for the Three Months Ended 31 March 2020

Contents

1 Disclaimer

Forward-looking statements

This report may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to, the 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 “Group” or “MONETA”).

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 that such matters 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.

Dividend Guidance

Subject to corporate, regulatory and regulator’s limitations, the Bank’s target is to distribute the Group’s excess capital above that required to meet the Group’s internal target of the capital adequacy ratio, which is currently 14.9%. However, the internal capital adequacy ratio target is not legally binding upon the Group and is subject to change on the basis of the ongoing re-assessment by the Management Board of the Bank based on the business results and development.

Owing to the current situation associated with the unpredictable spreading of the coronavirus (COVID - 19) pandemic, the Management Board of the Bank approved to retain 2019 net profit and suspend the dividend policy. MONETA’s management continues to monitor the situation closely and at the same time reserves the right to adjust the dividend policy when the economic outlook becomes clearer and the situation calms down.

Material assumptions for forward-looking statements

Given the current highly unpredictable macroeconomic situation related to the COVID-19 pandemic, the Bank developed two possible scenarios which include following assumptions:

- “Moderate Scenario”, projects mild increase of unemployment rate (to 3.2%), moderate inflation (at 2.5%) and further decrease of CNB repo rate (to 0% level) by the end of 2020. This scenario further estimates GDP growth of Czech Republic to erode at modest levels 1Q at 0.7%, 2Q at minus 0.5%, 3Q at minus 1.3% and 4Q at minus 2.5%.
- “Severe Scenario”, , projects unemployment rate up to 7.9% and GDP erosion in the following manner: 1Q at 0.5%, 2Q at minus 3.3%, 3Q at minus 4.6% and 4Q at minus 5.5%, This scenario further estimates “zero” CNB repo rate and models slightly lower inflation of 1.8%.

Third parties’ data

Certain industry and market information in this report has been obtained by the Bank from third party sources. 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.

2 Letter from the CEO

Dear Shareholders,

As I write this report for you, the Czech Republic and the whole world are still coping with the gravest public health crisis in modern history and the profound impact on us all. Our thoughts at MONETA Money Bank are with the families who have lost their loved ones to the COVID-19 disease and the healthcare workers on the front lines fighting to contain the coronavirus pandemic. I would also like to express my gratitude to all MONETA employees for doing their best in these difficult times.

It is clear that the unprecedented circumstances which have led to a significant restriction of social and business activities will cast a dark shadow on the overall economy, including banking, for the foreseeable future. The Czech Republic will operate under the state of emergency for nine weeks from 12th March to 17th May. Most retail establishments, entire shopping malls and virtually all services have been closed. Equally important, operations of many enterprises and manufacturers have been severely limited during this time. Offices and government buildings have emptied as most employees across all sectors and civil servants telecommuted to work from their homes. Most schools will stay closed during May while many social distancing rules remain in place. As a result, students will continue taking online classes, forcing many parents to look after their children at home. Nearly all inbound as well as outbound foreign travel was temporarily closed, and now foreign travel is still very limited.

The measures have spared the Czech Republic from a severe spike in the spread of the coronavirus and COVID-19 fatalities as seen in Italy, Spain, USA and other countries around the world. However, this has come at a price of a deep economic slowdown, depriving thousands of business owners and tradespersons, including many of MONETA's clients, of their incomes. In this context, it is very difficult to predict when matters will turn and when the local economy will reopen and recover from this shock.

Before summarizing MONETA's performance in the first quarter, I would like to give you an overview of the regulatory, operational and business challenges we are currently facing. Together, these form a quickly evolving and still fluid set of circumstances that MONETA and the country's entire banking sector will continue to navigate.

SUMMARY OF NEW MEASURES FOR BANKING SECTOR RELATED TO COVID-19

On 1 April, the Czech government approved a scheme for a loan repayment moratorium on consumer, mortgage and corporate loans to help the country get through the coronavirus crisis. Two weeks later, both chambers of the Czech parliament and president passed this legislation, allowing borrowers to opt for loan repayment deferrals of up to three or six months. The loan repayment moratorium will expire in October 2020 and does not cover revolving credit, loans used as leverage for capital market operations, or credit card debt. Additionally, the loan repayment moratorium is available only to borrowers who originated and drew loans or mortgages before 26th March and were less than 30 days late on their debt payments as at 26th March.

The new regulation also mandates an interest rate ceiling for consumer lending during the loan repayment moratorium period. The maximum interest rate is currently set at 9%. The relevant legislation stipulates maximum 8% margin above the two-week CNB repo rate (currently set at 1%). During the loan repayment moratorium, the banks are prohibited from charging their clients penalty fees or penalty interests.

Aside from the loan repayment moratorium, the Czech government also amended the Consumer Credit Act and introduced extended limits for delinquency charges. The scope of consumer protection was also extended to cover self-employed individuals. The maximum delinquency charges on loans provided to self-employed individuals will be set at 0.1% per day of the overdue balance when the loan is delinquent more than 90 days, but the total penalty fee may not exceed 50% of the loan principal.

The CNB has also introduced measures aimed at lessening impact caused by the COVID-19 pandemic. In March, the CNB cut its main policy two-week repo rate by 125 basis points, reducing key rate from 2.25% to 1%. As of 1st April, the CNB also decreased countercyclical capital buffer requirement by 75 basis points to 1% and relaxed the regulatory requirements for providing new mortgages. The CNB increased the loan-to-value (LTV) ratio from 80% to 90%, raised the debt-service-to-income (DSTI) ratio from 45% to 50% and eliminated its debt-to-income (DTI) requirement for new mortgage loans. Additionally, the CNB had issued strong recommendation to Czech banks to discontinue dividend payments and conserve capital.

On 16th April, the Czech Senate passed an amendment to the Act on the Czech National Bank permitting the central bank to purchase a wider range of securities. Previously, the CNB was restricted to operations with government and own securities. This gives the CNB greater scope in potentially providing new funds to local banks or undertaking quantitative easing measures.

SUMMARY OF MONETA'S MEASURES AND IMPACTS IT IS FACING

MONETA reacted to the situation in timely and focused manner. On the day-to-day operational level, we set up procedures for our staff to work from home to enable social distancing and restrict potential spread of the virus. We have also introduced necessary safety measures at our branches and ATM locations to protect our customers and employees.

As a result of our prompt operational measures, we were able to continuously operate 160 branches and 615 ATM locations. Our teams selected 16 core branches where continuity plans were set up to keep them operational through enabling of three individual teams for each unit. Additionally, we adjusted branch opening hours, while cash replenishment limits for branches and ATMs were increased to enable access to cash throughout the country. The closure of 19 branches announced at the end of 2019 was completed as planned and at lower than originally estimated costs.

We have also relied upon all MONETA's digital tools to limit face-to-face meetings between our clients and our employees at branches, removing risks wherever possible. Our digital channels have proven to be critical in originating sales of our products for retail and small businesses and in proving their service capacity.

MONETA's senior management also set up crisis management modus operandi. On daily basis, we have been holding conference calls to discuss our operations, keeping abreast of key developments. We have also formalized immediate succession and key staff replacement, should any member become ill and be unable to perform his or her duties.

Our staff meetings are now held online using relevant technology and benefiting from instruments prepared in the past. In the same manner, we set up monitoring of MONETA's core and critical functions on a daily basis. These concern the data on branches, ATM´s, call centres, underwriting, back offices, HR staffing, IT infrastructure and Cyber Security as well as digital channels traffic and performance of payment platforms. We have also enabled seamless processing of loan repayment moratorium requests, achieving operational excellence.

On average of 1,600 MONETA employees, more than 50% of total workforce, had been able to work remotely, therefore maximizing social distancing and limiting health risks. Additional attention had been given to promptly disinfect and clean MONETA's premises where suspected or confirmed COVID-19 cases occurred. We have provided financial compensation to our employees for personal protective aids as a reaction to difficulties with institutional procurement of such.

MONETA has also paid full compensation to single mothers and fathers, whom had been forced to stay at home with their children because of school closures.

Due to the declared emergency status and limitations arising from such, we had decided to postpone our Annual Shareholder Meeting which was originally scheduled for 28th April 2020. The Annual Shareholder Meeting will be convened after the abolition of the emergency status. We will inform you regarding the new date as soon as possible.

Additionally, on 20th April MONETA has received reaffirmed long- and short-term rating of BBB/A-2 from S&P Global Ratings. Unfortunately, due to consequences of the situation, S&P Global Ratings changed our outlook from positive to stable.

DIVIDEND POLICY

On 17th March, the Management Board of the Bank decided to suspend the Bank's dividend policy and to retain 2019 net profit. This decision was merited by the changed circumstances and likely negative impact on performance of the Czech economy. The management considers necessary to preserve liquidity and strength of capital base. Within days of our decision, the CNB issued a strong recommendation to the banking sector to suspend dividend payments and retain profits. We plan to re-evaluate this decision before the end of the year, subject to our financial performance and overall conditions prevailing in the Czech Republic.

GUIDANCE

As a consequence of the COVID-19 outbreak and impact of government measures, we cancelled our guidance published on 6th February 2020. The Management Board shares the view that the government measures and CNB policy changes will have a material impact on our financial and business performance in the short as well as medium term. Furthermore, this impact is also currently difficult to predict due to significant uncertainty with respect to potential size of government support and lack of clarity on full restart of the economy.

In this context, the Management Board has defined two scenarios, seeking to assess our performance for remaining part of 2020. Our "Moderate Scenario" builds upon assumption of strong government support and therefore limited impact on key macroeconomic indicators. This moderate outcome also assumes quick recovery of overall demand and rectification of supply discontinuities. The scenario further projects mild increase in the unemployment rate (to 3.2%), moderate inflation (at 2.5%) and a further decrease in the CNB two-week repo rate (to 0% level) by the end of 2020. This scenario further estimates GDP growth of the CpstCzech Republic to erode at modest levels 1Q at 0.7%, 2Q at minus 0.5%, 3Q at minus 1.3% and 4Q at minus 2.5%.

Additionally, we also defined "Severe Scenario", seeking to assess stronger impact of the COVID-19 pandemic. In this scenario, we estimate that unemployment rate will reach 7.9% and Czech GDP will suffer material impact. The Severe Scenario models GDP erosion in the following manner: 1Q at 0.5%, 2Q at minus 3.3%, 3Q at minus 4.6% and 4Q at minus 5.5%, In this scenario we also assume a "zero" CNB two week repo rate and model a slightly lower inflation of 1.8%. The Severe Scenario further assumes weak to moderate government support through direct measures and constrained public expenditures.

PAYMENT MORATORIUM AND COVID II PROGRAMS

During early stages of the crisis, MONETA initiated offer to defer loan payments for up to three months. Our program was designed and implemented before the government-mandated loan repayment moratorium was introduced. Our voluntary solution provided MONETA's clients with temporary relief to avoid defaults in anticipation of severe impact on the Czech economy. The program was enabled through our digital channels with the support of our call centres. By the end of April, we have received more than 55,000 applications involving approximately CZK 27.5 billion of the underlying credit portfolio.

