Credit Rating Report on OTP Bank Plc. 2025 Surveillance

联合资信评估股份有限公司
China Lianhe Credit Rating Co.,Ltd.

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联合〔2025〕5162 号

China Lianhe Credit Rating Co., Ltd. (“Lianhe Ratings”) has affirmed OTP Bank Plc. (“OTP Bank” or “the Bank”) AAA long-term issuer credit rating and maintained Stable outlook, based on comprehensive analysis and the assessment of OTP Bank’s credit profile.

China Lianhe Credit Rating Co., Ltd.

26 June, 2025

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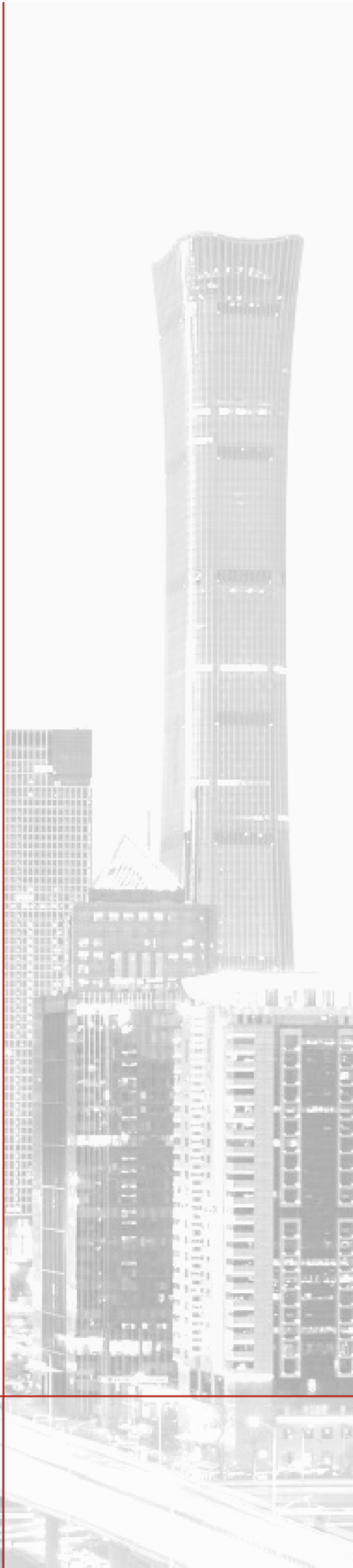


Credit Rating Report on OTP Bank Plc.

2025 Surveillance

Current Rating/Outlook	Rating Date
AAA/Stable	2025/06/26

Company Overview

OTP Bank Plc. ("OTP Bank" or "the Bank") is one of the leading multinational banks in Central and Eastern Europe regions (CEE), with a comprehensive financial service system and high coverage of business outlets. As a listed company, OTP Bank has a diversified shareholding structure, well-established corporate governance and internal control mechanism. OTP Bank solidifies its local competitive advantages in Hungary and meanwhile promotes key businesses by acquiring high-quality commercial banks in other countries and providing professional services. The profitability of OTP Bank has improved, with the capital adequacy maintaining a high level. The quality of loans may face certain pressure and the potential demand for potential provisions may rise. Besides, the cross-border business makes it more vulnerable to operate when the global economy gets worse. However, considering the leading market share of OTP Bank in Hungarian deposits and loans, and its importance in the Hungarian financial system, the OTP Bank may receive direct or indirect support from the government when caught in trouble.

Individual adjustments: N/A.

External support adjustments: N/A.

Rating Outlook

Looking ahead, OTP Bank will expand its operation in other CEE countries, enhance market shares and global competitiveness based on its advantages in Hungary and maintain favorable peer competitiveness in 11 countries. Moreover, the impact of the economic downturn in CEE countries and the conflict between Russia and Ukraine on the Bank's development and assets quality need to be paid attention.

Upside Scenario: N/A.

Downside Scenario: The economy of global markets or countries where the Bank operates deteriorates significantly, the willingness of external support falls, the market competitiveness diminishes or the businesses shrink due to more intensified competition, the downward spiral in finances, such as deteriorating assets quality, declining profit and insufficient provision or capital.

Strengths

- **Strong competitiveness in Hungary.** OTP Bank enjoys high brand awareness and reputation in CEE countries and has competitive advantages in the Hungarian market, maintaining the largest market share in deposits and loans.
- **Well-established corporate governance and internal control system.** As a listed company, OTP Bank has a sound corporate governance and internal control system, and its risk management system has improved continuously.
- **Strong profitability.** OTP Bank's net interest margin remained at a relatively high level. Meanwhile, benefitting from the business expansion and fall in loss impairment of the Bank and acquisition of commercial banks in other countries, the profitability of OTP Bank improved significantly and indicated favorable profitability.
- **High capital adequacy levels.** Benefitting from sufficient retained earnings, OTP Bank enjoys high capital adequacy levels.
- **Possible support from the government.** OTP Bank has the largest market share in deposits and loans in the Hungary and enjoys certain competitiveness. Besides, the Bank also plays an important role in Hungarian financial system, so it may receive support from the government directly or indirectly when caught in difficulties.

Concerns

- **Cross-border operations require a higher level of management competence.** OTP Bank has been developing business in many CEE countries by acquiring high-quality local banks, and its cross-border operations place higher demands on its management competence.
- **Changes in asset quality should be paid attention to.** OTP Bank's impaired loans (stage 3) are relatively large in amount, while it has a certain amount of restructured loans. Considering the current macroeconomic environment and the ongoing conflict between Russia and Ukraine, its asset quality and provision level may be under pressure in the future.
- **The impact of macroeconomic changes in CEE countries on its future development might be a concern.** The economic slowdown and high inflation in CEE countries may have an adverse impact on OTP Bank's future development.

Rating Methodology, Rating Model and Scorecard

Rating Methodology Commercial Banks Credit Rating Methodology V4.0.202208
Panda Bond Credit Rating Methodology

Rating Model Commercial Banks Credit Rating Model (Scorecard) V4.0.202208

Indicator	Rating Result	Risk Factor	Assessment	Score
Operational Risk	A	Operating Environment	Marco and Regional Risk	2
			Industry Risk	2
		Competitiveness	Corporate Governance	1
			Future Development	2
			Operation Analysis	1
			Risk Management	2
Financial Risk	F1	Cash Flow	Capital Adequacy	1
			Assets Quality	4
			Profitability	1
		Liquidity		1
Indicative Rating				**aaa**
Individual Adjustments：N/A.				--
Individual Rating				**aaa**
External Support Adjustments：N/A.				--
Issuer Credit Rating				**AAA**

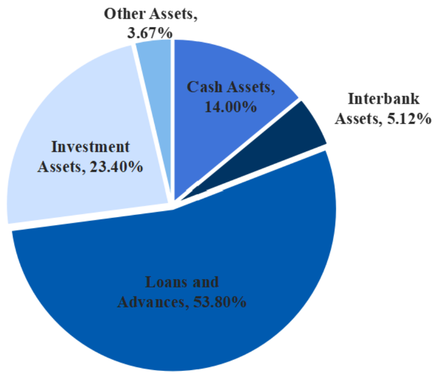
- Individual adjustments：N/A.
- External support adjustments：N/A.
- Note：The rating mapping matrix can be senn in the latest compliance disclosure documents of Lianhe Ratings.

Key Financial Data

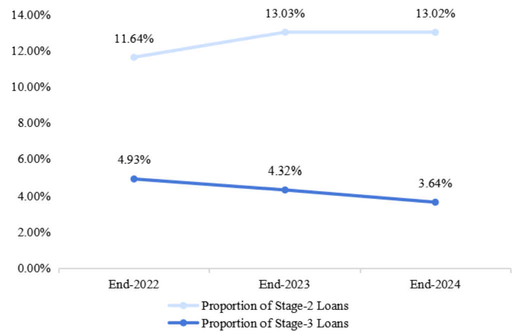
Indicator	End-2022	End-2023	End-2024
Total Assets (HUF Bn)	32804.21	39609.14	43419.13
Shareholders' Equity (HUF Bn)	3322.31	4094.79	5120.01
Proportion of Stage 3 Loans (%)	4.93	4.32	3.64
Loan Loss Provisions/Stage 3 Loans(%)	103.48	105.07	109.70
Loan Loss Provision Ratio (%)	5.11	4.54	4.00
Net Stable Funding Ratio (%)	137.00	153.00	158.00
Shareholder' Equity/Total Assets (%)	10.13	10.34	11.79
Capital Adequacy Ratio (%)	17.8	18.9	20.3
Tier-1 Capital Adequacy Ratio (%)	16.4	16.6	18.9
Core Tier-1 Capital Adequacy Ratio(%)	16.4	16.6	18.9
Indicator	**End-2022**	**End-2023**	**End-2024**
Net Interest Income (HUF Bn)	1026.87	1386.71	1745.34
Net Profit (HUF Bn)	319.08	1011.71	1056.38
Net Interest Margin (%)	3.51	3.93	4.28
Cost to Income Ratio (%)	47.6	43.6	41.3
Average ROA (%)	1.06	2.79	2.54
Average ROE(%)	10.04	27.28	22.93

- Note: RMB 100≈HUF 5464.86 by the end of 2024
- Source: Annual report of OTP Bank

