

## CREDIT OPINION

5 September 2023

Update



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### RATINGS

#### OTP Bank Nyrt

Domicile	Budapest, Hungary
Long Term CRR	Baa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## OTP Bank Nyrt

### Update to credit analysis

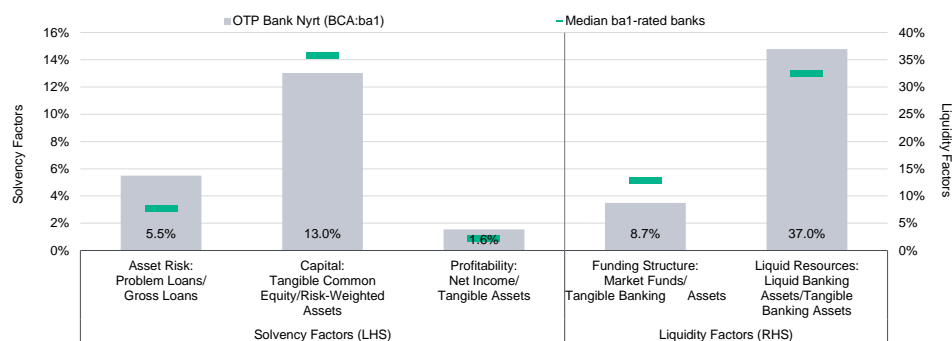
#### Summary

[OTP Bank Nyrt's](#) (OTP) Baa1 long-term deposit ratings are driven by the bank's ba1 standalone ba1 Baseline Credit Assessment (BCA) and three notches of rating uplift under our Advanced Loss Given Failure (LGF) analysis. Our assumption of moderate support from the [Government of Hungary](#) (Baa2 stable) does not result in a further uplift.

OTP's ba1 BCA reflects its geographically diversified footprint across countries in Central and Eastern Europe (CEE) and riskier countries such as Russia, Ukraine and Uzbekistan, which complements the growth opportunities in its domestic market. In addition, the ba1 BCA takes into consideration the bank's relatively high level of nonperforming loans (NPLs), which, however, are highly provisioned; and its good funding and liquidity position. OTP's BCA is also supported by its good capital levels and strong earnings generation, while it also captures its increased market funding reliance as it issues debt to meet its minimum requirement for own funds and eligible liabilities (MREL).

Exhibit 1

#### Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

## Credit strengths

- » Good capital buffers
- » Recovering profitability and sound earnings generation capacity
- » Stable deposit-based funding structure and sizeable liquidity buffers

## Credit challenges

- » The ratio of problem loans is relatively high, although well covered by loan loss reserves
- » Exposure to countries with a weaker operating environment than that of Hungary, which increases tail risk

## Outlook

The stable outlook on OTP's long-term deposit ratings reflects our view that the bank's combined credit profile will stay broadly unchanged over the next 12-18 months despite more difficult operating conditions. In addition, the stable outlook captures our expectation that OTP's credit profile will be resilient to further risks from the bank's exposure to Russia and Ukraine.

## Factors that could lead to an upgrade

OTP's ratings could be upgraded if the bank's BCA is upgraded. OTP's subordinated ratings could be upgraded if there is a significant increase in the volume of outstanding debt, such that it significantly reduces the loss severity for these instruments.

OTP's BCA could be upgraded if the bank's regional footprint sustainably shifts towards stronger economies, as measured by our macro profile. The bank's BCA could also be upgraded in case of a joint improvement in the bank's key solvency and liquidity metrics.

## Factors that could lead to a downgrade

OTP's ratings could be downgraded in case of a downgrade of the bank's BCA. In addition, OTP's deposit ratings could be downgraded if the volume of outstanding debt instruments in relation to OTP's balance sheet falls significantly, such that the loss severity increases.

OTP's BCA could be downgraded in case of a significant deterioration in the bank's combined solvency or a weakening of its funding profile.

## Key indicators

Exhibit 2

### OTP Bank Nyrt (Consolidated Financials) [1]

	06-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (HUF Billion)	36,866.7	32,804.2	27,552.5	23,335.0	20,120.8	18.9 <sup>4</sup>
Total Assets (USD Million)	107,832.5	87,427.3	84,426.7	78,722.8	68,294.3	13.9 <sup>4</sup>
Tangible Common Equity (HUF Billion)	3,339.1	3,269.9	2,854.0	2,226.4	1,955.1	16.5 <sup>4</sup>
Tangible Common Equity (USD Million)	9,766.6	8,714.7	8,745.3	7,510.8	6,636.2	11.7 <sup>4</sup>
Problem Loans / Gross Loans (%)	4.4	5.5	5.8	6.3	6.5	5.7 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	13.0	13.9	14.6	12.8	11.8	13.2 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	20.7	23.4	24.1	28.0	29.4	25.1 <sup>5</sup>
Net Interest Margin (%)	3.8	3.6	3.5	3.6	4.1	3.7 <sup>5</sup>
PPI / Average RWA (%)	5.9	3.3	3.3	3.1	4.0	3.9 <sup>6</sup>
Net Income / Tangible Assets (%)	2.2	1.3	1.7	1.1	2.1	1.7 <sup>5</sup>
Cost / Income Ratio (%)	45.7	60.0	57.7	57.6	54.7	55.2 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	12.4	8.7	7.9	8.4	6.8	8.8 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	39.0	37.0	37.3	36.9	33.5	36.7 <sup>5</sup>

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Gross Loans / Due to Customers (%)	75.3	73.1	73.8	75.9	79.6	75.6 <sup>5</sup>
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[<sup>-</sup>] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

## Profile

OTP Bank Nyrt (OTP) is Hungary's dominant bank with significant foreign operations, boosted by a large number of acquisitions in recent years.

