SCOPE | Ratings

OTP Bank Nyrt

Rating report

Issuer rating

BBB+

Outlook

Stable

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Scope affirms OTP Bank's BBB+ issuer rating with Stable Outlook, Nov 2024

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Summary and Outlook

OTP's issuer rating of BBB+ reflects the following assessments:

- **Business model assessment: Resilient (Low)**. OTP combines a broad franchise in Central Eastern Europe with a leading market position in Hungary and strong market shares in most of the other markets in which it operates.

  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. We will carefully monitor further deals to assess the strategic fit and associated integration risks.

- **Operating environment assessment**: **Moderately supportive (Low).** The group operates in similar operating environments like Hungary, Slovenia and Croatia. However, activities in less supportive markets, including Bulgaria, Serbia, Russia, and Ukraine, weigh on the overall assessment.

- **Long-term sustainability assessment (ESG factor): Developing**. The assessment reflects the group's ongoing efforts in the ESG and digital areas. Following the pandemic, the group has increased its digitalisation efforts, aiming to provide market-leading digital solutions and to increase group-wide efficiency.

  OTP has also launched an ESG strategy which contains interim goals for 2025. We note 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.

- **Earnings and risk exposures assessment: Supportive**. High interest margins and rapid growth support the group's superior earnings generation. We expect the group continue delivering excellent results going forward, although profitability may gradually decline as central banks cut interest rates and cost of risk normalises.

  Asset quality has improved further in recent quarters thanks to low NPL inflows and the deconsolidation of the Romanian subsidiary. As of September 2024, its Stage 3 loan ratio stood at 4%, a historical low

- **Financial viability assessment: Comfortable**. High capital buffers and a solid funding profile are additional strengths supporting OTP's ratings. In the medium term, we expect the group to maintain a CET1 ratio in the 15-17% range, consistent with the balance of a prudent capital policy and growth appetite.

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

The upside scenario for the rating and Outlook:

- Progressive rebalancing of the group's operations towards stronger markets, either through M&A or organic growth, could lead to an upgrade of the Operating Environment assessment.

The downside scenarios for the rating and Outlook:

- 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
- Downgrade of the Financial Viability Management assessment following a material erosion of the group's capital buffers

SCOPE

	Rating drivers	Assessment				
STEP 1	Operating environment	Very constraining	Constraining	Moderately supportive	Supportive	Very supportive
	Low/High	*Low*			*High*	
	Business model	Narrow	Focused	Consistent	Resilient	Very resilient
	Low/High	*Low*			*High*	
	Initial mapping	**bbb-**				
	Long-term sustainability	Lagging	Constrained	Developing	Advanced	Best in class
	Adjusted anchor	**bbb-**				
STEP 2	Earnings capacity & risk exposures	Very constraining	Constraining	Neutral	Supportive	Very supportive
	Financial viability management	At risk, Stretched	Limited	Adequate	Comfortable	Ample
	Additional factors	Significant downside factor	Material downside factor	Neutral	Material upside factor	Significant upside factor
	Standalone rating	**bbb+**				
STEP 3	**External support**	Not applicable				
Issuer rating		**BBB+**				

		Credit rating	Outlook
Issuer	**OTP Bank Nyrt**		
	Issuer rating	BBB+	Stable
	Preferred senior unsecured debt rating	BBB+	Stable
	Non-preferred senior unsecured debt rating	BBB	Stable
	Tier 2 debt rating	BB+	Stable

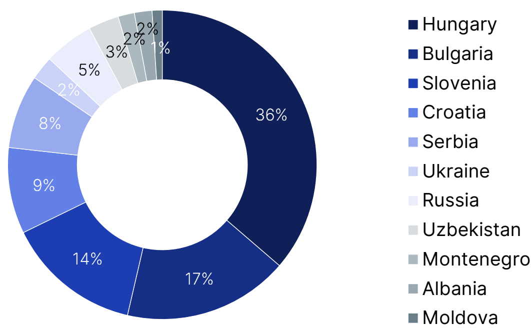
Business model

'Resilient – low' business model assessment

OTP is one of the largest independent banking groups in CEE with a balance sheet of HUF 41.6trn (around EUR 105bn) as of September 2024. As a universal bank, OTP provides a broad range of lending, savings and investment products in Hungary and 10 CEE countries: Bulgaria, Slovenia, Croatia, Serbia, Romania, Ukraine, Russia, Montenegro, Moldova and Albania. The group entered the Uzbek market in 2023 with the acquisition of Ipoteka Bank.

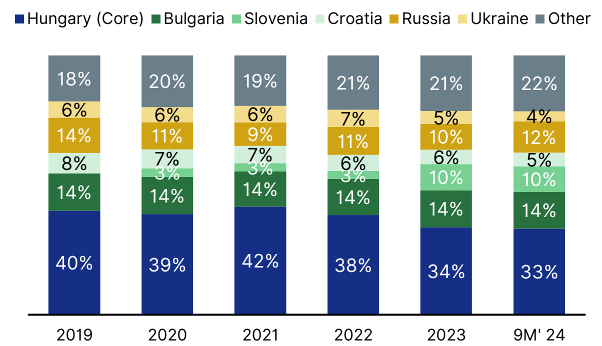
The main strength of OTP's business model is geographic diversification. After two decades of international expansion, foreign markets now make up almost two-thirds of OTP's assets and revenues. The proportion of income deriving from euro-area countries has also grown, surpassing 30% in the first nine months of 2024.

