

Mandatory Disclosure
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MONETA Money Bank, a.s.

**Consolidated financial report as of and for the
nine months ended 30 September 2020**

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1 Disclaimer

Forward-looking statements

This report may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to, 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"). The forward-looking statements assume a purely organic growth without regard to any potential acquisition.

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 14.4%. 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.

Following COVID-19 pandemic impacts and based on position of the CNB the Management Board has decided to suspend dividend for 2019 and retain the profit until the regulator's position is changed.

Material assumptions for forward-looking statements

When preparing updated Guidance for 2020 - 2025¹ MONETA has made several economic, market, operational, regulatory and other assumptions of both quantitative and judgemental nature. These assumptions include the following:

- Gradual recovery of the Czech economy after COVID-19 pandemic impacts.
- Interest rates assumed to start increasing from 2Q 2021 and reach 1.9% by 1Q 2024².
- Gross performing loan balance is expected to grow at 6.5% CAGR in the 5 years until 2025.
- Customer deposits balance is expected to grow at 6.7% CAGR in the 5 years until 2025.

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.

¹ Revised guidance of initial guidance for 2020 published on 6th February, 2020 and further update of total operating income and Cost of Risk metrics published on 5th May, 2020, revised guidance of initial guidance for 2021 and 2022 published on 6th February, 2020.

² Internal forecast derived from macroeconomic forecast from CNB published on August 2020 <https://www.cnb.cz/cs/menova-politika/zpravyo-inflaci/Zprava-o-inflaci-III-2020/>

2 Letter from the CEO

Dear Shareholders,

The COVID-19 pandemic again dominates the day-to-day reality of the Czech Republic, which is currently operating under a new round of state of emergency. As I write my report to you, the country faces Europe's biggest surge in new coronavirus infections, straining healthcare providers. The government has been gradually putting in new restrictions in place, culminating in ordering a lockdown as of 22nd October to stem the epidemic.

It is the country's second set of harsh measures this year. The lockdown will remain in place at least until 3rd November. The new rules include limits on free movement during daytime and the curfew at night. Restrictions also force full closure of non-essential stores and services. Elementary and secondary schools will remain closed and provide online classes only. The same applies to universities. The government has warned it may adopt even tighter restrictions to bring down the number of new daily infections should the latest curbs prove insufficient.

At MONETA we learned how to cope with this difficult situation during the first wave of the pandemic in the spring. We have demonstrated commitment and resolve to continue our operations while limiting health risks for our employees and clients. I am confident that we can do so again in the coming weeks and months. I would like to reiterate my gratitude to MONETA employees for doing their best in these taxing times.

Schools, restaurants, cinemas, museums and other public venues have been closed. Social distancing rules are strictly enforced. Wearing face masks is mandatory in the common areas of all non-residential buildings, including factories, open space offices and government premises and all public transport. All employees and civil servants are again being encouraged or even required to work remotely wherever possible. Unlike the restrictions under which the country operated in the spring, factories and offices have been allowed to remain opened under the new lockdown measures as the government tries to avoid the harsh impact on the already struggling economy. Nevertheless, most retailers with the exception of grocery stores, pharmacies, drugstores and other shops providing essential goods, are closed. Restaurants can sell only take-away food and no larger gatherings outdoors are allowed. It is mandatory to wear face masks outdoor all day near any other people. Unfortunately, the



government has been shaken by a reshuffle during the first days of the lockdown after Roman Prymula, the minister for healthcare, was called to resign after visiting a Prague restaurant in what appeared to be a breach of anti-epidemic restrictions he had introduced a few days earlier.

SUMMARY OF CURRENT MEASURES FOR THE BANKING SECTOR RELATED TO COVID-19

In the third quarter, all banks in the Czech Republic operated under the loan repayment holiday regime introduced in the spring. The payment servicing of consumer, mortgage and corporate loans will resume on 1st November. All limits introduced under the moratorium legislation and accompanying measures of the Czech National Bank described in my two previous reports remained in place over three months to the end of September. The CNB has cut its key two-week repo rate three times for a total of 200 basis points since February 2020. It is currently at 0.25 per cent. This poses a challenge for the remainder of this year and 2021 in terms of MONETA's ability to generate growth in net interest income. Both Czech and European bank regulators continue to require lenders to refrain from paying out dividends and instead retain their capital to manage the impact of the COVID-19-related economic downturn.

During the July-September quarter, the government issued new fiscal stimuli targeting hard-hit economic sectors. Under the programme called COVID Culture, the state has provided CZK 750 million to cover sunk costs accrued by event organizers in the entertainment businesses. The programme will also

cover the costs of events which would have held between 1st October and 20th November. Furthermore, under the Antivirus Plus scheme, the state is providing employers with compensation to cover the personnel costs for quarantined employees or who are facing other pandemic-related obstacles to work normally. Various enterprises, typically catering establishments, can draw on the state's Covid-Rent aid package, which totals CZK 1.2 billion to cover up to half of their lease expenses for the three months to end of September. The state has also temporarily reduced value-added tax requirements on companies, allowing them to postpone their VAT payments until the end of the year with no penalty.

SUMMARY OF MONETA'S KEY MEASURES AND THEIR IMPACT

While government-mandated measures against the pandemic were relaxed over summer, we advised our employees to wear face masks inside MONETA's headquarters and all branches, keep a two-metre distance from other people, and wherever possible, split attendance at work between telecommuting and the office. Since October, we have required all staff at our Prague headquarters to work remotely, seeking to stem the currently elevated risks of the virus spreading among our employees. Strict health safety measures also apply to MONETA's branches and ATM locations to protect our customers and employees. MONETA has operated a facility at its Prague and Ostrava headquarters and in 11 regional cities to offer free coronavirus testing to our employees. The bank is also reimbursing its employees the full cost of one test at any other testing facility of their choice.

During the third quarter, we operated our branch networks, call centres and digital distribution channels without limiting client access to requested services or reducing their quality.

The Annual Shareholder Meeting took place on 2nd September, having been rescheduled from April because of the then emergency state declared by the Czech government at that time. At the AGM, shareholders approved all the items on the agenda, including the transfer of 2019 net profit into retained earnings, amendments to the management remuneration policy and the hiring of Deloitte as MONETA's auditors for 2020.

MONETA's senior management has continued to operate in crisis management mode during the third quarter, holding weekly conference calls to discuss operations and keep abreast of key developments.

The bank has also formalized immediate succession and key staff replacement should any member become ill and be unable to perform his or her duties.

DIVIDEND POLICY

As we have already notified in previous reports this year, the continued and highly unpredictable situation of the coronavirus pandemic and its impact on the Czech economy have forced the bank to suspend dividend payments and retain its 2019 net profit. We consider it prudent on our part to strengthen MONETA's capital base until the impact and implication of this public health emergency can be better assessed.

This is in line with the recommendations issued by the European Central Bank and CNB to the banking sector to suspend dividend payments and retain profits. Nevertheless, MONETA's management board remains committed to its dividend policy and will reinstate the dividend payments as soon as possible. Despite this, MONETA is still accruing 80 per cent of net profit as a dividend.

PAYMENT MORATORIUM AND COVID PROGRAMS

Overall, MONETA provided loan repayment moratorium to CZK 34 billion for either three or six months period. In July, CZK 18.2 billion of the three-month relief expired. Of this total amount, clients requested additional relief extension on CZK 2.8 billion and CZK 15.4 billion returned to ordinary repayment. Additionally, CZK 18.6 billion will expire in October, and such loans should return to normal repayment during November.

As mentioned in previous letters, the Ministry of Industry and Trade launched COVID-19 loan guarantee support programmes administered by the state-owned Czech-Moravian Guarantee and Development Bank (CMZRB). MONETA is closely cooperating with CMZRB to support our clients in accessing the COVID loan programme. The CMZRB programs support self-employed individuals and SMEs seeking additional liquidity to offset impact of the crisis. MONETA also set up a training process to assist clients with the CMZRB application process.

Overall, MONETA has approved more than 2,700 applications for a total volume of CZK 4.7 billion. Here, I would like to highlight that MONETA gained a 16 per cent³ market share in number of applications for COVID II, COVID III and COVID Praha programmes. This significantly exceeds our inherent market share

³ Source: CMZRB as at 7th July 2020: <https://www.cmzrb.cz/prubezny-stav-vyrizovani-zadosti-programu-covid/>

and testifies to the intensity of our effort to mitigate the impact of the crisis on our clients.

MEASURES CONCERNING FUNDING AND LIQUIDITY

Our continuous focus on funding strategy lets us maintain a strong level of operational liquidity. Our high-quality liquid assets stand at CZK 62.7 billion, resulting in a very strong LCR of 195.3 per cent significantly above our regulatory requirement. Equally importantly, this strong liquidity position enables us to continue our lending activities. The solid liquidity position combined with strong capital bases could also support additional acquisition opportunities.

As we already communicated in the semi-annual report, MONETA has started repricing deposit base, and by the third quarter we have successfully managed to reprice majority of our deposits. This strategy will reduce our cost of funding, and we expect that the full impact will be positive and visible in our fourth quarter figures.

CHANGES TO CREDIT POLICY AND LOAN LOSS PROVISIONING

In response to the impact of the coronavirus pandemic, MONETA introduced special measures following regulatory guidance issued by the European Banking Authority and CNB concerning the categorization and staging of exposure. These measures apply both to mandatory and MONETA's voluntary loan repayment moratoria. They cover the treatment of exposure to postponement requests and consequent monitoring of credit quality. Together with macroeconomic indicators such as GDP and unemployment, MONETA has reviewed its IFRS9 model and booked a significant portion of provisions during the three quarters of the year, leading to an increase in our Cost of Risk outlook to the range of 175–190 bps.

So far, we have not seen any significant increase in delinquency on loan exposures returning from moratorium to regular payments. Our clients that have successfully exited the moratorium have been servicing their loans for the recent months with the payment discipline similar to pre-Covid time. We have developed procedures to monitor potentially deteriorating risk profiles in our clients.

UPDATE ON THE ACQUISITION OF WÜSTENROT – stavební spořitelna a.s. and WÜSTENROT hypoteční banka a.s.