In Hungary, OTP had domestic market shares of around 28% of total assets, 25% of total loans and 28% total deposits as of June 2023, and was by far the country's largest bank. The bank is particularly strong in the Hungarian retail market, holding a market share of 42% in total retail deposits as of June 2023 and around 34% in retail loans. In addition to its strong domestic franchise, OTP has operations in twelve foreign countries. Through its subsidiaries OTP is currently the second largest bank in terms of assets in Bulgaria, Slovenia and Serbia, the fourth largest in Croatia, the largest bank in Montenegro, and the fifth largest in Albania. OTP also has bank subsidiaries in Moldova, Romania, Ukraine and Russia. Further, on 13 June 2023, OTP became the majority shareholder of [Ipoteka Bank](#) (Ba3 stable, b2<sup>1</sup>), the fifth-largest bank in Uzbekistan<sup>2</sup> as of July 2023.

As of June 2023, foreign operations accounted for 63% of the bank's assets, up from 58% in 2022, mainly because of acquisitions in Slovenia and Uzbekistan, and 69% of profit after tax. Around 48% of OTP's gross loans were to retail clients as of June 2023, with slightly less than half of it representing mortgages; 41% of the loans were to corporates, 5% to small-sized businesses, and 6% represented leasing exposure as of the same date.

## Detailed credit considerations

### Exposure to countries with a weaker operating environment than that of Hungary increases tail risk

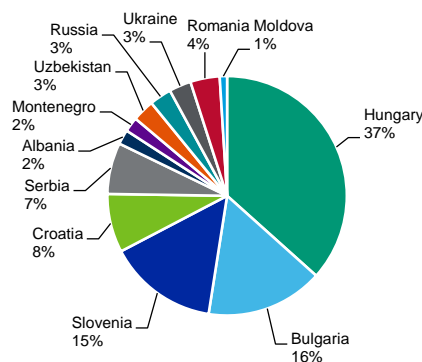
OTP's credit profile is driven by its operations in select CEE countries and Russia, with its Hungarian domestic exposure accounting for 37% of the group's total assets as of June 2023. These operations have distinct characteristics — activities in Hungary, Slovenia and other CEE countries, especially in Bulgaria, Romania and Croatia, have demonstrated relatively more stable performance, while its Russian and Ukrainian operations are more volatile and may represent a key challenge for the group's performance.

OTP's weighted average "Moderate-" macro profile reflects the dominance of its operations in Hungary (with a [Moderate](#) macro profile), Slovenia ([Strong-](#)), Croatia ([Moderate-](#)), Bulgaria ([Moderate-](#)) and Romania ([Moderate-](#)), which together account for around 80% of its total assets. On the other hand, the bank's operations in Russia ([Very Weak](#)), Ukraine ([Very Weak-](#)) and Uzbekistan ([Weak-](#)) weigh adversely on its macro profile.

Exhibit 3

### Breakdown of assets by country

As of June 2023



Source: Company reports

### The ratio of problem loans is relatively high, although well covered by provisions

Our assigned ba3 Asset Risk score is in line with the initial score, reflecting our view that the increase in problem loans due to the weakened macroeconomic environment will be contained while the bank is well buffered by its large stock of forward looking provisions.

OTP's NPLs<sup>3</sup>/gross loans was 4.4% as of June 2023, down from 5.5% as of year-end 2022, while its 90 days past-due loans were at 2.9% of gross loans compared with 3.1% as of year-end 2022. The ratio of Stage 3 loans to gross loans in its Hungarian operations decreased to 4.1% as of the end of June 2023 from 4.9% as of year-end 2022 but remained above the average NPL ratio of Hungarian banks of 3.0%<sup>4</sup> as of March 2023 (last available). Overall, the total stock of loan loss reserves/problem loans was a sizeable 110% as of June 2023, while the own coverage of total consolidated Stage 3 loans was also good at 61%.

The bulk of the bank's problem loans is generated from its largest operations in Hungary, Bulgaria and Croatia, and in weaker operating environments such as Russia and Ukraine. In Ukraine, the ratio of Stage 3 loans to gross loans sharply increased to 24.8% as of June 2023 from 18.1% as of year-end 2022, while in Russia, it remained broadly unchanged over the first six months of 2023 at 15.8%. OTP's lending in Russia is predominantly short-term consumer loans as it has stopped providing loans to Russian corporations following Russia's military invasion of Ukraine. Nevertheless, despite a 34% contraction of its performing corporate book in the first six months of 2023, adjusted for foreign-exchange movements, lending in Russia increased by 5% in the first half of 2023, driven by 7% growth in retail loans.

