

**We Recommend
Shareholders Refuse the
Partial Bid for Moneta at
CZK 80 and an
Acquisition of PPF
Assets (Air Bank, Home
Credit, Benxy)**

Another One to Bite The Dust

January 2021



- I. Executive Summary
- II. Moneta's strong performance and outlook
- III. PPF Assets (Air Bank, Home Credit, Benxy): Collection of low quality assets
- IV. PPF proposal: Even less attractive than the previous one

Appendix

I

Executive Summary

Executive Summary

- Petrus Advisers have been invested in Moneta since its IPO in 2016 and currently hold between 2-3% of Moneta's share capital
 - Management have been telling a story of high dividends and excess capital
 - We have consistently been appreciative of the team's qualities in creating a Santander of the Czech Republic (i.e. the most relevant regional locally owned bank) and we have consistently been critical of dividends that were too high
 - Instead of dividending out the excess capital we asked for a growth strategy
- Moneta has done well, exiting its sole dependency on high-yield, high-risk unsecured lending and has ventured successfully into mortgage finance and lately into lifetime savings and asset management products
- Moneta's reaction to the covid crisis was panicky at first; later the bank spent the second half of 2020 cutting cost and successfully integrating Wüstenrot
- Moneta is the only bank in our portfolio that has increased their original 2020 profit forecast and their outlook
- We see fair value at CZK 95 short term and are disinterested in the attempt of PPF to buy control of the bank without a control premium
- This is the second time a transaction without merit is being dreamed up between Moneta's CEO Tomáš Spurný and PPF owner Petr Kellner and we are disturbed by being presented with more of the same, an already failed proposition from 2018 in new clothes

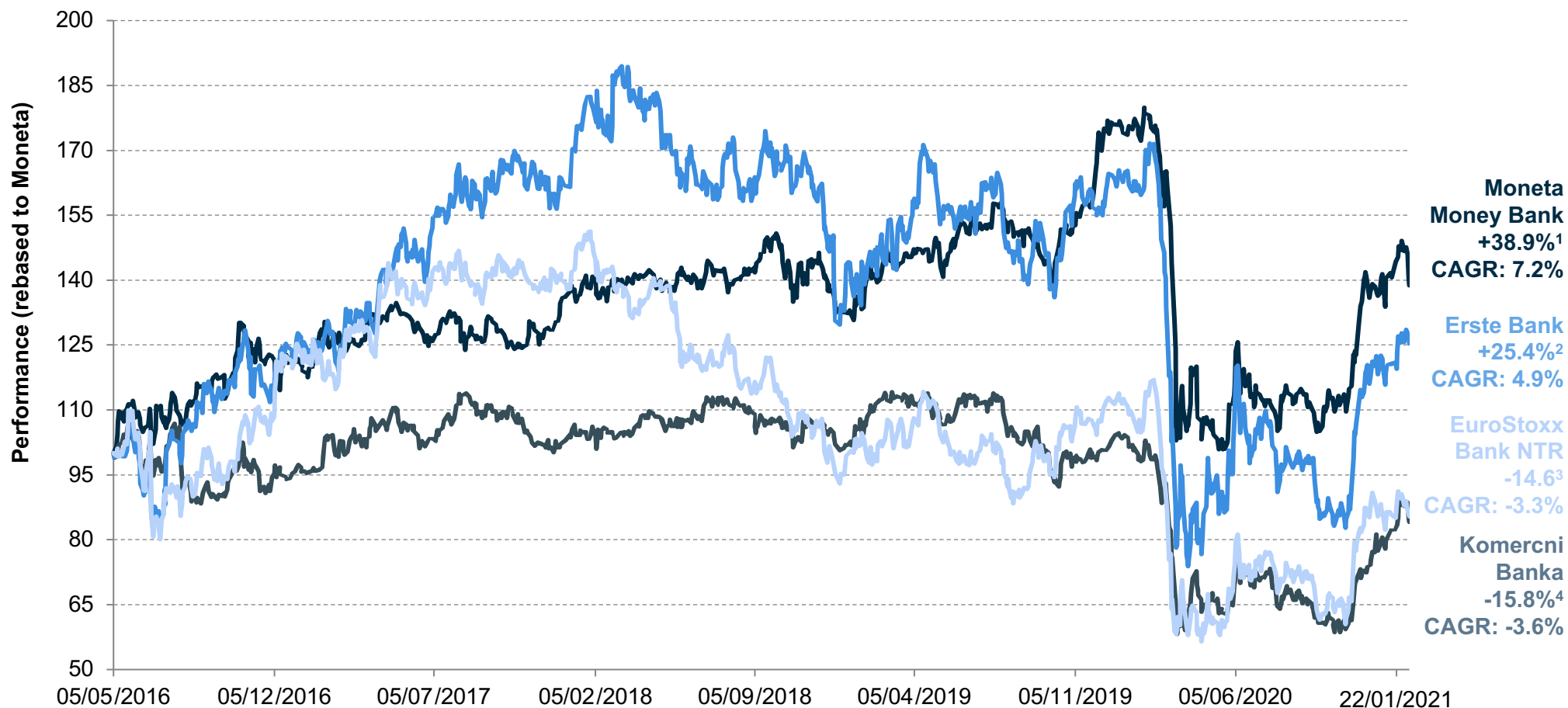
We recommend that shareholders refuse the bid and send a clear message to Moneta that we will hold them personally liable if they intend on purchasing Air Bank, Home Credit Czech Republic & Slovakia and Benxy