Despite these difficult circumstances, we have successfully continued integrating the newly acquired companies. We are currently ahead of our initial timeline in this process. Both companies are operating under new Management and Supervisory Boards. All the employees of the acquired entities have relocated to our Prague headquarters, and we have successfully sub-leased the headquarters of the acquired companies. We are also on track to reduce the incremental workforce by 50 per cent by the end of this year. Management is also confident of achieving CZK 300 million of cost synergies in 2021.

In July, we successfully processed the legal rebranding of the building savings bank to MONETA and completed rebranding across our distribution network. We also received CNB's approval for a legal merger with the mortgage bank planned for January 2021 and successfully moved data centres of the acquired banks into MONETA.

PERFORMANCE IN THE THIRD QUARTER OF 2020

MONETA recorded an operating profit of CZK 9.4 billion in the nine months to the end of September. The 19.4 per cent year-on-year increase in operating income was supported by the Wüstenrot acquisition, consolidation of the acquired entity's results and our organic growth. MONETA's cost base rose 9.3 per cent year-on-year to CZK 4.1 billion, primarily driven by this acquisition. Without the impact of the acquisition the operating expenses would stay flat compared to the prior year 3Q at CZK 3.7 billion.

Pre-impairment profit for nine months rose 28.5 per cent on the year to CZK 5.3 billion. Loan loss provisions totalled CZK 3.1 billion, including CZK 2.4 billion to cover the anticipated COVID-19 risks. The majority of COVID related loan loss provisions were incurred during the first half of 2020, during the third quarter the pandemic related charges were CZK 0.5 billion.

MONETA's net profit achieved CZK 1.9 billion as for nine months of 2020, resulting in a Return on Tangible Equity of 10.9 per cent.

MONETA's capital adequacy ratio is strong at 17.4 per cent, significantly above the 14.4 per cent target. Our strong capital position is further reinforced by an excellent liquidity position with the liquidity coverage ratio exceeding 195 per cent.

We have also continued to generate higher than market growth in lending balances - 42.2 per cent year-to-date, accompanied by strong growth in the deposit base – 46.7 per cent year-to-date. MONETA's client base was 1.4 million as a result of both organic growth and our recent acquisition.

RETAIL AND COMMERCIAL SEGMENTS

MONETA recorded a retail gross performing lending of CZK 145.8 billion in the third quarter, up 62.2 per cent year-to-date. As with the previous quarter, this was driven mainly by successful growth in mortgage lending (up 107.5 per cent year-to-date to CZK 90.4 billion). As a result, MONETA gained a market share of 6.6 per cent as of August.⁴ Despite the pandemic, MONETA operates new mortgage loan production at a level of 137 per cent compared to last year.

The bank's consumer gross performing lending increased 24.3 per cent year-to-date to CZK 50.2 billion. A slight decline was seen compared to the second quarter largely due to the COVID-19 circumstances, MONETA's new production being at 63 per cent of last year's levels.

Commercial gross performing lending increased 15.3 per cent year-to-date to CZK 77.0 billion. This was mainly driven by 24.4 per cent year-to-date growth in gross performing investment loans to CZK 45.2 billion. Working capital gross performing lending grew 19.6 per cent to CZK 11.3 billion. COVID-19-related issues continued to affect small business gross performing lending, the portfolio growing 13.8 per cent year-to-date to CZK 7.8 billion.

DIGITAL STRATEGY

MONETA has proved its readiness to cope with this unprecedented situation by leveraging its digital banking platform. The increase in online activity translated into solid online origination, resulting in a 42.0 per cent share of digital consumer lending and 23.2 per cent share of digital small business instalments lending.

I am also proud to report that we have been extremely successful with our digital mortgage refinancing platform Refinanso.cz. It substantially contributed to attracting clients seeking to refinance their mortgages from MONETA's competitors. Currently the platform originates more than 25 per cent of refinanced mortgages.

In the third quarter, we launched the option to originate products offered by acquired Wüstenrot entities online. MONETA's customers can now get building savings contracts through our Smart banka and Internet banka applications.

RISK MANAGEMENT

Because of the COVID-19 pandemic, our overall Cost of Risk was significantly impacted by the charge of CZK 2.4 billion. Therefore, our Cost of Risk reached CZK 3.1 billion year-to-date due to largely anticipatory Cost of Risk. These anticipatory risk charges along with our prudent policies increased the overall provisioning coverage of our loan portfolio to 2.5 per cent from 1.9 per cent since 2019 (total provisions over total portfolio).

Meanwhile our asset quality remains solid. MONETA's non-performing loans ratio stands at 1.5 per cent, and its overall NPL level coverage increased to 166.3 per cent from 109.2 per cent at the end of 2019. The ratio was affected positively and diluted by acquisition-related loan volumes and relatively low NPL levels from the acquired entities. Nonetheless, our core performance in NPL formation remains solid with continually low delinquencies and downgrades into the NPL category.

Currently, the majority of COVID-19 impact centres around significant exposures being downgraded into Stage 2. In the third quarter, the Stage 2 balance increased by CZK 1.6 billion of loan exposures due to downgrade related to COVID-19 measures. During first three quarters of 2020 MONETA downgraded total exposures in the amount of CZK 13.8 billion into Stage 2 or 3 mainly due to COVID-19 related reasons. These downgrades were carried out on the basis of both top down and bottom up analysis relating to individual clients.

During June 2020, the Management Board set a target to dispose at minimum CZK 1 billion of non-performing loans. The target also included goal to generate an extraordinary gain of CZK 200 million during the second half of 2020. MONETA successfully executed two transactions with CZK 63 million of the estimated gain realized through September, followed by an additional CZK 75 million realized in October. The overall nominal value of the two transactions totalled CZK 1.2 billion of sold non-performing loans exposure.

⁴ Source: CNB ARAD

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(All amounts in CZK millions unless otherwise stated)

CAPITAL POSITION

MONETA's regulatory capital stands at CZK 26.8 billion. Currently, we have CZK 3.1 billion of excess capital above the Tier 1 Capital requirement of 12.4 per cent (incl. 100 bps of management buffer), giving MONETA a strong basis for future growth, potential acquisition, and reinstatement of shareholder dividends in the future. MONETA's capital adequacy ratio slightly decreased to 17.4 per cent, with a CET1 ratio at 14.4 per cent. The overall capital requirement now stands at 13.4 per cent plus 1 per cent as a management buffer.

NEAR TERM CHALLENGES

As the pandemic and the second round of lockdown restrictions to tackle the public health crisis are likely to cast their shadow over the Czech Republic's economy, I would like thank all our employees for their hard work and extend our gratitude, also on behalf of MONETA's entire senior management team. I am confident that all members of the MONETA team will help carry us successfully through these ongoing difficult times.

Yours faithfully,

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

3 Key Performance Indicators

	Nine months ended 30 Sep 2020	Year ended 31 Dec 2019	Change
Profitability			
NIM (% Avg Int Earning Assets) ^{5,6,7}	2.9%	3.8%	(90)bps
Yield (% Avg. Net Customer Loans)	4.6%	5.3%	(70)bps
Cost of Funds (% Avg Deposits and Loans) ^{6,8}	0.66%	0.54%	12bps
Cost of Funds on Core Customer Deposits (% Avg Deposits) ⁹	0.56%	0.36%	20bps
Cost of Risk (% Avg Net Customer Loans)	2.07%	0.35%	172bps
Risk-adj. Yield (% Avg Net Customer Loans)	2.5%	4.9%	(240)bps
Net Fee & Commission Income / Operating Income (%)	15.1%	18.5%	(340)bps
Net Non-Interest Income / Operating Income (%)	34.0%	24.7%	930bps
RoTE	10.9%	18.2%	(730)bps
RoE	9.7%	16.5%	(680)bps
RoAA ⁶	0.9%	1.9%	(100)bps
Liquidity / Leverage			
Net Loan to Deposit ratio ⁶	80.2%	86.2%	(600)bps
Total Equity / Total Assets	8.2%	11.1%	(290)bps
Liquid Assets ^{5,6} / Total Assets	28.5%	25.6%	290bps
LCR	195.3%	172.3%	2,300bps
Equity			
Total Equity (CZK m)	26,384	24,411	8.1%
Tangible Equity (CZK m)	23,513	22,128	6.3%
Capital Adequacy			
RWA Density	44.3%	52.9%	(860)bps
Regulatory Leverage	6.4%	8.7%	(230)bps
CAR Ratio (%)	17.4%	18.0%	(60)bps
Tier 1 Ratio (%)	14.4%	16.4%	(200)bps
Asset Quality			
Non-Performing Loan Ratio (%)	1.5%	1.8%	(30)bps
NPL Ratio Retail (%)	1.7%	1.9%	(20)bps
NPL Ratio Commercial (%)	1.2%	1.6%	(40)bps
Core Non-Performing Loan Coverage (%)	53.8%	55.9%	(210)bps
Core NPL Coverage Retail (%)	50.6%	52.2%	(160)bps
Core NPL Coverage Commercial (%)	62.7%	62.0%	70bps
Total NPL Coverage (%)	166.3%	109.2%	5,710bps
Efficiency			
Cost to Income Ratio	43.5%	47.7%	(420)bps
FTEs (as at 30 September 2020)	2,920	2,943	(23)
Branches	160	179	(19)
Tied agents offices	77	n/a	n/a
ATMs	554	632	(78)

All ratios are annualized.

⁵ Interest earning assets include encumbered assets.

⁶ Repo transactions with banks and customers which are closed on back-to-back basis by reverse repo transactions with CNB are included.

⁷ Hedging derivatives are excluded from calculation of interest earning assets.

⁸ Deposits include subordinated debt.

⁹ Repo transactions with banks and customers which are closed on back-to-back basis by reverse repo transactions with CNB are not included.

4 Macroeconomic Environment

In the third quarter of 2020, the Czech economy started recovering from the Q2 economic lockdown, caused by the COVID-19 pandemic. Majority of economic indicators recorded figures significantly better compared to the second quarter. The labour market remained largely unaffected as many companies utilized state aid to prevent layoffs. However, in September, the number of infected persons started growing rapidly and the outlook for a swift economic recovery worsened.

