

| Banking | Update | Czech Republic |

# MONETA Money Bank

Strong capital position supports high dividend

## Buy

Price 16.01.25	<b>CZK 128.8</b>
12m target	<b>CZK 143.3</b>
Upside to TP	<b>11,3 %</b>
Dividend	<b>CZK 11.2</b>
Total return	<b>20,0 %</b>

**Sector stance**  
Overweight

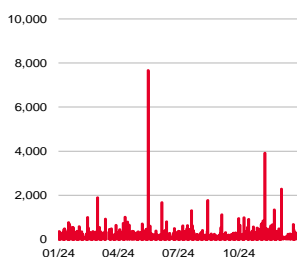
**Investment type**  
High dividend yield  
Sensitivity to economic cycle

### 1 year performance



Source: Bloomberg

### Trading volume (in ths of shares)



Source: Bloomberg

### Share data

RIC MONET.PR	Bloom	MONET CP
52-week range	94.8 - 128.8	
Market cap. (CZKbn)	65.8	
Market cap. (EURm)	2608	
Free float (%)	57.49	
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>
Share	3.9	15.2
Rel. to PX Index	0.8	2.9
		8.2

Source: Bloomberg

### The latest analysis and report:

[https://bit.ly/Moneta\\_1Q23\\_EN](https://bit.ly/Moneta_1Q23_EN)

[https://bit.ly/Moneta\\_ex-diviCZK8\\_EN](https://bit.ly/Moneta_ex-diviCZK8_EN)

[https://bit.ly/Moneta\\_2Q23\\_EN](https://bit.ly/Moneta_2Q23_EN)

**Investment recommendation:** We have updated our model for MONETA Money Bank. Based on the new forecasts, we set a new price target for Moneta of CZK143.3. This corresponds to a Buy rating (the recommendation and target price were under review on 7/25/2024). Moneta trades at a premium to its peer group. According to our estimates, Moneta trades at a P/B of 2.3x, a P/E of 13.4x and a P/S of 5.8x. The median of the peer group is 1.3x, 6.8x and 1.2x. We believe that the premium is justified. This could be due to a strong capital position, asset quality, a conservative business model or a high dividend.

**Results and outlook:** According to our forecasts, Moneta's total operating income is expected to grow by +5.8% yoy last year. Net interest income will also grow (+4.2% yoy) due to lower funding costs as deposit rates fall. The net interest margin is expected to increase slightly in 4Q24. For the full year, however, it will be slightly lower. Fees and commissions are one of the drivers of full-year growth. Successful distribution of investment products will increase them by +13.3% yoy. Operating expenses will remain stable yoy according to our model. Rising personnel costs will be offset by lower administrative costs and lower regulatory fees. We estimate net income to grow +9.7% yoy to CZK5.7bn.

**Shareholder remuneration:** Moneta's dividend policy is to distribute at least 70% of consolidated net income to its shareholders. However, the Bank's management plans to pay a dividend of at least 80%. This depends on Moneta's capital position, which is strong and meets the capital requirements, including the management reserve, by a margin. Last year, an ordinary dividend of CZK9 was paid in May, representing a payout ratio of 88%. In addition, Moneta paid a special dividend of CZK3 in December. The total payout ratio would then be 118%. In the following years, we expect to pay out the entire net profit. This year, we expect to pay a dividend of CZK11.2 per share from the 2024 profit. This dividend corresponds to the payout ratio of 100% and offers a gross yield of +8.7%. In the following years of the forecast period, the yield could rise above +9%. The capital adequacy ratio for 9M24 was 19.2%. It is thus safely above the requirement of 15.25% (from January 2025). MONETA continues to accrue 90% of consolidated net profit for future dividend payments. For 9M24, CZK3.8bn or CZK7.5 per share.

**Valuation:** We arrived at the target price of Moneta using three valuation methods: the discounted cash flow model, dividend discount model and excess return model. Comparing our new target price to the market price offers a total return of +20.0%. This corresponds to a Buy recommendation.

Financial data	2023	2024e	2025e	2026e	Ratios	2023	2024e	2025e	2026e
Revenues (CZKbn)	12,147	12,846	12,817	13,494	P/E (actual, x)	12.5	11.4	12.2	11.8
Cost / Income ratio (%)	47.2	44.6	46.0	44.5	Price / book value (x)	2.0	2.0	1.7	1.7
Net interest margin (%)	2.1	1.9	1.8	1.9	Price / sales (x)	5.4	5.1	5.1	4.8
Net income (CZKbn)	5,200	5,702	5,323	5,544	Dividend yield (%)	6.3	9.4	8.7	8.2
EPS	10.2	11.2	10.4	10.8	ROE (%)	16.1	17.1	13.8	14.3
Cash flow per share	10.7	15.0	11.8	13.6	ROTE (%)	18.0	19.0	15.1	15.6
Dividend per share	8.0	12.0	11.2	10.4	ROA (%)	1.1	1.2	1.1	1.1
Payout ratio (%)	79	118	100	100	Loan-to-deposit (%)	65.8	64.0	63.5	61.5

**Upcoming events:** 31 January 2025 – 4Q24 and full-year results

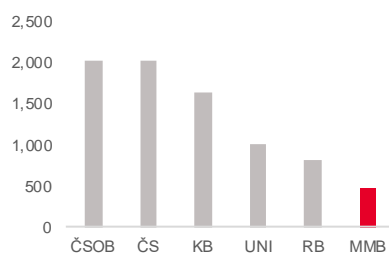
**Bohumil Trampota**  
(420) 222 008 560  
bohumil\_trampota@kb.cz

SOCIETE  
GENERALE  
GROUP

## Company overview

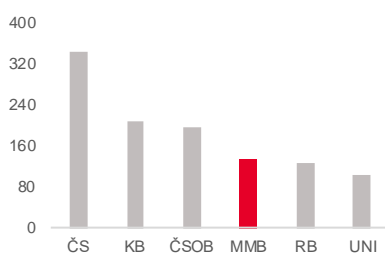
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Strong position in both retail and SME segments</li> <li>Extensive and evenly spread distribution network of branches and ATMs</li> <li>High capital adequacy and asset profitability</li> <li>Independence from external financing</li> <li>Long-term management experience of the Czech banking sector</li> </ul>	<ul style="list-style-type: none"> <li>Limited regional diversification</li> <li>High competition in fees and commissions among banks</li> <li>Highly sector regulation</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Favourable macroeconomic environment of the Czech economy</li> <li>Rising interest rates with a positive impact on net interest income</li> <li>Low penetration of financial services among the population and corporate clients</li> <li>Expansion of provided services</li> <li>Attractive price policy that should increase client portfolios</li> <li>Growth through acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>Stricter regulation</li> <li>Unsuccessful strategy without the desired effect of increasing loan volumes</li> <li>Lower dividend payout than estimated</li> <li>Special bank levy or sectorial tax</li> </ul>

Balance sheet total (CZKbn, 9M24)

