MONETA Money Bank, a.s.

Consolidated financial report as of and for the nine months ended 30 September 2019

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[1], profitability, costs, assets, capital position, financial condition, results of operations, dividend and business (together, "forward-looking statements") of MONETA Money Bank, a.s. and its consolidated subsidiaries (the "Group" or "MONETA"). The forward-looking statements assume a purely organic growth without regard to any potential acquisition.

Any forward-looking statements involve material assumptions and subjective judgements which may or may not prove to be correct and there can be no assurance that any of the matters set out in forward looking statements will actually occur or will be realized or that such matters are complete or accurate. The assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors. Any forward-looking statement contained in this report is made as at the date of this report. The Bank does not assume, and hereby disclaims, any obligation or duty to update forward-looking statements if circumstances or management's assumptions beliefs, expectations or opinions should change, unless it would be required to do so under applicable law or regulation. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

Dividend Guidance

In addition to the limitations of forward-looking statements stated above, the medium-term dividend guidance of CZK 10.2 billion provided in this report is also subject to corporate, regulatory and regulator limitations and approval of the relevant Annual General Meeting. The dividend guidance assumes purely organic growth without any potential acquisition and the ability to maintain capital adequacy ratio target at newly set level of 15.9%. The dividend guidance is also subject to actual results of the Group in the years 2019 – 2021.

Material assumptions for forward-looking statements

In preparing revised 2019 financial guidance[1], the Bank has made a number of economic, market, operational, regulatory and other assumptions of both quantitative and judgemental nature. These assumptions include the following:

- Positive macroeconomic outlook will persist.
- 3M PRIBOR assumed to remain stable throughout the rest of 2019[2].
- Gross performing loan balance is expected to grow at 11.5% CAGR in the 3 years until 2021.
- Customer deposits balance is expected to grow at 11.2% CAGR in the 3 years until 2021.

Third parties' data

Certain industry and market information in this report has been obtained by the Bank from third party sources. The Bank has not independently verified such information and the Bank does not provide any assurance as to the accuracy, fairness or completeness of such information or opinions contained in this report.

[1] Revised 2019 guidance released on August 1, 2019:
https://investors.moneta.cz/documents/12270853/12751709/mmb-2q2019-results-en.pdf
[2] As per the Czech National Bank forecast issued on 1 August 2019:
https://www.cnb.cz/export/sites/cnb/cs/menova-politika/.galleries/zpravy_o_inflaci/2019/2019_III/download/ZOI_III_2019_T_1_Makroindikatory.xlsx .

2 Letter from the CEO

Dear Shareholders,

2019 has so far proved to be a very good year for MONETA Money Bank. MONETA's market share is continuing to grow as we expand in our key strategic areas, particularly in mortgages and small business lending.

Our strategy remains focused on strengthening MONETA's already solid position on the local retail market despite intensifying competition. In the nine months up to 30 September 2019, the bank's gross performing mortgage book grew by 29.7% year-to-date, increasing our market share[3] to 3.2% from 2.6% at the end of 2018. Small business loans grew 42.0% against 2018-year end, while the overall position in lending to small and medium-sized enterprises (SME) slightly declined compared to year end.

With this in mind, I am pleased to report that MONETA delivered consolidated net profit of CZK 3.07 billion in January through to September. This translated into an increase in recurring profitability by 13.3% (the positive pace stayed unchanged from 1H 2019). Our Return on Tangible Equity (RoTE) came at 17.8%, which is above the current full-year estimate of 16.5%.

Based on this result, the Management Board decided to increase the full-year net profit guidance to CZK 4 billion from CZK 3.8 billion anticipated at the end of the first half of 2019. The previous guidance was already raised from the initial estimate of CZK 3.7 billion that we communicated in February this year.

Total operating income during the reporting period rose 4.1% year-on-year to CZK 7.83 billion, fuelled mainly by an 8.7% increase in net interest income to CZK 5.91 billion. Net fee and commission income grew 7.2% year-on-year to CZK 1.45 billion. While MONETA aims to keep costs under control, operating expenses rose 7.3% for the same reasons mentioned in the 1H 2019 report: higher contribution to Resolution and Recovery funds as well as increased depreciation and amortisation costs (driven by investments in our IT and digital platforms).

Digital Strategy

During 3Q 2019, we took additional steps according to our online road map, which outlines MONETA's digital distribution strategy up to 2020. On the lending side of the business, we rolled out a pure online credit card application service for new customers and web-based property appraisals. The latter is crucial to the introduction of our online retail mortgage loan refinancing service due to become fully operational in the first quarter of 2020.

In 3Q 2019, we also saw continued growth in online credit processing. The volume of consumer loans originated online grew 21.5% year-on-year, translating into 32.8% of total loans issued. In the small business sector, online originated instalment loans increased by 75.1% annually, representing 24.9% of entire productions.

At the transaction end of our operations, we started offering a new foreign exchange proposition through our Smart Banka application. We also began digitalizing life insurance processes handled by our branch staff in order to streamline our fee-generating business. In the fourth quarter 2019, we aim to replicate this in the pension insurance business.

Our successful Google Pay and Apple Pay services also saw continued expansion. At the end of September, more than 100,000 cards issued by MONETA were linked to these two mobile payment systems, representing a nearly four-fold annual increase. Google Pay and Apple Pay transactions numbered more than 2 million in 3Q 2019, up more than six times from the previous year's third quarter.

[3] Source: CNB ARAD

Retail Segment

MONETA's retail loan offering continues to garner demand from our customers across the whole market, allowing us to deliver on our strategic goals. Retail gross performing lending grew 15.9% year-to-date, driven by consumer and mortgage lending. While gross performing consumer loans were up 8.4% from the beginning of the year, gross performing mortgage loans have risen 29.7% since 1 January. Expansion in consumer and mortgage lending was able to offset weakness in auto loans and auto leasing as well as credit card loans and bank account overdrafts.

Commercial Segment

Our commercial gross performing loan business grew 0.6% year-to-date. We saw a steep growth of 42.0% year-to-date in small business loans. This is partially the result of our digital strategy, with 24.9% of small business lending originating online.

Capital Management

Our capital adequacy ratio increased to 18.1% due to CZK 2 billion successfully issued in our subordinated Tier 2 bonds, effective RWA management and inclusion of part of 2019 net profit. The subordinated Tier 2 bonds are 10-year bonds with call option after 5 years and fixed interest rate of 3.3% p.a. Our active risk-weighted assets management in commercial business lending generated capital savings of CZK 573 million and this is one of the main drivers of increase RWA by 1.3% only whilst net lending portfolio grew by 8.7% year-to date. Inclusion of a part of the 2019 net profit of CZK 307 million also helped to achieve this strong capital position.

I am very proud that as in 2018 also this year after the annual Supervisory Review and Evaluation Process (SREP) CNB has further decreased our Pillar II capital requirement by additional 20bps with effect from 1 January 2020. The Pillar I requirement remains unchanged at 8% and the Pillar II requirement was reduced from current 2.6% to 2.4%. On top of this, MONETA is required to maintain a 2.5% capital conservation buffer and a 1.75% countercyclical buffer. MONETA's regulatory capital requirement will therefore be 14.65% from 1 January 2020[4]. The Management Board has decided to increase MONETA's medium term capital adequacy ratio target to 15.9%, up from the previous 15.5%.

Outlook

Building on our success in the first nine months we can upgrade guidance for our other key performance indicators. MONETA's expected overall cost of risk for 2019 has been reduced year-to-date by 15 basis points from the initial guidance to between 30bps and 40bps. Thanks to the improved full-year 2019 guidance, we can reiterate MONETA's plan to pay annually a CZK 6.65 gross dividend per share in the next three years up to 2021, starting with the dividend for this year. I am happy to confirm our earlier communicated plan to commence paying dividends semi-annually, splitting the annual dividend in two equal payments. We have already made the proposal to our shareholders for 2019 interim dividend in the amount of CZK 3.30 gross per share. This will be subject of their approval at the General Meeting, which will be held on 26 November 2019. At this meeting we will be also asking our shareholders to approve a share buyback of up to 11 million shares or its equivalent of up to CZK 1 billion.

Yours Faithfully,

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

[4] Due to the countercyclical buffer increase by 25bps effective from 1 July 2020 MONETA's regulatory capital requirement will be 14.9%.

3 Key performance indicators

	Nine months ended 30 Sep 2019	Year ended 31 Dec 2018	Change
Profitability			
NIM (% Avg Int Earning Assets) [5]	3.7%	3.7%	-
Yield (% Avg. Net Customer Loans)	5.3%	5.5%	(20)bps
Cost of Funds (% Avg Deposits and Loans)[6]	0.47%	0.23%	24bps
Cost of Funds on Core Customer Deposits (% Avg Deposits)	0.29%	0.18%	11bps
Cost of Risk (% Avg Net Customer Loans)	0.27%	0.21%	6bps
Risk-adj. Yield (% Avg Net Customer Loans)	5.0%	5.3%	(30)bps
Net Fee & Commission Income / Operating Income (%)	18.5%	18.6%	(10)bps
Net Non-Interest Income / Operating Income (%)	24.5%	27.1%	(260)bps
RoTE	17.8%	17.9%	(10)bps
RoE	16.3%	16.6%	(30)bps
RoAA[6]	1.9%	2.1%	(20)bps
Liquidity / Leverage			
Net Loan to Deposit ratio[6]	79.2%	83.0%	(380)bps
Total Equity / Total Assets[6]	11.0%	12.2%	(120)bps
Liquid Assets[5,6] / Total Assets[6]	30.9%	30.1%	80bps
LCR	195.1%	160.8%	3,430bps
Equity			
Total Equity (CZK m)	25,164	25,237	(0.3)%
Tangible Equity (CZK m)	23,020	23,448	(1.8)%
Capital Adequacy			
RWA Density[7]	48.4%	50.0%	(160)bps
Total CAR Ratio (%)	18.1%	16.4%	170bps
Tier 1 Ratio (%)	16.5%	16.4%	10bps
Asset Quality			
Non-Performing Loan Ratio (%)	1.9%	2.8%	(90)bps
NPL Ratio Retail (%)	2.0%	3.7%	(170)bps
NPL Ratio Commercial (%)	1.8%	1.8%	-
Core Non-Performing Loan Coverage (%)	54.6%	66.3%	(1,170)bps
Core NPL Coverage Retail (%)	53.1%	67.2%	(1,410)bps
Core NPL Coverage Commercial (%)	56.8%	64.1%	(730)bps
Total NPL Coverage (%)	103.3%	99.9%	340bps
Efficiency			
Cost to Income Ratio	47.5%	47.7%	(20)bps
FTEs (as of the date)	3,006	3,099	(93)
Branches	180	202	(22)
ATMs	650	654	(4)

All ratios are annualized.

