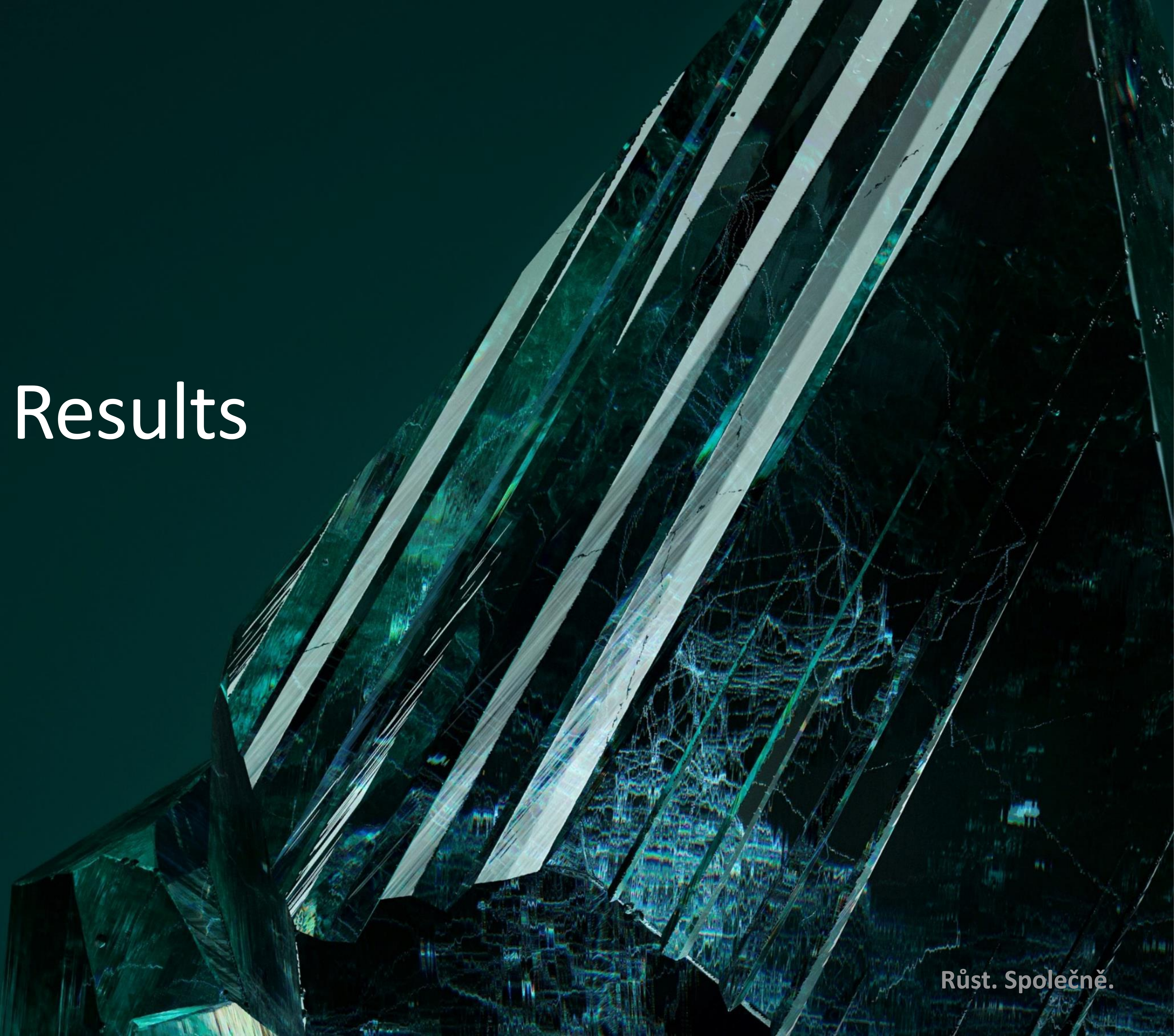
J&T BANKA

FY2023 – Full Year Results (Consolidated)

Investor Update

March 2024



Růst. Společně.

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Key Developments

Exit from Russia completes J&T BANKA's strategic pivot towards Western European markets

January
- Baa2 long-term deposit rating (stable outlook) and Prime-2 short-term deposit rating assigned by Moody's

March
- Fully digital branch operating under J&T Direktbank brand opened for clients in Frankfurt am Main, Germany
- By 2023 year-end, the branch attracted more than €800m in deposits from over 20,000 clients

October
- €120m MREL-eligible debut Eurobond successfully placed in the international capital markets
- ~CZK2.5bn (~€100m) from net proceeds shall be used to redeem outstanding vintage AT1 instruments in FY2024

November
- Exit from the Russian market – disposal of the Russian subsidiary J&T Bank, a.o. and TERCES MANAGEMENT LTD
- ~CZK1.1bn (~€43m) negative P&L impact (mainly translation reserve release, no impact on equity)

December
- J&T ARCH closed the year with over €2bn AuM, becoming the largest fund in the Czech Republic and Slovakia

Financial Highlights

Best reported results in J&T BANKA's history amid high general interest rate environment, stable loan book, improving asset quality and negative CZK883m one-off net effect related to exit from Russia and FVE sale

- Operating income up ~24% YoY due to higher net interest income as well as net fees and commissions
- Operating expense up ~45% YoY affected by CZK883m one-off charge connected to Russia exit[(1)] and FVE sale (only ~21% YoY ex-subsidiaries sale impact), larger IT cost, higher marketing spend and wage inflation
- Cost of risk down by ~44% YoY due to improving asset quality and no further Russia and Ukraine related provisioning
- ~4% YoY reduction in overall loan book resulting from conservative approach to new business
- Deposit inflow continued (up ~33% YoY), leading to 47% Loan-to Deposit Ratio and strong liquidity position
- Shareholders' equity increased by ~15% YoY driven by prior year's profit retention (less CZK1bn dividend) and current year profit

(CZKm)	2022	2023	change	(€m)[(2)]
Operating Income	11,519	14,237	+23.6%	558
Operating Expense	(3,755)	(5,434)	+44.7%	(213)
Profit Before Risk Cost	**7,764**	**8,803**	**+13.4%**	**345**
Cost of Risk	(3,147)	(1,765)	-43.9%	(69)
Net Profit for the Period	**3,380**	**5,392**	**+59.5%**	**211**
Cash and Equivalents	77,738	140,771	+81.1%	5,520
Loan Book	**106,149**	**101,456**	**-4.4%**	**3,979**
Securities	27,156	31,440	+15.8%	1,233
Deposits	**164,022**	**217,837**	**+32.8%**	**8,543**
Shareholders' Equity	**35,843**	**40,948**	**+14.2%**	**1,606**
ROE	**10.9%**	**14.0%**	**+3.1 p.p.**	<-
ROA	**1.6%**	**2.1%**	**+0.5 p.p.**	<-
Capital Adequacy (TCR)	19.4%	24.9%	+5.5 p.p.	<-
Leverage Ratio[(3)]	13.2%	8.7%	-4.5 p.p.	<-
Liquidity Coverage Ratio (LCR)[(3)]	276.6%	413.3%	+137 p.p.	<-
Net Stable Funding Ratio (NSFR)[(3)]	145.9%	191.9%	+46 p.p.	<-
Employees (average FTEs)	940	968	+2.9%	<-

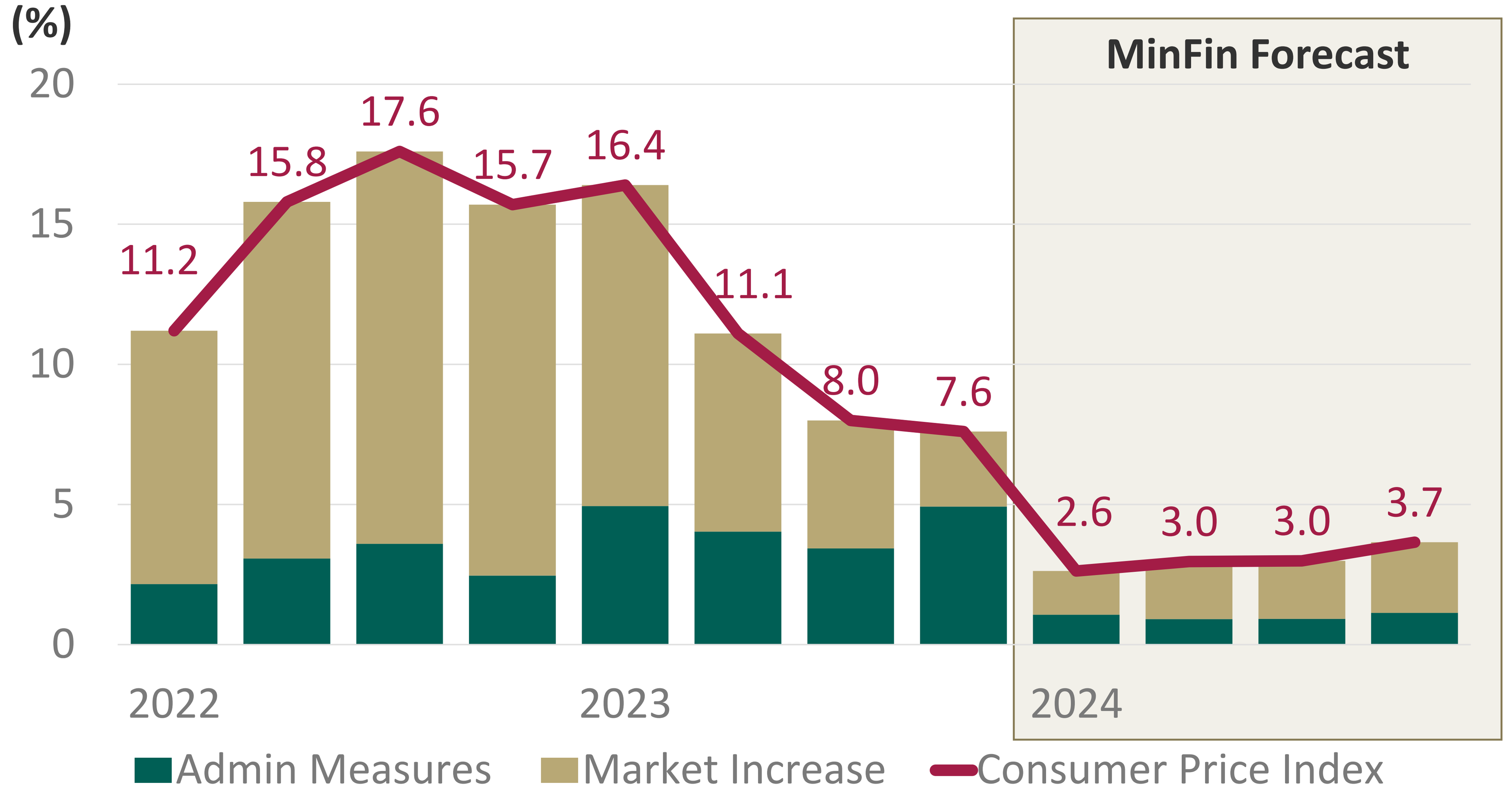
Notes: (1) Mainly release of translation reserve with no impact on equity. (2) Convenience translation at 1 EUR = 25.50 CZK. (3) Only reported on individual basis. Source: Company data

Operating Environment

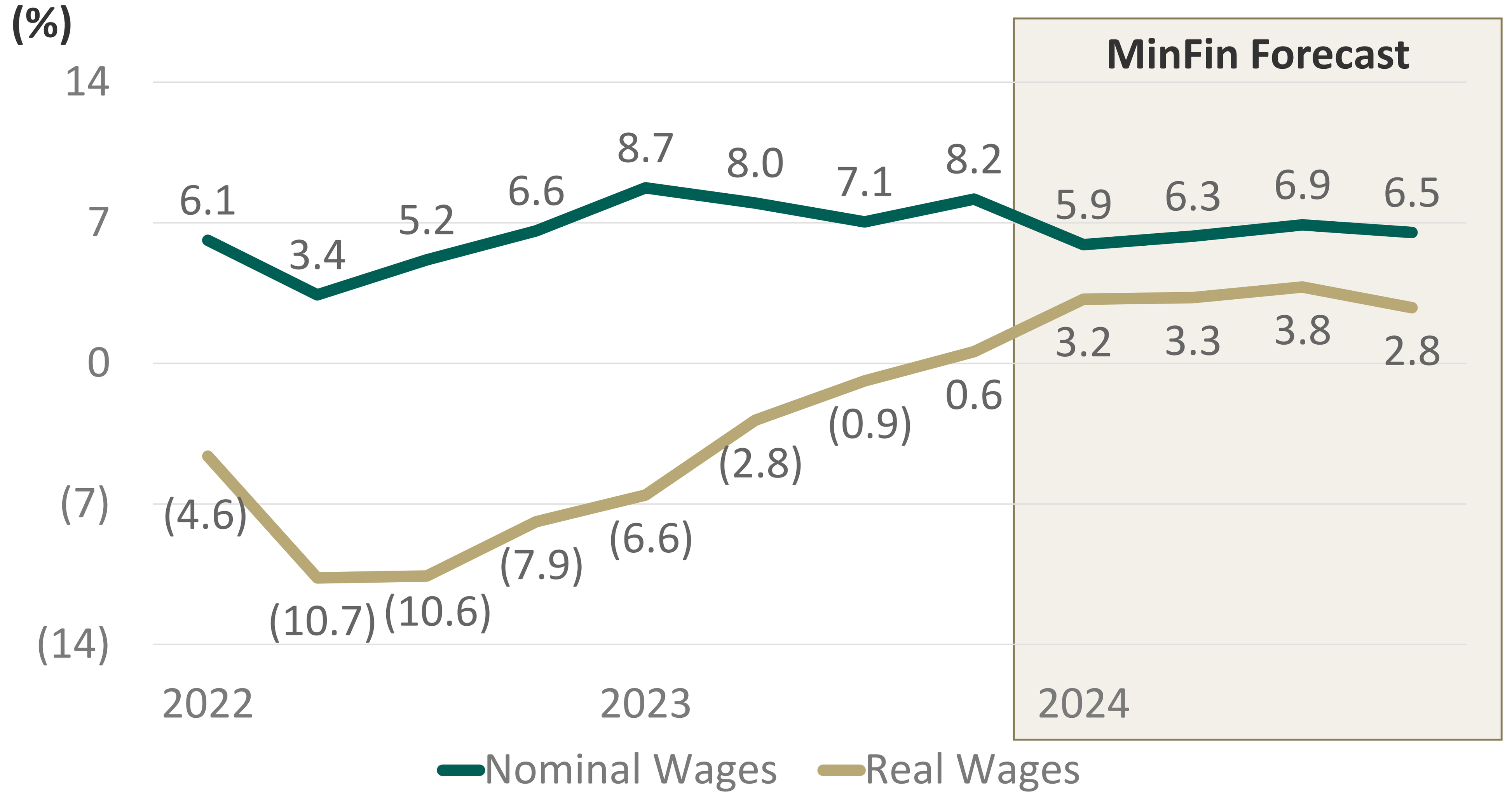
Inflation and tight monetary conditions weighed on Czech economic growth in 2023. Interest rate cycle that helped banking sector performance has now peaked. Looser monetary policy should boost activity in 2024

- Inflation still weighed on households whose consumption remained muted but started to decline sharply towards year-end, moving close to CNB's 2% target early in 2024
- Corporate sector faced headwinds too, having to put up with ECB's restrictive monetary policy and Eurozone's economic woes
- Real GDP growth lost momentum in 2023 and Czech economy slipped into technical recession
- Interest rate cycle that helped Czech banking sector performance throughout 2023 has now peaked
- Looser monetary policy may curtail banking sector's profitability but should prop up private sector activity and consumption
- Budget deficit is expected to have reached 3.6% GDP in 2023 and should decline below 3% in 2024

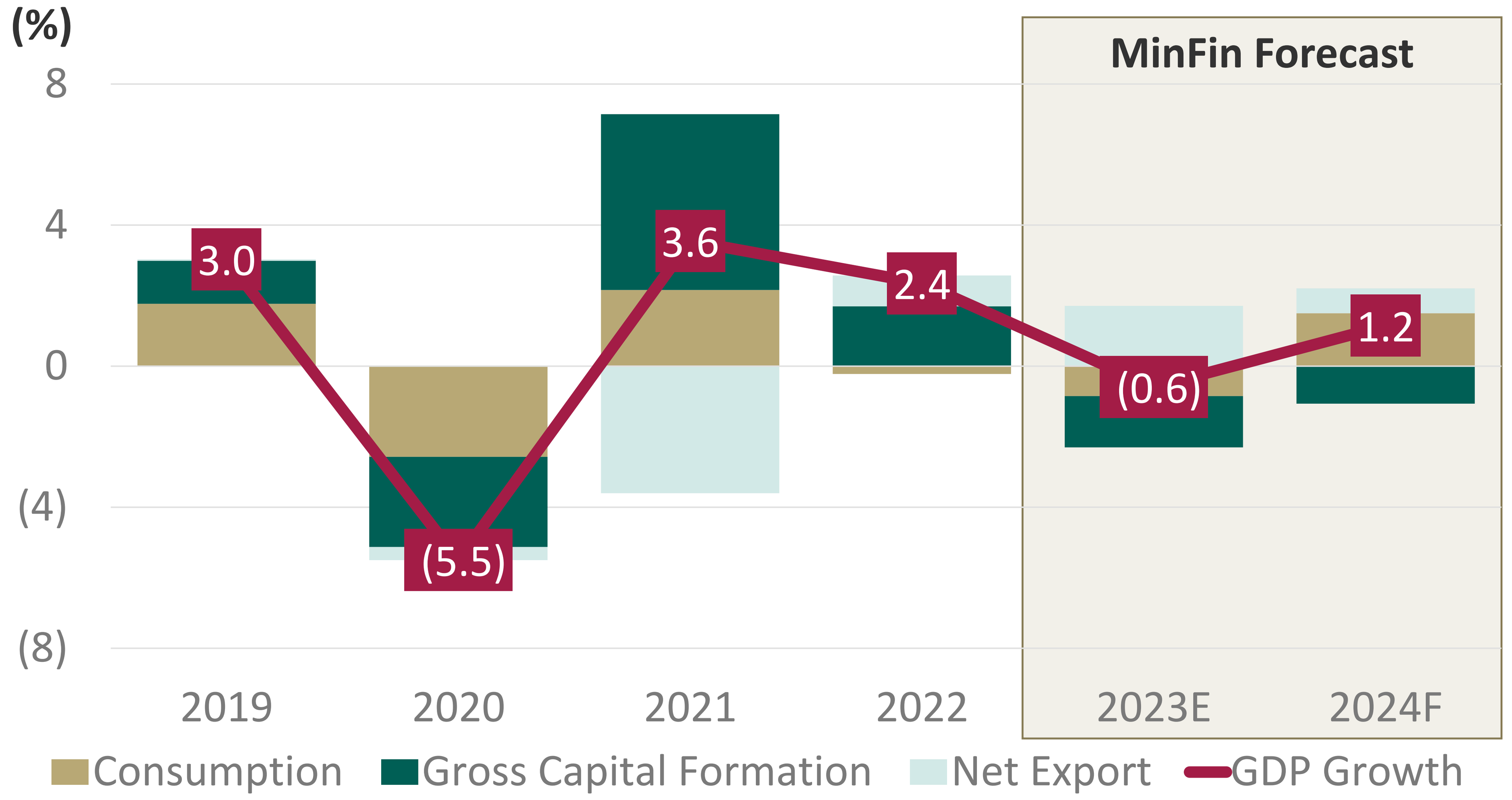
Inflation Rate (Quarterly, YoY)