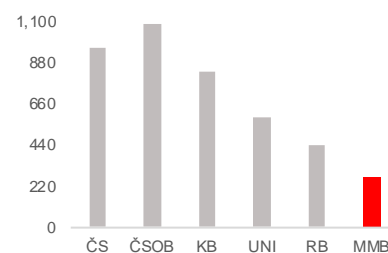


Source: banks' websites

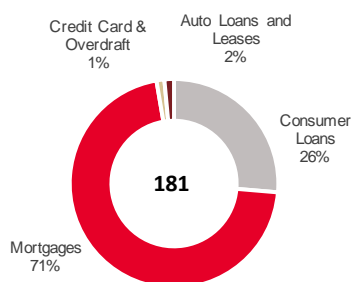
Number of branches (9M24)



Loans provided to clients (CZKbn, 9M24)

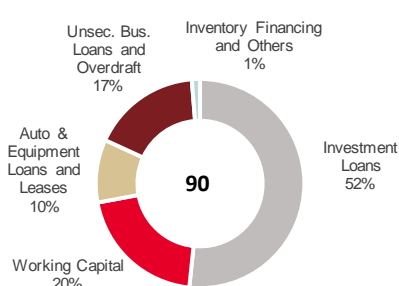


Retail loans (CZKbn, 3Q24)

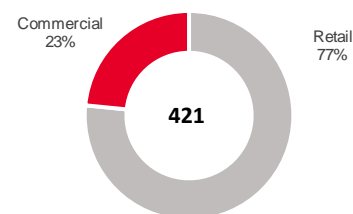


Source: MONETA Money Bank

Corporate loans (CZKbn, 3Q24)



Clients' deposits (CZKbn, 3Q24)



## Financial situation of the company

### Company results for 3Q24

CZKmn	3Q23	3Q24	y/y	KB	vs KB	Cons.	vs Cons.
Net Interest Income	2,198	2,305	4.9%	2,298	0,3%	2,231	3,3%
NF&C	682	754	10.6%	787	-4,2%	767	-1,7%
Others	300	186	-38.0%	199	-6,5%	230	-19,1%
<b>Total Operating Income</b>	<b>3,180</b>	<b>3,245</b>	2.0%	<b>3,284</b>	-1,2%	<b>3,228</b>	0,5%
<b>Total Operating Expenses</b>	<b>-1,276</b>	<b>-1,330</b>	4.4%	<b>-1,292</b>	2,9%	<b>-1,350</b>	-1,5%
<b>Operating Profit</b>	<b>1,904</b>	<b>1,915</b>	0.6%	<b>1,991</b>	-3,8%	<b>1,878</b>	2,0%
Net Impairment	-142	-114	-19.7%	-103	10,6%	-131	-13,0%
Pre-tax	1,762	1,801	2.2%	1,888	-4,6%	1,747	3,1%
<b>Net profit</b>	<b>1,494</b>	<b>1,532</b>	2.5%	<b>1,623</b>	-5,6%	<b>1,499</b>	2,2%

Source: Moneta Money Bank, Economic & Strategy Research, Komerční banka; MONETA Money Bank consensus among 12 analysts, including KB

**Moneta reported higher yoy 3Q24 results, beating consensus. Net interest margin increased. Risk costs are lower. Based on the better results and the outlook, Moneta has raised its targets for the full year.**

Higher yoy results, numbers above consensus.

Net interest income reached CZK2.3bn in 3Q24 (+4.9% yoy), outperforming the market consensus by +3.3%. This was mainly due to a decrease in funding costs in connection with the CNB's interest rate cuts. This was reflected in an increase in the net interest margin (NIM) from 1.8% to 1.9%. Thanks to very successful sales of third-party products, net fee and commission income increased by +10.6% yoy to CZK754m. CZK. Total operating income amounted to CZK3.3bn (+2.0% yoy). Total operating expenses increased by 4.4% yoy to CZK1.3bn, mainly due to an increase in personnel expenses and a slight increase in administrative expenses. Operating profit reached CZK1.9bn (+0.6% yoy). Thanks to good payment discipline and the quality of the loan portfolio, the cost of risk fell by almost 20% yoy to CZK114m. The NPL ratio remains low at 1.4%. The effective tax rate for 3Q24 was 14.9%. Net profit is up +2.5% yoy to CZK1.5bn and is +2.2% above consensus. This corresponds to a return on tangible equity of 21.5%.

Moneta reported a traditionally strong capital position. The total capital adequacy ratio is 19.2%, +4.2% above management's target. Moneta is building up a provision for future dividend payout of 90% of net profit (CZK 3.8 billion or CZK7.5 per share in 9M24). In addition, Moneta proposed and paid an extraordinary dividend of CZK3 per share.

### Outlook for this year

Full-year guidance up.

Moneta's management has raised its targets for the year. This is due to better revenues, stable costs and lower expected risk costs. Net profit is now expected to be at least CZK5.6bn (+7.7% vs. previous CZK5.2bn), with revenues above CZK12.8bn (previous CZK12.4bn). Costs should also be slightly lower (CZK5.7bn vs. CZK5.8bn). Operating profit should be CZK7.1bn (previously CZK6.6bn). The cost of risk should now be in the range of 15-20 bps (previously 10-30 bps) and RoTE at least 19.5%.

## Our 4Q24 / FY24 estimates

CZK	4Q23	e4Q24 (KB)	změna	2023	e2024 (KB)	změna
Net Interest Income	2,181	2,445	12.1%	8,577	8,935	4.2%
NF&C	663	726	9.5%	2,624	2,972	13.3%
Others	251	208	-17.3%	946	939	-0.8%
<b>Total Operating Income</b>	<b>3,095</b>	<b>3,379</b>	<b>9.2%</b>	<b>12,147</b>	<b>12,846</b>	<b>5.8%</b>
<b>Total Operating Expenses</b>	<b>-1,537</b>	<b>-1,560</b>	<b>1.5%</b>	<b>-5,730</b>	<b>-5,729</b>	<b>0%</b>
<b>Operating Profit</b>	<b>1,558</b>	<b>1,818</b>	<b>16.7%</b>	<b>6,417</b>	<b>7,116</b>	<b>10.9%</b>
Net Impairment	-133	-114	-14.7%	-305	-465	52.3%
Pre-tax	1,425	1,705	19.6%	6,112	6,652	8.8%
<b>Net profit</b>	<b>1,228</b>	<b>1,483</b>	<b>20.8%</b>	<b>5,200</b>	<b>5,719</b>	<b>10.0%</b>

Source: Moneta Money Bank, Economic & Strategy Research, Komerční banka

According to our estimates for 4Q24 and 2024, Moneta will slightly exceed its targets.

## CNB rate cuts to continue

Despite the pause in monetary easing in December, we expect the decline in interest rates to continue.

