Mandatory Disclosure
PUBLIC DISCLOSURE OF INSIDE INFORMATION

MONETA Money Bank, a.s.

Consolidated interim financial report as of and for the six months ended 30 June 2023

Contents

1 Disclaimer

Forward-looking statements

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

Any forward-looking statements involve material assumptions and subjective judgements which may or may not prove to be correct and there can be no assurance that any of the matters set out in forward looking statements will actually occur or will be realised 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 16.35% (effective since 1 July 2023). 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.

Material assumptions for forward-looking statements

When preparing updated Guidance for 2023–2027[1] MONETA has made several economic, market, operational, regulatory and other assumptions of both quantitative and judgemental nature. These assumptions include the following:

- GDP growth in 2023 by 0.5% and then accelerate to growth of around 2.5%–3.0% annually.
- 1M PRIBOR assumed to decrease from 7.1% in 2023 to 2.9% in 2026 and 2027[2].
- Gross performing loan balance is expected to grow at 1.0% CAGR in the 5 years until 2027.
- Customer deposits balance is expected to grow at 7.8% CAGR in the 5 years until 2027.

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] Updated five-year guidance published on 27th July 2023.
[2] Internal forecast derived from macroeconomic forecast from CNB published on May 2023 https://www.cnb.cz/en/monetary-policy/monetary-policy-reports/Monetary-Policy-Report-Spring-2023/

2 Letter from the CEO

Dear Shareholders,

I am pleased to report our results for the first semester of the year. We continued to successfully gather customer deposits, which grew by 10.2 per cent to reach CZK 368 billion as of the end of June. Retail and commercial deposits rose by 10.2 per cent and 10.3 per cent respectively compared to year-end 2022. We attribute this deposit growth to our pricing policy, marketing strategy and the solid performance of both our digital channels and our branch network.

In June, we introduced a subordinated deposit product with a fixed five-year term and an interest rate of 7 per cent. This was launched in order to help us meet the minimum regulatory requirement set by the Czech National Bank (CNB) for own funds and eligible liabilities, or MREL. It requires us to carry capital or similar instruments at a minimum level of 22.95 per cent against risk weighted assets, effective 31 December 2023.

As we previously communicated, our plan was to raise the necessary funds from our clients. The subordinated deposit was offered to our retail clients in early June and the demand far exceeded our expectations. Within three weeks we successfully raised CZK 2.8 billion. Thus, we are now fully compliant with the requirement. Regarding our dividend policy and future dividend distributions, we are confident that our capacity to continue with such is unchanged.

Thanks to the growth in our deposit base and our successful distribution of subordinated deposits, we continue to have an excellent liquidity position, with a Liquidity Coverage Ratio (LCR) of 285 per cent. Our balance sheet stood at CZK 424 billion as of 30 June.

With respect to interest rate risk management, we continue to hold a higher proportion of our assets on floating rates, assuming that rate cuts will come in early 2024. At the same time, we retain our ability to reprice a majority of our deposit base within three months.

Overall, our financial performance so far this year has exceeded our operating plan and our market guidance. The better than expected performance was positively impacted by several factors.

Firstly, our cost of risk remained low thanks to good repayment discipline across our portfolios and successful non-performing loan (NPL) recoveries. In fact, we did not see a deterioration in our lending portfolio. Additionally, we successfully disposed of NPLs in the nominal amount of CZK 828 million, which generated a gain of CZK 251 million.

Secondly, and in a continuation of a positive trend from the first quarter, we expanded our distribution capacity of third-party products. Our distribution of pension fund insurance products performed particularly well, increasing by a remarkable 219 per cent year-on-year. This success is largely attributable to the efforts of our staff in our nationwide branch network.

In April we held our Annual General Meeting, with the participation of 70.95 per cent of all shareholders. Our shareholders approved the 2022 financial statements, the remuneration report and the nomination of a new Supervisory Board member. Mrs. Kateřina Jirásková was elected to the Supervisory Board by 82.9 per cent of the votes of the shareholders present at the General Meeting. And lastly, shareholders approved management's proposal to pay a 2022 dividend of CZK 8 per share, which was distributed on 25 May.

Based on the above developments, we are able to increase our minimum performance targets for years 2023-2027. Specifically, our minimum profit target for 2023 was adjusted upwards, from CZK 4.3 billion to CZK 4.7 billion.

CURRENT ECONOMIC ENVIRONMENT

The Czech Republic's state budget deficit reached CZK 215 billion at the end of June, which was an improvement on the CZK 271 billion recorded in May, thanks in part to the collection of corporate taxes. Nonetheless, the budget deficit continues to be one of the highest ever incurred. The government has been seeking agreement on measures to consolidate public finances and reduce the deficit. In June the government introduced a set of measures designed to accomplish this aim. If implemented, the government estimates a positive impact of CZK 151 billion in 2024 and 2025. The consolidation package is currently being considered by parliament, where opposition parties are seeking to prevent or to postpone its approval through obstructive behaviour. Therefore, we cannot report success or failure concerning the approval of these measures.

The consolidation measures include an increase in the corporate income tax rate to 21 per cent from 2024, cuts in state subsidies for businesses, changes in the pension system, changes to VAT rates, and higher taxes on tobacco and gambling. Additionally, the measures also envisage the taxation of employee benefits which, if passed, will increase the cost base of the private sector.

The scourge of high inflation remains, albeit with a positive downward trend. Year-on year inflation fell to single digits of 9.7 per cent in June, down from its peak of 18 per cent some nine months ago. The CNB expects full-year 2023 inflation to be around 11 per cent. It is therefore no surprise that the key rates remain unchanged. The market expectation is that interest rate cuts will come in early 2024. The CNB foresees a return towards its 2 per cent inflation target in the second quarter of 2024.

Economic growth is neutral: GDP remained unchanged quarter-on-quarter, and the expectation for the full year is growth of around 0.5 per cent. Unemployment remains low, at 2.6 per cent, and is expected to remain stable for 2023. Nominal wage growth was running at 9 per cent in the first quarter, but due to inflation real wage growth is negative, at -7 per cent. Retail sales are declining and reflect increasing inflationary pressures on household expenses.

The value of the Koruna remained strong at around 23.7 CZK/EUR during the first six months, with the central bank expecting a gradual weakening to 24 CZK/EUR in the coming quarters.

From the regulatory perspective, the CNB decreased the countercyclical capital buffer by 25 bps to 2.25 per cent. The CNB also removed mortgage-related limits. Specifically, the maximum Debt Service to Income ratio (DSTI) has been abandoned for the time being and higher Loan to Value (LtV) volumes are now allowed. In its latest financial stability report, the regulator confirmed the resilience and stability of the Czech banking sector.

I will now turn to MONETA's financial performance.

1H 2023 FINANCIAL PERFORMANCE

As already mentioned, our financial results met and exceeded our current plan. So far, we have benefitted from better than anticipated cost of risk and a reduced tax liability. The reduction in our tax liability arises from our investments in government bonds, the income from which is tax-exempt. These investments were made due to lower market demand for our credit products. At mid-year, we therefore report a net profit of CZK 2.5 billion, with a 18.9 per cent Return on Tangible Equity.

Our operating income reached CZK 5.9 billion and is in line with our expectations and business plan. If we break down the composition of our operating income, then net interest income decreased by 14 per cent to CZK 4.2 billion. Net interest income was weaker due to the repricing of deposits across our product portfolios. On the other hand, our net fee and commission income reached CZK 1.3 billion, up by more than 20 per cent and attributable to a significant strengthening in our ability to distribute third-party products.

Sales of pension insurance products increased by 219.2 per cent, with more than 18,000 new contracts signed during the first half of this year. We also recorded a material increase in foreign-exchange income, by 15 per cent, due to competitive exchange-rate pricing offered through our digital channels and branch network, and a higher level of transactional activity by our clients abroad.

Our operating expenditures increased by 4.4 per cent and reached CZK 2.9 billion. Nonetheless, we are pleased that our cost base remains under control despite high inflation and continued pressure on wages. The chief cause of the cost increase was a significantly higher level of mandatory, regulatory contributions, which rose by 34.1 per cent due to our growth in deposits, and the higher level of deposit insurance charges mandated by the regulator in May 2023. Within this context, we continue to exercise cost discipline and to focus on productivity improvements.

Our operating profit was CZK 3 billion in the period under review, a decrease of 10.3 per cent year-on-year. The erosion of our operating profit is also attributable to the absence of one-off gains realised during the first half of 2022, namely the refund of M&A costs. Additionally, last year we benefitted from a low cost of funding prior to the repricing of our deposit base, which began during the third quarter of 2022. Neither of these impacts recur this year. Nonetheless, we remain confident in our ability to meet the maximum cost target for the full year.

Concerning our cost of risk, during the first half of 2023 we incurred a net charge CZK 30 million, or 2 basis points. This result was materially and positively impacted by successful NPL disposals that, year-to-date, brought a gain of CZK 251 million and decreased the level of NPL portfolio. Our cost of risk was further helped by a satisfactory portfolio performance concerning repayments and a stable level of loan arrears. From the balance sheet perspective, we finished the first half of the year carrying non-performing receivables in the amount of CZK 3.6 billion, which translates into an NPL ratio of 1.3 per cent, the lowest level ever.

Additionally, we continued in our anticipatory creation of loan loss provisions. We strengthened our so-called "management overlays" to a level of CZK 931 million by charging an additional CZK 84 million into this category in the first half of the year. Overall provisioning of our loan portfolio stands at 1.7 per cent and constitutes CZK 4.8 billion.

In the period under review, our investment securities portfolio grew to CZK 80.5 billion, up 38.9 per cent compared to year-end 2022. This portfolio also includes a benefit of tax-exempt revenue stream and the ability to obtain liquidity if and when necessary.

MONETA's effective tax rate is 15.3 per cent thanks to income from government bonds as explained above.

Our consolidated capital adequacy ratio is strong, standing at 19.7 per cent, and exceeding our current regulatory capital management target of 16.35 per cent. Additionally, we continue to have an excellent liquidity position with an LCR of 285 per cent.

Lastly, our client base increased during the first half by 1.6 per cent to 1.5 million clients. The increase is attributable to our price-winning current accounts, savings accounts and term deposits. The Bank once again received prestigious accolade from its clients and as a result obtained winning position in market wide competition "Zlatá koruna".

UPGRADED GUIDANCE FOR 2023–2027

Our minimum cumulative net profit target for 2023 had been increased from CZK 4.3 billion to CZK 4.7 billion. The main drivers behind our higher profit target are an expected lower cost of risk and the updated effective tax rate. Additionally, the minimum target is supported by our confidence to meet and potentially slightly exceed our operating income target and to maintain costs below the maximum level.

We have also increased our medium-term targets. Specifically, we now aim to deliver a minimum cumulative five-year net profit of CZK 25.4 billion. The increased minimum target compares favourably to our previously communicated CZK 23.6 billion.

The upgraded targets are contained in our quarterly financial results presentation, which provides a more detailed view of changes related to specific performance metrics as well as an updated view on the evolution of key balance sheet categories.