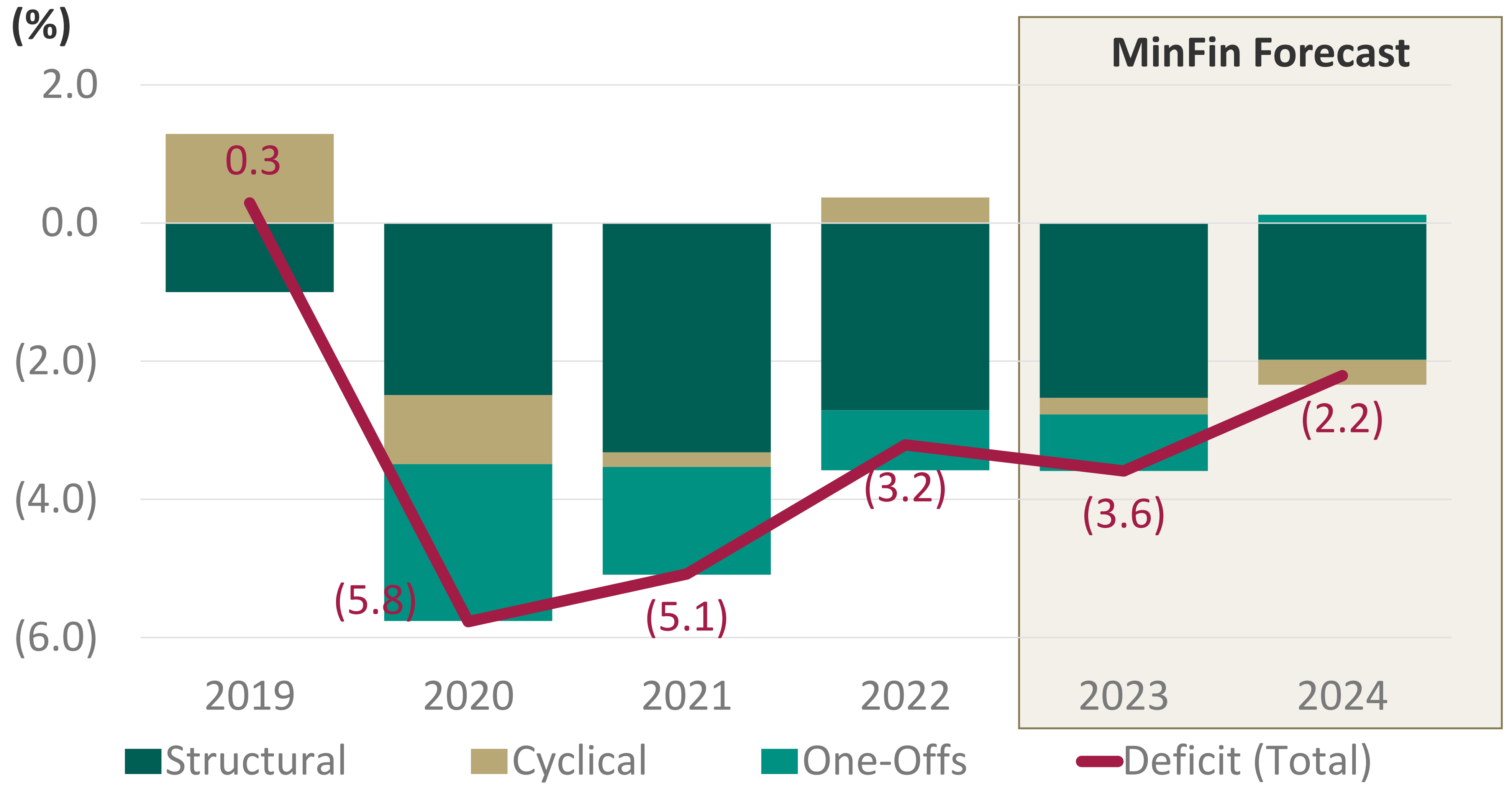
Monthly Wage Growth (Quarterly, YoY)[1]



GDP Growth and Contribution (Real, YoY)



General Government Balance (% GDP)



Note: (1) Average gross monthly salary. Source: Ministry of Finance, Czech Statistical Office

Profitability Drivers

~60% YoY increase in net profit driven by record high net interest income, continued growth in net fees and commissions and lower risk cost which more than off-set modest increase in recurring operating expense

Net Profit Bridge (FY2023 vs FY2022)

- **NII**: Profound positive impact of high interest rates in both CZK and in EUR coupled with large excess liquidity balances placed at central banks
- **NFC**: Continued growth in assets under management and greater fees from securities underwriting, partly off-set by lower markets related income
- **Personnel Expense**: Modest 3% FTE growth and persistent wage inflation
- **Admin Expense**: Larger IT outsourcing costs, greater marketing spend and premises related opex (incl. German branch) as well as mandatory cost
- **Loss from Sale of Subsidiary**: ~CZK1.1bn loss on Russian assets de-consolidation (no impact on equity), partially off-set by profit on FVE Holding sale
- **Cost of Risk**: Improving asset quality and no further Russia and Ukraine related provisioning

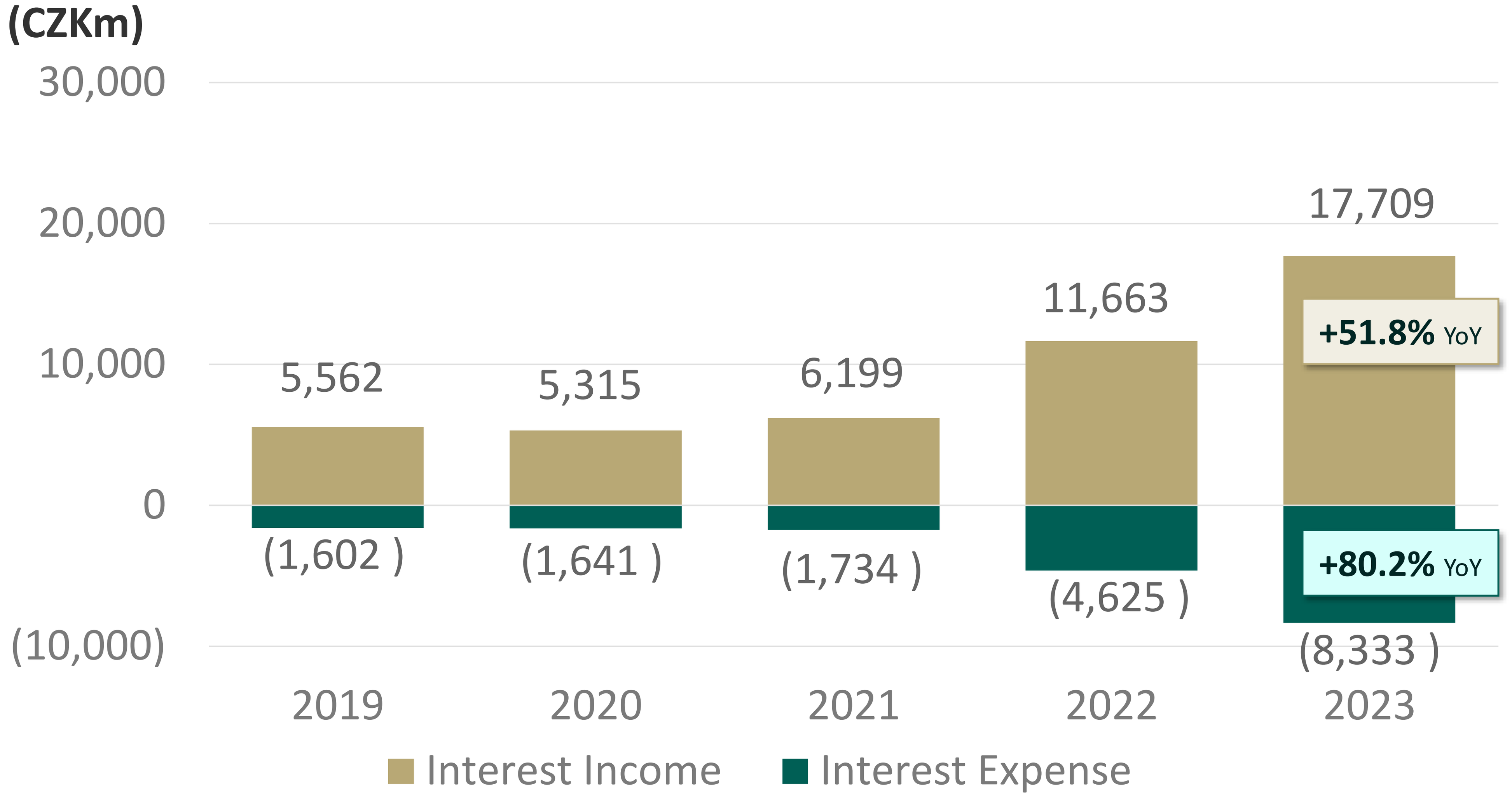
Source: Company data

Net Interest Income

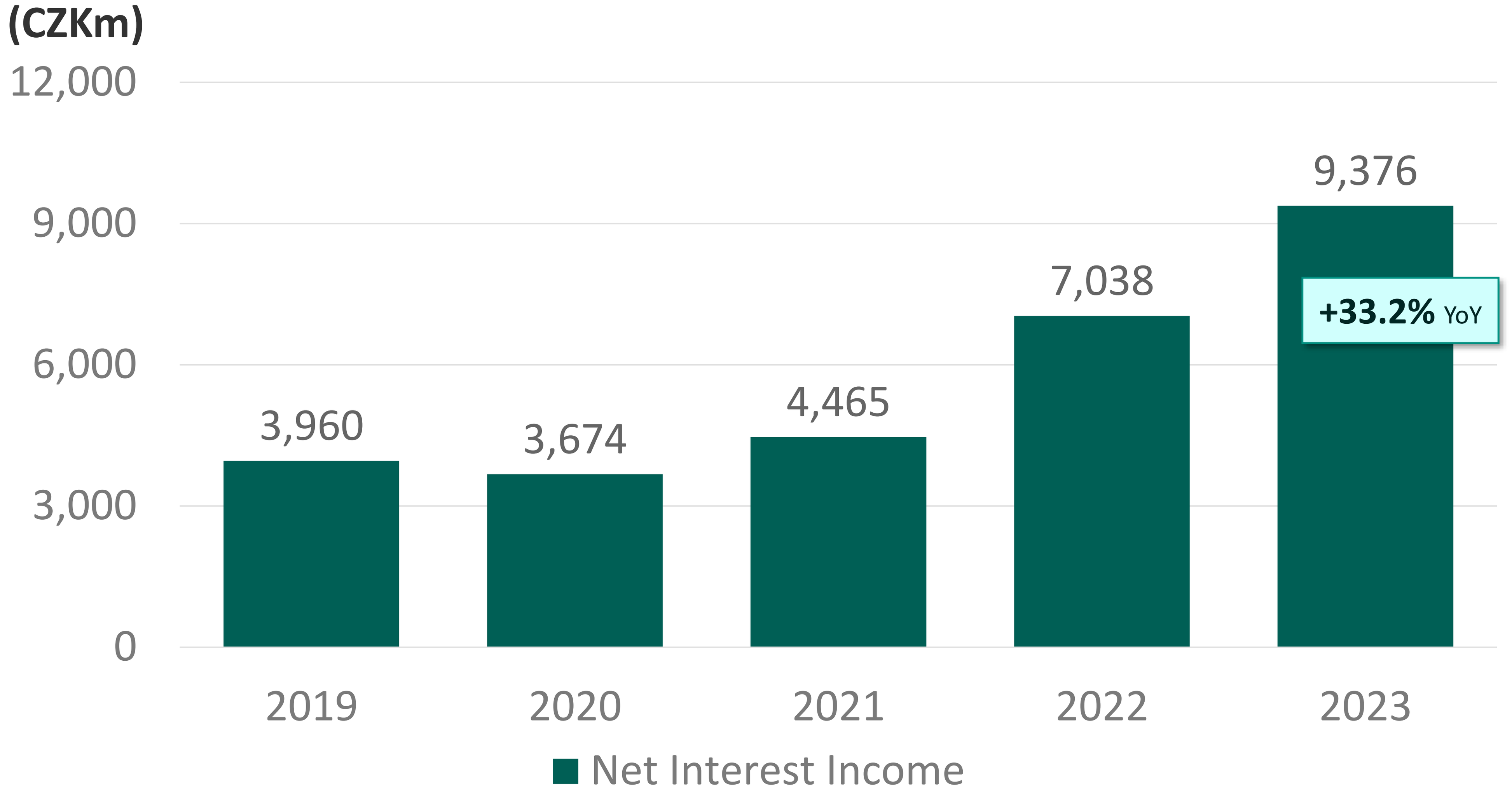
Highest ever reported net interest income driven by high nominal interest rates in CZK and EUR throughout 2023 and considerable excess liquidity placements with central banks

- Net interest income driven by high nominal interest rates resulting from restrictive monetary policies pursued by central banks
  - 2W CZK repo rate reached highest level in 20 years and EUR rates climbed highest since 2008
- Interest income grew by ~52% YoY as increasing EUR rates boosted income from corporate loan portfolio (85% EUR denominated) and high CZK rates drove income from liquidity placements (with overall impact further compounded by liquidity buffer growth)
- Upward shift in interest rates inevitably led to marked increase in interest expense (+~80% YoY), translating, in aggregate, in ~30% YoY growth in net interest income
- Net interest margin continued to widen as interest income more than off-set deposit base repricing

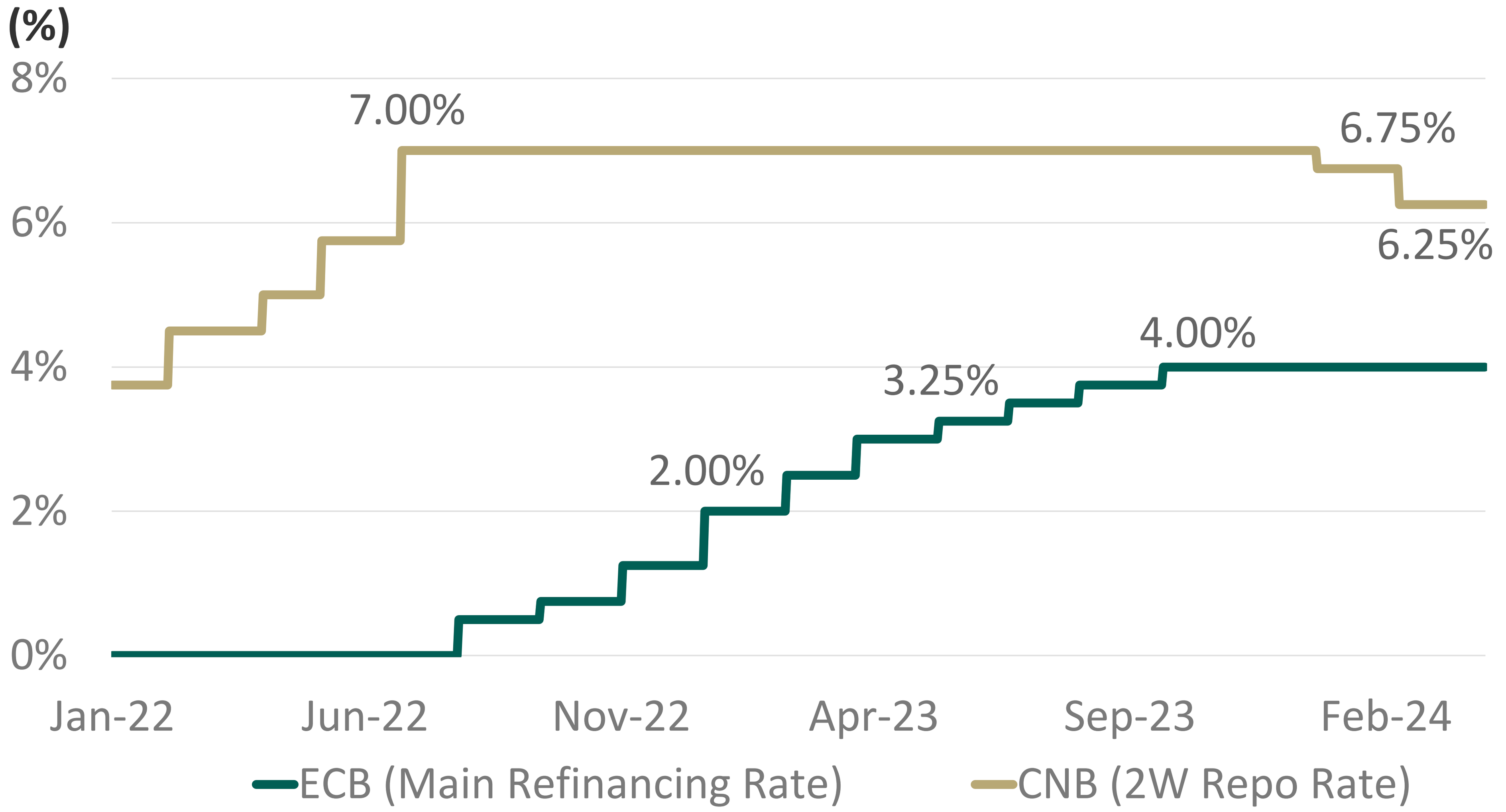
Interest Income and Interest Expense



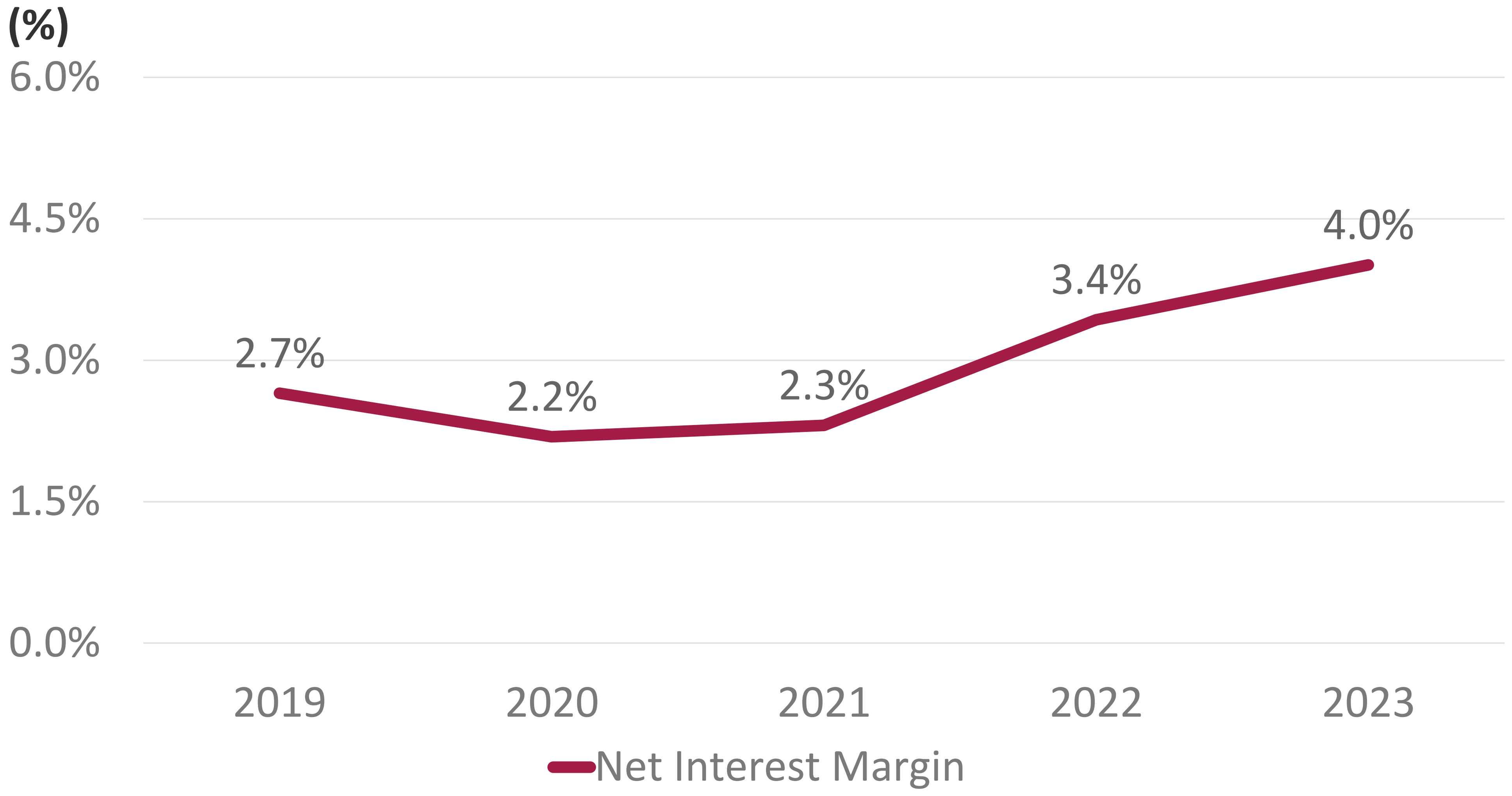
Net Interest Income



Key Monetary Policy Rates



Net Interest Margin (Individual)(1)