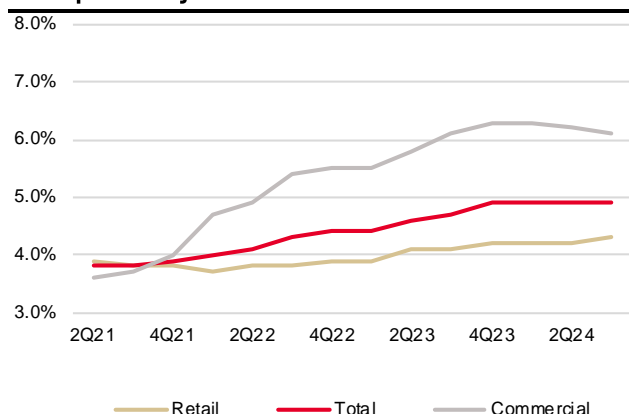
In December 2023, the CNB started the monetary easing cycle. Since then, the two-week repo rate has been cut a total of eight times, from 7.00% to the current 4.00%. In December 2024, the rate cutting process was interrupted, with the key rate remaining unchanged at 4.00%. We expect rate cuts to resume this year. They should fall by 25 bps in one meeting to a final 3.00%. Rates should reach this level in June. Read more in the latest edition of our Economic Outlook from our colleagues in Economic and Strategic Research. The quarterly report is available at [https://bit.ly/CEO\\_4Q24\\_EN](https://bit.ly/CEO_4Q24_EN)<sup>1</sup>. The fall in interest rates will have an impact on the performance of the banking sector as a whole.

Increased profitability of the loan portfolio.

The chart on the next page shows the profitability of the loan portfolio. For the first nine months of last year, the yield was 4.9% (4.7% for 9M23). In the retail sector, the yield increased to 4.3% on both a quarterly and annualized basis (4.1% in 9M23). Yields on loans in the corporate portfolio reached 6.1%. This is the same level as a year ago and slightly down from 1H24 (6.2%). Retail loans account for two-thirds (67%) of the total. Their structure is an important factor. Secured retail loans clearly dominate with a 72% share of total retail loans. Compared with the same period last year, they fell slightly by 1.0%. Unsecured loans, on the other hand, increased slightly (+1.5% yoy). They account for 28% of total retail loans. Unsurprisingly, the vast majority of secured retail loans are mortgages. They account for 71% of total retail loans. This affects the returns in this segment. Of all loans, mortgages account for just under half (47%).

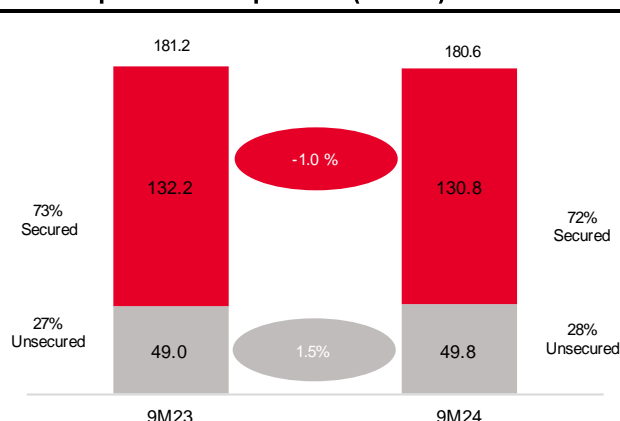
<sup>1</sup> "Economy Reluctant to take off" was published at 10:58 a.m. on October 23, 2024 on our website at [https://bit.ly/CEO\\_4Q24\\_EN](https://bit.ly/CEO_4Q24_EN).

### Loan portfolio yield



Source: Moneta Money Bank

### Retail net portfolio composition (CZKbn)

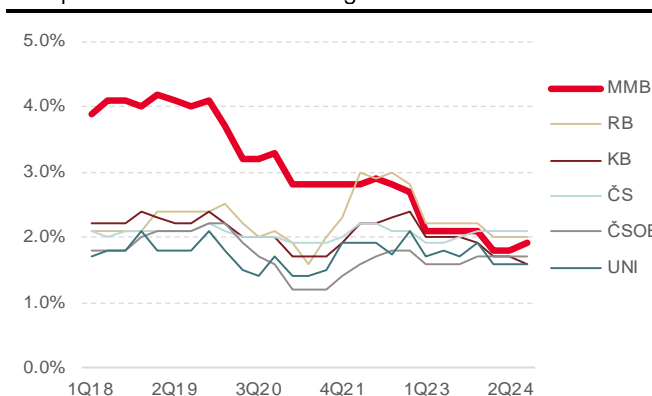


Note: Retail secured includes mortgages, auto loans and financial leases; retail unsecured includes consumer loans, consumer authorised overdrafts and credit cards

In particular, the decline in interest rates resulted in lower funding costs.

The core top line, net interest income, amounted to CZK2.3bn in 3Q24. This is an increase of almost +5% yoy. This growth is mainly due to a decrease in funding costs. This is based on the cycle of interest rate cuts by the CNB. This is also linked to the growth in the net interest margin (NIM), which increased by a tenth to 1.9% in 3Q24 compared to the previous quarter. For the full year, we expect net interest income to reach CZK8.9bn (+4.2% yoy). The net interest margin is expected to widen further to 2.0% in 2Q24. The chart in the text above shows a comparison of the NIMs of the major banks, including Moneta. Moneta has one of the highest margins among comparable banks.

### Comparison of net interest margins



Source: Moneta Money Bank, Economic & Strategy Research, Komerční banka

Interest margins in the banking sector are influenced by the interest rates set by the CNB. Last year, interest rates fell. That affected interest income, but of course it also affected costs. But they have fallen faster. The basic 2W repo rate of the CNB is now 4.00%. This year we expect a further reduction to 3.00% (see above).

Investment products will have a positive impact on NF&C income.

We estimate that fees and commissions will increase to CZK3.0bn this year due to improved sales of investment instruments. This corresponds to an increase of +13.3% year-on-year. This is about the same pace as in 2023 (+14.2% yoy, CZK2.6bn). The sale of third-party products (especially pension and life insurance) is significant.

Decrease in regulatory fees and admin costs. Increase in personnel costs.

For 2024, operating expenses are expected to remain virtually unchanged at CZK5.7bn. Regulatory fees have decreased. We also expect administrative expenses to decrease. On the other hand, we expect personnel expenses to increase. We expect the cost/income ratio to be 46%.

The cost of risk should remain low at 17 bps.

From the record highs reached during the pandemic (CZK3.6bn, 174 bps, 2020), the cost of the risk fell to CZK305m (2023). In 9M24 it reached CZK351m or 18 bps. This was supported by the sale of part of the NPL portfolio. For last year as a whole, we estimate that provisions should reach CZK465m. This corresponds to 17 bps. The non-performing loan (NPL) ratio is very low at 1.4%, which is close to the historical low (1.3%). The reasons for the decline are the sale of NPLs, improved payment behavior and their reclassification.

The impact of the windfall tax will be marginal.

For 2023-2025, the government introduced a special windfall profits tax. The reason for this was to counter the effects of the energy crisis. The WFT applies to six banks in the country, including Moneta. Profits above the 2018-2021 average plus 20% are considered windfall profits and are taxed at 60%.

According to Moneta's CEO, WFT will not significantly affect the bank's figures.