The domestic economy recorded in the second quarter of 2020 -10.9%¹⁰ year-over-year and -8.7%¹⁰ quarter-over-quarter. This was clearly a result of the economic lockdown, during which the country's major producers' facilities were closed for several weeks. Therefore, the industrial production shrank in the second quarter of 2020 by 23.6%¹¹ year-on-year and by 18.7%¹¹ quarter-over-quarter. The industry started producing after the economy was re-opened and, as expected, the year-over-year gap was narrowed down. This is illustrated by August figures, when the industrial production was shrinking "only" by 5.5%¹² year-over-year. Similar numbers were also observed in the foreign trade as exports shrank by 5.4%¹³ and imports by 4.9% year-over-year in August 2020.

A different situation was observed in retail trade, which, immediately after the economic re-opening, started recovering and in August 2020 reached even an increase by 1.6%¹⁴ year-over-year. This was probably also a result of government's mitigating actions to maintain employment, which is supported by the ILO unemployment rate reaching 2.8%¹⁵ as at August 2020 and increasing just by 80bps compared to December 2020. The average gross nominal wage growth continued to increase, but recorded only +0.5%¹⁶ year-over-year in the second quarter of 2020, which suggests that employers kept employees at home with a decreased wage rather than releasing workforce.

Inflation remained largely flat and started shrinking only slowly. Inflation reached 3.2%¹⁷ in September 2020, measured by the year-over-year increase of consumer prices. Thus, the Czech National Bank had no reason to react by adjusting interest rates and kept the key monetary policy interest rate, the two-week repo rate, flat at 0.25%¹⁸.

The pandemic situation in the world remains very serious and future economic development of the Czech economy will strongly depend on the pandemic development and counter measures taken by individual governments. The latest macroeconomic forecasts predict an economic recovery in 2021, which, however, won't be strong enough to return the economy to the 2019 year-end level.

The banking sector's total operating income decreased by 7%¹⁹ year-on-year in first half of 2020. Net interest income declined by 4% year-on-year together with Net non-interest (-12% year-on-year).¹⁹ The Czech banking sector's net profit decreased by 42%¹⁹ year-on-year. While Operating expenses declined by 4%¹⁹ year-on-year, Cost of Risk grew by more than 100%¹⁹ year-on-year due to actual situation. The annualized return on equity measured by net profit to Tier 1 capital decreased to 9.1%¹⁹ in Q2 2020 compared to the same period of the previous year.

Market net loans continued in growth by 5%¹⁹ year-on-year in Q2 2020, much like Total assets (+7% year-on-year). Total assets to Tier 1 ratio reached 14.3%.¹⁹ NPL balances continued to decline by 9%¹⁹ year-on-year. Core coverage progressed to 53.8%¹⁹ level. The capitalization of the Czech banking sector remained strong. Tier 1 capital increased by 15%¹⁹ year-on-year reaching CZK 584 billion¹⁹ in Q2 2020. Regulatory Tier 1 capital to risk weighted assets grew to 20.8%²⁰.

¹⁰ Source: Czech Statistical Office, Quarterly Sector Accounts -2nd quarter of 2020.

¹¹ Source: Czech Statistical Office, Industry – June 2020.

¹² Source: Czech Statistical Office, Industry – August 2020.

¹³ Source: Czech Statistical Office, International trade in goods – August 2020.

¹⁴ Source: Czech Statistical Office, Retail trade – August 2020.

¹⁵ Source: Czech Statistical Office, Rates of employment, unemployment and economic activity - August 2020.

¹⁶ Source: Czech Statistical Office, Average wages – 2nd Quarter of 2020.

¹⁷ Source: Czech Statistical Office, Consumer price indices – inflation – September 2020.

¹⁸ Source: Czech National Bank, CNB Board Decision 23.9.2020.

¹⁹ Source: Czech National Bank, ARAD quarterly mandatory disclosures, banking sector with building societies.

²⁰ Source: CNB Core and encouraged financial soundness indicators (consolidated).

5 Group Performance

5.1 Business performance

The Group generated consolidated Net profit of CZK 1,916 million in the three quarters of 2020 amid increased provisioning due to COVID-19 pandemic.

Supported by the acquisition, the Group recorded a strong gross performing loans year-to-date growth of 42.2% to CZK 222.8 billion as at 30 September 2020, compared to 31 December 2019.

The retail gross performing loan balance increased by 62.2% when compared to 31 December 2019, standing at CZK 145.8 billion as at 30 September 2020. Majority of this growth was driven by the acquisition as well as continuing strong new production of mortgage loans, up 36.9% year-on-year, which together drove balances up 107.5% to CZK 90.4 billion during the nine months ended 30 September 2020. The gross performing consumer loans balance stood at CZK 50.2 billion and up 24.3% when compared to 31 December 2019, mainly due to acquisition of retail building savings loan portfolio. MONETA Auto retail loans recorded a balance decline of 12.2% since 31 December 2019 while outstanding credit card and overdraft balances declined by 12.8% in the same period amid continuing trend of customers switching to instalment lending.

The commercial gross performing loan balance stood at CZK 77.0 billion as at 30 September 2020, an increase of 15.3% from the 31 December 2019 balance, supported by the acquisition. Small business lending maintained a solid level of new production, driving balances up 13.8% year-to-date to CZK 7.8 billion as at 30 September 2020. The investment loan balance increased by 24.4% to CZK 45.2 billion as at 30 September 2020, mainly due to acquisition of commercial building savings and mortgage loan portfolio. Working capital balance grew by solid 19.6% to CZK 11.3 billion as at 30 September 2020. The combined balance of MONETA Auto commercial and MONETA Leasing portfolio fell to CZK 12.7 billion, down 10.1% compared to 31 December 2019.

The Group's core customer deposits continued their gradual growth, also supported by the acquisition, and stood at CZK 255.9 billion as at 30 September 2020, increasing 46.7% from CZK 174.4 billion as at 31 December 2019. The organic balance growth came primarily from savings accounts in Retail segment and current deposits in Commercial. The Cost of Funds on core customer deposits stood at

0.56% and the Group's overall Cost of Funds stood at 0.66% due to costs of opportunistic repos, issuance of additional CZK 2.6 billion of Tier 2 bonds during first half of 2020 and acquisition of mortgage backed bonds. The Net Loan to Deposit Ratio was 80.2%. The Due to banks balance stood at CZK 3.3 billion as at 30 September 2020, decrease by CZK 3.8 billion when compared to 31 December 2019.

The Group maintained a highly liquid position, with Liquidity coverage ratio at 195.3% at the Group level, well above regulatory requirement. The high-quality liquid assets stood at 62.7 billion as at 30 September 2020, 53.9% higher compared to 31 December 2019, supported by the acquisition.

5.2 Financial Performance

Operating income in the three quarters of 2020 amounted to CZK 9.4 billion, growing by 19.4% year-on-year, supported by higher Net interest income, gain on acquisition and gain on bond sales.

Net interest income amounted to CZK 6.2 billion for the nine months ended 30 September 2020, up 4.4% from CZK 5.9 billion for the first nine months of 2019, where the main driver was lending portfolio growth. The yield on loan portfolio declined to 4.6% for the nine months of 2020, compared to 5.3% in the same period of 2019. This was mainly a result of changing portfolio mix amid growth of mortgage franchise which was further supported by the acquisition. Commercial yield also slightly decreased as a result of lower interest rates environment. The Group's Net interest margin declined to 2.9% in the nine months ended 30 September 2020, compared to 3.7% in the first nine months of 2019. This was mainly result of a strong growth of secured mortgage balances.

Net fee and commission income for the nine months ended 30 September 2020 decreased by 2.8% year-on-year to CZK 1,409 million amid the COVID-19 pandemic outbreak. Net income from financial operations amounted to CZK 543 million in the first nine months of 2020, compared to CZK 382 million in the same period of 2019, supported by gain on bond sales.

Operating expenses for the nine months of 2020 amounted to CZK 4.1 billion increased by 9.3% year-on-year. The Group incurred CZK 1.8 billion of personnel expenses, increasing by 8.4% year-on-year due to acquisition of approximately 300

employees. Administrative and other operating expenses slightly increased year-on-year and reached CZK 1,239 million. Depreciation and amortization expenses increased by 17.0% to CZK 841 million, driven by growing intangible assets balance (up 33.9% year-on-year) due to investments in IT and Digital as well as the acquisition. Regulatory charges reached CZK 151 million, growing 8.6% 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. Excluding the impact of the acquisition the base for the nine months of 2020 was CZK 38 million or 1% lower year-on-year.

Net impairment of financial assets amounted to CZK 3.1 billion for the nine months ended 30 September 2020, compared to CZK 301 million in the same period last year. The primary driver of the variance was a provision book-up of CZK 2.4 billion due to impact of coronavirus pandemic (COVID-19) and macroeconomic outlook change. The Cost of Risk amounted to 207bps for the nine months ended 30 September 2020 amid COVID-19 outbreak, compared to Cost of Risk of 27bps for the nine months of 2019.

As a result, the consolidated Net profit for the nine months of 2020 was CZK 1,916 million, a 37.6% decrease year-on-year. Annualized RoTE for period ended 30 September 2020 declined to 10.9% from 17.8% for the period ended 30 September 2019.

Group NPL Ratio slightly decreased to 1.5% as at 30 September 2020 from 1.8% as at 31 December 2019. Total NPL Coverage stood at 166.3% as at 30 September 2020, compared to 109.2% at 31 December 2019.

The capitalization remained strong with Capital Adequacy Ratio at 17.4% as at 30 September 2020, compared to 18.0% as at 31 December 2019, supported by positive impact of inclusion of the remaining part of Net Profit generated in 2019 and part of 2020 profit into regulatory capital, issuance of additional CZK 2.6 billion of Tier 2 bonds during first half of 2020 and as well as RWA optimization. This was offset by the acquisition of the mortgage bank and building savings bank.

5.3 Outlook for 2020 and risks

Czech National Bank predicts in its latest macroeconomic forecast, published 6 August 2020, that the domestic GDP will shrink by 8.2% in 2020, followed by a recovery in 2021, when the economy should grow by 3.5%²¹. The forecast reflects the Q2 economic development, affected by the first wave of the COVID-19 pandemic. However, it cannot reflect the second wave of the pandemic, as the situation in the Czech Republic dramatically worsened only in October.