1H 2023 BUSINESS PERFORMANCE

MONETA's overall core customer deposit base grew by 10.2 per cent from year-end 2022. As of 30 June, customer deposits reached CZK 368 billion, which is the highest balance ever. Retail core customer deposits grew by 10.2 per cent to CZK 282 billion and core commercial customer deposits grew by 10.3 per cent to CZK 85 billion. Our savings accounts and term deposits grew by 20.3 per cent, while current account deposits decreased by 4.6 per cent as clients continued to transfer their funds to higher yielding deposit products.

I am pleased to report that, overall, our retail and commercial portfolios were stable and in line with the guidance we provided. New lending volumes are decreasing across majority of the loan products, which reflects generally lower demand across the market, and in particular MONETA's adoption of a more conservative stance on new originations. We have built into our underwriting criteria the increased cost of living and inflationary pressures so as to ensure responsible and affordable lending. MONETA will not take advantage of the deactivation of the DSTI as announced by the CNB. In the first half of the year, we did see a sharp increase in new units of commercial credit cards, which rose by 111.1 per cent, this was largely thanks to online approvals and our programme of bonuses on purchases.

Retail segment

Our retail loan portfolio stood at CZK 183.9 billion as of 30 June. Gross performing mortgage receivables were stable at CZK 131.2 billion, but new volumes continued to decline sharply, by 69.7 per cent year-on-year. Other retail portfolios also remained stable with consumer loans at CZK 47.8 billion, and the auto loan portfolio at CZK 2.5 billion. Credit card and overdraft receivables decreased by 5.3 per cent to CZK 2.3 billion.

MONETA's investment funds portfolio increased to CZK 31.6 billion and recorded a fee income of CZK 147 million, up 4.7 per cent on the same period in 2022. MONETA currently offers 36 investment funds.

Commercial segment

Our commercial business was broadly stable at CZK 85.3 billion, up 2.3 per cent compared to year end. New volumes decreased, just as we saw in the retail portfolio and also reflecting our prudent lending criteria. The investment loan portfolio remained stable at CZK 46 billion, with new volumes down 32.7 per cent. Working capital lending receivables were CZK 16.3 billion, up by 14.6 per cent. Our small business portfolio increased by 4.4 per cent to CZK 12.9 billion, however new volumes of small business instalment lending were also down 26.8 per cent year-on-year. Commercial auto loans increased by 5.6 per cent to CZK 7.3 billion.

MONETA Money Bank held the following market shares as of June 30: consumer lending at 15 per cent; mortgage lending at 8 per cent, and asset management at 4 per cent.

DIGITAL STRATEGY PROGRESS REVIEW

Our number of digital users continues to grow. Smart Banka users reached 987,000 which is 18.4 per cent higher than at the end of 2022. MONETA has enjoyed success in the cross-selling of products via our digital channels, and the share of digital originations during the period under review was 48 per cent for consumer loans and 27 per cent for small business loans. The share of deposit products opened through digital channels is also increasing with 44 per cent of retail current deposits and 57 per cent of retail savings and term accounts originated online.

The Czech Republic is a world leader in the use of tokenised card technology, which increases transaction security. The number of MONETA's tokenised cards increased by 49.9 per cent year-on-year to 480,000, confirming this trend. MONETA this year expanded its offer in this area to offer clients virtual cards, where all data are in digital form only, without a physical card. This helps to save costs, is environmentally friendly and reduces theft and forgery.

CAPITAL POSITION

MONETA is well capitalised. Our regulatory capital stood at CZK 33.8 billion as of 30 June 2023. Our consolidated capital adequacy ratio is a healthy 19.7 per cent and significantly above the management capital target of 16.35 per cent (including the management buffer and the updated countercyclical buffer of 2.25 per cent). Tier 1 ratio reached 15.38 per cent with an excess of 1.93 per cent or CZK 3.3 billion above the Tier 1 management capital target of 13.45 per cent.

As I wrote earlier, we successfully raised subordinated deposits in the amount of CZK 2.8 billion in June, which enabled us to comfortably meet our total MREL requirement of 21.95 per cent, or 22.95 per cent including a management buffer which becomes effective 31 December 2023. Our MREL ratio was 23.7 per cent as of 30 June.

ESG

We continue to successfully reduce our CO_2 emissions. Since 2016, when MONETA was one of the first companies in the Czech Republic to start calculating its carbon footprint, we have achieved a significant reduction by 81.3 per cent in our direct carbon dioxide production. In our total carbon footprint i.e., the so-called Scope 1, 2 and 3, the reduction over the past five years amounts to 51.2 per cent. This calculation was verified by an independent auditor according to international ISO standards. The decrease in direct emissions is mainly achieved by energy and fuel savings, as well as the switch to all-green electricity in all of our branches and the increasing share of electric vehicles in our fleet of company cars.

MONETA launched a "green" lending programme for both small business and retail clients in the first half of the year, under which it will lend up to CZK 2.5 million to sole traders and small businesses to help them finance energy-saving projects and sustainability measures. For retail clients, MONETA will lend up to CZK 1.5 million for energy-saving projects.

Our drive towards full digitalisation has reduced paper consumption by 194 tonnes over the last three years with the growing use of electronic contractual documents, marketing materials and even cash register receipts. This move away from printed material has helped to reduce electricity consumption by 46 per cent. Clients and bankers alike praise the quicker and more efficient digital contract process. Discarded printers and other IT equipment are donated to non-profit organisations as part of our MON HELP programme.

I also would like to inform you that in 2Q 2023, MONETA organised an employee satisfaction survey through an external company. The response rate was 88% of all employees. The main index reached 78 points, which is comparable to the financial sector. Detailed results were shared with all staff. The Management Board together with MON FAIR committee, its advisory body, are working together to define the concrete set of actions to reinforce engagement and staff satisfaction.

Lastly, I would like to thank to all my colleagues across the bank and subsidiaries for their effort and endurance showed in these past six months.

Sincerely,

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

3 Key Performance Indicators

	Half-year ended 30 Jun 2023	Year ended 31 Dec 2022	Change
Profitability			
NIM (% Avg. Int Earning Assets)[3,4,5]	2.1%	2.6%	(50)bps
Yield (% Avg. Net Customer Loans)	4.5%	4.2%	30bps
Cost of Funds (% Avg. Deposits and Received Loans)[6]	3.06%	1.66%	140bps
Cost of Funds on Core Customer Deposits (% Avg. Deposits)	3.05%	1.62%	143bps
Cost of Risk (% Avg. Net Customer Loans)	0.02%	0.03%	(1)bps
Risk-adj. Yield (% Avg. Net Customer Loans)	4.5%	4.2%	30bps
Net Fee & Commission Income / Operating Income (%)	21.8%	19.0%	280bps
Net Non-Interest Income / Operating Income (%)	28.5%	23.2%	530bps
RoTE	18.9%	18.7%	20bps
RoE	16.8%	16.7%	10bps
RoAA[4]	1.2%	1.4%	(20)bps
Liquidity / Leverage			
Core Loan to Deposit Ratio	72.9%	80.5%	(760)bps
Net Loan to Deposit Ratio[4]	72.8%	80.4%	(760)bps
Total Equity / Total Assets	7.0%	8.0%	(100)bps
Liquid Assets[3,4]/ Total Assets	34.4%	27.9%	650bps
LCR	284.8%	213.7%	7,110bps
Equity			
Total Equity (CZK m)	29,481	31,091	(5.2)%
Tangible Equity (CZK m)	26,201	27,712	(5.5)%
Capital Adequacy			
RWA Density	39.9%	43.4%	(350)bps
Regulatory Leverage	6.1%	6.7%	(60)bps
CAR Ratio (%)	19.7%	18.0%	170bps
Tier 1 Ratio (%)	15.4%	15.3%	10bps
Asset Quality			
Non-Performing Loan Ratio (%)	1.3%	1.4%	(10)bps
NPL Ratio Retail (%)	1.5%	1.5%	-
NPL Ratio Commercial (%)	0.9%	1.1%	(20)bps
Core Non-Performing Loan Coverage (%)	49.7%	53.4%	(370)bps
Core NPL Coverage Retail (%)	47.3%	51.4%	(410)bps
Core NPL Coverage Commercial (%)	58.1%	59.5%	(140)bps
Total NPL Coverage (%)	133.4%	134.8%	(140)bps
Efficiency			
Cost to Income Ratio	49.7%	46.2%	350bps
FTEs (at the end of the period)[7]	2,511	2,699	(188)
Branches	140	153	(13)
Tied agents offices	29	31	(2)
ATMs[8]	2,058	1,413	645

All ratios are annualised.

[3] Interest earning assets include encumbered assets.
[4] Including opportunistic repo operations.
[5] Hedging derivatives are excluded from calculation of interest earning assets.
[6] Deposits include issued bonds and exclude opportunistic repo transactions and CSA.
[7] Members of the Supervisory Board and the Audit Committee are excluded.
[8] ATM network including 847 KB ATMs, 369 Air Bank ATMs and 263 UniCredit Bank ATMs as of 30 June 2023.

4 Macroeconomic Environment

In the second quarter of 2023, the Czech economy was still influenced by the impact of the ongoing Russian invasion of Ukraine. A period of high inflation and high interest rates resulted in a shallow economic recession in the second half of 2022, characterised by a decline in retail sales, which turned into an economic stagnation in the first half of 2023. Although the situation is slowly improving, a visible economic recovery is likely to be seen only in the second half of the year.

In the first quarter of 2023, the gross domestic product of the Czech economy was flat quarter on quarter, while the annual result fell to (0.5)%[9]. The economy was supported mainly by the manufacturing sector, with demand side economic performance driven mainly by foreign demand and government expenditures. Household spending keeps recording a decline.

According to sectoral indicators, the economic situation continued to be challenging also in the second quarter of the year. Retail sales continued to decline year-on-year, falling by 6.1%[10] in May. This was influenced by weak consumer economic confidence and continued high inflation. Despite the difficulties on the consumer side, industry managed to maintain year-on-year growth, with production up by 1.4%[11] year-on-year in May. Industrial growth comes mainly from manufacturing, where car production still maintains an upward trend and supports the whole economy.

Year-on-year consumer price growth reached 9.7%[12] in June, with housing and food prices remaining the main inflation drivers. Inflation has been slowing in recent months and reached for the first time since December 2021 a single digit number, mainly due to food, energy and fuel prices, which have stabilised. With no further acceleration in inflation, interest rates have remained stable throughout the second quarter, with the Czech National Bank still maintaining its main monetary policy rate at 7%[13].

The economic issues of last quarters have not had a significant impact on the labour market. The unemployment rate, as measured by the ILO methodology, reached 2.5%[14] in May and was at the same level as in May 2022. On the other hand, the average nominal gross wages grew only by 8.6%[15] year-on-year in the first quarter, lagging far behind inflation. Thus, real wages kept falling by 6.7%.

