Credit Rating Announcement

18 July 2025

Scope affirms OTP Bank's BBB+ issuer rating with Stable Outlook

Rating affirmation reflects the group's robust operating performance and strong prudential metrics.

Rating action

Scope Ratings GmbH (Scope) has affirmed and published OTP Bank's issuer rating and senior unsecured debt rating of BBB+, both with a Stable Outlook.

The full list of rating actions and rated entities is at the end of this rating action release.

Key rating drivers

Business model assessment: Resilient (Low). The issuer rating is anchored by the Resilient (Low) business model assessment. OTP is one of the largest independent banking groups in the Central Eastern Europe (CEE), with total assets of around EUR 110bn as of Q1 2025. OTP combines a broad franchise in CEE with a leading market position in Hungary and strong market shares in most of the other markets in which it operates. High geographic diversification offsets the moderate volatility of the group's Hungarian operations and provides higher margins and growth opportunities in less developed banking markets.

OTP has demonstrated a disciplined acquisition strategy and strong execution record, which allowed the group to grow at a rapid pace in the past years. The group's most recent transactions were the acquisition of Nova KBM in Slovenia to become the one of the country's largest banks and the acquisition of Ipokeka Bank in Uzbekistan, which ranks fifth in the local market by size. Scope will carefully monitor further deals to assess the strategic fit and associated integration risks. Barring a transformative acquisition, Scope does not expect the group's business model to change materially in the foreseeable future.

OTP is one of the few remaining European banks operating in Russia. The local bank continues to grow in consumer lending and deposit collection, while corporate lending has been in run-off since the beginning of the war. Although credit quality and profitability remain high, reputational and legal risks from Russian operations linger. Scope estimates that the capital impact of a disorderly exit from the market would be positive today, as OTP has been able to withdraw maturing intra-group funding and upstream retained earnings since the start of the war.

Operating environment assessment: Supportive (Low). The assessment reflects Scope's blended view of the different markets where OTP operates.

Hungary (moderately supportive high) is the group's primary market, accounting for just over one third of total assets. It is one of the largest economies in CEE, with high economic growth potential supported by foreign investment and EU funding. Real GDP per capita has grown significantly over the last 25 years but is still comparatively low in relation to the EU average. The government's ability to support the economy during downturns is limited by elevated public debt, a high interest payment burden, and persistent fiscal deficits. OTP dominates the moderately concentrated banking sector. Despite several bank levies, Hungarian lenders have performed well since the second half of the 2010s. Local banks are supervised by the Hungarian central bank and are subject to the EU framework for banking and financial regulation.

Bulgaria (moderately supportive low) is OTP's second largest market, accounting for around 18% of total assets. The country has a small, developing economy within the EU, with a GDP per capital well below the EU average. Scope expects real GDP to expand at a sustained pace over the next years, driven by robust private consumption and public investments (co-financed by the EU under the Recovery and Resilience Facility). Furthermore, Bulgaria retains the lowest debt/GDP ratio in the EU-27, which gives the government fiscal space to support the economy in case of need. Bulgaria will join the euro area 1 January 2026 which will eliminate foreign exchange risk, increase monetary policy flexibility and improve market access for banks. Bulgaria already joined the EU Banking Union through close cooperation in 2020. The banking sector is fairly concentrated, with the top five largest banks controlling three-quarters of total assets. Banks fundamentals have been improving for years and are now solid.

Slovenia (moderately supportive high) makes up around 14% of OTP's total assets. Slovenia is a small, yet relatively wealthy economy in the CEE. However, real GDP per capita is still some 20% below EU average. After the quick recovery post pandemic, the Slovenian economy is projected to grow at a sustained rate (2.2% in 2025 and 2.4% in 2026), supported by external demand, government investment, and robust private consumption. Slovenian has the fiscal space to support the economy if needed; public debt is on a firm downturn trajectory, having declined from 74.8% of GDP in 2021 to 67% in 2024. Slovenia is part of the European Banking Union. The banking sector is characterised by sound credit fundamentals. Current above-average profitability, driven by high net interest income, is expected to continue.

Scope also considers operations in weaker environments, including Serbia, Russia, Ukraine and Uzbekistan, all of which weigh on the overall assessment.

Scope arrives at an initial mapping of **bbb-** based on a combined assessment of the issuer's operating environment and business model.

Long-term sustainability assessment (ESG factor): Developing. The assessment reflects Scope's view that the issuer is embracing changes to ensure the long-term sustainability of its business model. Progress made may be tangible but does not warrant further credit differentiation.

Following the pandemic, the group has increased its digitalisation efforts, aiming to provide market-leading digital solutions and to increase group-wide efficiency. In the past 5 years, digital penetration has been increasing along with changing client preferences.

OTP has also launched an ESG strategy which contains interim goals for 2025, including reaching HUF 1,500bn in green loans. In 2023, the group carried out its first climate change stress test; results show a higher exposure to transition risk due to its presence in more carbon-intensive economies than for EU peers, while physical risk seems contained.

Scope notes that regarding ESG matters, the group may face increasingly higher expectations and stricter regulations as it becomes a larger and more relevant player in the euro area.

The long-term sustainability assessment leads to an adjusted rating anchor of **bbb-.**

Earnings capacity and risk exposures assessment: Supportive (+1). The assessment reflects Scope's view that earnings capacity is stable through economic cycles and provides a strong buffer against losses. Risks are well managed and are highly unlikely to lead to losses capable of undermining the issuer's viability.