Additionally, MONETA closely cooperates with the state-owned Czech-Moravian Guarantee and Development Bank ("CMZRB"), to supporting commercial clients in accessing COVID loan programs. The CMZRB programs support self-employed individuals and SMEs seeking additional liquidity to offset impact of the crisis. MONETA has set up training to assist its clients through the CMZRB application process. Under the COVID II program, the CMZRB contributes subsidy for interest payments of up to CZK 1 million. Provided guarantees cover up to 80% of the commercial loan principal and up to 25% of total volume of provided guaranteed loans by individual bank. We have processed more than 685 applications valued at approximately CZK 1.7 billion. The number of applications processed by MONETA accounted for nearly 12% of a total of 5,900 applications (approximately valued at CZK 19 billion)[1] submitted to the CMZRB in the COVID II loan program for small businesses and SMEs.

MONETA has also participated in the COVID Prague program designed for entrepreneurs from Prague only who could not participate in the COVID II program. This program was with support from the Office of Mayor in Prague and covers lending to Prague based individuals and businesses in the total value of CZK 1.8 billion[2]. We have processed an estimated 64 applications valued at approximately CZK 110 million out of total 363 applications[2] submitted to the CMZRB in this COVID Prague program.

[1] Source: https://www.cmzrb.cz/cmzrb-do-programu-covid-ii-prijala-zadosti-za-19-mld-kc/
[2] Source: https://www.cmzrb.cz/cmzrb-se-v-ramci-programu-covid-praha-zaruci-uvery-za-18-mld-kc/

MEASURES FOR FUNDING AND LIQUIDITY

The Management Board had also analysed liquidity prospects under the Moderate and Severe scenarios and calculated the overall requirements from absolute and relative perspectives. In this context, we designed and initiated funding strategy to maintain solid liquidity sources. At the end of April, we have launched a new retail savings account campaign to raise additional retail deposits and further reinforce our stable funding base. During the second quarter, we plan to initiate similar campaign targeting depositors from among small businesses and SMEs.

CHANGES TO CREDIT POLICY AND LOAN LOSS PROVISIONING

Implementation of our "Moderate Scenario" into our IFRS 9 provisioning models was effective in March. The change of macroeconomic indicators resulted in a substantial additional Cost of Risk increase estimated at CZK 475 million.

Our risk management additionally revised underwriting criteria to develop a more cautious approach in reflecting new liquidity scenarios, also incorporating our assumptions regarding higher unemployment and the expected performance of individual industrial sectors into our overall credit policy.

We have also reviewed and initiated reduction of pre-approved credit limits for our retail and small business clients.

COST BASE AND INVESTMENT BUDGET RE-EVALUATION

The Management Board reviewed the overall cost base with respect to new market conditions and initiated savings actions, aiming to reduce cost base by CZK 300 million. The review also contained a reassessment of MONETA's 2020 investment budget, where several initiatives were either cancelled or postponed, reducing the overall budget by CZK 170 million.

MONETA'S PERFORMANCE IN THE FIRST QUARTER OF 2020

In 1Q 2020 MONETA reported profit before tax and impairment by 31% higher compared to 1Q 2019. This was driven by double digit revenue growth and broadly flat cost base. Recorded net profit reached CZK 731 million, 25.6% below the result in the same period a year earlier. Elevated Cost of Risk decreased our overall profit year-on-year as a result of revision to macroeconomic outlook. MONETA suffered additional loan loss provisions of CZK 475 million as a consequence of this revision. We therefore achieved a 12.7% Return on Tangible Equity (RoTE) and 11.5% Return on Equity (RoE) during the quarter.

Our total operating income grew 14.7% year-on-year, supported by net income from financial operations with significant gain on bond sales.

Year-on-year, our net interest income grew 4.9% and net fee and commission income increased 4.3%. Our overall operating expenses remained flat despite higher contributions to regulatory funds and already incurred integration costs.

DIGITAL STRATEGY

During the first quarter, we successfully launched our digital platform Refinanso.cz for online mortgage refinancing. Refinanso raised more than 600 new pre-approved contracts and in excess of 150 signed contracts, an equivalent of 8% of all mortgages signed during the period.

We have also successfully completed migration of our debit and credit card operational platform. Development of this new platform consumed more than 28 000 man-days and had cost an estimated CZK 350 million over two years. This major migration was completed successfully amid very difficult current circumstances. Our new platform will result in future savings and provide a number of other benefits.

Additionally, our proportion of online origination of consumer loans increased to 41.5% compared to 35.7% in 1Q 2019. Steady and solid performance was maintained in small business online origination. We were also successful in fully online origination of new loans, where consumer loans rose by 35.1% and small business instalment loans grew 48.2% on year-on-year basis.

The volume of pre-approved limits in consumer lending and small business lending stayed flat at CZK 78 billion and CZK 10.8 billion, respectively.

We also continued to generate an increase in the usage of our digital payment platforms through Google Pay and Apple Pay, overall penetration increasing 113.9% over the past 12 months and transactions growing steeply by 268.3% year-on-year.

RETAIL AND COMMERCIAL SEGMENTS

Retail gross performing lending grew 3.2% year-to-date to CZK 92.8 billion, which was driven by mortgage gross performing lending (up 7.7% year-to-date to CZK 46.9 billion). Consumer gross performing lending remained flat at CZK 40.3 billion. As a result, MONETA's market share in consumer lending slightly declined to 18.1% from 18.3% at 2019-year end, while in mortgage lending grew to 3.5% from 3.3% at 2019-year end.

Commercial gross performing lending grew 2.4% to CZK 68.4 billion year-to-date. This was mainly driven by growth in working capital gross performing lending of 11.4% year to date to CZK 10.5 billion, small business gross performing lending increasing 5.1% year-to-date to CZK 7.2 billion and gross performing investment loans remaining flat at CZK 36.8 billion.

RISK AND CAPITAL MANAGEMENT

Overall Cost of Risk is experiencing significant pressure amid ongoing COVID-19 pandemic and public health measures adopted to contain it. The expected worsening of macroeconomic indicators drove MONETA to book in the first quarter additional provisions of CZK 475 million, leading to a total Cost of Risk of CZK 684 million, or 173 basis points. The non-performing loans ratio remained flat at 1.9% and our total NPL coverage level increased to 118.9% from 109.2% at 2019-year end.

On 27th January 2020 MONETA issued a second tranche of subordinated debt (Tier 2 bonds) for total of CZK 2.6 billion, yielding 3.79% p.a. The bonds have the same maturity as previous bond issue (10 years, with call options after 5 years).

MONETA's capital position strengthened in the first quarter, largely as a result of the Tier 2 bond issue, boosting the capital position by 210 bps. This further strengthened MONETA's regulatory capital to CZK 27 billion.

MONETA's already solid capital adequacy ratio further increased to 21.0% with the CET1 ratio at 17.4%. The overall capital requirement became 14.65%, effective from 1st January 2020, and consisted of 8% Pillar I and 2.4% Pillar II requirements. MONETA was required to maintain a 2.5% capital conservation buffer and a 1.75% countercyclical buffer. Based on the CNB's announcement in March and decrease in the countercyclical buffer to 1%, the overall capital requirement will be 13.9% with effect from 1st April 2020. Following this reduction, the Management Board has decided to decrease MONETA's capital adequacy ratio target for 2020 to 14.9% from the previous 15.9%.

ACQUISITION OF WÜSTENROT CZ

I am pleased to inform that MONETA has successfully completed acquisition of Wüstenrot – stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s. The purchase price paid for a 100% share in both companies was EUR 175 million. Total accounting value of acquired net assets in both entities amounts to EUR 207 million as of 31 March 2020. Prior to the completion MONETA obtained all the relevant regulatory approvals from the Czech National Bank and the Czech Office for Protection of Competition. We will now continue further integration of these two companies into MONETA's operations.

NEAR TERM CHALLENGES

Given the unpredictable situation in the developing public health crisis and its impact on the country's economy, I would like to reiterate our gratitude on behalf of MONETA's senior management to all our employees for their hard work. MONETA is entering this challenging environment in a position of strength under a solid ethos. I am therefore confident that shareholders will fully support all the measures adopted by management to allow MONETA to emerge from this crisis even stronger.

Yours faithfully,

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

3 Key Performance Indicators

	Three months ended 31 Mar 2020	Year ended 31 Dec 2019	Change
Profitability			
NIM (% Avg Int Earning Assets) [3]	3.6%	3.8%	(20)bps
Yield (% Avg Net Customer Loans)	5.1%	5.3%	(20)bps
Cost of Funds (% Avg Deposits and Loans)[4,5]	0.68%	0.54%	14bps
Cost of Funds on Core Customer Deposits (% Avg Deposits)	0.49%	0.36%	13bps
Cost of Risk (% Avg Net Customer Loans)	1.73%	0.35%	138bps
Risk-adj. Yield (% Avg Net Customer Loans)	3.4%	4.9%	(150)bps
Net Fee & Commission Income / Operating Income (%)	16.6%	18.5%	(190)bps
Net Non-Interest Income / Operating Income (%)	30.1%	24.7%	540bps
RoTE	12.7%	18.2%	(550)bps
RoE	11.5%	16.5%	(500)bps
RoAA[6]	1.3%	1.9%	(60)bps
Liquidity / Leverage			
Net Loan to Deposit Ratio[6]	80.8%	86.2%	(540)bps
Total Equity / Total Assets[6]	10.3%	11.1%	(80)bps
Liquid Assets[5,6] / Total Assets[6]	31.5%	25.6%	590bps
LCR	155.6%	172.3%	(1670)bps
Equity			
Total Equity (CZK m)	25,460	24,411	4.3%
Tangible Equity (CZK m)	23,077	22,128	4.3%
Capital Adequacy			
RWA Density[6]	45.9%	52.9%	(700)bps
Total Capital Adequacy Ratio (%)	21.0%	18.0%	300bps
Tier 1 Ratio (%)	17.4%	16.4%	100bps
Asset Quality			
Non-Performing Loan Ratio (%)	1.9%	1.8%	10bps
NPL Ratio Retail (%)	2.1%	1.9%	20bps
NPL Ratio Commercial (%)	1.6%	1.6%	0bps
Core Non-Performing Loan Coverage (%)	55.8%	55.9%	(10)bps
Core NPL Coverage Retail (%)	53.5%	52.2%	130bps
Core NPL Coverage Commercial (%)	60.0%	62.0%	(200)bps
Total NPL Coverage (%)	118.9%	109.2%	970bps
Efficiency			
Cost to Income Ratio	45.6%	47.7%	(210)bps
FTEs (as of the date)	2,855	2,943	(88)
Branches	161	179	(18)
ATMs	631	632	(1)

All ratios are annualized.

[3] Interest earning assets include encumbered assets of CZK 22.6bn in liquid assets as at 31 March 2020 (31 December 2019: CZK 9.0 bn), where CZK 1.0. bn are client's receivables recognised in "Loans and receivables to customers" used as collateral for received loan from third party in MONETA Leasing (31 December 2019: CZK 1.2 bn).
[4] Repo transactions with banks and customers which are closed on back-to-back basis by reverse repo transactions with CNB are included.
[5] Deposits include subordinated debt
[6] RWA density ratio calculated in compliance with BIS Working Papers: Leverage and Risk Weighted Capital Requirements.