The Czech economy recorded stabilization and moved from a mild recession into stagnation. The recovery of domestic economy should continue in the second half of the year and, if no further escalation of economic problems occurs, the economy should return to growth and record a mild increase by 0.5% in 2023, according to the latest macroeconomic forecast of the Czech National Bank.[16]

The banking sector's total operating income decreased by 6% year-on-year in the first quarter of 2023[17]. Net interest income declined by 4% year-on-year[17], same as Net non-interest income (-10% year-on-year)[17]. The Czech banking sector's net profit decreased by 10% year-on-year to CZK 21.1 billion[17]. Operating expenses grew by 1% year-on-year, cost of risk decreased by 75% year-on-year[17]. The annualised return on equity measured by net profit to Tier 1 capital declined to 13.4% in the first quarter of 2023[17] compared to the same period of the previous year.

Market net loans continued in growth by 5% year-on-year in the first quarter of 2023[17], same as Total assets (+3% year-on-year)[17]. Total assets to Tier 1 ratio progressed to 15.5%[17]. NPL balances declined by 13% year-on-year[17]. Core coverage developed to 52.0%[17] level. Tier 1 capital increased by 4% year-on-year to CZK 628.1 billion[17] in the first quarter of 2023. Regulatory Tier 1 capital to risk weighted assets declined to 19.5%[18].

[9] Source: Czech Statistical Office, Quarterly Sector Accounts – 1st quarter of 2023.
[10] Source: Czech Statistical Office, Retail trade – May 2023.
[11] Source: Czech Statistical Office, Industry – May 2023.
[12] Source: Czech Statistical Office, Consumer price indices – inflation – June 2023.
[13] Source: Czech National Bank, CNB Board Decision 21 June 2023.
[14] Source: Czech Statistical Office, Rates of employment, unemployment and economic activity – May 2023.
[15] Source: Czech Statistical Office, Average wages – 1st quarter of 2023.
[16] Source: Czech National Bank, CNB forecast – Spring 2023, published on 3 May 2023.
[17] Source: Czech National Bank, ARAD quarterly mandatory disclosures, banking sector including building societies.
[18] Source: IMF and CNB Core and additional FSIs to 31 December 2022

5 Group Performance

5.1 Business Performance

The Group generated consolidated Net profit of CZK 2,478 million in the first half of 2023.

The Group recorded a gross performing loan balance decline of 0.3% to CZK 269.2 billion as at 30 June 2023, compared to 31 December 2022.

The retail gross performing loan balance decreased by 1.5% when compared to 31 December 2022, standing at CZK 183.9 billion as at 30 June 2023. Majority of this decline was driven by drop of mortgages, declining by CZK 1.8 billion to CZK 131.2 billion, due to 69.7% decline in new mortgage production during the six months ended 30 June 2023. The gross performing consumer lending balance stood at CZK 47.8 billion and decreased by 1.6% when compared to 31 December 2022. MONETA Auto retail loans recorded a slight balance decline of 1.9% since 31 December 2022 and outstanding credit card and overdraft balances declined by 5.3% in the same period amid continuing trend of switching to instalment lending.

The commercial gross performing loan balance stood at CZK 85.3 billion as at 30 June 2023, a 2.3% increase compared to 31 December 2022 balance. Small business lending balances increased by 4.4% year-to-date to CZK 12.9 billion as at 30 June 2023. The investment loan balance decreased by 0.6% with balance at CZK 46.0 billion as at 30 June 2023. Working capital balance increased by 14.6% to CZK 16.3 billion as at 30 June 2023. The combined balance of MONETA Auto commercial portfolio and MONETA Leasing fell to CZK 10.1 billion, down 4.2% compared to 31 December 2022.

The Group's core customer deposits increased in both retail and commercial segments, totaling CZK 367.8 billion as at 30 June 2023, increasing 10.2% from CZK 333.8 billion as at 31 December 2022. The Cost of Funds on core customer deposits amounted to 3.05% and the Group's overall Cost of Funds amounted to 3.06% for the six months ended 30 June 2023. The Core Loan to Deposit Ratio stood at 72.9%. The Due to banks balance stood at CZK 7.7 billion as at 30 June 2023, a CZK 1.8 billion increase when compared to 31 December 2022.

The Group maintained a highly liquid position, with Liquidity coverage ratio at 284.8% at the Group level, well above the regulatory requirement.

5.2 Financial Performance

Operating income in the first half of 2023 amounted to CZK 5.9 billion, down 3.6% year-on-year, primarily due to Net Interest Income decline.

Net interest income amounted to CZK 4.2 billion for the six months ended 30 June 2023, a 14.0% decrease year-on-year. The yield on loan portfolio increased to 4.5% for the six months of 2023, compared to 4.0% in the same period of 2022. The Group's Net interest margin fell to 2.1% in the six months ended 30 June 2023, compared to 2.8% in the first six months of 2022.

Net fee and commission income for the six months ended 30 June 2023 increased by 20.5% year-on-year to CZK 1.3 billion, driven by successful distribution of third-party products and transaction fees increase. Net income from financial operations amounted to CZK 371 million in the first six months of 2023, compared to CZK 84 million in the same period of 2022.

Operating expenses for the six months of 2023 amounted to CZK 2,917 million, a 4.4% increase, compared to the same period of 2022, driven by higher regulatory charges, administrative and other operating expenses and higher depreciation and amortization. The Group incurred CZK 1,173 million of personnel expenses, representing a 2.0% year-on-year decline. Administrative and other operating expenses increased by 7.5% year-on-year and reached CZK 802 million. Depreciation and Amortization expenses increased by 1.9% and stood at CZK 635 million. Regulatory charges reached CZK 307 million, growing 34.1% year-on-year due to deposit base increase and higher contribution to the Deposit Insurance Fund.

Net impairment of financial assets amounted to CZK 30 million for the six months ended 30 June 2023, compared to provision release of CZK 250 million in the same period last year. Cost of risk were positively impacted by solid core portfolio performance as well as by successful NPL disposals. In relative terms, the Cost of Risk amounted to 2bps for the six months ended 30 June 2023, compared to 19bps provision release for the six months of 2022.

Group NPL Ratio decreased to 1.3% as at 30 June 2023 from 1.4% as at 31 December 2022. Total NPL

Coverage stood at 133.4% as at 30 June 2023, compared to 134.8% at 31 December 2022.

As a result, the consolidated Net profit for the six months of 2023 reached CZK 2,478 million, a 13.7% decrease year-on-year. Annualised RoTE for the six months ended 30 June 2023 decreased to 18.9%, from 22.6% for the six months ended 30 June 2022.

The capital position was further supported by issuance of CZK 2.8 billion of subordinated deposit and the Capital Adequacy Ratio reached 19.7% as at 30 June 2023, compared to 18.0% as at 31 December 2022.

5.3 Outlook for 2023 and Risks

According to the latest Czech National Bank macroeconomic forecast, announced on 3 May 2023, the Czech economy is expected to grow only marginally in 2023. In the second half of the year, however, a recovery should take place, supported by slowing inflation and restoration of consumer confidence and spending. The full-year GDP growth in 2023 is forecasted to be 0.5% and the economy will return to a decent growth of 3.0% in 2024.[19]

The CNB's forecast assumes that inflation will reach 11.2% on average in 2023 and will continue to fall gradually to levels around the central bank's inflation target of 2.1% on average in 2024. This corresponds with the two-week repo rate at levels around 7% at least during Q3 2023 and decreasing slowly to 4.0% in the last quarter of 2024.

The economic outlook for the Czech Republic's near future is improving. The inflationary factors that were observed last year have disappeared and current inflation seems to be fed mainly by momentum. The economic recovery that is expected to take place in the second half of the year will return the economy to a normal growth rate. The main problem for the domestic economy is slowly becoming the rapidly growing public debt, which could have the potential to undermine future economic performance.

In terms of the 2023 full-year outlook for financial results, the management decided to update its previously published guidance:

- Operating income to reach CZK 12.0 billion, in line with previously communicated guidance, of which CZK 5.9 billion was delivered in the first half of the year (i.e. 49% of the full-year outlook).

- Operating expenses to remain at or below CZK 5.7 billion, in line with previously communicated guidance, of which CZK 2.9 billion was incurred in the first half of the year (i.e. 51% of the full-year outlook).

- Cost of risk are now projected at between 15-35bps (versus 25-45bps as previously communicated), with the improvement driven by positive first half result. In the first half of the year, the Cost of Risk amounted to 2bps.

- Effective tax rate for the full year expected at around 16% against previously expected 22% for the full year 2023.

- Net profit to amount to at least CZK 4.7 billion, a CZK 0.4 billion increase versus guidance published on 3 February 2023. The net profit for the six months of 2023 in the amount of CZK 2.5 billion represents 53% of the updated full-year outlook.

[19] Source: Czech National Bank, CNB forecast – Spring 2023, published on 3 May 2023.

(All amounts in CZK millions unless otherwise stated)

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

BASIC DETAILS ABOUT MONETA MONEY BANK	
Name	MONETA Money Bank, a.s.
Registered Office	Vyskočilova 1442/1b, 140 00 Praha 4 – Michle
Company ID	25672720
Legal form	Joint stock company
Date of registration	9 June 1998
Registered share capital	10,200,000,000
Paid up	100%

Branches, ATMs and employees:

Number of branches as at 30 June 2023: 140 and 31 December 2022: 153.

Number of offices of tied agents as at 30 June 2023: 29 (31 as at 31 December 2022).

Number of ATMs as at 30 June 2023[20]: 2,058 and 31 December 2022: 1,413.

Number of employees (FTEs) as at 30 June 2023 was 2,511 (decrease of 188 compared to the year end 2022).

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 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 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).

[20] ATM network including 847 KB ATMs, 369 Air Bank ATMs and 263 UniCredit Bank ATMs as of 30 June 2023.

(All amounts in CZK millions unless otherwise stated)

Bank's Supervisory Board

The Bank's Supervisory board held 3 meetings in the first six months of 2023.

Name	Position	Member position held from	Member position held to
Gabriel Eichler	Chairman of the Supervisory Board*	26 October 2017	20 December 2025
Miroslav Singer	Vice-chairman of the Supervisory Board**	24 April 2017	28 April 2025
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
Zuzana Filipová	Member of the Supervisory Board	7 May 2021	7 May 2025
Klára Escobar	Member of the Supervisory Board	7 May 2021	7 May 2025
Jana Výbošťoková	Member of the Supervisory Board	7 May 2021	7 May 2025
Kateřina Jirásková***	Member of the Supervisory Board	25 April 2023	25 April 2027

* 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.

*** Ms. Kateřina Jirásková was elected by the General Meeting as the member of the Supervisory Board on 25 April 2023. Ms. Jirásková replaced Mr. Tomáš Pardubický, whose function term ended on 24 April 2023.

Bank's Management Board

The Bank's Management Board held 25 meetings in the first six months of 2023.