Moneta's strong performance and outlook

Comparative total shareholder return since Moneta IPO

Moneta's strategy and robust execution is reflected in strong relative stock performance



1) Moneta Money Bank total shareholder return (including dividends) since IPO as of 22/01/2021.

2) Erste Bank total shareholder return (including dividends) as of 22/01/2021.

3) EURO STOXX Total Market Banks Net Return EUR as of 22/01/2021.

4) Komercni Banka total shareholder return (including dividends) as of 22/01/2021.

Profit set to double in the next four years

- Moneta has recently increased its guidance for total operating income in 2020e from CZK 11.6bn¹ to ≥CZK 12.0bn²
- Management's mid-term guidance targets 15.4% EPS growth per year and >17% RoE – stellar performance!

Metrics	2020e	2021e	2022e	2023e	2024e	2025e	CAGR 20-25
Total operating income (CZK)	≥12.0bn	≥11.2bn	≥11.6bn	≥12.6bn	≥13.1bn	≥13.5bn	2.4%
Cost base	≤5.5bn	≤5.5bn	≤5.5bn	≤5.6bn	≤5.7bn	≤5.8bn	1.1%
Pre-impairment profit	≥6.5bn	≥5.7bn	≥6.1bn	≥7.0bn	≥7.4bn	≥7.7bn	3.4%
Cost of risk	175-190bps	80-100bps	50-70bps	40-60bps	40-60bps	40-60bps	
Net profit	≥2.4bn	≥2.8bn	≥3.8bn	≥4.6bn	≥4.8bn	≥4.9bn	15.3%
Earnings per share	≥4.7	≥5.5	≥7.4	≥9.0	≥9.4	≥9.6	15.4%
Return on tangible equity	≥10.0%	≥12.0%	≥15.0%	≥17.0%	≥17.0%	≥17.0%	

1) Moneta Money Bank presentation per 05/05/2020.

2) Moneta Money Bank presentation per 30/10/2020.

Source: Moneta Money Bank presentation, 30/10/2020

While many analysts have not yet incorporated new guidance, a vast majority already see more than CZK 80 value

Firm	Recommendation	Target Price (CZK)	Date
J.P. Morgan	Neutral	81.00	20/01/2021
PKO BP Securities	Hold	64.80	20/01/2021
Fio Banka	Hold	75.00	13/01/2021
Wood & Company	Buy	95.10	12/01/2021
J&T Banka	Buy	106.00	17/12/2020
HSBC	Buy	75.00	15/12/2020
mBank	Buy	82.70	08/12/2020
Ipopema Securities	Buy	88.80	08/12/2020
Goldman Sachs	Buy	83.00	25/11/2020
Erste Group	Buy	68.00	03/11/2020
Komerčni Banka	Buy	97.00	30/10/2020
Haitong	Buy	73.20	27/10/2020
Patria Finance	Buy	72.00	04/06/2020
Raiffeisen Centrobank	Buy	83.00	01/08/2019