Net income grew +10% yoy last year.

Due to higher revenues, stable costs and lower provisions, we estimate net profit growth to CZK5.7bn (+10.0% yoy).

### 2024 projection

The following table compares the 2023 results, Moneta's 2024 projection, and our estimates. The latter are slightly more optimistic regarding net income.

2023 results, Moneta's projections for 2024 compared to our estimates

	2023	2024 mng guidance	2024 KB estimates
Total Operating Income (CZKbn)	12.1	12.8	12.8
Cost Base (CZKbn)	-5.7	-5.7	-5.7
Operating Profit (CZKbn)	6.4	7.1	7.1
Cost of Risk (bps)	11	15-20	17
Effective Tax Rate (%)	14.9	14	14.3
Net profit (CZKbn)	5.2	≥5.6	5.7
EPS (CZK)	10.2	≥11.0	11.2
Reported Return on Tangible Equity	18.0	≥19.5	19.1

Source: MONETA Money Bank, KB Economic & Strategy Research

## Our long-term outlook

**The projections in our model are based on, among other things, our estimates of interest rates and the loan and deposit portfolios.**

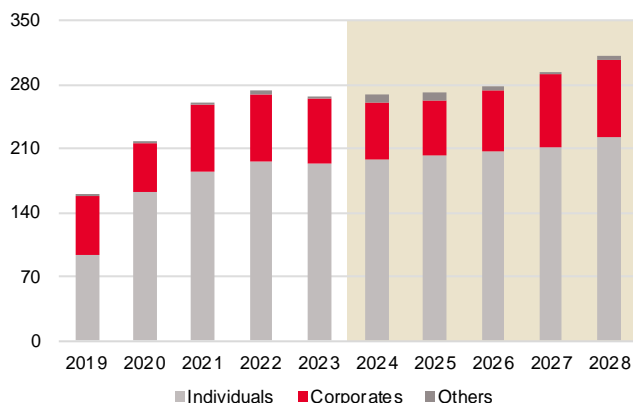
Loan portfolio growth.

We expect growth in both household and commercial lending. We estimate a compound annual growth rate (CAGR) of +3% in these two sectors over the forecast period 2024-2028. Overall, we estimate a compound annual growth rate of +3.4%.

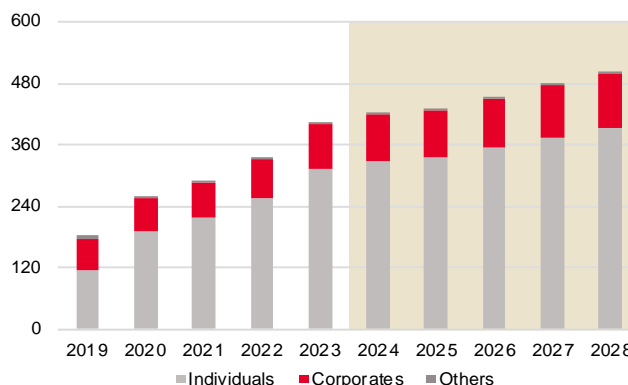
Deposits will also grow. Most will be in retail.

Deposits are also expected to grow. The average annual growth should reach +4.6% (CAGR 2024-2028). The retail sector is expected to grow slightly faster than the commercial sector. For households, we expect growth of +4.7%. Corporate deposits are estimated to grow by +4.1%. Commercial deposits are expected to account for about one-fifth of funding sources, with retail accounting for the rest, i.e. the majority.

Loan breakdown and its expected development (CZKbn)



Deposit breakdown and its expected development (CZKbn)



Source: MONETA Money Bank, KB Economic &amp; Strategy Research

We expect NIM to decline slightly.

In the third quarter of last year, the net interest margin was 1.9%. Compared to the full year NIM of 2.1%, this is slightly lower. On a quarterly basis (3Q24/2Q24), however, the margin increased by one tenth. The growth was supported by a larger decline in interest expenses compared to a smaller decline in interest income. In 4Q24, the net interest margin is expected to reach 2.0%, and for the full year of last year, we estimate the NIM to be the same as in 3Q24, i.e. 1.9%. Over the forecast period, the net interest margin is expected to fluctuate around 1.8% to 1.9%.

In our model, net interest income reaches CZK10.0bn in 2028, which corresponds to an average annual growth rate of +3.2%.

Distribution of investment products.

Higher fees and commission growth is one of the reasons why Moneta will exceed its original targets for the year. This will be driven by the sale of investment products. We expect NF&C to grow by a CAGR of +7.3% to CZK3.7bn (2028).

Total operating revenues will increase from CZK12.1bn (2023) to CZK14.4bn (2028). This corresponds to a CAGR of +3.5%.

Among operating costs, personnel costs will grow the fastest.

The largest item of operating costs is personnel costs. The labor market in the Czech Republic is tight. Unemployment is low (4.1%). In practice, this means that everyone who wants to work is working. Therefore, upward pressure on wages can be expected. Among total costs, personnel costs will grow the fastest at +3.4% p.a. to CZK3.0bn in 2028. We estimate +1.3% per year. Total operating costs are expected to reach CZK5.7bn last year. In the following years, they will increase further to CZK6.3bn (CAGR +1.9% 2024-2028).

The cost of risk will rise from low levels.

The cost of risk will increase. In 2023 they will reach CZK305m or 11 bps. Last year they should reach CZK465m (17 bps). In the following years they will grow up to 35 bps of the total client loans. In the last year of the forecast period (2028) they will reach CZK1.1bn.

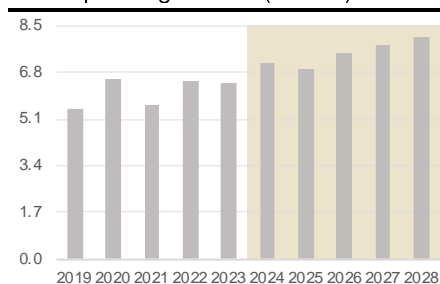
Net income is expected to grow by an average of +2.9%.

According to our estimates, last year's net profit will increase to CZK5.7bn (+10.0% yoy). This is due to a mix of higher operating income (+5.8% yoy), stable costs and lower-than-expected risk costs (17bps vs. up to 30bp). At the end of the period under review, net profit is expected to be CZK6.0bn (+2.9% CAGR 2024-2028).

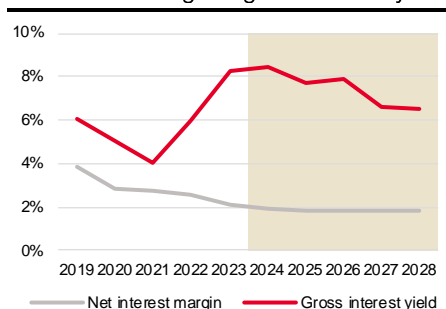
The low effective tax rate we assume for the coming years is 15% (the standard rate is 21%). This is due to the volume of tax-exempt securities.