Figure 1: OTP asset breakdown by country, September 2024



Source: Company data, Scope Ratings

Figure 2: OTP revenue breakdown by country, historical

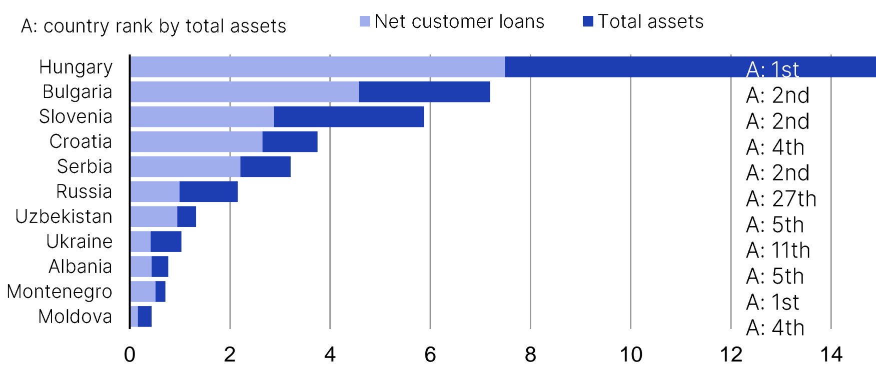


Source: Company data, Scope Ratings

OTP's second strength lies in its market position. In Hungary, it is the clear market leader with market shares in retail banking between 28% and 45% depending on the product as of Q3 2024. In some segments, like domestic business loans, the group's market shares have substantially increased in recent years.

The group is also an important player in most of the foreign countries where it operates. The Nova KBM acquisition has made OTP the second largest bank in Slovenia by total assets. It is second largest in Bulgaria and in Serbia, and the fourth largest in Croatia.

Figure 3: OTP's operations by country (HUF trn), Q3 2024



Source: Company data, Scope Ratings

On average, more than 60% of the group's top line derives from net interest income, reflecting the business focus on lending and a lower degree of diversification compared to some of its international peers (Figure 4).

M&A is OTP's preferred option to deploy excess capital

In pursuit of its ambition to become the most successful universal banking group in CEE, OTP has acquired eleven banks since 2017, for a book value of over EUR 3.6bn. The last two were acquired in 2023: Slovenian Nova KBM and Uzbek Ipoteka Bank. A presence in growth markets with high margins and OTP's strong record of integrating acquisitions have enabled the group to achieve high profitability and rapid growth.

Growing geographical diversification has made the group less dependent on the Hungarian economy. OTP sees foreign currency earnings as a hedge because underperformance of the Hungarian economy typically results in the depreciation of the forint, and vice versa.

The group's capital position is naturally protected against ordinary exchange rate movements. Intra-group funding is limited. Hence, the group's subsidiaries are funded mainly locally and have a limited exposure to foreign currencies, which means only their equity is exposed to changes in FX rates. A decrease (increase) in capital due to translation adjustments is mirrored by a decline (inflation) in risk-weighted assets; on average, the two effects cancel out.

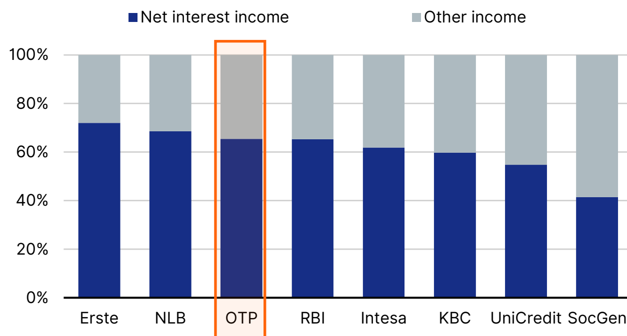
Strong growth appetite, including via M&A, carries its own set of risks

However, the presence in more volatile operating environments exposes the group to sharp currency devaluation, impairments, and potential constraints in capital movement.

On top of the risks naturally associated with banking in emerging markets, we highlight the challenges that come with acquisitions. These include integration issues, the possible presence of unknown liabilities, and the potential failure to adequately control credit origination and risk in new subsidiaries.

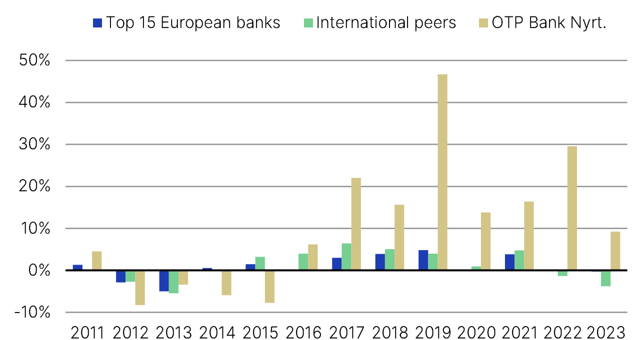
Not all the group's investments have been successful. In Slovakia and Romania, OTP has never achieved the size needed to roll out the strategy it has applied elsewhere. For this reason, the group left both markets (Slovakia in 2020 and Romania in 2024).