4 Macroeconomic Environment

In the first quarter of 2020 the Czech economy remained on the growth pace from 2019. In the whole 2019 Czech Republic's GDP grew by 2.4%[7] year-over-year and despite the observed slowdown in industrial production the economy was expected to continue growing throughout 2020. This was visible e. g. in the February macroeconomic forecast of the Czech National Bank, which predicted an economic growth of 2.3% in 2020, followed by 2.8% in 2021[8].

However, in March first cases of COVID-19 infection were recorded in the Czech Republic and the positive economic and social development was very quickly turned into a partial shut-down of the whole country. To prevent quick spread of the disease, the Czech government closed majority of retail shops. Additionally, some of the large domestic industrial producers decided to close their factories for several weeks. This unprecedented situation will severely hit domestic economic development. The extent, to which the economy will be affected, is still not known. The first indications show that the GDP could record a decrease of approximately 5%[9].

The entry situation of the Czech Republic to the current crisis was good, except the industrial production, which shrank by 0.9%[10] year over year in February 2020. The unemployment rate was the lowest among EU member states and reached 3.0%[11] in March 2020, retail trade grew by 7.4%[12] year over year in February 2020 and the average gross wage increased by 6.7%[13] in nominal terms year over year in the last quarter of 2019.

The Czech National Bank reacted to the expected economic downturn very quickly and supported the economy by two consecutive significant cuts of interest rates, bringing the key monetary policy interest rate down from 2,25% to 1.00%[14] in March. The Czech government introduced a package of financial aid to household and companies, including a payment postponement moratorium, which requires domestic financial institution to postpone instalments of loans until July 31 or October 31, conditioned only by an active application submitted by a customer.

Given the current development the economic outlook for upcoming quarters is very unclear. Several domestic economists released a set of downturn scenarios, which differ mainly by the length of the economic shutdown. The Czech economy will surely face an economic recession, where the length and severity will mostly depend on the speed of the COVID-19 pandemic worldwide spread. On the other hand, the Czech Republic entered the crisis in a very strong position, allowing the local government to soften economic impacts by generous fiscal stimulus measures.

The banking sector's total operating income increased by 7% year-on-year in 2019 driven by growth in net interest income (12% year-on-year) while Net non-interest income continued to decrease (-5% year-on-year). The Czech banking sector's net profit reached 12% growth year-on-year, operating expenses increased by 3% year-on-year and cost of risk decreased by 36% year-on-year. The annualized return on equity measured by net profit to Tier 1 capital progressed to 17.2% in Q4 2019 compared to the same period of the previous year.[15]

Market net loans increased by 4% year-on-year in 20191, much like Total assets (+4% year-on-year) and total assets to Tier 1 ratio reached 14.1%.[15] NPL balances continued to decline by 24% year-on-year.[15] Core coverage progressed to 54.5% level.[15] The capitalization of the Czech banking sector remained strong, Tier 1 capital increased by 10% year-on-year reaching CZK 506 billion in 2019. Regulatory Tier 1 capital to risk weighted assets grew to 19.22%.[16]

[7] Source: Czech Statistical Office, Quarterly Sector Accounts – 4th quarter of 2019.
[8] Source: Czech National Bank, CNB forecast – February 2020.
[9] See e. g. the April 2020 Macroeconomic forecast of the Czech Ministry of Finance.
[10] Source: Czech Statistical Office, Industry - February 2020.
[11] Source: Ministry of Labor and Social Affairs, monthly unemployment statistics, March 2020.
[12] Source: Czech Statistical Office, Retail trade - February 2020.
[13] Source: Czech Statistical Office, Average wages – 4th Quarter of 2019.
[14] Source: Czech National Bank, CNB Board Decision 26. 3. 2020
[15] Source: Czech National Bank, ARAD quarterly mandatory disclosures, banking sector without building societies.
[16] Source: CNB Core and encouraged financial soundness indicators (consolidated).

5 Group Performance

5.1 Business Performance

The Group generated consolidated Net profit of CZK 731 million in the first quarter of 2020 despite the coronavirus (COVID-19) outbreak during the first quarter of 2020.

Solid new production, especially in retail segment, supported the Group's gross performing loans year-to-date growth of 2.9% to CZK 161.2 billion as at 31 March 2020.

The retail gross performing loan balance increased by 3.2% when compared to 31 December 2019, standing at CZK 92.8 billion as at 31 March 2020. Majority of this growth was driven by continuing increase of new production of mortgage loans, up 35.8% year-on-year, which drove balances up 7.7% to CZK 46.9 billion during the three months ended 31 March 2020. The gross performing consumer loans balance stood at CZK 40.3 billion and remained flat when compared to 31 December 2019. MONETA Auto retail loans recorded a balance decline of 4.4% since 31 December 2019 while outstanding credit card and overdraft balances declined by 8.3% in the same period amid continuing trend of switching to instalment lending.

The commercial gross performing loan balance stood at CZK 68.4 billion as at 31 March 2020, an increase of 2.4% from the 31 December 2019 balance. Small business lending maintained a solid pace of new production, driving balances up 5.1% year-to-date to CZK 7.2 billion as at 31 March 2020. The investment loan balance increased by 1.2% to CZK 36.8 billion as at 31 March 2020. Working capital balance grew by solid 11.4% to CZK 10.5 billion as at 31 March 2020. The combined balance of MONETA Auto commercial portfolio and MONETA Leasing fell to CZK 13.9 billion, down 1.8% compared to 31 December 2019.

The Group's core customer deposits continued their gradual growth, growing in both retail and commercial segment, totalling CZK 177.9 billion as at 31 March 2020, increasing 2.0% from CZK 174.4 billion as at 31 December 2019. Balance growth came primarily from current accounts in both segments. The Cost of Funds on core customer deposits stood at 0.49% and the Group's overall Cost of Funds stood at 0.68% due to costs of opportunistic repos and issuance of additional 2.6bn of Tier 2 bonds. The Net Loan to Deposit Ratio was 80.8%.

The Due to banks balance stood at CZK 4.4 billion as at 31 March 2020, slightly higher compared to CZK 4.1 billion as at 31 December 2019.

The Group retains a highly liquid position, with Liquidity coverage ratio at 155.6% at the Group and 156.5% at the Bank level, well above regulatory requirement. Liquidity coverage ratios already reflect future outflow of cash related to purchase price for acquisition of Wüstenrot CZ. The liquid assets primarily consist of CZK 37.3 billion in reverse repo operations with CNB and investments into bonds of CZK 23.5 billion (including CZK 20.9 billion of encumbered bonds).

5.2 Financial Performance

Operating income for the first quarter of 2020 amounted to CZK 2,924 million, growing by 14.7% year-on-year, supported by higher Net interest income Net fee and commission income and gain on bond sales.

Net interest income amounted to CZK 2,043 million for the three months ended 31 March 2020, up 4.9% from CZK 1,947 million for the first three months of 2019, where the main driver was lending portfolio growth. The yield on loan portfolio declined to 5.1% for the three months of 2020, compared to 5.3% in the same period of 2019. This was mainly a result of retail yield decline driven by portfolio mix amid growth of mortgage franchise, while commercial yield slightly increased. The Group's Net interest margin declined to 3.6% in the three months ended 31 March 2020, compared to 3.9% in the first three months of 2019. This was mainly a result of a strong growth of secured mortgage balances and lower, albeit stabilising, yield on consumer loans as the gap between back-book and new production pricing continues to close.

Net fee and commission income for the three months ended 31 March 2020 increased by 4.3% year-on-year to CZK 486 million. This growth was driven by year-on-year higher third-party commissions. This was partially offset by decline in deposit servicing fees, decline in transaction fee income and by lower income from penalty and early termination fees.

Net income from financial operations amounted to CZK 374 million in the first three months of 2020, compared to CZK 100 million in the same period of 2019.

Operating expenses for the first quarter of 2020 amounted to CZK 1,332 million and remained flat year-on-year. The Group incurred CZK 536 million of personnel expenses, decreasing by 1.8% year-on-year due to efficiency measures and declining number of average FTE (5.2% lower year-on-year). Administrative and other operating expenses reached CZK 387 million, with a 4.2% year-on-year decrease, driven by productivity improvements. Depreciation and amortization expenses increased by 4.5% to CZK 257 million, driven by growing intangible assets balance (up 27.4% year-on-year) due to investments in IT and Digital. Regulatory charges reached CZK 152 million, growing 9.4% year-on-year, where the growth was driven by higher contribution to Resolution and Recovery Fund due to growing deposit balance and opportunistic repo operations.

Net impairment of financial assets amounted to CZK 684 million for the three months ended 31 March 2020, compared to CZK 14 million release in the same period last year. The primary driver of the variance was a book-up of CZK 475 million due to impact of coronavirus pandemic (COVID-19) and macroeconomic outlook change, and lower pre-tax gain on NPL disposal, amounting to CZK 20 million for the three months of 2020 compared to CZK 195 million in the same period last year. The Core Cost of Risk, excluding the impact of NPL sale, amounted to 177bps for the three months ended 31 March 2020 amid COVID-19 outbreak, compared to Core Cost of Risk of 52bps for the three months of 2019.

As a result, the consolidated Net profit for the three months of 2020 was CZK 731 million, a 25.6% decrease year-on-year. Annualized RoTE for period ended 31 March 2020 declined to 12.7% from 16.1% for the period ended 31 March 2019.

Group NPL Ratio slightly increased to 1.9% as at 31 March 2020 from 1.8% as at 31 December 2019. The overall Total NPL Coverage stood at 118.9% as at 31 March 2020 (compared to 109.2% at 31 December 2019).

The Total Capital Adequacy Ratio grew to 21.0% as at 31 March 2020 from 18.0% as at 31 December 2019, supported by positive impact of inclusion of part of the Net Profit generated in 2019 and first quarter of 2020 into regulatory capital as well as the Tier 2 bonds issuance. In total they had a positive impact of CZK 4,459 million on regulatory capital. This was partially offset by growth of intangible assets and change in RWA.

5.3 Outlook for 2020 and Risks

The economic outlook for the Czech Republic was in the last period severely influenced by the evolution of the COVID-19 global pandemic. According to the first forecasts incorporating the possible economic impact of COVID-19, the Czech economy should experience a recession in 2020. The length and severity of the recession will depend on future development of the pandemic and will hit the Czech economy in two waves. The first wave will come as a direct consequence of the partial economic closure of the country, whereas the second wave will be imported through a significant decrease of economic activity of the key foreign trade partners.

The downturn will be accompanied by very low interest rates, which might again decrease to close-to-zero levels. Among other factors the economy is already now experiencing an increase in unemployment, low foreign trade levels and potentially a decrease of inflation.

The Czech economy entered the current situation in a stable condition. This allows the local government to support the economy by fiscal stimulus measures, from which the first packages, such as a significant boost of the state guarantees, direct financial aid to entrepreneurs or postponement of debt repayments were already introduced. Higher government spending and lower expected tax returns will inevitably lead to a large budget deficit, which is, thanks to a relatively low level of indebtedness of the local government, affordable.