OTP exhibits superior earnings generation compared to national and international peers. Profitability is driven by high interest margins and economic growth in the CEE region, as well as by the group's market power in most of the countries in which it operates. Strong revenues allow the group to easily absorb cost inflation and the impact of levies or other direct market interventions imposed by CEE governments.

Scope expects the group to continue delivering excellent results, driven by sustained economic growth in CEE. However, Scope's central scenario, which excludes the impact of potential M&A deals, predicts a softening of profitability due to lower interest rates and a rising cost of risk amid uncertainties. The main downside risk remains the potential escalation of the geopolitical crisis, which could impact public confidence, the economy and financial markets in Hungary and the rest of Europe.

OTP's asset quality remains solid, with a gross Stage 3 ratio at 3.5% and high coverage of both performing and non-performing loans. Tight labour markets, targeted fiscal measures and resilient economic growth in CEE have all supported OTP's credit quality during a period of high inflation and macroeconomic uncertainty.

The group has a concentrated but manageable exposure to the Hungarian sovereign. As of Q1 2025, the domestic bond portfolio accounted for around 71% of the group's Tier 1 capital and had a low average maturity. Scope estimates that the group would be able to withstand a severe haircut to its domestic government bond portfolio and remain prudentially viable, which is supportive to our current positioning of the group's rating above that of its home sovereign (BBB/Stable). In line with Scope's Financial Institutions Rating Methodology, the issuer rating is not mechanically capped at the level of the sovereign.

Financial viability management assessment: Comfortable (+1 notch). The assessment reflects Scope's view that the issuer's maintains comfortable buffer to relevant regulatory requirements and Scope expects it to continue to do so. The issuer's financial viability is largely resilient to tail-risk events.

As of March 2025, OTP enjoys a high minimum capital buffer of 490bps. In the medium term, Scope expects this buffer to decrease to around 300 bps, which would be consistent with the balance of a prudent capital policy and growth appetite.

OTP is primarily funded through deposits thanks to its strong positioning in retail markets, especially in Hungary and Bulgaria. The group's subsidiaries are funded in their respective local currencies, minimising currency mismatches between assets and liabilities. Since 2022, the group has increased the issuance of bonds on international markets to fulfil its MREL requirements.

One or more key drivers of the credit rating action are considered an ESG factor.

Outlook and rating sensitivities

The **Stable Outlook** reflects Scope's view that the risks to the current rating are balanced.

The **upside scenario** for the ratings and Outlooks is:

1. Progressive rebalancing of the group's operations towards more mature and resilient banking

environments, either through M&A or organic growth, could lead to an upgrade of the Operating Environment assessment.

The **downside scenarios** for the ratings and Outlook are (individually or collectively):

1. A material worsening in the group's asset quality and earnings, or a substantive increase in the exposure to domestic sovereign risk, would have a negative impact on the Earnings Capacity and Risk Exposures assessment.

2. Downgrade of the Financial Viability Management assessment following a material erosion of the group's capital and liquidity buffers.

Debt ratings

Preferred senior unsecured debt: BBB+. The rating is aligned with the issuer rating and applies to senior unsecured debt ranking above other classes of senior unsecured debt.

Non-preferred senior unsecured debt: BBB. The rating is one notch lower than the issuer rating, reflecting statutory subordination.

Tier 2 debt: BB+. The rating is three notches below the issuer rating, in line with our standard approach for Tier 2 debt instruments, without additional notching.

Environmental, social and governance (ESG) factors

Please refer to the 'long-term sustainability assessment' under the 'key rating drivers' section above for the ESG analysis.

All rating actions and rated entities

OTP Bank Nyrt.

Issuer rating: BBB+/Stable, rating affirmation

Preferred senior unsecured debt rating: BBB+/Stable, rating affirmation

Non-preferred senior unsecured debt rating: BBB/Stable, rating affirmation

Tier 2 security rating – XS2988670878, XS2586007036: BB+/Stable, rating affirmation

Tier 2 security rating – XS2022388586: BB+/Stable, withdrawn due to early redemption

Stress testing & cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for these Credit Ratings and/or Outlooks, (Financial Institutions Rating Methodology, 10 January 2025), is available on https://scoperatings.com/governance-and-policies/rating-governance/methodologies.
Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be

viewed in ‘Rating Definitions – Credit Ratings, Ancillary and Other Services’, published on https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at https://scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope Ratings’ definitions of default and Credit Rating notations can be found at https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on https://scoperatings.com/governance-and-policies/rating-governance/methodologies.
The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.
The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings’ internal sources.
Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.
Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and Outlooks and the principal grounds on which the Credit Ratings and Outlooks are based. Following that review, the Credit Ratings and Outlooks were not amended before being issued.

Regulatory disclosures

These Credit Ratings and Outlooks are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and Outlooks are UK-endorsed.
Lead analyst: Alessandro Boratti, Associate Director
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The Credit Ratings/Outlooks were first released by Scope Ratings on 15 November 2021. The Credit Ratings/Outlooks were last updated on 22 November 2024.

Potential conflicts

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With more than 300 employees operating from offices in Berlin, Frankfurt, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG analysis and fund research. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors worldwide. Scope Ratings is registered in accordance with the EU rating regulation and operating in the European Union with ECAI status. Scope Ratings is the only European rating agency accepted by the ECB for the Eurosystem Credit Assessment Framework (ECAF). The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several European countries. More on www.scopegroup.com

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