PPF Assets (Air Bank, Home Credit, Benxy): Collection of low quality assets

Moneta vs PPF Assets – Benchmarking Analysis

Item (2019 data unless stated otherwise)	Moneta	PPF Assets ²	Air Bank	Home Credit CZ	Home Credit SK	Benxy
Book equity (CZK m)	24,411	12,285	9,908	1,413	653	311
Net income (CZK m)	4,019	1,650	1,544	381	89	-365
Tier 1 capital (CZK m)	20,651	-	8,319	-	-	-
RWA (CZK m)	125,629	-	55,459	-	-	-
Tier 1 ratio	16.4%	-	15.0%	-	-	-
Excess capital (CZK m)	4,310	-	3,892	-	-	-
Dividend distribution / capital increase ¹ (CZK m)	4,829	-1,138	-800	500	85	-923
ROE	16.5%	13.4%	15.6%	27.0%	13.7%	negative
Employees	9,074	1,809	775	672	167	195

1) Combined for FY 2018 and 2019.

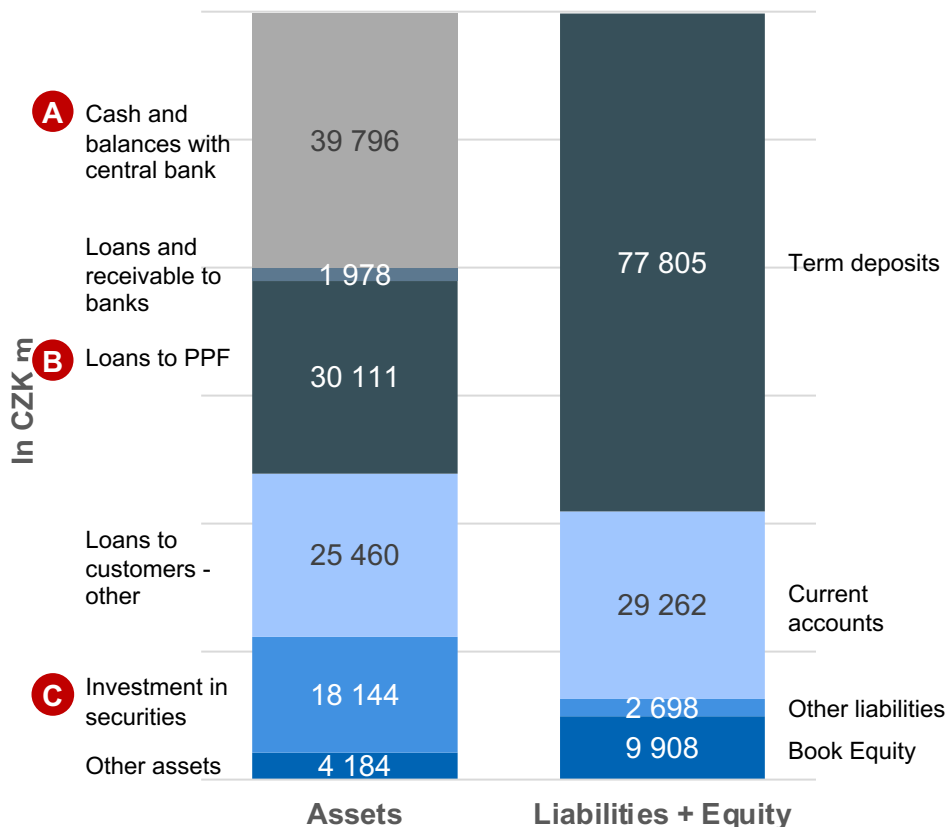
2) Combined figures of Air Bank, Home Credit CZ&SK and Benxy assuming no consolidation adjustments required.

Source: Company filings per FY 2019, unless stated otherwise

We are unimpressed with Air Bank's business model: Questionable transparency strongly dependent on PPF intergroup pricing

- Air Bank collects deposits from retail; clients historically attracted by appealing savings rate
- Half of the balance is allocated to risk free assets (where rates/yields dropped significantly in 2020) while the remainder goes to loans. Out of this, CZK 25bn represent standard banking loans and CZK 30bn is invested into PPF Group projects (implied 6% margin)
- Profitability or capital level might be under pressure should Air Bank need to replace related party loans with standard products or should their pricing reflect prevailing market conditions

Simplified Balance Sheet in CZK m (As at Dec-19)



