PETRUSADVISERS

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London, 28 January 2021

Dear members of the Supervisory Board,

it has been less than two years since Moneta terminated the discussion with PPF following their 2018 approach to sell you their Air Bank and Home Credit Czech and Slovakia businesses. At the time, we had voiced our strong conviction that a combination did not make sense. Instead, we backed your strategy to organically grow Moneta in order to become an even stronger locally owned and highly profitable Czech bank. Since then, you have successfully executed on your strategy including by adding customers, growing the loan book and acquiring and integrating the Czech Wüstenrot operations.

We view the new PPF approach as another disturbing attempt to mix the well managed Moneta operation with a convoluted bag of heterogeneous assets in the form of Air Bank, Home Credit Czechia, Home Credit Slovakia and Benxy (together, the "**PPF Assets**"). The PPF Assets have one thing in common: massive dependency on Petr Kellner, and we expect this contributes to his financing sources. While PPF have not presented any detail on their proposed transaction, it is clear that most of PPF Assets' 'profits' relate to inter-group transactions with other businesses of the Petr Kellner empire. For instance, 54% of Air Bank's loan book in 2019 representing 51% of net interest income was to Petr Kellner companies[1] and Home Credit's P&L is dominated by intergroup financial operations contributing 99% of its 2019 income streams and 439% of its 2019 net income[2]. Benxy is a fast growing but heavily loss-making loan brokerage platform – it is unclear if and when it can make money. Since the failed PPF approach in 2018/19, the limited information available on the PPF Assets does not point to any significant improvement of their poor financial track record.

We were hence surprised that the new PPF proposal assumes a significantly higher valuation of CZK 26.4 billion for the PPF assets vs. CZK 18.5 billion in the proposal that failed in 2019 - while leaving the Moneta valuation unchanged at c. CZK 40 billion, despite its accretive acquisitions achieved and the 2019 dividend (up to c. CZK 8)[3] not paid out. The management and supervisory board would need strong arguments to justify dedicating time and resources to such unattractive transaction terms. The partial cash offer at CZK 80 adds to the lack of attractiveness of the PPF proposal. To summarize, we see the following shortcomings of the PPF proposal:

(1) **CZK 80 too low:** the bid dramatically under-values Moneta on a stand-alone basis. In light of Moneta's stellar earnings outlook, we see CZK 95 as short-term target price even excluding a control premium;

(2) **Lack of transparency:** despite announcing the proposal, PPF have not delivered any updated detail on the assets they want to merge into Moneta including all intercompany relationships;

(3) **Deal structure not clear:** PPF have not announced at what price they would make a mandatory takeover offer in the highly unlikely scenario in which the proposed merger with the PPF assets were to go through – legally, this would have to be CZK 80 or higher.

We have been Moneta investors since the IPO and have been proud to see a strong local banking player make progress. Good governance and leadership are rare in the public market in the Czech Republic. Moneta has the opportunity to be a poster child and role model. The deal proposed by Petr Kellner and your reaction so far point to significant risk that the reputation of Moneta and of the entire Czech capital market might be sullied. We trust this is not going to happen.

Yours sincerely,

Klaus Umek
Managing Partner

Till Hufnagel
Partner

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[1] *Per Air Bank 2019 annual report.*
[2] *Per Home Credit's 2019 AR. Income defined as net interest income plus net com. income plus income from financial operations plus other operating income.*
[3] *Assumes 100% payout of 2019 earnings.*