The forecast assumes that inflation should slowly return to the monetary policy target of 2% during 2021. Interest rates should remain relatively low and should start growing in the second half of 2021. Given the pandemic development in October, these outlooks might be outdated, and the Czech National Bank might come with a worsened prediction in its regular November forecast.

The key risk for the Czech economy currently arises from the second wave of the pandemic. Fast growth of infected individuals forced the government to impose economic restrictions, such as closure of restaurants and bars, restriction of meetings to a maximum of 6 people and a lockdown of all cultural institutions, which will certainly have severe economic impact on the respective industries. The government announced prolongation of measures to partly offset the restrictions, but these will not be sufficient to compensate losses of revenues in the economy in full. Next to the COVID-19 pandemic, the Czech economy might suffer from an increasing probability of hard Brexit. Overall, the prospects for the Czech economy are not very positive for the upcoming months.

The Group delivered CZK 1.9 billion of net profit in the nine months of 2020, amid increased provisioning due to COVID-19 pandemic. Based on this result as well as the current macroeconomic outlook, the management expects the net profit to amount to at least CZK 2.4 billion for the full year 2020.

Total Operating income was up by 19.4% year-on-year to CZK 9.4 billion, supported by acquisition and the management expects the full-year 2020 Total Operating Income to reach CZK 12.0 billion.

²¹ Source: Czech National Bank, CNB forecast – August 2020.

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Operating expenses reached CZK 4.1 billion with the Cost to Income Ratio at 43.5%. Group remains committed to keep the Cost base at or below CZK 5.5 billion.

The Cost of Risk amounted to 207bps net book up for the nine months of the year 2020, significantly impacted by the COVID-19 related provisions as well as the acquisition and the full-year 2020 Cost of Risk are projected at between 175-190bps on reported basis.

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	10,200,000,000
Paid up	100%

Branches, ATMs and employees:

Number of branches as at 30 September 2020: 160
and 31 December 2019: 179.

Number of offices of tied agents as at 30 September
2020: 77 (n/a as at 31 December 2019)

Number of ATMs as at 30 September 2020: 554
and 31 December 2019: 632.

Number of employees (FTEs) as at 30 September
2020 was 2,920 (decrease of 23 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, commercial financing and building savings. The consumer portfolio consists of secured and unsecured lending. Unsecured lending products include consumer and auto loans, credit cards, personal overdrafts, building savings and bridging loans. 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).

Bank's Supervisory Board

The Bank's Supervisory board held 5 meetings in the first nine 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	2 September 2024
Clare Ronald Clarke	Member of the Supervisory Board***	21 April 2016	2 September 2024
Denis Arthur Hall	Member of the Supervisory Board***	21 April 2016	2 September 2024
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
František Vencel	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.

*** The function term of Mr. Ronald Clarke, Mr. Michal Petrman and Mr. Denis Arthur Hall ended on 21 April 2020. The Supervisory Board appointed Mr. Ronald Clarke, Mr. Michal Petrman and Mr. Denis Arthur Hall as members of the Supervisory Board from 22 April 2020 until the next General Meeting, which took place on 2 September 2020 and by which they were re-elected as members of the Supervisory Board for the next four years term.

**** Mr. Jiří Huml and Mr. Aleš Sloupenský were elected as 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 Vencel 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 39 meetings in the first nine 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 Nine Months Ended 30 September 2020 (Unaudited)

7.1 Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Three and Nine-month Periods Ended 30 September 2020 (Unaudited)

CZK m	Note	Quarter ended		Nine months ended	
		30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Interest and similar income		2,380	2,312	7,364	6,574
Interest expense and similar charges		(337)	(303)	(1,195)	(663)
Net interest income	8.8	2,043	2,009	6,169	5,911
Fee and commission income		614	570	1,693	1,667
Fee and commission expense		(114)	(71)	(284)	(218)
Net fee and commission income	8.9	500	499	1,409	1,449
Dividend income		1	0	2	1
Net income from financial operations		161	109	543	382
Other operating income		56	28	1,231	91
Total operating income		2,761	2,645	9,354	7,834
Personnel expenses		(634)	(567)	(1,834)	(1,692)
Administrative expenses		(358)	(303)	(969)	(943)
Depreciation and amortisation		(292)	(239)	(841)	(719)
Regulatory charges		0	0	(151)	(139)
Other operating expenses		(99)	(53)	(270)	(225)
Total operating expenses	8.10	(1,383)	(1,162)	(4,065)	(3,718)
Profit for the period before tax and net impairment of financial assets		1,378	1,483	5,289	4,116
Net impairment of financial assets	8.20.6	(554)	(168)	(3,087)	(301)
Profit for the period before tax		824	1,315	2,202	3,815
Taxes on income		(108)	(257)	(286)	(745)
Profit for the period after tax		716	1,058	1,916	3,070
Other comprehensive income, net of tax		(18)	0	55	0
Total comprehensive income attributable to the equity holders		698	1,058	1,971	3,070
Profit for the period after tax attributable to the equity holders		716	1,058	1,916	3,070
Weighted average of ordinary shares (millions of shares)		511	511	511	511
Basic and Diluted earnings per share (in CZK)		1.4	2.1	3.7	6.0

7.2 Condensed Consolidated Statement of Financial Position as at 30 September 2020 (Unaudited)

CZK m	Note	30 Sep 2020	31 Dec 2019
Assets			
Cash and balances with the central bank		10,017	6,697
Derivative financial instruments with positive fair value	8.21	349	27
Investment securities	8.11, 8.21	27,140	25,972
Hedging derivatives with positive fair values		466	651
Change in fair value of items hedged on portfolio basis		1,117	(239)
Loans and receivables to banks	8.12	54,189	23,485
Loans and receivables to customers	8.13	220,576	156,409
Intangible assets		2,871	2,283
Property and equipment		2,749	2,948
Investments in associates		2	2
Current tax assets		323	7
Deferred tax asset		61	0
Other assets		1,200	811
TOTAL ASSETS		321,060	219,053
Liabilities			
Derivative financial instruments with negative fair value	8.21	386	40
Due to banks	8.14	3,260	7,091
Due to customers	8.14	275,033	181,523
Hedging derivatives with negative fair values		2,569	148
Change in fair value of items hedged on portfolio basis		191	(22)
Mortgage backed bonds	8.15	4,224	n/a
Subordinated liabilities	8.16	4,640	2,006
Provisions		311	209
Current tax liability		52	179
Deferred tax liability		370	244
Other liabilities		3,640	3,224
Total liabilities		294,676	194,642
Equity			
Share capital		10,220	10,220
Statutory reserve		102	102
Other reserves		38	(17)
Retained earnings		16,024	14,106
Total equity		26,384	24,411
TOTAL LIABILITIES AND EQUITY		321,060	219,053

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7.3 Condensed Consolidated Statement of Changes in Equity for the Nine Months Ended 30 September 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	2	2
Total comprehensive income								
Profit for the period after tax	0	0	0	0	0	0	1,916	1,916
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	68	0	0	68
Deferred tax	0	0	0	0	(13)	0	0	(13)
Balance 30 Sep 2020	10,220	0	102	1	37	0	16,024	26,384
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	(3,143)	(3,143)
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	3,070	3,070
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 30 Sep 2019	511	5,028	102	0	0	(2)	19,525	25,164

7.4 Condensed Consolidated Statement of Cash Flows for the Nine Months Ended 30 September 2020 (Unaudited)

CZK m	Nine months ended	
	30 Sep 2020	30 Sep 2019
Cash flows from operating activities		
Profit after tax	1,916	3,070
Adjustments for:		
Depreciation and amortization	841	719
Net impairment of financial assets (excl. cash collection and recovery)	3,060	301
Net gain on revaluation of investment securities	(9)	(98)
Accrued coupon, amortization of discount/premium of investment securities	(82)	(233)
Net interest income from hedging derivatives	26	36
Net gain/ loss from revaluation of hedging derivatives	2,256	207
Net gain/ loss from revaluation of hedged items on portfolio basis	(2,258)	(213)
Gain from bargain purchase	(1,130)	n/a
Net gain/loss from unrealized FX	24	0
Change in provisions not recognised in depreciation and amortization	53	(30)
Net gain/loss on sale of investment securities	(287)	0
Net loss on sale and other disposal or impairment of tangible and intangible assets	0	3
Dividend income	(2)	(1)
Tax expense	286	745
	4,694	4,506
Changes in:		
Loans and receivables to customers	(68,155)	(12,566)
Other assets	(389)	347
Due to banks	(3,831)	(5,167)
Due to customers	93,510	23,481
Other liabilities and provisions	518	23
Acquired cash and cash equivalents	7,581	n/a
	33,928	10,624
Income taxes paid	(677)	(510)
Net cash used in operating activities	33,251	10,114
Cash flows from investing activities		
Acquisition of investment securities	(3,673)	(5,887)
Proceeds from investment securities	8,170	1,796
Acquisition of subsidiaries	(4,488)	n/a
Acquisition of property and equipment and intangible assets	(970)	(844)
Proceeds from the sale of property and equipment and intangible assets	0	3
Dividends received	2	1
Net cash used in investing activities	(959)	(4,931)

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Cash flows from financing activities		
Proceeds from issue of subordinated liabilities	2,582	1,989
Repayment of issued bonds	(942)	0
Dividends paid	0	(3,143)
Net cash used in financing activities	1,640	(1,154)
Net change in cash and cash equivalents	33,932	4,029
<hr/>		
Cash and cash equivalents at the beginning of the period	30,156	41,558
Effect of exchange rate fluctuations on cash and cash equivalents	117	20
Cash and cash equivalents at the end of the period	64,205	45,607
<hr/>		
Interest received*	6,922	6,104
Interest paid*	(677)	(308)

* 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 nine months ended 30 September 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 the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. These 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 29 October 2020.

Going Concern

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

Functional and presentation currency

These 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.

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.

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 Consolidated Annual Financial Statements. However, in response to impacts of COVID-19 pandemic and subsequent legislative changes and recommendations from the regulator the Group has adjusted categorization of exposures as described below.

As a response to the impacts of COVID-19 pandemic, the Group introduced special measures following regulatory guidance provided by the European Banking Authority and the Czech National Bank in the area of categorization and staging of exposures. These measures apply to both legislative and non-legislative moratorium and cover treatment of exposures at the time of the postponement request and consequent monitoring of their credit quality.