[5] Interest earning assets include encumbered assets of CZK 11.3 bn in liquid assets as at 30 September 2019 (31 December 2018: CZK 7.8 bn), where CZK 1.4 bn are client's receivables recognised in "Loans and receivables to customers" used as collateral for received loan from third party in MONETA Leasing (31 December 2018: CZK 1.4 bn).
[6] Repo transactions with banks and customers which are closed on back-to-back basis by reverse repo transactions with CNB are included.
[7] RWA density ratio calculated in compliance with BIS Working Papers: Leverage and Risk Weighted Capital Requirements.

4 Macroeconomic environment

In the first three quarters of 2019 the Czech economic situation remained good. Despite the world economic slowdown, the Czech GDP grew by 2.8%[8] year-on-year and by 0.7%[8] quarter-on-quarter in the second quarter of 2019. As in the previous quarter, the growth was driven by domestic spending.

Economic development in Europe remains mixed. On one hand, the economies of central Europe continue to grow. On the other, Germany, Sweden and United Kingdom observed a technical economic decrease quarter-on-quarter in the second quarter of 2019[9]. Worse performance of Czech Republic's trading partners was reflected in the domestic industrial production, which decreased by 1.2%[10] year-on-year in August 2019. The fall of industrial output is for now being replaced by consumption, which increased by 3.7%[11] year-on-year in August 2019, measured by retail sales. This was enabled by continuously good financial situation of Czech households as the average gross wage keeps growing by a quick pace (by 7.2% year-on-year in the second quarter) and the unemployment level is still at or near the record lows.

The unemployment rate reported by the Czech Statistical Office reached 2.1%[12] in August 2019 and as a result, the economy still feels significant shortage of workforce. Extremely low unemployment and high growth of wages have pushed up price levels as the inflation stood at 2.7%[13] in September 2019, still above the inflationary target of the Czech National Bank monetary policy. On the other hand, the inflation started dropping, which might be further supported by successful harvest. Therefore, the Czech National Bank decided at its last monetary policy meeting held on September 25th, 2019 to keep the base interest rate, the 2-week repo rate, flat at 2.00%[14].

Economic outlook for the Czech Republic remains rather optimistic, as the August Czech National Bank macroeconomic forecast predicts a GDP growth of 2.6% for 2019 and 2.9% for 2020[15]; however, there are some economic risks arising mainly from abroad. Among these, the most visible is the economic slowdown and potential technical recession in Germany hitting domestic exports. Additional risks are seen in the geopolitical tensions and again growing uncertainty about Brexit.

The banking sector's total operating income increased by 5.1% year-on-year in the first half of 2019[16] driven by growth in net interest income (16.8% year-on-year)[16], supported by the CNB main policy rate increase. Net non-interest income declined by 15.6% year-on-year[16]. The Czech banking sector's net profit reached 3.9% growth year-on-year[16]with operating expenses increased by 7% year-on-year[16] and cost of risk progressed by 11.7% year-on-year[16]. The annualized return on equity measured by net profit to Tier 1 capital slightly declined to 18.1% in Q2 2019[16] compared to the same period of the previous year.

Interest bearing assets represented by market net loans increased by 5.4% year-on-year in the second quarter of 2019[17]. Total assets grew by 6.6% year-on-year[17], total assets to Tier 1 ratio reached 15.4%. NPL balances continued to decline by 17.8% year-on-year[17]. Core coverage progressed to a 53.1%[17] level. The capitalization of the Czech banking sector remained strong, Tier 1 capital increased by 8.8% year-on-year[17] reaching CZK 484 billion in the second quarter of 2019[17]. Regulatory Tier 1 capital to risk weighted assets grew to 18.4%[17].

---

[8] Source: Czech Statistical Office, Quarterly Sector Accounts – 2nd quarter of 2019.
[9] Source: Eurostat, news release 137/2019 – 6. 9. 2019 (GDP main aggregates and employment estimates for second quarter 2019)
[10] Source: Czech Statistical Office, Industry - August 2019.
[11] Source: Czech Statistical Office, Retail trade - August 2019.
[12] Source: Czech Statistical Office, Rates of employment, unemployment and economic activity - August 2019.
[13] Source: Czech Statistical Office, Consumer price indices - inflation - September 2019.
[14] Source: Czech National Bank, CNB Board decisions – Board decision 25. 9. 2019.
[15] Source: Czech National Bank, CNB macroeconomic forecast – August 2019.
[16] Source: Czech National Bank, ARAD quarterly mandatory disclosures, banking sector without building societies.
[17] Source: CNB Core and encouraged financial soundness indicators (consolidated).

5 Group performance

5.1 Business performance

The Group generated consolidated Net profit of CZK 3,070 million in the three quarters of 2019, supported by an extraordinary pre-tax gain of CZK 331 million on sale of NPLs.

Solid new production, especially in retail segment, supported the Group's gross performing loans year-to-date growth of 8.8% to CZK 152.5 billion as at 30 September 2019.

The retail gross performing loan balance increased by 15.9% when compared to 31 December 2018, standing at CZK 86.7 billion as at 30 September 2019. Majority of this growth was driven by continuing increase of new production of mortgage loans, up 20.7% year-on-year, which drove balances up 29.7% to CZK 40.7 billion during the nine months ended 30 September 2019. The consumer loans balance grew by 8.4% in the nine months of 2019 to CZK 40.1 billion, a result of solid new production. MONETA Auto retail loans recorded balance decline of 7.0% since 31 December 2018 while outstanding credit card and overdraft balances declined by 7.0% in the same period amid continuing trend of switching to instalment lending.

The commercial gross performing loan balance stood at CZK 65.7 billion as at 30 September 2019, an increase of 0.6% from the 31 December 2018 balance. Small business instalment lending new production grew by 50.6% year-on-year, driving balances up 46.5% year-to-date to CZK 5.6 billion as at 30 September 2019. The investment loan balance fell slightly by 1.8% to CZK 35.9 billion as at 30 September 2019 because of our focus on improving profitability in this segment. Working capital balance fell by 3.4% to CZK 9.3 billion as at 30 September 2019. The combined balance of MONETA Auto commercial portfolio and MONETA Leasing fell to CZK 14.1 billion, down 3.4% compared to 31 December 2018, with an increase in MONETA Auto commercial lending more than offset by a decline in MONETA Leasing portfolio.

The Group's customer deposits continued their gradual growth, growing in both retail and commercial segment, totalling CZK 172.8 billion (excluding CZK 19.4 billion of opportunistic repo transactions) as at 30 September 2019, increasing 15.8% from CZK 149.2 billion (excluding CZK 19.6 billion of opportunistic repo transactions) as at 31 December 2018. Balance growth came primarily from retail saving accounts and was also supported by growth of term deposit balances in commercial segment. The cost of funds on core customer deposits increased to 0.29% and the Group's overall Cost of Funds increased to 0.47% due to costs of opportunistic repos. The Loan to Deposit Ratio was 79.2%.

The Due to banks balance stood at CZK 5.5 billion as at 30 September 2019, lower compared to CZK 10.7 billion as at 31 December 2018. The decrease was driven by net outflow of opportunistic repo operations classified as Due to banks.

The Group retains a highly liquid position, with Liquidity coverage ratio at 195.1% at the Group and 196.7% at the Bank level, well above regulatory requirement. The liquid assets primarily consist of CZK 37.4 billion in reverse repo operations with CNB and investments into bonds of CZK 25.3 billion (including CZK 10.8 billion of encumbered bonds).

5.2 Financial performance

Operating income for the three quarters of 2019 was CZK 7.8 billion, growing by 4.1% year-on-year, supported by higher Net interest income and Net fee and commission income.

Net interest income amounted to CZK 5,911 million for the nine months ended 30 September 2019, up 8.7% from CZK 5,437 million for the nine months of 2018, where the main driver was balance growth. The yield on loan portfolio declined to 5.3% for the nine months of 2019, compared to 5.6% in the same period in 2018. This was mainly a result of retail yield decline driven by portfolio mix amid growth of mortgage franchise, while commercial yield slightly increases. The Group's Net interest margin stood at 3.7% in the nine months ended 30 September 2019.

Net fee and commission income for the nine months ended 30 September 2019 increased 7.2% year-on-year to CZK 1,449 million. This growth was driven by year-on-year higher transactional fees and third-party commissions along with lower fee expense incurred. This was partially offset by decline in deposit servicing fees and by lower income from penalty and early termination fees.

Net income from financial operations amounted to CZK 382 million in the three quarters of 2019, compared to CZK 298 million in the same period of 2018. Other operating income fell to CZK 91 million, down from CZK 436 million in the nine months of 2018 due to CZK 316 million gain on NPL sale in 2018.

Operating expenses for the three quarters of 2019 amounted to CZK 3,718 million, growing by 7.3% year-on-year. The Group incurred CZK 1,692 million of personnel expenses, decreasing by 2.9% year-on-year due to efficiency measures and declining number of average FTE (5.4% lower year-on-year). Administrative and other operating expenses reached CZK 1,168 million, with a 3.1% year-on-year decrease, impacted primarily by Rental expense reclassification into D&A according to IFRS 16. Depreciation and amortization expenses increased by 68.0% to CZK 719 million, where the impact of IFRS 16 accounting methodology change was accompanied by growing intangible assets balance (26.1% year-on-year) due to investments in IT and Digital. Regulatory charges reached CZK 139 million, growing 56.2% year-on-year, where the growth was driven by higher contribution to Resolution and Recovery Fund due to growing deposit balance and opportunistic repo operations.

Net impairment of financial assets amounted to CZK 301 million for the nine months ended 30 September 2019, compared to CZK 0 million in the same period last year. The primary driver of the variance was a lower gain on sale of NPLs, amounting to CZK 311 million for the nine months of 2019 compared to CZK 663 million in the same period last year. The Core Cost of Risk, excluding the impact of NPL sale, amounted to 56bps for the nine months ended 30 September 2019 compared to Core Cost of Risk of 68bps for the nine months of 2018.

As a result, the consolidated Net profit for the nine months of 2019 was CZK 3,070 million, a 8.7% decrease year-on-year. Annualized RoTE for period ended 30 September 2019 decrease to 17.8% from 19.8% for the period ended 30 September 2018.

A continued low rate of NPL formation complemented by proactive NPL management resulted in a reduction of the Group NPL Ratio to 1.9% as at 30 September 2019 from 2.8% as at 31 December 2018. The overall Total NPL Coverage stood at 103.3% as at 30 September 2019 (compared to 99.9% as at 31 December 2018).
The Total Capital Adequacy Ratio grew to 18.1% as at 30 September 2019 from 16.4% as at 31 December 2018, supported by positive impact of RWA optimization, inclusion of part of the Net Profit generated in the three quarters of 2019 into regulatory capital and Tier 2 bonds issuance. In total they had a positive impact of CZK 2,870 million on regulatory capital.

5.3 Outlook for 2019 and risks

The macroeconomic outlook for the Czech Republic remains still positive. Despite the recent slowdown in the economies of key trading partners, the August macroeconomic forecast by the Czech National Bank still predicts a 2.6% GDP growth in 2019, followed by a 2.9% growth in 2020[18]. The economic performance should be driven mainly by domestic demand.