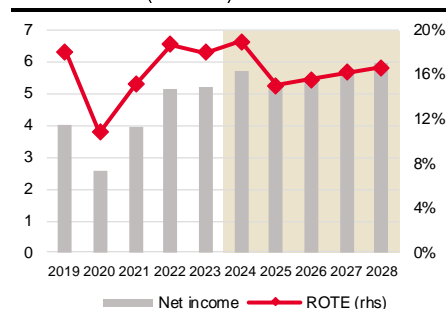
Total operating income (CZKbn)



Net interest margin & gross interest yield



Net income (CZKbn)



Source: MONETA Money Bank, KB Economic & Strategy Research, Czech National Bank

The table below shows Moneta's management guidance. For comparison, we have included our estimates.

#### Medium-term guidance

	2023	2028 mng guidance	2028 KB estimates
Total Operating Income (CZKbn)	12.1	14.5	14.4
Cost Base (CZKbn)	-5.7	-6.3	-6.3
Operating Profit (CZKbn)	6.4	8.2	8.1
Cost of Risk (bps)	11	25-45	35
Effective Tax Rate (%)	14.9%	15.0%	15.0%
Net profit (CZKbn)	5.2	≥6.0	6.0
EPS (CZK)	10.2	≥11.7	11.7
Reported Return on Tangible Equity	18.0	≥17.0	16.7

Source: MONETA Money Bank, KB Economic & Strategy Research

## Capital Adequacy

Moneta meets regulatory capital requirements with a comfortable buffer.

Moneta Money Bank meets all regulatory capital requirements with a margin. As of January 1, 2025, the CNB has set the SREP requirement at 10%. This consists of a Pillar I capital requirement of 8.0% and a Pillar II capital requirement of 2.0%. The latter has been reduced by 30 bps from 2.3% to 2.0%.

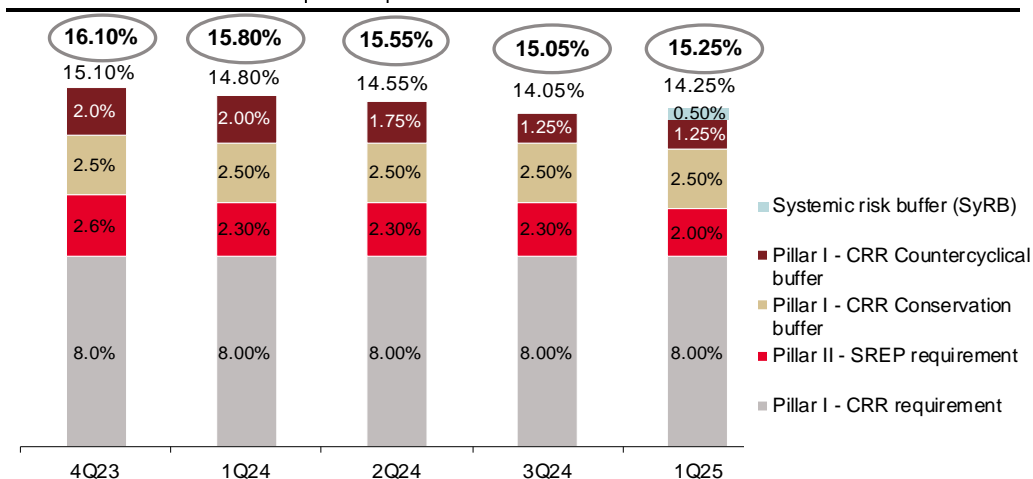
In addition, Moneta is required to hold capital to cover a combined capital buffer of 4.25% of risk-weighted assets. This consists of a capital buffer (2.5%), a countercyclical capital buffer (1.25%) and, from January 1, 2025, a new systemic risk buffer (0.5%).

Moneta's voluntary inert capital buffer is 1.0%. The total capital requirement is therefore 15.25%. This is lower than the 15.8% at the beginning of 2024. See chart on next page.

Moneta's capital adequacy ratio for the first nine months of 2024 is 19.23%. Moneta thus comfortably meets the requirement of 15.25% (as of January 1, 2025), which already includes the internal management reserve of 100 bps. Moneta also continues to accrue 90% of consolidated net profit for future dividend payment. For 9M24, it is CZK3.8bn, or CZK7.5, per share.



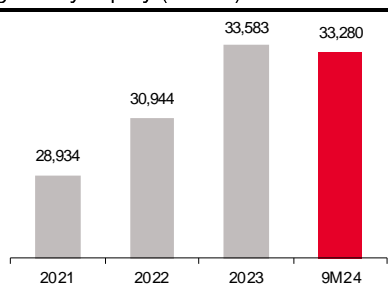
Trend and breakdown of capital requirement



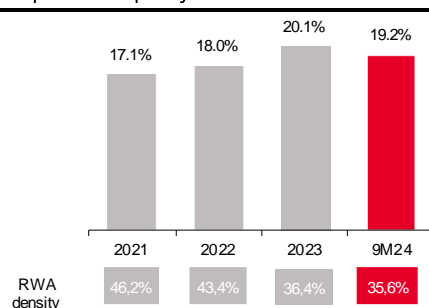
Source: MONETA Money Bank

Regulatory capital for 9M24 was CZK33.3bn. Excess capital over management's target was CZK7.2bn (compared to the 15.05% requirement in 9M24).

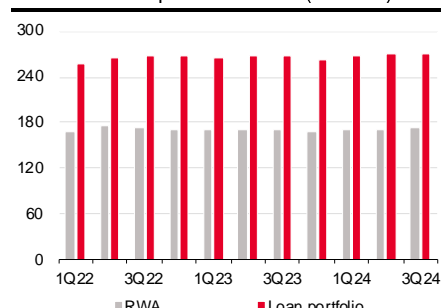
Regulatory equity (CZKbn)



Capital adequacy ratio



RWA vs loan portfolio dev. (CZKbn)



Source: MONETA Money Bank

Moneta's ratio of risk-weighted assets to total assets is well below 50%, according to our projection, ranging from 34% to 35%. The ratio falls below 50% in 2021. The loans to deposits ratio is well below 100%. Moneta is able to finance the loans it grants with the deposits it receives and is not dependent on external funding. This ratio was 64.2% in 9M24.

## Shareholder remuneration

We expect Moneta to pay out the entire net profit.

According to the current dividend policy, Moneta should distribute at least 70% of its net profit to its shareholders. However, Moneta's management plans to pay out at least 80%. Moneta also continues to accrue 90% of consolidated net profit for future dividend payment (see above).