In the area of exposures categorization, the Group followed the EBA guidance that payment moratorium shouldn't be automatically considered as forbearance and trigger default. Apart from standard categorization scheme, extended rules applicable to exposures under instalment moratorium were introduced. In situations where exposures were less than 30 days past due at the time of the postponement request, these exposures weren't considered forborne with exception of receivables where the interest rate cap stipulated by the Czech legislative moratorium applied during the moratorium protection period. These exposures were categorized as performing forbearance. Exposures which exceeded the 30 days past due threshold were automatically considered as forborne which triggered the default of the obligor.

To evaluate, whether a request for instalment moratorium is associated with Significant Increase in Credit Risk (SICR) the Group extended its Standard IFRS9 staging algorithm. Positive identification of SICR at the time of the postponement request led to Stage 2 assignment. For pool-managed portfolios, SICR identification was evaluated based on behavioural PD. For commercial individually managed exposures and leasing, individual assessment was performed by risk underwriter. The identification of SICR for Wüstenrot hypoteční banka and MONETA Stavební Spořitelna was based on historical delinquencies over past 6-month history prior the postponement request.

In line with suggested regulatory approach, the Group established process of the monitoring of credit quality of exposures under the instalment moratorium. For pool-managed portfolio, identification of SICR and unlikelihood to pay was based on evaluation of relevant risk drivers or behavioural characteristics derived from the current accounts and transactional data. For Individually managed exposures, moratorium monitoring was embedded into broader review of the commercial portfolio based on questionnaire investigating financial health of the clients. Outcomes of this analysis were used to update client's rating or to downgrade or upgrade stage of receivables. In Q3 2020, Moratorium monitoring was extended with additional complementing rule for selected portfolios that additional granted re-postponement constitutes SICR. On top of this approach, prudential migrations to Stage 2 was introduced for commercial exposures from the sectors of economy which were expected to be the most effected by economic impacts of COVID pandemic.

The Group continuously monitors economic outlooks of Czech National Bank (CNB) and Ministry of Finance of Czech Republic (MFCR) and based on these outlooks, macroeconomic inputs of ECL models are adjusted. Q3 2020 adjustment of forward-looking information was performed based on macroeconomic trajectory derived for purpose of Q2 2020 as a mid-point between Czech National Bank's outlook issued in May 2020 and Ministry of Finance of Czech Republic's outlook issued in April 2020. This decision was based on the fact that midpoint of the updated prognoses (August 2020 prognosis of CNB and September 2020 prognosis of MF) largely overlaps with the Q2 macroeconomic trajectory and there is still very high level of uncertainty regarding future macroeconomic outlook.

Following table shows overview of internal scenarios based on prognoses of MF and CNB:

GDP Growth Year	CNB (5/2020)	CNB (8/2020)	MFCR (4/2020)	MFCR (9/2020)	MONETA
2020	(8.0)%	(8.1)%	(6.0)%	(6.6)%	(7.0)%
2021	4.2%	3.6%	3.1%	4.0%	3.6%
2022	3.4%	4.0%	2.6%	2.6%	3.0%
Unemployment Year	CNB (5/2020)	CNB (8/2020)	MFCR (4/2020)	MFCR (9/2020)	MONETA
2020	3.4%	3.3%	3.2%	2.7%	3.3%
2021	4.8%	4.7%	3.5%	3.4%	4.2%
2022	3.9%	4.3%	3.5%	3.3%	3.7%

8.5 Consolidation Group

The definition of the consolidation group as at 30 September 2020 has changed compared to the last Consolidated Annual Financial Statements. The company Inkasní Expresní Servis, s.r.o. v likvidaci was dissolved as of 31 January 2020. On 1 April 2020 MONETA acquired 100% share in Wüstenrot – stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s. and both companies became part of the consolidation group.

Apart from the Bank, the Group's companies included into the consolidation group as at 30 September 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. v likvidaci*	Vyskočilova 1442/1b, 140 00 Prague 4	Lease and rental of movables	100 %	Full
MONETA Stavební Spořitelna, a.s. (formerly Wüstenrot – stavební spořitelna, a.s.)	Vyskočilova 1442/1b, 140 00 Prague 4	Building savings	100 %	Full since acquisition date 1 April 2020
Wüstenrot hypoteční banka a.s.	Na Hřebenech II 1718/8, Nusle, 140 00 Praha 4	Mortgage financing and deposit products	100 %	Full since acquisition date 1 April 2020
WIT Services s.r.o. v likvidaci**	Vyskočilova 1442/1b, 140 00 Prague 4	IT services	100 %	Full since acquisition date 1 April 2020
CBCB – Czech Banking Credit Bureau, a.s.	Štětkova 1638/18, 140 00 Prague 4	Banking Credit Register	20 %	Equity

* The Bank as the sole shareholder of MONETA Leasing Services, s.r.o. decided on the dissolution of this company with liquidation starting from 1 October 2020. For the duration of the liquidation process the company uses business name with the appendix "v likvidaci" (MONETA Leasing Services, s.r.o. v likvidaci).

** Wüstenrot hypoteční banka a.s. as the sole shareholder of WIT Services s.r.o. decided on the dissolution of this company with liquidation starting from 1 July 2020. For the duration of the liquidation process the company uses business name with the appendix "v likvidaci" (WIT Services s.r.o. v likvidaci).

8.6 Dividends Paid

No dividends were paid during the first nine months of 2020.

8.7 Acquired Entities

On 1 April 2020 the Bank and Wüstenrot & Württembergische AG completed acquisition of 100% shares of Wüstenrot CZ group consisting of Wüstenrot - stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s. Acquired entities offer mainly mortgage loans, building savings loans and deposit products.

The main aim of the acquisition was to significantly strengthen market share of the Group in mortgage lending and increase of client base of around 350 thousand clients. The acquisition also led to material increase of Group's deposit base and improvement of risk profile due to structure of acquired assets.

The final acquisition cost amounted to CZK 4,488 million and there is no contingent consideration resulting from the transaction.

The fair value of the identifiable assets acquired, and liabilities assumed of Wüstenrot CZ group as at the date of acquisition were following:

CZK m	Fair value recognized on acquisition date 1 April 2020
Identifiable assets	70,463
Cash and balances with the central bank	953
Loans and receivables to banks	6,627
Loans and receivables to customers	57,927
Investment securities	3,940
Core Deposit Intangible (CDI)	220
Remaining assets	796
Liabilities assumed	64,845
Due to customers	58,829
Mortgage backed bonds	5,118
Remaining liabilities	898
Fair value of net assets	5,618
Purchase price	4,488
Gain from bargain purchase	1,130

Both acquired entities were included into the consolidated financial statements of the Group using the acquisition method in line with IFRS 3. The gain from bargain purchase of amount CZK 1,130 million is recognised in profit or loss line "Other operating income" mainly resulting from difference between pre-acquisition equity of acquired entities and negotiated purchase price.

The fair value of acquired loan portfolio as at 1 April 2020 of CZK 57,927 million was determined in cooperation with external appraisals. The gross contractual value of loan portfolio was CZK 57,893 million. The difference between the carrying value and the fair value determined during the course of valuation process, represents the best estimate of credit deterioration of the receivables that occurred before the acquisition date and changes in market conditions since the contract was originated to acquisition date. Acquired loan portfolio also contained financial assets that were classified as POCI at the initial recognition.

Acquired entities have contributed CZK 1,779 million of operating revenue and CZK 1,065 million of profit after tax to profit after tax from continuing operations of the Group since the date of acquisition (amounts including Gain from bargain purchase of CZK 1,130 mil.).

8.8 Net interest income

CZK m	Quarter ended		Nine months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Interest income from financial assets measured at amortised cost	2,491	2,274	7,401	6,504
Loans to customers	2,372	1,996	6,795	5,791
<i>out of which: interest income from impaired loans</i>	32	34	99	100
<i>out of which: penalty interest</i>	15	10	39	28
<i>out of which: EIR amortisation/modification and amortisation of acquisition FV adjustments</i>	(140)	(127)	(445)	(372)
Loans to banks	38	179	328	437
<i>out of which: interest income from repurchase and reverse repurchase agreements</i>	38	178	326	433
Cash and deposit with central bank and other banks	3	16	33	43
Interest income from investment securities at amortised cost	78	83	245	233
Interest income from hedging derivatives	(111)	38	(37)	70
Interest income and similar income	2,380	2,312	7,364	6,574
Interest expense from financial liabilities measured at amortised cost	(400)	(297)	(1,270)	(646)
Due to banks	(11)	(22)	(49)	(60)
Due to customers	(328)	(274)	(1,058)	(585)
<i>out of which: arising from repurchase agreements</i>	(8)	(94)	(108)	(234)
<i>out of which: amortisation of acquisition FV adjustments</i>	18	n/a	29	n/a
Subordinated debt securities issued	(42)	(1)	(118)	(1)
Mortgage-backed bonds issued	(19)	n/a	(45)	n/a
Interest from hedging derivatives	68	n/a	90	n/a
Interest expense from lease liabilities	(5)	(6)	(15)	(17)
Interest expense and similar expense	(337)	(303)	(1,195)	(663)
Net interest income	2,043	2,009	6,169	5,911

8.8.1 Walk of deferred costs and fees directly attributable to origination of new loan products that are integral part of the effective interest rate for the three- and nine-month periods

Quarter ended 30 Sep 2020	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Impact of acquisition	Additions to deferred fees	Additions to deferred costs	Balance the at the end of the period
CZK m							
Consumer Loans	44	(2)	(7)	0	(14)	22	43
Mortgages	1,114	(32)	(1)	0	0	62	1,143
Credit Cards & Overdrafts	19	(4)	0	0	0	2	17
Auto Loans and Finance Leases	160	(27)	0	0	0	17	150
Retail loans deferrals	1,337	(65)	(8)	0	(14)	103	1,353
Investment Loans	638	(22)	0	0	(3)	4	617
Working Capital	(2)	1	0	0	(2)	0	(3)
Auto & Equipment Loans and Finance Leases	238	(39)	0	0	0	31	230
Unsecured Instalment Loans and Overdrafts	81	(8)	1	0	(1)	12	85
Commercial loans deferrals	955	(68)	1	0	(6)	47	929
Total loan deferrals	2,292	(133)	(7)	0	(20)	150	2,282