Commentary

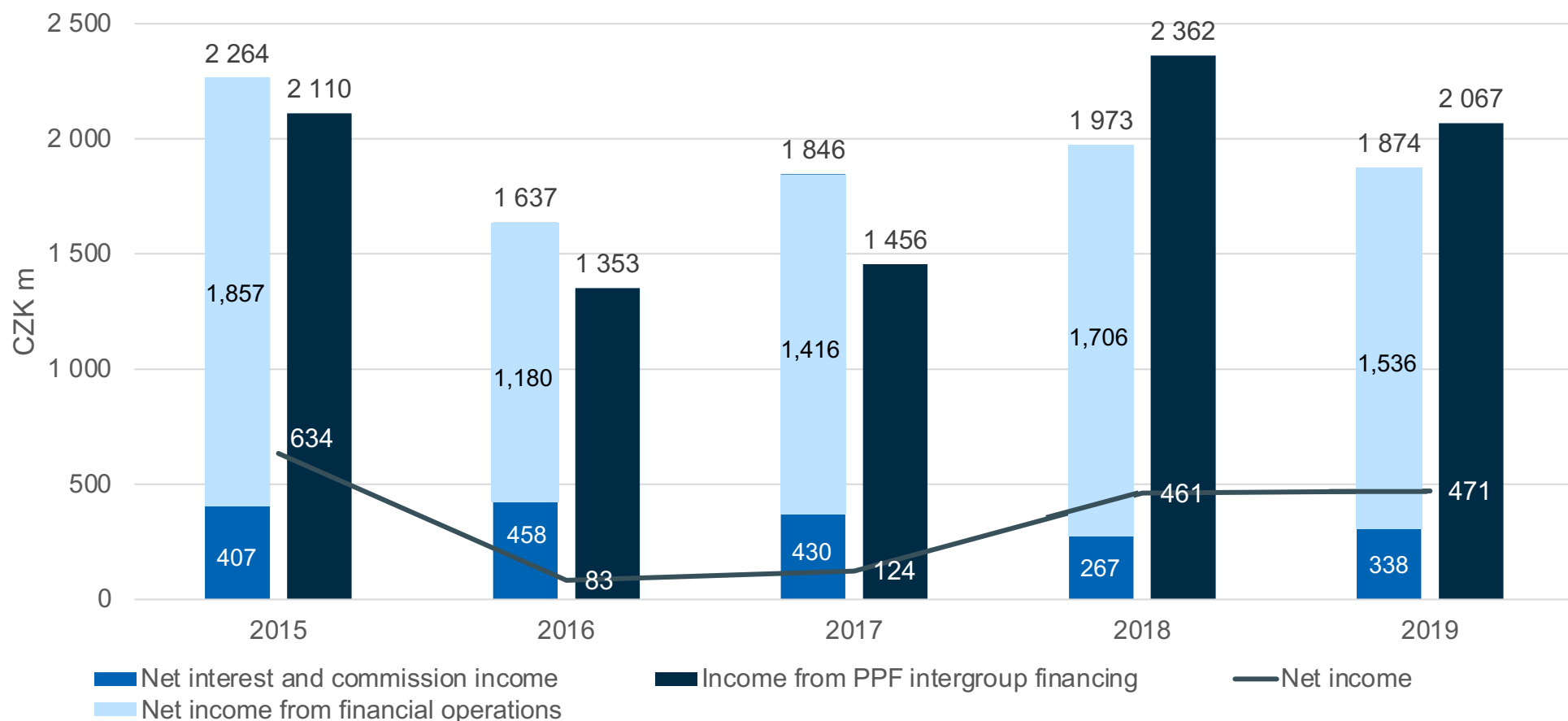
- A Cash and balances with central bank – Total: CZK 39.8bn**
 - Of which CZK 35.9bn in repo operations: base rate decreased from 2.25% in Feb 2020 to 0.25% in May 2020
- B Loans to PPF / related party transactions - Total: CZK 30.1bn**
 - Half of net interest income (CZK 1.79bn, 6.0% margin) comes from PPF Group / Home Credit financing
- C Investment in securities – Total: CZK 18.1bn**
 - Czech Government bonds: 97bps yoy decline on 2Y rates, 47bps yoy decline on 10Y rates

Simplified P&L in CZK m (As at Dec-19)

Net interest income	3,535
of which PPF Group	1,794 B
Net fee and commission income	153
Total operating expenses	-1,705
PBT	1,928
Net income	1,544

Home Credit CZ & SK: PPF intergroup relationship dominating...