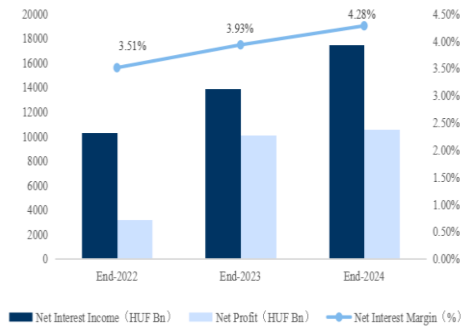
Asset Structure of OTP Bank at End-2024



Asset Quality of OTP Bank



Profitability of OTP Bank



Rating History

Issuer Credit Rating	Rating Date	Analysts	Rating Methodologies/Models	Related Report
AAA/Stable	2024/06/20	Shijie SHENG; Zheming ZHANG	Commercial Banks Credit Rating Methodology V4.0.202208 Commercial Banks Credit Rating Model (Scorecard) V4.0.202208	Credit Rating Report on OTP Bank Plc. , 20th June, 2024

Note: the methodology and model above have been disclosed on Lianhe Ratings' website

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** The official rating report is in Chinese and the English version is only for reference. In the event of any conflict between the Chinese version and English version, the Chinese version shall prevail.*

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I. Overview

OTP Bank Plc. ("OTP Bank" or "the Bank") is a Hungarian bank and its predecessor, called National Savings Bank, was established in 1949 as a nation-wide, state-owned, banking entity. OTP Bank's privatization began in 1995. As a result of 3 public offers along with the introduction of the Bank's shares into the Budapest Stock Exchange ("BSE"), the Bank has realized its privatization process. At end-2024, the equity of OTP Bank was HUF 28.0 billion, 86.10% of which was held by domestic and international institution investors, while individual investors (10.67%), employees (0.51%), treasury stock (2.25%) and government-controlled enterprises (0.05%) held the rest, indicating a well-diversified shareholding structure. The entities that own shareholding or voting rights of more than 5% are listed below (Table 1).

Table1 Shareholders with more that 5% of shareholding/voting rights at end-2024

NO.	Shareholder	Shareholding
1	MOL (Hungarian Oil and Gas Company Plc.)	8.57%
2	Groupama Group	5.09%
	Of which: Groupama Gan Vie SA	5.05%
	Groupama Biztosító Ltd.	0.04%
Total		**13.66%**

Source: Annual report of OTP Bank

OTP Bank mainly engages in corporate and retail banking service, funding business, assets management, financial leasing, wealth management and other relevant financing services, and is classified in banking sector according to the classification standards of China Lianhe Credit Rating Co., Ltd. ("Lianhe Ratings").

OTP Bank operates in other counties and regions of Central and Eastern Europe (CEE) by acquiring local banks or setting up subsidiaries and branches in the Republic of Slovenia ("Slovenia"), the Republic of Croatia ("Croatia"), the Republic of Serbia ("Serbia"), the Republic of Montenegro ("Montenegro"), the Republic of Albania ("Albania"), the Republic of Bulgaria ("Bulgaria"), the Republic of Moldova ("Moldova"), but also in Uzbekistan, Ukraine and the Russian Federation ("Russia"). OTP Bank has established 317 branches in Hungary, and the foreign branches totaled 934 at end-2024. The foreign subsidiaries include OTP Bank JSC (Ukraine), DSK Bank EAD (Bulgaria), OTP Banka Srbija akcionarsko drustvo Novi Sad (Serbia), JSCMB "Ipoteka Bank" (Uzbekistan) and so on.

OTP Bank's registered address: 16, Nádor Street, Budapest 1051.

OTP Bank's chairman: Dr. Sándor Csányi.

II. Macroeconomic and Operating Environment Analysis

OTP Bank's business operations are mainly concentrated in CEE region. OTP Bank Hungary accounts for 35% of total consolidated assets, OTP Bank Bulgaria accounts for around 17.68% and OTP Bank Slovenia accounts for around 14.07%, with the subsidiaries in Slovenia and Bulgaria making a relatively larger contribution to the Bank's operations outside Hungary.

1 The Overview of Hungarian Macroeconomic Environment and Banking Industry

The economic recovery in Hungary was relatively weak in 2024, constrained by weak external demand from the European Union ("EU"), reduced investment activity in industry and construction and suspension of partial EU funding.

Although domestic demand in Hungary showed signs of recovery, the economic recovery in Hungary was relatively weak in 2024, constrained by weak external demand from the EU, reduced investment activity in industry and construction, suspension of partial EU funding, as well as rising labor costs and shortages in certain sectors. Nevertheless, the government has launched a series of fiscal and economic stimulus measures: 1)maintaining its economic policy focus on job preservation, supporting families and pensioners, and keeping low tax rates; 2)launching a comprehensive action plan to boost household incomes, including encouraging housing investment and supporting small and medium-sized enterprises; 3)reducing the budget deficit and public debt; 4)continuing efforts to maintain low inflation by capping food prices and adopting a monetary easing policy.

In 2024, Hungary's GDP totaled USD 223.2 billion or HUF 81.5 trillion, increasing by 0.5% year-on-year (y-o-y) in real terms, which was slower than its EU peers by 0.5 percentage points (pp). Specifically, as household purchasing power was underpinned by lowered interest rates, household consumption expenditures increased by 5.1% y-o-y, while government consumption shrank due to budgetary restraint. Meanwhile, gross capital formation slumped by 6.5% y-o-y as a result of a reduction in manufacturing and construction activity. As the subdued external environment, characterized by challenges in the automotive and electric vehicle sectors, continued to exert downward pressure, the volume of total exports decreased by 3.0% y-o-y while the volume of total imports decreased by 4.0% in 2024.

Between January 2024 and September 2024, the MNB implemented a gradual monetary easing cycle through a series of rate cuts, lowering the base rate from 10.75% to 6.5%. Benefitting from disciplined monetary policy, pro-competition measures, subdued demand, base effects, and a lower external cost environment, Hungary's CPI growth rate sharply declined to an average of 3.7% in 2024, down by 13.9 pp from 2023 while still 1.1 pp higher than the EU's average inflation level (2.6%).

In terms of the labor market, although economic slowdown put pressure on the labor market, job retention and job creation subsidies substantially contributed to the restoration of the labor market, the unemployment rate of Hungary slightly increased to 4.5% in 2024, 0.4 pp higher than that of 2023, but remaining one of the lowest among EU member states.

Looking into 2025, considering the Hungarian labor market has remained resilient, maintaining a high level of activity, household consumption growth is likely to be bolstered by easing monetary policy and significant wage increases, and a range of new measures are being introduced to strengthen household purchasing power and drive economic expansion, the Hungarian economy is poised for dynamic expansion, fueled by easing monetary conditions, export growth, and the real economic impact of EU fund inflows. Hungary's GDP growth is expected to rebound to around 2.5% in 2025, and the annual inflation rate is expected to be about 4.5%-5.1% in 2025.

Table2 Hungarian Macroeconomic Indicators

Indicator	2020	2021	2022	2023	2024
GDP(HUF Tn)	48.8	55.6	66.1	75.6	81.5
GDP(USD Bn)	158.5	183.2	177.3	213.9	223.2
GDP Growth Rate(%)	-4.3	7.2	4.3	-0.8	0.5
CPI(%)	3.3	5.1	14.5	17.6	3.7
Unemployment Rate (%)	4.1	4.0	3.6	4.1	4.5

Source: Hungarian Central Statistical Office, MNB

The Hungarian banking sector maintained sound capital adequacy, with the non-performing loan ("NPL") ratio declining to a lower level and profitability remaining relatively strong.

In order to strengthen and preserve the stability of the banking sector, Hungary has launched several new supervision and regulation in 2024. From January 1st, 2024, preferential (90%) LTV limits are applied for first-time home buyers due to the restrained access to the housing market and possibly lower credit risk. The MNB has reactivated the systemic risk buffer (SyRB) requirement targeting problem

CRE-backed project loans, which was suspended for an indefinite period in the wake of the COVID-19 outbreak, from July 1st, 2024. The Hungarian banking system has remained stable in an environment marked by numerous challenges over the past period, its shock resilience is high, and its lending capacity is adequate. As of the end of 2024, the return on assets (ROA) of the Hungarian banking sector remained stable at 2.1%. Meanwhile, the return on equity (ROE) decreased by 1.3 percentage points from the previous year, reaching 17.9%. Despite this decline, the ROE still stands at a relatively high level, indicating that the overall profitability of the sector remains robust. This strong profitability is primarily attributed to sustained high net interest income, increased dividend payments from foreign subsidiaries, and a reduction in the excess profit tax. Capital adequacy ratio of Hungarian banking sector reached 20.1% as of the end of 2024, 0.1 pp higher than that at end-2023, and still twice the regulatory minimum, indicating a strong resilience to risk.

Looking ahead, credit risks may rise in certain loan portfolio segments, particularly with the phase-out of the interest rate cap on household mortgage loans in June 2025, though impacts are expected to be limited to a small group of borrowers.

Table3 Key Indicators on Hungarian Banking Sector

Indicator	2020	2021	2022	2023	2024
Capital Adequacy Ratio (%)	18.3	19.6	19.1	20.0	20.1
NPL Ratio (%)	4.0	3.6	3.8	3.2	2.7
ROA (%)	0.9	1.3	1.2	2.4	2.4
ROE (%)	9.7	11.7	10.8	19.7	18.1

Source: Hungarian Central Statistical Office, MNB

2 The Overview of Bulgarian Macroeconomic Environment and Banking Industry

Bulgaria's turbulent politics eased in 2024, and the GDP growth rate accelerated.

In March 2024, the Bulgarian Prime Minister Nikolay Denkov tendered his resignation. In April, the Bulgarian President Rumen Radev signed a decree appointing a caretaker cabinet government. In June, the Bulgaria's 50th National Assembly was established, but the cabinet failed due to the inability of political parties to reach a compromise. In October, Bulgaria held new parliamentary elections, and the coalition of parties belonging to the Bulgarian Civic Party (BCP) won 69 out of 240 seats in the National Assembly and was given the priority to form a cabinet. In December, Natalia Kiselova, nominated by the Alliance of Bulgarian Socialist Parties, was elected as the new Speaker of the National Assembly of Bulgaria, easing the volatile political situation in the country.