Figure 4: Revenue profile – International peer comparison



Note: Three-year averages based on 2022-H1 2024
Source: SNL, Scope Ratings

Figure 5: Annual growth in net customer loans, historical vs peer median



Source: Company data, Scope Ratings

As of 2024, Russian operations still account for a sizeable portion of the group's revenues (12% in 9M 2024) and assets (5% as of Q3 2024). The group remains active in consumer credit and collects new deposits, while it has ceased business lending. Credit quality, like profitability, is still robust.

Reputational and legal risks, rather than credit risk, stem from Russian operations

The capital impact of a disorderly exit from Russia would be positive as of today. However, although operations in the country may be operationally and economically manageable, their long-term sustainability is questionable. Since Russia has isolated itself from the Western world, maintaining strong ties with a local subsidiary could become increasingly difficult. Investors and regulators have started to put pressure on OTP to run down the business. Reputational and legal risks could also emerge.

Positively, OTP has managed to withdraw maturing intra-group funding and upstream a dividend related to retained earnings accumulated since 2007.

Operating environment

Focus on OTP's country of domicile: Hungary (BBB/Stable)

Economic assessment:

- Hungary is one of the largest economies in CEE, although its GDP per capita is significantly lower than the EU-27 average.
- After a prolonged period of stagnation in the wake of the Global Financial Crisis, the Hungarian economy enjoyed sustained economic growth, supported by large foreign investments and EU funding.
- Supply chain disruptions, lower demand from key export partners, inflation, and high borrowing costs have weighed on the Hungarian economy since 2023. But now, medium-term growth prospects look more solid on the back of substantial foreign investments and EU funding. Scope projects a growth rate of 2.8% in 2025, positioning Hungary among the fastest-growing economies within the EU.
- Hungary has good reserve adequacy, a moderate proportion of foreign currency-denominated government debt and a favourable public debt profile. The government has regular access to foreign and domestic financing.
- An elevated debt-to-GDP ratio (73.4% in 2023) and growing interest-payment burden challenges budgetary targets and limits government's ability to deploy countercyclical measures.
- Hungary's governance indicators (World Bank) have worsened, as has its relationship with the EU over fundamental disagreements on the rule of law. This has led to delays in the disbursement of EU funds from the Recovery and Resilience Facility. Positively, Hungary is addressing shortcomings to ensure compliance with EU standards on governance, judicial independence, and anti-corruption.
- Scope affirmed the Hungarian sovereign at BBB/Stable on 8 November 2024.

Key economic indicators	2021	2022	2023	2024E	2025F
Real GDP growth, %	7.1	4.3	-0.8	0.7	2.8
Inflation (HICP), % change	5.1	14.6	17.1	4.0	3.8
Unemployment rate, %	4.1	3.7	4.1	4.0	3.8
Policy rate, %	NA	NA	NA	NA	NA
Public debt, % of GDP	76	74	73	74	73
General government balance, % of GDP	-7.1	-6.2	-6.7	-4.8	-3.9

Source: Scope Ratings

Soundness of the banking sector:

- The Hungarian banking sector is moderately concentrated and dominated by OTP, which holds market shares of around 30% among retail customers and 20% among business clients. The top five institutions make up more than 50% of total domestic assets. Five out of the seven largest private banks are subsidiaries of foreign groups (KBC, UniCredit, Erste Bank, RBI and Intesa).
- Domestic customer loans divide into non-financial companies (49% as of September 2024), households (42%) and other financial corporations. Consumer lending accounts for more than 40% of household lending in Hungary, which is a much larger percentage than for banks in Western Europe.
- In the past years, the banking sector has been characterised by high interest margins, low cost-to-income ratios, moderate loan losses and sound bottom-line returns. Since 2022, in a high inflationary and interest rate environment, Hungarian banks have been performing well, offsetting the impact from the interest rate cap on mortgages and SME loans and from the windfall tax.
- The non-performing loan (NPL) ratio has drastically declined over the past years, from 17% in 2013 to 2.4% as of June 2024.
- Funding and liquidity position is sound. In 2023, banks accumulated liquidity reserves due to the attractive deposit rate at the central bank. At the same time, deposit growth outpaced in loan growth, supporting liquidity metrics.
- Bank oversight in Hungary is solid. The country is subject to the EU framework for banking and financial regulation, including the Capital Requirements Directive and the Bank Recovery and Resolution Directive. Since incorporating the Financial Supervisory Authority in 2013, the Hungarian Central Bank has acted as the prudential supervisor and resolution authority.

