

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms OTP Bank Nyrt's Baa3 senior unsecured debt rating, changes outlook to negative from stable

04 Dec 2024

OTP Bank Nyrt's Baa1 long-term deposit ratings were also affirmed, outlook changed to positive from stable

Limassol, December 04, 2024 -- Moody's Ratings (Moody's) has today affirmed OTP Bank Nyrt's (OTP) Baa1/P-2 long- and short-term deposit ratings and its Baa3 senior unsecured debt rating. Concurrently we changed the outlook on the long-term deposits to positive from stable and on the senior unsecured debt rating to negative from stable. Further, we affirmed OTP's ba1 Baseline Credit Assessment (BCA) and Adjusted BCA, its Ba2 subordinated bond and its Ba3(hyb) junior subordinated bond ratings as well as its Baa1/P-2 long- and short-term Counterparty Risk Ratings (CRR), and its Baa1(cr)/P-2(cr) long- and short-term Counterparty Risk (CR) Assessments.

We also affirmed OTP Jelzalogbank Zrt. (OTP Mortgage Bank)'s (OTP MB, OTP's wholly owned mortgage bank subsidiary) Baa3 backed long-term issuer rating and changed the outlook to negative from stable. OTP MB's Baa1/P-2 long- and short term CRRs and Baa1(cr)/P-2(cr) long- and short-term CR Assessments were also affirmed.

RATINGS RATIONALE

-OTP BANK NYRT

--AFFIRMATION OF THE BASELINE CREDIT ASSESSMENT

The affirmation of OTP's ba1 BCA acknowledges the diversification in its revenues and asset composition as a result of its leading franchise in Hungary as well as in several Central and Southern Eastern European countries. Around two thirds of OTP's operations are outside Hungary, predominantly in countries in the European Union, but also in weaker operating environments such as in the Commonwealth of Independent States. These foreign operations provide significant growth opportunities

and enable the continued and gradual strengthening of OTP's financial performance.

OTP's diversified loan book, both across geographies and industries, supports its credit profile. Despite its relatively high allocation to unsecured consumer loans the bank maintains strict underwriting as evidenced by improving asset quality and contained cost of risk, which also support the affirmation of the BCA.

OTP's credit profile further benefits from its strong profitability, which we expect will remain robust, despite the headwinds to its high net interest margin due to the decline in interest rates mainly affecting OTP's operations in the euro area and euro-linked countries.

The affirmation of the bank's ba1 BCA also reflects its high capitalization supported by strong internal capital generation and low leverage but also expected to soften from current high levels given OTP's acquisitive growth strategy.

The ba1 BCA also considers OTP's funding base, which relies predominantly on stable retail deposits, with limited reliance on confidence sensitive market funding while the bank maintains strong liquidity buffers.

--AFFIRMATION OF DEBT AND DEPOSIT RATINGS

The affirmation of OTP's Baa1 long-term deposit ratings, Baa3 senior unsecured debt rating as well as its Ba2 subordinated debt rating and Ba3(hyb) junior subordinated debt rating reflects the affirmation of the bank's ba1 Adjusted BCA and the unchanged results of our Advanced Loss Given Failure (LGF) analysis, which drive three notches of uplift for OTP's deposit ratings and no uplift for the senior unsecured debt. Given the very high severity for the bank's subordinated and junior subordinated debt, these are rated one notch and two notches respectively (also considering the coupon skip mechanism for the latter) below the Adjusted BCA.

Our Advanced LGF analysis incorporates the outstanding volumes of debt as well as OTP's planned issuances for next year and is based on OTP's current common resolution perimeter, which excludes certain operations most important of which is OTP's Slovenian subsidiary.

Because of OTP's domestic importance, we assume a moderate likelihood of support in case of need from the Government of Hungary (Baa2 negative) for deposits and senior creditors, which results in one notch of uplift in the bank's senior unsecured debt rating and no uplift for the deposit ratings because they already exceed the government rating before support considerations.

-OTP MB

The affirmation of OTP MB's Baa3 backed long-term issuer rating, its Baa1/P-2 long- and short-term CRRs and Baa1(cr)/P-2(cr) long- and short-term CR Assessments is driven by the affirmation of OTP's equivalent ratings and assessments. OTP MB's

ratings are aligned with the equivalent ratings of its parent bank, based on OTP's explicit and irrevocable guarantee for OTP MB's unsubordinated liabilities and our assessment that OTP MB is a highly integrated entity of OTP.

--OUTLOOKS

The positive outlook on OTP's long-term deposit ratings reflects our expectation that the bank's strong financial performance, particularly profitability and capitalization, as well as the trend of improving asset quality will be maintained over the next 12-18 months driving an upgrade of its BCA and Adjusted BCA.

The negative outlook on the bank's senior unsecured debt rating and on OTP MB's backed long-term issuer rating, is driven by the negative outlook on the sovereign ratings as these ratings could lose the current government support uplift in case of a downgrade of Hungary's Baa2 rating.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

OTP's and OTP MB's ratings could be upgraded following an upgrade of OTP's BCA. The bank's senior unsecured debt rating, as well as its subordinated and junior subordinated debt ratings could also be upgraded following the issuance of more junior instruments resulting in lower losses for the relevant creditors and larger uplift from the application of our Advanced LGF analysis. Given the negative outlook on Hungary's ratings the potential benefit to OTP's deposit ratings from a higher BCA could be offset by a lower rating of the sovereign as under our methodology the deposit ratings are constrained at two notches above the sovereign rating.

OTP's BCA could be upgraded following sustained improvements in solvency, mainly by continued improvement in asset quality while maintaining strong profitability and capitalization.

OTP's and OTP MB's senior unsecured debt and backed long-term issuer ratings respectively could be downgraded following a downgrade of the sovereign rating. The banks' ratings could also be downgraded following a downgrade of OTP's BCA or changes in its liability structure that would result in lower notching following the application of Advanced LGF.

OTP's BCA could be downgraded following a significant deterioration in its solvency and its liquidity profile.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moodys.com> for additional

regulatory disclosures for each credit rating.

Melina Skouridou, CFA
Vice President - Senior Analyst

Maria Jose Mori
Senior Vice President

Releasing Office:
Moody's Investors Service Cyprus Ltd.
Porto Bello Building
1, Siafi Street, 3042 Limassol
PO Box 53205
Limassol, CY 3301
Cyprus
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR

ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in

preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is

pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.