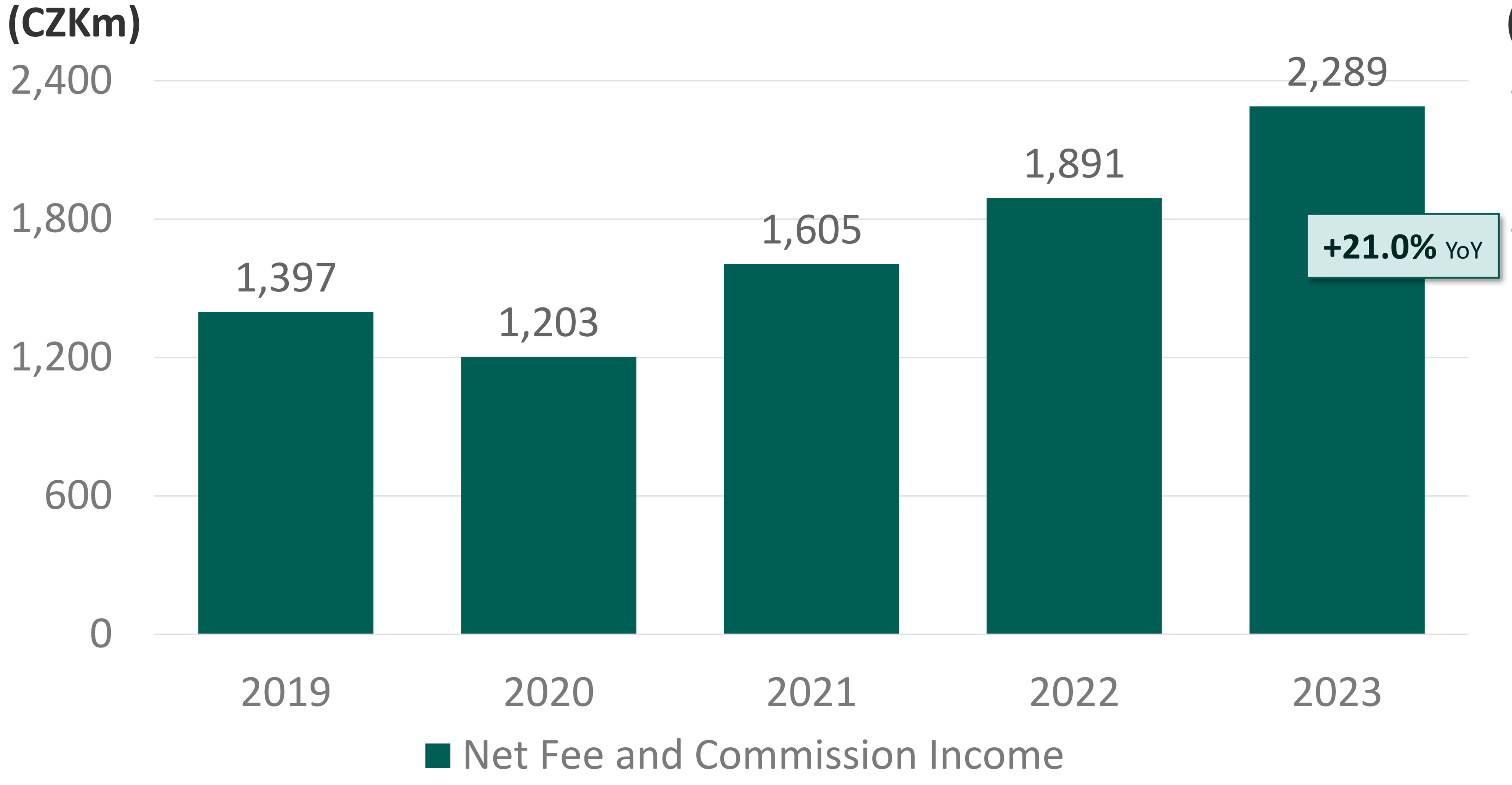
Note: (1) Net interest income / average interest earning assets (daily averages between 1 January and 31 December of each accounting period. Source: CNB, ECB, Company data

Net Fees and Commissions

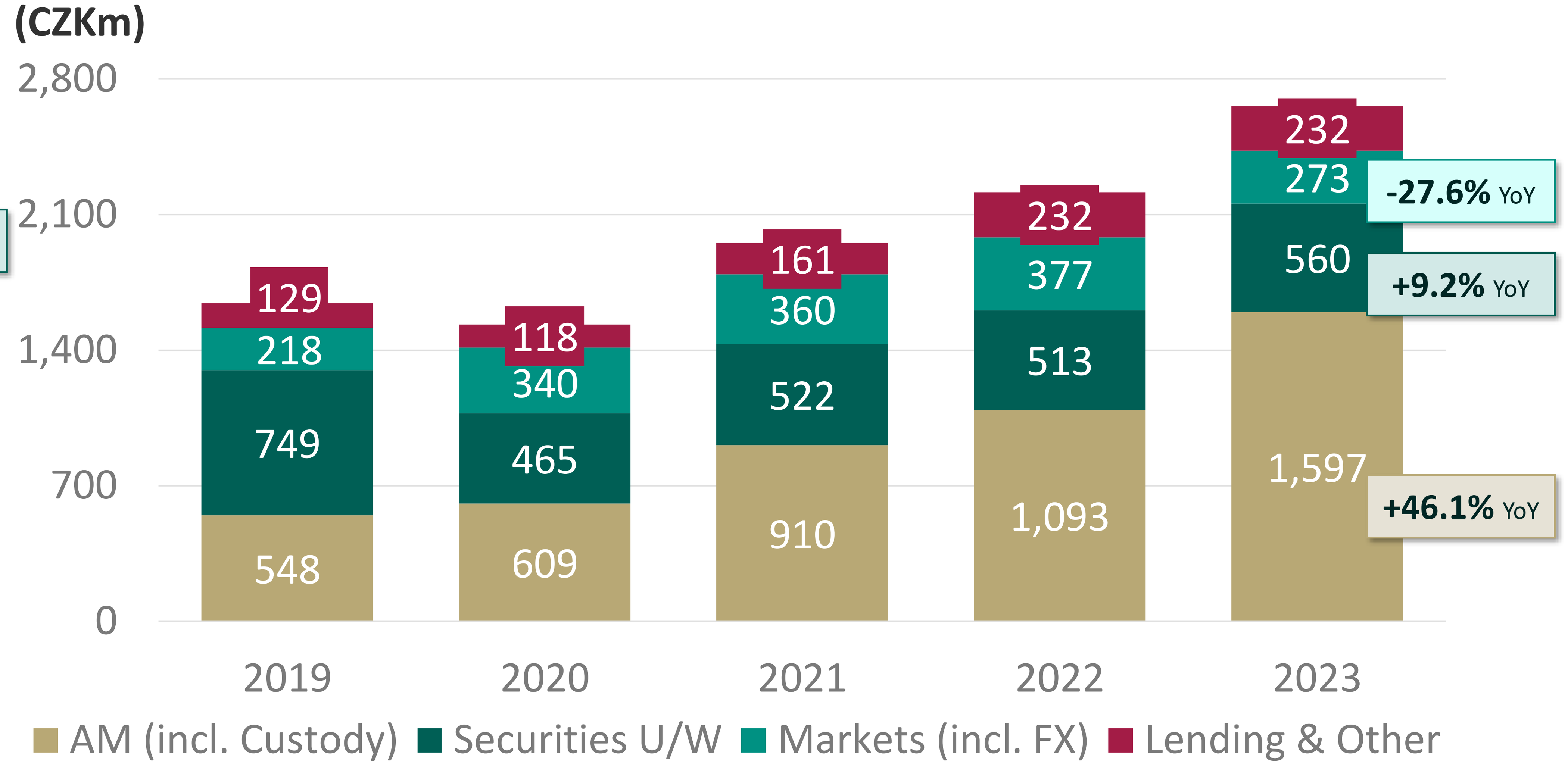
Steady growth in net fee and commission income underpinned by consistently growing asset management fees mirroring increase in AuM

- Net fees and commissions grew by 21% YoY driven by increasing asset management fees and corporate bond underwriting commissions, partly offset by decline in markets related fees
- Asset management fees, most significant source of non-interest income accounting for 60% of gross fees and commissions, increased by ~46% YoY, reflecting full impact of Amista IS consolidation as well as organic growth in AuMs
- Securities U/W and placement commissions, second most important albeit more volatile contributor to overall fee and commission income, grew by ~9% YoY due to revival in primary issuance activity in 2H 2023
- Brokerage fees declined ~28% YoY because of lower client activity in financial markets

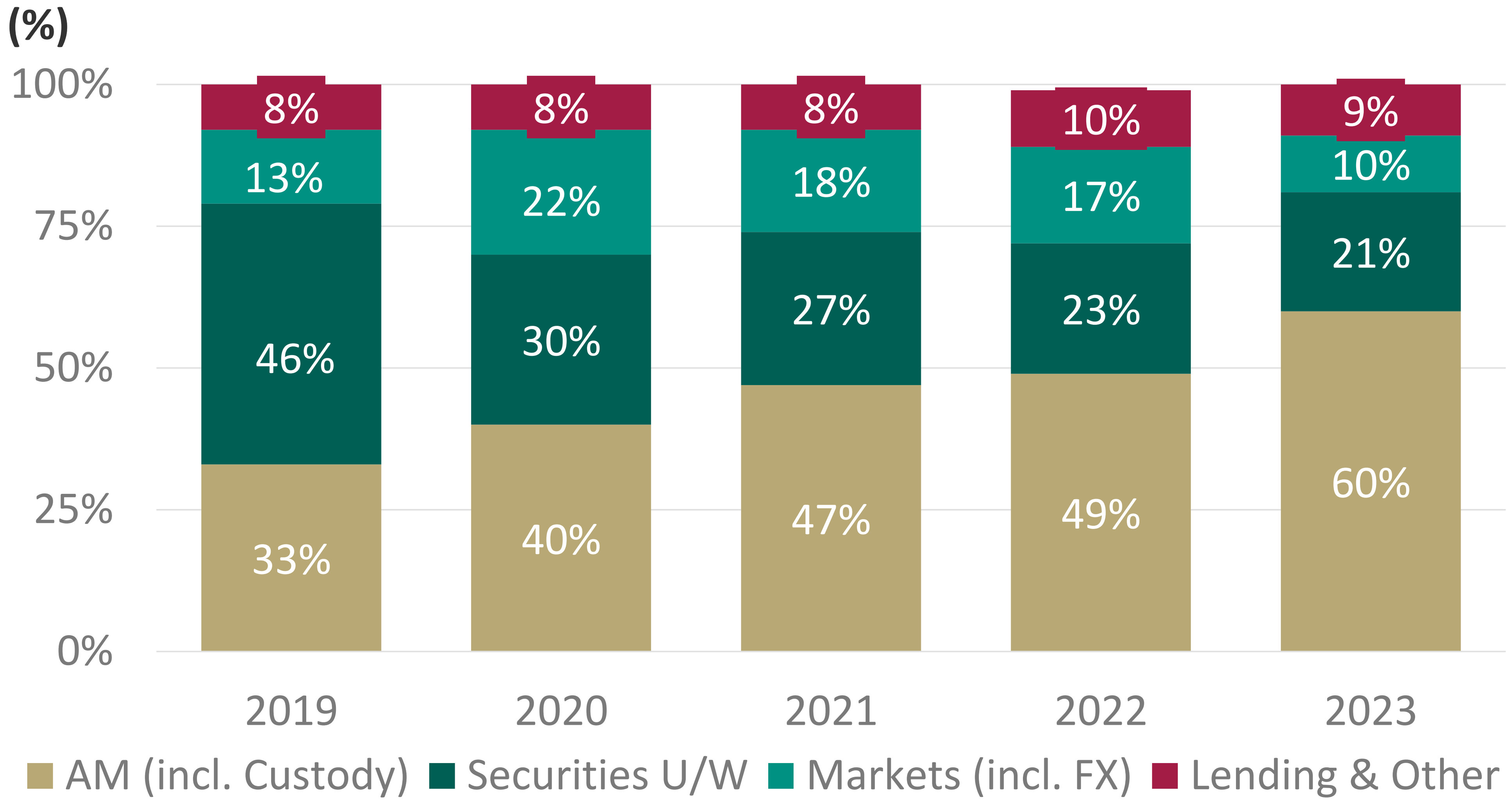
Net Fees and Commissions



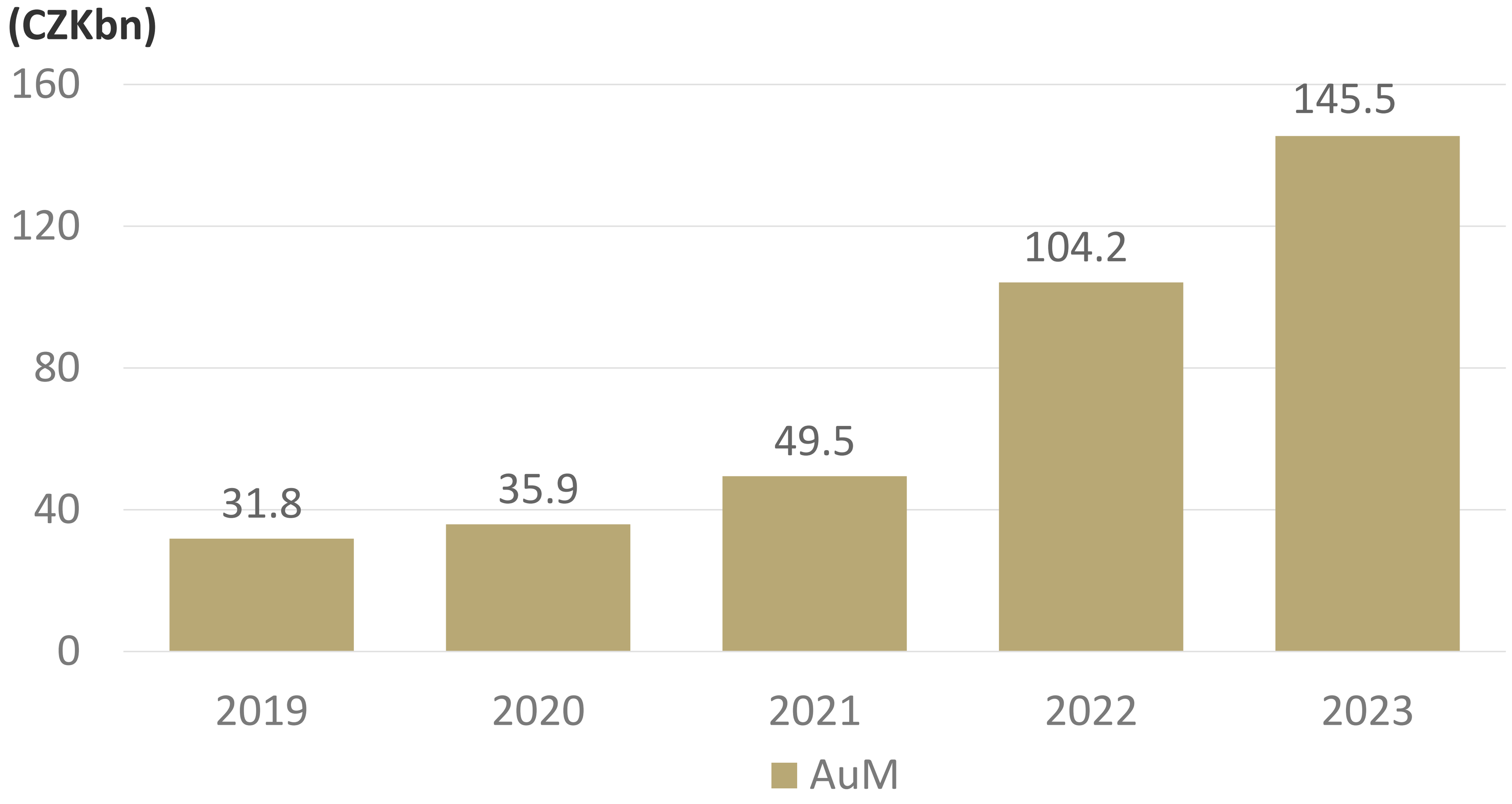
Fees and Commissions Drivers (Gross)



Fees and Commissions Contribution (Gross)



Assets under Management[1]



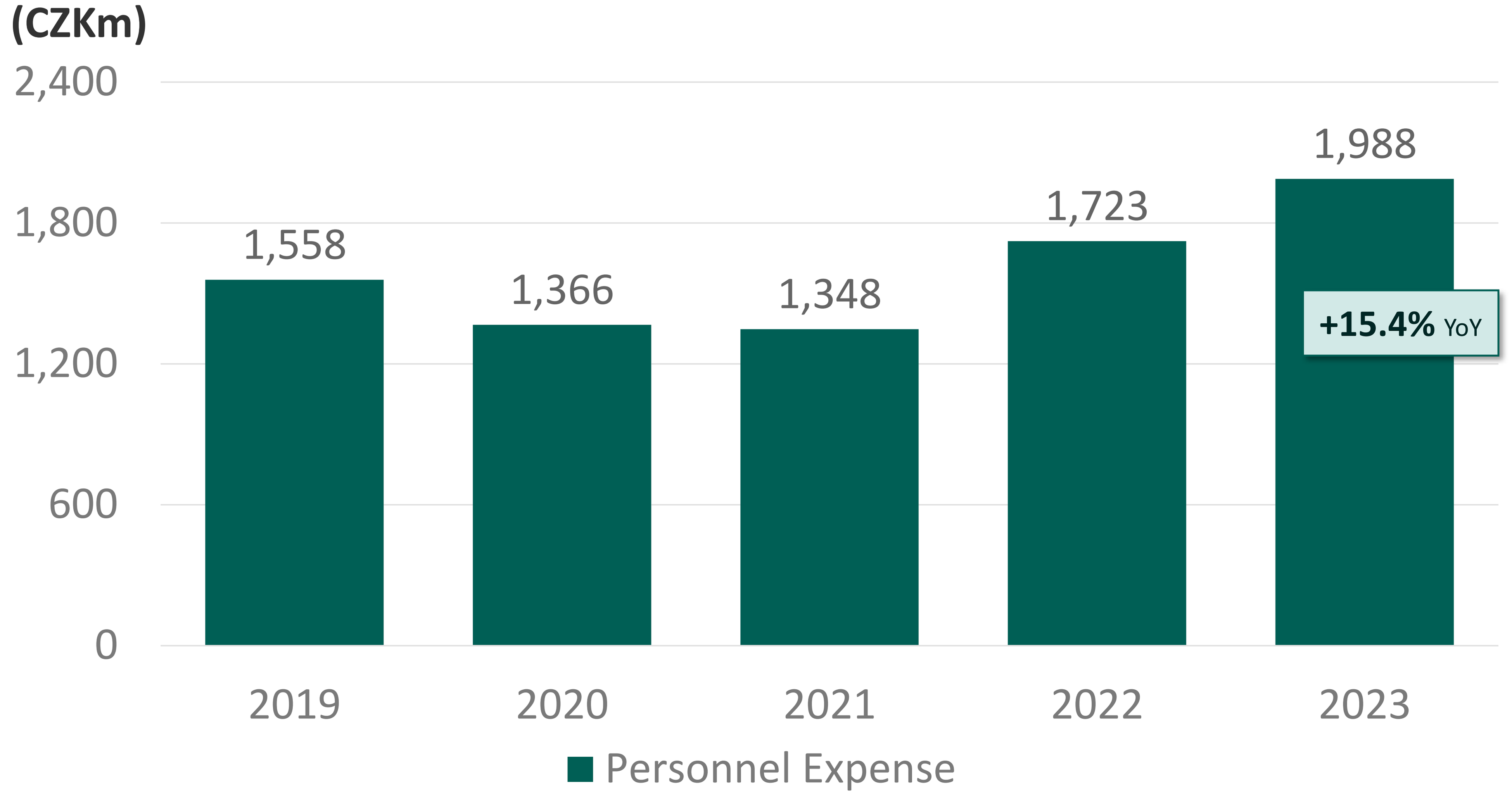
Note: (1) AuM = assets under management which are actively managed (fiduciary duty). Source: Company data

Operating Expense

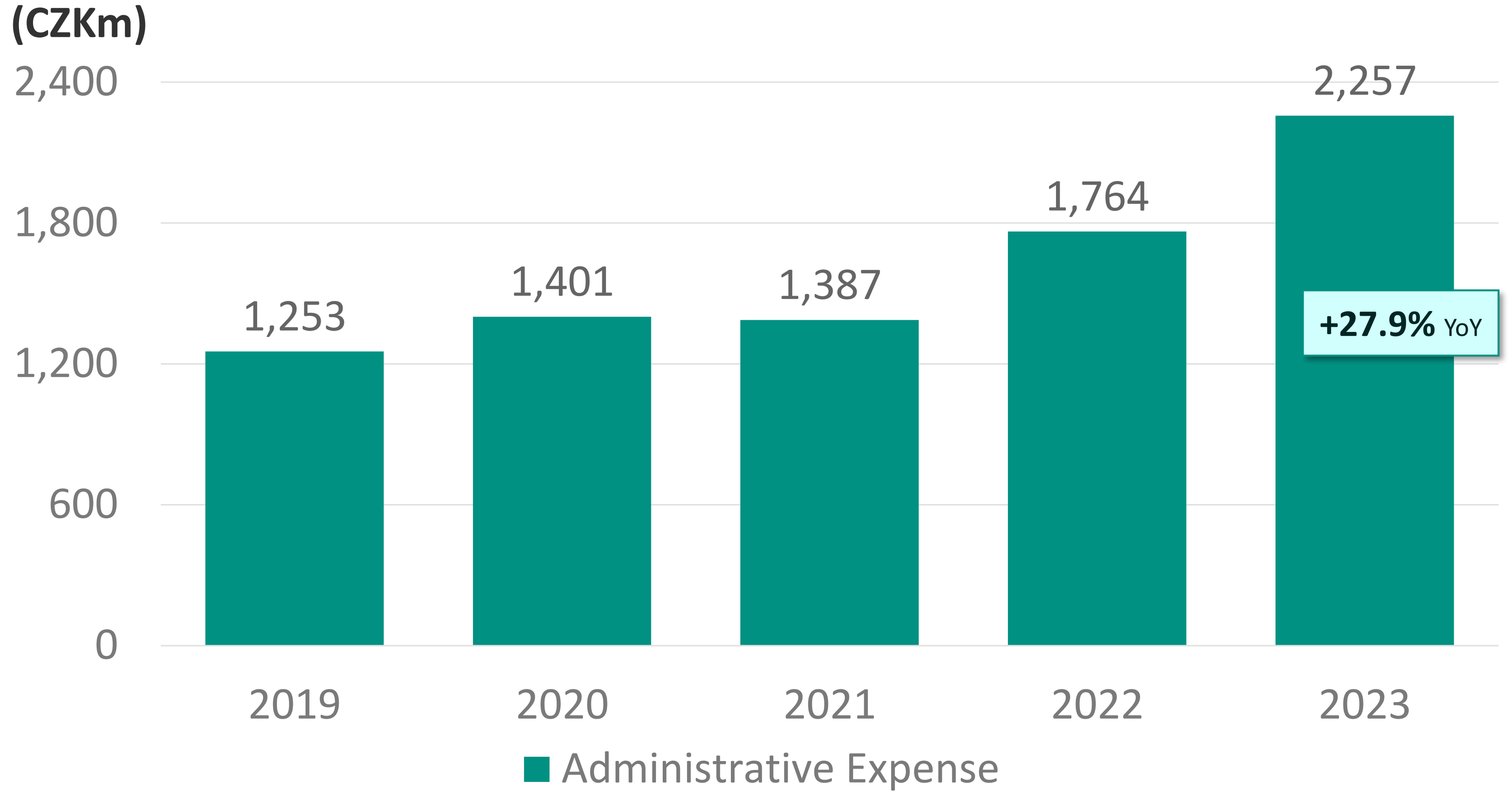
Investments into human capital, information systems and technology and digitalization position J&T BANKA for future growth