Benefitting from strong private and public consumption, the Bulgarian economy recovered in 2024, with the GDP growth rate recording at 2.8%, 0.9 pp higher compared to 2023, and was much higher than the EU average. As the price of energy fell sharply, the inflation pressure of Bulgaria was alleviated in 2024, with the CPI growth rate declining by 6.0 pp to 2.6%, the same with the EU average. The labor market performed well and the unemployment rate was down to 4.2% in 2024.

In December 2024, the EU approved Bulgaria's resolution to fully join the Schengen Area, and Bulgaria officially became a member of the Schengen Area from 1st January 2025 onwards. In June 2025, the European Central Bank approved Bulgaria's application to use the euro, making it the 21st member of the Eurozone, and Bulgaria will use euro from 1st January 2026 onwards.

Looking ahead, financial support from the EU and other funding programs are expected to provide continuous support for Bulgaria's economy. Bulgaria's GDP growth is expected to remain at around 2.5% in 2025, and the level of inflation may rebound to around 3%.

Table4 Bulgarian Macroeconomic Indicators

Indicator	2020	2021	2022	2023	2024

GDP (BGN Bn)	121.1	139.6	168.4	185.2	202.9
GDP (USD Bn)	70.7	84.5	90.7	102.4	112.2
GDP Growth Rate (%)	-3.2	7.8	4.0	1.9	2.8
CPI (%)	1.2	2.8	13.0	8.6	2.6
Unemployment Rate (%)	5.2	5.2	4.2	4.4	4.2

Source: IMF

The capital adequacy of the Bulgarian banking sector strengthened in 2024, and the quality of assets and profitability keep improving.

The overall risks of Bulgarian banking sector keep stable in recent years. In terms of major regulatory indicators, the capital adequacy of Bulgarian banking was 22.7% at end-2024, up by 1.0 pp compared to end-2023 while still staying at a high level. The NPL ratio of banking sector was 3.2% at end-2024, down by 0.4 pp compared to end-2023, indicating better quality of banking assets. The profitability of banking sector also improved. The ROA and ROE for 2024 were 2.3% and 17.2%, respectively, maintaining a relatively high level.

Looking forward, although Bulgaria will not join the euro area until 2026, the Bulgarian banking industry is still expected to develop steadily under SSM.

Table5 Bulgarian Banking Industry Financial Indicators

Indicator	2020	2021	2022	2023	2024
Capital Adequacy Ratio (%)	22.7	22.6	21.0	21.7	22.7
NPL Ratio(%)	5.8	5.9	4.5	3.6	3.2
ROA(%)	0.7	1.2	1.6	2.3	2.3
ROE(%)	5.2	8.5	12.3	18.4	17.2

Source: IMF

3 The Overview of Slovenian Macroeconomic Environment and Banking Industry

In 2024, the Slovenian economic growth slowed down, while the high inflation eased and the unemployment rate remained at a low level.

As a small open economy, Slovenia has a relatively high reliance on the external environment and is easy to be impacted by the change of the economic and political conditions of EU. The economic growth of Slovenia continued slowing down in recent years as a result the shock of the pandemic, Russia-Ukraine conflict and flooding. In 2024, the GDP growth rate of Slovenia was lowered to 1.6%, which was the lowest level since 2021. On the other side, the high inflation in Slovenia was eased significantly in 2024, with the CPI growth rate falling to 2.0%, 5.4 pp lower compared to 2023 and similar to the pre-pandemic level.

Looking into 2025, Slovenia's exposure to U.S. tariff policy is expected to be limited, as its main trading partners are concentrated in the EU. Besides, the healthy labor market, raising wages, increasing expenditure on disaster recovery are expected to support Slovenia's economy. The GDP growth rate for the year 2025 is expected to rebound slightly to around 2%, while the inflation and unemployment rate may remain relatively stable.

Table6 Slovenian Macroeconomic Indicators

Indicator	2020	2021	2022	2023	2024
GDP (EUR Bn)	46.7	52.0	56.9	64.0	67.0
GDP (USD Bn)	53.3	61.6	60.0	69.2	72.5

GDP Growth Rate (%)	-4.1	8.4	2.7	2.1	1.6
CPI (%)	-0.1	1.9	8.8	7.4	2.0
Unemployment Rate (%)	5.0	4.7	4.0	3.7	3.7

Source: IMF

The capital adequacy of the Slovenian banking sector remained at a high level in 2024, and the quality of assets and profitability maintained stable.

The overall risks of Slovenian banking sector keep stable in recent years. In terms of main regulatory indicators, the capital adequacy of Slovenian banking was 19.7% at end-2024, down by 0.7 pp compared to end-2023 but still staying at a high level. The NPL ratio of banking sector was 1.6% at end-2024, indicating a good quality of banking assets. The profitability of banking sector maintained stable. The ROA and ROE were 2.1% and 15.7%, respectively, both staying at a relatively high level. Generally, the Slovenian banking sector's risks remained at a low level.

Table7 Slovenian Banking Industry Financial Indicators

Indicator	2020	2021	2022	2023	2024
Capital Adequacy Ratio (%)	18.3	18.2	18.5	20.4	19.7
NPL Ratio(%)	3.0	2.1	1.8	1.5	1.6
ROA(%)	1.5	1.2	1.5	2.1	2.1
ROE(%)	12.4	9.6	13.5	18.4	15.7

Source: IMF

III. Management and Development

OTP Bank has built well-established corporate governance, internal control and risk management systems, with all governing bodies performing their responsibilities well. The structure of shareholding is well diversified and the risks from related transactions are under control. The Bank's development strategies are stable and practical, but the impact of rising complexity of operating environment in CEE region on the implementation of strategies still needs to be concerned.

OTP Bank sets up the corporate governance system based on shareholders' meeting, board of directors, supervisory board, and CEO, according to the Code of Conduct and other requirements. The shareholders' meeting is the ultimate authority, the board of directors, supervisory board and CEO are responsible for decision-making, supervision and execution, respectively. The responsibilities of governing bodies are clearly divided, which enables them to fulfil their roles in line with established rules and requirements, and the corporate governance runs well. In terms of internal control, OTP Bank built clear corporate governance framework and established Audit Committee and internal audit management framework to enhance the effectiveness of internal audit mechanism. OTP Bank's internal audit department works under the supervisory board's internal audit plans, the audit covers all departments in the head-quarter, branches and group members. In addition, OTP Bank keeps improving company's system of operation and management, with the effectiveness and feasibility enhancing constantly.

OTP Bank was listed on BSE in August 1995. There were 2 institutions or enterprises that owns 5% or above shareholding or votes at end-2024, which held 8.57% and 5.09% of total shares, respectively. The largest shareholder is MOL, a leading company operates oil and natural gas business and headquarters in Budapest, Hungary. MOL runs businesses in over 30 countries and has more than 25,000 employees. The capital stock of MOL was HUF 79.4 billion at end-2024. Overall, OTP Bank's shareholding structure is well diversified and there is no ultimate shareholder.

In terms of related transactions, OTP Bank offers fair transaction terms to affiliates and non-affiliates, and reports to special risk management committee, board of directors and supervisory board of the management of related transactions quarterly. OTP Bank's affiliates include members of the board of directors and supervisory board, middle and senior managers and their relatives and related companies. The outstanding amount of affiliates' loans and deposits were HUF 1025.7 billion and HUF 379.4 billion, respectively, at end-2023. The transaction size is relatively small and the risk is under control.

In terms of risk management, OTP Bank sets up a top-bottom management mode from the head-quarter to branches, the Chief Risk Officer ("CRO") of the headquarter owns the power to appoint, remove and review subsidiaries' CROs. The headquarters' risk management responsibility includes making and maintaining risk strategies and preferences, holding a credit risk management committee, managing and monitoring investment portfolios and credit risk limits, establishing and enhancing the risk management system of market risk, operation risk, counterparty risk and country risk. Concerning credit risk, OTP Bank sets entry standards and requirements according to the differences and characteristics of customer groups and product differences, formulates unified credit policy and risk limits by the head office and uniformly enforces them by its branches and subsidiaries, and formulates multi-dimensional risk management monitoring indexes, including age, product, customer, region, etc. and monitors them regularly in its daily operation to ensure that the relevant limit indexes are within the tolerable range, and regularly analyses the potential repayment ability of borrowers to achieve timely management of credit risk exposure and reduce credit risk exposure. Regarding liquidity management, OTP Bank searches for events that may influence global liquidity constantly, measures their occurring likelihoods and importance, and also factors in deposit withdrawal, currency exchange and yield shocks, global financial system and capital market shocks which may cause liquidity issues. Regarding market risk, OTP Bank matches short-term interest-bearing assets to interest-bearing liabilities with same maturities, or matches repriced long-term assets to liabilities with same maturities, then forecasts the largest expected market risk loss of exposure through the Value at Risk model and monitors relevant indicators. As for operation risk, OTP Bank builds an operational risk management system based on the group's consistency and capital management standards. The operational risk management system includes business operation risk management, self-assessment, loss data collection, scenario analysis, key risk indicators system and so on. Under the operational risk management framework, it also sets up guidelines for operation management and relevant procedures to reduce loss from operation risk effectively.