Quarter ended 30 Sep 2019	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Impact of acquisition	Additions to deferred fees	Additions to deferred costs	Balance at end of period
CZK m							
Consumer Loans	70	(8)	(4)	n/a	(23)	33	68
Mortgages	559	(19)	0	n/a	0	70	610
Credit Cards & Overdrafts	26	(6)	0	n/a	0	7	27
Auto Loans and Finance Leases	231	(36)	(2)	n/a	0	24	217
Retail loans deferrals	886	(69)	(6)	n/a	(23)	134	922
Investment Loans	30	(2)	1	n/a	(3)	4	30
Working Capital	1	(1)	0	n/a	(1)	2	1
Auto & Equipment Loans and Finance Leases	260	(44)	0	n/a	0	40	256
Unsecured Instalment Loans and Overdrafts	56	(6)	0	n/a	(2)	22	70
Commercial loans deferrals	347	(53)	1	n/a	(6)	68	357
Total loan deferrals	1,233	(122)	(5)	n/a	(29)	202	1,279

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Nine months ended 30 Sep 2020	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Impact of acquisition	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
CZK m							
Consumer Loans	72	(12)	(28)	(12)	(37)	60	43
Mortgages	637	(132)	(2)	428	0	212	1,143
Credit Cards & Overdrafts	24	(14)	0	0	0	7	17
Auto Loans and Finance Leases	197	(85)	(2)	0	0	40	150
Retail loans deferrals	930	(243)	(32)	416	(37)	319	1,353
Investment Loans	36	(46)	7	619	(8)	9	617
Working Capital	0	1	0	0	(5)	1	-3
Auto & Equipment Loans and Finance Leases	256	(117)	4	0	0	87	230
Unsecured Instalment Loans and Overdrafts	72	(24)	5	0	(3)	35	85
Commercial loans deferrals	364	(186)	16	619	(16)	132	929
Total loan deferrals	1,294	(429)	(16)	1,035	(53)	451	2,282

Nine months ended 30 Sep 2019	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Impact of acquisition	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
CZK m							
Consumer Loans	42	(25)	(14)	n/a	(76)	141	68
Mortgages	457	(44)	2	n/a	(1)	196	610
Credit Cards & Overdrafts	26	(16)	0	n/a	0	17	27
Auto Loans and Finance Leases	283	(124)	(7)	n/a	0	65	217
Retail loans deferrals	808	(209)	(19)	n/a	(77)	419	922
Investment Loans	24	(2)	1	n/a	(8)	15	30
Working Capital	2	(2)	0	n/a	(3)	4	1
Auto & Equipment Loans and Finance Leases	275	(126)	0	n/a	0	107	256
Unsecured Instalment Loans and Overdrafts	28	(15)	0	n/a	(8)	65	70
Commercial loans deferrals	329	(145)	1	n/a	(19)	191	357
Total loan deferrals	1,137	(354)	(18)	n/a	(96)	610	1,279

8.9 Net fee and commission income

CZK m	Quarter ended		Nine months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Insurance	205	164	518	449
Investment funds	39	30	111	95
Penalty fees (incl. early termination fees)	52	58	159	177
Deposit servicing fees	102	85	283	260
Lending servicing fees	56	54	157	153
Transactional and other fees	160	179	465	533
Fee and commission income	614	570	1,693	1,667
Fee and commission expense	(114)	(71)	(284)	(218)
Net fee and commission income	500	499	1,409	1,449

8.10 Total operating expenses

CZK m	Quarter ended		Nine months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Personnel expenses	(634)	(567)	(1,834)	(1,692)
Administrative expenses	(358)	(303)	(969)	(943)
Depreciation and amortisation	(292)	(239)	(841)	(719)
<i>out of which depreciation of right-of-use assets</i>	<i>(91)</i>	<i>(83)</i>	<i>(268)</i>	<i>(247)</i>
Regulatory charges*	0	0	(151)	(139)
Other operating expenses	(99)	(53)	(270)	(225)
Total operating expenses	(1,383)	(1,162)	(4,065)	(3,718)
FTEs (average)	2,979	3,014	3,032	3,041
FTEs (at the end of the period)	2,920	3,006	2,920	3,006

* The line "Regulatory charges" includes contributions to the Deposit Insurance Fund of CZK 51 million in 2020, contributions to the Resolution and Recovery Fund of CZK 97 million in 2020 and contributions to the Investor Compensation Fund of CZK 3 million in 2020.

8.11 Investment securities

CZK m	30 Sep 2020	31 Dec 2019
Debt securities measured at amortised cost	27,047	25,888
<i>out of which: government bonds</i>	<i>26,587</i>	<i>25,439</i>
<i>out of which: corporate bonds</i>	<i>460</i>	<i>449</i>
Debt securities measured at FVTPL	0	n/a
<i>out of which: corporate bonds</i>	<i>0</i>	<i>n/a</i>
Equity securities measured at FVTOCI	1	1
Equity securities measured at FVTPL	92	83
Total investment securities	27,140	25,972

8.12 Loans and receivables to banks

CZK m	30 Sep 2020	31 Dec 2019
Current accounts at banks	537	273
Overnight deposits	0	23
Receivables arising from reverse repurchase agreements	51,469	23,082
Cash collaterals granted	2,182	81
Other	1	26
Total Loans and receivables to banks	54,189	23,485
<i>Included in cash equivalents</i>	<i>54,188</i>	<i>23,459</i>

8.13 Loans and Receivables to Customers

CZK m	30 Sep 2020			31 Dec 2019		
	Gross carrying amount	Allowance/ Provision	Net book value	Gross carrying amount	Allowance/ Provision	Net book value
Consumer Loans	52,011	(3,066)	48,945	41,768	(1,637)	40,131
Mortgages	90,816	(110)	90,706	43,737	(28)	43,709
Credit Cards & Overdrafts	3,083	(312)	2,771	3,496	(249)	3,247
Auto Loans and Finance Leases	2,328	(119)	2,209	2,641	(87)	2,554
Other	19	(19)	0	26	(26)	0
Total Retail	148,257	(3,626)	144,631	91,668	(2,027)	89,641
Investment Loans	45,343	(568)	44,775	36,516	(157)	36,359
Working Capital	11,387	(281)	11,106	9,678	(203)	9,475
Auto & Equipment Loans and Finance Leases	12,117	(488)	11,629	13,492	(391)	13,101
Unsecured Instalment Loans and Overdrafts	8,136	(604)	7,532	7,074	(272)	6,802
Inventory Financing and Other	943	(40)	903	1,080	(49)	1,031
Total Commercial	77,926	(1,981)	75,945	67,840	(1,072)	66,768
Total Loans and receivables to customers	226,183	(5,607)	220,576	159,508	(3,099)	156,409

8.14 Due to banks and Due to customers

Breakdown of Due to banks

CZK m	30 Sep 2020	31 Dec 2019
Deposits on demand	439	436
Term deposits	250	254
Liabilities arising from repurchase agreements*	1,071	2,948
Cash collateral received**	0	453
Other due to banks***	1,500	3,000
Total Due to banks	3,260	7,091

Breakdown of Due to customers

CZK m	30 Sep 2020	31 Dec 2019
Retail current accounts	56,060	50,270
Retail savings accounts and term deposits	105,994	65,593
Commercial current accounts	43,875	37,585
Commercial savings accounts and term deposits	19,157	20,511
Building savings	30,061	n/a
Liabilities arising from repurchase agreements*	19,177	7,104
Other liabilities towards customers	709	460
Total Due to customers	275,033	181,523

* Collateral transferred within repurchase agreements comprises securities from investment securities at amortised cost disclosed in the statement of financial position in the carrying amount of CZK 11,820 million as at 30 September 2020 (31 December 2019: CZK 8,812 million) and securities obtained in reverse repurchase agreements as collateral in the amount of CZK 8,687 million as at 30 September 2020 (31 December 2019: CZK 1,933 million).

** Cash collaterals received represent CSA²² Collaterals of other financial institutions for derivative transactions and cash collaterals for repo transactions.

*** Other due to banks comprises:

- 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 30 September 2020 (CZK 1,500 million at 31 December 2019).

²² Credit Support Annex (CSA) is a legal document which regulates credit support (collateral) for derivative transactions.

8.15 Mortgage Backed Bonds Issued

Wüstenrot hypoteční banka a.s. issued 16 tranches of mortgage backed securities in total nominal amount of CZK 12,200 million for funding purposes. Majority of the securities is held by MONETA Stavební Spořitelna a.s. and therefore eliminated on a consolidated basis. Below 5 tranches are partly owned by third parties.

ISIN	Issue date	Currency	Maturity date	Interest rate	Total nominal amount at issue date CZK m
CZ0002002736	20.12.2012	CZK	20.12.2020	4.30% p.a.	1,500
CZ0002005564	23.05.2018	CZK	23.05.2023	1.72% p.a.	750
CZ0002005689	04.07.2018	CZK	04.07.2023	2.22% p.a.	1,250
CZ0002006026	17.12.2018	CZK	17.12.2021	2.49% p.a.	400
CZ0002006034	17.12.2018	CZK	17.09.2022	2.36% p.a.	625

Amortized cost of the outstanding mortgage backed bonds held by external owners:

CZK m	30 Sep 2020	31 Dec 2019
Mortgage backed bonds at amortised cost	4,224	n/a
Total	4,224	n/a

The Group did not have any defaults of principal or interest or other breaches with respect to mortgage backed bonds during the year 2020.

8.16 Subordinated Debt 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 30 September 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 8.20.1).

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	CZK	25.9.2029	3.30% p.a.	2,001
MB 3,79/30	CZ0003705188	CZK	30.1.2030	3.79% p.a.	2,601

Amortized cost of the outstanding subordinated debt securities:

CZK m	30 Sep 2020	31 Dec 2019
Subordinated debt securities at amortised cost	4,640	2,006
Total	4,640	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.

8.17 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:

8.17.1 Legal disputes

8.17.1.1 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.

8.17.1.2 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) and the Consolidated Financial Report as of and for the six months ended 30 June 2020 (page 33). Since the Consolidated Financial Report as of and for the six months ended 30 June 2020 was published, there have been no significant developments in the respective court proceedings.