The good economic situation and positive prospects will likely result in persisting tense on the labour market, where the unemployment rate remains the lowest among EU member states. Additionally, the competition for labour force is mirrored in quickly growing average wage, which increases the cost of labour.

Interest rates are projected to remain flat, despite the inflation remains above the monetary policy target of 2%. The recent development of consumer prices indicates that inflationary pressures slowly diminish.

Altogether, growing wages and slowing inflation result in quickly improving financial situation of consumers. Therefore, the demand for credit is forecasted to remain growing, as well as deposits with domestic banks. On the other hand, limitation of the real estate market imposed by the Czech National Bank and lower demand for industrial goods will likely cause that the lending market growth pace will slow down.

The Group delivered CZK 3,070 million of net profit in the nine months of 2019, supported by benign credit risk environment and as a result the management decided to revise the net profit guidance to at least CZK 4.0 billion for the full year 2019 and return on tangible equity to 16.5%.

[18] Source: Czech National Bank, CNB macroeconomic forecast – August 2019.

Total Operating income was up by 4.1% year-on-year to CZK 7.8 billion, supported by portfolio growth, namely in retail segment, and margin stabilization in the commercial segment. The Group revised its full-year 2019 guidance on the Total Operating Income upwards and is now targeting CZK 10.4 billion.

Operating expenses reached CZK 3.7 billion with the Cost to Income Ratio at 47.5%. Group remains committed to keep the Cost base at or below CZK 5.0 billion.

The Cost of Risk amounted to 27bps net book up for the nine months of the year 2019. Core cost of risk, excluding the impact of NPL sales, amounted to 56bps. The Group revised its full-year 2019 guidance on the Cost of Risk downwards and is now targeting between 30-40bps on reported basis and between 55-65bps excluding gains on NPL sale.

(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 28 Praha 4 – Michle
Company ID	25672720
Legal form	Joint stock company
Date of registration	9 June 1998
Registered share capital	511,000,000
Paid up	100%

Branches, ATMs and employees:

Number of branches as at 30 September 2019: 180 and 31 December 2018: 202.

Number of ATMs as at 30 September 2019: 650 and 31 December 2018: 654.

Number of employees (FTEs) as at 30 September 2019 was 3,006 (decrease of 93 compared to the year end 2018).

Business activities:

The Bank and its consolidated subsidiaries (the "Group") operate in the Czech Republic and focuses primarily on secured and unsecured consumer lending and commercial financing.

The retail portfolio consists of secured and unsecured lending. Unsecured lending products include consumer and auto loans, credit cards and personal overdrafts. Secured lending is provided in the form of mortgages and finance leases.

Commercial lending products comprise of working capital, investment loans, finance and operating leases, auto loans, financing of small business and entrepreneurs, inventory financing, providing guarantees, letters of credit and foreign exchange transactions.

The Group provides a wide range of deposit and transactional products to retail and commercial customers. The Group issues debit and credit cards in cooperation with VISA and MasterCard and cooperates with EVO Payments International in acquiring services. In addition, the Group intermediates additional payment protection insurance which covers the customer's monthly loan payment in the event of unemployment, accident or sickness. The Group also acts as the intermediary to provide its customers with other insurance and investment products.

Ownership structure:

The latest available list of shareholders holding, according to the registry of the shareholders administered by the Central Securities Depository Prague, more than 1% of the shares is available in the investor relations section of the Bank's website at https://investors.moneta.cz/shareholder-structure. Such persons may not necessarily be the beneficial owners of the Bank shares but may hold shares of the Bank (as custodians, securities brokers, banks, or nominees) for the beneficial owners.

(All amounts in CZK millions unless otherwise stated)

Bank's Supervisory Board

The Bank's Supervisory board held 4 meetings in the first nine months of 2019.

Name	Position	Member position held from	Member position held to
Gabriel Eichler	Chairman of the Supervisory Board*	26 October 2017	26 October 2021
Miroslav Singer	Vice-chairman of the Supervisory Board**	24 April 2017	24 April 2021
Michal Petrman	Member of the Supervisory Board	21 April 2016	21 April 2020
Clare Ronald Clarke	Member of the Supervisory Board	21 April 2016	21 April 2020
Denis Arthur Hall	Member of the Supervisory Board	21 April 2016	21 April 2020
Tomáš Pardubický	Member of the Supervisory Board	26 October 2017	26 October 2021
Klára Sokolová	Member of the Supervisory Board***	21 January 2019	21 January 2023
Jiří Huml	Member of the Supervisory Board***	21 January 2019	21 January 2023
Aleš Sloupenský	Member of the Supervisory Board***	21 January 2019	21 January 2023

* 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.
*** Mrs. Klára Sokolová, Mr. Jiří Huml and Mr. Aleš Sloupenský were elected as Supervisory Board members by employees with effect from 21 January 2019.

Bank's Management Board

The Bank's Management Board held 36 meetings in the first nine months of 2019.

Name	Position	Member position held from	Member position held to
Tomáš Spurný	Chairman of the Management Board	1 October 2015	1 October 2023
Carl Normann Vökt	Vice-chairman of the Management Board*	25 January 2013	26 January 2021
Jan Novotný	Member of the Management Board	16 December 2013	17 December 2021
Albert Piet van Veen	Member of the Management Board	1 May 2017	1 May 2021
Jan Friček	Member of the Management Board	1 March 2019	1 March 2023
Philip Holemans	Vice-chairman of the Management Board**	17 July 2014	28 February 2019

* Mr. Carl Normann Vökt was elected as Vice-chairman of the Management Board with effect from 1 March 2019.
** Mr. Philip Holemans was elected as Vice-chairman of the Management Board with effect from 20 April 2016 and he resigned from his position of Vice-chairman and member of the Management Board as of 28 February 2019.

7 Condensed consolidated interim financial statements for the nine months ended 30 September 2019 (Unaudited)

7.1 Condensed consolidated statements of profit or loss and other comprehensive income for the three and nine-month periods ended 30 September 2019 (Unaudited)

CZK m	Note	Quarter ended		Nine months ended	
		30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Interest and similar income		2,312	1,953	6,574	5,700
Interest expense and similar charges		(303)	(94)	(663)	(263)
Net interest income	**8.7**	**2,009**	**1,859**	**5,911**	**5,437**
Fee and commission income		570	531	1,667	1,600
Fee and commission expense		(71)	(84)	(218)	(248)
Net fee and commission income	**8.8**	**499**	**447**	**1,449**	**1,352**
Dividend income		0	1	1	2
Net income from financial operations		109	112	382	298
Other operating income		28	336	91	436
Total operating income		**2,645**	**2,755**	**7,834**	**7,525**
Personnel expenses		(567)	(571)	(1,692)	(1,743)
Administrative expenses*		(303)	(367)	(943)	(1,106)
Depreciation and amortisation		(239)	(160)	(719)	(428)
Regulatory charges*		0	0	(139)	(89)
Other operating expenses*		(53)	3	(225)	(99)
Total operating expenses	**8.9**	**(1,162)**	**(1,095)**	**(3,718)**	**(3,465)**
Profit for the period before tax and net impairment of financial assets		1,483	1,660	4,116	4,060
Net impairment of financial assets	8.18.6	(168)	(151)	(301)	0
Profit for the period before tax		1,315	1,509	3,815	4,060
Taxes on income		(257)	(267)	(745)	(697)
Profit for the period after tax		**1,058**	**1,242**	**3,070**	**3,363**
Other comprehensive income, net of tax		**0**	**0**	**0**	**0**
Total comprehensive income attributable to the equity holders		**1,058**	**1,242**	**3,070**	**3,363**
Profit for the period after tax attributable to the equity holders		**1,058**	**1,242**	**3,070**	**3,363**
Weighted average of ordinary shares (millions of shares)		511	511	511	511
Basic and Diluted earnings per share (in CZK)		2.1	2.4	6.0	6.6

* "Administrative expenses" and "Other operating expenses" for 2018 have been restated to reflect newly added line "Regulatory charges" (see the note 8.9).

7.2 Condensed consolidated statement of financial position as at 30 September 2019 (Unaudited)

CZK m	Note	30 Sep 2019	31 Dec 2018
Assets			
Cash and balances with the central bank		6,684	8,139
Derivative financial instruments	8.19	21	28
Investment securities	8.10, 8.19	25,394	20,780
Hedging derivatives with positive fair values		156	53
Change in fair value of items hedged on portfolio basis		50	30
Loans and receivables to banks	8.11	38,926	33,436
Loans and receivables to customers	8.12	152,370	140,123
Intangible assets		2,144	1,789
Property and equipment		3,172	1,296
Investments in associates		2	2
Current tax assets		18	16
Deferred tax assets		0	127
Other assets		766	1,113
TOTAL ASSETS		**229,703**	**206,932**
Liabilities			
Derivative financial instruments	8.19	9	44
Due to banks	8.13	5,549	10,716
Due to customers	8.13	192,273	168,792
Hedging derivatives with negative fair values		513	167
Subordinated liabilities	8.14	1,989	0
Provisions		227	261
Current tax liabilities		133	107
Deferred tax liabilities		258	177
Other liabilities		3,588	1,431
Total liabilities		**204,539**	**181,695**
Equity			
Share capital		511	511
Share premium		5,028	5,028
Statutory reserve		102	102
Share based payment reserve		(2)	(2)
Retained earnings		19,525	19,598
Total equity		**25,164**	**25,237**
TOTAL LIABILITIES AND EQUITY		**229,703**	**206,932**

7.3 Condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019 (Unaudited)

CZK m	Share capital	Share premium	Statutory reserve	AFS reserve	Reserve from revaluation of FVTOCI	Share based payment reserve	Retained earnings	Total
Balance as reported 31 Dec 2018	**511**	**5,028**	**102**	**n/a**	**0**	**(2)**	**19,598**	**25,237**
Cumulative effect of adopting of IFRS 16	0	0	0	n/a	0	0	1	1
Restated balance 1 Jan 2019	**511**	**5,028**	**102**	**n/a**	**0**	**(2)**	**19,599**	**25,238**
Transactions with owners of the company								
Dividends	0	0	0	n/a	0	0	(3,143)	(3,143)
Other changes	0	0	0	n/a	0	0	(1)	(1)
Total comprehensive income							0	0
Profit for the period after tax	0	0	0	n/a	0	0	3,070	3,070
Other comprehensive income after tax								
Change in fair value of FVTOCI investment securities	0	0	0	n/a	0	0	0	0
Deferred tax	0	0	0	n/a	0	0	0	0
Balance 30 Sep 2019	**511**	**5,028**	**102**	**n/a**	**0**	**(2)**	**19,525**	**25,164**
Balance as reported 31 Dec 2017	**511**	**5,028**	**102**	**(57)**	**n/a**	**(2)**	**20,181**	**25,763**
Cumulative effect of adopting of IFRS 9	0	0	0	57	0	0	(695)	(638)
Restated balance 1 Jan 2018	**511**	**5,028**	**102**	**0**	**0**	**(2)**	**19,486**	**25,125**
Transactions with owners of the company								
Dividends	0	0	0	n/a	0	0	(4,088)	(4,088)
Total comprehensive income								
Profit for the period after tax	0	0	0	n/a	0	0	3,363	3,363
Other comprehensive income after tax								
Change in fair value of FVTOCI investment securities	0	0	0	n/a	0	0	0	0
Deferred tax	0	0	0	n/a	0	0	0	0
Balance 30 Sep 2018	**511**	**5,028**	**102**	**n/a**	**0**	**(2)**	**18,761**	**24,400**

