MONETA Money Bank a.s.
Executive Remuneration

July 31, 2020

To:
MONETA Money Bank Shareholders

From:
Ronald Clarke
Chair, Remuneration Committee of the Supervisory Board
MONETA Money Bank, a.s.

Dear Shareholders;

In the following section you will find key information and context concerning the MONETA Money Bank, a.s. (“MONETA”) Remuneration Policy. Applied to Management and Supervisory Boards, which is subject to MONETA Shareholders approval at the upcoming General Meeting.

For the sake of full transparency, we are also providing the following MONETA policies governing specific executive remuneration components, which are subject to the MONETA Supervisory Board’s approval:

1) Remuneration Principles of MONETA Money Bank a.s.
2) Executive Variable Incentive Plan (EVIP)
3) Malus & Claw Back (subset of the EVIP policy, applied to all variable remuneration)
4) Long Term Incentive Plan Rules (LTIP)
5) Shareholding Guidelines (“companion” policy to LTIP)
6) Management Board of Directors Termination, Non-Compete and Salary Continuance Policy (reflected in all Management Board of Directors contracts)

These policies are not part of the Remuneration Policy itself and, as such, are not subject to MONETA Money Bank's shareholder approval.

Further, to enhance your understanding of actual remuneration awarded and paid in 2019, we provide to you:

7) MONETA, Key Performance Indicators, Evaluation of 2018 KPIs of the Management Board
8) Executive Compensation Benchmarking 2020 (Egon Zehnder)
9) MONETA, Remuneration Report, 2019
10) MONETA Executive Remuneration 4 Year Deferral Model

For completeness, we provide the previously published:

11) MONETA, Remuneration Scheme of the Members of the Supervisory Board (Approved by the General Meeting in October 2017)

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The following summary level information is provided to Shareholders with the objective of giving the history and context of executive remuneration development at MONETA, for a comprehensive understanding of these topics.

As Chair of the Remuneration Committee of the Supervisory Board (Committee operating as an advisory body to the Supervisory Board), I have led the development of Executive Remuneration at MONETA from May 2016 to the present. Apart from myself, the current Members of the Committee are Messrs. Miroslav Singer and Tomas Pardubicky.

All remuneration related policies and individual executive components are reviewed based on the work and recommendations of the Remuneration Committee and approved by the full Supervisory Board of MONETA Money Bank.

The EU Regulation implemented in the Czech Republic, necessitates approval of the MONETA Remuneration Policy by the shareholders (i.e. the General Meeting) whilst it leaves the Supervisory Board with overall responsibility to design and manage the specific policies or framework, guided by the principles of the MONETA Remuneration Policy and Principles documents.

Hence, we present you with the above policies and other documents as a compliment to the actual Remuneration Policy. This enables the Shareholder base, deeper understanding of how the entire executive remuneration framework operates at MONETA.

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**Status of Overall Executive (Material Risk Takers) Remuneration at the time of the IPO in May 2016**

At the time of the IPO, when MONETA was listed as a publicly traded institution, remuneration for all executives (including the Management Board of Directors) was governed by legacy policies implemented by the previous owner (GE Capital Corporation).

Our initial analysis conducted in 2016, deemed some of the conditions, not to be suitable for a publicly traded banking institution and we set in place a comprehensive plan to revise the executive remuneration framework, based on determined priorities.

**Overarching Executive Remuneration Policy (May 2016)**

There was no, MONETA specific, Executive Remuneration Policy in place at the time of the IPO. Policy and practices were based on GE legacy sole ownership and directives.

**Remuneration Principles of MONETA Money Bank a.s. (Over Arching Guidelines)**

This policy was approved by the Supervisory Board in November 2017 and provides the framework for remuneration of the Management Board of Directors of MONETA and Executives.
in other entities of the MONETA Group. It serves as the guiding principles document for the development of all specific components of compensation. (fixed, short term variable and long-term incentives). Specific policies have been disclosed over the period 2016 to present.

The policy is based on the following principles:

- **Regulatory Compliance**: Reflecting good corporate governance and regulatory compliance, ensuring sustainability and effective risk management.

- **Shareholder Alignment**: Reflecting Shareholder value interests, through the linking of management variable rewards and promotion of share ownership as an integral part of remuneration policy, with regards to the Management Board of Directors and executives of the MONETA Group.

- **Pay for Performance**: Long established best practice, pay for performance, rewards or penalizes MONETA Group and individual remuneration, based on performance against specific metrics, both internally (individual, department and MONETA Group objectives achievement) and externally (Shareholder return). Ultimately ensuring attraction, retention and motivation of top performers and sound management of the MONETA Group.

