

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms J&T Banka's Baa2 deposit ratings, maintains stable outlook

16 May 2024

Frankfurt am Main, May 16, 2024 -- Moody's Ratings (Moody's) has today affirmed J&T Banka, a.s.' (JTB) Baa2/P-2 long- and short-term bank deposit ratings as well as its Baa3 long-term senior unsecured debt rating. The outlook on the long-term deposit and senior unsecured debt ratings remains stable. At the same time, Moody's has affirmed the bank's ba1 Baseline Credit Assessment (BCA) and Adjusted BCA, as well as its Baa1/P-2 long- and short-term Counterparty Risk Ratings (CRRs) and Baa1(cr)/P-2(cr) long- and short-term Counterparty Risk (CR) Assessment.

RATINGS RATIONALE

-- AFFIRMATION OF THE BASELINE CREDIT ASSESSMENT

The affirmation of JTB's ba1 BCA reflects the broadly unchanged solvency and liquidity of the bank, while acknowledging the progress the bank has made in improving its asset quality and capitalization. Additionally, by bolstering the reserve coverage for problem loans, the bank has effectively reduced residual asset risks to its capital base.

Business model inherent risks, nevertheless, remain high and represent an important constraint for the BCA, arising from its large share of structured financings, which particularly entail asset concentration risks, also considering the highly dynamic regional footprint.

JTB's BCA further reflects the bank's robust profitability owed to its strong franchise in corporate lending, ample surplus liquidity that yields higher margins, and rising fee revenues from asset management. The bank's sound funding and liquidity profile, a key strength to its overall financial profile, is based on a large retail customer base. The latter has seen significant expansion, yet Moody's believes that part of the deposit inflow during 2023 is of rather temporary nature.

-- AFFIRMATION OF DEPOSIT AND SENIOR UNSECURED DEBT RATINGS

The affirmation of JTB's deposit and senior unsecured debt ratings reflects the affirmation of its ba1 BCA; Moody's assumption of moderate affiliate support from its ultimate owner J&T Finance Group SE (JTFG), which, however, does not translate into any uplift to JTB's BCA and results in a ba1 Adjusted BCA; two notches of uplift for the bank's deposit ratings and one notch of uplift for its senior unsecured debt rating from Moody's Advanced Loss Given Failure (LGF) analysis, and the rating agency's assumption of a low support from the Government of Czech Republic (issuer rating Aa3, stable) given JTB's small market share in the Czech banking sector, resulting in no further rating uplift.

-- OUTLOOK

The outlook on JTB's long-term deposit and senior unsecured ratings remains stable reflecting our expectation that its financial fundamentals will remain steady over the next 12-18 month, and that its liability structure will remain largely unchanged.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

JTB's ratings could be upgraded if JTB's BCA were to be upgraded, which could result from a continued and sustainable improvement in its solvency, or if the bank substantially diversifies its business and customer lines without taking undue strategic and operational risks as a result of such a shift.

Upward pressure on the ratings could also occur if the bank issues substantially more loss-absorbing debt, beyond Moody's current expectations.

A downgrade of JTB's ratings could be driven by a downgrade of its BCA, which could be caused by a weakening of its solvency, in case its funding quality deteriorates, or if business-model risks materialize beyond current expectations.

Downward pressure could also occur following a material reduction in bail-in-able instruments outstanding, such that it increases the loss severity of senior unsecured debt and deposits, resulting in a lower rating uplift from Moody's Advanced LGF analysis.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Katja Reise
Vice President - Senior Analyst
Financial Institutions Group

Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main, 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Maria Jose Mori
Senior Vice President
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main, 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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