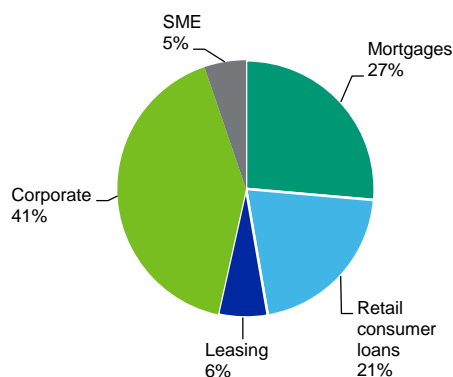
The high asset risk from the bank's sizeable NPLs in Russia and Ukraine was largely mitigated by sizeable loan loss reserves of 94% and 75%, respectively, of Stage 3 loans as of June 2023.

Historically, OTP has held higher NPL stocks than its Hungarian peers because it runs its own workout unit through its subsidiary, OTP Factoring Ltd. As a result, NPLs may sit on the bank's balance sheet for longer. The group runs similar operations in Serbia, Bulgaria, Slovakia, Romania and Ukraine.

Exhibit 4

#### OTP's loan book is evenly distributed between retail and corporate loans

As a percentage of gross loans, June 2023



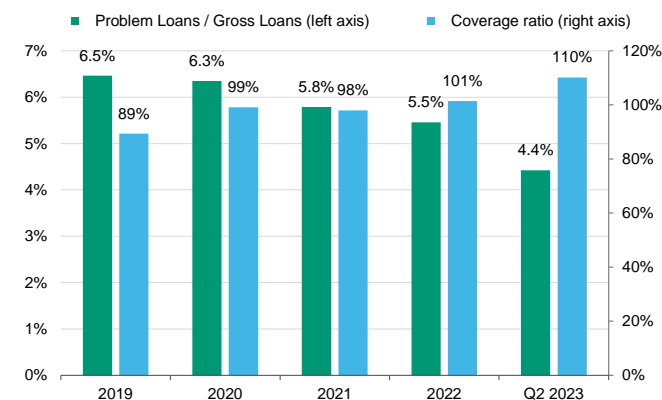
Source: Company reports

### Good capital buffers

We assign a ba1 Capital score to OTP, one notch lower than the bank's initial score. The assigned score takes into consideration OTP's strong internal capital generation and the prospect of the bank distributing substantial dividends. Our assessment also fully

Exhibit 5

#### OTP's NPLs are fully covered



Coverage ratio = Loan loss reserves/problem loans.

Sources: Company filings and Moody's Investors Service

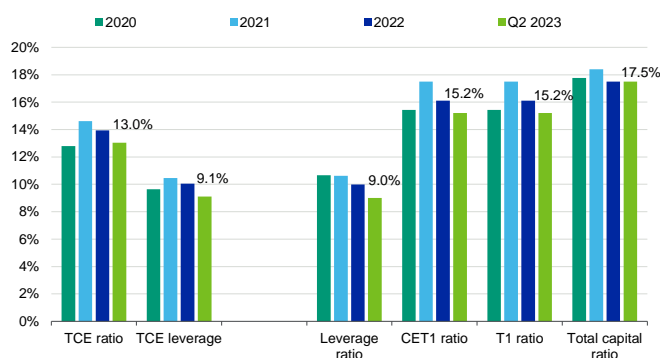
incorporates the capital impact from a potential abrupt exit from its Russian subsidiary which would reduce OTP's capitalisation by a manageable 46 basis points (bps) as of the end of June 2023.

The bank's Common Equity Tier 1 (CET1) capital ratio was 15.2% as of the end of June 2023, down from 16.1% as of year-end 2022. The decline in the bank's capitalisation was due to the large expansion in risk weighted assets (RWA) mainly due to the acquisition of [Nova Kreditna Banka Maribor d.d](#) (NKBM, A3 stable, baa3), Slovenia's second largest bank, which resulted in a decline in OTP's CET1 ratio to 14.4% as of 1Q 2023. In the second quarter of 2023 OTP generated 80 basis points of capital as the increase in the CET1, mainly due to the inclusion of part<sup>5</sup> of the first half profit in the regulatory capital outweighed the growth in risk weighted assets despite the acquisition of Ipoteka Bank.

OTP maintains a sizeable capital buffer above regulatory requirements. The bank's total capital adequacy ratio of 17.5% as of June 2023, supported by a \$650 million (HUF223 billion) Tier 2 issuance in February 2023, was well above the 13.8% regulatory minimum. According to the central bank's decision, OTP's other systemically important institution (O-SII) buffer will be restored to 2.0% by 1 January 2024 from 1.0% as of June 2023. Over 2023, the consolidated countercyclical capital buffer requirements are likely to increase further to 0.49% mainly due to the bank's exposures in Bulgaria, Slovenia and Croatia<sup>6</sup>. In Hungary the central bank has postponed the application of the 0.5% countercyclical capital buffer requirement to 1 July 2024.