Name	Position	Member position held from	Member position held to
Tomáš Spurný	Chairman of the Management Board	1 October 2015	3 October 2027
Carl Normann Vökt	Vice-chairman of the Management Board*	25 January 2013	27 January 2025
Jan Novotný	Member of the Management Board	16 December 2013	18 December 2025
Jan Friček	Member of the Management Board	1 March 2019	2 March 2027
Klára Starková	Member of the Management Board	1 June 2021	1 June 2025

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

7 Condensed Consolidated Interim Financial Statements for the Three and Six-month Period Ended 30 June 2023 (Unaudited)

7.1 Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Three and Six-month Period Ended 30 June 2023 (Unaudited)

CZK m	Note	Quarter ended		Half-year ended	
		30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Interest and similar income		5,374	3,704	10,229	7,055
Interest expense and similar charges		(3,207)	(1,246)	(6,031)	(2,174)
Net interest income	**8.7**	**2,167**	**2,458**	**4,198**	**4,881**
Fee and commission income		799	667	1,559	1,304
Fee and commission expense		(136)	(122)	(280)	(243)
Net fee and commission income	**8.8**	**663**	**545**	**1,279**	**1,061**
Dividend income		-	1	1	2
Net income from financial operations		188	14	371	84
Other operating income		10	48	23	62
Total operating income		**3,028**	**3,066**	**5,872**	**6,090**
Personnel expenses		(595)	(611)	(1,173)	(1,197)
Administrative expenses		(415)	(325)	(780)	(716)
Depreciation and amortisation		(312)	(311)	(635)	(623)
Regulatory charges		(40)	(11)	(307)	(229)
Other operating expenses		(10)	(17)	(22)	(30)
Total operating expenses	**8.9**	**(1,372)**	**(1,275)**	**(2,917)**	**(2,795)**
Profit for the period before tax and net impairment of financial assets		**1,656**	**1,791**	**2,955**	**3,295**
Net impairment of financial assets	8.19.6	(146)	155	(30)	250
Profit for the period before tax		**1,510**	**1,946**	**2,925**	**3,545**
Taxes on income		(247)	(364)	(447)	(673)
Profit for the period after tax		**1,263**	**1,582**	**2,478**	**2,872**
Other comprehensive income, net of tax		**-**	**-**	**-**	**-**
Total comprehensive income attributable to the equity holders		**1,263**	**1,582**	**2,478**	**2,872**
Profit for the period after tax attributable to the equity holders		**1,263**	**1,582**	**2,478**	**2,872**
Weighted average of ordinary shares (millions of shares)		511	511	511	511
Basic and Diluted earnings per share (in CZK)		2.5	3.1	4.8	5.6

7.2 Condensed Consolidated Statement of Financial Position as at 30 June 2023 (Unaudited)

CZK m	Note	30 Jun 2023	31 Dec 2022
Assets			
Cash and balances with the central bank		10,303	12,467
Derivative financial instruments with positive fair value	8.20	652	761
Investment securities	8.10, 8.20	80,483	57,951
Hedging derivatives with positive fair values		3,731	4,942
Change in fair value of items hedged on portfolio basis		(1,147)	(2,090)
Loans and receivables to banks	8.11	55,109	37,886
Loans and receivables to customers	8.12	268,027	268,752
Intangible assets		3,280	3,379
Property and equipment		2,361	2,318
Investments in associates		4	3
Current tax assets		23	6
Other assets		1,003	1,135
TOTAL ASSETS		**423,829**	**387,510**
Liabilities			
Derivative financial instruments with negative fair value	8.20	631	747
Due to banks	8.13	7,707	5,953
Due to customers	8.13	368,177	334,251
Hedging derivatives with negative fair values		1,545	845
Change in fair value of items hedged on portfolio basis		(169)	(438)
Issued bonds	8.14	4,909	5,520
Subordinated liabilities	8.15	7,501	4,687
Provisions		238	306
Current tax liability		163	482
Deferred tax liability		408	496
Other liabilities		3,238	3,570
Total liabilities		**394,348**	**356,419**
Equity			
Share capital		10,220	10,220
Statutory reserve		102	102
Other reserves		1	1
Retained earnings		19,158	20,768
Total equity		**29,481**	**31,091**
TOTAL LIABILITIES AND EQUITY		**423,829**	**387,510**

7.3 Condensed Consolidated Statement of Changes in Equity for the Half-year Ended 30 June 2023 (Unaudited)

CZK m	Share capital	Statutory reserve	Reserve from revaluation of FVTOCI	Retained earnings	Total
Balance as reported 1 Jan 2023	**10,220**	**102**	**1**	**20,768**	**31,091**
Transactions with owners of the company					
Dividends	-	-	-	(4,088)	(4,088)
Total comprehensive income					
Profit for the period after tax	-	-	-	2,478	2,478
Other comprehensive income after tax					
Change in fair value of FVTOCI investment securities	-	-	-	-	-
Deferred tax	-	-	-	-	-
Balance 30 Jun 2023	**10,220**	**102**	**1**	**19,158**	**29,481**
Balance as reported 1 Jan 2022	**10,220**	**102**	**1**	**19,158**	**29,481**
Transactions with owners of the company					
Dividends	-	-	-	(3,577)	(3,577)
Total comprehensive income					
Profit for the period after tax	-	-	-	2,872	2,872
Other comprehensive income after tax					
Change in fair value of FVTOCI investment securities	-	-	-	-	-
Deferred tax	-	-	-	-	-
Balance 30 Jun 2022	**10,220**	**102**	**1**	**18,453**	**28,776**

7.4 Condensed Consolidated Statement of Cash Flows for the Half-year Ended 30 June 2023 (Unaudited)

CZK m	Half-year ended 30 Jun 2023	Half-year ended 30 Jun 2022
Cash flows from operating activities		
Profit after tax	**2,478**	**2,872**
Adjustments for:		
Depreciation and amortisation	635	623
Net impairment of financial assets (excl. cash collection and recovery)	56	(248)
Net gain on revaluation of investment securities	(3)	1
Accrued coupon, amortisation of discount/premium of investment securities	(389)	(171)
Net interest income from hedging derivatives	452	(43)
Net gain/ loss from revaluation of hedging derivatives	1,435	(1,704)
Net gain/ loss from revaluation of hedged items on portfolio basis	(1,466)	1,662
Net gain/loss from unrealised FX	(7)	(121)
Change in provisions not recognised in depreciation and amortisation	(30)	28
Net loss on sale and other disposal or impairment of tangible and intangible assets	1	(1)
Dividend income	(1)	(2)
Tax expense	447	673
	3,608	**3,569**
Changes in:		
Loans and receivables to customers and banks	471	(8,523)
Other assets	132	88
Due to banks	1,754	8,537
Due to customers	33,926	17,054
Other liabilities and provisions	(332)	(1,112)
	39,559	19,613
Income taxes paid	(872)	(315)
Net cash used in operating activities	**38,687**	**19,298**
Cash flows from investing activities		
Acquisition of investment securities	(21,912)	(4,485)
Proceeds from investment securities	580	-
Acquisition of property and equipment and intangible assets	(581)	(537)
Proceeds from the sale of property and equipment and intangible assets	20	4
Dividends received	-	-
Net cash used in investing activities	**(21,893)**	**(5,018)**

(All amounts in CZK millions unless otherwise stated)

Cash flows from financing activities		
Proceeds from issued bonds	-	2,379
Repayment of issued bonds	(650)	-
Proceeds from subordinated deposits	2,838	-
Dividends paid	(4,088)	(5,110)
Net cash used in financing activities	**(1,900)**	**(2,731)**
Net change in cash and cash equivalents	**14,894**	**11,549**

Cash and cash equivalents at the beginning of the period	**50,100**	**26,476**
Effect of exchange rate fluctuations on cash and cash equivalents	(24)	43
Cash and cash equivalents at the end of the period	**64,970**	**38,068**
Interest received*	11,465	7,294
Interest paid*	(6,264)	(2,231)

* 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 six months ended 30 June 2023 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 2022 ("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 26 July 2023.

Going concern

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

Functional and presentation currency

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

8.3 Use of Judgements and Estimates

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

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 macroeconomic and geopolitical situation.

In the area of expected cash flows resulting from loan receivables, used for determination of amortised cost of the debt financial assets, are made significant estimates, related to future development of prepayments of the loan's notional amount, by the management of the Group.

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.

Uncertainty regarding the future macroeconomic environment evolution has remained pronounced in the second quarter of 2023 since the inflation and interest rates remained on elevated levels. To account for these risk factors in expected credit loss model, the Group has maintained and updated framework of management overlays in the second quarter of 2023. As of June 30, 2023, the total management overlay amount stood at CZK 931 million.

(All amounts in CZK millions unless otherwise stated)

In Q2 2023, the Group closely monitored evolution of the macroeconomic prognoses provided by Czech public authorities such as Ministry of Finance of the Czech Republic and Czech National Bank and concluded that the forward-looking macroeconomic scenarios of main macroeconomic drivers such as GDP growth and unemployment rate implemented in August 2022 are appropriate with respect to the current macroeconomic situation in Q2 2023.

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

GDP Growth Year	MFCR (1/2023)	MFCR (4/2023)	CNB (2/2023)	CNB (5/2023)	IFRS 9 Model
2023	(0.5)%	0.1%	(0.3)%	0.5%	1.1%
2024	3.0%	3.0%	2.2%	3.0%	3.8%
Unemployment Year	**MFCR (1/2023)**	**MFCR (4/2023)**	**CNB (2/2023)**	**CNB (5/2023)**	**IFRS 9 Model**
2023	3.2%	3.0%	2.7%	2.5%	2.7%
2024	3.0%	2.8%	3.3%	2.8%	2.8%

8.5 Consolidation Group

The definition of the consolidation group as at 30 June 2023 has not changed compared to the last Consolidated Annual Financial Statements.

Apart from the Bank, the Group’s companies included into the consolidation group as at 30 June 2023 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 (Auto Loans)	100%	Full
MONETA Leasing, s.r.o.	Vyskočilova 1442/1b, 140 00 Prague 4	Financing of loans and leasing	100%	Full
MONETA Stavební Spořitelna, a.s.	Vyskočilova 1442/1b, 140 00 Prague 4	Building savings and bridging loans	100%	Full
CBCB – Czech Banking Credit Bureau, a.s.	Štětkova 1638/18, 140 00 Prague 4	Banking Credit Register	20%	Equity

8.6 Dividends Paid

On 25 April 2023, the General Meeting approved the dividend payment of CZK 8 per share before tax which represented the total amount of CZK 4,088 million. The dividend was due on 25 May 2023 and was paid by MONETA Money Bank, a.s. through Komerční banka, a.s., as paying agent, by a transfer to bank accounts of the shareholders listed in the Central Securities Depository.