In terms of development strategies, OTP Bank regards satisfying most demands of clients, investors and employees and setting an international example in the environment, society and governance ("ESG") field as the intention of strategies. Based on Hungary, the Bank enhances its market position in 11 countries in CEE and the Commonwealth of the Independent States ("CIS") while expanding its business presence to other CEE countries, thus to enhance its market share in CEE region and its overall competitiveness in the international market. Meanwhile, OTP Bank keeps capital adequacy and liquidity stable, and considers it as the basis of operation and development, follows supervisory requirements of European countries and holds the transparency and prudence of information disclosure. Additionally, OTP Bank expands its business presence and improves medium- and long-term profitability by improving customer experience and cost-benefit. Combined with business characteristics and competitive advantages, the Bank builds personalized development strategies plan that meets its demand. The strategies plan is highly implementable, while considering the stable competition of developed countries in CEE region, and the rising uncertainty of other emerging markets during expansion, the Bank's future strategies implementation and the matching of consistent business expansion and corporate operation improvement still need to be concerned.

IV. Business Analysis

OTP Bank enjoys high brand awareness and reputation in CEE countries and has competitive advantages in Hungarian market, maintaining the largest market share in terms of both deposits and loans. The Bank expands its business by acquiring good banks in target countries, and the market positions in some countries are among the top.

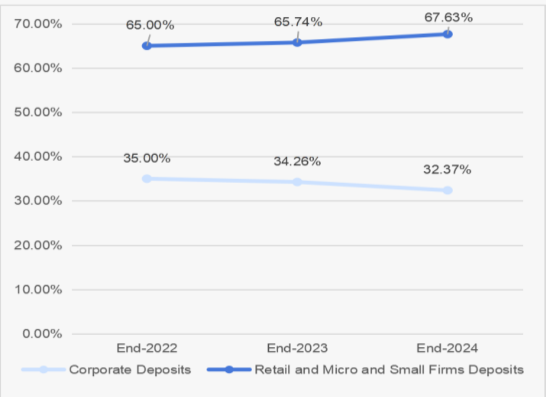
As the largest banking conglomerate in CEE region, OTP Bank operates in 11 countries in CEE and CIS, with high coverage of business outlets in the main operating countries, which provides effective channel advantages for its deposit and loan business development and competition. Specifically, as a commercial bank with a long history of local operation, OTP Bank has the largest number of branches in Hungary and has accumulated a good customer base through its long-term local operation, which enables it to maintain a leading market share, with a deposit and loan market share of 27.1% and 26.6%, respectively, at the end of 2024, ranking the 1st in Hungary in both deposit and loan business. In countries other than Hungary, OTP Bank has developed its deposit and loan business mainly by acquiring banks with a long history of operation, a good customer base and the highest deposit and loan market share in the target countries as its subsidiaries, and some of its subsidiaries have the highest market share in their home countries due to the brand effect and the inherent competitive advantages of its subsidiaries in their home countries. For example, as of the end of 2024, the Bulgarian subsidiary's total assets had a market share of 19.0% in the Bulgarian banking sector, ranking the 2nd. At end-September 2024, the Slovenian subsidiary's total assets had a market share of 27.6% in the Slovenian banking sector, ranking the 2nd; the Serbian subsidiary's total net assets had a market share of 14.1% in the Serbian banking sector, ranking the 2nd.

Table8 Structure of Deposits and Loans

Indicator	Amount (HUF Tn)			Proportion (%)			Annual Growth Rate (%)	
	End-2022	End-2023	End-2024	End-2022	End-2023	End-2024	End-2023	End-2024
Deposits								
Retail and Micro and Small Firms Deposits	16.35	19.35	21.42	65.00	65.74	67.63	18.30	10.69
Corporate Deposits	8.80	10.08	10.25	35.00	34.26	32.37	14.50	1.69
Total	**25.16**	**29.43**	**31.67**	**100.00**	**100.00**	**100.00**	**16.97**	**7.61**
Loans and Advance Payment								
Retail Loans	10.37	12.29	14.00	52.79	54.73	57.53	18.57	13.86
Corporate Loans	7.83	8.66	8.63	39.86	38.54	35.47	10.58	-0.32
Leasing	1.44	1.51	1.70	7.35	6.74	7.01	4.74	12.67
Total	**19.64**	**22.47**	**24.33**	**100.00**	**100.00**	**100.00**	**14.37**	**8.32**

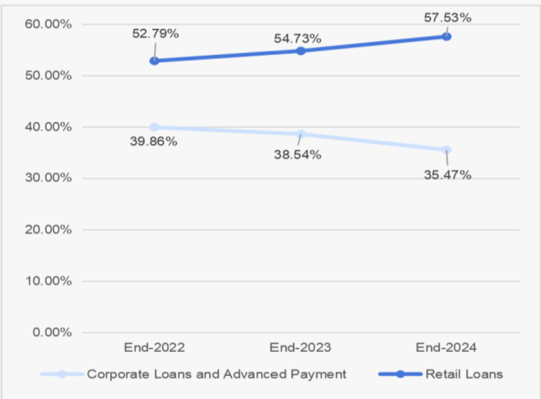
Source: Annual report of OTP Bank

Graph1 OTP Bank's Deposits Structure



Source: OTP Bank

Graph2 OTP Bank's Loans Structure



Source: OTP Bank

1 Corporate Banking Business

OTP Bank continued to improve its coverage of corporate customers in key business areas and refined the corporate banking customer experience by optimizing workflow and providing diversified financial services. The corporate banking business has continued to grow, but corporate lending business in Russia, Ukraine and Moldova has been contracting, changes in the external environment and the sale of the Romanian subsidiary in 2024 have affected the corporate deposit and loan business to varying degrees, and it is necessary to pay attention to the impact of the changes in the external environment and the restructuring of the branch layout on the corporate banking business of OTP Bank

OTP Bank has corporate banking operations in Hungary and 10 other countries in CEE region and CIS, and its corporate deposit and loan business in Hungary remains the largest contributor to the overall deposit and loan business regionally. In recent years, OTP Bank's corporate banking business has maintained its partnership with enterprises in the regions where it operates, enhancing its ability to provide comprehensive financial services to corporate customers and strengthening customer bonding by optimizing corporate banking workflow, upgrading online and mobile banking ports and business processing experience, and providing diversified financial services such as factoring and leasing to public customers. Due to the good customer base in the operating regions and the improvement of the comprehensive service capacity for corporate customers, the scale of OTP Bank's corporate deposit business has maintained rapid growth in 2022 and 2023. However, the growth rate of OTP Bank's corporate deposits declined significantly at the end of 2024 as a result of the sale of the Romanian subsidiary during 2024, overlaid with the tightening of corporate liquidity and the lower willingness to make deposits due to the expected downward pricing of base rates in the main operating regions. In terms of balance distribution as well as growth rate, Hungary and Russia contributed more to the growth of corporate deposits, with Hungary, Bulgaria, Slovenia, Russia, and Serbia ranking high in terms of the share of corporate deposit balances.

OTP Bank’s corporate customer development is based on the prudent selection of target customers and the ultimate goal of increasing the volume of customer services and the scale of loan business by improving the coverage of customers across the industry in the region where it operates. Meanwhile, OTP Bank uses its CRM customer relationship management system to digitalize its customers, sales network and channels, thereby improving the efficiency of its corporate lending business. In addition, OTP Bank continues to optimize its corporate lending workflow to improve the efficiency of loan approval and placement while enhancing the level of credit risk prevention. From 2022 to 2023, OTP Bank's corporate loan business has maintained moderate growth, and the growth rate of leasing business accelerated; while the sale of the Romanian subsidiary in 2024, as well as the impact of lower willingness of enterprises to make foreign investments and contraction of loan demand in the main operating regions due to the macroeconomy and the high market interest rates, the balance of OTP Bank's corporate lending at the end of 2024 declined. The corporate loan balances of Hungary, Bulgaria, Slovenia, Croatia, and Serbia ranked among the top in terms of their share of OTP Bank's total corporate loans. However, the size of OTP Bank's corporate lending operations in Russia, Ukraine and Moldova showed contraction or weak growth.

2 Retail Banking Business

OTP Bank’s retail business has good distribution channels, and the layout and promotion of online business channels further enhance the efficiency of retail business expansion, and the retail banking business has maintained a good development trend; attention should be paid to the impact of inflation on personal deposit business in CEE region.

In terms of personal deposit business, OTP Bank has improved its offline network channels and enhanced customer service experience through continuous improvement of its service outlets and the establishment of ATMs and smart counters, while further enhancing the efficiency of customer expansion through the improvement of online banking, mobile banking and other online expansion channels. The market share of OTP Bank’s retail deposits was 41.8% in Hungary, 25.0% in Bulgaria, 31.1% in Slovenia, 24.3% in Montenegro, and Croatia, Moldova and Albania all had a market share of around 10% at end-February 2025, while the Bank had a relatively low market share in Uzbekistan, Russia and Ukraine.

In terms of retail loan business, OTP Bank's retail loan business expansion has gradually shifted to online channels in recent years, enabling loan approval and placement through online banking and mobile banking, optimizing customer experience while also allowing effective risk screening and control of loan customers through online big data and online risk control models. In terms of product set-up, OTP Bank will focus on the development of high-yield loans and bank and insurance products to further enhance the revenue level and revenue channels of its retail lending business. In recent years, OTP Bank has maintained growth in retail loan business. OTP Bank has a large market share in the main countries of operation, with market shares of around 30% for personal consumer loans in Hungary, Bulgaria and Slovenia, and around 20% for personal housing loans in Bulgaria, Slovenia, Serbia, Uzbekistan and Albania, and over 30% for personal housing loans in Hungary and Montenegro at the end of February 2025.

3 Financial Market Business

OTP Bank carries out its interbank business based on the Bank’s liquidity and profitability, with a moderate share of market-integrated funds and relatively open channels for interbank financing. The scale of investment assets continues to grow, and the business structure is dominated by government bonds, with a relatively stable overall investment preference.