If the pandemic situation is resolved relatively quickly and major world economies return to normal states, the Czech Republic has the potential to return to an economic growth already in 2021. However, it is nearly impossible to provide reasonable economic forecast as some of the key world economies remain hardly hit.

Based on current uncertainty related to the future economic performance of the Czech Republic, the Management Board had suspended market guidance published on 6 February 2020. Currently, the management assumes two potential macroeconomic scenarios evolving in the Czech Republic. One scenario entails moderate impact on unemployment, GDP contractions, inflation and envisages strong government support rendered to the Czech economy. The alternative scenario predicts severe impact on the above indicators, namely unemployment and sharp decrease in GDP by the end of 2020. The severe scenario also expects limited support to the overall economy from the Government.

(All amounts in CZK millions unless otherwise stated)

6 Basic Information about MONETA Money Bank, a.s.

BASIC DETAILS ABOUT MONETA MONEY BANK	
Name	MONETA Money Bank, a.s.
Registered Office	Vyskočilova 1442/1b, 140 00 Praha 4 – Michle
Company ID	25672720
Legal form	Joint stock company
Date of registration	9 June 1998
Registered share capital	10,220,000,000
Paid up	100%

Branches, ATMs and employees:

Number of branches as at 31 March 2020: 161 and 31 December 2019: 179.

Number of ATMs as at 31 March 2020: 631 and 31 December 2019: 632.

Number of employees (FTEs) as at 31 March 2020 was 2,855 (decrease of 88 compared to the year end 2019).

Business activities:

The Bank and its consolidated subsidiaries (the "Group") operates in the Czech Republic and focuses primarily on secured and unsecured consumer lending and commercial financing. The consumer portfolio consists of secured and unsecured lending. Unsecured lending products include consumer and auto loans, credit cards, personal overdrafts. Secured lending is provided in the form of mortgages and finance leases. Commercial lending products range from working capital, investment loans, finance and operating leases, auto loans, inventory financing, financing of small businesses and entrepreneurs through guarantees, letters of credits and foreign exchange transactions. The Group provides a wide range of deposit and transactional products to retail and commercial customers.

The Group issues debit and credit cards in cooperation with VISA and MasterCard and cooperates with EVO Payments International in acquiring services. 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 entities recorded in the registry of book-entry shares of the Bank kept by the Central Securities Depository in Prague (Centrální depozitář cenných papírů, a.s.) with a shareholding interest of more than 1% of the Bank's registered share capital is available in the investor relations section of the Bank's website at: https://investors.moneta.cz/shareholder-structure. Such entities may not necessarily be the beneficial shareholders of the Bank but may hold shares of the Bank for the beneficial shareholders (such as securities brokers, banks, custodians or nominees).

(All amounts in CZK millions unless otherwise stated)

Bank's Supervisory Board

The Bank's Supervisory board held two meetings in the first three months of 2020.

Name	Position	Member position held from	Member position held to
Gabriel Eichler	Chairman of the Supervisory Board*	26 October 2017	26 October 2021
Miroslav Singer	Vice-Chairman of the Supervisory Board**	24 April 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
Tomáš Pardubický	Member of the Supervisory Board	26 October 2017	26 October 2021
Jiří Huml	Member of the Supervisory Board***	21 January 2019	21 January 2023
Aleš Sloupenský	Member of the Supervisory Board***	21 January 2019	21 January 2023
Franišek Vencl	Member of the Supervisory Board****	5 February 2020	

* Mr. Gabriel Eichler was elected as Chairman of the Supervisory Board with effect from 2 August 2018.
** Mr. Miroslav Singer was elected as Vice-Chairman of the Supervisory Board with effect from 22 May 2017.
*** Mr. Jiří Huml and Mr. Aleš Sloupenský were elected as the Supervisory Board members by employees with effect from 21. January 2019.
**** Following resignation of Mrs. Klára Sokolová from the Supervisory Board as at 31 December 2019, Mr. František Vencl was appointed by the Supervisory Board as a member of the Supervisory Board representing employees until new elections of the member of the Supervisory Board elected by employees of the Group are held.

Bank's Management Board

The Bank's Management Board held 15 meetings in the first three months of 2020.

Name	Position	Member position held from	Member position held to
Tomáš Spurný	Chairman of the Management Board	1 October 2015	1 October 2023
Carl Normann Vökt	Vice-Chairman of the Management Board*	25 January 2013	26 January 2021
Jan Novotný	Member of the Management Board	16 December 2013	17 December 2021
Albert Piet van Veen	Member of the Management Board	1 May 2017	1 May 2021
Jan Friček	Member of the Management Board	1 March 2019	1 March 2023

* Mr. Carl Normann Vökt was elected as Vice-Chairman of the Management Board with effect from 1 March 2019.

7 Condensed Consolidated Interim Financial Statements for the Three Months Ended 31 March 2020 (Unaudited)

7.1 Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Three-month Period Ended 31 March 2020 (Unaudited)

CZK m	Note	Quarter ended 31 Mar 2020	31 Mar 2019
Interest and similar income		2,388	2,105
Interest expense and similar charges		(345)	(158)
Net interest income	8.6	**2,043**	**1,947**
Fee and commission income		556	522
Fee and commission expense		(70)	(56)
Net fee and commission income	8.7	**486**	**466**
Dividend income		1	1
Net income from financial operations		374	100
Other operating income		20	36
Total operating income		**2,924**	**2,550**
Personnel expenses		(536)	(546)
Administrative expenses		(297)	(319)
Depreciation and amortisation		(257)	(246)
Regulatory charges		(152)	(139)
Other operating expenses		(90)	(85)
Total operating expenses	8.8	**(1,332)**	**(1,335)**
Profit for the period before tax and net impairment of financial assets		**1,592**	**1,215**
Net impairment of financial assets	8.17.6	(684)	14
Profit for the period before tax		908	1,229
Taxes on income		(177)	(246)
Profit for the period after tax		**731**	**983**
Other comprehensive income, net of tax		**319**	**0**
Total comprehensive income attributable to the equity holders		**1,050**	**983**
Profit for the period after tax attributable to the equity holders		**731**	**983**
Weighted average of ordinary shares (millions of shares)		511	511
Basic and Diluted earnings per share (in CZK)		1.43	1.92

7.2 Condensed Consolidated Statement of Financial Position as at 31 March 2020 (Unaudited)

CZK m	Note	31 Mar 2020	31 Dec 2019
Assets			
Cash and balances with the central bank		9,993	6,697
Derivative financial instruments with positive fair value	8.18	762	27
Investment securities	8.9, 8.18	23,575	25,972
Hedging derivatives with positive fair values		739	651
Change in fair value of items hedged on portfolio basis		1,080	(239)
Loans and receivables to banks	8.10	44,339	23,485
Loans and receivables to customers	8.11	160,596	156,409
Intangible assets		2,383	2,283
Property and equipment		2,881	2,948
Investments in associates		2	2
Current tax assets		30	7
Deferred tax assets		0	0
Other assets		1,195	811
TOTAL ASSETS		**247,575**	**219,053**
Liabilities			
Derivative financial instruments with negative fair value	8.18	365	40
Due to banks	8.12	11,610	7,091
Due to customers	8.12	198,754	181,523
Hedging derivatives with negative fair values		2,050	148
Change in fair value of items hedged on portfolio basis		304	(22)
Subordinated liabilities	8.13	4,622	2,006
Provisions		199	209
Current tax liability		173	179
Deferred tax liability		354	244
Other liabilities		3,684	3,224
Total liabilities		**222,115**	**194,642**
Equity			
Share capital		10,220	10,220
Statutory reserve		102	102
Other reserves		302	(17)
Retained earnings		14,836	14,106
Total equity		**25,460**	**24,411**
TOTAL LIABILITIES AND EQUITY		**247,575**	**219,053**

7.3 Condensed Consolidated Statement of Changes in Equity for the Three-month Period Ended 31 March 2020 (Unaudited)

CZK m	Share capital	Share premium	Statutory reserve	Reserve from revaluation of FVTOCI	CF hedge reserve	Share based payment reserve	Retained earnings	Total
Balance as reported 31 Dec 2019	**10,220**	**0**	**102**	**1**	**(18)**	**0**	**14,106**	**24,411**
Transactions with owners of the company								
Dividends	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	(1)	(1)
Total comprehensive income								
Profit for the period after tax	0	0	0	0	0	0	731	731
Other comprehensive income after tax								
Change in fair value of FVTOCI investment securities	0	0	0	0	0	0	0	0
Cash-flow hedges – effective portion of changes in fair value	0	0	0	0	394	0	0	394
Deferred tax	0	0	0	0	(75)	0	0	(75)
Balance 31 March 2020	**10,220**	**0**	**102**	**1**	**301**	**0**	**14,836**	**25,460**

Balance as reported 31 Dec 2018	**511**	**5,028**	**102**	**0**	**n/a**	**(2)**	**19,598**	**25,237**
Cumulative effect of adopting of IFRS 16	0	0	0	0	0	0	1	1
Restated balance 1 Jan 2019	**511**	**5,028**	**102**	**0**	**0**	**(2)**	**19,599**	**25,238**
Transactions with owners of the company								
Dividends	0	0	0	0	0	0	0	0
Other Changes	0	0	0	0	0	0	(1)	(1)
Total comprehensive income								
Profit for the period after tax	0	0	0	0	0	0	983	983
Other comprehensive income after tax								
Change in fair value of FVTOCI investment securities	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0	0
Balance 31 March 2019	**511**	**5,028**	**102**	**0**	**0**	**(2)**	**20,581**	**26,220**

7.4 Condensed Consolidated Statement of Cash Flows for the Three-month Period Ended 31 March 2020 (Unaudited)

CZK m	Three months ended	
	31 Mar 2020	31 Mar 2019
Cash flows from operating activities		
Profit after tax	**731**	**983**
Adjustments for:		
Depreciation and amortization	257	246
Net impairment of financial assets (excl.cash collection and recovery)	677	(14)
Net gain on revaluation or sales of investment securities	0	(12)
Accured coupon, amortization of discount/premium of investment securities	(38)	(71)
Net interest income from hedging derivatives	(14)	45
Net gain/ loss from revaluation of hedging derivatives	2,186	(35)
Net gain/ loss from revaluation of hedged items on portfolio basis	(2,232)	34
Net gain/loss from unrealized FX	(533)	0
Change in provisions for restructuring not recognised in depreciation and amortization	(3)	(19)
Net gain/loss on sale of investment securities	(285)	0
Net loss on sale and other disposal or impairment of tangible and intangible assets	5	5
Dividend income	(1)	(1)
Tax expense	177	246
	927	**1,407**
Changes in:		
Loans and receivables to customers	(4,847)	(2,094)
Other assets	(384)	127
Due to banks	4,519	(6,056)
Due to customers	17,231	(664)
Other liabilities and provisions	460	2,583
	17,906	**(4,697)**
Income taxes paid	(171)	(191)
Net cash used in operating activities	**17,735**	**(4,888)**
Cash flows from investing activities		
Acquisition of investment securities	0	(783)
Proceeds from investment securities	3,985	13
Acquisition of property and equipment and intangible assets	(290)	(2,344)
Proceeds from the sale of property and equipment and intangible assets	0	0
Dividends received	1	1
Net cash used in investing activities	**3,696**	**(3,113)**
Cash flows from financing activities		
Proceeds from issue of subordinated liabilities	2,582	0
Dividends paid	0	0
Net cash used in financing activities	**2,582**	**0**
Net change in cash and cash equivalents	**24,013**	**(8,001)**

Cash and cash equivalents at the beginning of the period	**30,156**	**41,558**
Effect of exchange rate fluctuations on cash and cash equivalents	161	5
Cash and cash equivalents at the end of the period	**54,330**	**33,562**

Interest received*	2,139	1,899
Interest paid*	(208)	(77)

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

8 Notes to Unaudited Condensed Consolidated Interim Financial Statements

8.1 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 three months ended 31 March 2020 comprise the Bank and its consolidated subsidiaries (together referred to as the Group).