Banking system indicators	2019	2020	2021	2022	2023
ROAA, %	1.7	0.8	1.3	1.1	2.1
ROAE, %	15.1	7.6	13.4	12.1	21.5
Net interest margin, %	3.3	2.8	2.8	3.4	3.9
CET1 ratio, %	15.8	16.9	17.6	16.6	17.5
Problem loans/gross customer loans, %	4.2	3.8	3.7	3.7	3.1
Loan-to-deposit ratio, %	79.1	73.4	70.9	71.7	70.0

Source: SNL, Scope Ratings

- Besides Hungary, OTP operates in similar markets, such as Slovenia and Croatia. However, activities in less supportive operating environments, including Bulgaria, Serbia, Russia, and Ukraine, weigh on the overall assessment.

Long-term sustainability (ESG -D)

'Developing' long-term sustainability assessment

The breadth of OTP's operations across CEE and its large number of acquisitions in recent years expose the group to high governance risk.

Convincing risk oversight despite rapid growth in CEE

OTP adopts a two-tier system entailing an oversight body (supervisory board) and an executive body (board of directors). Pursuant to the law, most supervisory board members are independent (four out of six). Regarding the board of directors, seven of the 11 members do not hold executive roles but are entitled to share-based compensation.

The board's average tenure is comparatively high (12 years), with six directors in office for more than 20 years. The chair of the board of directors is also group CEO. However, no significant issues have arisen to date, a sign of sound governance and risk management.

Ambition to become regional leader in green transition and sustainable finance

We caution that OTP may face increasing stakeholder and regulatory expectations on ESG issues as it becomes larger and more relevant in the eurozone.

With some delay compared to leading banks in western Europe, OTP is rolling out its first ESG strategy, focusing on three areas: i) increasing the stock of green loans, from HUF 230bn at YE 2022 to HUF 1,500bn by end-2025; ii) reducing its own emissions; and iii) increasing transparency and corporate responsibility, by targeting a listing in the Dow Jones Sustainability Index by 2025.

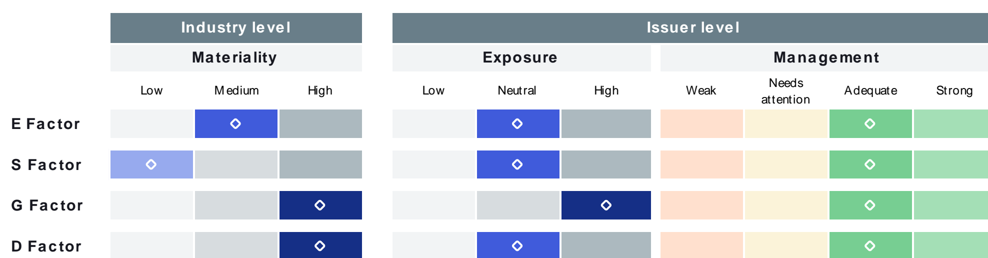
In 2023, the group carried out its first climate change stress test, using the scenarios from the Network for Greening the Financial System. Results show that OTP has a relatively high exposure to transition risk due to its presence in more carbon-intensive economies, such as Bulgaria. On the positive side, quantified losses from extreme events (i.e. physical risk) should be manageable, although estimates are subject to a high uncertainty.

Accelerating digitalisation to meet evolving client needs and preferences

OTP has adopted a measured approach to digitalisation, leveraging its strong market position in countries where the digital landscape is less advanced. But the Covid pandemic pushed OTP to accelerate its digital transition. In 2021, the group created a Digital Division and set two main objectives: providing market-leading digital solutions and increasing group-wide efficiency and IT security. In the past 5 years, digital penetration has been increasing along with changing client preferences; in 2023, digital channels accounted for 64% of all retail transactions, up from 52% in 2020.

Going forward, the group aims to reach a 'global leadership position' in both the retail and business segments for digital service offering, digital customer activity, digital sales ratio and digital satisfaction. It is also committed to deliver a 360-degree, mobile-cantered service offering, while ensuring a state-of-the-art technological framework.

Figure 6: Long-term sustainability overview table[1]



Source: Scope Ratings

[1] The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

Earnings capacity and risk exposures

'Supportive earnings capacity and risks exposures' assessment

OTP is currently the most profitable bank in the EU, mainly thanks to its presence in high-growth geographies. Its net interest margins are significantly higher than those international peers, and together with strong loan growth, they form the backbone of OTP's profitability. In addition, the leading market position provides the group pricing power and privileged access to customers in most of its countries.

Strong performance during and after the pandemic

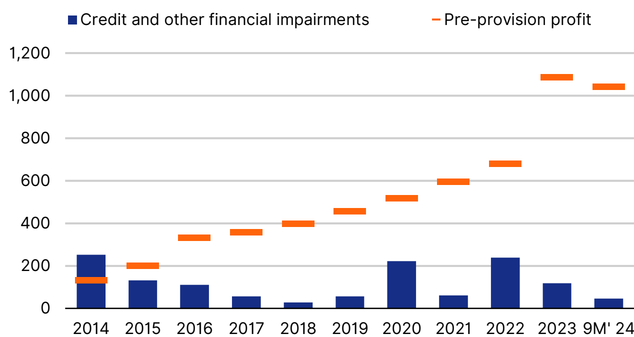
With an average return on risk-weighted assets above 3% since 2020, OTP has demonstrated resilience despite the impacts from the Covid pandemic and the war in Ukraine. With few exceptions, the operating performance of the group's subsidiaries has remained solid. This has been the case also for Russia and Ukraine thanks to the central banks' high policy rates. After booking credit provisions above 110bp of customer loans in 2020, credit quality proved stronger than expected, with the cost of risk subsequently settling at a very low level (excluding the impairment on Russian exposures in 2022).