OTP Bank carries out interbank business according to interest rate levels, deposit and loan business and liquidity levels. In recent years, the scale and proportion of OTP Banks’ interbank assets were both on an upward trend and the scale of market integration has continued to rise, with the proportion of total liabilities maintaining at a comfortable level. OTP banks' interbank assets are mainly interbank deposits and repo assets, with the maturity of interbank deposits mainly within one year. The maturity of repo assets was all within one year and repo assets were mainly denominated in foreign currency. In 2024, the interest range for interbank deposits (HUF) was 0.00%-25.00%, with an average interest rate of 6.67%; the interest range for interbank deposits (foreign currencies) was -0.20% to 17.96%, with an average interest rate of 16.91%; the maturities of repurchase assets were all less than 1 year, mainly in foreign currency-denominated operations, the interest range for repurchase operations (HUF) in 2024 was 6.00%-6.90%, with an average interest rate of 8.01%, and the interest range for repurchase operations (foreign currencies) was 3.30%-14.50%, with an average interest rate of 5.57%. As for interbank liabilities, OTP's market capitalization has maintained rapid growth, accounting for a moderate proportion of its total liabilities. The market financing channels are mainly government deposits, central bank deposits and interbank deposits, while the rest are repo liabilities and bond issues. As of the end of 2024, OTP Bank’s government deposits, central bank deposits and interbank deposits amounted to HUF 2.0 trillion; repo liabilities were mainly denominated in foreign currency. As of the end of 2024, OTP issued bonds with a balance of HUF 2.6 trillion, and majority with maturity more than 1 year. OTP Bank had a total of HUF 369 billion in subordinated bonds and loans on deposit at end-2024.

In terms of investment business, OTP Bank maintained growth in the size of its investment assets, which were mainly allocated to bonds, with the rest being derivatives, equity assets and investment properties, etc. OTP Bank’s bond investments were mainly in government bonds, with the rest being treasury bills, central bank bonds, corporate bonds and mortgage bonds. In terms of the classification of bond assets according to Moody's rating results, at end-2024, 59.60% of OTP Bank’s securities measured at fair value through other comprehensive income were rated Baa3 and above; 88.46% of securities measured at amortized cost were rated Baa3 and above; securities rated Ba1 and below were mainly government bonds. In terms of country allocation to government bonds, OTP Bank's government bonds are mainly from Hungary, with the remainder mainly comprising Romania, Croatia, Bulgaria and Serbia. OTP Bank holds HUF 202.89 billion in derivatives, mainly in interest rate swaps and currency swaps. At end-2024, OTP invested a total of HUF 217.45 billion in equity assets, with mainly unlisted equity investments. Overall, OTP Bank’s investment assets are dominated by higher grade bond and government investments and the overall credit risk of investment assets is relatively manageable.

Table9 Structure of Investment Assets

Indicator	Amount (HUF Bn)			Proportion (%)		
	End-2022	End-2023	End-2024	End-2022	End-2023	End-2024
Bond Investment	6738.80	6889.96	9627.67	92.41	93.44	94.26
Government Bonds	5755.16	5815.28	7826.74	78.92	78.87	76.63
Treasury	230.14	78.33	142.98	3.16	1.06	1.40
Central Bank Bills	252.55	114.75	617.45	3.46	1.56	6.05
Corporate Bonds	333.31	346.09	374.57	4.57	4.69	3.67
Mortgage Bonds	79.21	55.18	66.34	1.09	0.75	0.65
Others	88.43	480.33	599.59	1.21	6.51	5.87
Non-tradable Securities Measured at Fair Value through Profit and Loss	55.16	67.69	76.53	0.76	0.92	0.75
Derivatives	324.73	195.60	202.89	4.45	2.65	1.99
Equity Assets	126.09	166.31	217.46	1.73	2.26	2.13

Investment Property	47.45	53.38	88.24	0.65	0.72	0.86
Equity Instruments and Funds	0.39	0.51	1.20	0.01	0.01	0.01
Total Investment Assets	**7292.61**	**7373.44**	**10213.98**	**100.00**	**100.00**	**100.00**
Impairment Provision	**55.13**	**42.36**	**54.71**	**/**	**/**	**/**
Net Investment Assets	**7237.48**	**7331.08**	**10159.27**	**/**	**/**	**/**

Source: Annual report of OTP Bank

V. Financial Analysis

OTP Bank has provided consolidated financial statements for 2022-2024 covering subsidiaries and other institutions in Bulgaria, Serbia, Croatia, Slovenia, Ukraine and Russia. Ernst & Young Ltd. audited the 2022-2024 consolidated financial statements and issued an unqualified audit report in accordance with EU IFRS and Hungarian Accounting Act requirements. OTP Bank acquired NKBM Bank in Slovenia in February 2023 and Ipoteka Bank in Uzbekistan in June 2023, which contributed 11 months and 6 months of profit, respectively, the acquisition of the two banks increased OTP Bank's total assets by around EUR 14 billion. At the end of July 2024, OTP Bank completed the sale and financial closure of its Romanian banking subsidiaries, and its former banking subsidiaries in Romania were no longer included in the scope of consolidation since the third quarter of 2024, and the change in consolidation has a limited impact on the financial comparativeness.

1 Quality of Assets

Benefiting from the business expansion, OTP Bank's asset size has maintained relatively rapid growth and its asset is dominated by loans and investment assets.

Table10 Structure of Assets

Indicator	Amount (HUF Tn)			Proportion (%)			Annual Growth Rate (%)	
	End-2022	End-2023	End-2024	End-2022	End-2023	End-2024	End-2023	End-2024
Cash Assets	4.22	7.13	6.08	12.87	17.99	14.00	68.78	-14.68
Interbank Assets	1.39	1.79	2.22	4.24	4.52	5.12	28.65	24.17
Net Loans and Advances	18.64	20.37	23.36	56.82	51.42	53.80	9.26	14.70
Investment Assets	7.24	7.33	10.16	22.06	18.51	23.40	1.29	38.58
Others	1.31	3.00	1.60	4.00	7.56	3.67	128.20	-46.74
Total Assets	**32.80**	**39.61**	**43.42**	**100.00**	**100.00**	**100.00**	**20.74**	**9.62**

Source: Annual report of OTP Bank

(1) Loans

In recent years, OTP Bank's credit assets has maintained growth and the industrial concentration risk of its loans is moderate, but loans at stage 2 and stage 3 are at a high level; taking into account that it has placed a certain scale of restructuring loans, coupled with the Russia-Ukraine conflict and the continued weakening of the global economic situation, the quality of OTP Bank's credit assets may face some downward pressure and the level of provisions may rise in the future.

In recent years, the scale of OTP Bank's loans and advances has grown rapidly, while the proportion of total assets declined, with net loans and advances of HUF 23.36 trillion at the end of 2024, accounting for 53.80% of total assets. Regionally, in recent years OTP loans have been predominantly within Hungary, with the contribution of loans from Bulgaria, Slovenia, Croatia and Serbia at a high level. In terms of industry distribution, OTP bank loans are mainly concentrated in wholesale and retail trade, transport and storage, accommodation and food services, manufacturing, mining, quarrying and other industries, real estate, construction, science and technology services and administrative and supportive services, together accounting for 37.11% of total loans, indicating a lower and manageable industrial concentration risk.

In terms of the regional distribution of the loan portfolio (including loans, finance lease receivables, interbank deposits and repo assets, the same below), as of the end of 2024, OTP Bank's loan portfolio was mainly invested in Hungary, Bulgaria, Croatia, Serbia and Slovenia, of which loans measured at amortized cost, finance lease receivables, interbank deposits and repo assets accounted for 24.14%, 19.02%, 11.22%, 10.64% and 10.63% respectively; loans measured at fair value were invested in Hungary. On the other hand, as of the end of 2024, OTP Bank's loan portfolio exposures to Russia and Ukraine amounted to HUF 2209.68 billion and HUF 450.01 billion, representing 8.84% and 1.80% of the total loan portfolio exposure, impairment provisions were made for HUF 121.39 billion and HUF 52.65 billion respectively. Considering the ongoing conflict between Russia and Ukraine, Lianhe Ratings will continue to monitor changes in the quality of loans to Russia and Ukraine.