- Personnel expense grew by ~15% YoY due to ~3% YoY rise in FTEs and salary increases vis-à-vis persistent inflationary pressures
- Administrative expense grew by ~28% YoY mainly because of higher information systems and technology outsourcing costs, greater marketing spend, indexation of premises related operating costs as well as running cost of German branch
- Other operating expense affected by CZK883m one-off loss on disposal of subsidiaries, JVs and associates, reflecting accounting impact of de-consolidation of Russian assets and disposal of FVE Holding
- Loss on disposals of subsidiaries, JVs and associates pushed Cost to Income Ratio to just over 38%. When adjusted for this one-off item, Cost to Income Ratio would have improved to 32%

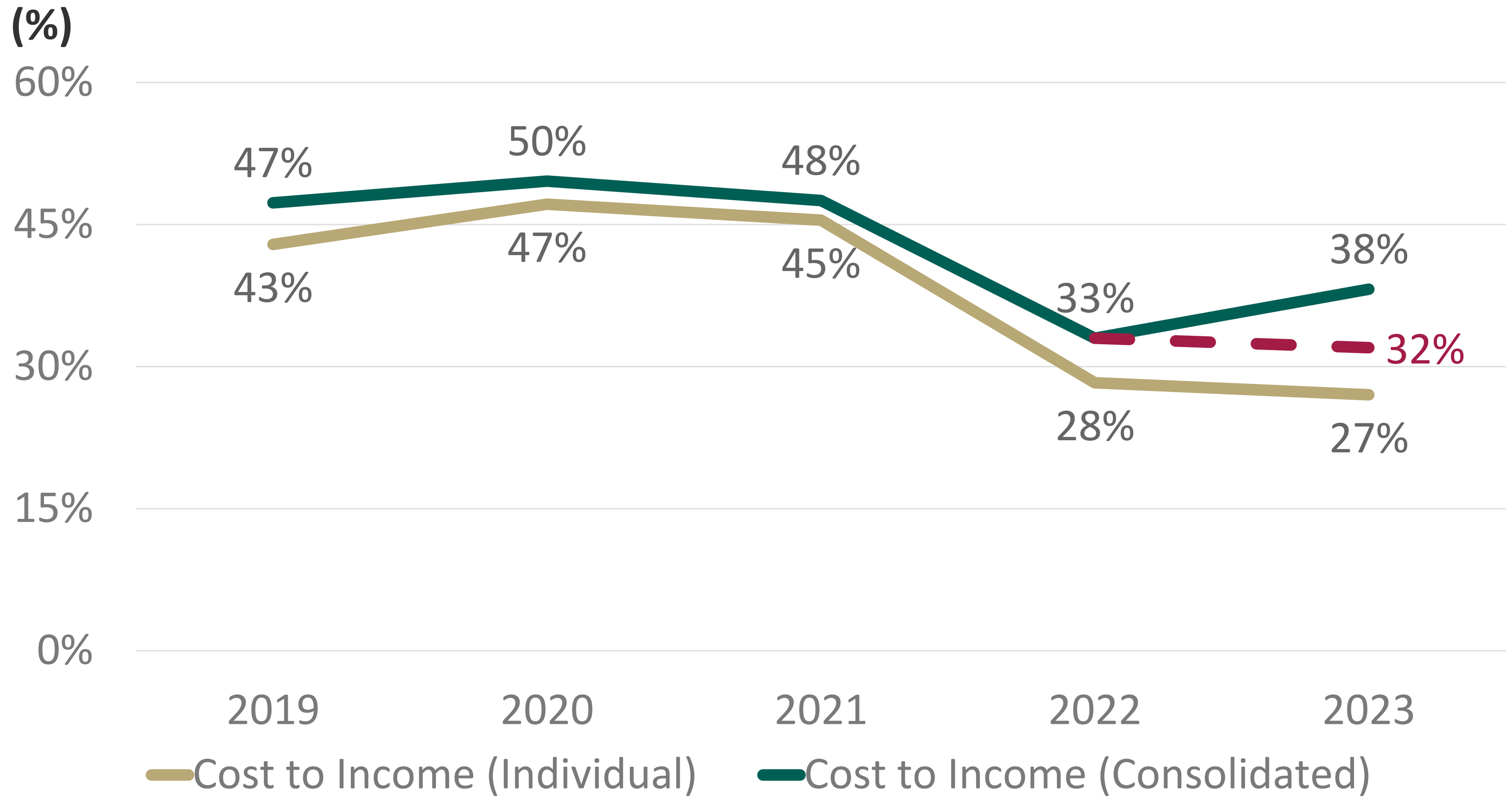
Personnel Expense



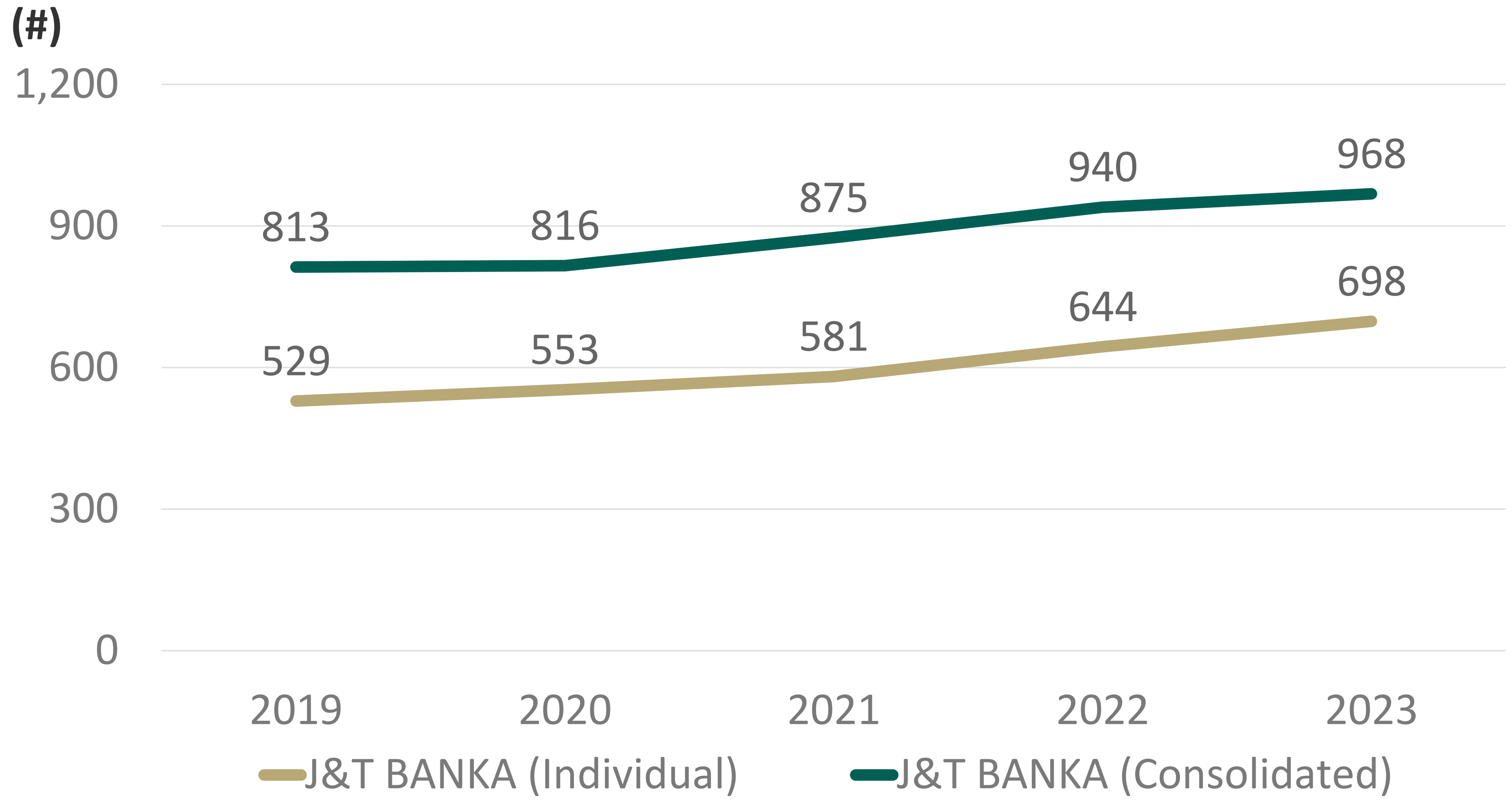
Administrative Expense



Operating Efficiency



Employees (Average FTEs)



Source: Company data

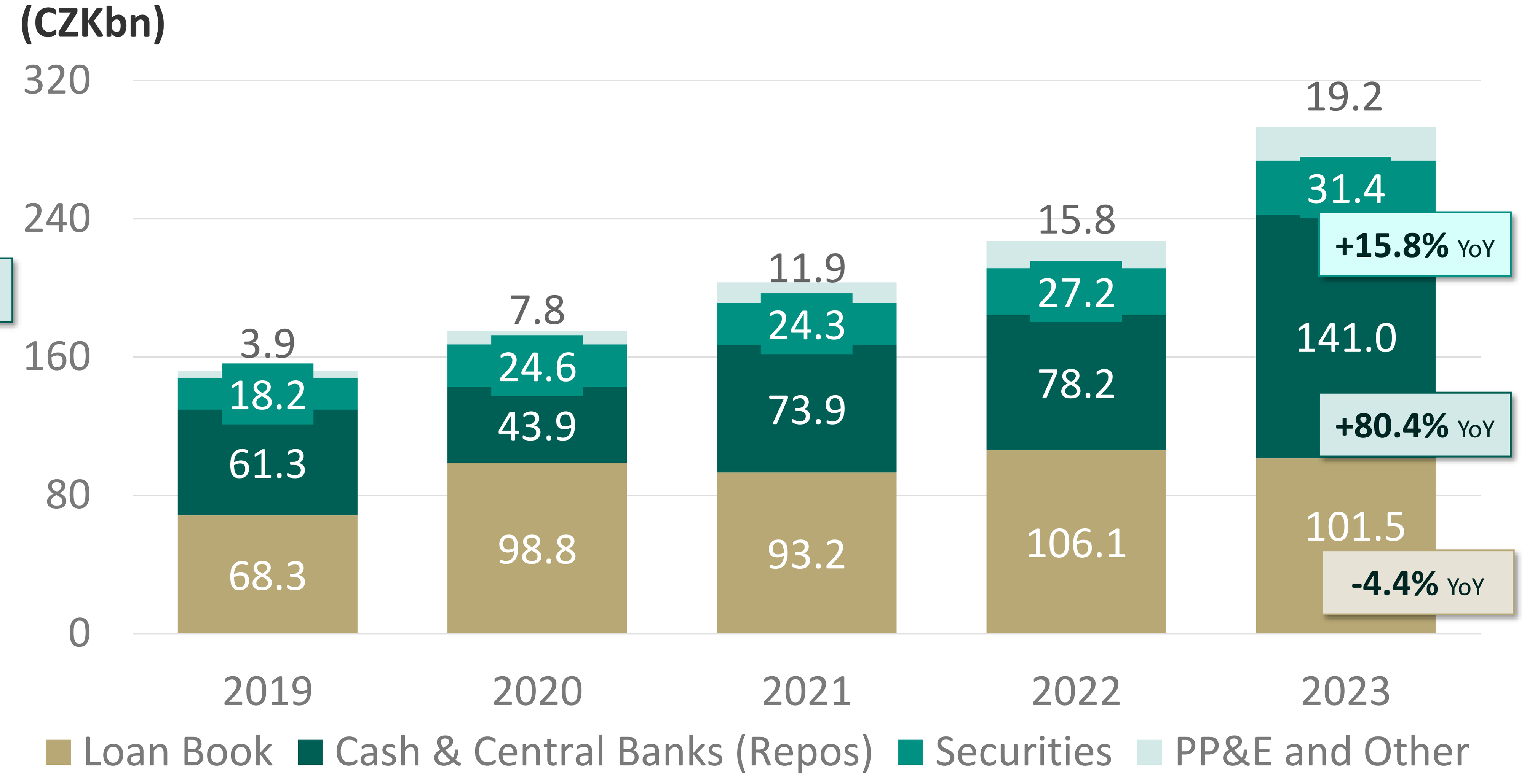
Asset Growth and Structure

Continued balance sheet growth driven by dynamic deposit inflows feeding into liquidity buffer. Loan book stable with improving asset quality, securities portfolio expanded by selective government bond purchases

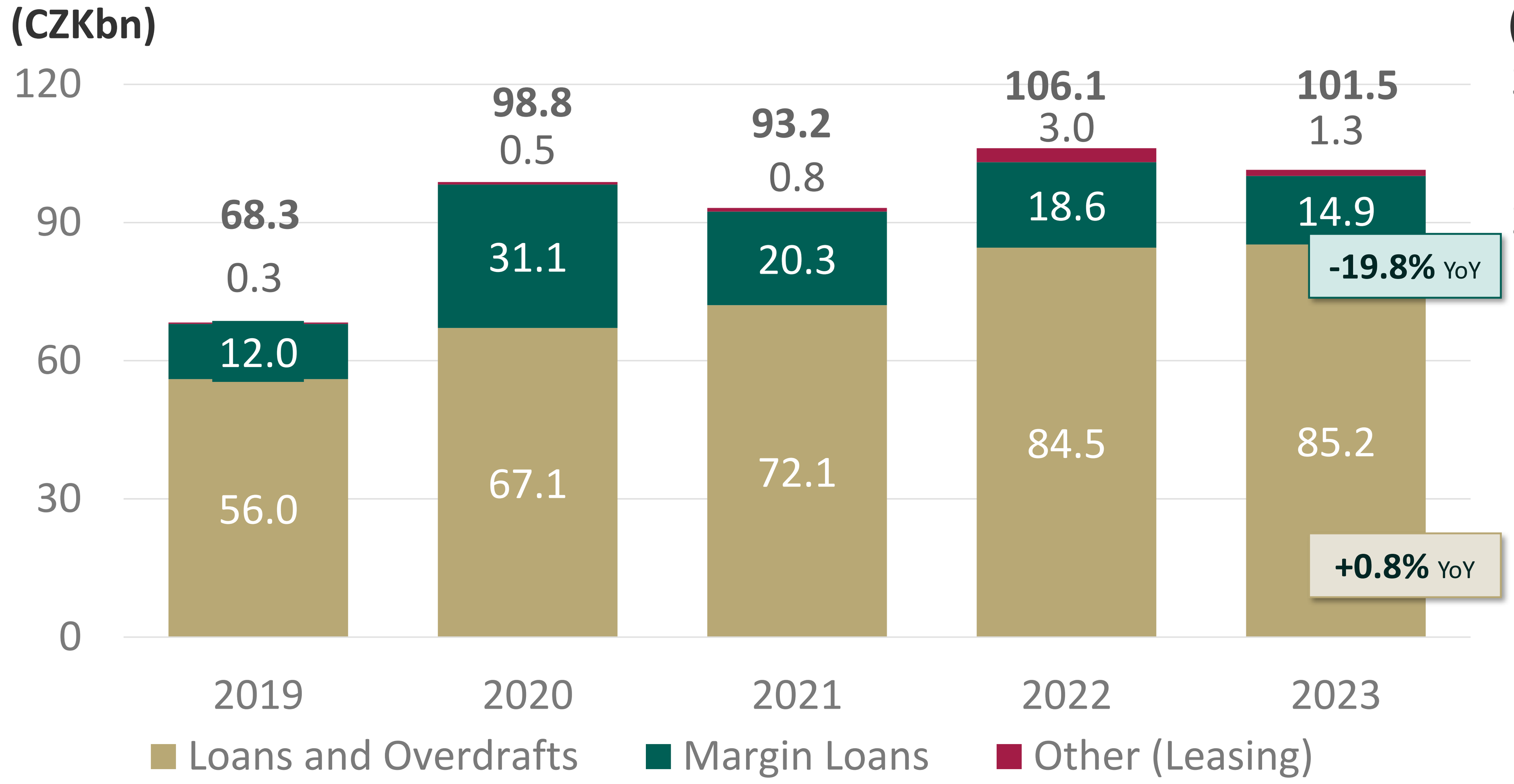
- Balance sheet grew by ~29% YoY due to continued deposit inflows feeding into increasing liquidity buffer (cash and central banks up ~80% YoY)
- Moderate ~4% YoY reduction in overall loan book amid conservative approach to underwriting new business and improving asset quality
  - Slight increase in corporate lending (~1% YoY) more than offset by ~20% YoY decline in margin loans due to lower client activity in capital markets
- ~16% YoY growth in securities portfolio attributable to selective government bond purchases
- Less than 15% of securities portfolio held to maturity (HtM) and, hence, valued at amortized cost
  - HtM component only includes Czech government bonds with short duration