8.17.1.3 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.

8.17.1.4 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.

8.18 Segment Reporting

Group's operating segments are following: Commercial, Retail and Treasury /Other. The Segments are described in more detail in the last annual financial statements. Operations of newly acquired entities were incorporated into existing segments.

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 not reported for segments but only on the Total level.

Quarter ended 30 Sep 2020				
	Commercial	Retail	Treasury / Other	Total
CZK m				
Interest and similar income	701	1,670	9	2,380
Interest expense and similar charges	(47)	(273)	(17)	(337)
Net fee and commission income	135	366	(1)	500
Dividend income	0	0	1	1
Net income from financial operations	0	0	161	161
Other operating income	11	45	0	56
Total operating income	800	1,808	153	2,761
Net impairment of financial assets	(212)	(360)	18	(554)
Risk adjusted operating income	588	1,448	171	2,207
Total operating expenses				(1,383)
Profit for the period before tax				824
Tax on income				(108)
Profit for the period after tax				716

Quarter ended 30 Sep 2019				
	Commercial	Retail	Treasury / Other	Total
CZK m				
Interest and similar income	670	1,326	316	2,312
Interest expense and similar charges	(73)	(111)	(119)	(303)
Net fee and commission income	152	346	1	499
Dividend income	0	0	0	0
Net income from financial operations	0	0	109	109
Other operating income	14	14	0	28
Total operating income	763	1,575	307	2,645
Net impairment of financial assets	(71)	(105)	8	(168)
Risk adjusted operating income	692	1,470	315	2,477
Total operating expenses				(1,162)
Profit for the period before tax				1,315
Tax on income				(257)
Profit for the period after tax				1,058

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Nine months ended 30 Sep 2020				
	Commercial	Retail	Treasury / Other	Total
CZK m				
Interest and similar income	2,124	4,668	572	7,364
Interest expense and similar charges	(182)	(772)	(241)	(1,195)
Net fee and commission income	396	1,005	8	1,409
Dividend income	0	0	2	2
Net income from financial operations	0	0	543	543
Other operating income	33	68	1,130	1,231
Total operating income	2,371	4,969	2,014	9,354
Net impairment of financial assets	(1,162)	(1,932)	7	(3,087)
Risk adjusted operating income	1,209	3,037	2,021	6,267
Total operating expenses				(4,065)
Profit for the period before tax				2,202
Tax on income				(286)
Profit for the period after tax				1,916

Nine months ended 30 Sep 2019				
	Commercial	Retail	Treasury / Other	Total
CZK m				
Interest and similar income	1,914	3,871	789	6,574
Interest expense and similar charges	(153)	(206)	(304)	(663)
Net fee and commission income	418	1,031	0	1,449
Dividend income	0	0	1	1
Net income from financial operations	0	0	382	382
Other operating income	49	42	0	91
Total operating income	2,228	4,738	868	7,834
Net impairment of financial assets	(189)	(120)	8	(301)
Risk adjusted operating income	2,039	4,618	876	7,533
Total operating expenses				(3,718)
Profit for the period before tax				3,815
Tax on income				(745)
Profit for the period after tax				3,070

Assets and liabilities by segment

30 Sep 2020				
	Commercial	Retail	Treasury / Other	Total
CZK m				
Total assets of the segment	83,642	149,780	87,638	321,060
Net value of loans and receivables to customers	75,944	144,632	0	220,576
Total liabilities of the segment	67,114	193,805	33,757	294,676

31 Dec 2019				
	Commercial	Retail	Treasury / Other	Total
CZK m				
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

8.19 Related parties

The following transactions were done between related parties:

CZK m	Quarter ended		Nine months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Key members of the management* and Supervisory Board				
Personnel expenses	(21)	(22)	(99)	(66)

CZK m	30 Sep 2020	31 Dec 2019
Key members of the management* and Supervisory Board		
Loans and receivables to customers	14	20
Due to customers	25	19

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

8.20 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.

In connection with completed acquisition of Building Saving Bank and Mortgage Bank the Group is working intensively to unify the risk management data sources so that risk management processes, methods, scenarios and models can be used consistently across the Group. Until then, the risk management policies and practices described in the last annual reports are applied in particular companies on an individual basis, and the Bank relies on Building Saving Bank and Mortgage Bank data for the consolidated risk management approach. Changes from the risk management status described in the annual reports are set out below.

The Bank updated the limits for risk management, including limits expressing risk appetite, to take into account the new composition of the Group, including the introduction of limits on a sub-consolidated basis (subgroups Bank, MONETA Auto and MONETA Leasing, respectively Bank, Building Saving Bank and Mortgage Bank, respectively Building Saving Bank and Mortgage Bank).

Regarding liquidity risk management the Group received approval of the Czech National Bank for establishment of liquidity sub-group (Bank, Mortgage Bank and Building Saving Bank) since 1.10.2020, which simplified mainly regulatory reporting on liquidity risk to the Czech National Bank.

In July 2020 Chief Risk Officer of the Bank established Cyber Security Committee for cyber security management in the Bank and in compliance with changes in new product introduction process within the Group decided on cancellation of New Product Introduction Council.

Regarding credit risk management, the collection of receivables of the Bank was centralized in the Risk Management Division, which also methodically manages the collection of Building Saving Bank and Mortgage Bank receivables. When approving credit exposures and counterparties' limits for operations on the financial markets, the Bank approves Building Saving Bank and Mortgage Bank credit exposures and limits in relation to the product and the exposure size.

As a result of the acquisition, the Bank includes Building Saving Bank and Mortgage Bank assets impaired at the time of the acquisition in a separate POCI class (Purchased or originated as credit-impaired on initial recognition). The POCI class is preserved until the moment of derecognition, even if the asset is no longer credit-impaired. For the POCI class, the Bank determines impairment loss allowances in the amount of the cumulative change in expected credit losses.

For receivables of Building Saving Bank and Mortgage Bank, the Bank determines the consolidated impairment loss allowances based on the stage and the respective estimate of the expected credit losses determined by the relevant company.

The effects of measures related to the COVID-19 pandemic on the amount of impairment loss allowances are described in more detail in sections 8.4 Significant accounting policies and 8.20.6 Net impairment of financial assets.

8.20.1 Capital Management

Regulatory Capital and its components and capital adequacy:

CZK m	30 Sep 2020	31 Dec 2019
Regulatory Capital	26,780	22,652
Tier 1	22,178	20,651
Tier 2	4,602	2,001
RWA	153,638	125,629
out of which: Credit Risk	137,061	111,175
out of which: Operational Risk	15,577	13,343
out of which: CVA	1,000	1,111
out of which: Trading Book	0	0

Capital adequacy (%)	30 Sep 2020	31 Dec 2019
RWA Density*	44.3%	52.9%
CET1 Ratio	14.4%	16.4%
Tier 1 Ratio	14.4%	16.4%
Total Capital Ratio (CAR)	17.4%	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")²³, CRD (hereafter "CRD V")²⁴ and BRRD (hereafter "BRRD II")²⁵. This Banking Package was as a reaction to COVID-19 pandemic amended by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, on which the Bank implement new SME supporting factor into the risk weighted assets calculation according to the article 2 paragraph 1 of this Regulation. 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.

²³ 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.

²⁴ 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.

²⁵ 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 recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC.

To set the overall capital requirement, Bank is considering countercyclical buffer cuts, which were announced by Czech National Bank in response to the COVID-19 pandemic from 1.75% to 1% since 1 April 2020 and then to 0.5% since 1 July 2020.

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.

8.20.2 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:

30 Sep 2020 CZK m	Loans and receivables to banks				Loans and receivables to customers				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Performing before due date	54,189	0	0	54,189	200,418	15,375	0	20	215,813
Performing past due date*	0	0	0	0	4,661	2,313	0	25	6,999
Total performing	54,189	0	0	54,189	205,079	17,688	0	45	222,812
Total non-performing	0	0	0	0	0	0	3,194	177	3,371
Gross loans and receivables	54,189	0	0	54,189	205,079	17,688	3,194	222	226,183
Individual allowances	0	0	0	0	0	0	(165)	0	(165)
Portfolio allowances	0	0	0	0	(1,934)	(1,877)	(1,630)	(1)	(5,442)
Total allowances	0	0	0	0	(1,934)	(1,877)	(1,795)	(1)	(5,607)
Net loans and receivables	54,189	0	0	54,189	203,145	15,811	1,399	221	220,576

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

* Due days are calculated on instalments of principal, interest, and fees.

8.20.3 Walk of allowances to Loans and receivables to customers

Walk of allowances to Loans and receivables for the three- and nine-month periods - **retail customers**

CZK m	Quarter ended 30 Sep 2020					Nine months ended 30 Sep 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	975	1,113	1,219	26	3,333	819	284	924	n/a	2,027
Purchases and originations	80	15	1	0	96	210	232	5	37	484
Derecognition and maturities	(78)	(22)	(3)	0	(103)	(169)	(32)	(40)	0	(241)
Transfer to (out) Stage 1	28	(13)	(15)	0	0	127	(77)	(50)	0	0
Transfer to (out) Stage 2	(29)	43	(14)	0	0	(186)	225	(39)	0	0
Transfer to (out) Stage 3	(12)	(11)	23	0	0	(61)	(151)	212	0	0
Remeasurements, changes in models and methods	181	124	64	14	383	405	768	471	4	1,648
Use of allowances (write offs)	0	0	(46)	(37)	(83)	0	0	(254)	(38)	(292)
Foreign exchange adjustments	0	0	0	0	0	0	0	0	0	0
Balance at the end of the period	1,145	1,249	1,229	3	3,626	1,145	1,249	1,229	3	3,626