Exhibit 6

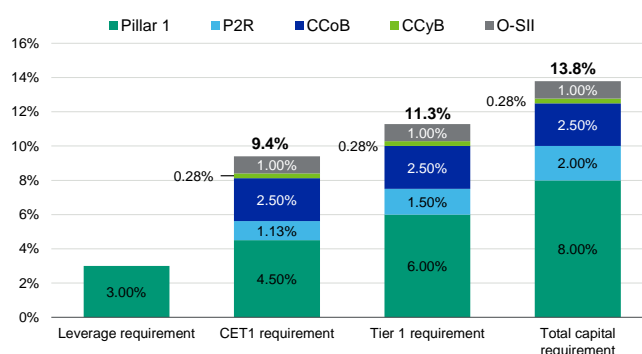
#### Recent acquisitions have weakened the bank's capitalisation



Sources: Company filings and Moody's Investors Service

Exhibit 7

#### OTP's capital requirements As of June 2023



Source: Company filings

### Return to strong profitability

We assign a baa2 score for Profitability, one notch higher than the initial score, to reflect OTP's improved profitability, benefitting from higher interest rates across the foreign markets where it operates, despite significant costs owing to measures taken by the Hungarian government.

OTP has a strong ability to generate earnings and maintains a high return on assets, reflecting its dominant position in its home market, as well as the strong profit contribution from its foreign operations, which accounted for 69% of the bank's adjusted net profit in H1 2023.

In H1 2023, the bank reported net income of HUF577 billion, resulting in a return on assets (RoA) of 3.2%, compared with HUF43 billion in the year-earlier period. The significant increase in net income was driven by higher interest margins and a lower cost of risk. Substantial positive one-off items, as opposed to costs in the first half of 2022<sup>7</sup>, mainly the HUF169 billion benefit resulting from the acquisitions of NKBM and Ipoteka and a write back of the windfall tax also contributed to the rise in net profit. Excluding these one-offs the bank's RoA was a strong 2.2% despite fully absorbing the windfall tax for 2023 and the impact of the interest rate cap the Hungarian government imposed on certain mortgages and SME loans.

In the first six months of 2023, net interest income grew by 29% year on year (19% excluding the effect of the NKBM acquisition), driven by rising interest rates across almost all countries OTP operates. This drove an increase in OTP's net interest margin (NIM) to 3.7% in H1 2023 up from 3.5% in the same previous year period. The growth in fees and commissions was also strong at 22%

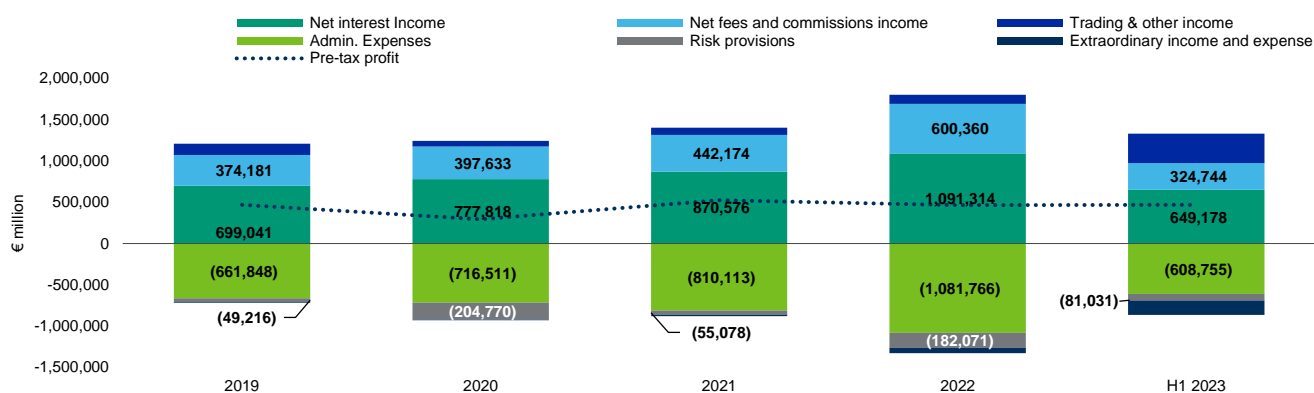
(15% excluding NKBM) supported by expanding volumes in the foreign operations and in particular in countries where the economic activity has a significant reliance on tourism. The bank's other income also almost doubled mainly owing to gains in the bank's bond investments and adjustments to subsidised loan schemes resulting from the drop in the Hungarian yield curve.

In H1 2023, operating expenses grew by 25% compared with the year-earlier period, driven by the strong inflationary environment. OTP's credit costs were close to zero in the first half of 2023 as the positive performance of its foreign operations outweighed the increase in credit costs in its Hungarian and Serbian operations.