7.4 Condensed consolidated statement of cash flows for the nine-month period ended 30 September 2019 (Unaudited)

CZK m	Nine months ended 30 Sep 2019	Nine months ended 30 Sep 2018
Cash flows from operating activities		
Profit after tax	**3,070**	**3,363**
Adjustments for:		
Depreciation and amortization	719	428
Net impairment of financial assets	301	0
Net gain on revaluation or sales of investment securities	(98)	(17)
Amortisation of coupon of investment securities	(233)	(136)
Net interest income from hedging derivatives	(70)	53
Net gain/ loss from revaluation of hedging derivatives	207	322
Net gain/ loss from revaluation of hedged items	(213)	(325)
Change in provisions not recognised in Depreciation and amortization	(30)	(70)
Net loss on sale and other disposal or impairment of tangible and intangible assets	3	11
Dividend income	(1)	(2)
Tax expense	745	697
	4,400	**4,324**
Changes in:		
Loans and receivables to customers	(12,566)	(12,657)
Other assets	347	70
Due to banks	(5,167)	(20,470)
Due to customers	23,481	7,740
Other liabilities excl. impact of IFRS 16 transition and subsequent non-cash movements	23	(170)
	10,518	**(21,163)**
Income taxes paid	(510)	(157)
Net cash used in operating activities	**10,008**	**(21,320)**
Cash flows from investing activities		
Acquisition of investment securities	(5,887)	(9,481)
Proceeds from investment securities	1,796	707
Proceeds from hedging derivatives	106	27
Acquisition of tangible and intangible assets	(844)	(1,185)
Proceeds from the sale of property and equipment and intangible assets	3	3
Dividends received	1	2
Net cash used in investing activities	**(4,825)**	**(9,927)**
Cash flows from financing activities		
Proceeds from issue of subordinated liabilities	1,989	0
Dividends paid	(3,143)	(4,088)
Net cash used in financing activities	**(1,154)**	**(4,088)**
Net change in cash and cash equivalents	**4,029**	**(35,335)**

Cash and cash equivalents at beginning of period	**41,558**	**60,490**
Effect of exchange rate fluctuations on cash and cash equivalents	20	0
Cash and cash equivalents at end of period	**45,607**	**25,155**
Interest received*	6,104	5,756
Interest paid*	(308)	(177)

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

8 Notes to unaudited condensed consolidated interim financial statements

8.1 Reporting entity

MONETA Money Bank, a.s. (the Bank) is a company domiciled in the Czech Republic. These condensed consolidated interim financial statements (interim financial statements) as at and for the nine months ended 30 September 2019 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 2018 (last annual financial statements). These interim financial statements do not include all of 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 5 November 2019.

Going Concern

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

Functional and presentation currency

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

8.3 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty estimation are consistent with those that applied to the last annual financial statements.

(All amounts in CZK millions unless otherwise stated)

8.4 Significant accounting policies

The significant accounting policies used in preparation of these interim financial statements are consistent with those used in the last annual financial statements, except for changes in accounting for leases resulting from the adoption of IFRS 16 Leases (IFRS 16). Impacts of IFRS 16 adoption are described in the Group's last annual financial statements, note 4.1 and in the following chapter 8.4.1. Further since 2Q 2019, costs on obtaining contracts on current accounts and investment funds are recognised within the line "Other assets" and they are subsequently amortised into profit or loss line "Fees and commission expense" over at maximum 60 month or shorter period in case the contract is terminated. They represent acquisition costs on obtaining service contracts according to IFRS 15 Revenue from contracts with customers.

8.4.1 Transition to IFRS 16

In the context of the transition to IFRS 16, right-of-use assets of CZK 2,070 million and lease liabilities of CZK 1,877 million were recognised as at 1 January 2019. The amount of CZK 192 million representing prepaid rentals was transferred to right-of-use assets from prepaid expenses. Resulting difference of CZK 1 million represents impact from disposal of low value assets previously disclosed in the statement of financial position according to IAS 17. It was disclosed in the Retained earnings as at 1 January 2019. Previously recognised leased assets (arising from financial lease contracts according to IAS 17) in the amount of CZK 7 million remained recognised in the statement of financial position in "Property and Equipment" together with other right-of-use assets. The Group transitioned to IFRS 16 in accordance with modified retrospective approach. The prior-year figures were not adjusted.

The right-of-use assets are recorded in "Property and Equipment" and the corresponding liabilities to the lessors are included in "Other liabilities". Newly recognised leased assets were booked as at 1 January 2019 in value of initial liabilities amount and prepaid expenses at that date.

The lease liabilities are measured at the present value of fixed and variable lease payments net of cash lease incentives that are not paid at the statement of financial position date. Lease payments are apportioned between the finance charges and reduction of the lease liabilities using incremental borrowing rate to achieve a constant rate of the interest on the remaining balance of liabilities. Lease payments exclude service fees for cleaning and other operating costs.

The Group has decided not to apply IFRS 16 guidance to leases whose term ends within twelve months from the date of initial application or from the lease start date (short-term leases) and leases of assets with purchase price lower than 100 thousand CZK (low value assets). In such cases, the lease payments are recognised as an expense when arising. Classification is made at the inception of the lease.

Following table shows impact of transition to IFRS 16 on the consolidated statement of financial position:

Financial Statement line	**Balance 31 Dec 2018 (IAS 17)**	**IFRS 16 adjustment**	**Balance 1 Jan 2019 (IFRS 16)**
Property and equipment	1,296	2,070	3,366
Other assets	1,113	(192)	921
Total adjustment of Assets		**1,878**	
Other liabilities	1,431	1,877	3,308
Retained earnings	19,598	1	19,599
Total adjustment of Liabilities & Equity		**1,878**	

(All amounts in CZK millions unless otherwise stated)

8.5 Consolidation group

The definition of the consolidation group as at 30 September 2019 has not changed compared to the last annual financial statements.

Apart from the Bank, the Group’s companies included into the consolidation group as at 30 September 2019 together with the ownership were as follows:

Name	Registered office	Business activity	The Bank's share	Method of consolidation
MONETA Auto, s.r.o.	Vyskočilova 1442/1b, 140 00 Prague 4	Auto financing (Loans and Leases)	100%	Full
MONETA Leasing, s.r.o.	Holandská 1006/10, Štýřice, 639 00 Brno	Financing of loans and leasing	100%	Full
MONETA Leasing Services, s.r.o.	Holandská 1006/10, Štýřice, 639 00 Brno	Lease and rental of movables	100%	Full
Inkasní Expresní Servis s.r.o. v likvidaci*	Vyskočilova 1442/1b, 140 00 Prague 4	Debt recovery services	100%	Full
CBCB – Czech Banking Credit Bureau, a.s.	Štětkova 1638/18, 140 00 Prague 4	Banking Credit Register	20%	Equity

* The Bank as the sole shareholder of Inkasní Expresní Servis s.r.o. decided on the dissolution of this company with liquidation starting from 1 January 2019. For the duration of the liquidation process the company uses business name with the appendix “v likvidaci” (Inkasní Expresní Servis s.r.o. v likvidaci).

8.6 Dividends paid

On 24 April 2019 the General Meeting approved the dividend payment of CZK 6,15 per share before tax which represented the total amount of CZK 3,142,650,000. The dividend was due on 6 June 2019 and was paid by MONETA Money Bank, a.s. through Komerční banka, a.s., ID number: 453 17 054, with its registered office at Prague 1, Na Příkopě 969/33, Post Code: 114 07, as paying agent, by a transfer to bank accounts of the shareholders listed in the registry of book-entry shares of MONETA Money Bank, a.s. as at 30 April 2019.

8.7 Net interest income

CZK m	Quarter ended 30 Sep 2019	Quarter ended 30 Sep 2018	Nine months ended 30 Sep 2019	Nine months ended 30 Sep 2018
Interest income from financial assets measured at amortised cost	**2,274**	**1,968**	**6,504**	**5,753**
Loans to customers	1,996	*1,833*	5,791	5,414
out of which interest income from impaired loans	*34*	*49*	*100*	*148*
out of which penalty interest	*10*	*25*	*28*	*78*
out of which amortisation, derecognitions or modifications of deferred costs and fees	*(127)*	*(132)*	*(372)*	*(372)*
Loans to banks	179	57	437	188
out of which interest income from repurchase and reverse repurchase agreements	*178*	*56*	*433*	*186*
Cash and deposit with central bank and other banks	16	7	43	15
Interest income from investment securities at amortised cost	83	71	233	136
Interest income from hedging derivatives	38	(15)	70	(53)
Interest income and similar income	**2,312**	**1,953**	**6,574**	**5,700**
Interest expense from financial liabilities measured at amortised cost	(297)	(94)	(646)	(263)
Due to banks	(22)	(12)	(60)	(46)
Due to customers	(274)	(82)	(585)	(217)
out of which from repurchase agreements	*(94)*	*(22)*	*(234)*	*(43)*
Subordinated debt securities issued	(1)	0	(1)	0
Interest expense from lease liabilities	(6)	0	(17)	0
Interest expense and similar expense	**(303)**	**(94)**	**(663)**	**(263)**
Net interest income	**2,009**	**1,859**	**5,911**	**5,437**

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

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

Quarter ended 30 Sep 2018 CZK m	Balance at beginning of period	Amortisation	Derecognitions / Modifications	Additions to deferred fees	Additions to deferred costs	Balance at end of period
Consumer Loans	23	(3)	(2)	(24)	35	29
Mortgages	325	(11)	(1)	0	76	389
Credit Cards & Overdrafts	27	(5)	0	0	5	27
Auto Loans and Finance Leases	354	(58)	(6)	0	22	312
Retail loans deferrals	**729**	**(77)**	**(9)**	**(24)**	**138**	**757**
Investment Loans	20	(2)	0	(5)	8	21
Working Capital	2	0	0	(1)	1	2
Auto & Equipment Loans and Finance Leases	278	(42)	0	0	30	266
Unsecured Instalment Loans and Overdrafts	13	(2)	0	(1)	6	16
Commercial loans deferrals	**313**	**(46)**	**0**	**(7)**	**45**	**305**
Total loan deferrals	**1,042**	**(123)**	**(9)**	**(31)**	**183**	**1,062**