8.2 Basis of Preparation and Presentation

These 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 2019 (last annual financial statements). These interim financial statements do not include all 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 interim financial statements were neither audited nor reviewed by an auditor.

The Group's interim financial statements were authorised for issue by the Management Board on 4 May 2020.

Going concern

These interim financial statements are prepared on a going concern basis, as the Management Board of the Bank is satisfied that the Group has the resources to continue business for the foreseeable future. In making this assessment, the Management Board has 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 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.

8.3 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 the management in applying the Group's accounting policies and the key sources of uncertainty estimation are significantly impacted by the situation related to the COVID-19 pandemic and differ from those that were applied to the last annual financial statements. Worsening of the outlook is mainly related to expected credit losses and interest and fee income.

(All amounts in CZK millions unless otherwise stated)

8.4 Significant Accounting Policies

The significant accounting policies used in preparation of these interim financial statements are consistent with those used in the last annual financial statements.

8.5 Consolidation Group

The definition of the consolidation group as at 31 March 2020 has changed compared to the last annual financial statements due to the fact, that the company Inkasní Expresní Servis, s.r.o v likvidaci was dissolved as of 31 January 2020.

Apart from the Bank, the Group's companies included into the consolidation group as at 31 March 2020 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 1442/1b, 140 00 Prague 4	Auto financing (Loans and Leases)	100%	Full
MONETA Leasing, s.r.o.	Vyskočilova 1442/1b, 140 00 Prague 4	Financing of loans and leasing	100%	Full
MONETA Leasing Services, s.r.o.	Vyskočilova 1442/1b, 140 00 Prague 4	Lease and rental of movables	100%	Full
CBCB – Czech Banking Credit Bureau, a.s.	Štětkova 1638/18, 140 00 Prague 4	Banking Credit Register	20%	Equity

8.6 Net Interest Income

CZK m	Quarter ended 31 Mar 2020	 31 Mar 2019
Interest income from financial assets measured at amortised cost	2,330	2,092
Loans to customers	2,026	1,877
out of which interest income from impaired loans	*32*	*33*
out of which penalty interest	*10*	*10*
out of which amortisation, derecognitions or modifications of deferred costs and fees	*(138)*	*(122)*
Loans to banks	201	131
out of which interest income from repurchase and reverse repurchase agreements	*200*	*129*
Cash and deposit with central bank and other banks	18	13
Interest income from investment securities at amortised cost	85	71
Interest income from hedging derivatives	58	13
Interest income and similar income	**2,388**	**2,105**
Interest expense from financial liabilities measured at amortised cost	(339)	(152)
Due to banks	(21)	(10)
Due to customers	(284)	(142)
out of which from repurchase agreements	*(71)*	*(61)*
Subordinated debt securities issued	(34)	0
Interest expense from hedging derivatives	(1)	0
Interest expense from lease liabilities	(5)	(6)
Interest expense and similar expense	**(345)**	**(158)**
Net interest income	**2,043**	**1,947**

8.6.1 Walk of Deferred Costs and Fees Directly Attributable to Origination of New Loan Products that are Integral Part of the Effective Interest Rate

Quarter ended 31 Mar 2020 CZK m	Balance at the beginning of the period	Amortisation	Derecognitions/ Modifications	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
Consumer Loans	72	(7)	(8)	(16)	24	65
Mortgages	637	(37)	0	0	80	680
Credit Cards & Overdrafts	24	(5)	0	0	3	22
Auto Loans and Finance Leases	197	(32)	(1)	0	15	179
Retail loans deferrals	**930**	**(81)**	**(9)**	**(16)**	**122**	**946**
Investment Loans	35	(2)	1	(2)	1	33
Working Capital	0	0	0	0	0	0
Auto & Equipment Loans and Finance Leases	256	(40)	0	0	31	247
Unsecured Instalment Loans and Overdrafts	72	(8)	1	(2)	13	76
Commercial loans deferrals	**363**	**(50)**	**2**	**(4)**	**45**	**356**
Total loan deferrals	**1,293**	**(131)**	**(7)**	**(20)**	**167**	**1,302**

Quarter ended 31 Mar 2019 CZK m	Balance at the beginning of the period	Amortisation	Derecognitions/ Modifications	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
Consumer Loans	42	(8)	(5)	(25)	58	62
Mortgages	457	(13)	2	0	65	511
Credit Cards & Overdrafts	26	(4)	0	0	3	25
Auto Loans and Finance Leases	283	(46)	(3)	0	19	253
Retail loans deferrals	**808**	**(71)**	**(6)**	**(25)**	**145**	**851**
Investment Loans	24	1	0	(2)	5	28
Working Capital	3	(1)	0	(1)	2	3
Auto & Equipment Loans and Finance Leases	275	(42)	0	0	33	266
Unsecured Instalment Loans and Overdrafts	28	(3)	0	(2)	12	35
Commercial loans deferrals	**330**	**(45)**	**0**	**(5)**	**52**	**332**
Total loan deferrals	**1,138**	**(116)**	**(6)**	**(30)**	**197**	**1,183**

8.7 Net Fee and Commission Income

CZK m	Quarter ended	
	31 Mar 2020	31 Mar 2019
Insurance	168	123
Investment funds	41	33
Penalty fees (incl. early termination fees)	60	63
Deposit servicing fees	77	89
Lending servicing fees	51	50
Transactional and other fees	159	164
Fee and commission income	**556**	**522**
Fee and commission expense	**(70)**	**(56)**
Net fee and commission income	**486**	**466**

8.8 Total Operating Expenses

CZK m	Quarter ended	
	31 Mar 2020	31 Mar 2019
Personnel expenses	(536)	(546)
Administrative expenses	(297)	(319)
Depreciation and amortisation	(257)	(246)
out of which depreciation of right-of-use assets	*(85)*	*(82)*
Regulatory charges*	(152)	(139)
Other operating expenses	(90)	(85)
Total operating expenses	**(1,332)**	**(1,335)**
FTEs (average)	**2,904**	**3,077**
FTEs (at the end of the period)	**2,855**	**3,019**

* The line "Regulatory charges" includes as at 31 Mar 2020 contributions to the Deposit Insurance Fund of CZK 52 million in 2020, contributions to the Resolution and Recovery Fund of CZK 97 million in 2019 and contributions to the Investor Compensation Fund of CZK 3 million in 2020.

8.9 Investment Securities

CZK m	31 Mar 2020	31 Dec 2019
Debt securities measured at amortised cost	23,496	25,888
Government bonds	*23,029*	*25,439*
Corporate bonds	*467*	*449*
Equity securities measured at FVTOCI	1	1
Equity securities measured at FVTPL	78	83
Total investment securities	**23,575**	**25,972**

8.10 Loans and Receivables to Banks

CZK m	31 Mar 2020	31 Dec 2019
Current accounts at banks	5,288	273
Overnight deposits	25	23
Receivables arising from reverse repurchase agreements	37,315	23,082
Cash collaterals granted	1,709	81
Other	2	26
Total Loans and receivables to banks	**44,339**	**23,485**
Included in cash equivalents	*44,337*	*23,459*

8.11 Loans and Receivables to Customers

CZK m	31 Mar 2020			31 Dec 2019		
	Gross carrying amount	Allowance/ Provision	Net book value	Gross carrying amount	Allowance/ Provision	Net book value
Consumer Loans	41,915	(1,898)	40,017	41,768	(1,637)	40,131
Mortgages	47,089	(38)	47,051	43,738	(28)	43,710
Credit Cards & Overdrafts	3,226	(274)	2,952	3,495	(249)	3,246
Auto Loans and Finance Leases	2,528	(99)	2,429	2,641	(87)	2,554
Other	25	(25)	0	26	(26)	0
Total Retail	**94,783**	**(2,334)**	**92,449**	**91,668**	**(2,027)**	**89,641**
Investment Loans	36,960	(286)	36,674	36,517	(157)	36,360
Working Capital	10,746	(229)	10,517	9,678	(203)	9,475
Auto & Equipment Loans and Finance Leases	13,172	(424)	12,748	13,493	(391)	13,102
Unsecured Instalment Loans and Overdrafts	7,468	(326)	7,142	7,074	(273)	6,801
Inventory Financing and Other	1,107	(41)	1,066	1,078	(48)	1,030
Total Commercial	**69,453**	**(1,306)**	**68,147**	**67,840**	**(1,072)**	**66,768**
Total Loans and receivables to customers	**164,236**	**(3,640)**	**160,596**	**159,508**	**(3,099)**	**156,409**

8.12 Due to Banks and Due to Customers

Breakdown of Due to banks

CZK m	31 Mar 2020	31 Dec 2019
Deposits on demand	433	436
Term deposits	793	254
Liabilities arising from repurchase agreements*	7,231	2,948
Cash collateral received**	153	453
Other due to banks***	3,000	3,000
Total Due to banks	**11,610**	**7,091**

Breakdown of Due to customers

CZK m	31 Mar 2020	31 Dec 2019
Retail current accounts	51,663	50,270
Retail savings accounts and term deposits	66,133	65,593
Commercial current accounts	38,883	37,585
Commercial savings accounts and term deposits	20,691	20,511
Liabilities arising from repurchase agreements*	20,828	7,104
Other due to customers	556	460
Total Due to customers	**198,754**	**181,523**

* Collateral transferred within repurchase agreements comprises securities from the investment securities disclosed in the statement of financial position in the carrying amount of CZK 20,863 million as at 31 March 2020 (31 December 2019: CZK 8,812 million) and securities obtained in reverse repurchase agreements as collateral in the amount of CZK 8,278 million as at 31 March 2020 (31 December 2019: CZK 1,933 million).
** Cash collaterals received represent CSA[17] Collaterals of other financial institutions for derivative and repo transactions
*** Other due to banks comprises:

- 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 500 million as at 31 March 2020 (CZK 500 million at 31 December 2019).
- Loan provided by ING Bank N.V. to MONETA Auto s.r.o. in September 2019. This loan amounts to CZK 1,000 million as at 31 March 2020.
- Loan provided by Komerční banka, a.s. to MONETA Auto s.r.o. in August 2019. This loan amounts to CZK 1,500 million as at 31 March 2020.

[17] Credit Support Annex (CSA) is a legal document which regulates credit support (collateral) for derivative transactions.

