OTP Bank Nyrt
Issuer Rating Report

BBB+ STABLE

Scope's credit view (summary)

The **BBB+ issuer rating** of OTP Bank Nyrt (OTP) is based on its dominant market position in Hungary and its high degree of geographical diversification through acquisitions in Eastern Europe. These franchises underpin the bank's resilient business model.

We acknowledge OTP's strong track record of integrating multiple acquisitions, which have provided the group with strong growth opportunities. Nevertheless, we also note the challenges that the acquisitions pose to the risk profile, especially if executed in high numbers.

Although OTP's non-performing loan ratio is higher than international peers', we deem it manageable owing to the high reserve coverage. So far, the Covid crisis has had only a negligible impact on the group's credit portfolio. In 2020, the performance of the group declined due to the slowdown in revenue growth and a fourfold increase in provisions. Results have rebounded in 2021 and asset quality metrics have improved, mainly thanks to strong loan growth. We do not foresee a material deterioration of these metrics in 2022.

High capital buffers and a solid funding profile provide additional support to OTP's ratings. Despite acquisitions, the group's capital ratios have steadily increased over the years due to its high profitability. The strong stress test results (EBA 2021) demonstrate the group's solid capital position.

OTP is funded primarily through deposits thanks to its strong position in retail markets, mainly in Hungary and Bulgaria. The group's foreign subsidiaries are funded in local currency, thus minimising their currency and funding risks.

Outlook

The **Outlook is Stable**, reflecting our view that OTP's credit profile will remain unchanged in the next 12 to 18 months.

Credit strengths

- Strong market position in Hungary
- High geographic diversification
- Strong financial fundamentals

Credit weaknesses

- Exposed to volatile operating environments, such as Russia and Ukraine
- Frequent acquisitions of banking franchises in new markets

Positive rating-change drivers

- Significant improvements in managing emerging ESG-D challenges relative to peers

Negative rating-change drivers

- A significant deterioration in the group's asset quality or profitability that could arise form an economic downturn in CEE
- A material decline in capital ratios, which now are comfortably above requirements

Ratings & Outlook

Issuer rating	BBB+
Outlook	Stable
Senior unsecured debt rating	BBB+
Senior unsecured debt (MREL/TLAC eligible) rating	BBB
Tier 2 debt rating	BB+

Lead Analyst

Alessandro Boratti
a.boratti@scoperatings.com

Team Leader

Dierk Brandenburg
d.brandenburg@scoperatings.com

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

info@scoperatings.com
www.scoperatings.com

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Issuer profile

OTP Bank Nyrt. is the largest bank in Hungary and the parent company of OTP Bank Group. The group was founded in 1949 as a public savings and commercial institution. After its privatisation in the nineties, the group started to expand in Central and Eastern Europe (CEE) through several acquisitions. Nowadays, its operations span 11 countries across the CEE area. OTP is listed on the Budapest Stock Exchange and is majority-owned by foreign institutional investors.

Recent events

Rebound in earnings in 2021

OTP reported sound results across all its geographies in the first nine months of 2021. Revenues were up 12%[1] YoY thanks to organic growth, especially in Hungary, Bulgaria and Ukraine. The only exception was Romania, where the bottom line was affected by investments associated with the implementation of a growth strategy. The net interest margin remained flat due to a high inflow of deposits. Provisions normalised and were 68% lower than in the previous year. Management expects an adjusted return on equity of 18%-20% for 2021.

In May 2021, OTP announced its largest acquisition yet. It agreed with Apollo and the EBRD to acquire the full stake in Nova KBN, Slovenia's second largest bank. This is OTP's second deal in Slovenia after the takeover of SKB Banka from Société Générale in 2019. Upon regulatory approval, OTP would become the biggest lender in the country with an approximate market share of 29%.

In September 2021, the issuer signed a non-binding memorandum of agreement for the potential acquisition of state-owned Ipoteka Bank, Uzbekistan's fifth largest bank.