Asset Growth

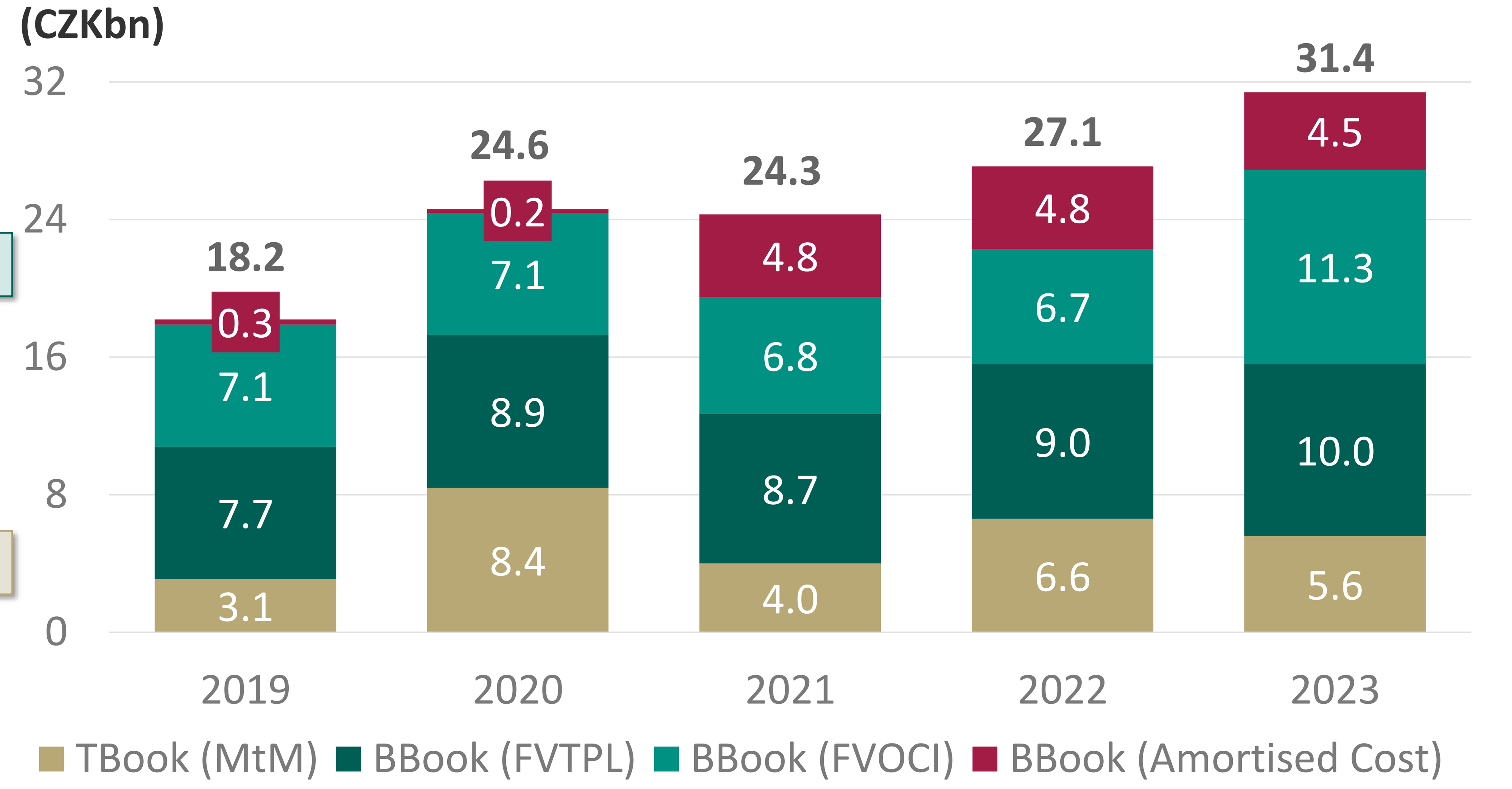
Asset Structure



Loan Book



Securities Portfolio



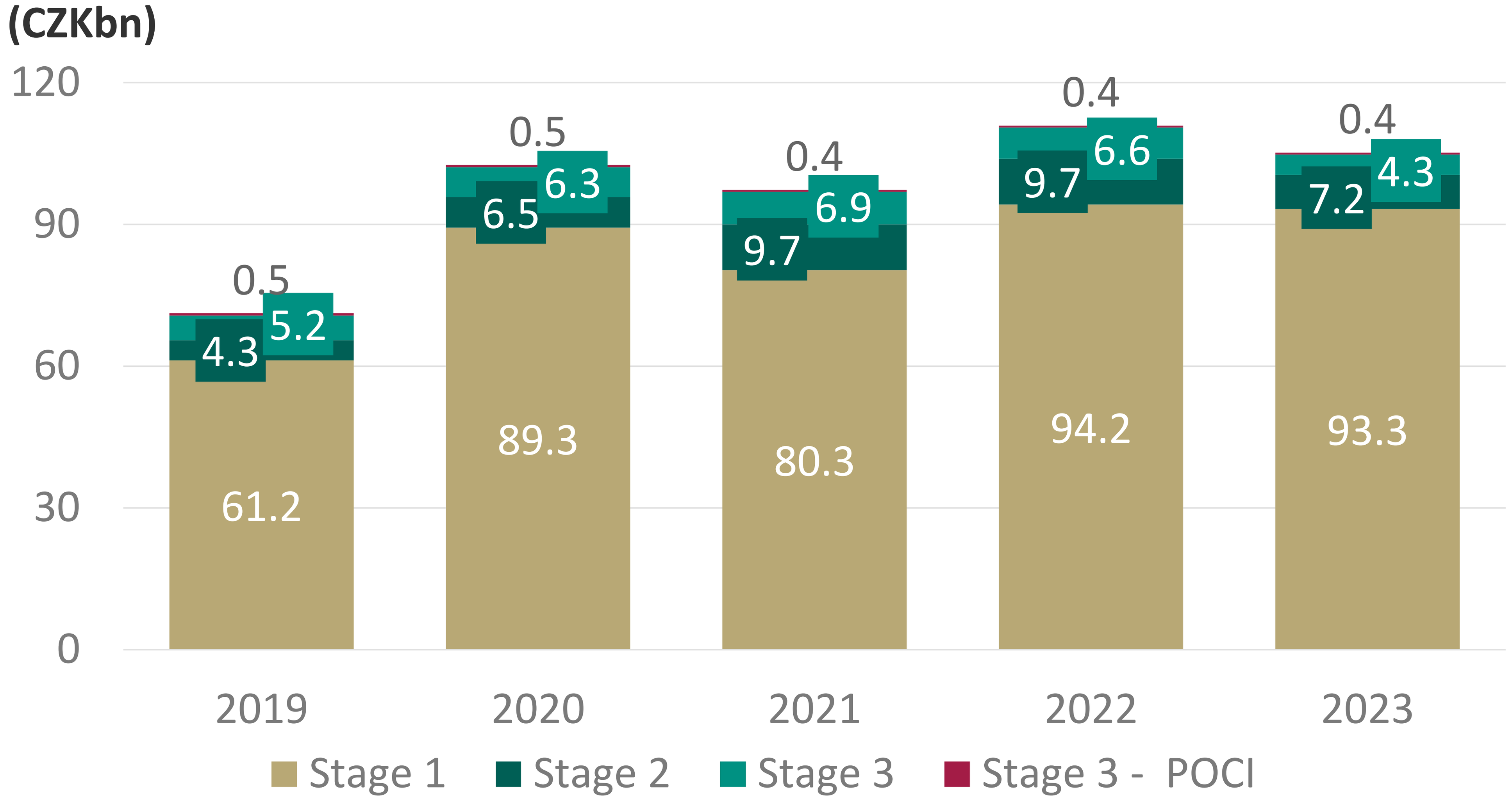
Source: Company data

Asset Quality

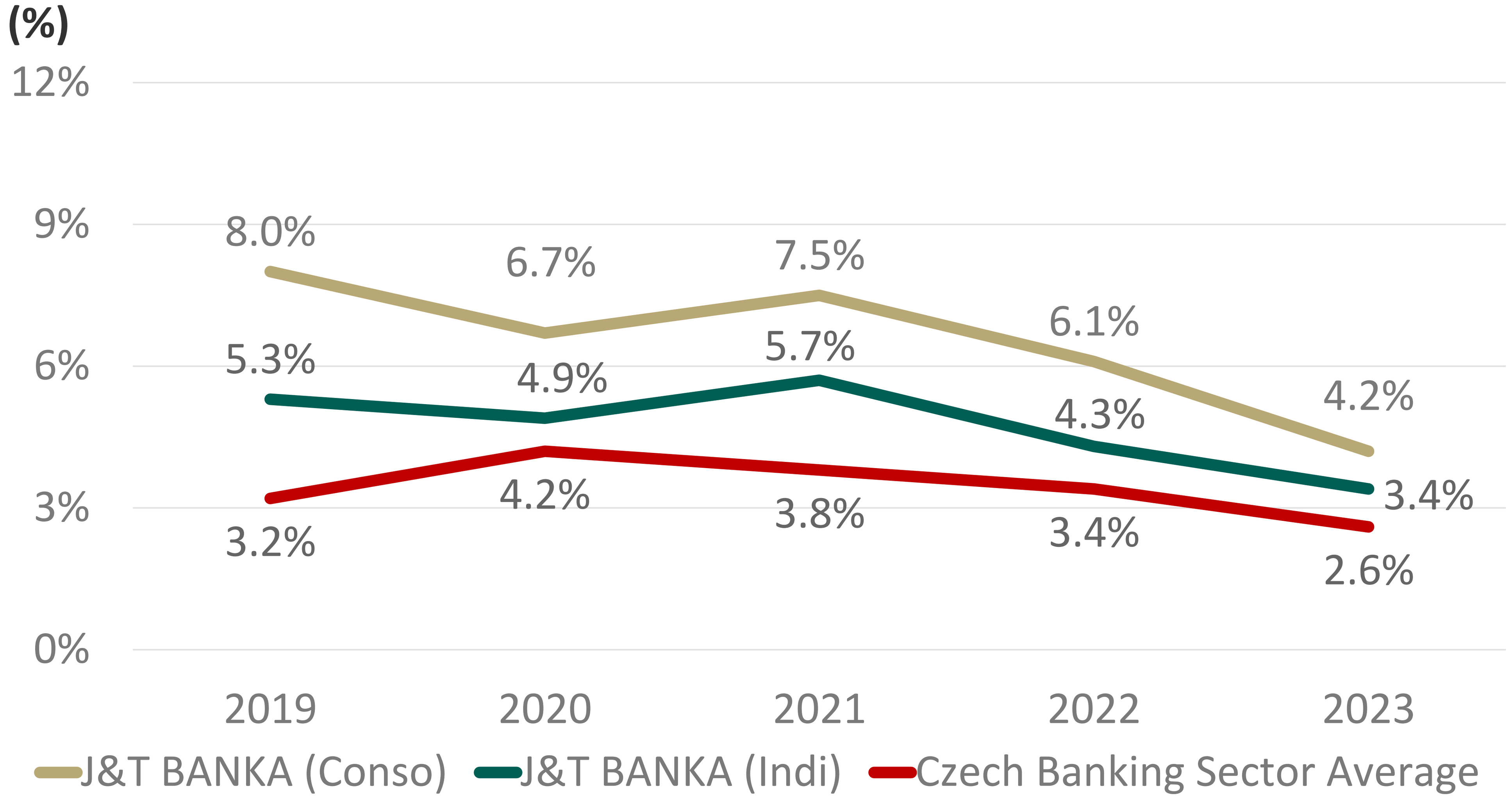
Marked improvement in asset quality with NPLs (individual) only marginally higher than Czech banking sector average for corporate lending and adequately covered by provisions

- Focus on asset quality and cautious approach to writing new business reflected in marked improvement in credit quality with NPLs declining to 4.2% (consolidated) and 3.4% (individual) of gross loan book, respectively, vs. 2.6% Czech banking sector average for corporates
- Standard PDs determined based on 4 macroeconomic scenarios (5%, 12.5%, 25% and 50% quantile GDP growth projections). Specific PDs used for selected sectors (real estate, construction, chemicals, automotive, financials)
- LGD calculated individually for each loan with conservative assumptions (e.g. 60% value decline in real estate + 5% enforcement costs under stress scenario)
- NPLs (Stage 3) adequately covered by provisions (~60% vs. ~50% Czech banking sector average)

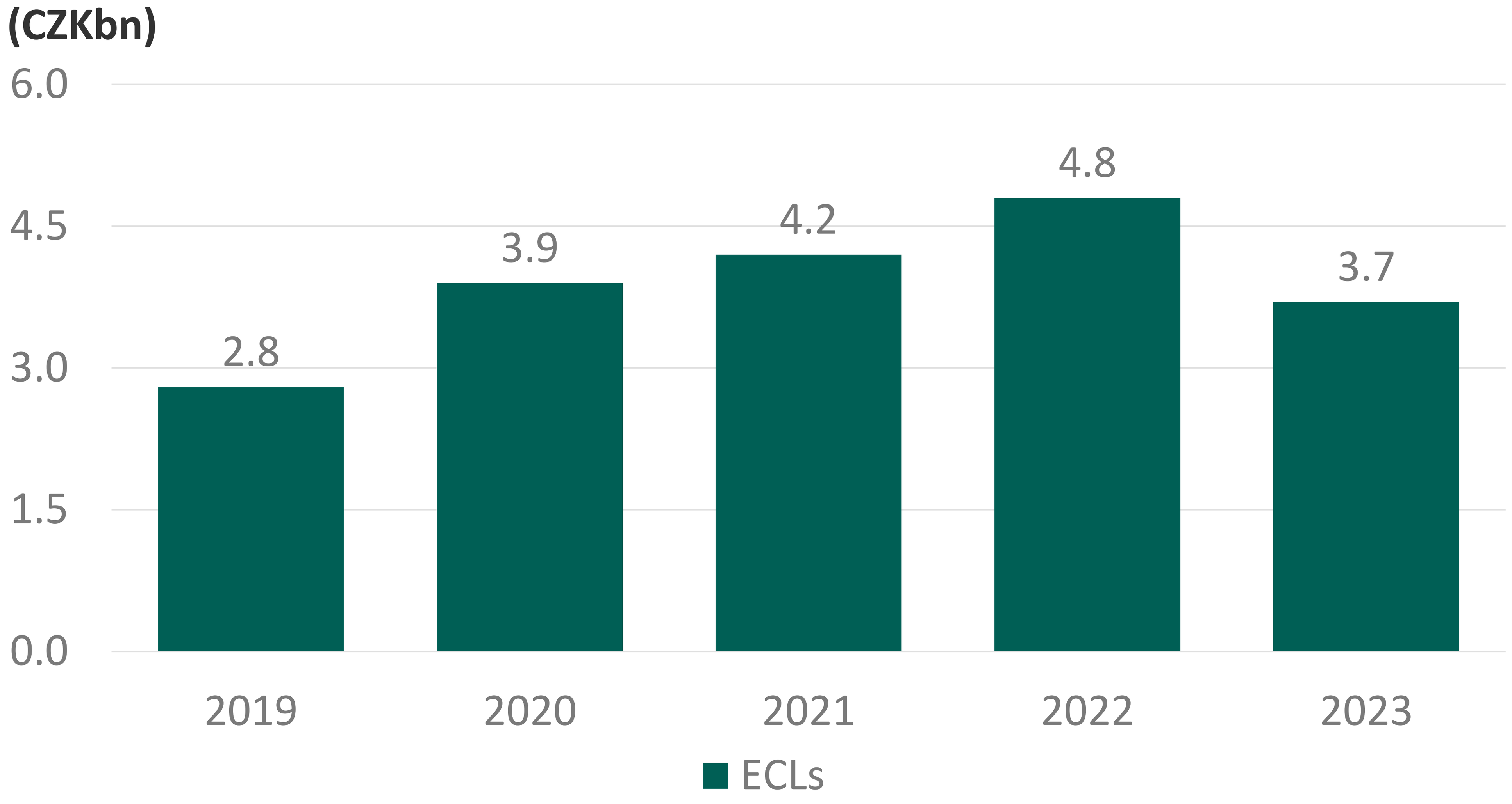
Loan Book by Stage (Gross)[1]



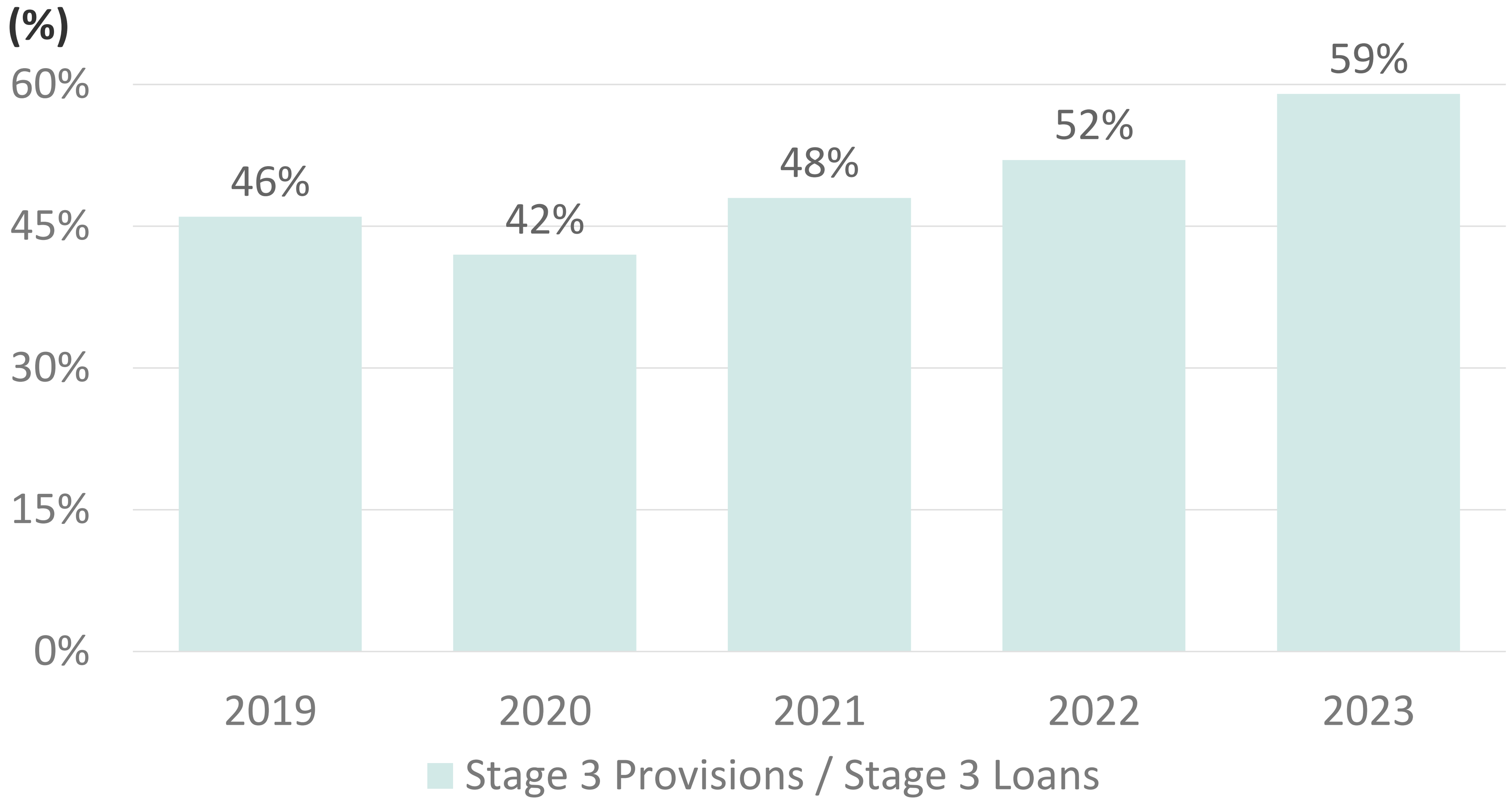
Non-Performing Exposures / Gross Loans[2]



Expected Credit Losses (ECLs)



NPL Coverage



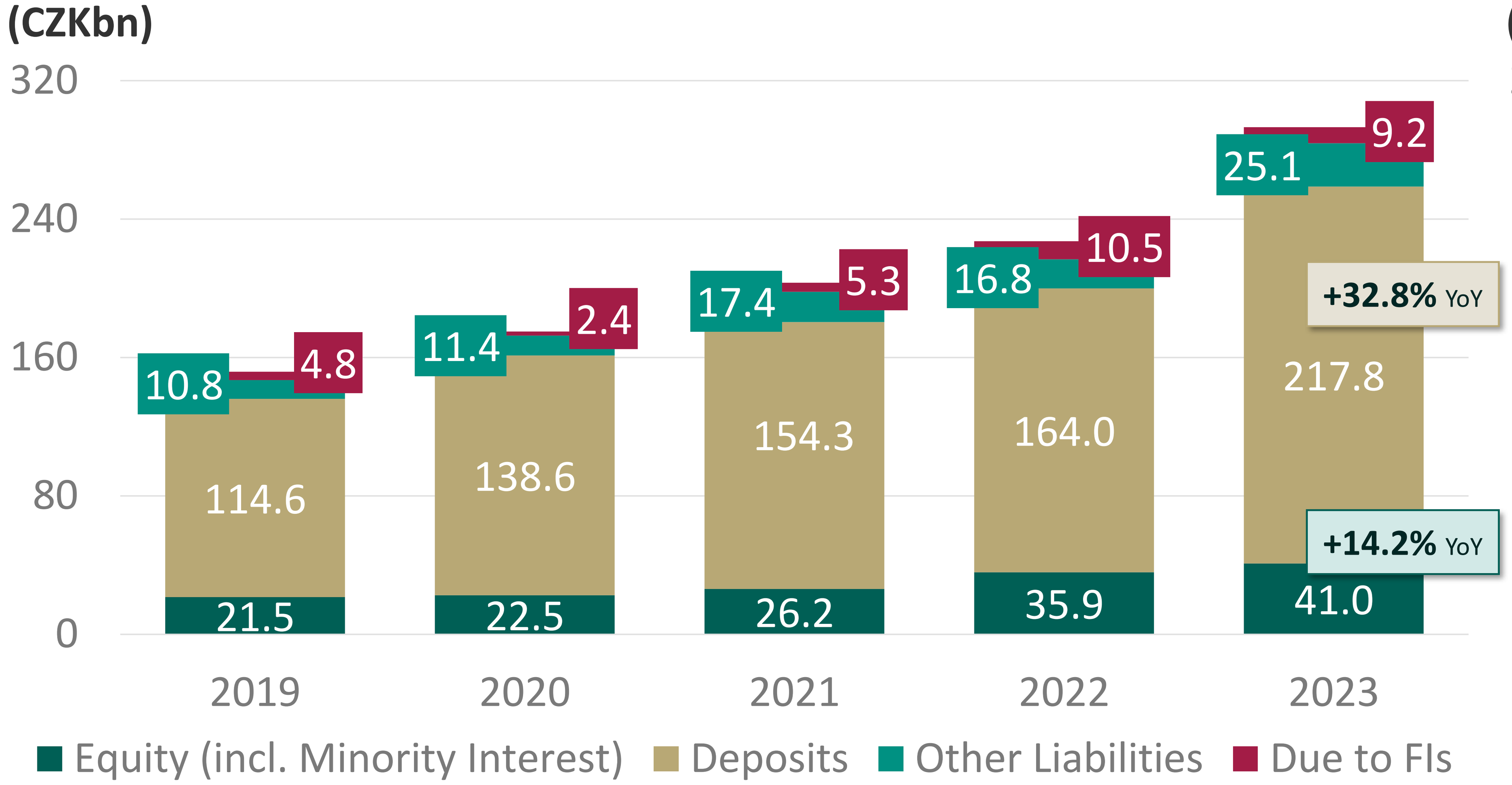
Notes: (1) POCI = Purchased or Originated Credit Impaired (receivables already impaired at the time when purchased/originated). (2) Sector average for loans to non-financial corporations. Source: CNB, Company data