For 2023, OTP expects that its 2023 profitability may substantially exceed the 2022 profitability.

Exhibit 8

### OTP's half-year net income benefitted from one-offs



Source: Moody's Investors Service

### Stable deposit-based funding structure and good liquidity buffers

OTP's funding profile is a credit strength because the bank is predominantly reliant on stable deposit funding. Our baa3 assigned Funding Structure score is in line with the initial score capturing the extent of OTP's reliance on market funding as the bank issues debt to meet its MREL requirements.

The bank's market funding increased to 12.4% of its total tangible banking assets (TBA) as of June 2023 from 8.7% at year-end 2022. This increase was driven by an increase in interbank liabilities as well as the issuance of \$500 million (HUF171 billion) in senior preferred notes in May 2023 and €110 million (HUF41 billion) in senior non-preferred notes in June 2023. OTP plans an additional issuance of roughly €500 million senior unsecured bond by the end of the year, in order to meet its binding MREL.

The bank's MREL requirement was set at 19.12% of RWA, to be achieved by 1 January 2024. OTP also has to meet a subordination requirement of 13.5% of RWA by 16 December 2024, in addition to the then effective combined buffer requirement. OTP follows a single point of entry (SPE) resolution approach although certain domestic and foreign subsidiaries, including NKBM, are currently excluded from its resolution perimeter.

OTP's funding remains primarily based on deposits, which accounted for 81% of its total liabilities as of June 2023. Overall, the OTP group reported a loan-to-deposit (LTD) ratio of 80% as of June 2023. At the group level, 70% of deposits were from retail clients and micro and small enterprises, with the remainder from corporate customers, which we consider more volatile and confidence sensitive.

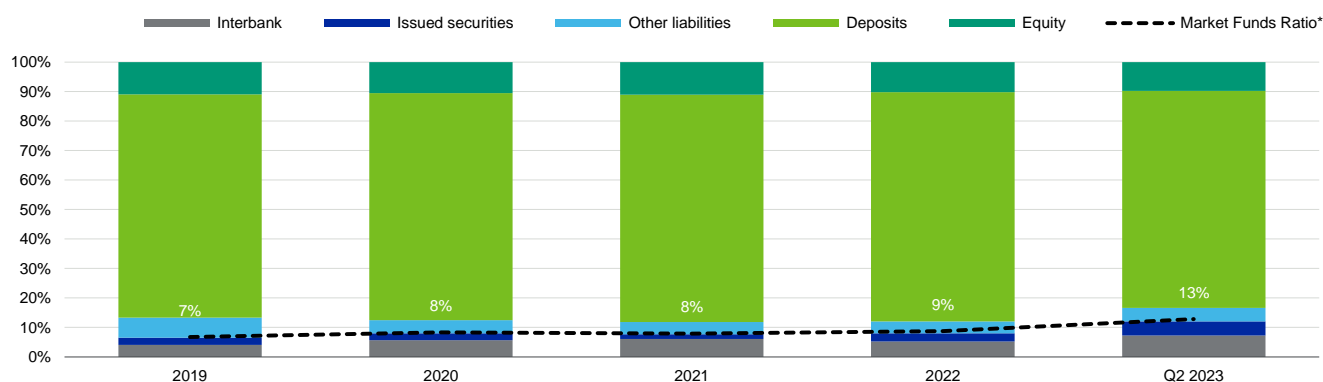
Our assessment also takes into account the funding dependency of OTP's main subsidiaries. The bank's largest subsidiaries, Bulgaria, Slovenia and Croatia (16%, 15% and 8%, respectively, of total assets) are self-funded, with net LTD ratios of 77%, 63% and 100%, respectively, as of the end of June 2023. However, the bank's Serbian and Romanian subsidiaries rely on funding from the parent bank, although this funding allocation is constrained by the intragroup lending limit of a maximum of 25% of regulatory consolidated total capital under Basel III rules. As of June 2023, OTP Bank Serbia and OTP Romania (7% and 4%, respectively, of group assets) had net LTD ratios of around 118% and 115%, respectively. OTP Bank Russia, formerly dependent on the parent's funds, paid back the intra-group funding over the last two years<sup>8</sup> and reported a net LTD ratio of 66% as of June 2023, down sharply from 106% in 2022 and

152% in 2021. The newly acquired Ipoteka Bank shows a high reliance on state funds, as evidenced by a net LTD ratio of 307% as of June 2023.

OTP supplements its funding through [its mortgage covered bonds](#) (A1) via its subsidiary [OTP Jelzalogbank Zrt. \(OTP Mortgage Bank\)](#) (Baa3 stable) as required by regulation. As of October 2019, the regulatory requirement increased and the bank is obligated to finance at least 25% of its outstanding mortgage loans through covered bonds.

Exhibit 9

### The bank is mainly deposit-funded



\*Market funds ratio = Market funds/TBA.