Credit profile

Well-diversified business model in Central Eastern Europe

OTP is one of the largest independent banking groups in Central Eastern Europe with a balance sheet of HUF 26.2trn (EUR 72bn as of Q3 2021). As a universal bank, OTP provides a broad range of lending, savings and investment products in Hungary and 10 Central Eastern European countries: Bulgaria, Croatia, Serbia, Slovenia, Romania, Ukraine, Russia, Montenegro, Moldova and Albania.

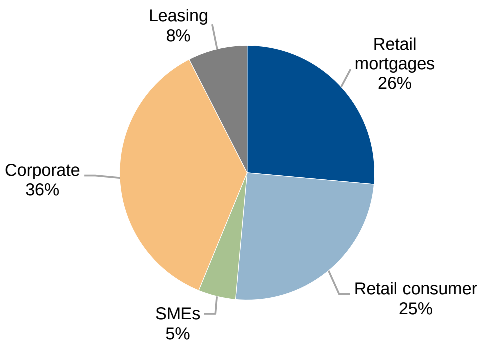
More than half of the group's loan book relates to retail (51%), with roughly a 50-50 split between mortgages and consumer credit. The rest of the loan book breaks down into corporate and public sector loans (36%), leasing (8%) and SME lending (5%).

Hungary makes up less than 50% of the group's assets and revenues

OTP generates more than half of its revenues from foreign subsidiaries while Hungarian commercial banking ('core') make up 42% of total. The remaining revenues are from leasing and asset management in Hungary.

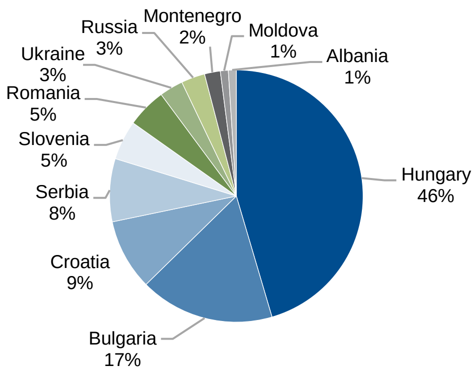
[1] On an FX-adjusted basis, also corrected for the effect of the sale of OTP Bank Slovakia

Figure 1: Gross customer loans breakdown – Q3 2021



Source: Company data, Scope Ratings

Figure 2: Assets breakdown by country, Q3 2021



Source: Company data, Scope Ratings

Dominant market position in Hungary and strong market shares in several CEE countries

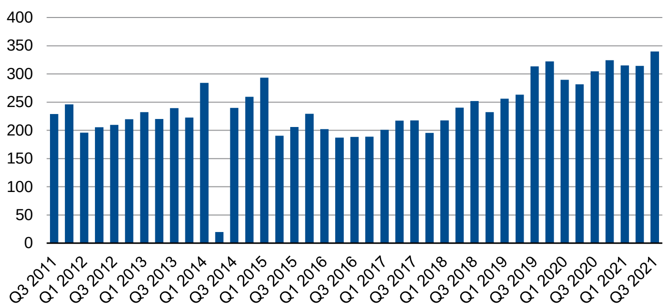
OTP is the clear market leader in the Hungarian banking sector. Its market shares in some key segments, including mortgage loans and household savings, are above 30%. In some segments, the group's market shares have substantially increased in the past years. In domestic business loans, the issuer's market share has more than doubled in the past 12 years, from 7.5% to 18.3%. In household savings, market shares increased from 27% in 2011 to 33% in June 2021.

Geographical diversification is a strength

OTP is also an important player in most of the foreign countries where it operates; it is among the top three banks in Bulgaria, Serbia, Slovenia and Montenegro. In Croatia, it is the fourth largest bank by total assets. In Russia, it is the leader in point-of-sale lending.