- **Equity, Internal / External**: The policy reflects internal equity requirements and prudent risk management, based on organizational level, individual responsibilities, long term performance and non-discrimination. Further, the policy uses external benchmarks where feasible.

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**Short Term Variable Remuneration Policy** (development since May 2016)

The GE, legacy, short term variable policy in place was the “Annual Executive Incentive Plan” (AEIP). It applied to all Management Board of Directors and Material Risk Takers ("MRTs").

We engaged Price Waterhouse Coopers, Czech Republic in a complete review of the policies in place, current regulatory legislation, best practice methodology, as well as the benchmarking of peers.

Highlights of the findings indicated required changes, including:

- Use of the Risk Adjusted Return on Capital (RAROC) formula, which was opined by the Czech National Bank, as not compatible with MONETA’s status as a publicly traded bank;
- No link to MONETA share value, such link should be conditioned on MONETA Share value progression/regression; and
- No existence nor provisions for Malus & Claw Back testing.

Based upon the above findings and recommendations, the Remuneration Committee designed and implemented the **Executive Variable Incentive Plan**” ("EVIP"). The main components of the EVIP are described below.

The EVIP detailed in the attached document was designed and developed to address all identified issues, align Shareholder interests with that of the management and put MONETA in full compliance with all regulatory requirements in force, as well as positioning MONETA in a competitive position against its peers.
Key Features of the EVIP Policy:

- Linking variable compensation with the value of MONETA shares, through a mechanism of phantom shares;
- Adjusting deferred payouts based upon shareholder return and MONETA share performance;
- Introduction of the Total Shareholder Return (TSR) formula which drives annual adjustment of individual variable compensation;
- Basing the annual TSR calculation on a clearly defined calculation formula, overseen by independent control functions and approved by the Supervisory Board;
- Clearly setting adjustment conditions governing non deferred cash awards, deferred cash awards and deferred phantom shares awards;
- Introduction of the Malus & Claw Back rules and annual testing procedure

The policy was approved by the Supervisory Board in November 2017 and published on the MONETA Investor Relations website.

Further it was the subject of a formal “Shareholder Consultation” exercise conducted in April – May 2018, open to all shareholders participation. Following this consultation exercise, it was amended and approved by the Supervisory Board in November 2018. The policy continues to be published on the MONETA Investor Relations website.

The EVIP policy has been running for 2 performance years, with outcomes (specific rewards) audited annually. Additionally, the Remuneration Committee and Supervisory Board, formally review the policy annually, specifically, in regard to changing regulatory guidance and best practice evolution.

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**Long Term Variable Remuneration Policy** (development since May 2016)

There was no long-term variable remuneration policy, in place, at the time of the IPO.

At the April 2017 Annual General Meeting, MONETA shareholder, Franklin Templeton, proposed to the General Meeting, to task the Supervisory Board to create a Stock based long term incentive plan for MONETA management. The proposal was approved by the majority of shareholders. *(Find the previously published full text of the resolution on the MONETA Investor Relations website [https://investors.moneta.cz/general-meeting]*) Therefore, the Supervisory Board received the task to implement a long term incentive policy.

The Remuneration Committee of the Supervisory Board acted on this directive and conducted initial market practice research. Our findings indicated very few examples of long-term stock-based incentive plans, put into practice in the CEE geographic area, that were designed, controlled and funded locally. The examples found, were primarily subsidiary entities of Western European or US parent firms.
In Q3 2017, we engaged the remuneration consultancy, Willis Towers Watson on the topic of Long-Term Incentive Plans, successfully operating in medium sized banks and financial services providers, comparable to MONETA. This consultation resulted in best practice-based examples.

The MONETA **Long-Term Incentive Plan** (LTIP) rules, detailed in subsequent documents, were designed utilising all inputs from the consultation exercise with Willis Towers Watson. It is a performance-based plan built to represent Shareholder interests, motivate our Management Board of Directors, comply with all regulatory and legal requirements and features the following key components:

- 3 year (Mirroring the published MONETA 3-year strategic plan) critical, MONETA Group KPI achievement requirements
- High minimum KPI achievement thresholds under which awards are not vested at the end of the "cliff vesting" 3-year performance period
- Utilizes MONETA common shares (vs Phantom shares used for EVIP)
- Encompasses all legal and regulatory requirements
- Annual Grants, at the sole discretion of the Supervisory Board
- Annual Grant range (30 – 50% of Annual Fixed Salary) at moderate level to benchmark
- Malus and Claw Back rules and testing applicable