8.13 Subordinated Debt Securities Issued

Subordinated debt securities issued are the Bank's sources of debt funding and are subordinated to all other liabilities of the Bank. As of 31 March 2020, they form a part of the Tier 2 capital of the Bank as defined by the CNB for the purposes of determination of its capital adequacy (note 8.17.1).

These instruments are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortized cost using effective interest method.

The Bank issued debt securities in total nominal amount of CZK 4,602 million.

	ISIN	Issue date	Currency	Maturity date	Interest rate	Total nominal amount at issue date CZK m
MB 3,30/29	CZ0003704918	25.9.2019	CZK	25.9.2029	3.3% p.a.	2,001
MB 3,79/30	CZ0003705188	30.1.2020	CZK	30.1.2030	3.79% p.a.	2,601

Amortized cost of the outstanding subordinated debt securities:

CZK m	31 Mar 2020	31 Dec 2019
Subordinated debt securities at amortised cost	4,622	2,006
Total	**4,622**	**2,006**

The Bank did not have any defaults of principal or interest or other breaches with respect to subordinated liabilities during the year 2020.

8.14 Legal Risks

The below legal risks, to which the Group is exposed, have been disclosed in the Bank's 2019 Consolidated Annual Report. The Bank updates information on these legal risks as follows:

8.14.1 Legal Disputes

8.14.1.1 Legal Challenges by Serbina Consulting (formerly a member of Arca Group)

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 2019 (pages 113 and 114). Since the Consolidated Annual Report for 2019 was published, there have been no significant developments in the respective court proceedings.

8.14.1.2 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 2019 (pages 114-115). Since the Consolidated Annual Report for 2019 was published, there have been no significant developments in the respective court proceedings.

8.14.1.3 Legal Challenges of Resolutions of Annual General Meeting held on 25 April 2018

For information on the risks relating to the court proceedings on the action filed against the Bank by a minority shareholder-individual, to our best knowledge associated with Arca Group, challenging the validity of the resolutions adopted by the General Meeting of the Bank held on 25 April 2018, please see the Consolidated Annual Report for 2019 (page 115). Since the Consolidated Annual Report for 2019 was published, there have been no significant developments in the respective court proceedings.

8.14.1.4 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 CTI against MONETA Auto, please see the Consolidated Annual Report for 2019 (page 115). Since the Consolidated Annual Report for 2019 was published, there have been no significant developments in the respective administrative proceedings.

8.15 Segment Reporting

The 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 makers) 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 period before tax and profit for the period after tax are reported only at the total level.

Quarter ended 31 Mar 2020 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	701	1 324	363	2,388
Interest expense and similar charges	(70)	(145)	(130)	(345)
Net fee and commission income	136	340	10	486
Dividend income	0	0	1	1
Net income from financial operations	0	0	374	374
Other operating income	10	10	0	20
Total operating income	**777**	**1,529**	**618**	**2,924**
Net impairment of financial assets	(301)	(375)	(8)	(684)
Risk adjusted operating income	**476**	**1,154**	**610**	**2,240**
Total operating expenses				(1,332)
Profit for the period before tax				**908**
Tax on income				(177)
Profit for the period after tax				**731**

Quarter ended 31 Mar 2019 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	613	1 259	233	2 105
Interest expense and similar charges	(37)	(46)	(75)	(158)
Net fee and commission income	129	335	2	466
Dividend income	0	0	1	1
Net income from financial operations	0	0	100	100
Other operating income	21	15	0	36
Total operating income	**726**	**1,563**	**261**	**2,550**
Net impairment of financial assets	(49)	61	2	14
Risk adjusted operating income	**677**	**1,624**	**263**	**2,564**
Total operating expenses				(1,335)
Profit for the period before tax				**1,229**
Tax on income				(246)
Profit for the period after tax				**983**

Assets and liabilities by segment

31 Mar 2020 CZK m	Commercial	Retail	Treasury / Other	Total
Total assets of the segment	83,251	113,236	51,088	247,575
Net value of loans and receivables to customers	68,147	92,449	0	160,596
Total liabilities of the segment	62,989	120,574	38,552	222,115

31 Dec 2019 CZK m	Commercial	Retail	Treasury / Other	Total
Total assets of the segment	71,370	95,756	51,927	219,053
Net value of loans and receivables to customers	66,768	89,641	0	156,409
Total liabilities of the segment	60,685	118,279	15,678	194,642

8.16 Related Parties

The following transactions were done between related parties:

CZK m	Quarter ended	
	31 Mar 2020	31 Mar 2019
Key members of the management* and the Supervisory Board		
Operating expenses	(57)	(23)

CZK m	31 Mar 2020	31 Dec 2019
Key members of the management* and the Supervisory Board		
Loans and receivables to customers	14	20
Due to customers	17	19

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

8.17 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.

Risk management policies and practices have not changed since 31 December 2019 and are described in the Consolidated Annual Report for 2019.

8.17.1 Capital Management

Regulatory Capital and its components and capital adequacy:

CZK m	31 Mar 2020	31 Dec 2019
Regulatory Capital	**27,013**	**22,652**
Tier 1	22,411	20,651
Tier 2	4,602	2,001
RWA	**128,621**	**125,629**
out of which Credit Risk	114,359	111,175
out of which Operational Risk	13,170	13,343
out of which CVA	1,092	1,111
out of which Trading Book	0	0

Capital adequacy (%)	31 Mar 2020	31 Dec 2019
RWA Density*	45.9%	52.9%
CET1 Ratio	17.4%	16.4%
Tier 1 Ratio	17.4%	16.4%
Total Capital Ratio (CAR)	21.0%	18.0%

* RWA density is calculated in compliance with BIS Working Papers: Leverage and Risk Weighted Capital Requirements.

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 (hereafter “CRR”), Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended (hereafter “CRD”), and Directive (EU) 2014/59 of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended (hereafter “BRRD”), and their implementing measures. This European regulatory framework was significantly revised in May 2019 by adoption of the so-called Banking Package, which introduced amendments to, inter alia, CRR (hereafter "CRR II")[18], CRD (hereafter "CRD V")[19] and BRRD (hereafter "BRRD II")[20]. Furthermore, from a Czech law perspective, the regulatory framework comprises mainly of Banking Act No. 21/1992 Coll., as amended, CNB Decree No. 163/2014 Coll., as amended, and Act No. 374/2015 Coll., on recovery and resolution in the financial market, 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 regulatory 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 Group. The Bank calculates regulatory capital requirements against the market risk of the trading book since 3Q 2018.

The Bank issued (on 30 January 2020) subordinated Tier 2 bonds in Czech currency in the total nominal value of CZK 2.6 billion with maturity of 10 years and with call option after 5 years in order to optimise the regulatory capital structure and to strengthen capital adequacy. The bonds were issued with a fixed interest rate of 3.79% p. a. in the first 5 years.

[18] Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.
[19] Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.
[20] Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.

8.17.2 Loans and Receivables to Banks and Customers According to Their Categorization

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

31 Mar 2020	Loans and receivables to banks				Loans and receivables to customers			
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing before due date	44,339	0	0	44,339	149,433	6,287	0	155,720
Performing past due date	0	0	0	0	3,664	1,792	0	5,456
Total performing	44,339	0	0	44,339	153,097	8,079	0	161,176
Total non-performing	0	0	0	0	0	0	3,060	3,060
Gross loans and receivables	**44,339**	**0**	**0**	**44,339**	**153,097**	**8,079**	**3,060**	**164,236**
Individual allowances	0	0	0	0	0	0	(269)	(269)
Portfolio allowances	0	0	0	0	(1,253)	(678)	(1,440)	(3,371)
Total allowances	**0**	**0**	**0**	**0**	**(1,253)**	**(678)**	**(1,709)**	**(3,640)**
Net loans and receivables	**44,339**	**0**	**0**	**44,339**	**151,844**	**7,401**	**1,351**	**160,596**

31 Dec 2019	Loans and receivables to banks				Loans and receivables to customers			
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing before due date	23,485	0	0	0	149,248	2,848	0	152,096
Performing past due date	0	0	0	0	3,165	1,411	0	4,576
Total performing	23,485	0	0	0	152,413	4,259	0	156,672
Total non-performing	0	0	0	0	0	0	2,836	2,836
Gross loans and receivables	**23,485**	**0**	**0**	**0**	**152,413**	**4,259**	**2,836**	**159,508**
Individual allowances	0	0	0	0	0	0	(275)	(275)
Portfolio allowances	0	0	0	0	(1,114)	(400)	(1,310)	(2,824)
Total allowances	**0**	**0**	**0**	**0**	**(1,114)**	**(400)**	**(1,585)**	**(3,099)**
Net loans and receivables	**23,485**	**0**	**0**	**0**	**151,299**	**3,859**	**1,251**	**156,409**

8.17.3 Walk of Loss Allowances for Loans and Receivables to Customers

Walk of loss allowances for loans and receivables for the three-month period - **retail customers**

	Quarter ended 31 Mar 2020			
CZK m	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**819**	**284**	**924**	**2,027**
Purchases and originations	60	2	2	64
Derecognition and maturities	(49)	(1)	(16)	(66)
Transfer to (out) Stage 1	76	(56)	(20)	0
Transfer to (out) Stage 2	(83)	99	(16)	0
Transfer to (out) Stage 3	(14)	(92)	106	0
Remeasurements, changes in models and methods	53	177	126	356
Use of allowances (write offs)	0	0	(47)	(47)
Foreign exchange adjustments	0	0	0	0
Balance at the end of the period	**862**	**413**	**1,059**	**2,334**

	Quarter ended 31 Mar 2019			
CZK m	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**792**	**253**	**1,947**	**2,992**
Purchases and originations	70	2	7	79
Derecognition and maturities	(45)	(9)	(181)	(235)
Transfer to (out) Stage 1	82	(59)	(23)	0
Transfer to (out) Stage 2	(31)	67	(36)	0
Transfer to (out) Stage 3	(27)	(76)	103	0
Remeasurements, changes in models and methods	(77)	62	84	69
Use of allowances (write offs)	0	0	(838)	(838)
Foreign exchange adjustments	0	0	0	0
Balance at the end of the period	**764**	**240**	**1,063**	**2,067**

Walk of loss allowances for loans and receivables for the three-month period - **commercial customers**

	Quarter ended 31 Mar 2020			
CZK m	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**295**	**116**	**661**	**1 072**
Purchases and originations	47	1	3	51
Derecognition and maturities	(13)	0	(3)	(16)
Transfer to (out) Stage 1	29	(20)	(9)	0
Transfer to (out) Stage 2	(26)	38	(12)	0
Transfer to (out) Stage 3	0	(25)	25	0
Remeasurements, changes in models and methods	58	155	34	247
Use of allowances (write offs)	0	0	(52)	(52)
Foreign exchange adjustments	1	0	3	4
Balance at the end of the period	**391**	**265**	**650**	**1 306**

	Quarter ended 31 Mar 2019			
CZK m	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**243**	**92**	**773**	**1,108**
Purchases and originations	39	1	2	42
Derecognition and maturities	(6)	(2)	(7)	(15)
Transfer to (out) Stage 1	37	(24)	(13)	0
Transfer to (out) Stage 2	(6)	16	(10)	0
Transfer to (out) Stage 3	(3)	(13)	16	0
Remeasurements, changes in models and methods	(49)	42	66	59
Use of allowances (write offs)	0	0	(145)	(145)
Foreign exchange adjustments	0	0	0	0
Balance at the end of the period	**255**	**112**	**682**	**1,049**