8.7 Net Interest Income

CZK m	Quarter ended		Half-year ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Interest income from financial assets measured at amortised cost	4,617	3,366	8,848	6,512
Loans to customers	3,080	2,689	6,037	5,278
out of which: interest income from impaired loans	39	40	77	93
out of which: penalty interest	5	5	10	12
out of which: EIR amortisation, modification/derecognition and amortisation of FV adjustments	(124)	(166)	(275)	(305)
Loans to banks	868	394	1,636	719
out of which: interest income from repurchase and reverse repurchase agreements	859	393	1,618	715
Cash and deposit with central bank and other banks	117	76	230	131
Interest income from investment securities at amortised cost	550	201	942	375
Other interest income*	2	6	3	9
Interest income from hedging derivatives	757	338	1,381	543
Interest income and similar income	**5,374**	**3,704**	**10,229**	**7,055**
Interest expense from financial liabilities measured at amortised cost	(3,044)	(1,132)	(5,674)	(1,985)
Due to banks	(27)	(178)	(41)	(296)
Due to customers	(2,866)	(874)	(5,350)	(1,536)
out of which: arising from repurchase agreements	-	(8)	-	(15)
out of which: amortisation of acquisition FV adjustments	8	9	14	20
Subordinated liabilities	(52)	(41)	(94)	(84)
Mortgage-backed bonds	(27)	(26)	(54)	(49)
Other issued bonds**	(44)	(12)	(88)	(19)
Other interest expense*	(28)	(1)	(47)	(1)
Interest from hedging derivatives	(157)	(109)	(346)	(179)
Interest expense from lease liabilities	(6)	(5)	(11)	(10)
Interest expense and similar expense	**(3,207)**	**(1,246)**	**(6,031)**	**(2,174)**
Net interest income	**2,167**	**2,458**	**4,198**	**4,881**

* Represents interest income or expense respectively from received or provided collateral resulting from Credit Support Annex (CSA).

** MREL requirement eligible bonds are included.

8.7.1 Analysis of deferred costs and fees directly attributable to origination of new loan products that are integral part of the effective interest rate for a three and six-month period

Quarter ended 30 Jun 2023 CZK m	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
Consumer Loans	147	(2)	-	(17)	15	143
Mortgages	1,594	(17)	-	(1)	3	1,579
Credit Cards & Overdrafts	11	(2)	-	-	1	10
Auto Loans and Finance Leases	199	(28)	(1)	-	24	194
Retail loans deferrals	**1,951**	**(49)**	**(1)**	**(18)**	**43**	**1,926**
Investment Loans	495	(29)	-	(2)	7	471
Working Capital	(3)	1	-	(7)	-	(9)
Auto & Equipment Loans and Finance Leases	233	(37)	-	-	32	228
Unsecured Instalment Loans and Overdrafts	100	(9)	-	(1)	12	102
Commercial loans deferrals	**825**	**(74)**	**-**	**(10)**	**51**	**792**
Total loan deferrals	**2,776**	**(123)**	**(1)**	**(28)**	**94**	**2,718**

Quarter ended 30 Jun 2022 CZK m	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
Consumer Loans	140	(8)	(1)	(13)	36	154
Mortgages	1,651	(53)	(1)	(7)	107	1,697
Credit Cards & Overdrafts	15	(3)	-	-	2	14
Auto Loans and Finance Leases	163	(26)	(1)	-	30	166
Retail loans deferrals	**1,969**	**(90)**	**(3)**	**(20)**	**175**	**2,031**
Investment Loans	557	(24)	-	(4)	10	539
Working Capital	(1)	-	-	(2)	1	(2)
Auto & Equipment Loans and Finance Leases	220	(39)	-	-	40	221
Unsecured Instalment Loans and Overdrafts	93	(10)	-	(2)	17	98
Commercial loans deferrals	**869**	**(73)**	**-**	**(8)**	**68**	**856**
Total loan deferrals	**2,838**	**(163)**	**(3)**	**(28)**	**243**	**2,887**

Half-year ended 30 Jun 2023 CZK m	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
Consumer Loans	150	(5)	-	(32)	30	143
Mortgages	1,639	(71)	(1)	(2)	14	1,579
Credit Cards & Overdrafts	12	(4)	-	-	2	10
Auto Loans and Finance Leases	192	(51)	(2)	-	55	194
Retail loans deferrals	**1,993**	**(131)**	**(3)**	**(34)**	**101**	**1,926**
Investment Loans	508	(50)	-	(5)	18	471
Working Capital	(3)	1	-	(8)	1	(9)
Auto & Equipment Loans and Finance Leases	231	(74)	-	-	71	228
Unsecured Instalment Loans and Overdrafts	98	(18)	-	(3)	25	102
Commercial loans deferrals	**834**	**(141)**	**-**	**(16)**	**115**	**792**
Total loan deferrals	**2,827**	**(272)**	**(3)**	**(50)**	**216**	**2,718**

Half-year ended 30 Jun 2022 CZK m	Balance at the beginning of the period	Amortisation	Derecognitions / Modifications	Additions to deferred fees	Additions to deferred costs	Balance at the end of the period
Consumer Loans	125	(15)	(4)	(27)	75	154
Mortgages	1,605	(120)	(3)	(9)	224	1,697
Credit Cards & Overdrafts	16	(6)	-	-	4	14
Auto Loans and Finance Leases	165	(51)	(2)	-	54	166
Retail loans deferrals	**1,911**	**(192)**	**(9)**	**(36)**	**357**	**2,031**
Investment Loans	536	(9)	1	(9)	20	539
Working Capital	(1)	-	-	(3)	2	(2)
Auto & Equipment Loans and Finance Leases	223	(76)	-	-	74	221
Unsecured Instalment Loans and Overdrafts	92	(20)	-	(3)	29	98
Commercial loans deferrals	**850**	**(105)**	**1**	**(15)**	**125**	**856**
Total loan deferrals	**2,761**	**(297)**	**(8)**	**(51)**	**482**	**2,887**

8.8 Net Fee and Commission Income

CZK m	Quarter ended		Half-year ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Insurance*	303	190	585	366
Investment funds	75	67	147	140
Penalty fees (incl. early termination fees)	69	73	136	149
Deposit servicing fees	98	100	201	201
Lending servicing fees	55	54	111	107
Transactional and other fees	199	183	379	341
Fee and commission income	**799**	**667**	**1,559**	**1,304**
Fee and commission expense	**(136)**	**(122)**	**(280)**	**(243)**
Net fee and commission income	**663**	**545**	**1,279**	**1,061**

* The line “Insurance” in 2023 includes the commissions on life insurance contracts in the amount of CZK 66 million relating to insurance contracts originated during 2018–2022.

8.9 Total Operating Expenses

CZK m	Quarter ended		Half-year ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Personnel expenses	(595)	(611)	(1,173)	(1,197)
Administrative expenses	(415)	(325)	(780)	(716)
Depreciation and amortisation	(312)	(311)	(635)	(623)
out of which depreciation of right-of-use assets	*(81)*	*(85)*	*(164)*	*(169)*
Regulatory charges*	(40)	(11)	(307)	(229)
Other operating expenses	(10)	(17)	(22)	(30)
Total operating expenses	**(1,372)**	**(1,275)**	**(2,917)**	**(2,795)**
FTEs (average)**	**2,472**	**2,840**	**2,508**	**2,867**
FTEs (at the end of the period)***	**2,511**	**2,880**	**2,511**	**2,880**

* The line “Regulatory charges” includes contributions to the Deposit Insurance Fund of CZK 171 million in 2023, contributions to the Resolution and Recovery Fund of CZK 130 million in 2023 and contributions to the Investor Compensation Fund of CZK 6 million in 2023.

** Members of the Supervisory Board and the Audit Committee are excluded. The average recalculated number of employees during the period is an average of the figures reported to Czech Statistical Authority in accordance with Art. 15 of Czech Act No. 518/2004.

*** Members of the Supervisory Board and the Audit Committee are excluded.

8.10 Investment Securities

CZK m	30 Jun 2023	31 Dec 2022
Debt securities measured at amortised cost	80,430	57,879
out of which: government bonds	76,645	54,479
out of which: corporate bonds	3,785	3,400
Debt securities measured at FVTPL	27	46
Equity securities measured at FVTOCI	1	1
Equity securities measured at FVTPL	25	25
Total investment securities	**80,483**	**57,951**

8.11 Loans and Receivables to Banks

CZK m	30 Jun 2023	31 Dec 2022
Current accounts at banks	289	446
Overnight deposits	745	482
Term deposits in banks payable within 3 months	565	453
Receivables arising from reverse repurchase agreements	53,068	36,253
Cash collaterals granted	441	251
Other	1	1
Total Loans and receivables to banks	**55,109**	**37,886**
Included in cash equivalents	54,667	37,634

8.12 Loans and Receivables to Customers

CZK m	30 Jun 2023			31 Dec 2022		
	Gross carrying amount	Allowance/ Provision	Net book value	Gross carrying amount	Allowance/ Provision	Net book value
Consumer Loans	49,449	(2,299)	47,150	50,348	(2,600)	47,748
Mortgages	132,195	(625)	131,570	133,930	(592)	133,338
Credit Cards & Overdrafts	2,423	(204)	2,219	2,570	(233)	2,337
Auto Loans and Finance Leases	2,572	(76)	2,496	2,623	(75)	2,548
Other	10	(10)	-	10	(10)	-
Total Retail	**186,649**	**(3,214)**	**183,435**	**189,481**	**(3,510)**	**185,971**
Investment Loans	46,039	(286)	45,753	46,341	(311)	46,030
Working Capital	16,374	(273)	16,101	14,333	(195)	14,138
Auto & Equipment Loans and Finance Leases	9,207	(232)	8,975	9,730	(244)	9,486
Unsecured Instalment Loans and Overdrafts	13,418	(740)	12,678	12,930	(829)	12,101
Inventory Financing and Other	1,104	(19)	1,085	1,045	(19)	1,026
Total Commercial	**86,142**	**(1,550)**	**84,592**	**84,379**	**(1,598)**	**82,781**
Total Loans and receivables to customers	**272,791**	**(4,764)**	**268,027**	**273,860**	**(5,108)**	**268,752**

8.13 Due to Banks and Due to Customers

Breakdown of Due to banks:

CZK m	30 Jun 2023	31 Dec 2022
Deposits on demand	666	334
Term deposits	185	-
Liabilities arising from repurchase agreements	2,690	-
Cash collateral received*	2,505	3,931
Other due to banks**	1,661	1,688
Total Due to banks	**7,707**	**5,953**

* Cash collaterals received represent CSA[21] Collaterals of other financial institutions for derivative transactions.

** Other due to banks comprises:

- Loan provided by European Investment Bank in January 2021 to MONETA Money Bank, a.s. This loan amounts to CZK 1,661 million at 30 June 2023 (31 December 2022: CZK 1,688 million).

Breakdown of Due to customers:

CZK m	30 Jun 2023	31 Dec 2022
Retail current accounts	55,016	57,786
Retail savings accounts and term deposits	200,693	169,602
Retail building savings	26,465	28,664
Commercial current accounts	41,538	43,437
Commercial savings accounts and term deposits	42,411	32,474
Commercial building savings	1,254	1,323
Cash collateral received	373	491
Other due to customers	427	474
Total Due to customers	**368,177**	**334,251**

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

8.14 Issued Bonds

Issued Mortgage-Backed Bonds

The Bank maintained 1 tranche of mortgage-backed securities issued externally in the total nominal amount of CZK 1,250 million for funding purposes. The rest of remaining issued securities are held by MONETA Stavební Spořitelna, a.s., and therefore eliminated on a consolidated basis. Below listed tranche is owned by third parties.