Liabilities Growth and Structure

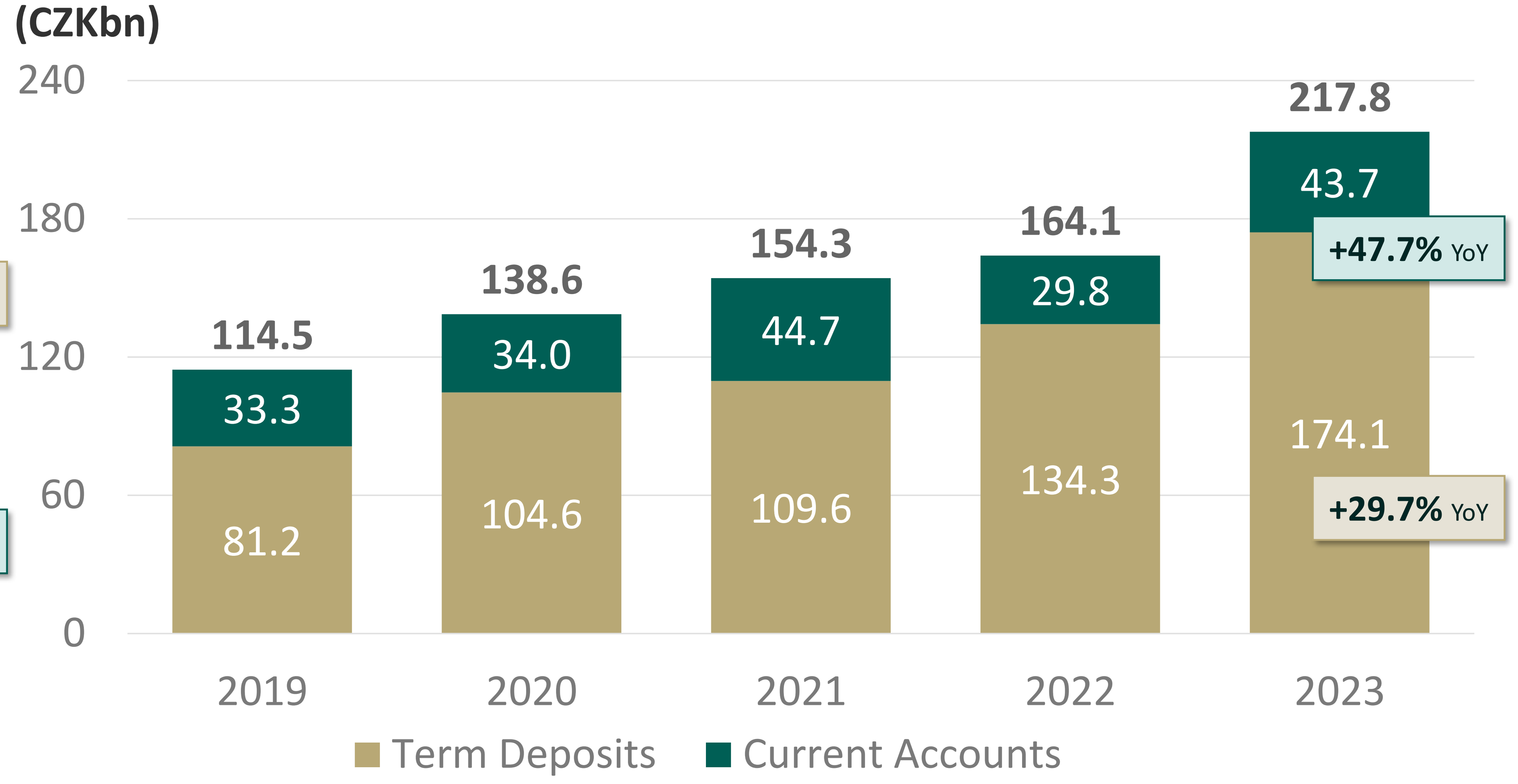
Lending is deposit funded, securities issuance is negligible and has been driven by capital considerations rather than funding needs. Liquidity position is extremely strong amid continuing dynamic deposit inflows

- Client deposits grew by ~33% YoY, driven by ~48% YoY increase in current accounts and ~30% YoY increase in term deposits
- Term deposits (~80% of total deposits) are J&T BANKA's primary source of funding (~40% of term deposits have duration ≥ 1 year)
- Fully digital branch operating under J&T Direktbank brand opened in Germany in March 2023 and attracted €800m+ deposits from over 20k clients by 2023 year-end
- Wholesale funding includes AT1, T2 and MREL – issuance driven by capital rather than funding considerations
- €120m MREL-eligible debut Eurobond successfully placed in international capital markets in October 2023
- LCR and NSFR requirements are comfortably met

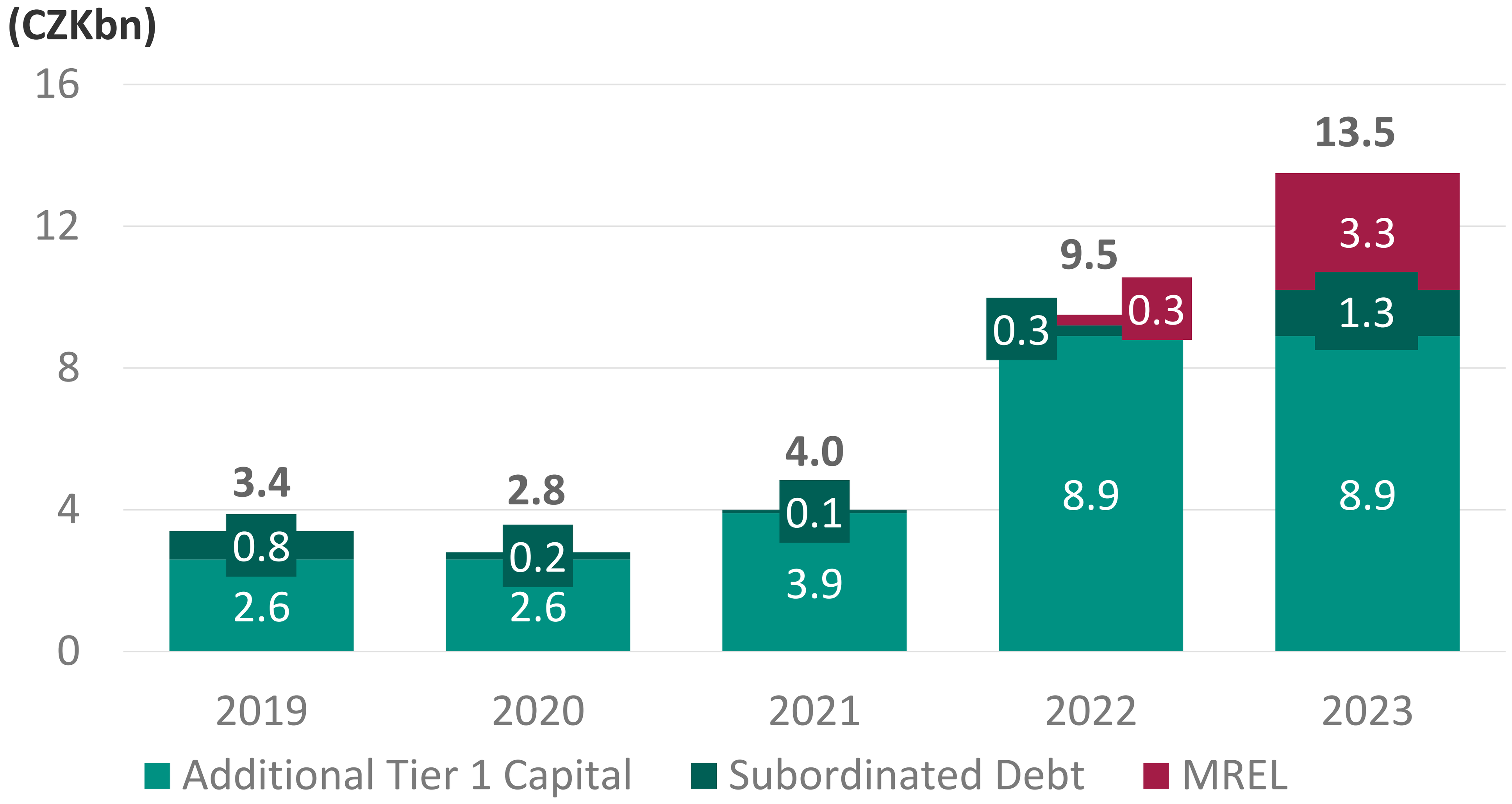
Liabilities Growth and Structure



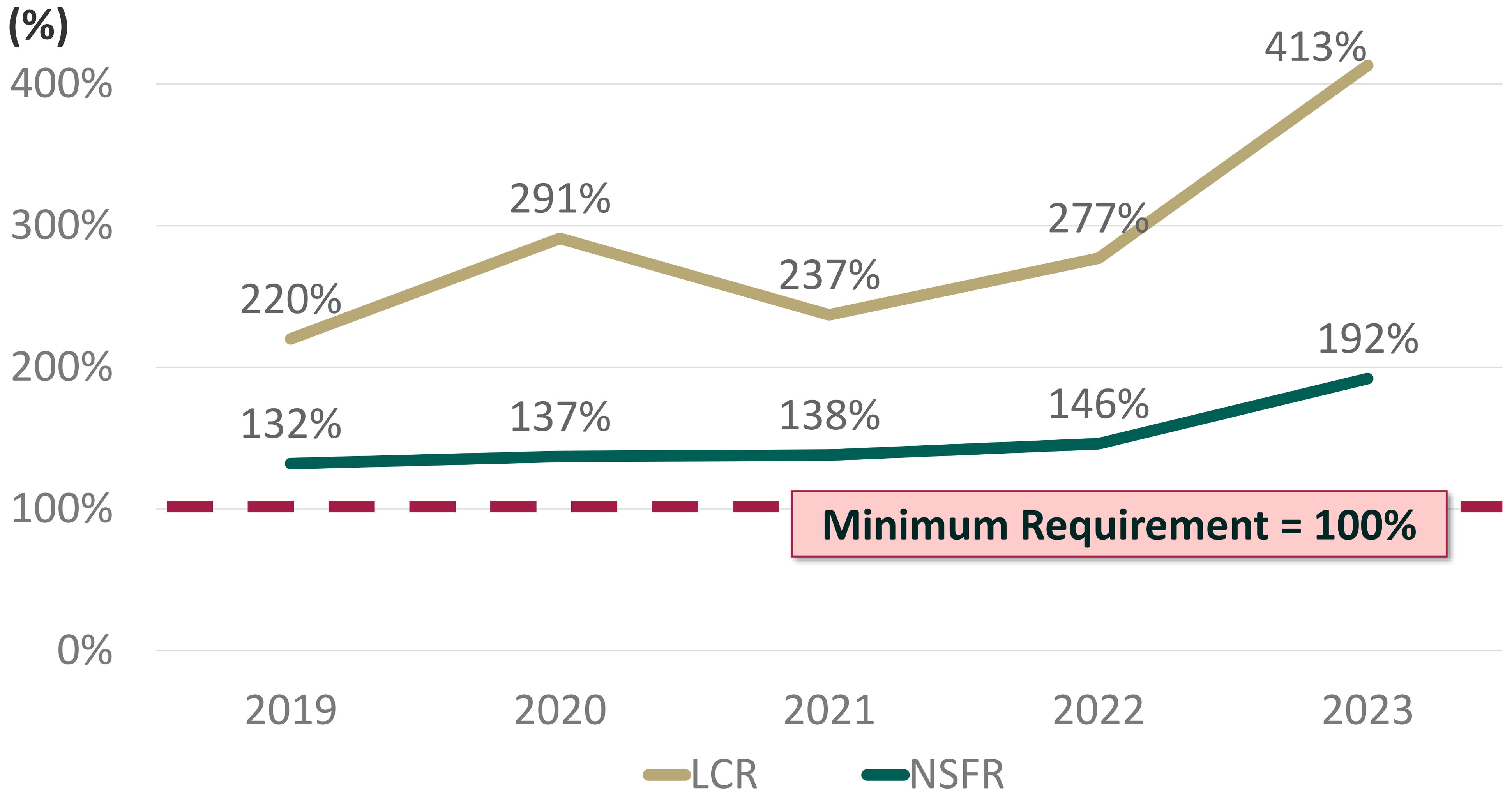
Client Deposits[1]



Wholesale Funding



Liquidity (Individual)[2]



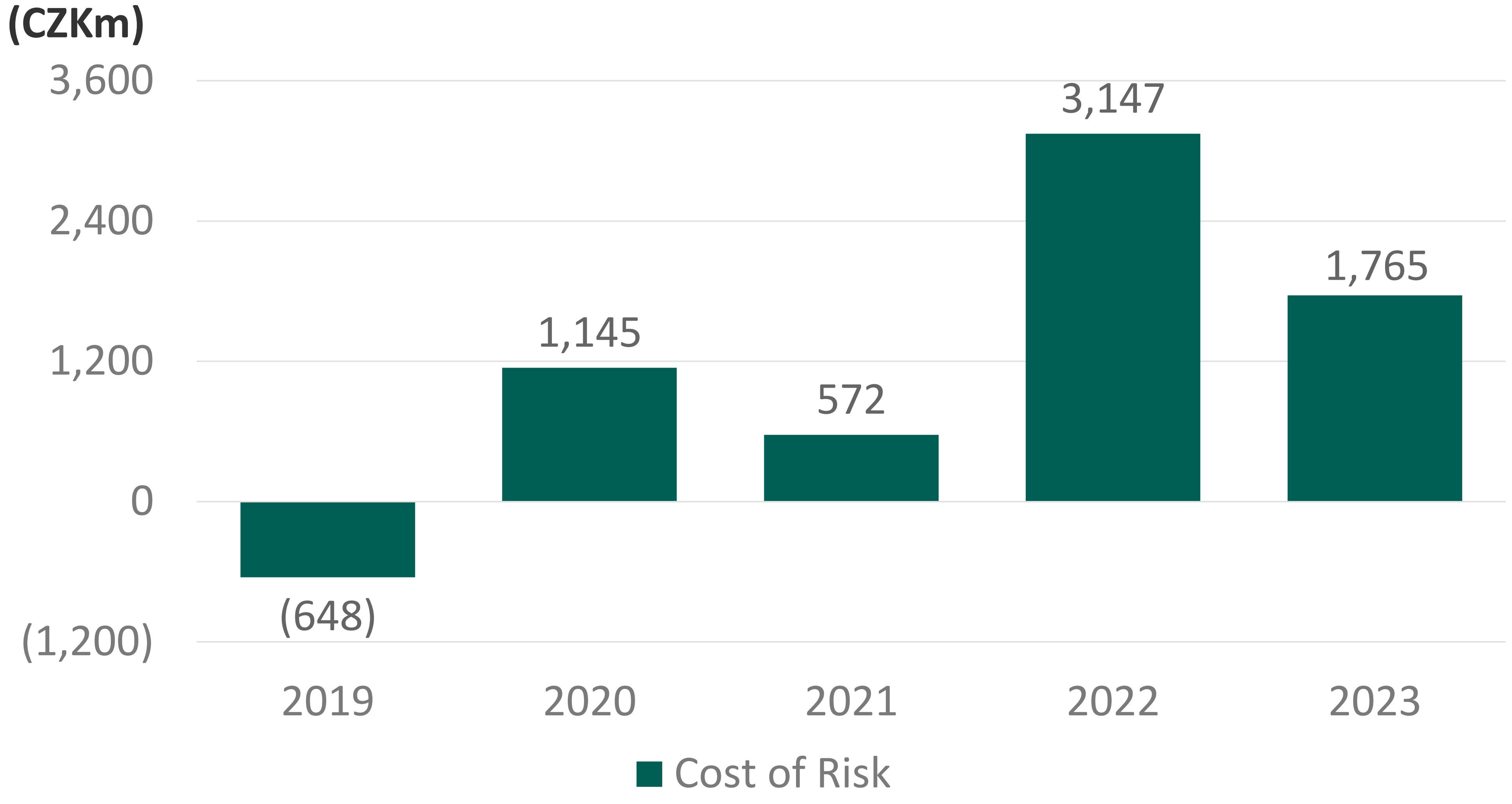
Notes: (1) Current Accounts = all non-term deposits, incl. escrow accounts. (2) LCR and NSFR are only prescribed and monitored on an individual basis. Source: Company data

Profitability, Earnings and Distributions

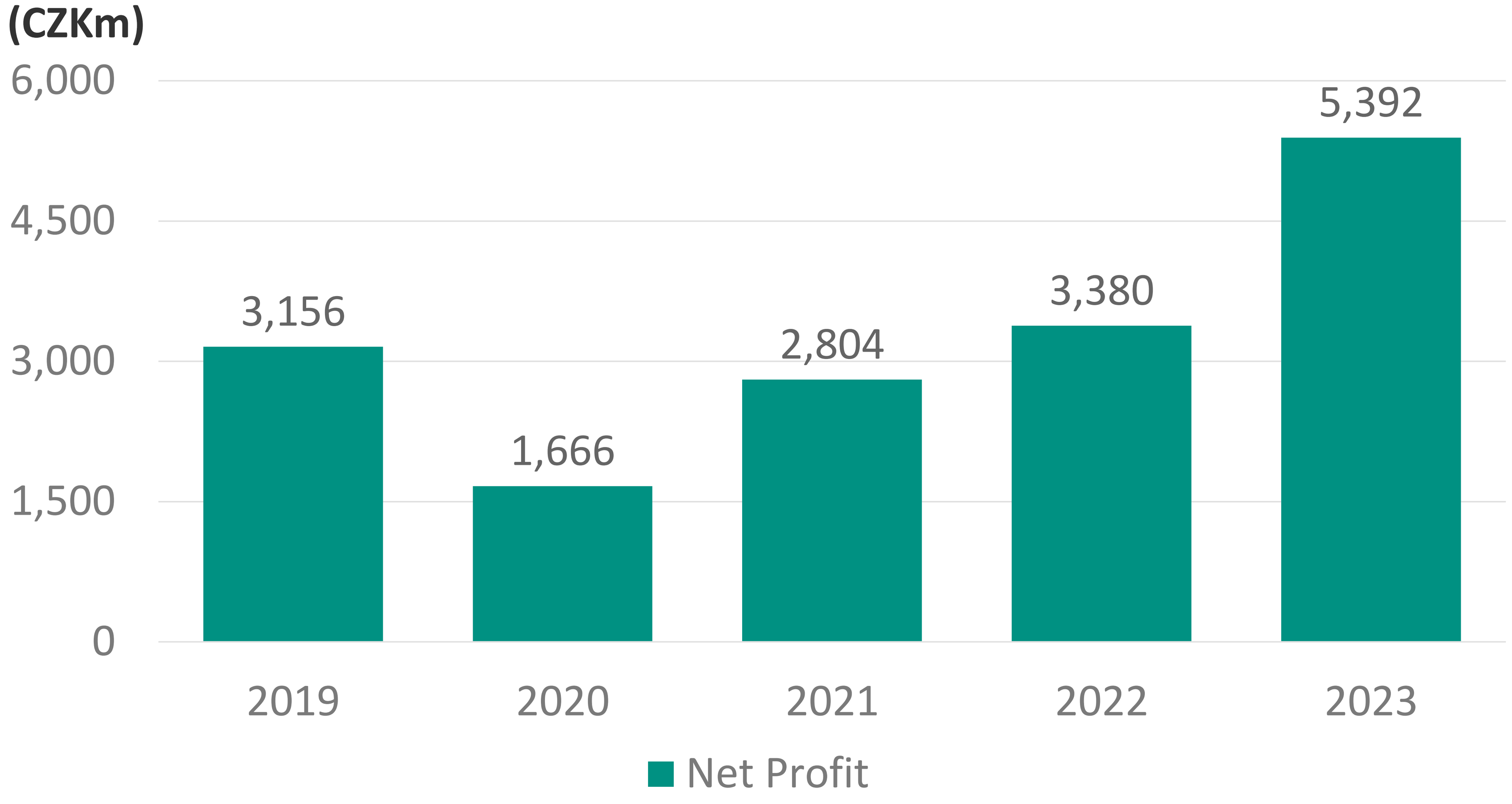
Proven earnings power allowing to self-finance sustainable growth while gradually re-commencing shareholder distributions post Covid-19 pandemics

- Strong business performance coupled with controlled cost base resulted in ~13% YoY increase in profit before risk cost (~25% YoY increase excluding one-off Russia exit and FVE sale impact)
- Cost of risk down by ~44% YoY despite ~CZK450m write-down related to JTL's portfolio[1], amid improving overall asset quality and no further Russia and Ukraine linked provisions in FY2023
- Highest reported net profit in history, translating into mid double-digit ROE (@ ~25% TCR)
- General dividend policy to pay out all profits beyond capital targets
- Dividends re-commenced with CZK1bn paid in May 2023
- Further (regular) distributions expected in line with general dividend policy, subject to regulatory consent