- Net profit has never reached 2015 levels, likely to suffer further pressure going forward
- Profitability entirely dependent on PPF intergroup decisions

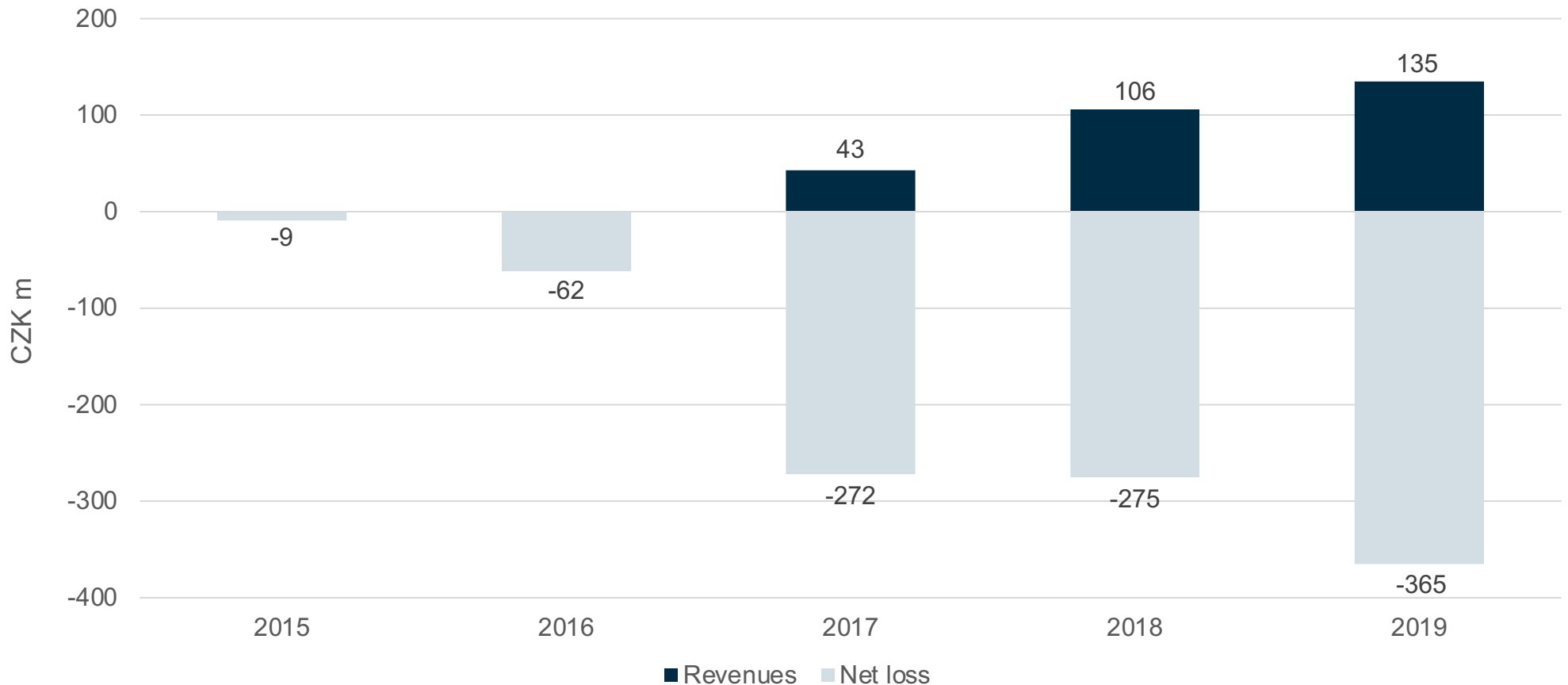


Note: Income from the PPF intergroup financing: A mark-up charged at the disposal of receivables (or investment certificates linked to their performance).