OTP Bank has established a credit risk management structure, and all branches and subsidiaries within the group use credit risk models, including rating models and scorecards. In addition, OTP Bank adopted a graded authorization approach to control credit risk for its other branches and subsidiaries. In terms of disposal of non-performing assets, OTP Bank wrote off non-performing loans of HUF 67.65 billion, HUF 37.17 billion and HUF 25.46 billion, respectively, in 2022-2024. OTP Bank classifies and manages loans that have a significant increase in credit risk due to principal and interest overdue for more than 30 days, significant exchange rate depreciation, and financial difficulties of the debtor, but do not meet the criteria for classification in stage 3 to the stage 2. In recent years, the proportion of stage 2 loans in OTP banks has been at a high level due to factors such as the international economic downturn. In terms of loans at stage 3, OTP Bank's loans at stage 3 are mainly consumer loans, and medium and large business loans, which accounted for 76.26% of total stage 3 loans. Regionally, at end-2024, the proportion of loans in Hungary classified as stage 2 loan and stage 3 loan was 14.2% and 3.9%, respectively. The proportion of loans in Hungary (MERKANTIL Group) classified as stage 2 loan and stage 3 loan was 7.2% and 2.0%, respectively. The proportion of loans in Bulgaria (DSK Group) classified as stage 2 loan and stage 3 loan was 12.9% and 2.1%, respectively. The proportion of loans in Slovenia classified as stage 2 loan and stage 3 loan was 14.6% and 2.0%, respectively. The proportion of loans in Croatia classified as stage 2 loan and stage 3 loan was 10.8% and 2.9%, respectively. The proportion of loans in Serbia classified as stage 2 loan and stage 3 loan was 11.4% and 2.6%, respectively. Hungary has a relatively large outstanding amount of stage 3 loans compared with other countries, due the loan business scale ranked 1st among all operating countries. In terms of the outstanding amount of stage 3 loans, the proportions of stage 3 loans in Russia and Ukraine were considerably higher than that in other countries. In 2024, the sale of problem loans by Russian OTP Bank resulted in a significant decrease in the share of its stage 3 loans; for Ukrainian OTP Bank, the size of its stage 2 and 3 loans declined thanks to the partial return of stage 2 loans and the write-off and transfer of HUF 31 billion. In 2024, the share of Ukrainian loans classified as stage 2 and 3 was 15.6% and 11.1%, and the share of loans to Russia classified to stages 2 and 3 was 14.6% and 4.8%, respectively. In terms of the asset quality of Ipoteka Bank Uzbekistan included in the scope of consolidation in 2023, the proportion of loans classified as stage 2 and 3 as at the end of 2024 was 18.7% and 13.9%, respectively, and the proportion of loans classified as stage 2 and 3 was high, with a weak level of coverage of risk provisions, so the subsequent changes in the asset quality of Ipoteka Bank need to be monitored. In terms of restructured loans, as of the end of 2024, OTP Bank placed a balance of HUF 309.14 billion in restructured loans, accounting for approximately 1.3% of total loans, and made impairment provisions of HUF 52.38 billion against restructured loans; of which the scale of loans invested in medium and large enterprises was HUF 209.00 billion, with impairment provisions of HUF 28.99 billion. Benefitting from the disposal of non-performing assets, the size of loans included in stage 3 by OTP banks has come down. As of the end of 2024, OTP Bank's loans classified as stage 3 loans amounted to HUF 886.98 billion, accounting for 3.64% of total loans, excluding Ukraine, Russia and Uzbekistan, stage 3 loans accounted for 2.9%. Overall, taking into account the deceasing proportion of stage 3 loans and relatively large amount of OTP Bank's stage 2 and stage 3 loans, the size of its restructuring loans, the conflict between Russia and Ukraine and the global economic situation, the quality of OTP Bank's credit assets may face some downward pressure.

OTP Bank has maintained large provisions for impairment in recent years as the size of its loans has grown, and the scale of impairment loss has continued to grow. In 2024, the size of loan loss provision fell due to the write-off of risky assets. In terms of the coverage of provision for each stage of the loan, OTP Bank maintained provision levels of around 1%, 10% and 60% for the stage 1, stage 2 and stage 3 loans respectively at end-2024. OTP Bank's provision for stage 3 loan was 109.70% at end-2024. Considering that the credit assets quality is under some downward pressure, its provision level may rise in the future.

Table11 Quality of Loans

Indicator	Amount (HUF Tn)			Proportion (%)		
	End-2022	End-2023	End-2024	End-2022	End-2023	End-2024
Stage 1 Loan	16.39	18.57	20.28	83.43	82.66	83.34
Stage 2 Loan	2.29	2.93	3.17	11.64	13.03	13.02
Stage 3 Loan	0.97	0.97	0.89	4.93	4.32	3.64
Total Loans	**19.64**	**22.47**	**24.33**	**100.00**	**100.00**	**100.00**
Loan Loss Provision	1.00	1.02	0.97	5.11	4.54	4.00
Stage 1 Loan Loss Provision Ratio	**/**	**/**	**/**	**1.00**	**0.90**	**0.80**
Stage 2 Loan Loss Provision Ratio	**/**	**/**	**/**	**10.70**	**9.20**	**9.20**
Stage 3 Loan Loss Provision Ratio	**/**	**/**	**/**	**61.00**	**60.80**	**59.50**
Loan Loss Provision/Stage 3 Loan	**/**	**/**	**/**	**103.48**	**105.07**	**109.70**

Source: Annual report of OTP Bank

(2) Interbank and Investment Assets

In recent years, the scale of OTP Bank's interbank assets has fluctuated and the scale of investment assets has maintained growth. There is a certain scale of interbank and investment assets at stage 3, which are subject to a certain pressure of impairment.

In recent years, the scale of OTP Bank's interbank assets was on an upward trend and the allocation of interbank assets is mainly based on interbank deposits and repo assets within 1 year. As of the end of 2024, OTP Bank's total interbank assets amounted to HUF 2223.74 billion and provisions for impairment of HUF 1.98 billion were made. In terms of the quality of interbank assets, OTP Bank's stage 2 and stage 3 interbank assets were HUF 1.01 billion and HUF 1.57 billion, with provisions for impairment of HUF 954 million and HUF 4 million, respectively.

In recent years, the scale of OTP Bank's investment assets has continued to grow, as the majority were bond investments. OTP Bank's investment assets mainly consist of financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost, accounting for 16.79% and 73.30% of investment assets respectively, and are mainly allocated to government bonds. At end-2024, OTP Bank included in the stage classification interest-bearing securities at fair value through other comprehensive income and financial assets measured through other comprehensive income amounting to HUF 9.07 trillion, with provisions for impairment of HUF 112.56 billion, of which HUF 1.74 billion and HUF 37.49 billion were classified as stage 2 and stage 3 interest-bearing securities at fair value through other comprehensive income, the balance of stage 2 assets declined significantly compared to the end-2023, while the balance of stage 3 assets increased, with a provision for impairment of HUF 87 million and HUF 55.06 billion, respectively. Financial assets at stage 2 and stage 3 at amortized cost were HUF 12.52 billion and HUF 41.20 billion, and the balances of stage 2 and stage 3 assets were same as those at end-2023, with provisions for impairment increasing to HUF 855 million and HUF 27.35 billion, respectively. Besides, at end-2024, OTP Bank held a total of HUF 135.00 billion Russian government bonds, with an impairment provision coverage ratio of 73%.

(3) Off-Balance Sheet Business

OTP Bank has large off-balance sheet business exposure and needs to be concerned about its exposure to credit risk. OTP Bank's off-balance sheet business is mainly loan commitments, guarantees, factoring and letters of credit. As of the end of 2024, OTP Bank's off-balance sheet business size was HUF 8.28 trillion, with loan commitments of HUF 5.69 trillion, guarantees of HUF 1.55 trillion, factoring of HUF 467.94 billion and letters of credit of HUF 41.12 billion, with some exposure to off-balance sheet business.

2 Structure of Liabilities and Liquidity

In recent years, driven by the sound development of the deposit business and market funds, OTP Bank's liabilities continued to grow, the Bank's liquidity indicators remains healthy.

Table12 Structure of Liabilities

Indicator	Amount (HUF Tn)			Proportion (%)			Annual Growth Rate (%)	
	End-2022	End-2023	End-2024	End-2022	End-2023	End-2024	End-2023	End-2024
Market Fund	2.85	4.73	5.12	9.68	13.30	13.36	65.61	8.29
Customer Deposits	25.19	28.33	31.67	85.44	79.78	82.68	12.48	11.77
Other Liabilities	1.44	2.46	1.52	4.88	6.92	3.96	70.63	-38.30
Total Liabilities	**29.48**	**35.51**	**38.30**	**100.00**	**100.00**	**100.00**	**20.46**	**7.84**

Source: Annual report of OTP Bank

OTP Bank carries out interbank business based on liquidity and funding needs as well as the level of market interest rates. In recent years, the amount and proportion of market funds increased and the proportion to total liabilities has remained at a reasonable level. As of the end of 2024, OTP Bank's market funds were HUF 5.12 trillion, mainly constituted of government deposits, central bank deposits and interbank deposits, and repo liabilities and bond issuance as the rest, making the overall active liability channel relatively smooth.

Customer deposits are the most important source of liabilities for OTP Bank. OTP Bank's customer deposits maintained growth in recent years. While the proportion of customer deposits to total liabilities fell due to the increased market funds since 2023. As of the end of 2024, OTP Bank's customer deposits accounted for 82.68% of total deposits, with the maturities mainly within one year.

In recent years, the relevant liquidity indicators of OTP Bank were at a reasonable level and the liquidity risk was manageable.

Table13 Liquidity

Indicator	End-2022	End-2023	End-2024
Liquidity Coverage Ratio (%)	172	246	266
Net Stable Fund Ratio (%)	137	153	158
Loan/Deposit	78	76	77

Source: Annual report of OTP Bank

3 Operation Efficiency and Profitability

OTP Bank's net interest margin remains at a good level and continues to rise, driving growth in its net interest income and operating income. OTP Bank's profitability declines in 2024 due to an increase in the cost of risk, but it remains at a good level with strong profitability.

Table14 Profitability

Indicator	2022	2023	2024
Net Interest Income (HUF Bn)	1026.87	1386.71	1745.34
Cost of Risk (HUF Bn)	199.70	79.28	109.14
Net Interest Income after Deduction of Cost of Risk (HUF Bn)	827.17	1307.43	1636.20
Net Commission and Fee Income (HUF Bn)	584.49	691.99	842.66
Exchange Gains or Losses (HUF Bn)	-16.30	13.83	-12.05
Net Investment Gains and Losses (HUF Bn)	22.43	103.90	62.67
Management Fee (HUF Bn)	930.02	1074.34	1212.77
Net Interest Margin (%)	3.51	3.93	4.28
Cost of Risk + Gross Profit (HUF Bn)	577.37	1280.46	1418.97
Net Profit (HUF Bn)	319.08	1011.71	1056.38

Cost-to-Income Ratio(%)	47.6	43.6	41.3
Average ROA (%)	1.06	2.79	2.54
Average ROE (%)	10.04	27.28	22.93

Source: Annual report of OTP Bank

OTP Bank’s income mainly consists of net interest income and fee and commission income. OTP Bank’s interest income is mainly from loans, investment assets and financial leasing receivables, while interest expenses are mainly from deposit interest expenses, swaps and interest expenses related to bond issuance. In recent years, OTP Bank’s net interest income has increased due to a faster growth in loan size. In 2024, OTP Bank achieved net interest income of HUF 1.75 trillion. OTP Bank’s net interest margin has shown an upward trend in recent years as a whole, due to the fall of interest rate from an extremely high level since the second half of 2023, the net interest margin continued expanding, with a net interest margin level of 4.28% in 2024. In terms of average interest rates on deposits and loans, in 2024, OTP Bank’s average interest rates on loans measured at amortized cost in HUF and foreign currency were 10.26% and 7.34%, respectively. The average interest rates on loans measured at fair value in HUF and foreign currency were 6.71% and 16.87%, respectively, and average interest rates on customer deposits measured in HUF and foreign currency were 1.94% and 1.43%, respectively.