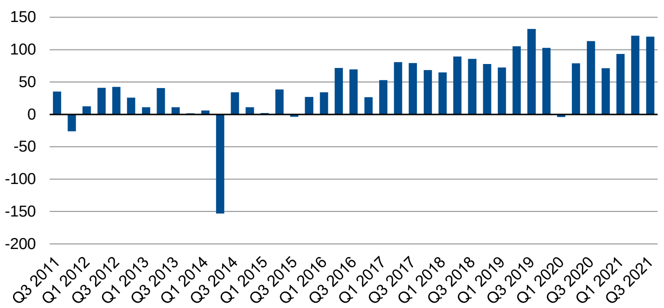
OTP has a strong track record of revenue and earnings growth, which proved resilient during the pandemic (Figure 3 and 4).

Figure 3: Quarterly revenues, HUF bn



Source: SNL, Scope Ratings
Part of non-recurring items are included in 'other income' within revenues

Figure 4: Quarterly net income, HUF bn



Source: SNL, Scope Ratings

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

In order to pursue its ambition to become the most successful universal banking group in the CEE region, OTP acquired eight banks over four years, for a book value of EUR 2bn. The presence in growth markets with high margins and OTP's strong track record of integrating acquisitions have allowed the bank to grow at a strong pace.

Geographical diversification is an element of strength for OTP's business model because it makes the group less dependent on the Hungarian economy. OTP sees foreign currency earnings as a hedge because underperformance of the Hungarian economy would typically result in the depreciation of the forint and vice versa.

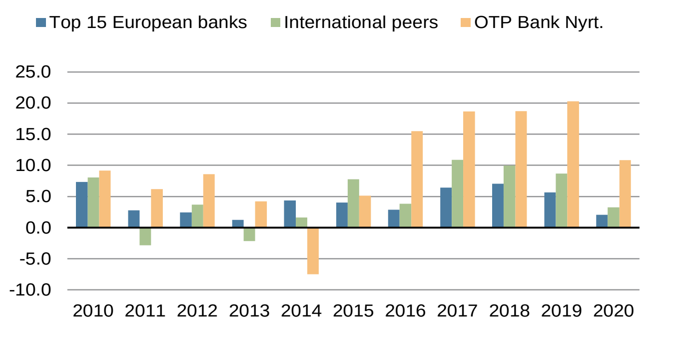
The group's capital position is naturally protected by ordinary exchange rate movements. Its subsidiaries are funded locally and have a limited exposure to foreign currencies, which means that only their equity is exposed to changes in FX rates. A decrease (increase) in capital due to translation adjustments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

Earnings can be hit by sharp currency depreciation in risky markets

However, the presence in more volatile operating environments such as Russia and Ukraine exposes the group to a devaluation in the respective countries. Given the relatively small size of these operations within the OTP group, the risk to credit investors arising from these exposures is limited in our view. Ironically, the largest FX-related losses were related to Hungarian domestic loans denominated in foreign currency in 2014 (Figure 4).

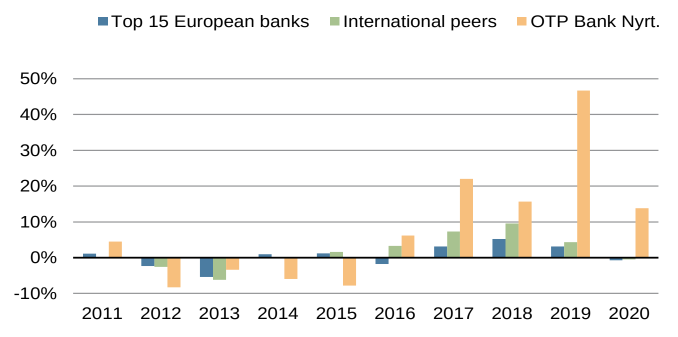
On top of the risks naturally associated with banking in emerging markets, we highlight the challenges that come with acquisitions; these include integration issues, the possible presence of unknown liabilities and potential failures to adequately control credit origination and risk in the new subsidiaries.