Source: Moody's Investors Service

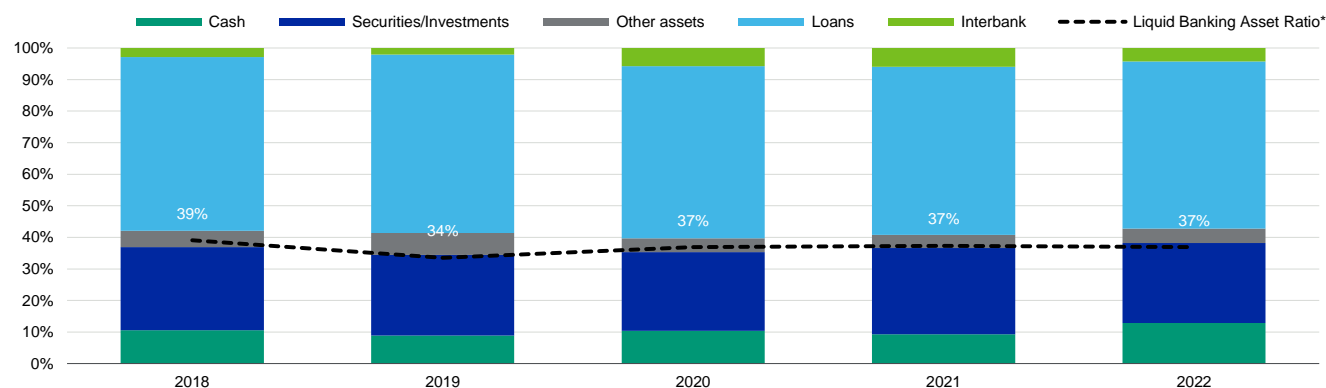
We assign a baa3 Liquid Resources score, in line with the initial score, reflecting OTP's sizeable liquidity buffers. The bank's liquid resources accounted for 37% of its TBA as of December 2022 and consisted mainly of reserves held at the National Bank of Hungary and investments in Hungarian and other government bonds, which accounted for around 21% of the bank's total assets and are accounted for predominantly at amortized cost. OTP's large investments in fixed-rate bonds exposes it to the large decline in their market value because of the sharp rise in interest rates between June 2021 and year-end 2022. However, these losses are unlikely to be realised for liquidity purposes because of the bank's strong deposit franchise (with 70% retail deposits), while OTP can use these bonds to access liquidity from the central bank without realising the loss.

There were no significant shifts in the first six months of 2023 either in terms of the volume of liquid resources or their composition.

OTP's liquidity coverage ratio, which considers unrealised mark-to-market losses, was strong at 204% as of June 2023, up from 172% in 2022.

Exhibit 10

### OTP has abundant liquid assets



\*Liquid banking assets ratio = Liquid banking assets/TBA.

Source: Moody's Investors Service

## Source of facts and figures cited in this report

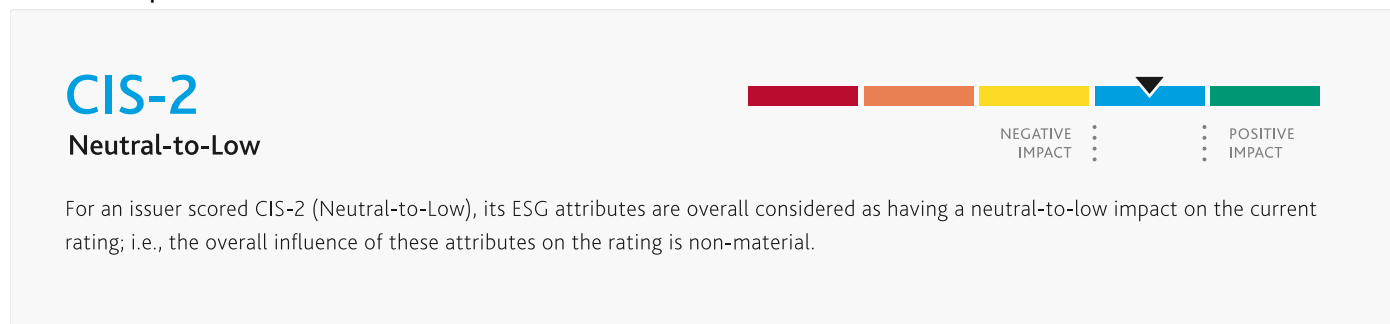
Unless noted otherwise, we have sourced data related to systemwide trends and market shares from the central bank. Bank-specific figures originate from banks' reports and Moody's Banking Financial Metrics. All figures are based on our own chart of account and may be adjusted for analytical purposes. Please refer to the document [Financial Statement Adjustments in the Analysis of Financial Institutions](#), published on 9 August 2018.