Source: Company filings

Benxy: CZK 1bn of cumulative losses since its launch

- Peer-to-peer direct lending platform
- High growth rates needed to reach breakeven
- Further negative cashflow expected going forward



IV

PPF proposal: Even less attractive than the previous one

Moneta have been approached (?) with a partial tender offer with a clear objective to:

- **obtain control of Moneta without paying any control premium and;**
- **push through an acquisition of certain PPF assets of questionable quality at an exorbitant price by way of mutual combination**

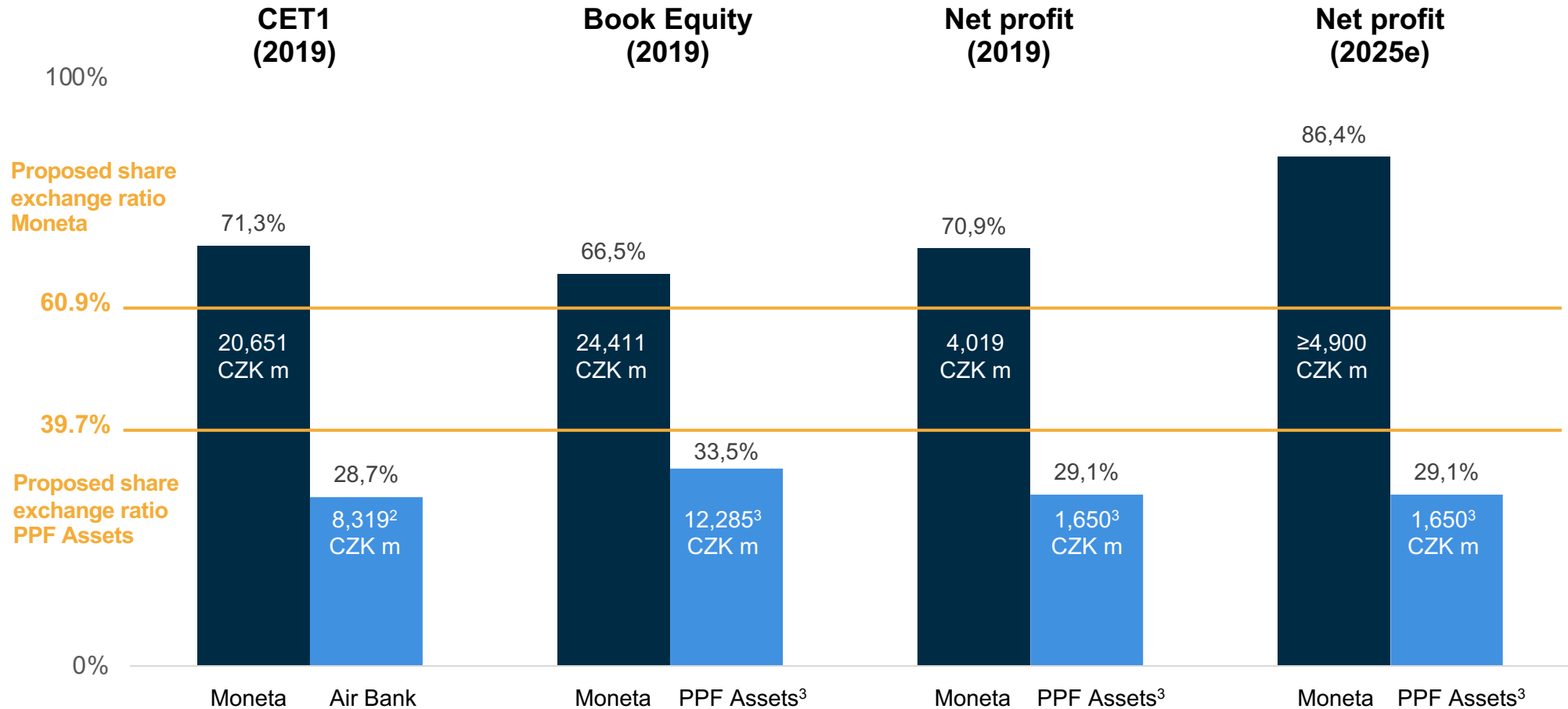
- 1. Voluntary tender offer: an all-cash consideration of CZK 80.00 per share for up to 20% of all shares outstanding with PPF's unilateral right to increase it to 29%**
 - Unconditional part of the tender offer: up to 10% of all shares outstanding
 - Conditional part of the tender offer: exceeding the 10% ownership only upon receipt of regulatory approval from the Czech National Bank
 - Acceptance from 8 February 2021 to 26 February 2021 (with option to extend to 5 March 2021)
- 2. Moneta to acquire Air Bank and its affiliated companies (Home Credit Czech Republic & Slovakia, Benxy) in a share-for-share exchange**
 - Acquisition of Air Bank carried out at an implied exchange ratio of 60.3% (Moneta) to 39.7% (Air Bank), resulting in a shareholding of PPF Group in Moneta of at least 60.3%¹
 - Mutual due diligence to confirm the proposed share exchange ratio
 - Shareholders vote at Moneta's AGM in April 2021 – 75% of votes present needed for PPF to succeed