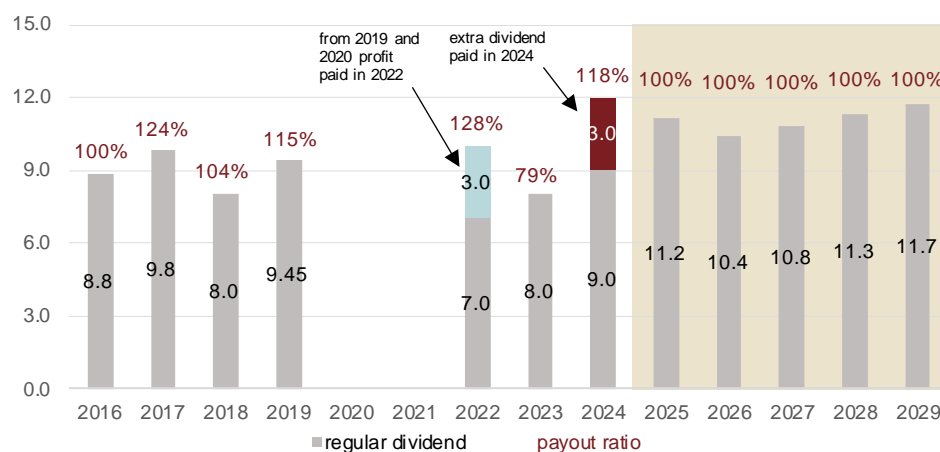
In addition to the regular dividend, Moneta also paid an extraordinary dividend last year.

Last May, out of the 2023 profit, Moneta distributed an ordinary dividend of CZK9.0 per share to its shareholders. This corresponds to a payout ratio of 88.4% of net profit and a gross yield of +8.7%. However, due to its strong capital position, Moneta paid an extraordinary dividend of CZK3.0 per share to its shareholders in December.

We estimate that Moneta will pay out its entire net profit this year. This would mean a dividend of CZK11.2 per share, a gross yield +8.7%. We also consider paying out 100% of net profit in the following years.

The chart below shows our estimates of dividend payouts over the forecast period (2025-2029). As a reminder, dividends were not paid in 2020 and 2021 due to the recommendation of the CNB. This was in response to the contraction of the economy during the pandemic, in order to maintain the stability of the banking sector.

#### Dividend per share\* (CZK)



Source: MONETA Money Bank, KB Economic & Strategy Research; \* year in which it is paid

## Company valuation

### Sector comparison

We believe Moneta's premium in the sector is justified.

Moneta's shares trade at a premium to peers and the European banking sector (EURO STOXX Banks) based on the multiples tracked and shown in the table below. Moneta pays a significantly higher dividend than the group median, has a strong capital position and is not dependent on external funding based on its loan-to-deposit ratio.

We believe that the premium at which Moneta trades compared to its peers is justified. Its valuation is above the market median.

#### MONETA Money Bank vs peers

	P/E akt.	P/E 2025	P/E 2026	P/BV akt.	P/TBV akt.	P/S akt.	DVD výnos 2025	ROE akt.	ROA akt.
<b>MONETA MONEY BANK</b>	<b>13.4</b>	<b>13.8</b>	<b>13.2</b>	<b>2.3</b>	<b>2.6</b>	<b>5.8</b>	<b>7.8</b>	<b>19.1</b>	<b>1.1</b>
Komerční banka	10.4	10.2	10.6	1.3	1.5	1.2	9.8	13.0	1.0
BRD-Groupe Societe Generale SA	8.4	8.8	8.4	1.4	1.5	2.0	6.9	17.1	1.8
BNPP Bank Polska SA	8.9	5.3	5.3	0.9	1.0	1.0	3.9	10.7	0.9
Bank Handlowy w Warszawie SA	6.6	6.3	6.8	1.2	1.4	2.2	12.0	19.6	2.5
Santander Bank Polska SA	9.3	8.1	8.0	1.5	1.7	2.5	7.5	16.1	1.9
Bank Polska Kasa Opieki SA	6.0	6.0	6.4	1.3	1.4	1.7	12.1	22.0	2.0
Powszechna Kasa Oszczednosci B	10.1	7.0	6.7	1.5	1.6	1.9	6.9	15.7	1.5
Bank Millennium SA	17.6	18.0	7.1	1.5	1.6	1.2	0.0	9.3	0.5
Alior Bank SA	4.9	4.8	5.5	1.1	1.1	1.3	8.1	25.0	2.7
OTP Bank Nyrt	6.5	5.9	6.2	1.3	1.4	1.5	3.8	21.7	2.4
Akbank TAS	6.9	7.8	4.3	1.4	1.5	0.6	1.5	22.9	2.3
Türkiye Garanti Bankası AS	5.7	5.6	4.3	1.8	1.8	0.8	2.3	36.9	3.9
Yapi ve Kredi Bankası AS	6.2	8.8	4.1	1.3	1.4	0.5	1.3	23.6	2.0
Türkiye İş Bankası AS	6.5	9.8	5.4	1.2	1.3	0.5	0.5	21.6	1.8
Banca Transilvania SA	6.0	5.8	6.6	1.5	1.6	1.8	5.4	31.6	2.5
Hacı Omer Sabancı Holding AS	n/a	n/a	5.8	0.7	0.9	0.2	3.0	-15.1	-1.3
Erste Group Bank AG	8.0	8.2	8.7	1.2	1.3	1.1	5.1	16.4	0.9
<b>Medián srovnávací skupiny</b>	<b>6.8</b>	<b>7.4</b>	<b>6.4</b>	<b>1.3</b>	<b>1.4</b>	<b>1.2</b>	<b>5.1</b>	<b>19.6</b>	<b>1.9</b>
<b>EURO STOXX Banks Price EUR</b>	<b>7.3</b>	<b>7.5</b>	<b>7.6</b>	<b>0.9</b>	<b>1.0</b>	<b>1.3</b>	<b>6.7</b>	<b>12.0</b>	<b>0.6</b>
MMB vs. medián	98%	87%	107%	71%	78%	369%	52%	-2%	-40%
MMB vs. STOXX	84%	84%	73%	153%	152%	336%	17%	60%	73%
MMB vs. Komerční banka	29%	35%	25%	71%	68%	369%	-21%	48%	12%

Source: Economic & Strategy Research, Komerční banka, Bloomberg

### Fair value and target price

The target price for the Moneta share is based on three methods.

To determine the fair value of the Moneta shares, we used the average of three methods. These are the Discounted Free Cash Flow Model (DFCF), the Discounted Dividend Model (DDM) and the Excess Return Model (ERM).

For free cash flow and excess return, we considered the period 2024-2028. For dividends, we considered 2025-2029. We calculated the cost of equity based on the CAPM model, taking into account our expectation of the risk-free interest rate in future years, and determined the risk premium according to Aswath Damodaran's calculations. The key parameters and results are shown in the table below. The cost of equity is in the range of 10.7-10.8% over the forecast period. For the terminal phase, we consider normalized values of interest rates and equity risk premia.