8.17.4 Breakdown of Loss Allowances According to Loan Type and Stages

31 Mar 2020 CZK m	Stage 1	Stage 2	Stage 3	Total
Retail loans	**862**	**413**	**1,059**	**2,334**
Consumer Loans	704	308	886	1 898
Mortgages	6	12	20	38
Credit Cards & Overdrafts	112	75	87	274
Auto Loans and Finance Leases	36	18	45	99
Other	4	0	21	25
Commercial loans	**391**	**265**	**650**	**1,306**
Investment Loans	116	97	73	286
Working Capital	40	22	167	229
Auto & Equipment Loans and Finance Leases	111	76	237	424
Unsecured Instalment Loans and Overdraft	122	70	134	326
Inventory Financing and Other	2	0	39	41
TOTAL loss allowances for lending portfolio	**1,253**	**678**	**1,709**	**3,640**
Debt instruments measured at amortised costs	4	0	0	4
TOTAL loss allowances for financial assets	**1,257**	**678**	**1,709**	**3,644**
Financial guarantees	4	1	0	5
Loan commitments – Retail	33	6	0	39
Loan commitments - Commercial	16	3	0	19
TOTAL reserves for off-balance sheet items	**53**	**10**	**0**	**63**

31 Dec 2019 CZK m	Stage 1	Stage 2	Stage 3	Total
Retail loans	**819**	**284**	**924**	**2,027**
Consumer Loans	663	212	762	1 637
Mortgages	5	5	18	28
Credit Cards & Overdrafts	114	54	81	249
Auto Loans and Finance Leases	33	13	41	87
Other	4	0	22	26
Commercial loans	**295**	**116**	**661**	**1,072**
Investment Loans	68	19	70	157
Working Capital	23	12	168	203
Auto & Equipment Loans and Finance Leases	87	40	264	391
Unsecured Instalment Loans and Overdraft	115	44	114	273
Inventory Financing and Other	2	1	45	48
TOTAL allowances to lending portfolio	**1,114**	**400**	**1,585**	**3,099**
Debt instruments measured at amortised costs	4	0	0	4
TOTAL allowances financial assets	**1,118**	**400**	**1,585**	**3,103**
Financial guarantees	4	1	0	5
Loan commitments – Retail	27	4	0	31
Loan commitments - Commercial	12	1	0	13
TOTAL reserves for off-balance sheet items	**43**	**6**	**0**	**49**

8.17.5 Coverage of Non-Performing Loans and Receivables (Stage 3)

CZK m	31 Mar 2020	31 Dec 2019
Retail	1,977	1,770
Commercial	1,083	1,066
Total NPL	**3,060**	**2,836**

CZK m	31 Mar 2020	31 Dec 2019
Retail	1,059	924
Commercial	650	661
Total loss allowances for NPL	**1,709**	**1,585**

%	31 Mar 2020	31 Dec 2019
Retail	118.0%	114.5%
Commercial	120.6%	100.6%
Total NPL coverage	**118.9%**	**109.2%**

%	31 Mar 2020	31 Dec 2019
Retail	2.1%	1.9%
Commercial	1.6%	1.6%
NPL Ratio	**1.9%**	**1.8%**

8.17.6 Net Impairment of Financial Assets

CZK m	Quarter ended	
	31 Mar 2020	31 Mar 2019
Additions and release of loan loss allowances	(657)	(12)
Additions and release of allowances/provisions to unused commitments	(20)	(3)
Use of loan loss allowances	99	983
Income from previously written-off receivables	6	103
Write offs of uncollectable receivables	(101)	(1,039)
Change in loss allowances for Investment securities	0	0
Change in loss allowances for operating receivables	0	0
Collection expense	(11)	(18)
Net impairment of financial assets	**(684)**	**14**

8.17.7 Maximum Credit Risk Exposures

31 Mar 2020 CZK m	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	**9,993**	**0**	**9,993**	**0**
Derivative financial instruments	**762**	**0**	**762**	**762**
Investment securities measured at FVTPL	**79**	**0**	**79**	**0**
Equity investments	79	0	79	0
Investment securities measured at FVTOCI	**1**	**0**	**1**	**0**
Equity investments	1	0	1	0
Investment securities measured at amortized cost	**23,496**	**0**	**23,496**	**0**
Treasury and corporate bonds	23,496	0	23,496	0
Hedging derivatives with positive fair values	**739**	**0**	**739**	**0**
Interest rate swaps	739	0	739	0
Change in fair value of items hedged on portfolio basis	**1,080**	**0**	**1,080**	**0**
Loans and receivables to banks	**44,339**	**0**	**44,339**	**36,642**
Current accounts at banks	5,287	0	5,287	0
Overnight deposits	25	0	25	0
Term deposits in banks payable within 3 months	0	0	0	0
Receivables arising from reverse repurchase agreements	37,316	0	37,316	36,642**
Cash collaterals granted	1,709	0	1,709	0
Other	2	0	2	0
Loans and receivables to customers	**160,596**	**21,905**	**182,501**	**78,204**
Consumer authorized overdrafts and credit cards	2,952	4,833	7,785	0
Consumer loans	40,016	1,501	41,517	0
Mortgages	47,051	5,637	52,688	45,590
Commercial loans	55,399	9,808	65,207	26,842
Auto & Equipment Finance Lease	2,687	0	2,687	2,168
Commercial	2,687	0	2,687	2,168
Retail	0	0	0	
Auto & Equipment Loans	12,491	126	12,617	3,604
Commercial	10,062	126	10,188	3,604
Retail	2,429	0	2,429	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**	**1,479**	**1,479**	**234**
Issued letter of credit	**0**	**5**	**5**	**0**
Other assets	**6,490**	**0**	**6,490**	**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.
** Thereof securities obtained in reverse repurchase agreements as collateral in the amount of CZK 8,278 million were transferred as collateral according to repurchase agreements as at 31 March 2020 (31 Dec 2019: CZK 1,933 million).

31 Dec 2019 CZK m	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	**6,697**	**0**	**6,697**	**0**
Derivative financial instruments	**27**	**0**	**27**	**453**
Investment securities measured at FVTPL	**83**	**0**	**83**	**0**
Equity investments	83	0	83	0
Investment securities measured at FVTOCI	**1**	**0**	**1**	**0**
Equity investments	1	0	1	0
Investment securities measured at amortized cost	**25,888**	**0**	**25,888**	**0**
Treasury and corporate bonds	25,888	0	25,888	0
Hedging derivatives with positive fair values	**651**	**0**	**651**	**0**
Interest rate swaps	651	0	651	0
Change in fair value of items hedged on portfolio basis	**(239)**	**0**	**(239)**	**0**
Loans and receivables to banks	**23,485**	**0**	**23,485**	**22,620**
Current accounts at banks	273	0	273	0
Overnight deposits	23	0	23	0
Term deposits in banks payable within 3 months	0	0	0	0
Receivables arising from reverse repurchase agreements	23,082	0	23,082	22,620**
Cash collaterals granted	81	0	81	0
Other	26	0	26	0
Loans and receivables to customers	**156,409**	**23,099**	**179,508**	**73,568**
Consumer authorized overdrafts and credit cards	3,246	4,668	7,914	0
Consumer loans	40,131	1,599	41,730	0
Mortgages	43,710	5,702	49,412	42,186
Commercial loans	53,666	11,035	64,701	25,431
Auto & Equipment Finance Lease	2,889	0	2,889	2,322
Commercial	2,889	0	2,889	2,322
Retail	0	0	0	0
Auto & Equipment Loans	12,767	96	12,863	3,629
Commercial	10,213	96	10,309	3,629
Retail	2,554	0	2,554	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**	**1,480**	**1,480**	**248**
Issued letter of credit	**0**	**1**	**1**	**0**
Remaining assets	**6,051**	**0**	**6,051**	**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.
** Thereof securities obtained in reverse repurchase agreements as collateral in the amount of CZK 1,933 million were transferred as collateral according to repurchase agreements as at 31 December 2019.

8.18 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	31 Mar 2020		31 Dec 2019	
	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS				
Cash and balances with the central bank	9,993	9,993	6,697	6,697
Investment securities at amortised cost*	23,496	22,500	25,888	26,027
Loans and receivables to banks	44,339	44,339	23,485	23,485
Loans and receivables to customers	160,596	161,961	156,409	157,518
FINANCIAL LIABILITIES				
Due to banks	11,610	11,624	7,091	7,096
Due to customers	198,754	198,754	181,523	181,523
Subordinated Liabilities	4,622	4,847	2,006	1,974

* Difference between the fair value and the 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	31 Mar 2020			31 Dec 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FINANCIAL ASSETS						
Derivative financial instruments	0	762	0	0	27	0
Investment securities measured at FVTPL	0	0	79	0	0	83
Investment securities measured at FVTOCI	0	0	1	0	0	1
Hedging derivatives with positive fair values	0	739	0	0	651	0
Change in fair value of items hedged on portfolio basis	0	0	1,080	0	0	(239)
FINANCIAL LIABILITIES	0	365	0	0	40	0
Derivative financial instruments	0	2,050	0	0	148	0
Hedging derivatives with negative fair values	0	0	304	0	0	(22)
Change in fair value of items hedged on portfolio basis	0	365	0	0	40	0

There were no transfers between level 1 and 2 during the period of the three months ended 31 March 2020 and the year ended 31 December 2019.

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. 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 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 2020	Sales	Additions	Total gains and losses in the period recognised in the profit or loss	Total gains and losses in the period recognised in OCI	As at 31 Mar 2020
Investment securities at FVTOCI	1	0	0	0	0	1
Investment securities at FVTPL	83	0	0	(5)	0	79
Total	84	0	0	(5)	0	80

CZK m	As at 1 Jan 2019	Sales	Additions	Total gains and losses in the period recognised in the profit and loss	Total gains and losses in the period recognised in OCI	As at 31 Dec 2019
Investment securities at FVTOCI	1	**0**	**0**	**0**	0	1
Investment securities at FVTPL	58	0	0	25	0	83
Total	59	0	0	25	0	84

8.19 Subsequent Events

On 1 April 2020 the Bank completed the acquisition of Wüstenrot – stavební spořitelna a.s, and Wüstenrot hypoteční banka a.s. ("Wüstenrot CZ"). The purchase price paid for 100% shares in Wüstenrot CZ was EUR 175,000,000 (CZK 4,484 million).[21] Total shareholder's equity of both companies at the time of acquisition was CZK 5,305 million.

On 19 March 2020 the Bank voluntarily began to provide postponement of loan instalments to its clients who applied for such postponement. The Bank is currently assessing expected impact on loss allowances in relation to Act No 177/2020 Coll. on certain measures related to repayment of loans in connection with the COVID-19 pandemic and client's application for postponement of the loan instalments processed after 31 March 2020. By the end of April 2020, 16% of retail and 12% of commercial customers applied for the postponement of the loan instalments.