Strong revenue generation allows OTP to operate less efficiently than its international peers (its cost/assets ratio is twice as high) and to cope with high inflationary pressure, particularly on wages. The group's reported cost/income ratio has been steadily declining since 2020; in the first nine months of the year, it was 41%.

Pre-provision profits are well in excess of credit losses; and the buffer has increased in recent years (Figure 7).

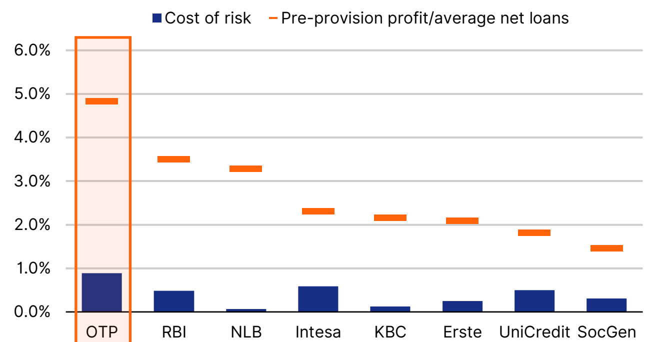
The superior top line profitability enables the group to absorb the impact of levies and other extraordinary measures imposed by governments, especially the Hungarian (banking tax, windfall tax, transaction tax, and the interest rate cap).

Figure 7: Pre-provision income and provisions (HUF bn)



Source: Company data, Scope Ratings
Figures may differ from reported data

Figure 8: Peer comparison, historical



Note: Averages based on 2020-9M'24.
Source: SNL, Scope Ratings

For FY 2024, management has given a guidance of a return on return on equity slightly below the 2023 level of 27.2% due to lower leverage. Although this profitability is unlikely to be sustainable in the medium term, we believe OTP's ability to generate earnings will remain credit supportive given its high geographical diversification and strong market positions at home and abroad.

Outlook for 2025 looks promising

We are optimistic about the earnings outlook for 2025 given the expected rebound of the Hungarian economy and the sustained growth rate in the other group's markets. In our view, downside risks are limited to a worsening of geopolitical crisis affecting public confidence, the economy, and financial markets in Europe. Further government measures across CEE targeting the financial sector could certainly reduce OTP's bottom line but would not be worrying from a credit perspective.

More than half of the group's loan book relates to retail (53%), with roughly a 50-50 split between mortgages and consumer credit as of Q3 2023. The high proportion of unsecured consumer loans (26%) reflects the characteristics of the banking markets in CEE and partly justifies OTP's higher NPL and coverage ratios compared to international peers. The rest of the loan book breaks down into corporate and public sector (36%), leasing (7%) and micro/small companies (4%). Around one-fifth of the group's customer loan book is denominated in foreign currency.

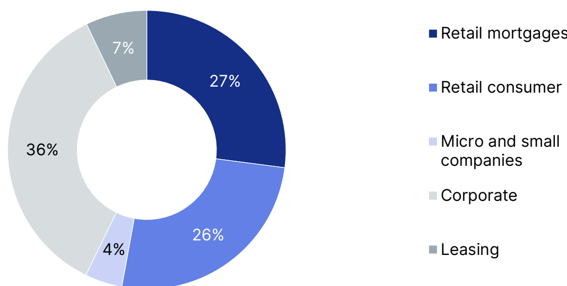
Asset quality continues to improve

After years of improvement on the back of strong macroeconomic backdrop in CEE, the group's asset quality metrics are sound. As of September 2024, the Stage 3 ratio stood at 4%, still higher than that of banks in Western Europe. However, it is in line with the underlying risk characteristics of OTP's markets, a feature we capture in our operating environment assessment. We do not further penalise the group for its asset quality.

The group's Stage 3 ratio in Hungary is also slightly higher compared to domestic peer average, mainly reflecting the strategic preference for working out deteriorated positions internally rather than selling them at a discount. As long as the group has the right expertise, this strategy can lead to higher final recovery rates and better customer retention. OTP has several entities that collect debt across its markets. In Hungary, it employs around 500 people and has long experience in the field.

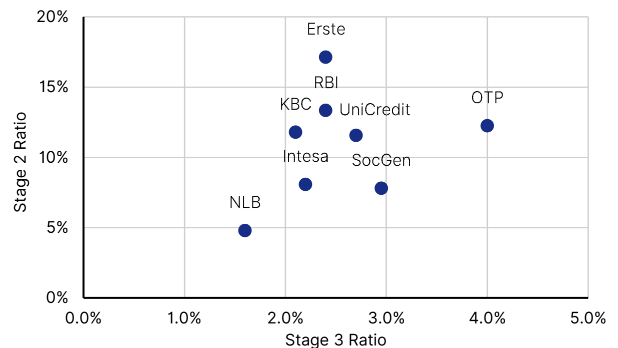
Although the Stage 2 loan ratio has remained above 12% since 2020, migration into non-performing has been contained, reflecting solid asset credit quality.