## ESG considerations

### OTP Bank Nyrt's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 11

#### ESG Credit Impact Score

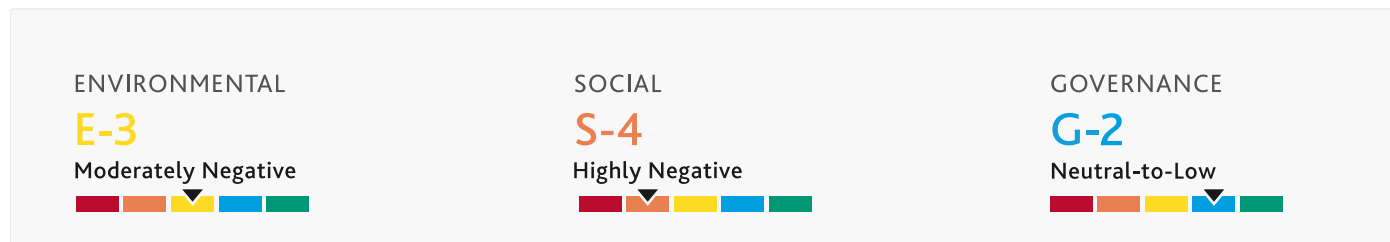


Source: Moody's Investors Service

OTP Bank's ESG CIS-2 indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 12

#### ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

OTP Bank faces moderate exposure to environmental risks because of its portfolio exposure to carbon transition risk as the largest bank in Hungary and widely diversified in the Central and Eastern European region. In line with its peers, OTP Bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, OTP Bank is engaging in optimising its loan portfolio towards less carbon-intensive assets.

### Social

OTP's exposure to social risks is high, stemming principally from demographics and social trends as well as customer relations. On societal trends, banks in Hungary have been exposed to the government's interventionist policies, which demonstrate its predisposition towards supporting social policy at the detriment of banks' financial performance. Further, the bank faces high industrywide social risks related to customer relations and associated regulatory risks, litigation exposure, and high compliance standards in its diversified operations. These risks are mitigated by OTP's developed policies and procedures. OTP's high cyber and personal data risks are mitigated by the bank's sound IT framework.



## Governance

OTP faces low governance risks, and its risk management, policies and procedures are in line with industry practices and suitable for the bank's risk appetite.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Loss Given Failure (LGF) analysis

OTP is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. We assume a residual Tangible Common Equity (TCE) of 3% and post-failure losses of 8% of TBA, 26% junior deposits over total deposits (equivalent to the EU average), a 25% runoff of junior wholesale deposits and a 5% runoff of preferred deposits. Furthermore, we take into account the full depositor preference in Hungary, whereby junior deposits are preferred over senior debt creditors. Under the Hungarian banking and company insolvency laws, all deposits — including institutional deposits — rank senior to senior unsecured debt in bank liquidation and resolution.

Because OTP's agreed resolution approach is a "single-point of entry", in our analysis, we include in the balance sheet "at-failure" the deposits and the assets of OTP's foreign subsidiaries, which are included in its resolution perimeter in line with our [Banks methodology](#), as well as OTP's issuance plans. Our forward-looking Advanced LGF does not currently incorporate NKBM in the common resolution perimeter because decisions regarding the resolution approach of NKBM are still to be finalised with the resolution authorities.

Because of the volume and subordination of the different tranches of bail-in-able debt issued by the bank and the residual equity that we expect in a resolution scenario, our LGF analysis shows:

- » Extremely low loss given failure because of the loss absorption provided by the volume of deposits, and significant senior and subordinated debt. This results in a Preliminary Rating Assessment (PRA) of baa1, three notches above the bank's Adjusted BCA of ba1.
- » Moderate loss given failure for the bank's senior unsecured debt resulting in a PRA of ba1.
- » High loss given failure for its Ba2 subordinated bond rating and Ba3(hyb) junior subordinated bond, one notch below the bank's BCA. The Ba3(hyb) junior subordinated bond rating includes an additional negative notch capturing the risk of losses to bondholders due to the coupon-skip mechanism.

### Government support considerations

We assume a moderate probability of government support for OTP's senior creditors in the event of its failure. Our assumption is mainly driven by the fact that OTP is the largest bank in Hungary, with a particularly strong retail deposit franchise balanced against the limits the BRRD sets on the government to provide such support. Our government support assessment results in one notch of uplift in the bank's Senior unsecured bond rating to Baa3. However, our support assumption does not translate into additional notching for the bank's deposit ratings because at Baa1 they are already higher than the sovereign rating.

The likelihood of government support for the bank's subordinated debt, as well as junior subordinated debt, is low, and therefore, these ratings do not include any related rating uplift.

### Counterparty Risk (CR) Assessment

#### OTP's CR Assessment is Baa1(cr)/P-2(cr)

The CR Assessment is three notches above the bank's Adjusted BCA. The CR Assessment is driven by the seniority of the counterparty obligations and the volume of liabilities subordinated to them under our Advanced LGF framework.

### Counterparty Risk Ratings (CRRs)

#### OTP's CRRs are Baa1/P-2

OTP's CRRs are three notches above its Adjusted BCA of ba1, reflecting the extremely low loss given failure stemming from a high volume of subordinated instruments.