ISIN	Issue date	Currency	Maturity date	Interest rate	Total nominal amount outstanding CZK m
CZ0002005689	04.07.2018	CZK	04.07.2023	7.25% p.a.	1,250

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

CZK m	30 Jun 2023	31 Dec 2022
Mortgage-backed bonds at amortised cost	1,294	1,948
Total	**1,294**	**1,948**

The Group did not have any defaults of principal or interest or other breaches with respect to mortgage-backed bonds during the year 2023.

Other Issued Bonds

The Bank issued the senior preferred bonds in the total nominal amount of CZK 1,500 million and EUR 100 million. These bonds are denominated in EUR and CZK. The EUR tranche was settled on 3 February 2022 and the CZK tranche was settled on 15 December 2022.

The Bank issued the bonds as a part of compliance with the minimum requirement for own funds and eligible liabilities ("MREL") requirement which was set for the Bank by CNB (note 8.19.1).

ISIN	Issue date	Currency	Maturity date	Interest rate	Call option	Total nominal amount outstanding EUR m / CZK m
XS2435601443	03.02.2022	EUR	03.02.2028	1.625% p.a.	after 5 years	100
CZ0003707671	15.12.2022	CZK	15.12.2026	8.00% p.a.	after 3 years	1,500

Amortised cost of the outstanding other issued bonds:

CZK m	30 Jun 2023	31 Dec 2022
Other issued bonds at amortised cost	3,615	3,572
Total	**3,615**	**3,572**

The Group did not have any defaults of principal or interest or other breaches with respect to other issued bonds during the year 2023.

8.15 Subordinated Liabilities

Issued Subordinated Debt Securities

Issued subordinated debt securities are the Bank's sources of debt funding and are subordinated to all other liabilities of the Bank. As of 30 June 2023, 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 8.19.1).

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

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

Name	ISIN	Issue date	Currency	Maturity date	Interest rate	Call option	Total nominal amount at issue date CZK m
MB 3.30/29	CZ0003704918	25.9.2019	CZK	25.9.2029	3.30% p.a.	after 5 years	2,001
MB 3.79/30	CZ0003705188	30.1.2020	CZK	30.1.2030	3.79% p.a.	after 5 years	2,601

Amortised cost of the outstanding subordinated debt securities:

CZK m	30 Jun 2023	31 Dec 2022
Subordinated debt securities at amortised cost	4,672	4,687
Total	**4,672**	**4,687**

The Bank did not have any defaults of principal or interest or other breaches with respect to subordinated liabilities during the year 2023.

Subordinated Deposits

In the second quarter of 2023, the Bank strengthened its capital and eligible liabilities through a subordinated deposit offering. The Bank has received the subordinated deposits in the amount of CZK 2.8 billion. The term of the subordinated deposit is set at five years with guaranteed interest rate of 7 percent for the entire term. As of 30 June 2023, 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 8.19.1).

CZK m	30 Jun 2023	31 Dec 2022
Subordinated deposits at amortised cost	2,829	-
Total	**2,829**	**-**

8.16 Legal Risks

The legal risks, to which the Group is exposed, have been disclosed in the Bank's 2022 Consolidated Annual Financial Report.

8.16.1 Legal disputes

The Group is not a party to any significant legal disputes.

8.17 Segment Reporting

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

The Management Board of the Bank (the chief operating decision 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 Jun 2023 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	1,203	1,878	2,293	5,374
Interest expense and similar charges	(522)	(2,350)	(335)	(3,207)
Net fee and commission income	150	516	(3)	663
Dividend income	-	-	-	-
Net income from financial operations	53	128	7	188
Other operating income	1	9	-	10
Total operating income	885	181	1,962	3,028
Net impairment of financial assets	(33)	(113)	-	(146)
Risk adjusted operating income	852	68	1,962	2,882
Total operating expenses				(1,372)
Profit for the period before tax				**1,510**
Tax on income				(247)
Profit for the period after tax				**1,263**

Quarter ended 30 Jun 2022 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	989	1,701	1,014	3,704
Interest expense and similar charges	(164)	(709)	(373)	(1,246)
Net fee and commission income	157	390	(2)	545
Dividend income	-	-	1	1
Net income from financial operations	-	-	14	14
Other operating income	5	43	-	48
Total operating income	**987**	**1,425**	**654**	**3,066**
Net impairment of financial assets	(106)	261	-	155
Risk adjusted operating income	**881**	**1,686**	**654**	**3,221**
Total operating expenses				(1,275)
Profit for the period before tax				**1,946**
Tax on income				(364)
Profit for the period after tax				**1,582**

Half-year ended 30 Jun 2023 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	2,331	3,706	4,192	10,229
Interest expense and similar charges	(975)	(4,386)	(670)	(6,031)
Net fee and commission income	302	984	(7)	1,279
Dividend income	-	-	1	1
Net income from financial operations	102	246	23	371
Other operating income	6	17	-	23
Total operating income	**1,766**	**567**	**3,539**	**5,872**
Net impairment of financial assets	(31)	1	-	(30)
Risk adjusted operating income	**1,735**	**568**	**3,539**	**5,842**
Total operating expenses				(2,917)
Profit for the period before tax				**2,925**
Tax on income				(447)
Profit for the period after tax				**2,478**

Half-year ended 30 Jun 2022 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	1,930	3,348	1,777	7,055
Interest expense and similar charges	(260)	(1,269)	(645)	(2,174)
Net fee and commission income	301	764	(4)	1,061
Dividend income	-	-	2	2
Net income from financial operations	-	-	84	84
Other operating income	9	53	-	62
Total operating income	**1,980**	**2,896**	**1,214**	**6,090**
Net impairment of financial assets	(77)	327	-	250
Risk adjusted operating income	**1,903**	**3,223**	**1,214**	**6,340**
Total operating expenses				(2,795)
Profit for the period before tax				**3,545**
Tax on income				(673)
Profit for the period after tax				**2,872**

Assets and liabilities by segment:

30 Jun 2023 CZK m	Commercial	Retail	Treasury / Other	Total
Total assets of the segment	93,198	186,542	144,089	423,829
Net value of loans and receivables to customers	84,592	183,435	-	268,027
Total liabilities of the segment	87,437	285,264	21,647	394,348

31 Dec 2022 CZK m	Commercial	Retail	Treasury / Other	Total
Total assets of the segment	91,540	189,161	106,809	387,510
Net value of loans and receivables to customers	82,782	185,970	-	268,752
Total liabilities of the segment	79,213	259,735	17,471	356,419

8.18 Related Parties

The Group's related parties include associates, key members of the management and members of the Supervisory Board and their close family members.

Transactions provided by the Group to related parties represent bank services (esp. loans and interest-bearing deposits); expenses from transactions with related parties comprise remuneration to members of Supervisory Board, Management Board and other Key Executive Managers.

Transactions with related parties are carried out in the normal course of business operations and conducted under normal market conditions.

Tanemo a.s., a subsidiary of PPF Group, became a related party with significant influence on MONETA in 2021, thus transactions with entities from PPF Group are considered as related party transactions.

The following transactions were undertaken with related parties:

30 Jun 2023 CZK m	Related parties with significant influence on MONETA	Associates	Key members of the management* and Supervisory Board	Total
Loans and receivables to customers	-	-	36	36
Derivative financial instruments with positive fair value	51	-	-	51
Hedging derivatives with positive fair value	424	-	-	424
Due to customers	17	-	23	40
Due to banks	313	-	-	313
Derivative financial instruments with negative fair value	60	-	-	60
Hedging derivatives with negative fair value	143	-	-	143

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

31 Dec 2022 CZK m	Related parties with significant influence on MONETA	Associates	Key members of the management* and Supervisory Board	Total
Loans and receivables to customers	-	-	38	38
Derivative financial instruments with positive fair value	65	-	-	65
Hedging derivatives with positive fair value	542	-	-	542
Due to customers	20	-	20	40
Due to banks	512	-	-	512
Derivative financial instruments with negative fair value	77	-	-	77
Hedging derivatives with negative fair value	21	-	-	21

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

Quarter ended 30 Jun 2023 CZK m	Related parties with significant influence on MONETA	Associates	Key members of the management* and Supervisory Board	Total
Interest expense and similar charges	(4)	-	-	(4)
Interest and similar income	67	-	-	67
Fee and commission income	2	-	-	2
Fee and commission expense	(5)	-	-	(5)
Net income from financial operations	(116)	-	-	(116)
Operating expenses	(12)	(6)	(51)	(68)
Dividend income	-	-	-	-

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

Quarter ended 30 Jun 2022 CZK m	Related parties with significant influence on MONETA	Associates	Key members of the management* and Supervisory Board	Total
Interest expense and similar charges	(5)	-	-	(5)
Interest and similar income	42	-	-	42
Fee and commission income	1	-	-	1
Fee and commission expense	(1)	-	-	(1)
Net income from financial operations	130	-	-	130
Operating expenses	108	(5)	(28)	75
Dividend income	-	-	-	-

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

Half-year ended 30 Jun 2023 CZK m	Related parties with significant influence on MONETA	Associates	Key members of the management* and Supervisory Board	Total
Interest expense and similar charges	(6)	-	-	(6)
Interest and similar income	121	-	-	121
Fee and commission income	3	-	-	3
Fee and commission expense	(7)	-	-	(7)
Net income from financial operations	(183)	-	-	(183)
Operating expenses	(22)	(14)	(74)	(109)
Dividend income	-	1	-	1

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

Half-year ended 30 Jun 2022 CZK m	Related parties with significant influence on MONETA	Associates	Key members of the management* and Supervisory Board	Total
Interest expense and similar charges	(12)	-	-	(12)
Interest and similar income	58	-	-	58
Fee and commission income	1	-	-	1
Fee and commission expense	(3)	-	-	(3)
Net income from financial operations	221	-	-	221
Operating expenses	94	(11)	(85)	(2)
Dividend income	-	1	-	1

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

8.19 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.

The risk management policies and practices have not changed since 31 December 2022 and are described in the Annual Financial Report for 2022.

8.19.1 Capital management

Regulatory Capital and its components and capital adequacy:

CZK m	30 Jun 2023	31 Dec 2022
Regulatory Capital	**33,811**	**30,944**
Tier 1	26,371	26,342
Tier 2	7,440	4,602
RWA	**171,417**	**171,718**
out of which: Credit Risk	151,850	153,601
out of which: Operational Risk	19,039	17,435
out of which: CVA	527	681
out of which: Trading Book	1	1

Capital adequacy (%)	30 Jun 2023	31 Dec 2022
RWA Density*	39.9%	43.4%
CET1 Ratio	15.4%	15.3%
Tier 1 Ratio	15.4%	15.3%
Total Capital Ratio (CAR)	19.7%	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")[22], CRD (hereafter "CRD V")[23] and BRRD (hereafter "BRRD II")[24].

[22] 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.
[23] 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.
[24] Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.

Furthermore, the regulatory framework within the Czech legal system is comprised 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 (hereafter "Recovery and Resolution Act").

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 in 2022, from 2023 the Bank has started using the standardised approach (TSA). 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 the third quarter of 2018.