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

Nine months ended 30 Sep 2018 CZK m	Balance at beginning of period	Amortisation	Derecognitions / Modifications	Additions to deferred fees	Additions to deferred costs	Balance at end of period
Consumer Loans	0	(7)	(10)	(73)	119	29
Mortgages	217	(27)	(8)	(1)	208	389
Credit Cards & Overdrafts	26	(14)	0	0	15	27
Auto Loans and Finance Leases	364	(183)	(20)	0	151	312
Retail loans deferrals	**607**	**(231)**	**(38)**	**(74)**	**493**	**757**
Investment Loans	14	(3)	(2)	(11)	23	21
Working Capital	3	(1)	0	(2)	2	2
Auto & Equipment Loans and Finance Leases	230	(91)	0	0	127	266
Unsecured Instalment Loans and Overdrafts	10	(6)	0	(5)	17	16
Commercial loans deferrals	**257**	**(101)**	**(2)**	**(18)**	**169**	**305**
Total loan deferrals	**864**	**(332)**	**(40)**	**(92)**	**662**	**1,062**

8.8 Net fee and commission income

CZK m	Quarter ended		Nine months ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Insurance	164	119	449	334
Investment funds	30	30	95	86
Penalty fees (incl. early termination fees)	58	74	177	266
Deposit servicing fees	85	96	260	299
Lending servicing fees	54	48	153	148
Transactional and other fees	179	164	533	467
Fee and commission income	**570**	**531**	**1,667**	**1,600**
Fee and commission expense	**(71)**	**(84)**	**(218)**	**(248)**
Net fee and commission income	**499**	**447**	**1,449**	**1,352**

8.9 Total operating expenses

CZK m	Quarter ended		Nine months ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Personnel expenses	(567)	(571)	(1,692)	(1,743)
Administrative expenses*	(303)	(367)	(943)	(1,106)
Depreciation and amortisation	(239)	(160)	(719)	(428)
out of which depreciation of right-of-use assets	*(83)*	*n/a*	*(247)*	*n/a*
Regulatory charges*	0	0	(139)	(89)
Other operating expenses*	(53)	3	(225)	(99)
Total operating expenses	**(1,162)**	**(1,095)**	**(3,718)**	**(3,465)**
FTEs (average)	**3,014**	**3,164**	**3,041**	**3,215**

* The line “Regulatory charges” separately disclosed since 2019 includes contributions to the Deposit Insurance Fund of CZK 45 million in 2019, contributions to the Resolution and Recovery Fund of CZK 92 million in 2019 and contributions to the Investor Compensation Fund of CZK 2 million in 2019. Contributions to Deposit Insurance Fund of CZK 42 million in 2018, contributions to Resolution and Recovery Fund of CZK 45 million in 2018 both previously disclosed in “Administrative expenses” and contributions to Investor Compensation Fund of CZK 2 million in 2018 previously disclosed in “Other operating expenses” were reclassified to “Regulatory charges” in comparative figures.

8.10 Investment securities

CZK m	30 Sep 2019	31 Dec 2018
Debt securities measured at amortised cost	25,313	20,721
Government bonds	*24,864*	*20,470*
Corporate bonds	*449*	*251*
Equity securities measured at FVTOCI	1	1
Equity securities measured at FVTPL	80	58
Total investment securities	**25,394**	**20,780**

8.11 Loans and receivables to banks

CZK m	30 Sep 2019	31 Dec 2018
Current accounts at banks	861	48
Overnight deposits	168	0
Receivables arising from reverse repurchase agreements	37,415	33,241
Cash collaterals granted	479	130
Other	3	17
Total Loans and receivables to banks	**38,926**	**33,436**
Included in cash equivalents	*38,923*	*33,419*

8.12 Loans and receivables to customers

CZK m	30 Sep 2019			31 Dec 2018		
	Gross carrying amount	Allowance	Carrying amount	Gross carrying amount	Allowance	Carrying amount
Consumer Loans	41,449	(1,594)	39,855	39,148	(2,263)	36,885
Mortgages	40,819	(26)	40,793	31,615	(109)	31,506
Credit Cards & Overdrafts	3,474	(260)	3,214	3,823	(350)	3,473
Auto Loans and Finance Leases	2,729	(84)	2,645	2,977	(135)	2,842
Other	26	(26)	0	135	(135)	0
Total Retail	**88,497**	**(1,990)**	**86,507**	**77,698**	**(2,992)**	**74,706**
Investment Loans	36,144	(194)	35,950	36,826	(223)	36,603
Working Capital	9,552	(215)	9,337	9,821	(191)	9,630
Auto & Equipment Loans and Finance Leases	13,510	(368)	13,142	14,068	(434)	13,634
Unsecured Instalment Loans and Overdrafts	6,613	(222)	6,391	4,636	(148)	4,488
Inventory Financing and Other	1,093	(50)	1,043	1,174	(112)	1,062
Total Commercial	**66,912**	**(1,049)**	**65,863**	**66,525**	**(1,108)**	**65,417**
Total Loans and receivables to customers	**155,409**	**(3,039)**	**152,370**	**144,223**	**(4,100)**	**140,123**

8.13 Due to banks and Due to customers

Breakdown of Due to banks

CZK m	30 Sep 2019	31 Dec 2018
Deposits on demand	419	357
Term Deposits	0	0
Liabilities arising from repurchase agreements*	0	7,204
Other due to banks**	5,130	3,155
Total Due to banks	**5,549**	**10,716**

Breakdown of Due to customers

CZK m	30 Sep 2019	31 Dec 2018
Retail Current Accounts	50,614	49,569
Retail Savings Accounts and Term Deposits	61,079	44,879
Commercial Current Accounts	36,384	35,906
Commercial Savings Accounts and Term Deposits	24,407	18,522
Liabilities arising from repurchase agreements*	19,441	19,564
Other due to customers	348	352
Total Due to customers	**192,273**	**168,792**

* Collateral transferred within repurchase agreements comprises securities from investment securities at amortised cost disclosed in the statement of financial position in the carrying value of CZK 10,802 million as at 30 September 2019 (31 December 2018: CZK 7,711 million) and securities obtained in reverse repurchase agreements as collateral in the amount of CZK 8,954 million as at 30 September 2019 (31 December 2018: CZK 19,598 million).

** Other due to banks comprises:

- Loan provided by ING Bank N.V. to MONETA Leasing s.r.o. in September 2017. To secure this loan, MONETA Leasing s.r.o., pledged its trade receivables (in the value of 125% of financed amount). This loan amounts to CZK 500 million at 30 September 2019 (CZK 1,000 million at 31 December 2018).
- Loan provided by European Investment Bank in September 2017 to MONETA Money Bank, a.s. that will be used for financing of SME portfolio. This loan amounts to CZK 2,065 million at 30 September 2019 (CZK 2,059 million at 31 December 2018).
- Cash collaterals received represent CSA[19] Collaterals of other financial institutions for derivative and repo transactions in the amount of CZK 64 million at 30 September 2019 (CZK 96 million at 31 December 2018).
- Loan provided by ING Bank N.V. to MONETA Auto s.r.o. in September 2019. This loan amounts to CZK 1,000 million at 30 September 2019.
- Loan provided by Komerční banka, a.s. to MONETA Auto s.r.o. in August 2019. This loan amounts to CZK 1,500 million at 30 September 2019.

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

8.14 Subordinated debt securities issued

Subordinated debt securities issued are the Bank's sources of debt funding and are subordinated to all other liabilities of the Bank. As of 30 September 2019 it forms 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 8.18.1).

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

In September 2019, the Bank issued debt securities in total nominal amount of CZK 2,001 million.

	ISIN	Issue date	Currency	Maturity date	Interest rate	Total nominal amount at issue date CZK m
MB 3,30/29	CZ0003704918	25.9.2019	CZK	25.9.2029	3,3%	2,001

Amortized cost of the outstanding subordinated debt securities:

CZK m	30 Sep 2019	31 Dec 2018
Subordinated debt securities at amortised cost	1,989	0
Total	**1,989**	**0**

The Bank did not have any defaults of principal or interest or other breaches with respect to subordinated liabilities during the year 2019.

8.15 Legal risks

The below legal risks, to which the Group is exposed, have been disclosed in the Bank's 2018 Consolidated Annual Report. The Bank updates information on these legal risks as follows:

8.15.1 Significant legal disputes

8.15.1.1 Litigation risks in respect of the 1998 acquisition of a part of Agrobanka's banking business

For information on the litigation risks in respect of the acquisition by the Bank from Agrobanka Praha, a.s., currently Agrobanka Praha, a.s. v likvidaci ("Agrobanka"), of a part of Agrobanka's banking business in June 1998 and the ongoing liquidation of Agrobanka, please see the Consolidated Annual Report for 2018 (pages 105 through 108). There has been no significant development in this proceeding since 22 May 2019, when the Czech High Court in Prague on 22 May 2019 confirmed with final legal force previous judgment of the Municipal Court in Prague of 22 August 2018 in which the court dismissed in its entirety court action filed by Arca Services (later renamed to ARC equity services and now existing under name Serbina Consulting) in which the petitioner claimed invalidity of the purchase agreement for part of Agrobanka business from 1998.

8.15.1.2 Administrative proceedings initiated by Czech Trade Inspection Authority ("CTI") against MONETA Auto, s.r.o. ("MONETA Auto")

For information on the risks relating to various administrative proceedings initiated by the CTI against MONETA Auto, please see the Consolidated Annual Report for 2018 (page 107). Further to the information disclosed in the Consolidated Annual Report for 2018, the dispute concerning the annual percentage rate of the loan (APR) and the total amount repayable by the consumer to MONETA Auto is now pending before the Constitutional Court of the Czech Republic. In addition to that the Municipal Court in Prague on 21 May 2019 cancelled decision of the CTI from 2017 based on which MONETA Auto paid to CTI penalty of CZK 900,000. As a result of this court decision the CTI returned to MONETA Auto CZK 900,000 penalty in full and paid to MONETA Auto the costs of proceedings. In the following administrative proceeding the COI issued new resolution in which it reduced the penalty to CZK 600,000. MONETA Auto challenged this COI decision in court again. Further, on 14 June 2019, the CTI imposed on MONETA Auto summary penalty of CZK 500,000 for an alleged breach of the Czech Consumer Credit law. MONETA Auto appealed against the CTI decision to the Central Inspectorate of CTI which reduced the imposed penalty to CZK 350,000. MONETA Auto is convinced that it complied with all requirements of the Czech Consumer Credit law and will continue to contest all decisions of the CTI in the above matters in administrative proceedings and in court.

8.15.1.3 Legal Challenges of Resolutions of General Meeting held on 26 October 2017

For information on the risks relating to the court proceedings on the action filed against the Bank by Arca Capital Bohemia, a.s. challenging the validity of the resolutions adopted by the General Meeting of the Bank held on 26 October 2017, please see the Consolidated Annual Report for 2018 (pages 107 and 108). Since 31 December 2018, there have been no significant developments in the ongoing court proceedings initiated by Arca Capital Bohemia, a.s. against the Bank as described in the Consolidated Annual Report for 2018.

