

# J&T BANKA

at the  
Czech Local Bond Market

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# J&T BANKA in Brief



- ▶ A fast growing **private bank** at the Czech and Slovak markets
  - ▶ with operations also in Russia, Croatia, and Barbados












- ▶ The **most active local market arranger** of bond issues
- ▶ Introduced **7 brand new issuers** on the public bond market in the past 3 years
- ▶ Placing and **actively dealing high-yield bonds**
- ▶ Issued the **first AT1 bank hybrid** capital instrument in CEE

# Recent Transactions

- J&T BANKA placed 31 % of total volume of corporate bonds listed on the Prague SE



# First AT1 bank hybrid in CEE

Issuer	Issue date	Format	Volume	First Call	Loss Absorption	Coupon
	30.6.2014	Perp-NC-5	1,000 MM CZK	2019	decrease / increase of principal dividend limitations	10.00 % (CZK)
	20.5.2014	Perp-NC-6 Perp-NC-8 Perp-NC-12	1,250 MM USD 1,750 MM EUR 650 MM GBP	2020 2022 2026	snížení / zvýšení jistiny	6.25 % (USD) 6.00 % (EUR) 7.125 % (GBP)
	20.5.2014	Perp-NC-6	350 MM CHF	2020	snížení jistiny, omezení dividend	4.25 % (CHF)
	8.5.2014	Perp-NC-5	1,500 MM USD	2019	konverze do akcií	6.375 % (EUR)
	12.3.2014	Perp-NC-6	750 MM EUR	2020	snížení / zvýšení jistiny	5.75 % (EUR)
	1.4.2014	Perp-NC-7 Perp-NC-12	1,000 MM EUR 500 MM EUR	2021 2026	snížení / zvýšení jistiny	6.50 % (EUR) 7.50 % (GBP)
	15.1.2014	Perp-NC-10	1,750 MM USD	2024	snížení / zvýšení jistiny	7.875 % (USD)
	11.12.2013	Perp-NC-10	1,750 MM USD	2024	snížení / zvýšení jistiny	7.785 % (USD)
	3.12.2013	Perp-NC-7	1,000 MM EUR	2020	konverze do akcií	8.00 % (EUR)

Source: Bloomberg, issuers

# The Czech Corporate Bond Issuers

## ► MAJORS

- **ČEZ** (energy utility)
- **EPH / EP Energy** (energy utility)
- **NET4GAS** (energy utility)
- **NWR Resources** (coal mining)
- various consumer finance institutions (consumer loans)

## ► 2<sup>nd</sup> TIER

- **ABS JETS** (a private jet fleet operator)
- **BIGBOARD** (media & advertising)
- **CPI** (real estate)
- **České dráhy** (government owned railway)
- **ČD Cargo** (subsidiary of České dráhy)
- **Český aeroholding** (air transportation)
- **Kofola** (soft drinks)
- **RPG Byty** (real estate)

# The Czech Corporate Bond Market

## STATE OF PLAY

- ▶ relatively **small size of companies**
- ▶ **bonds make less than 1/3** of total corporate financing
- ▶ large bond issuers **prefer the eurobond market** leaving the...
- ▶ ... Czech local corporate bond market still underdeveloped

## WHAT ARE THE REASONS ?

- ▶ local banks overcapitalized with sufficient-to-excessive levels of primary deposits
- ▶ corporate tax optimization and lack of willingness for transparency at issuers
- ▶ limited public knowledge of bonds as an investment instrument
- ▶ Basel III / CRD IV --> lower trading limits at traditional bond dealers
- ▶ portfolio managers and portfolio policies relying on ratings
- ▶ 2nd tier issuers too small for an official rating
- ▶ absence of independent credit research
- ▶ lack of cooperation of arrangers
- ▶ lack of price & traded volume transparency

# Will It Improve?

## WHAT CAN BE DONE FOR THE CZECH LOCAL BOND MARKET?

- ▶ education, education, education
- ▶ cooperation of arrangers
- ▶ cooperation with the stock exchange
- ▶ ... ?