Act No 177/2020 Coll. on certain measures related to repayment of loans in connection with the COVID-19 pandemic has been passed on 17 April 2020. It allows clients to apply for 3- or 6-months postponement of instalments of both consumer and commercial loans concluded up to 2 March 2020. The Bank is entitled to charge an interest during the postponement period. This measure will have potential consequences on the Bank's income.

The Bank also closely monitors the development of the COVID-19 pandemic. Medical consequences of the pandemic as well as economic consequences of the measures adopted by the Czech government with the aim to prevent spreading of the infection might have negative impact on the market environment in which the Bank operates. The Management Board of the Bank will continue to re-assess and adjust the Bank's strategy and operations in order to be able to face those impacts immediately. This situation might lead in 2020 to material changes in the operational performance of the Bank and might negatively impact the cost of risk.

The Management Board of the Bank decided on 23 April 2020 to narrow the product offer of its subsidiary MONETA Leasing, s.r.o which should in the future focus solely on finance leasing products. Enquiries for loan financing from existing clients will be covered by the Bank's product proposition.

[21] Purchase price in the amount of EUR 175 million was converted to MONETA's functional currency CZK at the FX rate of 25.62 CZK/EUR using a foreign exchange forward contract traded on December 12, 2019.

9 Management Affidavit

To the best of our knowledge, we believe that this consolidated financial report gives a true and fair view of the Group's financial position, business activities and results for the three months of 2020, as well as of the outlook for the development of the Group's financial situation, business activities and results.

Prague, 4 May 2020

Signed on behalf of the Management Board:

Tomáš Spurný
CEO and Chairman of the Management Board

Jan Friček
CFO and Member of the Management Board

10 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 and alternative performance measures as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. These financial data and measures are, core cost of risk, core customer deposits, core NPL coverage, cost of funds, cost of risk, cost to income ratio, dividend yield, excess capital, excess liquidity, LCR, legacy NPL, liquid assets, liquidity buffer, loan to deposit ratio, net interest margin, net non-interest income, new production / new volume, NPL / Non-performing loans, NPL ratio, online sales/origination/production/volume, operational risk, opportunistic repo operations, reported return on tangible equity, return on average assets, RWA, tangible equity, total NPL coverage, yield on net customer loans / loan portfolio yield. All alternative performance measures included in this document are calculated for the specified period.

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 for evaluation of the Group's performance, and (ii) provide to investors further basis, along with IFRS measures, for measuring 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 Glossary

Annualised	Adjusted so as to reflect the relevant rate on the full year basis
ARAD	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.
Average balance of due to banks and due to customers	Two-point average of the beginning and ending balances of Due to banks and Due to customers for the period
Average balance of net interest earning assets	Two-point average of the beginning and ending balances of Net Interest Earning Assets for the period
Average balance of net loans to customers	Two-point average of the beginning and ending balances of Loans and receivables to customers for the period
Bank	MONETA Money Bank, a.s.
Bps	Basis points
Capital Adequacy Ratio or CAR or Total Capital Adequacy Ratio	Regulatory capital expressed as a percentage of RWA
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CET1 Capital Ratio or CET1 ratio	CET1 Capital as a percentage of RWA (calculated pursuant to CRR)
CET1 of CET1 Capital	Common equity tier 1 capital represents regulatory capital which mainly consists of capital instruments and other items provided in the Article 26 of CRR, such as 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 (calculated pursuant to CRR).
CNB	Czech National Bank
CoR or Cost of Risk (% Avg Net Customer Loans)	Net impairment of loans and receivables for the period divided by average balance of net loans to customers. MONETA uses the cost of risk measure because it describes the development of the credit risk in relative terms to its average loan portfolio balance.
Core CoR or Core Cost of Risk (% Avg Net Customer Loans)	Net impairment of financial assets for the period divided by average balance of net loans to customers excluding gain from monetisation of NPLs. MONETA uses the Core Cost of Risk measure because the reported CoR is impacted by non-recurring gains from monetisation of NPLs.
Core customer deposits	Due to customers excluding repo operations. MONETA uses this measure to show customer deposits without repo operations.
Core NPL Coverage	Ratio (expressed as a percentage) of Loss allowances for NPL to total NPL receivables. MONETA uses the core NPL coverage measure because it shows the degree to which its Stage 3 loan portfolio is covered by loss allowances for losses created for the Stage 3 loans.
Cost of Funds (% Avg Deposits)	Interest expense and similar charges for the period divided by Average balance of due to banks and due to customers. MONETA uses the cost of funds measure because it represents a relative measure of MONETA's cost of funding to its overall funding base comprised primarily of customer deposits.
Cost of Funds on Core Customer Deposits (% Avg Deposits)	Interest expense and similar charges on customer deposits for the period divided by average balance customer deposits, excl. repo operations
Cost to Income Ratio	Ratio (expressed as a percentage) of total operating expenses for the period to total operating income for the period. MONETA uses the cost to income ratio measure because it reflects the cost efficiency in relative terms to generated revenues.
Credit Valuation Adjustment or CVA	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).

(All amounts in CZK millions unless otherwise stated)

CRR	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.
CSA	Credit Support Annex, a legal document which regulates credit support (collateral) for derivative transactions.
CTI	Czech Trade Inspection Authority
Customer deposits	Due to customers
CZK	Czech Koruna
Excess capital	Capital exceeding the management target CAR capital ratio of 14.9%. MONETA uses the excess capital measure because it describes the MONETA's capital in excess of capital held to maintain its target CAR and thus represents the amount of capital which could potentially be used for growth, both organic and inorganic, or paid out to its shareholders.
FTE	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 number of standard working hours per an employee and a month.
FVTOCI	Financial assets measured at Fair Value Through Other Comprehensive Income
FVTPL	Financial assets measured at Fair Value Through Profit or Loss
GDP	Gross Domestic Product
Gross performing loans	Performing Loans and Receivables to customers as determined in accordance with the Bank's loan receivables categorization rules (Standard, Watch)
Group	Bank and its consolidated subsidiaries
HTC	Held To Collect
HTCS	Held To Collect and Sell
IFRS	International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board, the International Accounting Standards (IASs) adopted by the International Accounting Standards Board, the Standing Interpretation Committee abstracts (SICs) and the International Financial Reporting Interpretation Committee abstracts (IFRICs) as adopted or issued by the International Financial Reporting Interpretation Committee, in each case, as codified in the Commission Regulation (EC) No. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as amended, or otherwise endorsed for use in the European Union.
Investment securities	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)
k	thousands
Liquid Assets	Liquid assets comprise of cash and balances with central banks, investment securities and receivables to banks.
Liquidity Coverage Ratio or LCR	Liquidity Coverage Ratio measures the ratio (expressed as a percentage) of a Group'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
Loan to Deposit Ratio or L/D Ratio	Loan to deposit ratio calculated as net loans and receivables to customers divided by customer deposits. MONETA uses the loan to deposit ratio measure because this metric is used by the Management of MONETA to assess its liquidity level.
m	Millions
MONETA Auto	MONETA Auto, s.r.o.
MONETA Leasing	MONETA Leasing, s.r.o.
Net Customer Loans	Net loans and receivables to customers
Net Income or Profit after Tax or Net profit	Profit for the period after tax, on consolidated basis unless this report states otherwise.
Net Interest Earning Assets	Cash and balances with the central bank, investment securities loans and receivables to banks, loans and receivables to customers
Net Non-Interest Income	Total operating income less Net interest income for the period. MONETA uses the net non-interest income measure because this is an important metric for assessing and control of the diversity of revenue streams.
New Volume / New Production	Aggregate of loan principal disbursed in the period for non-revolving loans

NIM or Net Interest Margin (% Avg Int Earning Assets)	Net interest income divided by Average balance of net interest earning assets. MONETA uses the net interest margin measure because this metric represents the primary measure of profitability showing margin between interest earned on interest earning assets (mainly loans to customers) and paid on interest bearing liabilities (mainly customer deposits) in relative terms to the average balance of interest earning assets.
No.	Number
NPL Coverage or Total NPL Coverage	Ratio (expressed as a percentage) of Loss allowances for loans and advances to customers to NPL receivables. MONETA uses the NPL coverage measure because it shows the degree to which its Stage 3 loan portfolio is covered by total loss allowances created for credit losses.
NPL Ratio or Non-Performing Loans Ratio	Ratio (expressed as a percentage) of total gross receivables categorized as non-performing to total gross receivables. MONETA uses the NPL ratio measure because it's the key indicator of portfolio quality and allows comparison to the market and peers.
NPL/Non-Performing Loans	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 IFRS 9.
OCI	Other Comprehensive Income
Online / Fully online volume / sales / origination / production	Online volume/sale represents volume from leads initiated through digital channels and disbursed either through digital channels or branches; fully online volume /sales = volume from leads both initiated and disbursed in digital channels; online initiated = volume from leads initiated in digital channels but disbursed at branch. MONETA uses the online sales/origination/production/volume because it reflects the production of MONETA's digital/online distribution channels.
Q	Quarter
Regulatory Capital	CET1 (calculated pursuant to CRR) as MONETA, as at the date hereof, has not issued any Additional Tier 1 Capital or Tier 2 Capital instruments or items.
Return on Equity or RoE	Return on equity calculated as annualized profit after tax for the period divided by total equity
Return on Tangible Equity or RoTE or RoTE	Consolidated profit after tax divided by tangible equity. MONETA uses the RoTE measure because it is one of the key performance indicators used to assess MONETA's rentability of tangible capital.
Risk Adjusted Operating Income	Calculated as total operating income less Net impairment of financial assets
Risk Adjusted Yield (% Avg Net Customer Loans)	Interest and similar income from loans to customers less net impairment of financial assets divided by average balance of net loans to customers.
Risk-Weighted Assets or RWA or risk exposure	Risk weighted assets (calculated pursuant to CRR)
RoAA or Return on Average Assets	Return on average assets calculated as profit after tax for the year divided by Average balance of total assets. Average balance of total assets is calculated as two point average from total assets as at the end of current year and prior year (31 December). MONETA uses the RoAA measure because it is one of the key performance indicators used to assess MONETA's rentability of assets.
RWA density	Ratio of RWA to the Leverage Exposure (consisting of On&Off-balance sheet Gross Loans and receivables and counterparty credit risk)
Small Business	Entrepreneurs and small companies with an annual turnover of up to CZK 60 million
Small business (new) production	New Volume of unsecured instalment loans and receivables to customers
SME	An enterprise with an annual turnover of up to CZK 200 million
Tangible Equity	Calculated as total equity less intangible assets and goodwill
Tier 1 Capital	The aggregate of CET1 Capital and Additional Tier 1 capital
Tier 1 Capital Ratio	Tier 1 capital as a percentage of RWA
Tier 2 Capital	Regulatory capital which consists of capital instruments, subordinated loans and other items (including certain unsecured subordinated debt obligations with payment restrictions) provided in Article 62 of CRR.
Trading book	Trading book according to the 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 (article 4, para 86).

Yield on net customer loans (% Avg Net Customer Loans)	Interest and similar income from loans to customer divided by Average balance of net loans to customers. MONETA uses the yield on net customer loans measure because it represents interest generated on the loan portfolio in relative terms to its average balance and is one of the key performance indicators of its lending activities.