Figure 9: Gross customer loans breakdown, Q3 2024



Note: HUF 23.2tr as of Q3 2024.
Source: Company data, Scope Ratings

Figure 10: Asset quality - peer comparison



Source: Company data, Scope Ratings

OTP has a material exposure towards the domestic sovereign risk, particularly through government bonds, which amounted to HUF 2.8trn as of September 2024. This exposure is equivalent to 64% of the group's CET1 and Tier 1 capital.

Exposure to domestic sovereign debt not a constraint at the moment

This exposure is manageable for the group, however. In a stress scenario, we estimate that the group could withstand a full write-down of its domestic sovereign bond portfolio and still retain its prudential viability. Further, more than half of the Hungarian government bond portfolio will expire by YE 2026, which limits downside risks. In line with our Financial Institutions Rating Methodology, the issuer rating is not mechanically capped at the level of the sovereign rating it is domiciled.

Financial viability management

'Comfortable' financial viability management assessment

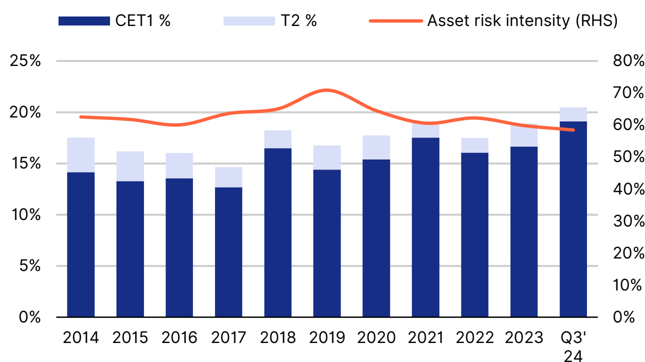
Strong earnings generation enables the group to maintain a high-quality and comfortable capital position. It also allows the group to pursue its objective to become CEE's most successful bank through high organic growth and M&A activity, which are prioritized over dividends and share buybacks. In fact, the group's dividend payout ratio is low by European standards.

As of the end of September 2024, the group's consolidated prudential CET1 ratio stood at a record high 19.1%, after dividend accrual but not considering 80-100bp of regulatory headwinds linked to Basel IV finalisation. The CET1 ratio is the same level as the Tier 1 ratio because the group does not hold AT1 instruments. However, the group issues Tier 2 securities, mainly for MREL purposes; currently, the group has two Tier 2 bonds outstanding (around 1.4% of RWAs).

The group's asset risk intensity is high at around 60% as of the end of September 2024 (Figure 12). There are two reasons for such a high figure: the use of standardised models to assess credit risk and a loan composition skewed towards unsecured lending.

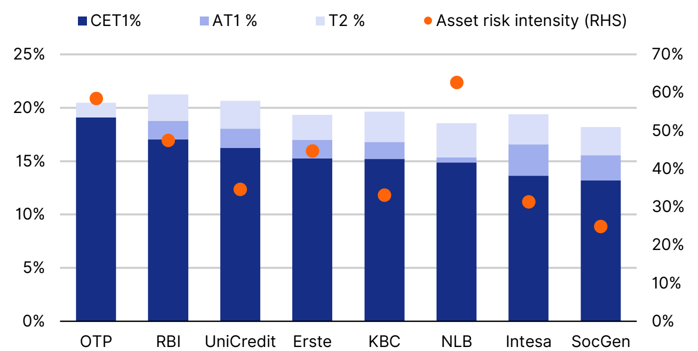
In the medium term, we expect the group to maintain a lower, yet solid, CET1 ratio, in the 15-17% range, as the group remains keen on growth. We also don't exclude an increase in the pay-out if OTP cannot find valuable M&A opportunities.

Figure 11: Capital profile



Source: SNL, Scope Ratings

Figure 12: Capital profile – peer comparison (Q3 2024)



Source: SNL, Scope Ratings

Customer deposits are the primary source of funding

OTP funds mainly through customer deposits, which make up 73% of the group's balance sheet. In a high interest rate environment, the group's deposit base has been stable (net of M&A effects) due to OTP's dominant market position and customers' reluctance to switch to higher-yield investment products. Volume growth in most CEE markets has offset the decline in Hungary, where customers have rearranged savings and competition from debt agency-issuing bonds has increased.

The group used to issue retail bonds, although never in large quantities because retail customers have preferred to invest in government bonds.