Further it was also the subject of the formal "Shareholder Consultation" exercise conducted in April – May 2018, open to all shareholders participation. (including Franklin Templeton, the authors of the initial request). Following this consultation exercise and taking shareholder input into account, it was approved by the Supervisory Board in August 2018. The policy continues to be published on the MONETA Investor Relations website. [https://investors.moneta.cz/corporate-documents](https://investors.moneta.cz/corporate-documents)

The **MONETA Shareholding Guidelines** policy detailed in subsequent documents, is a companion policy to the LTIP. It is a best practice policy requiring participants to retain a significant portion of their vested shares. The minimum thresholds of 30% of annual fixed salary for Board Members and 50% for our CEO and Chairman of the Board, ensures long term alignment with Shareholder interests.

Further it was also the subject of the formal "Shareholder Consultation" exercise conducted in April – May 2018, open to all shareholders participation. Following this consultation exercise and taking shareholder input into account, it was approved by the Supervisory Board in August 2018. The policy continues to be published on the MONETA Investor Relations website. [https://investors.moneta.cz/corporate-documents](https://investors.moneta.cz/corporate-documents)

For a full view of previous communication to Shareholders, from the Supervisory Board on the matters of Executive Remuneration, please visit the MONETA Investor Relations website (tab Shareholder Consultations) and view the letter from myself and the, then Chair of the Supervisory Board, dated March 23, 2018, which provides a summary of the overall remuneration initiatives conducted by the Remuneration Committee and the Supervisory Board. [https://investors.moneta.cz/consultation-with-shareholders](https://investors.moneta.cz/consultation-with-shareholders)
Contractual Fixed Salary, Benefits, Management Board of Directors

Three of the current five members of the Management Board of Directors had, legacy, GE contracts as of May 2016. The other 2 have moved onto the board since the IPO.

As with the variable incentive policies above, our initial reviews indicated some legal and regulatory issues with the legacy contracts as related to the now publicly traded MONETA.

The Remuneration Committee, with the approval of the Supervisory Board and in consultation with external legal counsel, has systematically addressed all legacy and regulatory issues over the course of the period 2016 to present.

All Board Members are on MONETA Supervisory Board approved, 4-year, fixed term, statutory contracts. Term expiration dates are published on our website.

All Board Members have common and comprehensive Termination, Non-Compete and Salary Continuance conditions, in the event of contract termination.

Disclosure of MONETA Executive, Individual Remuneration

MONETA has published the collective Executive Remuneration totals in all previous Annual Reports, in compliance with Regulatory requirements.

For the first time, details of each Senior Executive’s total remuneration are provided in the MONETA Remuneration Report, 2019.

Further, we provide a current Peer Group Benchmark analysis.

We advise shareholders, disclosure of individual executive remuneration is, at present, not common practice in our geographic area. Further we provide the following excerpt from our most recent MSCI report “...among 89 peer banks, only 4 disclose CEO annual pay...”.

We have taken the decision to provide full disclosure of all MONETA Senior Executive's remuneration in response to the recently adopted European Shareholder Rights Directive guidance and once again are proud of our proactively transparent approach.

I trust the above provides further context and insight into the development of the MONETA Executive remuneration framework and respective policies.

Best Regards

Ron Clarke
Chair, Remuneration Committee
of the Supervisory Board
MONETA Money Bank
cc. Gabriel Eichler  
Chair, Supervisory Board  
MONETA Money Bank

Reference;

Per the terms of the MONETA, Articles of Association, the following documents, published on the MONETA Investor Relations website, are approved or acknowledged by the MONETA, Supervisory Board:

- **MONETA Remuneration Policy, Applied to Management and Supervisory Boards** – for Shareholder Approval

- **Remuneration Principles, MONETA Money Bank a.s.**
- **Executive Variable Incentive Policy (EVIP)**
- **Malus & Claw Back** (subsection of EVIP)
- **Long Term Incentive Plan Rules (LTIP)**
- **Shareholding Guidelines** – (Companion policy to LTIP)
- **Management Board of Directors Termination, Non-Compete and Salary Continuance Policy** (Applied to all Management Board of Directors Contracts)
- **MONETA, Key Performance Indicators, Evaluation of 2018 KPIs of the Management Board** (Basis for 2019 Remuneration Paid and Awarded)
- **Executive Compensation Benchmarking Report**, Egon Zehnder (newly provided for information)
- **MONETA Remuneration Report, 2019** (newly provided for information)
- **MONETA Executive Remuneration 4 Year Deferral Model** (newly provided for information)

- **Remuneration Scheme of the Members of the Supervisory Board** (Applied to all Supervisory Board Member Contracts)