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

For information on the risks relating to the court proceedings on the action filed against the Bank by a minority shareholder-individual, to our best knowledge associated with Arca Group, challenging the validity of the resolutions adopted by the General Meeting of the Bank held on 25 April 2018, please see the Consolidated Annual Report for 2018 (page 108). Since 31 December 2018, there have been no significant developments in the ongoing court proceedings initiated by the minority shareholder-individual against the Bank as described in the Consolidated Annual Report for 2018.

8.16 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 Sep 2019 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	670	1 326	316	2 312
Interest expense and similar charges	(73)	(111)	(119)	(303)
Net fee and commission income	152	311	36	499
Dividend income	0	0	0	0
Net income from financial operations	0	0	109	109
Other operating income	14	14	0	28
Total operating income	**763**	**1 540**	**342**	**2 645**
Net impairment of financial assets	(71)	(105)	8	(168)
Risk adjusted operating income	**692**	**1 435**	**350**	**2 477**
Total operating expenses				(1 162)
Profit for the period before tax				**1 315**
Tax on income				(257)
Profit for the period after tax				**1 058**

Quarter ended 30 Sep 2018 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	565	1,266	121	1,952
Interest expense and similar charges	(15)	(47)	(32)	(94)
Net fee and commission income	128	306	14	448
Dividend income	0	0	1	1
Net income from financial operations	0	0	112	112
Other operating income	14	322	0	336
Total operating income	**691**	**1,848**	**216**	**2,755**
Net impairment of financial assets	60	(223)	12	(151)
Risk adjusted operating income	**751**	**1,625**	**228**	**2,604**
Total operating expenses				(1,095)
Profit for the period before tax				**1,509**
Tax on income				(267)
Profit for the period after tax				**1,242**

Nine months ended 30 Sep 2019 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	1,914	3,871	789	6,574
Interest expense and similar charges	(153)	(206)	(304)	(663)
Net fee and commission income	418	943	88	1,449
Dividend income	0	0	1	1
Net income from financial operations	0	0	382	382
Other operating income	49	42	0	91
Total operating income	**2,228**	**4,650**	**956**	**7,834**
Net impairment of financial assets	(189)	(120)	8	(301)
Risk adjusted operating income	**2,039**	**4,530**	**964**	**7,533**
Total operating expenses				(3,718)
Profit for the period before tax				**3,815**
Tax on income				(745)
Profit for the period after tax				**3,070**

Nine months ended 30 Sep 2018 CZK m	Commercial	Retail	Treasury / Other	Total
Interest and similar income	1,638	3,767	294	5,700
Interest expense and similar charges	(39)	(141)	(83)	(263)
Net fee and commission income	383	941	29	1,352
Dividend income	0	0	2	2
Net income from financial operations	0	0	298	298
Other operating income	52	384	0	436
Total operating income	**2,034**	**4,951**	**540**	**7,525**
Net impairment of financial assets	(82)	90	(8)	0
Risk adjusted operating income	**1,952**	**5,041**	**532**	**7,525**
Total operating expenses				(3,465)
Profit for the period before tax				**4,060**
Tax on income				(697)
Profit for the period after tax				**3,363**

Assets and liabilities by segment

30 Sep 2019 CZK m	Commercial	Retail	Treasury / Other	Total
Total assets of the segment	70,509	92,540	66,654	229,703
Net value of loans and receivables to customers	65,864	86,506	0	152,370
Total liabilities of the segment	63,264	114,193	27,082	204,539

31 Dec 2018 CZK m	Commercial	Retail	Treasury / Other	Total
Total assets of the segment	69,802	79,440	57,690	206,932
Net value of loans and receivables to customers	65,417	74,706	0	140,123
Total liabilities of the segment	56,013	95,548	30,134	181,695

8.17 Related parties

The following transactions were done between related parties:

CZK m	Quarter ended		Nine months ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Key members of the management* and Supervisory Board				
Operating expenses	(22)	(21)	(66)	(60)

CZK m	30 Sep 2019	31 Dec 2018
Key members of the management* and Supervisory Board		
Loans and receivables to customers	15	16
Due to customers	12	19

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

8.18 Risk management

The Group aims to achieve competitive returns at an acceptable risk level as part of its business activities. Risk management covers the control of risks associated with all business activities in the environment in which the Group operates and ensures that the risks taken are in compliance with regulatory limits, as well as falling within its risk appetite.

Risk management policies and practices have not changed since 31 December 2018 and are described in the last annual financial statements. In addition, the Bank implemented limits for the impact of liquidity management stress scenarios on the Bank's liquidity position. Within organizational changes in Risk Division implemented in 3 quarter 2019 the credit risk measurement was transferred into Finance Division.

8.18.1 Capital Management

Regulatory Capital and its components and capital adequacy:

CZK m	30 Sep 2019	31 Dec 2018
Regulatory Capital	22,453	20,063
Tier 1	20,463	20 063
Tier 2	1,989	0
RWA	123,829	122,202
out of which Credit Risk	110,079	107,939
out of which Operational Risk	13,343	14,165
out of which CVA	407	98
out of which Trading Book	0	1

Capital adequacy (%)	30 Sep 2019	31 Dec 2018
RWA Density*	48.4%	50.0%
CET1 Ratio	16.5%	16.4%
Tier 1 Ratio	16.5%	16.4%
Total Capital Ratio (CAR)	18.1%	16.4%

* 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, 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, and Directive 2014/59/EU 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, and their implementing measures. Furthermore, from local perspective, the regulatory framework is given by Banking Act No. 21/1992 Coll., as amended, and CNB Decree No. 163/2014 Coll., as amended, and Act No. 374/2015 Coll., on recovery and resolution in the financial market, as amended.

In order to calculate the regulatory capital requirement for credit risk, on individual as well as on consolidated basis, the Bank uses the standardised (STA) approach. To calculate the regulatory capital requirement for operational risk, the Bank uses the alternative standardised approach (ASA) on an individual basis. The standardised approach (TSA) is used to calculate the capital requirement for operational risk on a consolidated basis for the rest of the consolidated Group.

The Bank issued (in September 2019) subordinated Tier 2 bonds in Czech currency in the total value of CZK 2 billion with maturity of 10 years and with a fixed interest rate of 3.3% p. a. in the first five years in order to optimise the regulatory capital structure and to strengthen capital adequacy.

8.18.2 Loans and receivables to banks and customers according to their categorization

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

30 Sep 2019	Loans and receivables to banks				Loans and receivables to customers			
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing before due date	38,926	0	0	38,926	144,400	3,522	0	147,922
Performing past due date	0	0	0	0	3,158	1,386	0	4,544
Total performing	38,926	0	0	38,926	147,558	4,908	0	152,466
Total non-performing	0	0	0	0	0	0	2,942	2,942
Gross loans and receivables	**38,926**	**0**	**0**	**38,926**	**147,558**	**4,908**	**2,942**	**155,408**
Individual allowances	0	0	0	0	0	0	(309)	(309)
Portfolio allowances	0	0	0	0	(1,064)	(369)	(1,297)	(2,730)
Total allowances	**0**	**0**	**0**	**0**	**(1,064)**	**(369)**	**(1,606)**	**(3,039)**
Net loans and receivables	**38,926**	**0**	**0**	**38,926**	**146,494**	**4,539**	**1,337**	**152,370**

31 Dec 2018	Loans and receivables to banks				Loans and receivables to customers			
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing before due date	33,436	0	0	33,436	132,998	2,305	0	135,303
Performing past due date	0	0	0	0	3,626	1,190	0	4,816
Total performing	33,436	0	0	33,436	136,624	3,495	0	140,119
Total non-performing	0	0	0	0	0	0	4,104	4,104
Gross loans and receivables	**33,436**	**0**	**0**	**33,436**	**136,624**	**3,495**	**4,104**	**144,223**
Individual allowances	0	0	0	0	0	0	(325)	(325)
Portfolio allowances	0	0	0	0	(1,035)	(345)	(2,395)	(3,775)
Total allowances	**0**	**0**	**0**	**0**	**(1,035)**	**(345)**	**(2,720)**	**(4,100)**
Net loans and receivables	**33,436**	**0**	**0**	**33,436**	**135,589**	**3,150**	**1,384**	**140,123**

8.18.3 Walk of allowances to Loans and receivables to customers

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

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

	Quarter ended 30 Sep 2018				Nine months ended 30 Sep 2018			
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**784**	**269**	**1,831**	**2,884**	**708**	**305**	**2,493**	**3,506**
Purchases and originations	64	3	6	73	199	8	14	221
Derecognition and maturities	(37)	(9)	(30)	(76)	(114)	(27)	(209)	(350)
Transfer to (out) Stage 1	69	(57)	(12)	0	260	(224)	(36)	0
Transfer to (out) Stage 2	15	(10)	(5)	0	13	15	(28)	0
Transfer to (out) Stage 3	(8)	(75)	83	0	(30)	(250)	280	0
Remeasurements, changes in models and methods	(132)	156	149	173	(281)	450	285	454
Use of allowances (write offs)	0	0	(157)	(157)	0	0	(934)	(934)
Foreign exchange adjustments	0	0	0	0	0	0	0	0
Balance at end of period	**755**	**277**	**1,865**	**2,897**	**755**	**277**	**1,865**	**2,897**

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

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

	Quarter ended 30 Sep 2018				Nine months ended 30 Sep 2018			
CZK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**288**	**85**	**909**	**1,282**	**180**	**76**	**976**	**1,232**
Purchases and originations	35	2	10	47	118	4	26	148
Derecognition and maturities	(5)	(5)	(22)	(32)	(16)	(13)	(59)	(88)
Transfer to (out) Stage 1	30	(21)	(9)	0	92	(71)	(21)	0
Transfer to (out) Stage 2	5	51	(56)	0	10	56	(66)	0
Transfer to (out) Stage 3	4	(18)	14	0	7	(45)	38	0
Remeasurements, changes in models and methods	(131)	7	48	(76)	(165)	94	84	13
Use of allowances (write offs)	0	0	(102)	(102)	0	0	(187)	(187)
Foreign exchange adjustments	0	0	(1)	(1)	0	0	0	0
Balance at end of period	**226**	**101**	**791**	**1,118**	**226**	**101**	**791**	**1,118**

8.18.4 Break down of allowances according to loan type and stages

30 Sep 2019 CZK m	Stage 1	Stage 2	Stage 3	Total
Retail loans	**789**	**264**	**937**	**1,990**
Consumer Loans	649	178	767	1,594
Mortgages	4	5	17	26
Credit Cards & Overdrafts	101	71	88	260
Auto Loans and Finance Leases	31	10	43	84
Other	4	0	22	26
Commercial loans	**275**	**106**	**668**	**1,049**
Investment Loans	68	23	103	194
Working Capital	25	21	169	215
Auto & Equipment Loans and Finance Leases	80	30	258	368
Unsecured Instalment Loans and Overdraft	100	31	91	222
Inventory Financing and Other	2	1	47	50
TOTAL allowances to Lending portfolio	**1,064**	**370**	**1,605**	**3,039**
Debt instruments measured at amortised costs	4	0	0	4
TOTAL allowances Financial Assets	**1,068**	**370**	**1,605**	**3,043**
Financial guarantees	24	1	0	25
Loan commitments - Retail	20	5	0	25
Loan commitments - Commercial	8	2	0	10
TOTAL liabilities to off balance sheet items	**52**	**8**	**0**	**60**