Since 2020, the CNB as the national resolution authority has identified banks with critical functions, including the Bank, which may not be orderly dissolved via general corporate law liquidation or insolvency proceedings and failure of which would be dealt with pursuant to the Recovery and Resolution Act and set a specific Minimum Requirement for Own Funds and Eligible Liabilities (hereafter "MREL") for each of them.

In May 2023, the Bank received an updated MREL specification from the CNB pursuant to which it must comply with the MREL requirement on an individual basis of 17.2% (before 17.1%) of its total risk exposure and 4.92% (before 4.98%) of its total exposure effective from 1 January 2024. The MREL requirement is calculated as a sum of a Loss Absorption Amount (Pillar I capital requirement of 8% and Pillar II capital requirement of 2.6% (before 2.4%)[25] – values valid as of the date of the initiation of the planning process for resolution) and a Recapitalisation Amount set at 6.6% (before 6.7%). The combined buffer requirement (a capital conservation buffer of 2.5% and a countercyclical capital buffer of 2% – values valid from 1 January 2023; from 1 April 2023 the countercyclical capital buffer has increased to 2.5% and from 1 July has decreased to 2.25%) is not taken into account in the MREL calculation and the Bank must comply with it on top of the MREL requirement. The CNB set a transitional period for the Bank to meet the MREL requirement by 31 December 2023. The Bank must also fulfil an interim target level of the MREL requirement of 13.5% (that is the corresponding Recapitalisation Amount of 3.1%) of its total risk exposure and 3.93% of its total exposure from 1 January 2022. The CNB further expects that the Bank will maintain capital and eligible liabilities of at least 15.1% of its total risk exposure (that is the corresponding Recapitalisation Amount at 4.7%) and 4.4% of its total exposure from 1 January 2023.

The new amount of the countercyclical capital buffer of 2.25% has decreased a total regulatory capital requirement of the Bank by 0.25% from 1 July 2023 both on individual basis (from 13.0% to 12.75%) and consolidated basis (from 15.6% to 15.35%).

[25] Although Pillar II capital requirement was set only on a consolidated basis, its value was used for setting of MREL requirement on an individual basis.

8.19.2 Loans and receivables to banks and customers according to their categorisation

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

30 Jun 2023	Loans and receivables to banks				Loans and receivables to customers				
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Performing before due date	55,109	-	-	55,109	246,746	15,503	-	33	262,282
Performing past due date*	-	-	-	-	3,690	3,242	-	6	6,938
Total performing	55,109	-	-	55,109	250,436	18,745	-	39	269,220
Total non-performing	-	-	-	-	-	-	3,552	19	3,571
Gross loans and receivables	**55,109**	**-**	**-**	**55,109**	**250,436**	**18,745**	**3,552**	**58**	**272,791**
Individual allowances	-	-	-	-	-	-	(49)	-	(49)
Portfolio allowances	-	-	-	-	(1,501)	(1,519)	(1,726)	31	(4,715)
Total allowances	**-**	**-**	**-**	**-**	**(1,501)**	**(1,519)**	**(1,775)**	**31**	**(4,764)**
Net loans and receivables	**55,109**	**-**	**-**	**55,109**	**248,935**	**17,226**	**1,777**	**89**	**268,027**

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

31 Dec 2022	Loans and receivables to banks				Loans and receivables to customers				
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Performing before due date	37,886	-	-	37,886	248,812	15,090	-	32	263,934
Performing past due date*	-	-	-	-	2,842	3,287	-	8	6,137
Total performing	37,886	-	-	37,886	251,654	18,377	-	40	270,071
Total non-performing	-	-	-	-	-	-	3,764	25	3,789
Gross loans and receivables	**37,886**	**-**	**-**	**37,886**	**251,654**	**18,377**	**3,764**	**65**	**273,860**
Individual allowances	-	-	-	-	-	-	(39)	-	(39)
Portfolio allowances	-	-	-	-	(1,446)	(1,670)	(1,982)	29	(5,069)
Total allowances	**-**	**-**	**-**	**-**	**(1,446)**	**(1,670)**	**(2,021)**	**29**	**(5,108)**
Net loans and receivables	**37,886**	**-**	**-**	**37,886**	**250,208**	**16,707**	**1,743**	**94**	**268,752**

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

8.19.3 Walk of allowances to Loans and receivables to customers

Walk of allowances to Loans and receivables for the three and six-month period – **retail customers**

	Quarter ended 30 Jun 2023					Half-year ended 30 Jun 2023				
CZK m	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	**738**	**1,228**	**1,326**	**(25)**	**3,267**	**747**	**1,323**	**1,464**	**(24)**	**3,510**
Purchases and originations	60	27	3	-	90	114	53	10	(1)	176
Derecognition and maturities	(30)	(33)	(51)	1	(113)	(60)	(69)	(199)	3	(325)
Transfer to (out) Stage 1	156	(141)	(15)	-	-	520	(483)	(37)	-	-
Transfer to (out) Stage 2	(11)	78	(67)	-	-	(71)	248	(177)	-	-
Transfer to (out) Stage 3	(5)	(100)	105	-	-	(8)	(214)	222	-	-
Remeasurements, changes in models and methods	(166)	129	158	(3)	118	(500)	330	320	(4)	146
Use of allowances (write offs)	-	-	(149)	1	(148)	-	-	(293)	-	(293)
Foreign exchange adjustments	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period	**742**	**1,188**	**1,310**	**(26)**	**3,214**	**742**	**1,188**	**1,310**	**(26)**	**3,214**

	Quarter ended 30 Jun 2022					Half-year ended 30 Jun 2022				
CZK m	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	**993**	**964**	**2,035**	**(16)**	**3,976**	**1,030**	**658**	**2,402**	**(16)**	**4,074**
Purchases and originations	82	15	7	-	104	169	22	12	-	203
Derecognition and maturities	(79)	(137)	(35)	2	(249)	(164)	(180)	(45)	4	(385)
Transfer to (out) Stage 1	119	(57)	(62)	-	-	254	(124)	(130)	-	-
Transfer to (out) Stage 2	(10)	474	(464)	-	-	(38)	1,042	(1,004)	-	-
Transfer to (out) Stage 3	(21)	(199)	220	-	-	(36)	(254)	290	-	-
Remeasurements, changes in models and methods	(148)	(139)	162	(8)	(133)	(279)	(243)	365	(10)	(167)
Use of allowances (write offs)	-	-	(268)	-	(268)	-	-	(295)	-	(295)
Foreign exchange adjustments	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period	**936**	**921**	**1,595**	**(22)**	**3,430**	**936**	**921**	**1,595**	**(22)**	**3,430**

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

	Quarter ended 30 Jun 2023					Half-year ended 30 Jun 2023				
CZK m	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	**730**	**342**	**475**	**(5)**	**1,542**	**699**	**347**	**557**	**(5)**	**1,598**
Purchases and originations	133	6	6	-	145	209	9	14	-	232
Derecognition and maturities	(8)	(10)	(10)	-	(28)	(18)	(16)	(93)	-	(127)
Transfer to (out) Stage 1	33	(27)	(6)	-	-	121	(109)	(12)	-	-
Transfer to (out) Stage 2	(9)	23	(14)	-	-	(27)	61	(34)	-	-
Transfer to (out) Stage 3	(2)	(14)	16	-	-	(4)	(54)	58	-	-
Remeasurements, changes in models and methods	(120)	11	30	-	(79)	(219)	93	88	-	(38)
Use of allowances (write offs)	-	-	(32)	-	(32)	-	-	(113)	-	(113)
Foreign exchange adjustments	2	-	-	-	2	(2)	-	-	-	(2)
Balance at the end of the period	**759**	**331**	**465**	**(5)**	**1,550**	**759**	**331**	**465**	**(5)**	**1,550**

	Quarter ended 30 Jun 2022					Half-year ended 30 Jun 2022				
CZK m	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	**707**	**275**	**597**	**(5)**	**1,574**	**719**	**193**	**747**	**(5)**	**1,654**
Purchases and originations	156	2	6	-	164	259	3	8	-	270
Derecognition and maturities	(27)	(3)	(6)	-	(36)	(58)	(9)	(22)	-	(89)
Transfer to (out) Stage 1	28	(15)	(13)	-	-	84	(35)	(49)	-	-
Transfer to (out) Stage 2	(14)	75	(61)	-	-	(29)	201	(172)	-	-
Transfer to (out) Stage 3	(4)	(1)	5	-	-	(9)	(35)	44	-	-
Remeasurements, changes in models and methods	(112)	32	63	-	(17)	(231)	47	91	-	(93)
Use of allowances (write offs)	-	-	(33)	-	(33)	-	-	(89)	-	(89)
Foreign exchange adjustments	1	-	-	-	1	-	-	-	-	-
Balance at the end of the period	**735**	**365**	**558**	**(5)**	**1,653**	**735**	**365**	**558**	**(5)**	**1,653**

8.19.4 Break-down of allowances according to loan type and stages

30 Jun 2023 CZK m	Stage 1	Stage 2	Stage 3	POCI	Total
Retail loans	**742**	**1,188**	**1,310**	**(26)**	**3,214**
Consumer Loans	530	777	1,015	(23)	2,299
Mortgages	111	314	203	(3)	625
Credit Cards & Overdrafts	73	70	61	-	204
Auto Loans and Finance Leases	27	27	22	-	76
Other	1	-	9	-	10
Commercial loans	**759**	**331**	**465**	**(5)**	**1,550**
Investment Loans	233	37	21	(5)	286
Working Capital	215	33	25	-	273
Auto & Equipment Loans and Finance Leases	86	46	100	-	232
Unsecured Instalment Loans and Overdraft	222	209	309	-	740
Inventory Financing and Other	3	6	10	-	19
TOTAL allowances to Lending portfolio	**1,501**	**1,519**	**1,775**	**(31)**	**4,764**
Debt instruments measured at amortised costs	21	-	-	-	21
TOTAL allowances Financial Assets	**1,522**	**1,519**	**1,775**	**(31)**	**4,785**
Financial guarantees	11	1	-	-	12
Loan commitments – Retail	43	16	-	-	59
Loan commitments – Commercial	30	4	-	-	34
TOTAL liabilities to off balance sheet items	**84**	**21**	**-**	**-**	**105**

31 Dec 2022 CZK m	Stage 1	Stage 2	Stage 3	POCI	Total
Retail loans	**747**	**1,323**	**1,464**	**(24)**	**3,510**
Consumer Loans	531	931	1,162	(24)	2,600
Mortgages	113	290	189	-	592
Credit Cards & Overdrafts	74	81	78	-	233
Auto Loans and Finance Leases	27	21	27	-	75
Other	2	-	8	-	10
Commercial loans	**699**	**347**	**557**	**(5)**	**1,598**
Investment Loans	254	40	22	(5)	311
Working Capital	142	38	15	-	195
Auto & Equipment Loans and Finance Leases	86	40	118	-	244
Unsecured Instalment Loans and Overdraft	214	223	392	-	829
Inventory Financing and Other	3	6	10	-	19
TOTAL allowances to Lending portfolio	**1,446**	**1,670**	**2,021**	**(29)**	**5,108**
Debt instruments measured at amortised costs	18	-	-	-	18
TOTAL allowances Financial Assets	**1,464**	**1,670**	**2,021**	**(29)**	**5,126**
Financial guarantees	11	5	-	-	16
Loan commitments – Retail	43	17	-	-	60
Loan commitments – Commercial	66	5	-	-	71
TOTAL liabilities to off balance sheet items	**120**	**27**	**-**	**-**	**147**

8.19.5 Coverage of non-performing loans and receivables

CZK m	30 Jun 2023	31 Dec 2022
Retail	2,771	2,852
Commercial	800	937
Total NPL	**3,571**	**3,789**

CZK m	30 Jun 2023	31 Dec 2022
Retail	1,310	1,467
Commercial	465	557
Total allowances to NPL	**1,775**	**2,024**

%	30 Jun 2023	31 Dec 2022
Retail	116.0%	123.1%
Commercial	193.8%	170.5%
Total NPL coverage*	**133.4%**	**134.8%**

%	30 Jun 2023	31 Dec 2022
Retail	1.5%	1.5%
Commercial	0.9%	1.1%
NPL Ratio	**1.3%**	**1.4%**

* Total NPL coverage ratio is calculated as total loss allowances for loans and receivables to customers divided by total NPL loans.