CZK m	Quarter ended 30 Sep 2019					Nine months ended 30 Sep 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	786	262	930	n/a	1,978	792	253	1,947	n/a	2,992
Purchases and originations	73	2	3	n/a	78	227	5	14	n/a	246
Derecognition and maturities	(58)	(1)	(19)	n/a	(78)	(153)	(12)	(261)	n/a	(426)
Transfer to (out) Stage 1	26	(12)	(14)	n/a	0	140	(88)	(52)	n/a	0
Transfer to (out) Stage 2	(3)	1	2	n/a	0	(49)	92	(43)	n/a	0
Transfer to (out) Stage 3	(21)	(7)	28	n/a	0	(68)	(98)	166	n/a	0
Remeasurements, changes in models and methods	(14)	19	90	n/a	95	(100)	112	272	n/a	284
Use of allowances (write offs)	0	0	(83)	n/a	(83)	0	0	(1,106)	n/a	(1,106)
Foreign exchange adjustments	0	0	0	n/a	0	0	0	0	n/a	0
Balance at the end of the period	789	264	937	n/a	1,990	789	264	937	n/a	1,990

Walk of allowances to Loans and receivables for the three- and nine-month periods - **commercial customers**

CZK m	<u>Quarter ended 30 Sep 2020</u>					<u>Nine months ended 30 Sep 2020</u>				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	614	621	674	(2)	1,907	295	116	661	n/a	1,072
Purchases and originations	107	3	2	0	112	210	9	8	(19)	208
Derecognition and maturities	(21)	(5)	(11)	0	(37)	(45)	(7)	(24)	0	(76)
Transfer to (out) Stage 1	17	(8)	(9)	0	0	62	(35)	(27)	0	0
Transfer to (out) Stage 2	(6)	9	(3)	0	0	(71)	98	(27)	0	0
Transfer to (out) Stage 3	(3)	1	2	0	0	(6)	(34)	40	0	0
Remeasurements, changes in models and methods	80	5	16	(1)	100	343	480	115	17	955
Use of allowances (write offs)	0	0	(106)	1	(105)	0	0	(183)	0	(183)
Foreign exchange adjustments	1	2	1	0	4	1	1	3	0	5
Balance at the end of the period	789	628	566	(2)	1,981	789	628	566	(2)	1,981

CZK m	<u>Quarter ended 30 Sep 2019</u>					<u>Nine months ended 30 Sep 2019</u>				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	260	122	606	n/a	988	243	92	773	n/a	1,108
Purchases and originations	39	2	7	n/a	48	136	4	14	n/a	154
Derecognition and maturities	(13)	(2)	(23)	n/a	(38)	(28)	(4)	(66)	n/a	(98)
Transfer to (out) Stage 1	13	(5)	(8)	n/a	0	54	(28)	(26)	n/a	0
Transfer to (out) Stage 2	(1)	1	0	n/a	0	(10)	22	(12)	n/a	0
Transfer to (out) Stage 3	(3)	(2)	5	n/a	0	(8)	(36)	44	n/a	0
Remeasurements, changes in models and methods	(20)	(10)	89	n/a	59	(112)	56	220	n/a	164
Use of allowances (write offs)	0	0	(9)	n/a	(9)	0	0	(279)	n/a	(279)
Foreign exchange adjustments	0	0	1	n/a	1	0	0	0	n/a	0
Balance at the end of the period	275	106	668	n/a	1,049	275	106	668	n/a	1,049

8.20.4 Break down of allowances according to loan type and stages

30 Sep 2020 CZK m	Stage 1	Stage 2	Stage 3	POCI	Total
Retail loans	1,145	1,249	1,229	3	3,626
Consumer Loans	927	1,096	1,032	11	3,066
Mortgages	22	55	41	(8)	110
Credit Cards & Overdrafts	140	79	93	0	312
Auto Loans and Finance Leases	53	19	47	0	119
Other	3	0	16	0	19
Commercial loans	789	628	566	(2)	1,981
Investment Loans	280	244	46	(2)	568
Working Capital	103	87	91	0	281
Auto & Equipment Loans and Finance Leases	188	96	204	0	488
Unsecured Instalment Loans and Overdraft	217	200	187	0	604
Inventory Financing and Other	1	1	38	0	40
TOTAL allowances to Lending portfolio	1,934	1,877	1,795	1	5,607
Debt instruments measured at amortised costs	4	0	0	0	4
TOTAL allowances Financial Assets	1,938	1,877	1,795	1	5,611
Financial guarantees	11	17	1	0	29
Loan commitments - Retail	57	8	1	0	66
Loan commitments - Commercial	56	16	0	0	72
TOTAL liabilities to off balance sheet items	124	41	2	0	167

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

8.20.5 Coverage of non-performing loans and receivables (Stage 3)

CZK m	30 Sep 2020	31 Dec 2019
Retail	2,467	1,770
Commercial	904	1,066
Total NPL	3,371	2,836

CZK m	30 Sep 2020	31 Dec 2019
Retail	1,248	924
Commercial	567	661
Total allowances to NPL	1,815	1,585

%	30 Sep 2020	31 Dec 2019
Retail	147.0%	114.5%
Commercial	219.2%	100.6%
Total NPL coverage	166.3%	109.2%

%	30 Sep 2020	31 Dec 2019
Retail	1.7%	1.9%
Commercial	1.2%	1.6%
NPL Ratio	1.5%	1.8%

8.20.6 Net impairment of financial assets

CZK m	Quarter ended		Nine months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Additions and release of loan loss allowances	(564)	(178)	(3,008)	(365)
Additions and release of allowances/provisions to unused commitments	(41)	4	(98)	6
Use of loan loss allowances	187	92	475	1,385
Income from previously written-off receivables	82	12	98	167
Write offs of uncollectable receivables	(192)	(97)	(510)	(1,464)
Change in allowances to Investment securities	(1)	(1)	1	(1)
Change in allowances to operating receivables	(1)	9	(1)	10
Collection expense	(24)	(9)	(44)	(39)
Net impairment of financial assets	(554)	(168)	(3,087)	(301)

Net impairment of financial assets in first three quarters of 2020 was driven by the book up of provisions associated with COVID-19 related measures and change in macroeconomic expectations (CZK 2,380 million), and impact of acquired financial assets (CZK 259 million).

8.20.7 Maximum credit risk exposures

30 Sep 2020	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
CZK m				
Cash and balances with the central bank	10,017	0	10,017	0
Derivative financial instruments	349	0	349	0
Investment securities measured at FVTPL	92	0	92	0
Corporate bonds	0	0	0	0
Equity investments	92	0	92	0
Investment securities measured at FVTOCI	1	0	1	0
Equity investments	1	0	1	0
Investment securities measured at amortized cost	27,047	0	27,047	0
Treasury and corporate bonds	27,047	0	27,047	0
Hedging derivatives with positive fair values	466	0	466	0
Interest rate swaps	466	0	466	0
Change in fair value of items hedged on portfolio basis	1,117	0	1,117	0
Loans and receivables to banks	54,189	0	54,189	50,675
Current accounts at banks	537	0	537	0
Overnight deposits	0	0	0	0
Term deposits in banks payable within 3 months	0	0	0	0
Receivables arising from reverse repurchase agreements	51,469	0	51,469	50,675**
Cash collaterals granted	2,182	0	2,182	0
Other	1	0	1	0
Loans and receivables to customers	220,576	27,725	248,301	120,606
Consumer authorized overdrafts and credit cards	2,771	4,694	7,465	0
Consumer loans	48,945	1,360	50,305	2,974
Mortgages	90,706	8,838	99,544	84,661
Commercial loans	64,316	12,800	77,116	27,908
Auto & Equipment Finance Lease	2,200	0	2,200	1,768
Commercial	2,200	0	2,200	1,768
Retail	0	0	0	0
Auto & Equipment Loans	11,638	33	11,671	3,295
Commercial	9,429	33	9,462	3,295
Retail	2,209	0	2,209	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	1,593	1,593	227
Issued letter of credit	0	5	5	0
Other assets	7,207	0	7,207	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 repurchase agreements as collateral in the amount of CZK 8,687 million were transferred as collateral according to repurchase agreements as at 30 September 2020 (31 Dec 2019: CZK 1,933 million).

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31 Dec 2019	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
CZK m				
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
Corporate bonds	n/a	n/a	n/a	n/a
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
Other 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.

8.21 Fair values of financial assets and liabilities

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

CZK m	30 Sep 2020		31 Dec 2019	
	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS				
Cash and balances with the central bank	10,017	10,017	6,697	6,697
Investment securities at amortised cost*	27,047	27,352	25,888	26,027
Loans and receivables to banks	54,189	54,189	23,485	23,485
Loans and receivables to customers	220,576	224,380	156,409	157,518
FINANCIAL LIABILITIES				
Due to banks	3,260	3,261	7,091	7,096
Due to customers	275,033	275,033	181,523	181,523
Mortgage backed bonds	4,224	4,224	n/a	n/a
Subordinated liabilities	4,640	4,865	2,006	1,974

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

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

CZK m	30 Sep 2020			31 Dec 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FINANCIAL ASSETS						
Derivative financial instruments	0	349	0	0	27	0
Debt securities measured at FVTPL	0	0	0	n/a	n/a	n/a
Investment securities measured at FVTPL	0	0	92	0	0	83
Investment securities measured at FVTOCI	0	0	1	0	0	1
Hedging derivatives with positive fair values	0	466	0	0	651	0
Change in fair value of items hedged on portfolio basis	0	0	1,117	0	0	(239)
FINANCIAL LIABILITIES						
Derivative financial instruments	0	386	0	0	40	0
Hedging derivatives with negative fair values	0	2,569	0	0	148	0
Change in fair value of items hedged on portfolio basis	0	0	191	0	0	(22)

There were no transfers between level 1 and 2 during the period of the nine months ended 30 September 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 30 Sep 2020
Investment securities at FVTOCI	1	0	0	0	0	1
Investment securities at FVTPL	83	0	0	9	0	92
Total	84	0	0	9	0	93

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

8.22 Subsequent Events

There have been no subsequent events arising after 30 September 2020 that would have material impact on this consolidated financial report.

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 nine months of 2020, as well as of the outlook for the development of the Group's financial situation, business activities and results.

Prague, 29 October 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
Building Savings Bank	MONETA Stavební spořitelna, a.s.
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 (excl. deposit Interest Rate Swaps) divided by average balance of due to banks, due to customers and issued bonds. 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).

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.
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 standard working hour 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 or MONETA	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.
Mortgage Bank	Wüstenrot hypoteční banka a.s.
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.

MONETA Money Bank, a.s.
Consolidated financial report
as of and for the nine months ended 30 September 2020
(All amounts in CZK millions unless otherwise stated)