31 Dec 2018 CZK m	Stage 1	Stage 2	Stage 3	Total
Retail loans	**792**	**253**	**1,947**	**2,992**
Consumer Loans	604	171	1,488	2,263
Mortgages	17	5	87	109
Credit Cards & Overdrafts	114	65	171	350
Auto Loans and Finance Leases	39	11	85	135
Other	18	1	116	135
Commercial loans	**243**	**92**	**773**	**1,108**
Investment Loans	66	22	135	223
Working Capital	23	13	155	191
Auto & Equipment Loans and Finance Leases	78	34	322	434
Unsecured Instalment Loans and Overdraft	72	22	54	148
Inventory Financing and Other	4	1	107	112
TOTAL allowances to Lending portfolio	**1,035**	**345**	**2,720**	**4,100**
Debt instruments measured at amortised costs	3	0	0	3
TOTAL allowances Financial Assets	**1,038**	**345**	**2,720**	**4,103**
Financial guarantees	3	1	0	4
Loan commitments - Retail	24	4	0	28
Loan commitments - Commercial	16	2	0	18
TOTAL liabilities to off balance sheet items	**43**	**7**	**0**	**50**

8.18.5 Coverage of Non-Performing Loans and receivables (Stage 3)

CZK m	30 Sep 2019	31 Dec 2018
Retail	1,766	2,899
Commercial	1,176	1,205
Total NPL	**2,942**	**4,104**

CZK m	30 Sep 2019	31 Dec 2018
Retail	938	1,947
Commercial	668	773
Total allowances to NPL	**1,606**	**2,720**

%	30 Sep 2019	31 Dec 2018
Retail	112.7%	103.2%
Commercial	89.2%	91.9%
Total NPL coverage	**103.3%**	**99.9%**

%	30 Sep 2019	31 Dec 2018
Retail	2.0%	3.7%
Commercial	1.8%	1.8%
NPL Ratio	**1.9%**	**2.8%**

8.18.6 Net impairment of financial assets

CZK m	Quarter ended		Nine months ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Additions and release of loan loss allowances	(178)	(130)	(365)	(472)
Additions and release of allowances/provisions to unused commitments	4	20	6	8
Use of loan loss allowances	92	260	1 385	1 121
Income from previously written-off receivables	12	71	167	820
Write offs of uncollectable receivables	(97)	(282)	(1 464)	(1 158)
Change in allowances to Investment securities	(1)	(0)	(1)	(3)
Change in allowances to operating receivables	9	1	10	(6)
Collection expense	(9)	(90)	(39)	(310)
Net impairment of financial assets	**(168)**	**0**	**(301)**	**(0)**

Net impairment of financial assets for the nine months ended 30 September 2019 was significantly influenced by sales of NPLs resulting in the gain recognized in this line in the amount of CZK 311 million (nine months ended 30 September 2018: gain CZK 663 million).

8.18.7 Maximum credit risk exposures

30 Sep 2019 CZK m	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	**6,684**	**0**	**6,684**	**0**
Derivative financial instruments	**21**	**0**	**21**	**21**
Investment securities measured at FVTPL	**80**	**0**	**80**	**0**
Equity investments	*80*	*0*	*80*	*0*
Investment securities measured at FVTOCI	**1**	**0**	**1**	**0**
Equity investments	*1*	*0*	*1*	*0*
Investment securities measured at amortized cost	**25,313**	**0**	**25,313**	**0**
Treasury and corporate bonds	*25,313*	*0*	*25,313*	*0*
Hedging derivatives with positive fair values	**156**	**0**	**156**	**0**
Interest rate swaps	*156*	*0*	*156*	*0*
Change in fair value of items hedged on portfolio basis	**50**	**0**	**50**	**0**
Loans and receivables to banks	**38,926**	**0**	**38,926**	**36,668**
Current accounts at banks	*861*	*0*	*861*	*0*
Overnight deposits	*168*	*0*	*168*	*0*
Term deposits in banks payable within 3 months	*0*	*0*	*0*	*0*
Receivables arising from reverse repurchase agreements	*37,415*	*0*	*37,415*	*36,668***
Cash collaterals granted	*479*	*0*	*479*	*0*
Other	*3*	*0*	*3*	*0*
Loans and receivables to customers	**152,370**	**23,783**	**176,153**	**72,043**
Consumer authorized overdrafts and credit cards	*3,214*	*4,804*	*8,018*	*0*
Consumer loans	*39,855*	*1,569*	*41,424*	*0*
Mortgages	*40,793*	*6,207*	*47,000*	*39,682*
Commercial loans	*52,721*	*11,130*	*63,851*	*26,220*
Auto & Equipment Finance Lease	*3,120*	*0*	*3,120*	*2,513*
Commercial	*3,120*	*0*	*3,120*	*2,513*
Retail	*0*	*0*	*0*	*0*
Auto & Equipment Loans	*12,667*	*73*	*12,740*	*3,628*
Commercial	*10,022*	*73*	*10,095*	*3,628*
Retail	*2,645*	*0*	*2,645*	*0*
Other loans	*0*	*0*	*0*	*0*
Commercial	*0*	*0*	*0*	*0*
Retail	*0*	*0*	*0*	*0*
Issued guarantees and credit limits on guarantees	**0**	**1,421**	**1,421**	**232**
Issued letter of credit	**0**	**0**	**0**	**0**
Other assets	**6,102**	**0**	**6,102**	**0**

* Available collateral represents realisable value of collateral relevant for each loan exposure. The realisable value of collateral is capped up to the Total exposure presented in the statement of financial position on a loan-by-loan basis for the purpose of the presentation in these breakdowns.
** Thereof securities obtained in repurchase agreements as collateral in the amount of CZK 8,954 million were transferred as collateral according to repo from reverse repurchase agreements as at 30 September 2019 (31 Dec 2018: CZK 19,598 million).

31 Dec 2018 CZK m	Statement of financial position	Off-balance sheet	Total credit risk exposure	Available collateral*
Cash and balances with the central bank	**8,139**	**0**	**8,139**	**0**
Derivative financial instruments	**28**	**0**	**28**	**19**
Investment securities measured at FVTPL	**58**	**0**	**58**	**0**
Equity investments	*58*	*0*	*58*	*0*
Investment securities measured at FVTOCI	**1**	**0**	**1**	**0**
Equity investments	*1*	*0*	*1*	*0*
Investment securities measured at amortized cost	**20,721**	**0**	**20,721**	**0**
Treasury and corporate bonds	*20,721*	*0*	*20,721*	*0*
Hedging derivatives with positive fair values	**53**	**0**	**53**	**0**
Interest rate swaps	*53*	*0*	*53*	*0*
Change in fair value of items hedged on portfolio basis	**30**	**0**	**30**	**0**
Loans and receivables to banks	**33,436**	**0**	**33,436**	**32,583**
Current accounts at banks	*48*	*0*	*48*	*0*
Overnight deposits	*0*	*0*	*0*	*0*
Term deposits in banks payable within 3 months	*0*	*0*	*0*	*0*
Receivables arising from reverse repurchase agreements	*33,241*	*0*	*33,241*	*32,583***
Cash collaterals granted	*130*	*0*	*130*	*0*
Other	*17*	*0*	*17*	*0*
Loans and receivables to customers	**140,123**	**23,419**	**163,542**	**65,649**
Consumer authorized overdrafts and credit cards	*3,473*	*4,796*	*8,269*	*0*
Consumer loans	*36,885*	*1,318*	*38,203*	*0*
Mortgages	*31,506*	*7,305*	*38,811*	*30,967*
Commercial loans	*51,782*	*9,919*	*61,701*	*27,342*
Auto & Equipment Finance Lease	*3,878*	*0*	*3,878*	*3,346*
Commercial	*3,878*	*0*	*3,878*	*3,346*
Retail	*0*	*0*	*0*	*0*
Auto & Equipment Loans	*12,599*	*81*	*12,680*	*3,994*
Commercial	*9,757*	*81*	*9,838*	*3,994*
Retail	*2,842*	*0*	*2,842*	*0*
Other loans	*0*	*0*	*0*	*0*
Commercial	*0*	*0*	*0*	*0*
Retail	*0*	*0*	*0*	*0*
Issued guarantees and credit limits on guarantees	**0**	**1,677**	**1,677**	**275**
Issued letter of credit	**0**	**37**	**37**	**1**
Other assets	**4,342**	**0**	**4,342**	**0**

* Available collateral represents realisable value of collateral relevant for each loan exposure. The realisable value of collateral is capped up to the Total exposure presented in the statement of financial position on a loan- by-loan basis for the purpose of the presentation in these breakdowns.
** Thereof securities obtained in reverse repurchase agreements as collateral in the amount of CZK 19,598 million were transferred as collateral according to repo from reverse repurchase agreements as at 31 December 2018.

8.19 Fair values of financial assets and liabilities

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

CZK m	30 Sep 2019		31 Dec 2018	
	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS				
Cash and balances with the central bank	6,684	6,684	8,139	8,139
Investment securities at amortised cost*	25,313	25,575	20,721	19,957
Loans and receivables to banks	38,926	38,926	33,436	33,436
Loans and receivables to customers	152,370	152,683	140,123	140,794
FINANCIAL LIABILITIES				
Due to banks	5,549	5,551	10,716	10,712
Due to customers	192,273	192,273	168,792	168,792
Subordinated Liabilities	1,989	1,992	0	0

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

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

CZK m	30 Sep 2019			31 Dec 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FINANCIAL ASSETS						
Derivative financial instruments	0	21	0	0	28	0
Investment securities measured at FVTPL	0	0	80	0	0	58
Investment securities measured at FVTOCI	0	0	1	0	0	1
Hedging derivatives with positive fair values	0	156	0	0	53	0
Change in fair value of items hedged on portfolio basis	0	0	50	0	0	30
FINANCIAL LIABILITIES						
Derivative financial instruments	0	9	0	0	44	0
Hedging derivatives with negative fair values	0	513	0	0	167	0

There were no transfers between level 1 and 2 during the period of the nine months ended 30 September 2019 and the year ended 31 December 2018.

The Group uses the following inputs and techniques to determine the fair value under level 1, 2 and level 3.

The level 1 is based on quoted prices for identical instruments in active markets.

The level 2 assets include mainly financial derivatives. For derivative exposures the fair value is estimated using the present value of the cash flows resulting from the transactions taking into account market inputs like FX spot and forwards rates, benchmark interest rates and swap rates.

The level 3 assets include equity instruments not traded on the market and Change in fair value of items hedged on portfolio basis where the fair value is calculated using the valuation techniques including expert appraisals.