1) Assuming 20% acceptance of the voluntary tender offer and an existing shareholding of 0.6279% per the latest disclosure.

Source: Bloomberg

Air Bank, Home Credit CZ & SK and Benxy: Strikingly bad deal for Moneta shareholders

Moneta undervalued by approximately CZK 20/share (i.e. 25%), PPF Asset value substantially inflated¹



1) Assuming Moneta valued @ 80.0 CZK/share.

2) Air Bank standalone (data for other entities not available).

3) Air Bank + Home Credit CZ&SK + Benxy.

Implied valuation of PPF's proposal

- The proposed share exchange ratio undervalues Moneta on both P/E and P/B basis
- We fear that the capital of Home Credit and Benxy has deteriorated amid covid pandemic in 2020, resulting in a need of further capital injections
- Non-transparent loan loss provisioning of Air Bank poses a threat to its future profitability compared to a more conservative approach of Moneta

	P/E 19	P/E 25e	P/B 19	P/B Q3/20
Moneta	10.2x ¹	8.3x ³	1.67x	1.55x
PPF Assets	16.3x ²	n.a.	2.19x ⁴	n.a.
Air Bank	17.4x	n.a.	2.72x	2.45x ⁵

1) Assumes CZK 80 proposed takeover price and net profit per YE2019.

2) P/E19 of PPF Assets = (Implied market cap of PPF Assets assuming CZK 80 takeover price of Moneta and the proposed share exchange ratio) / (Net profit of Air Bank + Home Credit CZ&SK + Benxy). Data per YE2019.

3) Assumes net income of CZK 4,900m per Moneta's latest mid-term guidance per October 2020.

4) P/B19 of PPF Assets = (Implied market cap of PPF Assets assuming CZK 80 takeover price of Moneta and the proposed share exchange ratio) / (Book equity of Air Bank + Home Credit CZ&SK + Benxy). Data per YE2019.

5) Air Bank standalone (data for other entities not available) per Q3/2020.

Terms have deteriorated vs. the failed 2018/19 proposal

	Old deal	Old deal revised	New deal	New deal vs. revised old deal
Moneta Valuation	CZK 40.1bn	CZK 40.1bn	CZK 40.9bn ³	+2%
P/E	10.2x ¹	10.2x ¹	10.2x ³	~0%
P/B	1.65x ²	1.65x ²	1.55x ^{3,4}	-6%
PPF Asset Valuation	CZK 19.8bn	CZK 18.5bn	CZK 26.9bn	+45%
P/E	15.8x ⁵	14.8x ^{5,7}	16.3x ⁹	+10%
P/B	2.23x ⁶	1.90x ⁸	2.45x ¹⁰	+29%
PPF Capital Invested	<ul style="list-style-type: none"> • Receive CZK 6.75bn cash • Contribution in kind: Air Bank, Home Credit CZ & SK 	<ul style="list-style-type: none"> • Receive unspecified amount of cash • Contribution in kind: Air Bank, Home Credit CZ & SK 	<ul style="list-style-type: none"> • Pay CZK 8.2 to 11.9bn cash • Contribution in kind: Air Bank, Home Credit CZ & SK, Benxy 	
PPF Shareholding	25%	15%	≥ 50%	

1) LTM P/E 2017.

2) Book equity per Q3/2018.

3) Assumes CZK 80 proposed takeover price and net profit per YE2019.

4) Book equity per Q3/2020.

5) Net profit of Air Bank and Home Credit CZ&SK per YE2017.

6) Book equity per 1H/2018 as per Moneta presentation of the proposed transaction from November 2018.

7) Implied from the revised valuation of CZK 18.5bn.