8.19.6 Net impairment of financial assets

CZK m	Quarter ended		Half-year ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Additions and release of loan loss allowances	(146)	165	(83)	260
Additions and release of allowances/provisions to unused commitments	10	(5)	42	(1)
Use of loan loss allowances	180	301	406	384
Income from previously written-off receivables	10	11	48	19
Write offs of uncollectable receivables	(186)	(305)	(415)	(395)
Change in allowances to Investment securities	-	(1)	(3)	(1)
Change in allowances to operating receivables	-	(3)	(3)	1
Collection expense	(14)	(8)	(22)	(17)
Net impairment of financial assets	**(146)**	**155**	**(30)**	**250**

8.19.7 Maximum credit risk exposures

30 Jun 2023 CZK m	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	**10,303**	**-**	**10,303**	**-**
Derivative financial instruments	**652**	**-**	**652**	**2,868**
Investment securities measured at FVTPL	**52**	**-**	**52**	**-**
Equity investments	25	-	25	-
Debt investments	27	-	27	-
Investment securities measured at FVTOCI	**1**	-	**1**	-
Equity investments	1	-	1	-
Investment securities measured at amortised cost	**80,430**	**-**	**80,430**	**-**
Treasury and corporate bonds	80,430	-	80,430	-
Hedging derivatives with positive fair values	**3,731**	**-**	**3,731**	**-**
Interest rate swaps	3,697	-	3,697	-
Cross currency interest rate swaps	34	-	34	-
Change in fair value of items hedged on portfolio basis	**(1,147)**	**-**	**(1,147)**	**-**
Loans and receivables to banks	**55,109**	**-**	**55,109**	**52,108**
Current accounts at banks	289	-	289	-
Overnight deposits	745	-	745	-
Term deposits at banks payable within 3 months	565	-	565	-
Receivables arising from reverse repurchase agreements	53,068	-	53,068	52,108**
Cash collaterals granted	441	-	441	-
Other	1	-	1	-
Loans and receivables to customers	**268,027**	**23,588**	**291,615**	**174,177**
Consumer authorised overdrafts and credit cards	2,219	4,399	6,618	-
Consumer loans	47,150	276	47,426	2,810
Mortgages	131,570	3,563	135,133	129,910
Commercial loans	74,532	15,034	89,566	39,197
Auto & Equipment Finance Lease	417	-	417	361
Commercial	417	-	417	361
Retail	-	-	-	-
Auto & Equipment Loans	12,139	316	12,455	1,899
Commercial	9,643	316	9,959	1,899
Retail	2,496	-	2,496	-
Issued guarantees and credit limits on guarantees	**-**	**2,078**	**2,078**	**297**
Issued letter of credit	**-**	**6**	**6**	**1**
Remaining assets	**6,671**	**-**	**6,671**	**-**

* 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 0 million were transferred as collateral according to repurchase agreements as at 30 June 2023 (31 December 2022: CZK 0 million).

31 Dec 2022 CZK m	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	**12,467**	**-**	**12,467**	**-**
Derivative financial instruments	**761**	**-**	**761**	**3,931**
Investment securities measured at FVTPL	**71**	**-**	**71**	**-**
Equity securities	25	-	25	-
Debt securities	46	-	46	-
Investment securities measured at FVTOCI	**1**	**-**	**1**	**-**
Equity securities	1	-	1	-
Investment securities measured at amortised cost	**57,879**	**-**	**57,879**	**-**
Treasury and corporate bonds	57,879	-	57,879	-
Hedging derivatives with positive fair values	**4,942**	**-**	**4,942**	**-**
Interest rate swaps	4,919	-	4,919	-
Cross currency interest rate swaps	23	-	23	-
Change in fair value of items hedged on portfolio basis	**(2,090)**	**-**	**(2,090)**	**-**
Loans and receivables to banks	**37,886**	**-**	**37,886**	**35,526**
Current accounts at banks	445	-	445	-
Overnight deposits	482	-	482	-
Term deposits at banks payable within 3 months	453	-	453	-
Receivables arising from reverse repurchase agreements	36,254	-	36,254	35,526**
Cash collaterals granted	251	-	251	-
Other	1	-	1	-
Loans and receivables to customers	**268,752**	**30,661**	**299,413**	**174,135**
Consumer authorised overdrafts and credit cards	2,337	4,342	6,679	-
Consumer loans	47,748	431	48,179	2,837
Mortgages	133,338	7,039	140,377	130,986
Commercial loans	72,269	18,432	90,701	37,414
Auto & Equipment Finance Lease	620	1	621	532
Commercial	620	-	620	532
Retail	-	1	1	-
Auto & Equipment Loans	12,440	416	12,856	2,366
Commercial	9,892	416	10,308	2,366
Retail	2,548	-	2,548	-
Issued guarantees and credit limits on guarantees	**-**	**2,078**	**2,078**	**282**
Issued letter of credit	**-**	**5**	**5**	**-**
Remaining assets	**6,841**	**-**	**6,841**	**-**

* 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 0 million were transferred as collateral according to repurchase agreements as at 31 December 2022.

8.20 Fair Values of Financial Assets and Liabilities

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

CZK m	30 Jun 2023		31 Dec 2022	
	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS				
Cash and balances with the central bank	10,303	10,303	12,467	12,467
Investment securities at amortised cost*	80,430	72,039	57,879	47,538
Loans and receivables to banks	55,109	55,109	37,886	37,886
Loans and receivables to customers	268,027	255,446	268,752	254,681
FINANCIAL LIABILITIES				
Due to banks	7,707	7,674	5,953	5,899
Due to customers	368,177	368,177	334,251	334,251
Mortgage-backed securities	1,294	1,295	1,948	1,939
Other issued bonds	3,615	3,924	3,572	3,905
Subordinated bonds	4,672	4,400	4,687	4,313
Subordinated deposits	2,829	2,829	-	-

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

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

CZK m	30 Jun 2023			31 Dec 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FINANCIAL ASSETS						
Derivative financial instruments	-	652	-	-	761	-
Debt securities measured at FVTPL	-	-	27	-	-	46
Equity securities measured at FVTPL	-	-	25	-	-	25
Equity securities measured at FVTOCI	-	-	1	-	-	1
Hedging derivatives with positive fair values	-	3,731	-	-	4,942	-
Change in fair value of items hedged on portfolio basis	-	-	(1,147)	-	-	(2,090)
FINANCIAL LIABILITIES						
Derivative financial instruments	-	631	-	-	747	-
Hedging derivatives with negative fair values	-	1,545	-	-	845	-
Change in fair value of items hedged on portfolio basis	-	-	(169)	-	-	(438)

There were no transfers between level 1 and 2 during the period of the six months ended 30 June 2023 and the year ended 31 December 2022.

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 the 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 2023	Purchases/ Sales in the period	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 Jun 2023
Investment securities at FVTOCI	1	-	-	-	1
Investment securities at FVTPL	71	(23)	4	-	52
Total	**72**	**(23)**	**4**	**-**	**53**

CZK m	As at 1 Jan 2022	Purchases/ Sales in the period	Total gains and losses in the period recognised in the profit or loss	Total gains and losses in the period recognised in OCI	As at 31 Dec 2022
Investment securities at FVTOCI	1	-	-	-	1
Investment securities at FVTPL	62	9	-	-	71
Total	**63**	**9**	**-**	**-**	**72**

8.21 Subsequent Events

There have been no subsequent events arising after 30 June 2023 that would have material impact on this consolidated interim financial report.

9 Management Affidavit

The undersigned responsible persons of the issuer declare that, to the best of their knowledge, the condensed consolidated financial statements give a true and fair view of assets, liabilities, financial position, and financial performance of the issuer and its consolidated group, i.e. the report includes a description of important events that occurred during the first six months of the 2023 accounting period and their impact on the condensed consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of 2023, and, where applicable, a description of transactions with related parties during the first six months of 2023 that materially affected the results of operations of the issuer or its consolidated group and provides a true overview of this required information.

Prague, 26 July 2023

Signed on behalf of the Management Board:

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

Jan Friček
Member of the Management Board and CFO
of MONETA Money Bank, a.s.

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 funds, core cost of risk, core customer deposits, core loan to deposit ratio, 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 customer deposits	Due to customers excluding repo operations and CSA. MONETA uses this measure to show customer deposits without repo operations and CSA.
Core Loan to Deposit ratio	Core loan to deposit ratio calculated as net loans and receivables to customers divided by customer deposits excluding CSA and repos.
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 and Repo Interest Expenses) divided by average balance of due to banks, due to customers, issued bonds and subordinated liabilities, excl. opportunistic repo operations and CSA. 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 and CSA
Cost to Income Ratio	Ratio (expressed as a percentage) of total operating expenses for the period to total operating income for the period. MONETA uses the cost to income ratio measure because it reflects the cost efficiency in relative terms to generated revenues.
Credit Valuation Adjustment or CVA	The difference between the risk-free portfolio value and the fair value of the portfolio that takes into account the possibility of a counterparty's default (calculated in accordance with CRR).

(All amounts in CZK millions unless otherwise stated)

CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended.
CSA	Credit Support Annex, a legal document which regulates credit support (collateral) for derivative transactions.
CTI	Czech Trade Inspection Authority
Customer deposits	Due to customers
CZK	Czech Koruna
Excess capital	Capital exceeding the management target CAR
FTEs	The recalculated number of employees at the end of the period
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 categorisation 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 categorised 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 categorisation 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)
Return on Equity or RoE	Return on equity calculated as annualised profit after tax for the period divided by total equity
Return on Tangible Equity 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 above CZK 60 million
Tangible Equity	Calculated as total equity less the intangible assets and goodwill
Tier 1 Capital	The aggregate of CET1 Capital and Additional Tier 1 capital which mainly consists of capital instruments and other items (including certain unsecured subordinated debt instruments without a maturity date) provided in Art. 51 of CRR.
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.