Movement analysis of level 3 financial assets and liabilities

CZK m	As at 1 Jan 2019	Sales	Additions	Total gains and losses in the period recognised in the profit or loss	Total gains and losses in the period recognised in OCI	As at 30 Sep 2019
Investment securities at FVTOCI	1	0	0	0	0	1
Investment securities at FVTPL	58	0	0	22	0	80
Total	**59**	**0**	**0**	**22**	**0**	**81**

CZK m	As at 1 Jan 2018	Sales	Additions	Total gains and losses in the period recognised in the profit and loss	Total gains and losses in the period recognised in OCI	As at 31 Dec 2018
Investment securities at FVTOCI	1	0	0	0	0	1
Investment securities at FVTPL	47	0	0	11	0	58
Total	**48**	**0**	**0**	**11**	**0**	**59**

8.20 Subsequent events

There have been no subsequent events arising after 30 September 2019 that would have material impact on this consolidated financial report.

9 Management affidavit

To the best of our knowledge, we believe that this consolidated financial report gives a fair and true view of the Group's financial position, business activities and results for the nine months of 2019, and outlook for the development of Group's financial situation, business activities and results.

Prague, 5 November 2019

Signed on behalf of the Management Board:

Tomáš Spurný
CEO and Chairman of the Management Board

Jan Friček
CFO and Member of the Management Board

10 Glossary

Annualised	Adjusted so as to reflect the relevant rate on the full year basis
ARAD	Public database that is part of the information service of the Czech National Bank. It is uniform system of presenting time series of aggregated data for individual statistics and financial market areas.
Average balance of due to banks and due to customers	Two-point average of the beginning and ending balances of Due to banks and Due to customers for the period
Average balance of net interest earning assets	Two-point average of the beginning and ending balances of Net Interest Earning Assets for the period
Average balance of net loans to customers	Two-point average of the beginning and ending balances of Loans and receivables to customers for the period
Bank	MONETA Money Bank, a.s.
Bps	Basis points
Capital Adequacy Ratio or CAR or Total Capital Adequacy Ratio	Regulatory capital expressed as a percentage of RWA
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CET1 Capital Ratio or CET1 ratio	CET1 Capital as a percentage of RWA (calculated pursuant to CRR)
CET1 of CET1 Capital	Common equity tier 1 capital represents regulatory capital which mainly consists of capital instruments and other items provided in the Article 26 of CRR, such as paid-up registered share capital, share premium, retained profits, disclosed reserves and reserves for general banking risks, which must be netted off against accumulated losses, certain deferred tax assets, certain intangible assets and shares held by the Bank itself (calculated pursuant to CRR).
CNB	Czech National Bank
CoR or Cost of Risk (% Avg Net Customer Loans)	Net impairment of loans and receivables for the period divided by average balance of net loans to customers. MONETA uses the cost of risk measure because it describes the development of the credit risk in relative terms to its average loan portfolio balance.
Core CoR or Core Cost of Risk (% Avg Net Customer Loans)	Net impairment of financial assets for the period divided by average balance of net loans to customers excluding gain from monetisation of NPLs. MONETA uses the Core Cost of Risk measure because the reported CoR is impacted by non-recurring gains from monetisation of NPLs.
Core customer deposits	Due to customers excluding repo operations. MONETA uses this measure to show customer deposits without repo operations.
Core NPL Coverage	Ratio (expressed as a percentage) of Loss allowances for NPL to total NPL receivables. MONETA uses the core NPL coverage measure because it shows the degree to which its Stage 3 loan portfolio is covered by loss allowances for losses created for the Stage 3 loans.
Cost of Funds (% Avg Deposits)	Interest expense and similar charges for the period divided by Average balance of due to banks and due to customers. MONETA uses the cost of funds measure because it represents a relative measure of MONETA's cost of funding to its overall funding base comprised primarily of customer deposits.
Cost of Funds on Core Customer Deposits (% Avg Deposits)	Interest expense and similar charges on customer deposits for the period divided by average balance customer deposits, excl. repo operations
Cost to Income Ratio	Ratio (expressed as a percentage) of total operating expenses for the period to total operating income for the period. MONETA uses the cost to income ratio measure because it reflects the cost efficiency in relative terms to generated revenues.
Credit Valuation Adjustment or CVA	The difference between the risk-free portfolio value and the fair value of the portfolio that takes into account the possibility of a counterparty’s default (calculated in accordance with CRR).

(All amounts in CZK millions unless otherwise stated)

CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended.
CSA	Credit Support Annex, a legal document which regulates credit support (collateral) for derivative transactions.
CTI	Czech Trade Inspection Authority
Customer deposits	Due to customers
CZK	Czech Koruna
Excess capital	Capital exceeding the management target CAR capital ratio of 15.5%. MONETA uses the excess capital measure because it describes the MONETA's capital in excess of capital held to maintain its target CAR and thus represents the amount of capital which could potentially be used for growth, both organic and inorganic, or paid out to its shareholders.
FTE	The average recalculated number of employees during the period is an average of the figures reported to Czech Statistical Authority (CSA) on a monthly basis in accordance with Article 15 of Czech Act No. 518/2004. The figures reported to CSA equal to quotient of the following nominator and the following denominator. The nominator is defined as all hours worked by all employees, their related leaves/holidays and their related sick days. The denominator represents a standard working hours per an employee and a month.
FVTOCI	Financial assets measured at Fair Value Through Other Comprehensive Income
FVTPL	Financial assets measured at Fair Value Through Profit or Loss
GDP	Gross Domestic Product
Gross performing loans	Performing Loans and Receivables to customers as determined in accordance with the Bank's loan receivables categorization rules (Standard, Watch)
Group	Bank and its consolidated subsidiaries
HTC	Held To Collect
HTCS	Held To Collect and Sell
IFRS	International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board, the International Accounting Standards (IASs) adopted by the International Accounting Standards Board, the Standing Interpretation Committee abstracts (SICs) and the International Financial Reporting Interpretation Committee abstracts (IFRICs) as adopted or issued by the International Financial Reporting Interpretation Committee, in each case, as codified in the Commission Regulation (EC) No. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as amended, or otherwise endorsed for use in the European Union.
Investment securities	Equity and debt securities in the Group´s portfolio, consist of securities measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL)
k	thousands
Liquid Assets	Liquid assets comprise of cash and balances with central banks, investment securities and receivables to banks.
Liquidity Coverage Ratio or LCR	Liquidity Coverage Ratio measures the ratio (expressed as a percentage) of a Group's buffer of high quality liquid assets to its projected net liquidity outflows over a 30-day stress period, as calculated in accordance with CRR and EU Regulation 2015/61
Loan to Deposit Ratio or L/D Ratio	Loan to deposit ratio calculated as net loans and receivables to customers divided by customer deposits. MOENAT uses the loan to deposit ratio measure because this metric is used by the Management of MONETA to assess its liquidity level.
m	Millions
MONETA Auto	MONETA Auto, s.r.o.
MONETA Leasing	MONETA Leasing, s.r.o.
Net Customer Loans	Net loans and receivables to customers
Net Income or Profit after Tax or Net profit	Profit for the period after tax, on consolidated basis unless this report states otherwise.
Net Interest Earning Assets	Cash and balances with the central bank, investment securities loans and receivables to banks, loans and receivables to customers
Net Non-Interest Income	Total operating income less Net interest income for the period. MONETA uses the net non-interest income measure because this is an important metric for assessing and control of the diversity of revenue streams.
New Volume / New Production	Aggregate of loan principal disbursed in the period for non-revolving loans

NIM or Net Interest Margin (% Avg Int Earning Assets)	Net interest income divided by Average balance of net interest earning assets. MONETA uses the net interest margin measure because this metric represents the primary measure of profitability showing margin between interest earned on interest earning assets (mainly loans to customers) and paid on interest bearing liabilities (mainly customer deposits) in relative terms to the average balance of interest earning assets.
No.	Number
NPL Coverage or Total NPL Coverage	Ratio (expressed as a percentage) of Loss allowances for loans and advances to customers to NPL receivables. MONETA uses the NPL coverage measure because it shows the degree to which its Stage 3 loan portfolio is covered by total loss allowances created for credit losses.
NPL Ratio or Non-Performing Loans Ratio	Ratio (expressed as a percentage) of total gross receivables categorized as non-performing to total gross receivables. MONETA uses the NPL ratio measure because it's the key indicator of portfolio quality and allows comparison to the market and peers.
NPL/Non-Performing Loans	Non-performing loans as determined in accordance with the Bank´s loan receivables categorization rules (Substandard, Doubtful, Loss) and pursuant to CNB Decree 163/2014 Coll., Stage 3 according to IFRS 9.
OCI	Other Comprehensive Income
Online / Fully online volume / sales / origination / production	Online volume/sale represents volume from leads initiated through digital channels and disbursed either through digital channels or branches; fully online volume /sales = volume from leads both initiated and disbursed in digital channels; online initiated = volume from leads initiated in digital channels but disbursed at branch. MONETA uses the online sales/origination/production/volume because it reflects the production of MONETA's digital/online distribution channels.
Q	Quarter
Regulatory Capital	CET1 (calculated pursuant to CRR) as MONETA, as at the date hereof, has not issued any Additional Tier 1 Capital or Tier 2 Capital instruments or items.
Return on Equity or RoE	Return on equity calculated as annualized profit after tax for the period divided by total equity
Return on Tangible Equity or RoTE or RoTE	Consolidated profit after tax divided by tangible equity. MONETA uses the RoTE measure because it is one of the key performance indicators used to assess MONETA's rentability of tangible capital.
Risk Adjusted Operating Income	Calculated as total operating income less Net impairment of financial assets
Risk Adjusted Yield (% Avg Net Customer Loans)	Interest and similar income from loans to customers less net impairment of financial assets divided by average balance of net loans to customers.
Risk-Weighted Assets or RWA or risk exposure	Risk weighted assets (calculated pursuant to CRR)
RoAA or Return on Average Assets	Return on average assets calculated as profit after tax for the year divided by Average balance of total assets. Average balance of total assets is calculated as two point average from total assets as at the end of current year and prior year (31 December). MONETA uses the RoAA measure because it is one of the key performance indicators used to assess MONETA's rentability of assets.
RWA density	Ratio of RWA to the Leverage Exposure (consisting of On&Off-balance sheet Gross Loans and receivables and counterparty credit risk)
Small Business	Entrepreneurs and small companies with an annual turnover of up to CZK 60 million
Small business (new) production	New Volume of unsecured instalment loans and receivables to customers
SME	An enterprise with an annual turnover of up to CZK 200 million
Tangible Equity	Calculated as total equity less intangible assets and goodwill
Tier 1 Capital	The aggregate of CET1 Capital and Additional Tier 1 capital
Tier 1 Capital Ratio	Tier 1 capital as a percentage of RWA
Tier 2 Capital	Regulatory capital which consists of capital instruments, subordinated loans and other items (including certain unsecured subordinated debt obligations with payment restrictions) provided in Article 62 of CRR.
Trading book	Trading book according to the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended (article 4, para 86).

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