OTP Bank’s net commission and fee income increased year by year, making a relatively large contribution to net profit. The income is mainly derived from commissions and fees related to deposit management, bank cards, exchange rate conversion, etc. In 2024, OTP Bank achieved a commission and fee income of HUF 842.66 billion. OTP Bank’s net investment gains and losses mainly consist of gains and losses on bonds, fair value changes, derivatives and profits of affiliated companies. In 2024, the net gains and losses of OTP Bank’s investment decreased moderately, mainly due to the decline in fair value revenue.

The cost of risk for OTP Bank is mainly the provision for impairment. In recent years, OTP Bank’s cost of risk has fluctuated. Since 2022, influenced by the change in the global economy and the outbreak of the Russia-Ukraine conflict, OTP added provisions for impairment of loans and investment assets, and the cost of risk escalated in 2022. In 2023, the impairment loss decreased substantially as the impact of the Russia-Ukraine conflict was alleviated. Since 2024, the cost of risk has increased due to the rise in loans and the increase in the cost of risk charges on Russian bonds. In 2024, the cost of risk of OTP Bank was HUF 109.14 billion, of which the size of the impairment losses on loans was HUF 64.91 billion, the provision for impairment of investments in interbank and bond investments amounted to HUF 1.97 billion and HUF 33.91 billion, respectively, and the provisions for impairment of HUF 2.37 billion for impairment of commitments and guarantees. In terms of administrative expenses, OTP Bank's administrative expenses continued to rise with inflation and year-on-year expansion of its business scale, but the cost-income ratio declined overall. In 2024, OTP Bank incurred HUF 1.21 trillion in administrative expenses, with a cost-income ratio of 41.3%.

The overall level of OTP Bank’s net profit shows an upward trend in recent years, mainly due to the rise in net interest margins, and the net profit of OTP Bank’s earnings also increases. In 2024, OTP Bank achieved a net profit of HUF 1.06 trillion. In 2023, the profitability of OTP Bank strengthened significantly, benefiting from the increase in net profit margin, business expansion, the decline in impairment loss, and the acquisition of NKBM Bank in Slovenia and Ipoteka Bank in Uzbekistan. Since 2024, the profitability of the Bank slightly declined due to the increase in cost of risk and the disposal of Romanian subsidiary, but was still at a relatively high level.

4 Capital Adequacy

In recent years, OTP Bank has replenished its capital mainly through profit retention and debt instrument issuance, with the capital staying at a favorable level.

In recent years, OTP Bank has replenished its capital mainly through profit retention and debt instrument issuance. In 2022, OTP Bank made dividends for 2019-2021 with a total amount of HUF 120.2 billion. In 2023, OTP Bank made cash dividends of HUF 84.0 billion. In

2024, OTP Bank made cash dividends of HUF 150.00 billion. OTP Bank issued USD 650 million subordinated bonds to replenish capital in February 2023. At the end of 2024, OTP Bank's shareholders' equity was HUF 5.12 trillion, of which HUF 28.00 billion was equity and HUF 5.33 trillion was the size of retained earnings and reserves.

In recent years, with the development of the credit business, OTP Bank's risk-weighted assets continued to grow. Benefiting from its favorable profit retention and subordinated bonds issuance in 2023, OTP Bank's capital increased year by year and the capital was at an adequate level.

Table15 Capital Adequacy

Indicator	End-2022	End-2023	End-2024
Regulatory Capital (HUF Tn)	3.67	4.48	5.20
Tier-1 Capital (HUF Tn)	3.38	3.95	4.84
Core Tier-1 Capital (HUF Tn)	3.38	3.95	4.84
Risk-weighted Assets (HUF Tn)	20.61	23.70	25.58
Risk Assets Ratio (%)	62.82	59.84	58.91
Shareholders' Equity/Total Assets (%)	10.13	10.34	11.79
Capital Adequacy Ratio (%)	17.8	18.9	20.3
Tier-1 Capital Adequacy Ratio (%)	16.4	16.6	18.9
Core Tier-1 Capital Adequacy Ratio (%)	16.4	16.6	18.9

Source: Annual report of OTP Bank

VI. ESG Analysis

OTP Bank puts emphasis on green finance development, does social responsibilities actively, and runs decent corporate governance and internal control mechanisms, with the ESG governance framework and system improving continuously. Generally, OTP Bank performs well in the ESG aspect and indicates no negative impact on its sustainable operation.

OTP Bank has established ESG strategies focusing on the social responsibilities of financial institutions, supporting green transitions to climate change, encouraging responsible behaviors within the Bank and strengthening positive influences. The Bank chases business opportunities and puts emphasis on ESG risk cases, climate management application, society and corporate governance achievement and sets up key performance indicators. OTP Bank is involved in blunting the direct impact from operation to environment, concerning about cost-benefit, improving efficiency in the use of resources, and paying attention to and responding to climate change and its effects. The Bank sets up a green loans framework, increases investment in projects that are beneficial to society and the environment, and helps enterprises cope with the impact of society and climate change.

OTP Bank has incorporated the ESG risk management framework into its lending business to enhance its ability to identify and manage environmental and social risks and to clarify business boundaries. The Bank formulated the Code of Ethics, the Competition Law, the Anti-Corruption Policy and other relevant mechanisms to ensure fairness and transparency in peer competitions and to safeguard the interests of customers. The Bank also held regular training to enhance employees' professionalism and created welfares for employees to fulfil the employer's responsibility. The Bank has a transparent supplier assessment mechanism, maintains a conscientious and responsible attitude, follows the tax policy in its business expansion area and actively fulfils tax obligations.

OTP Bank runs favorable corporate governance, and the internal control and risk management mechanism weighs heavily on daily operations. The Bank continuously optimizes the establishment of ESG top management and executive systems. Moreover, the Bank has factored the ESG plan and performance into salary performance, and developed policies such as the Human Rights Statement, the Taxation Statement, and the Responsible Marketing Policies to refine the ESG mechanism.

VII. External Support

Hungary is a landlocked country located in the CEE region with a territory of 93,000 square kilometers, two thirds of which are plains and the rest hilly. The administrative region is divided into the capital and 19 states, with Budapest as the political, economic and cultural center of the country. Hungary is an important member of international or regional organizations such as the Visegrad Group, the EU, the North Atlantic Treaty Organization, and the Schengen Convention, but is not yet a member of the Eurozone, and its official currency is the Hungarian forint (HUF). Hungary's GDP reached USD 223.18 billion in 2024, with real GDP growth rate rebounding to 0.5%.

OTP Bank has a leading market share of deposits and loans in Hungary, with 27.1% and 26.6%, respectively, in 2024. OTP Bank has branches in Bulgaria, Croatia and Serbia, where it also has a certain competitive advantage. In addition, OTP Bank plays an important role in the Hungarian financial system, OTP Bank may receive support from the government directly or indirectly when caught in difficulties.