**Based on the average of the above models, we determined the fair value of MONETA Money Bank to be CZK143.3 per share.**

### Parameters and valuation methods for MONETA Money Bank stock

	2024	2025	2026	2027	2028		2025	2026	2027	2028	2029
<b>Cost of equity capital</b>	<b>10.9%</b>	<b>10.8%</b>	<b>10.7%</b>	<b>10.7%</b>	<b>10.8%</b>	<b>DDM</b>					
Risk-free rate	4.0%	3.8%	3.7%	3.7%	3.8%	Dividend per share	11.20	10.40	10.80	11.30	11.70
Beta	1.10	1.10	1.10	1.10	1.10	Explicit value	41.1				
Risk premium	6.4%	6.4%	6.4%	6.4%	6.4%	Terminal value	82.4				
Dividend growth after 2023	2.0%					Fair value (CZKm)	63,080				
FCFE growth after 2023	2.0%					<b>Fair value per share</b>	<b>123.4</b>				
Payout ratio after 2023	100%										
ROE after 2023	16.7%										
<b>Excess return model</b>											
ROE	19.0%	15.1%	15.6%	16.2%	16.7%	<b>DDCF</b>					
Return spread	8.1%	4.3%	4.9%	5.5%	5.9%	Net income	5,702	5,323	5,544	5,780	5,996
Equity	32,203	33,303	38,626	38,857	39,104	Depreciation&Amortization	1,205	1,196	1,221	1,233	1,245
Excess return	2,599	1,435	1,911	2,139	2,315	Provisions for loans	465	653	963	1,000	1,058
Opening equity capital	31,091					Other non-cash adjustment	1,068	-367	-17	-30	-32
Explicit value	9,199					Change in working capital	0	0	0	0	0
Terminal value	16,075					CAPEX	-802	-810	-818	-826	-835
Fair value (CZKm)	56,365					Sale of PPE	38	38	38	38	38
<b>Fair value per share</b>	<b>110.3</b>					FCFE	7,676	6,033	6,931	7,194	7,471
						Explicit value	26,176				
						Terminal value	51,882				
						Fair value (CZKm)	78,059				
						<b>Fair value per share</b>	<b>152.8</b>				

Source: Economic & Strategy Research, Komerční banka, Bloomberg, MONETA Money Bank, A.Damodaran (New York University, risk premiums)

### Sensitivity analysis of our valuation (fair value)

<b>Excess return</b>					
Cost of equity / growth rate	1.0%	1.5%	2.0%	2.5%	3.0%
-100bp	107.7	109.4	111.2	113.3	115.6
-50bp	107.3	108.9	110.8	112.8	115.2
10.8% / 10.7% *	106.8	108.5	<b>110.3</b>	112.4	114.7
+50bp	106.4	108.0	109.9	111.9	114.2
+100bp	105.9	107.6	109.4	111.4	113.7
<b>DDM</b>					
Cost of equity / growth rate	1.0%	1.5%	2.0%	2.5%	3.0%
-100bp	115.1	119.5	124.4	129.9	136.1
-50bp	114.7	119.0	123.9	129.4	135.6
10.8% / 10.7% *	114.2	118.6	<b>123.4</b>	128.9	135.1
+50bp	113.8	118.1	123.0	128.4	134.5
+100bp	113.4	117.7	122.5	127.9	134.0
<b>FCFE</b>					
Cost of equity / growth rate	1.0%	1.5%	2.0%	2.5%	3.0%
-100bp	142.5	147.9	153.8	160.6	168.1
-50bp	142.0	147.3	153.3	160.0	167.5
10.8% / 10.7% *	141.5	146.8	<b>152.8</b>	159.4	166.9
+50bp	141.0	146.3	152.2	158.8	166.3
+100bp	140.5	145.8	151.7	158.3	165.7

Note: \*The first figure is the average for the 2021-26 period, the second is after 2026  
Source: Economic & Strategy Research, Komerční banka

## Main risks

- **Regulation:** The banking sector is heavily regulated. Rising pressures on information duties, compliance, increasing capital and liquidity requirements have a negative impact on the bank's profitability and profit distribution to shareholders.
- **Taxation:** Special tax levy or sector-specific taxation would lead to lower net income and a lower company valuation.
- **Development of interest rates:** The long-term relaxed monetary policy in the Czech Republic has led to a fall in interest margins in the past. The CNB's very low rates would naturally affect the bank's profitability.
- **Economic situation:** A significant deterioration in the development of the Czech economy would lead to worse payment morale among business entities and households. This would be reflected in higher loan impairments and a higher number of defaults with a negative impact on the company's profitability than we calculate in our analysis.
- **Geographical concentration:** Virtually all the bank's activities are concentrated in the Czech Republic. This could have greater negative impact on MMB in the event of unfavourable conditions, higher competition or stricter regulation than if the bank had greater country diversification.
- **High competition:** The domestic environment is very competitive, as reflected, for example, in the decline in fees for common services related to retail banking.
- **Corporate banking and strategy:** The SME segment is generally riskier, which may lead to problems in repaying loans in the event of unfavourable economic developments.
- **Reputational risk:** The effects of any major negative impact on the bank's reputation could be reflected in a lack of potential client interest in services provided by MMB, or the departure of existing clients. Such a scenario would affect the bank's results adversely.
- **Risk management:** An insufficient or incomplete assessment of the client's risk profile could lead to higher impairments for provided loans in the future.
- **Dividend payment:** A lower dividend payout in the future would lead to a reassessment of our expectations and possibly a lower valuation of the stock.