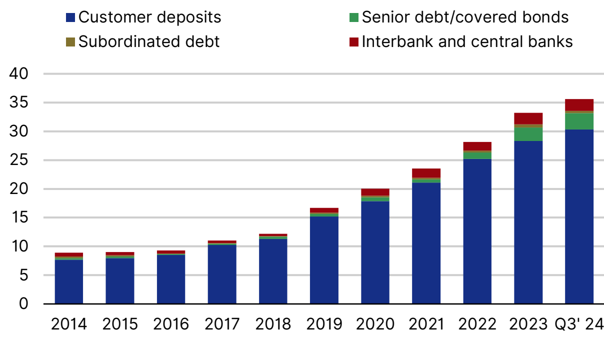
Funding drawn from capital markets accounts for just 5% of the group's total liabilities. OTP is active on the domestic capital market through covered bonds issued by OTP Mortgage Bank and, to a lesser extent, through OTP Bank. Issuance on international bond markets has materially increased since 2022, due to the need to fulfil the minimum requirement for own funds and eligible liabilities (MREL) which is now binding. Since 2022, the group has completed seven benchmark issuances, including USD 650m Tier 2 bond in January 2023, and a EUR 700m green senior preferred bond in June 2024

The growing presence in the international bond market is positive for OTP. Going forward, we expect the group to continue tapping this market, particularly to fulfil regulatory requirements (such as MREL).

As of September 2024, OTP comfortably met the requirement of 24.2% of its total risk exposure (including buffers), with 29.3%.

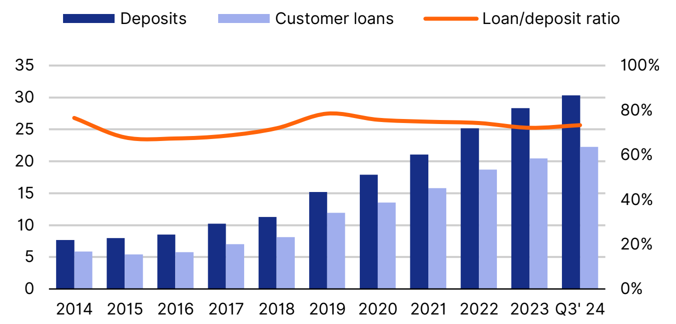
Liquidity buffers are sound. As of Q3 2024, the liquidity coverage ratio stood at 231%, while the net stable funding ratio was at the 154%.