VIII. Conclusion

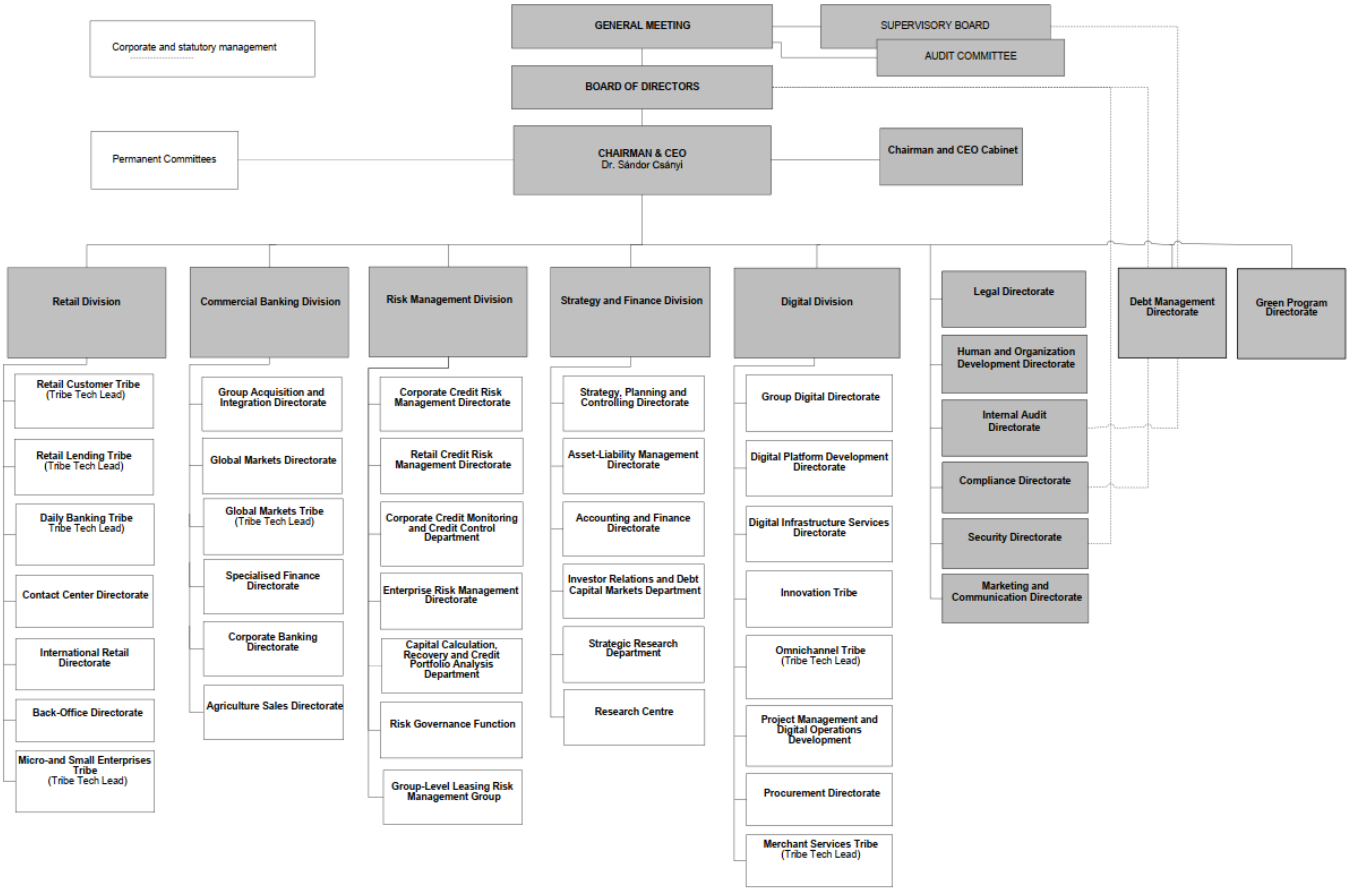
Based on a comprehensive analysis and assessment of OTP Bank's operational risks, financial risks, external support and other aspects, Lianhe Ratings affirmed OTP Banks' AAA long-term issuer credit rating, and Stable rating outlook.

Appendix 1 OTP Bank's Shareholding Structure at End-2024

Shareholder	Shares	(%)
Domestic Institutions/Companies	88395584	31.57
Foreign Institutions/Companies	152679265	54.53
Domestic Individual	28878581	10.31
Foreign Individual	998943	0.36
Employees and Senior Managers	1435703	0.51
Treasury Stock	7049823	2.52
Government-Owned Enterprises	139036	0.05
International Development Institutions	3251	0.00
Others	419824	0.15
Total	**280000010**	**100.00**

Source: Annual report of OTP Bank

Appendix 2-1 OTP Bank's Corporate Governance Framework at end-2024



Source: Annual report of OTP Bank

Appendix 2-2 OTP Bank's Main Subsidiaries at End-2024

Name	Ownership (Direct and Indirect) 31/12/2024	31/12/2023	Activity
DSK Bank AD (Bulgaria)	99.92%	99.92%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC "OTP Bank" (Russia)	97.92%	97.92%	commercial banking services
OTP banka d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	-	100.00%	commercial banking services
OTP banka Srbija a.d. Novi Sad (Serbia)	100.00%	100.00%	commercial banking services
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
Banka OTP Albania SHA (Albania)	100.00%	100.00%	commercial banking services
OTP Bank S.A. (Moldova)	98.26%	98.26%	commercial banking services
SKB Banka d.d. Ljubljana (Slovenia)	-	100.00%	commercial banking services
OTP banka d.d. (previously: Nova Kreditna Banka Maribor d.d.) (Slovenia)	100.00%	100.00%	commercial banking services
JSCMB 'Ipoteka Bank' (Uzbekistan)	79.82%	79.58%	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	housing savings and loan
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing

Source: Annual report of OTP Bank

Appendix 3 Calculation Formulas of Main Financial indicators

Indicators	Calculation Formulas
Cash Assets	Cash+ Deposit in the Central Bank
Interbank Assets	Due from Placements with Banks and Other Financial Institutions + Lendings to Banks and Other Financial Institutions + Redemptory Monetary Capital for Sale
Market Fund	Due to Placements with Banks and Other Financial Institutions + Borrowings from Banks and Other Financial Institutions + Financial Assets Sold for Repurchase + Negotiable certificate of deposit +Bonds
Investment Assets	Financial Derivatives +Tradable Assets + Investment on Bonds+ Other Investment on Bonds + Other Equity Instruments Investment +Investment Property+ Long-term Investment on Stocks +Others
Single Largest Client Loan Ratio	Single Largest Client Loan Balance/Net Capital×100%
Top 10 Clients Loans Ratio	Top 10 Clients Loans Balance/Net Capital×100%
NPL Ratio	NPL Balance/Total Loans Balance×100%
Loss Provision Ratio	Loss Provision Balance/Total Loans Balance×100%
Provision Coverage Ratio	Loss Provision Balance / NPL Balance×100%
Current Ratio	Current Assets/Current Liabilities×100%
Net Stable Fund Ratio	Available Stable Fund/Stable Fund Required for Operation×100%
Liquidity Coverage Ratio	(Current Assets /Net Outflows of Fund in 30 Days)×100%
Liquidity Matching Ratio	Weighted Fund Resources/ Weighted Fund Operation×100%
High-quality Current Assets Adequacy Ratio	High-quality Current Assets/Short-term Net Outflows of Cash×100%
Loans/Deposits Ratio	Loans Balance/Deposits Balance×100%
Risk Assets Ratio	Risk Weighted Assets Balance/Total Assets×100%
Capital Adequacy Ratio	Net Capital/Risk Weighted Assets×100%
Tier-1 Core Capital Adequacy Ratio	Net Tier-1 Core Capital/Risk Weighted Assets×100%
Tier-1 Capital Adequacy Ratio	Net Tier-1 Capital/ Risk Weighted Assets×100%
Net Interest Spread	(Interest Income/Interest-bearing Assets- Interest Expense/Interest-bearing Liabilities)×100%
Net Interest Margin	(Gross Interest Income - Gross Interest Expense)/Interest-bearing Assets
Cost/Income Ratio	Operation and Administrative Expense/Revenue×100%
Return on Assets before Provision	Pre-Provision Operating Profit/[(Total Assets at The End of Period + Total Assets at The Beginning of Period)/2] ×100%
Average ROA	Net Profit/[(Total Assets at The End of Period + Total Assets at The Beginning of Period)/2] ×100%
Average ROE	Net Profit/[(Total Net Assets at The End of Period + Total Net Assets at The Beginning of Period)/2]×100%

Appendix 4-1 Setting and Definitions of Long-term Issuer Credit Ratings

Lianhe Ratings classified long-term issuer credit ratings into three levels and nine categories, which are AAA, AA, A, BBB, BB, B, CCC, CC, C. Apart from AAA, CCC and below, all credit ratings may be modified by using the symbol “+” or “-”, to show relative standing within the major rating categories.

All credit ratings represent the relative rankings of the rated entities in terms of probability of default. While higher (lower) credit ratings indicate higher (lower) probability of default, the possibility of a default by entities with higher credit ratings can not be excluded.

All credit ratings are defined in the table below:

Ratings	Definitions
AAA	Extremely strong capacity for payment of financial commitment; highly unlikely to be affected by adverse economic conditions; the lowest probability of default.
AA	Very strong capacity for payment of financial commitment; not significantly vulnerable to adverse economic conditions; very low probability of default.
A	Strong capacity for payment of financial commitment; vulnerable to adverse economic conditions; low probability of default.
BBB	Adequate capacity for payment of financial commitment; more likely to be impaired by adverse economic conditions; moderate probability of default.
BB	Weak capacity for payment of financial commitment; significantly vulnerable to adverse economic conditions; high probability of default.
B	Capacity for payment of financial commitment is largely dependent on favorable economic conditions; very high probability of default.
CCC	Capacity for payment of financial commitment is extremely dependent on favorable economic conditions; extremely high probability of default.
CC	Limited protection in the event of bankruptcy or reorganization; highly vulnerable to nonpayment.
C	Nonpayment has occurred.

Appendix 4-2 Setting and Definitions of Rating Outlooks

Rating Outlook assigned by Lianhe Ratings is an opinion regarding the likely rating direction over the next year. Rating Outlooks are defined as follows:

Outlooks	Definitions
Positive	More credit-positive factors exist, indicating a high likelihood of a rating upgrade over the next year
Stable	Stable credit profile with a low likelihood of a rating change over the next year
Negative	More credit-negative factors exist, indicating a high likelihood of a rating downgrade over the next year
Developing	Conditions and implications of a special event are largely unclear, indicating that a rating may be raised, lowered or maintained over the next year

Surveillance Arrangement

China Lianhe Credit Rating Co., Ltd. ("Lianhe Ratings") will carry out regular or ad hoc surveillances during the validity period of the rating on OTP Bank Plc. (the "Bank") in accordance with relevant regulatory laws and regulations and relevant compliance requirements of Lianhe Ratings.

The Bank shall promptly notify Lianhe Ratings and provide the relevant information, if there are significant changes or events that may have a significant impact on the credit profile of the Bank.

Lianhe Ratings will pay close attention to the operations of the Banks. In case of major changes to the Bank, or any event that may have a significant impact on the credit profile of the Bank, Lianhe Ratings will carry out necessary investigation on the relevant events, conduct timely analysis, and affirm or adjust the credit ratings based on its investigation and analysis on such events.

If the Bank fails to provide relevant information required for surveillances in a timely manner, or if other circumstances stipulated in the regulatory policy or agreed in the entrusted rating contract arise, Lianhe Ratings may terminate or withdraw the rating.