**Financial figures of MONETA Money Bank**

<b>CZKmn</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>	<b>2028e</b>
<b>INCOME STATEMENT</b>								
Net interest income	8,609	9,311	8,577	8,935	8,847	9,396	9,710	10,025
Net fee and commission income	2,050	2,298	2,624	2,972	3,190	3,392	3,573	3,728
Total operating income	11,168	12,116	12,147	12,846	12,817	13,494	13,957	14,395
Personnel expenses	-2,562	-2,528	-2,504	-2,630	-2,709	-2,790	-2,874	-2,960
Administrative expenses	-1,518	-1,523	-1,633	-1,611	-1,643	-1,676	-1,709	-1,743
Depreciation and amortisation	-1,196	-1,249	-1,233	-1,205	-1,196	-1,221	-1,233	-1,245
Total operating expenses	-5,538	-5,594	-5,730	-5,729	-5,902	-6,009	-6,156	-6,282
Net impairment of loans and receivables	-695	-90	-305	-465	-653	-963	-1,000	-1,058
Profit for the period before tax	4,935	6,432	6,112	6,652	6,262	6,522	6,800	7,054
Net income	3,984	5,187	5,200	5,702	5,323	5,544	5,780	5,996
<b>BALANCE SHEET</b>								
Cash and balances with the central bank	11,204	12,467	10,871	10,400	11,812	21,648	23,211	21,686
Financial assets available for sale	0	0	0	0	0	0	0	0
Loans and receivables to banks	15,602	37,886	69,632	90,653	94,333	96,220	98,144	100,107
Loans and receivables to customers	255,612	268,752	263,064	268,645	272,670	277,343	293,878	310,562
Intangible assets	3,184	3,379	3,332	3,303	3,370	3,404	3,438	3,472
Total assets	340,222	387,510	458,184	488,595	502,651	524,811	550,896	574,380
Due to customers	285,145	334,251	399,497	419,758	429,401	451,295	476,979	500,076
Provisions	234	306	266	253	261	248	235	224
Other liabilities	4,760	3,570	3,733	4,953	4,626	4,672	4,719	4,766
Total liabilities	310,741	356,419	425,981	455,292	464,025	485,954	511,792	535,048
Total equity	29,481	31,091	32,203	33,303	38,626	38,857	39,104	39,332
Risk-weighted assets	169,241	171,718	167,299	172,538	173,831	176,941	187,584	198,432
<b>CASH FLOW</b>								
Cash flows from operating activities	13,977	36,973	75,739	3,522	10,166	24,468	16,630	14,141
Cash flows from investing activities	-16,960	-11,156	-44,256	-761	-769	-777	-785	-794
Cash flows from financing activities	-300	-2,186	-3,365	-6,132	-5,702	-5,323	-5,544	-5,780
Free cash flow to equity	6,358	5,001	5,482	7,676	6,033	6,931	7,194	7,471
<b>DATA PER SHARE (CZK)</b>								
EPS	7.8	10.2	10.2	11.2	10.4	10.8	11.3	11.7
Book value	57.7	60.8	63.0	65.2	75.6	76.0	76.5	77.0
Free cash flow	12.4	9.8	10.7	15.0	11.8	13.6	14.1	14.6
Gross dividend	0.0	10.0	8.0	12.0	11.2	10.4	10.8	11.3
<b>RATIOS</b>								
Yield	4.0%	5.9%	8.3%	8.4%	7.7%	7.9%	6.7%	6.6%
Cost of funds	0.4%	2.0%	3.7%	3.3%	2.8%	2.8%	2.0%	2.0%
Net interest margin	2.7%	2.6%	2.1%	1.9%	1.8%	1.9%	1.8%	1.8%
Cost/Income ratio	49.6%	46.2%	47.2%	44.6%	46.0%	44.5%	44.1%	43.6%
ROE	13.5%	16.7%	16.1%	17.1%	13.8%	14.3%	14.8%	15.2%
ROTE	15.2%	18.7%	18.0%	19.0%	15.1%	15.6%	16.2%	16.7%
ROA	1.2%	1.3%	1.1%	1.2%	1.1%	1.1%	1.0%	1.0%
Total Equity / Total Assets	8.7%	8.0%	7.0%	6.8%	7.7%	7.4%	7.1%	6.8%
Loan-to-Deposit ratio	89.6%	80.4%	65.8%	64.0%	63.5%	61.5%	61.6%	62.1%
Dividend payout ratio	0.0%	128.3%	78.8%	117.9%	100.0%	100.0%	100.0%	100.0%
<b>VALUATION</b>								
P/E	16.5	12.7	12.6	11.5	12.3	11.9	11.4	11.0
P/BV	2.2	2.1	2.0	2.0	1.7	1.7	1.7	1.7
P/S	5.9	5.4	5.4	5.1	5.1	4.9	4.7	4.6
Dividend yield	0.0%	7.8%	6.2%	9.3%	8.7%	8.1%	8.4%	8.8%

Source: MONETA Money Bank, Economic &amp; Strategy Research, Komerční banka

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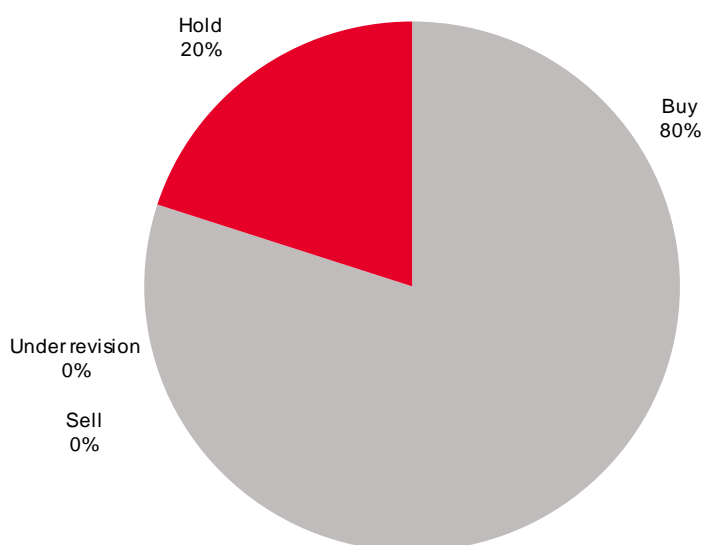


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The chart below shows the structure of grades of valid investment recommendations of equity research of KB Economic & Strategy Research (8 recommendations).

#### Investment recommendations of KB equity research



Source: Economic & Strategy Research, Komerční banka

#### KB Equity Research ratings on a 12 month period

**BUY:** absolute total shareholder return forecast of 15% or more over a 12 month period.

**HOLD:** absolute total shareholder return forecast between 0% and +15% over a 12 month period.

**SELL:** absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

**Overview of recommendations published by KB and relationships with particular issuers**

	CEZ	Colt CZ Group SE	Kofola	MONETA Money Bank	Philip Morris CR	Avast	O2 CR
<b>Overview of last investment research and recommendations related to stocks of particular issuers</b>							
Recommendation	Hold	Buy	Buy	Buy	Buy	End	End
Target price	CZK923	CZK921	CZK402	CZK143.3	CZK17,041	of coverage	of coverage
Date	15.11.2024	09.02.2024	03.09.2024	16.01.2025	21.03.2024	07.09.2022	25.02.2022
Price on the day of the publication	CZK907	CZK574	CZK299	CZK128.8	CZK15,400	CZK205.1	CZK270
Investment horizon	12 months	12 months	12 months	12 months	12 months		
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota		
<b>Overview of investment researches and recommendations</b>							
Recommendation	Buy	Buy	Buy	In revision	Hold	Buy	Buy
Target Price	CZK1,034	CZK652	CZK313	In revision	CZK18,349	GBp600	CZK362
Date	07.09.2023	16.12.2022	29.05.2023	25.07.2024	03.03.2023	11.02.2021	26.03.2021
Recommendation	Buy	Buy	Buy	Buy	Buy	Buy	Buy
Target Price	CZK1,393	CZK645	CZK381	CZK104.6	CZK18,183	GBp466	CZK293
Date	07.06.2022	17.01.2022	12.05.2022	05.09.2022	11.02.2022	30.08.2019	08.01.2020
Recommendation	In revision	In revision	In revision	Buy	Buy	In revision	Buy
Target Price	In revision	In revision	In revision	CZK104.6	CZK16,512	In revision	CZK298
Date	10.05.2022	31.03.2021	15.02.2022	05.09.2022	20.11.2020	14.08.2019	12.12.2018
Recommendation	Buy	Buy	Buy	Buy	Buy	Buy	Hold
Target Price	CZK905	CZK357	CZK367	CZK109.7	CZK18,308	GBp342	CZK270
Date	10.12.2021	27.11.2020	12.01.2021	31.08.2021	03.12.2018	15.06.2018	18.08.2017
Valuation methods	DFCF	DFCF	DFCF	DFCF DDM ERM	DDM	DFCF	DFCF DDM
Frequency of rec. (per year)	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no
<b>Relationships of Komerční banka with particular issuers</b>							
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.						
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model

Source: Economic & Strategy Research, Komerční banka