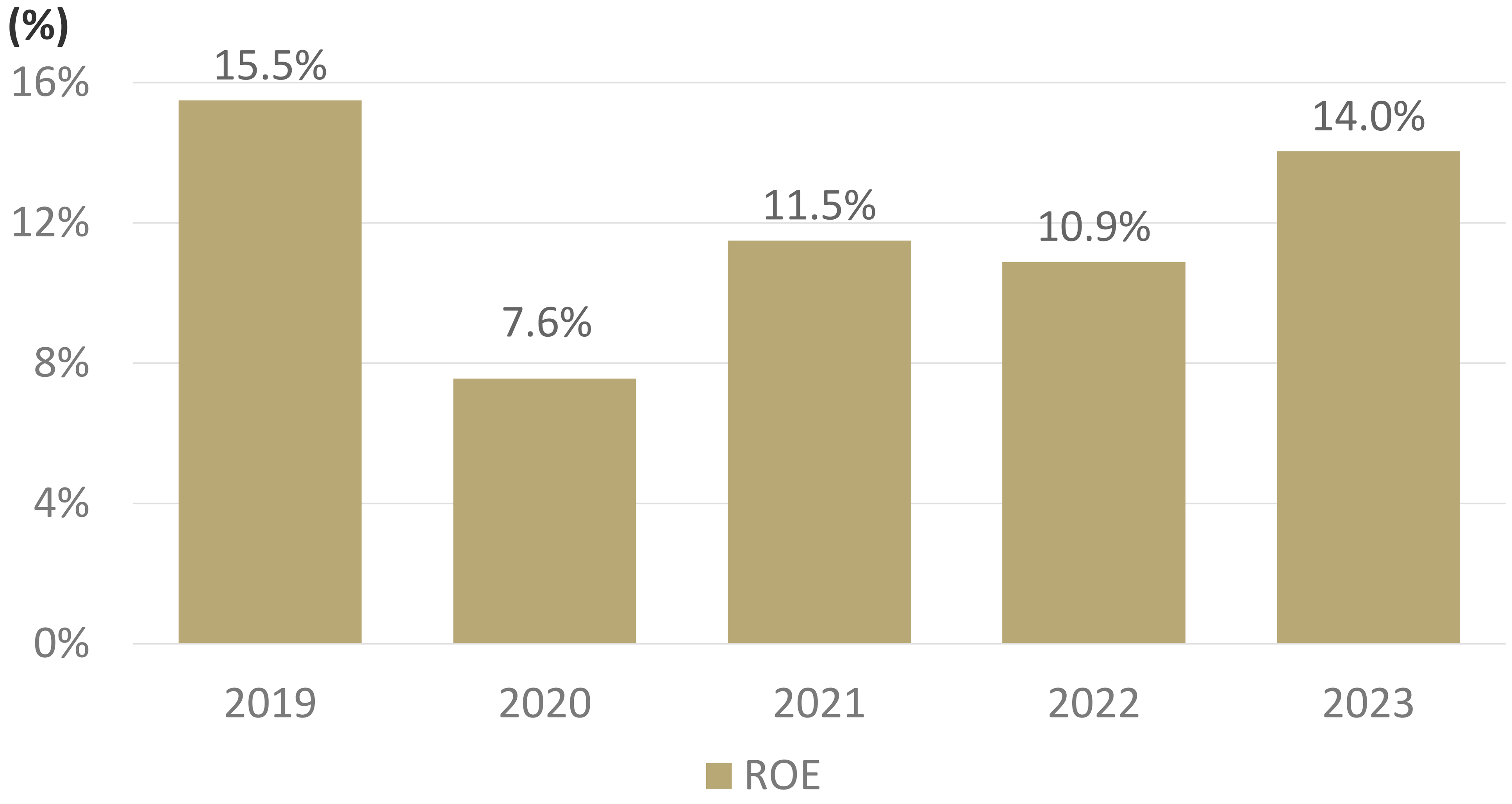
Cost of Risk (On- and Off-Balance Sheet)



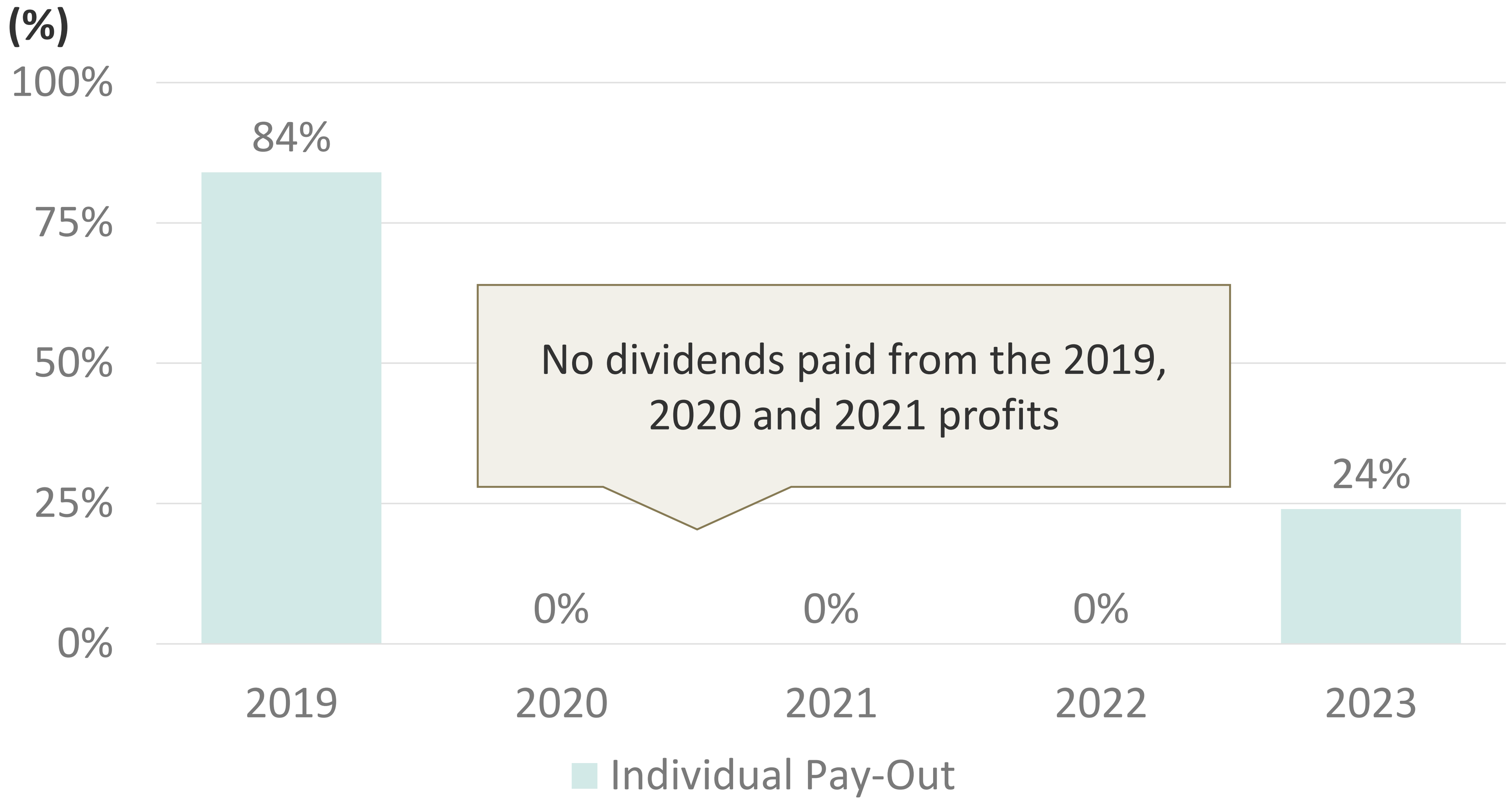
Net Profit



Return on Equity



Pay-Out Ratio (Individual)[2]



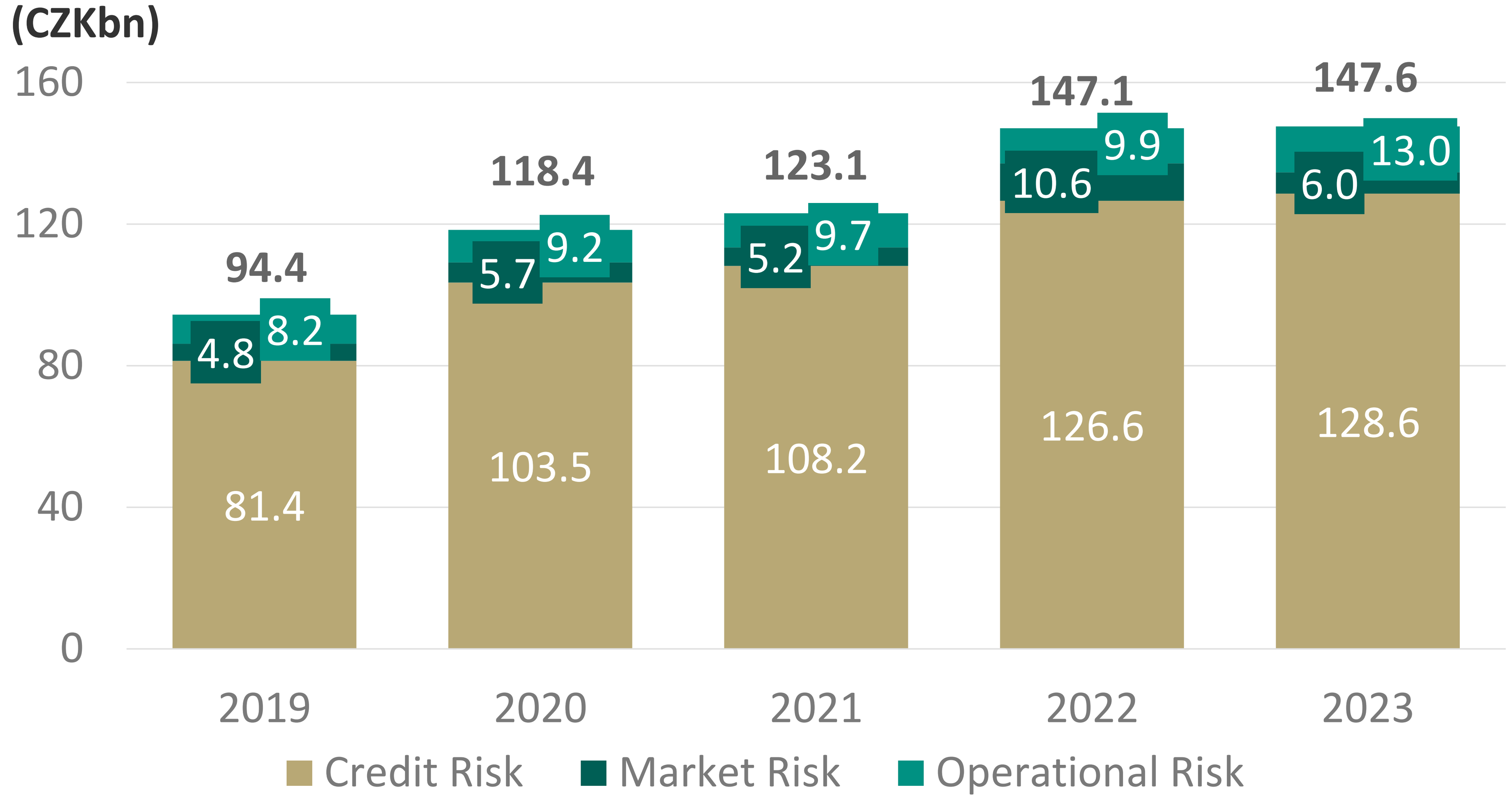
Notes: (1) JTL = J&T Leasingova Spolecnost. (2) Dividend in year t divided by net profit in year t-1. Source: Company data

Capital Management | Capitalization (Individual)

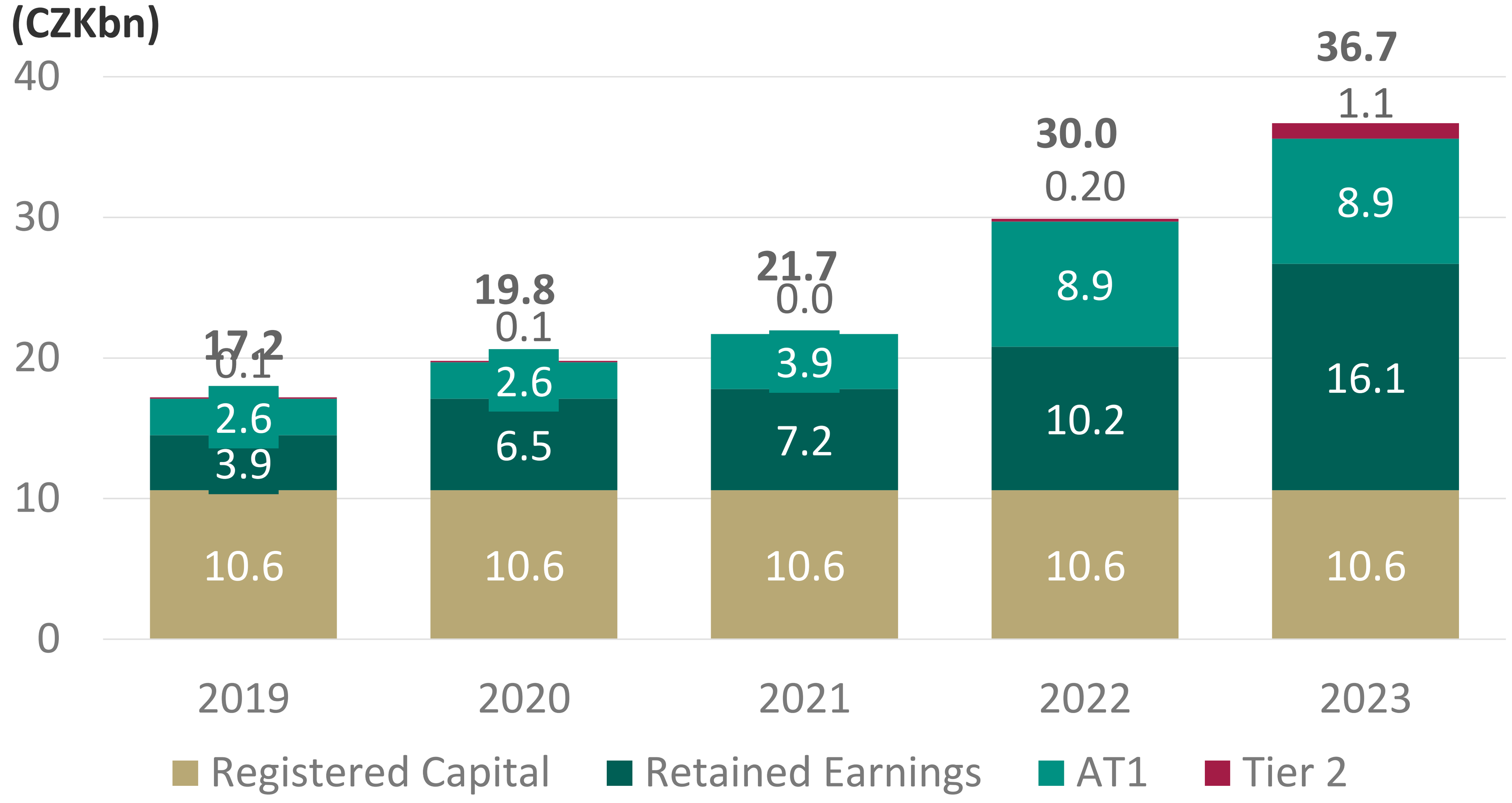
Capital and MREL requirements set and monitored **individually** and driven by steady growth in RWAs. High-quality capital base provides sufficient resources for continued growth

- Regulatory limits (capital, liquidity (LCR, NSFR), Pillar II (ICAAP), resolution plans, etc.) and MREL requirements set and monitored by CNB for J&T BANKA individually
- Consolidated results prepared to comply with Accounting Law and IFRS reporting standards
- Capital requirements driven by steady growth in RWAs, primarily attributable to credit risk
- High-quality capital base comprising ~70% common equity and ~30% additional Tier 1 capital
- Strong capitalization with ~25% total capital ratio at FY2023 year-end (18.1% CET1, 24.1% T1)
- Slight decline in leverage ratio as balance sheet growth outpaced growth in equity but at ~12% still considerably higher than Czech banking sector average (~7%)

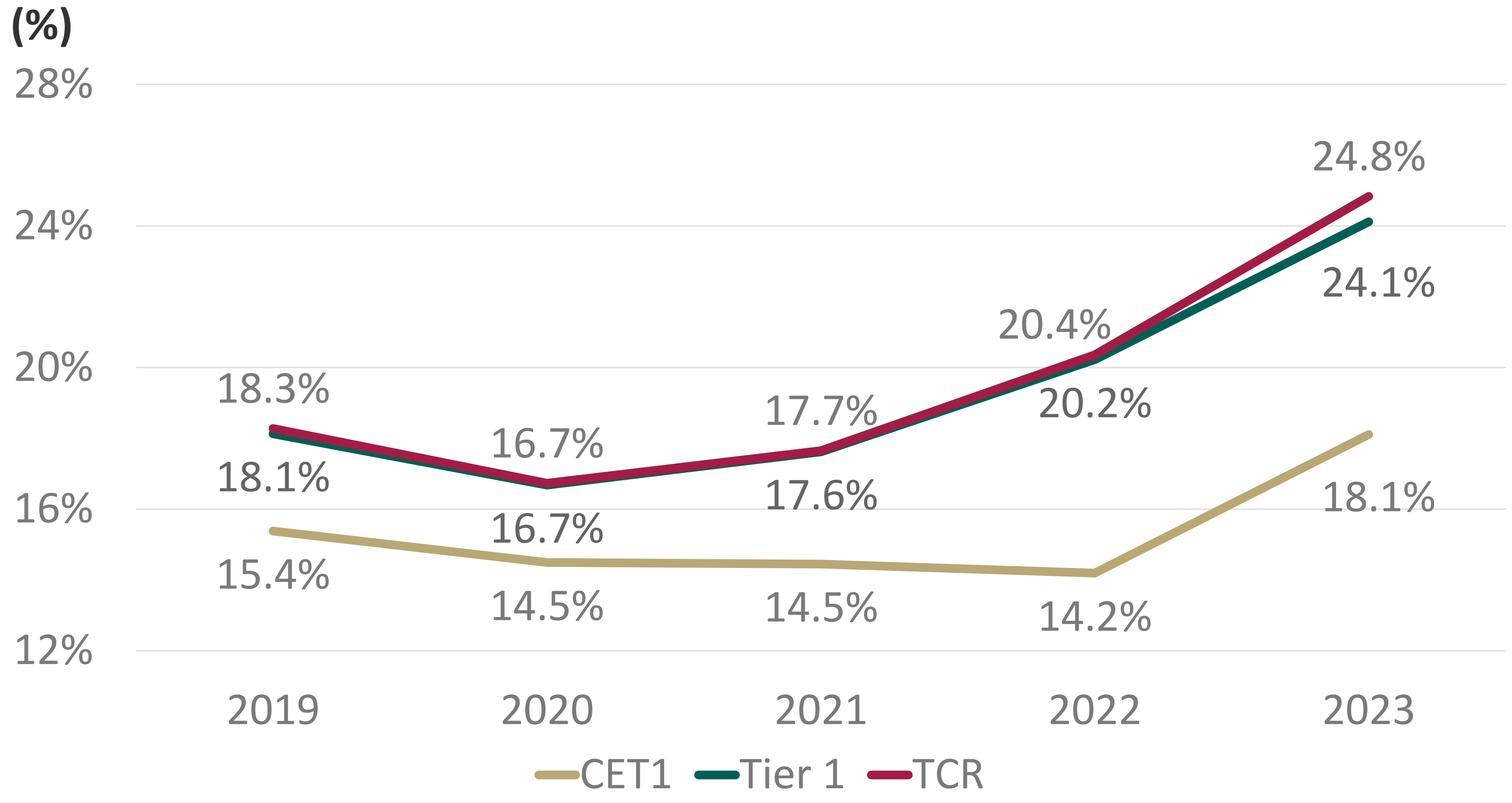
Risk Weighted Assets (Individual)



