

Research Update:

OTP Mortgage Bank Outlook Corrected To Negative To Align With That On Parent OTP Bank PLC

May 14, 2025

Overview

- On April 14, 2025, S&P Global Ratings raised its rating to 'BBB/A-2', with a negative outlook, on OTP Bank PLC, the ultimate parent of OTP Mortgage Bank.
- At that time, we also upgraded subsidiary OTP Mortgage Bank. However, due to an administrative error, the outlook on it remained stable, rather than negative, to match that on the parent.
- Therefore, we corrected by revising our outlook on OTP Mortgage Bank to negative from stable to align with that on OTP Bank PLC.
- We also affirmed our 'BBB' issuer credit rating on OTP Mortgage Bank.
- The negative outlook reflects that on parent OTP Bank PLC given that we would lower the rating on OTP Mortgage Bank if we downgraded OTP Bank PLC.

PRIMARY CREDIT ANALYST

Anna Lozmann
Frankfurt
+49 69 33999 166
anna.lozmann
@spglobal.com

SECONDARY CONTACT

Cihan Duran, CFA
Frankfurt
+49 69 33999 177
cihan.duran
@spglobal.com

Rating Action

On May 14, 2025, S&P Global Ratings corrected by revising its outlook on OTP Mortgage Bank to negative from stable. At the same time, we affirmed our ratings, including our 'BBB' long-term issuer credit rating, on the bank.

Rationale

When we raised our ratings on parent OTP Bank PLC on April 14, 2025, we also raised our ratings on OTP Mortgage Bank. However, while the outlook on OTP Bank PLC is negative, the outlook on OTP Mortgage Bank remained stable. Under our criteria, the outlook on OTP Mortgage Bank should also be negative as well, mirroring that on the parent. The outlook revision on OTP Mortgage Bank therefore reflects us correcting the outlook, and does not indicate a decline in its credit quality.

For more information on the rating action on OTP Bank PLC, see "OTP Bank PLC Upgraded To 'BBB/A-2' On Higher Resilience Against Potential Sovereign Stress; Outlook Negative," published April 14, 2025, on RatingsDirect.

We equalize our ratings on OTP Mortgage Bank with those on OTP Bank PLC because of the former's integral position in the group's strategy. Our view of OTP Mortgage Bank's status is based on its full ownership by and very close organizational and operational integration with its parent. We understand OTP Mortgage Bank is key in fulfilling the group's regulatory mortgage funding adequacy ratio via the issuance of mortgage covered bonds. OTP Mortgage Bank has a leading position in retail mortgage lending in Hungary. We think OTP Bank PLC will support its core subsidiary under all foreseeable circumstances.

Outlook

The negative outlook on OTP Mortgage Bank reflects that on parent OTP Bank PLC.

The outlook on OTP Bank PLC primarily mirrors the negative outlook assigned to our ratings on Hungary, OTP's home sovereign. Negative pressure could also arise if we observe a weakening of OTP Bank PLC's stand-alone credit profile, for instance due to a deterioration of asset quality or a drag on profits related to economic and geopolitical challenges affecting its core markets.

Downside scenario

We could downgrade OTP Bank PLC, and by extension OTP Mortgage Bank, in the next two years if:

- We take a similar rating action on Hungary;
- The group significantly increases its country risk exposure to Hungary, contrary to our current expectations. Evidence of challenges in repatriating capital from subsidiaries in EU countries, or a substantial financial weakening of those subsidiaries, could also lead to a negative rating action;
- There is a material weakening of OTP Bank PLC's earnings capacity, or higher-than-anticipated credit losses significantly affect the group's capitalization; or
- The bank experiences material reputational risks or other nonfinancial risks affecting its franchise, for instance due to its business operations in Russia.

A lowering of our issuer credit rating on OTP would lead to a lowering of the long-term resolution counterparty rating and subordinated debt ratings.

Upside scenario

We could revise the outlook to stable if we take a similar action on Hungary.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- OTP Bank PLC Upgraded To 'BBB/A-2' On Higher Resilience Against Potential Sovereign Stress; Outlook Negative, April 14, 2025
- Hungary Outlook Revised To Negative From Stable On Fiscal And External Risks; 'BBB-/A-3' Ratings Affirmed, April 11, 2025
- Global Credit Conditions Special Update: Ongoing Reshuffling, April 11, 2025
- Credit Conditions Europe Q2 2025: Europe Plots A New Course, March 26, 2025
- OTP Bank Resolution Counterparty Ratings Raised To 'BBB/A-2'; Other Ratings Affirmed And Outlook Stable, March 17, 2025
- Hungary Banking Industry Country Risk Assessment Unchanged On Evolving Industry Risks; No Ratings Affected, Jan. 24, 2025
- Banking Brief: CEE Banks Can Stomach Headwinds In The Auto Industry, Jan. 14, 2024
- Central And Eastern Europe Banking Outlook 2025: Economic Recovery Supports Banks' Solid Performance, Dec. 11, 2024

Ratings List

Ratings Affirmed; Outlook Action

	To	From
OTP Mortgage Bank		
Issuer Credit Rating	BBB/Negative/A-2	BBB/Stable/A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.