8) Revised conditions per Moneta press release from February 2019.

9) P/E19 of PPF Assets = (Implied market cap of PPF Assets assuming CZK 80 takeover price of Moneta and the proposed share exchange ratio) / (Net profit of Air Bank + Home Credit CZ&SK + Benxy). Data per YE2019.

10) Air Bank standalone (data for other entities not available) per Q3/2020.

Previous attempt of PPF failed for a reason

In our letter from November 2018, addressed to CEO Tomáš Spurný, we publicly criticized the proposed transaction due to: wrong asset mix, wrong level of transparency, lack of sustainable profitability, wrong price (paying 2.23x book while valued at 1.65x), wrong structure, wrong governance and wrong shareholder structure

- In October 2018, Moneta entered into a non-binding Memorandum of Understanding regarding the potential acquisition of Air Bank and Home Credit's Czech and Slovak businesses
 - Rationale: creation of a leading Czech retail bank, accelerating overall growth and profitability potential
 - Key terms: Moneta to acquire assets for a total consideration of CZK 19.75bn (thereof CZK 6.75bn in cash and CZK 13.0bn in newly-issued Moneta shares) resulting in PPF's shareholding of 24.48% in Moneta
- In January 2019, after facing strong opposition from institutional shareholders including Petrus Advisers, Moneta finished its due diligence and announced it will address feedback received (corporate governance concerns and valuation in particular)
- In February 2019, Moneta announced it would aim to lower the purchase price to CZK 18.5bn, not exceeding the 1.9x P/B valuation of the target and limiting PPF maximum shareholding to 15%. Moneta would also reduce the potential representation of PPF on its board to 1 nominee (from previously two nominees)
- In February 2019, Moneta announced termination of discussions regarding acquisition

We reserve the right to legally act against board members who continue to pursue the transaction for Air Bank, Home Credit CZ & SK and Benxy

#

Appendix

Moneta, Air Bank, Home Credit CZ & SK, Benxy: Profit & Loss

P&L (CZK m) FY2019	Moneta	Air Bank	Home Credit CZ	Home Credit SK	Benxy
Interest income	8,933	4,199	440	85	0
Interest expense	-1,008	-664	-26	-13	0
Net interest income	7,925	3,535	415	72	0
Fee and commission income	2,262	512	183	102	0
Fee and commission expense	-312	-359	-311	-123	0
Net fee and commission income	1,950	153	-128	-21	0
Net income from financial operations	531	0	1,125	410	0
Other operating income	113	-1	154	54	0
Total operating income	10,519	3,687	1,566	515	135
Total operating expenses	-5,019	-1,705	-1,100	-393	-502
Net impairment	-517	-54	0	0	0
PBT	4,983	1,928	466	122	-365
Taxes	-964	-384	-84	-32	0
Net income	4,019	1,544	381	89	-365

Moneta, Air Bank, Home Credit CZ & SK, Benxy: Balance Sheet

Assets (CZK m) FY2019	Moneta	Air Bank	Home Credit CZ	Home Credit SK	Benxy
Cash and balances with the central bank	6,697	39,796	531	174	298
Loans and receivables to banks	23,485	1,978	-	-	-
Loans and receivables to customers	156,409	55,571	1,633	774	-
Investment securities + deriv + hedging	26,413	18,783	-	-	-
Intangible assets	2,283	1,346	330	124	-
Property and equipment	2,948	717	143	46	211
Current & deferred tax assets	7	132	70	96	-
Other assets	811	1,208	957	393	47
Total assets	219,053	119,531	3,664	1,607	556

Liabilities (CZK m) FY2019	Moneta	Air Bank	Home Credit CZ	Home Credit SK	Benxy
Due to banks	7,091	-	731	471	-
Due to customers	181,523	107,067	-	-	186
Hedging + deriv	166	395	-	-	-
Mortgage backed bonds	-	-	-	-	-
Subordinated liabilities	2,006	202	-	-	-
Provisions	209	-	-	-	-
Current & deferred tax liability	423	237	-	-	-
Other liabilities	3,224	1,722	1,520	484	60
Total liabilities	194,642	109,623	2,251	954	245
Total equity	24,411	9,908	1,413	653	311
Liabilities + equity	219,053	119,531	3,664	1,607	556

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