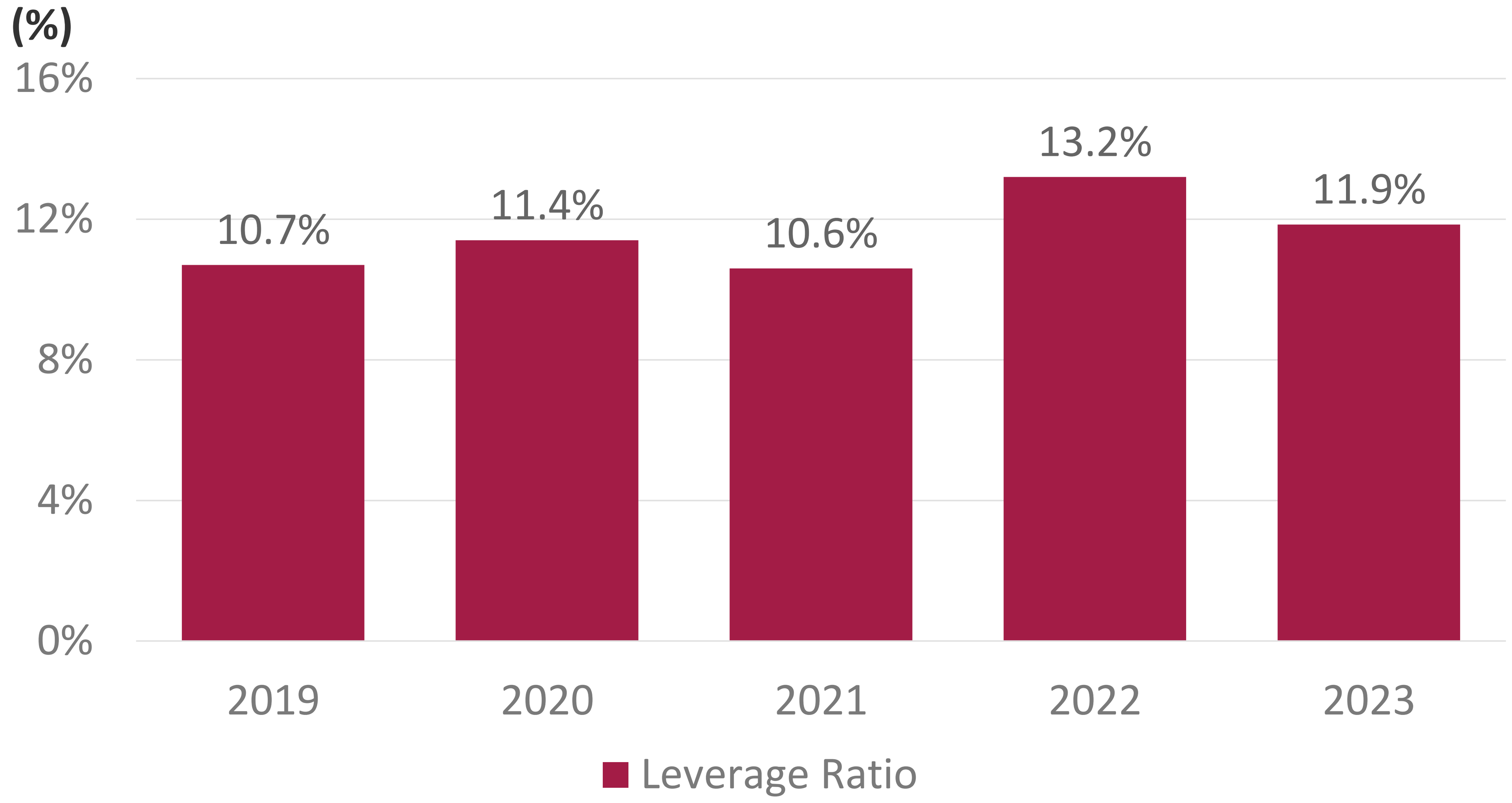
Regulatory Capital Composition (Individual)



Capital Adequacy (Individual)



Leverage Ratio (Individual)



Source: Company data

Capital Management | Requirements and Buffers (Individual)

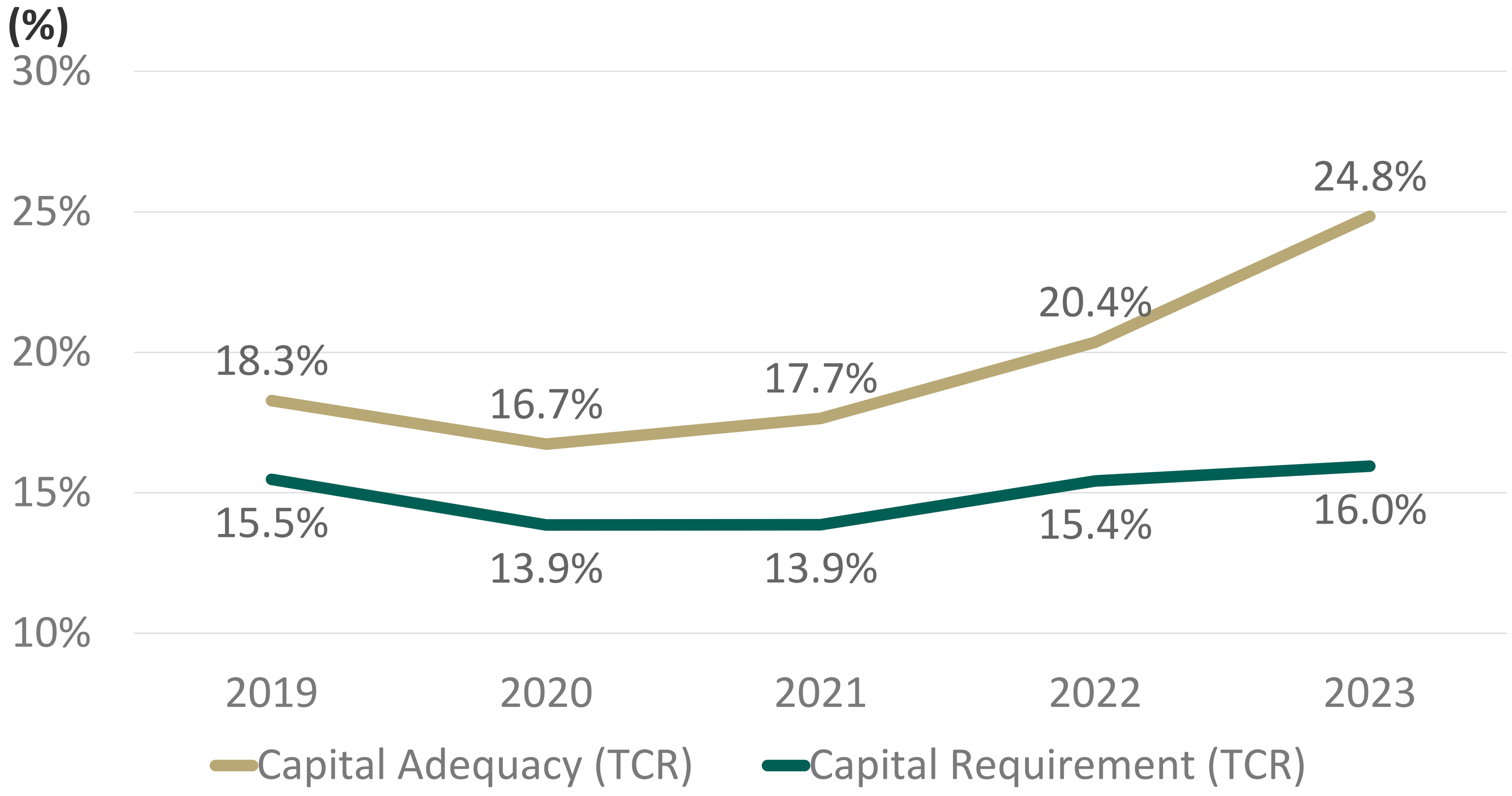
Capital adequacy exceeds regulatory requirement (incl. 1% management buffer) by ~800bps. Proposed dividend will not have any impact on current buffers

- J&T BANKA's capital adequacy currently exceeds minimum total capital requirement (including 1% management buffer) by nearly 800bps
- Envisaged CZK2.8bn dividend targeted to be paid out in FY2024 will not have any impact on current capital buffers since FY2023 year-end adequacy does not reflect profit generated during second half of FY2023 (~CZK3.2bn)
- Medium-term management target is to maintain CET1 capital ratio above 15% and reduce Tier 1 capital ratio to ~18% with the remaining capital requirement covered by MREL eligible securities

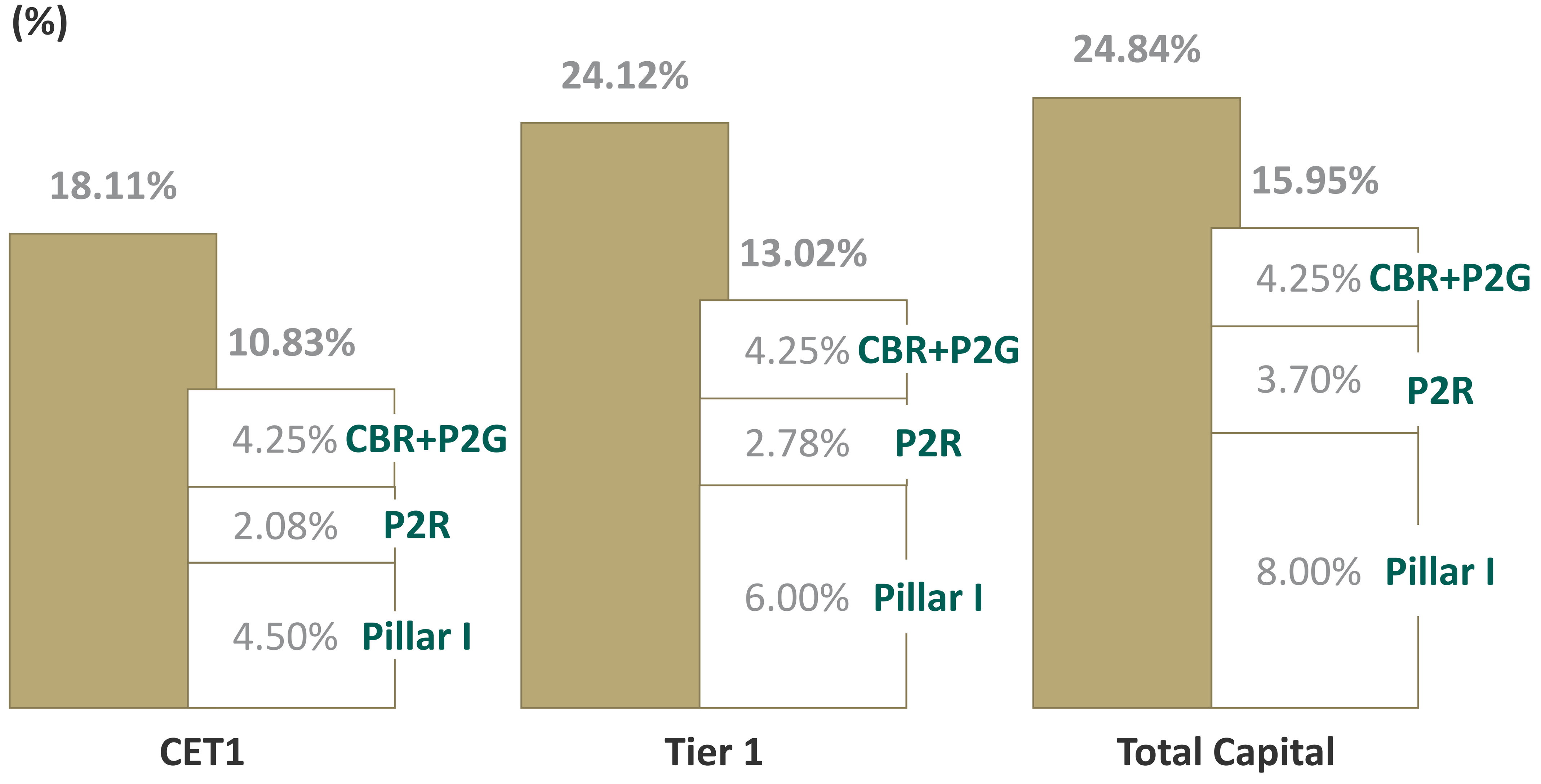
Regulatory Requirements (Individual)

(%)	2019	2020	2021	2022	2023
Pillar I - CRR (Own Funds)	8.0%	8.0%	8.0%	8.0%	8.0%
Capital Conservation Buffer (CRR)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical Buffer (CRR)	0.9%	0.4%	0.4%	0.7%	1.3%
Pillar II (SREP)	4.1%	3.0%	3.0%	3.7%	3.7%[1]
Pillar 2 Guidance (P2G)	0.0%	0.0%	0.0%	0.5%	0.5%[2]
Total Capital Requirement	**15.5%**	**13.9%**	**13.9%**	**15.4%**	**16.0%**
Management Buffer	0.5%	0.5%	0.5%	1.0%	1.0%
Internal Target	**16.0%**	**14.4%**	**14.4%**	**16.4%**	**17.0%**

Capital Adequacy vs Requirement (Individual)



Capital and Buffers (Individual, 31/12/2023)[3]



Ratio	Actual	Required	Capital Buffer	
			(%)	(CZKbn)
CET1 (% RWA)	18.11%	10.83%	728bps	10.7
Tier 1 (% RWA)	24.12%	13.02%	1,100bps	16.4
Total Capital (TCR) (% RWA)	24.84%	15.95%	889bps	13.1
Leverage (% LRE)	11.85%	3.00%	885bps	26.6

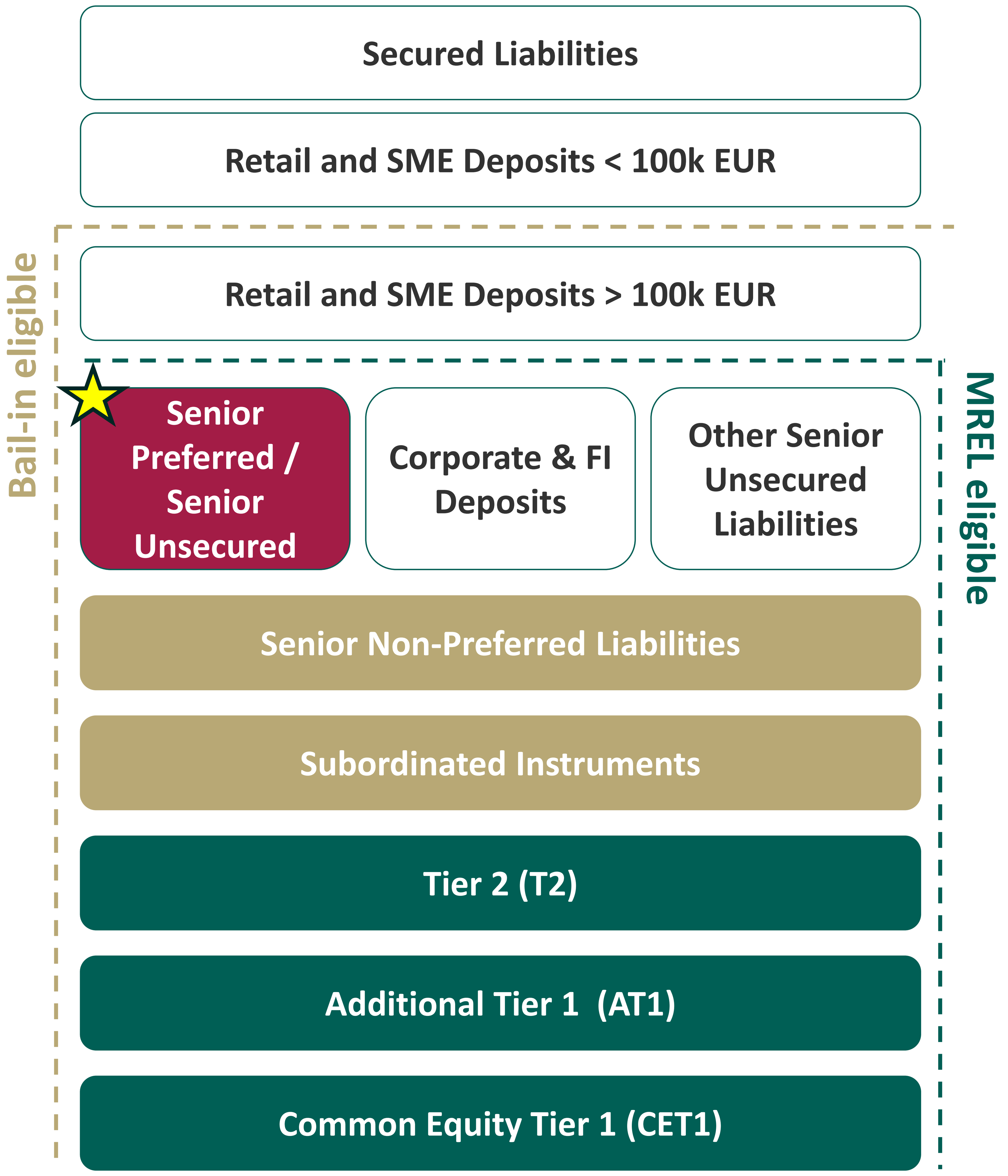
Notes: (1) Increased to 3.8% from 1 January 2024. (2) Reduced to 0.0% from 1 January 2024. (3) CCyB and CCoB applicable at 31 December 2023. Source: Company data

Resolution and MREL Considerations (Individual)

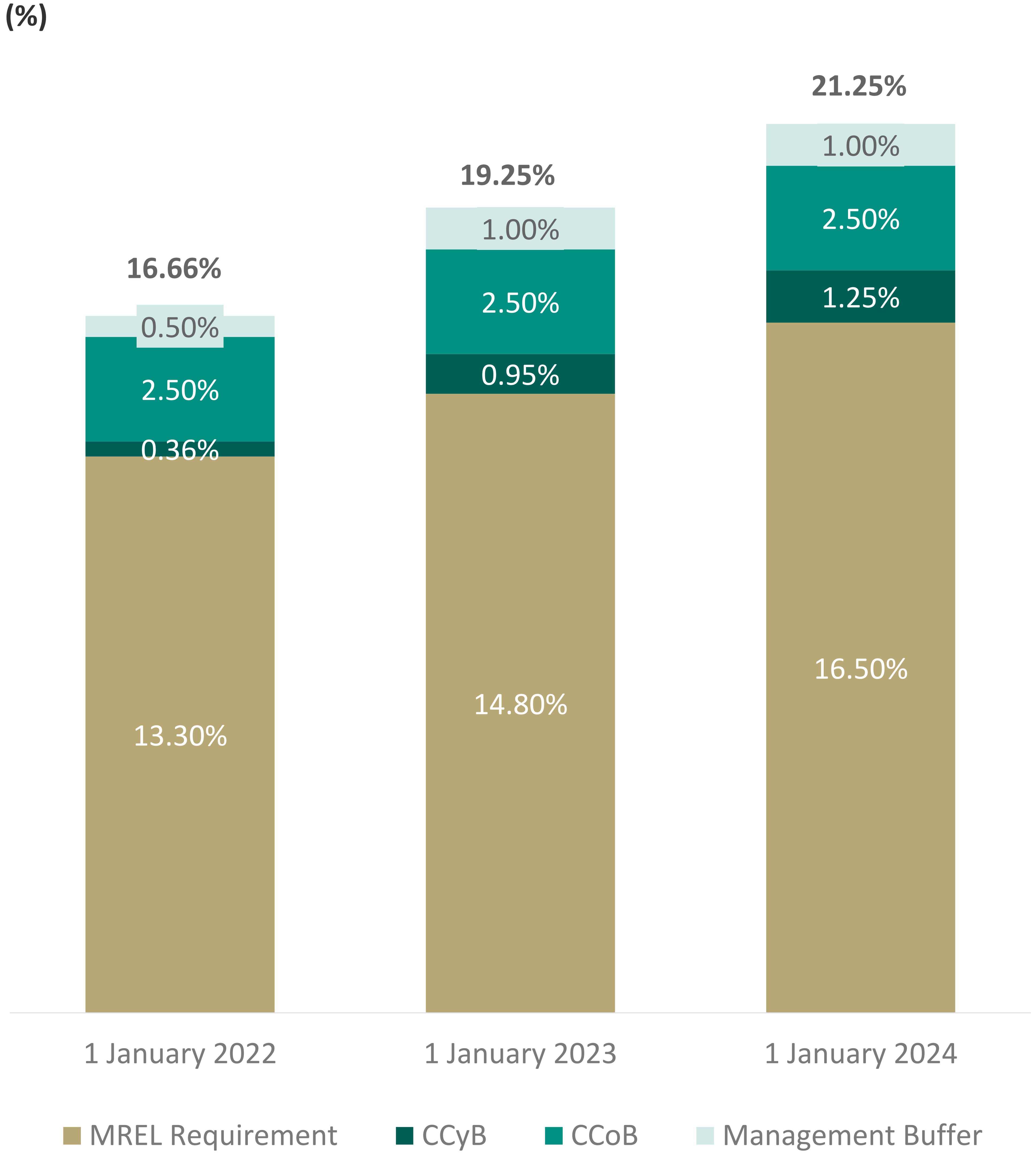
€120m MREL-eligible debut senior preferred Eurobond successfully placed in October 2023. Capital markets expected to play increasingly important role going forward

- MPE resolution strategy adopted with two resolution entities: J&T BANKA (individually) and 365.bank (consolidated)
- CNB is the resolution authority for J&T BANKA and sets out MREL requirements (annually, 1 January)[1]
- No statutory subordination requirement for J&T BANKA's MREL eligible instruments
- Any losses would be recognized locally and the bail-in would take place at J&T BANKA level with no recourse to any other JTFG member
- €120m MREL-eligible debut senior preferred Eurobond successfully placed in October 2023
- ~CZK2.5bn (~€100m) from net proceeds shall be used to redeem vintage AT1s in FY2024, subject to regulatory approval
- FY2023 actual MREL: 27.48% (20.80% in FY2022)

Creditor Hierarchy in Insolvency & Resolution



J&T BANKA's MREL Position (Individual)[2]



Notes: (1) CCyB re-calculated quarterly. (2) CCyB and CCoB for MREL requirements applicable at 31 December except for FY2024 where data is applicable at 1 January 2024. Source: Company data

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