Figure 13: OTP's funding breakdown (HUF trn), historical



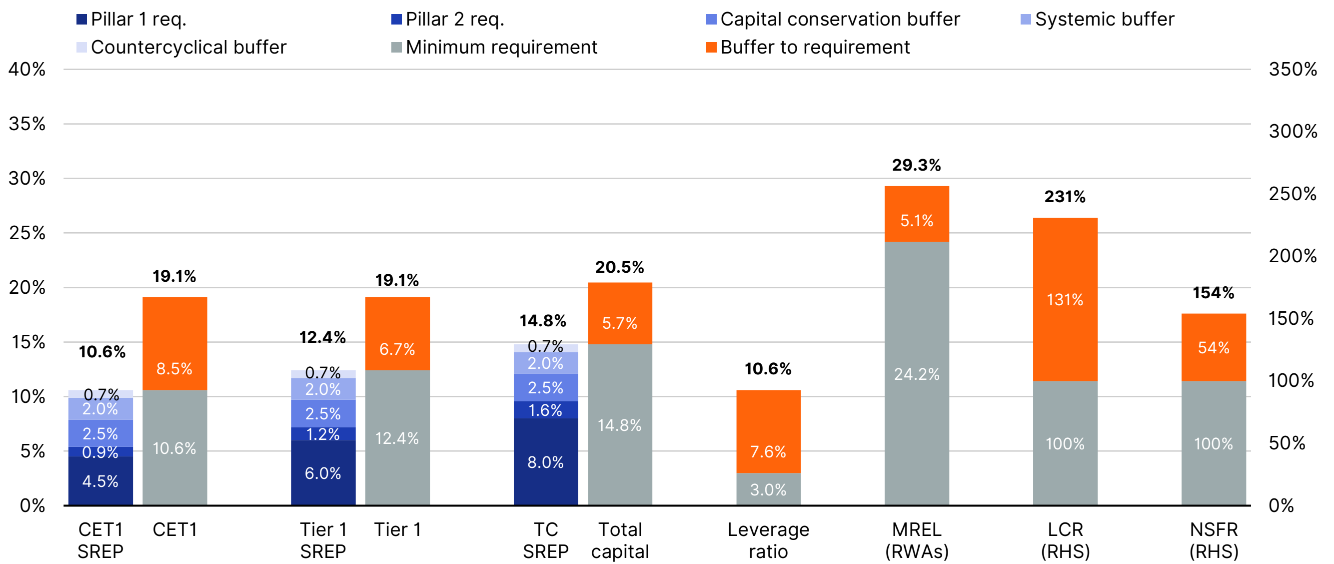
Source: SNL, Scope Ratings

Figure 14: Loans and deposits (HUF trn), historical



Source: SNL, Scope Ratings

Figure 15: Overview of distance to requirements as of September 2024



Source: Company data, Scope Ratings

Financial appendix

I. Appendix: Selected financial information – OTP Bank Nyrt

	2020	2021	2022	2023	9M 2024
Balance sheet summary (HUF bn)					
Assets					
Cash and interbank assets	3,581	4,141	5,572	8,692	7,729
Total securities	5,193	6,537	7,157	7,405	9,963
of which, derivatives	124	203	325	196	NA
Net loans to customers	13,553	15,772	18,709	20,438	22,251
Other assets	1,008	1,104	1,366	3,074	1,614
Total assets	**23,336**	**27,553**	**32,804**	**39,609**	**41,557**
Liabilities					
Interbank liabilities	1,219	1,609	1,517	2,012	2,053
Senior debt	631	569	1,152	2,298	2,804
Derivatives	116	214	414	204	103
Deposits from customers	17,891	21,069	25,189	28,332	30,349
Subordinated debt	275	278	302	562	392
Other liabilities	667	779	908	2,105	1,057
Total liabilities	**20,799**	**24,517**	**29,482**	**35,514**	**36,758**
Ordinary equity	2,533	3,031	3,316	4,087	4,790
Equity hybrids	0	0	0	0	0
Minority interests	4	6	6	8	9
Total liabilities and equity	**23,336**	**27,553**	**32,804**	**39,609**	**41,557**
Core tier 1/ common equity tier 1 capital	*2,316*	*2,927*	*3,278*	*3,946*	*4,639*
Income statement summary (HUF bn)					
Net interest income	783	874	1,027	1,387	1,285
Net fee & commission income	398	442	584	692	597
Net trading income	35	10	-10	86	5
Other income	-6	16	10	-3	33
Operating income	**1,209**	**1,342**	**1,611**	**2,162**	**1,920**
Operating expenses	691	747	930	1,074	878
Pre-provision income	**518**	**595**	**682**	**1,087**	**1,043**
Credit and other financial impairments	222	62	238	119	46
Other impairments	7	5	NA	15	NA
Non-recurring income	8	0	4	247	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	**298**	**528**	**378**	**1,201**	**996**
Income from discontinued operations	6	0	28	-21	20
Income tax expense	44	72	59	189	190
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	1	1	2	3
Net profit attributable to parent	**259**	**456**	**346**	**989**	**823**

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

II. Appendix: Selected financial information – OTP Bank Nyrt

	2020	2021	2022	2023	9M 2024
Funding and liquidity					
Net loans/ deposits (%)	71%	70%	69%	67%	68%
Liquidity coverage ratio (%)	214%	180%	172%	246%	231%
Net stable funding ratio (%)	139%	139%	137%	153%	NA
Asset mix, quality and growth					
Net loans/ assets (%)	58.1%	57.2%	57.0%	51.6%	53.5%
Problem loans/ gross customer loans (%)	5.1%	4.8%	4.6%	3.6%	4.0%
Loan loss reserves/ problem loans (%)	115.8%	110.2%	112.3%	121.8%	104.0%
Net loan growth (%)	13.8%	16.4%	18.6%	9.2%	11.8%
Problem loans/ tangible equity & reserves (%)	23.4%	21.8%	22.1%	16.3%	17.0%
Asset growth (%)	16.0%	18.1%	19.1%	20.7%	6.6%
Earnings and profitability					
Net interest margin (%)	3.8%	3.6%	3.5%	3.9%	4.4%
Net interest income/ average RWAs (%)	5.2%	5.6%	5.3%	6.1%	6.9%
Net interest income/ operating income (%)	64.7%	65.1%	63.7%	64.2%	66.9%
Net fees & commissions/ operating income (%)	32.9%	32.9%	36.3%	32.0%	31.1%
Cost/ income ratio (%)	57.1%	55.7%	57.7%	49.7%	45.7%
Operating expenses/ average RWAs (%)	4.6%	4.8%	4.8%	4.8%	4.7%
Pre-impairment operating profit/ average RWAs (%)	3.5%	3.8%	3.5%	4.8%	5.6%
Impairment on financial assets / pre-impairment income (%)	42.8%	10.4%	35.0%	10.9%	4.5%
Loan loss provision/ average gross loans (%)	1.5%	0.3%	1.0%	0.6%	0.2%
Pre-tax profit/ average RWAs (%)	2.0%	3.4%	2.0%	5.3%	5.4%
Return on average assets (%)	1.2%	1.8%	1.1%	2.7%	2.7%
Return on average RWAs (%)	1.7%	2.9%	1.8%	4.4%	4.5%
Return on average equity (%)	10.8%	16.9%	10.9%	27.0%	24.6%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	15.4%	NA	NA	16.3%	NA
Common equity tier 1 ratio (%, transitional)	15.4%	17.5%	16.1%	16.6%	19.1%
Tier 1 capital ratio (%, transitional)	15.4%	17.5%	16.1%	16.6%	19.1%
Total capital ratio (%, transitional)	17.7%	19.1%	17.5%	18.9%	20.5%
Leverage ratio (%)	9.2%	10.1%	9.5%	9.1%	10.6%
Asset risk intensity (RWAs/ total assets, %)	64.5%	60.6%	62.2%	59.8%	58.4%
Market indicators					
Price/ book (x)	1.5x	1.5x	0.9x	1.1x	1.1x
Price/ tangible book (x)	1.6x	1.7x	0.9x	1.2x	1.1x
Dividend payout ratio (%)	NA	NA	23.3%	14.6%	NA

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

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