## Methodology and scorecard

### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may significantly differ from that suggested by raw data alone (although it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 13

### OTP Bank Nyrt

#### Macro Factors

**Weighted Macro Profile**                      **Moderate**    **100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	5.5%	ba3	↔	ba3	Expected trend	Collateral and provisioning coverage
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	13.0%	baa3	↔	ba1	Expected trend	Stress capital resilience
Profitability						
Net Income / Tangible Assets	1.6%	baa3	↑	baa2	Return on assets	Expected trend
Combined Solvency Score		ba1		ba1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	8.7%	baa3	↔	baa3	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	37.0%	baa3	↔	baa3	Stock of liquid assets	
Combined Liquidity Score		baa3		baa3		
Financial Profile						
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Baa2		
BCA Scorecard-indicated Outcome - Range				baa3 - ba2		
Assigned BCA				ba1		
Affiliate Support notching				0		
Adjusted BCA				ba1		

Balance Sheet	in-scope (HUF Million)	% in-scope	at-failure (HUF Million)	% at-failure
Other liabilities	5,555,223	16.9%	8,101,132	24.6%
Deposits	24,959,890	75.8%	22,413,981	68.0%
Preferred deposits	18,470,319	56.1%	17,546,803	53.3%
Junior deposits	6,489,571	19.7%	4,867,179	14.8%
Senior unsecured bank debt	810,136	2.5%	810,136	2.5%
Junior senior unsecured bank debt	41,030	0.1%	41,030	0.1%
Dated subordinated bank debt	408,727	1.2%	408,727	1.2%
Junior subordinated bank debt	186,500	0.6%	186,500	0.6%
Equity	988,500	3.0%	988,500	3.0%
Total Tangible Banking Assets	32,950,007	100.0%	32,950,007	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub- ordination	Instrument volume + subordination	Sub- ordination	De Jure	De Facto				
Counterparty Risk Rating	22.2%	22.2%	22.2%	22.2%	3	3	3	3	0	baa1
Counterparty Risk Assessment	22.2%	22.2%	22.2%	22.2%	3	3	3	3	0	baa1 (cr)
Deposits	22.2%	4.9%	22.2%	7.4%	2	2	2	2	1	baa1
Senior unsecured bank debt	22.2%	4.9%	7.4%	4.9%	2	0	0	0	0	ba1
Dated subordinated bank debt	4.8%	3.6%	4.8%	3.6%	-1	-1	-1	-1	0	ba2
Junior subordinated bank debt	3.6%	3.0%	3.6%	3.0%	-1	-1	-1	-1	-1	ba3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Assessment	3	0	baa1 (cr)	0	Baa1(cr)	Baa1
Deposits	2	1	baa1	0	Baa1	Baa1
Senior unsecured bank debt	0	0	ba1	1		Baa3
Dated subordinated bank debt	-1	0	ba2	0		Ba2
Junior subordinated bank debt	-1	-1	ba3	0		Ba3 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

## Ratings

Exhibit 14

Category	Moody's Rating
<b>OTP BANK NYRT</b>	
Outlook	Stable
Counterparty Risk Rating	Baa1/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)
Senior Unsecured	Baa3
Subordinate	Ba2
Jr Subordinate	Ba3 (hyb)
<b>IPOTEKA BANK</b>	
Outlook	Stable
Counterparty Risk Rating	Ba3/NP
Bank Deposits	Ba3/NP
Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	b1
Counterparty Risk Assessment	Ba3(cr)/NP(cr)
<b>NOVA KREDITNA BANKA MARIBOR D.D.</b>	
Outlook	Stable
Counterparty Risk Rating	A3/P-2
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Senior Unsecured -Dom Curr	Baa2
Junior Senior Unsecured -Dom Curr	Baa3
<b>OTP JELZALOGBANK ZRT. (OTP MORTGAGE BANK)</b>	
Outlook	Stable
Counterparty Risk Rating	Baa1/P-2
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)
Bkd Issuer Rating -Dom Curr	Baa3

Source: Moody's Investors Service

## Endnotes

- [1](#) The bank ratings shown are the bank's deposit rating, outlook and BCA.
- [2](#) As of June 2023, Ipoteka Bank reported total assets of HUF1,201 billion and held a market share of 7.7%. In addition, it was the market leader in mortgage lending, with a market share of 25% as of the same date.
- [3](#) Defined as Stage 3 loans plus purchased or originated credit impaired loans.
- [4](#) The systemwide NPL ratio is based on gross and impaired loans to households, nonfinancial corporations and other financial institutions, and is calculated on the basis of the Hungarian National Bank's data.
- [5](#) According to regulations the bank deducted around HUF70 billion dividend from the first half profit although this amount cannot be considered as an indication of the proposed dividend from management.
- [6](#) In Bulgaria, the local relevant buffer requirement will be increased to 2.0% in H2 2023 from 1.5% as of June 2023. The same goes for Romania (to 1.0% from 0.5%), Croatia (to 1.0% from 0.5%) and Slovenia (to 0.5% from 0.0%).
- [7](#) The bank's profit in the first six months of 2022, was reduced by significant one-off costs including the impairment of Russian government bonds (HUF35 billion) and the goodwill impairment of subsidiaries (HUF56.2 billion).
- [8](#) Only a small HUF9 billion subordinated loan is outstanding as of June 2023.

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