Figure 5: Return on average equity, historical



Source: SNL, Scope Ratings
Note: top 15 European banks by total assets as of 2020 (Russia excluded)
OTP's international peers comprise UniCredit, Intesa, RBI, Erste, KBC, SocGen

Figure 6: Annual growth in net customer loans, historical



Source: SNL, Scope Ratings
Note: top 15 European banks by total assets as of 2020 (Russia excluded)
OTP's international peers comprise UniCredit, Intesa, RBI, Erste, KBC, SocGen

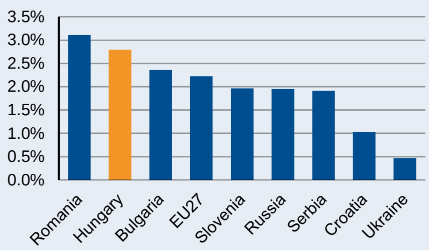
Operating environment assessment

We consider Hungary as a moderately supportive operating environment.

After a prolonged period of stagnation in the wake of the Global Financial Crisis, the Hungarian economy enjoyed a period of sustained economic growth that ended only with the Covid pandemic. Between 2010 and 2019, the country's GDP grew by more than 2.5% annually, higher than the EU-27 average.

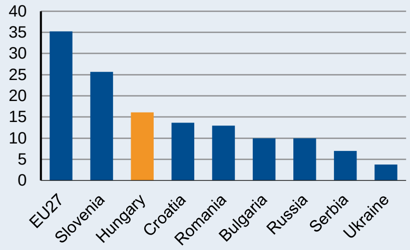
Hungary was hit hard by the Covid crisis, with GDP declining by more than 5pp, but the government's fiscal response was appropriately strong. We expect a recovery to pre-crisis output levels by 2022. Hungary's sovereign risk is rated BBB+/Stable by Scope.

Figure 7: Real GDP growth, 2010-19 average



Source: SNL, Scope Ratings

Figure 8: GDP per capita, USD '000s – YE 2020



Source: SNL, Scope Ratings

The Hungarian banking sector is concentrated. The five biggest banks control more than 70% of domestic banking assets. Five out of the seven largest private banks are subsidiaries of foreign groups (KBC, UniCredit, Erste, RBI and Intesa).

Domestic customer loans divide into non-financial companies (48%), households (44%), and other financial corporations. Consumer lending accounts for 50% of household lending in Hungary, which is much larger than for other banks in Western Europe. Within corporates, the largest sector exposure relates to real estate and related activities, which account for about 15% of corporate lending.

Despite the pandemic, housing prices continued to rise on a national level, but the average loan-to-value ratio remained well below the regulatory limit of 80%, both in Budapest and in the countryside.

Hungarian banks are subject to the EU regulation. After incorporating the Financial Supervisory Authority in 2013, the Hungarian Central Bank acts as prudential supervisor and resolution authority.

Strong earnings generation thanks to relatively high interest margins

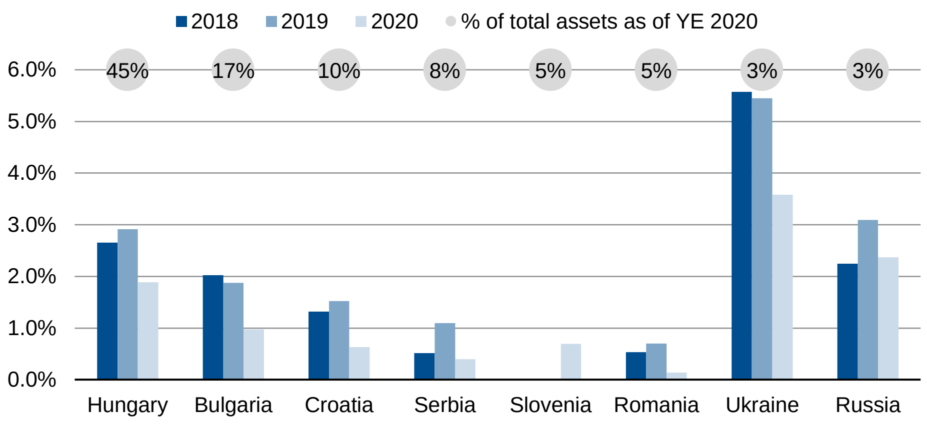
Since 2015, OTP has outperformed its international peers in terms of both returns and lending growth. OTP's return on equity averaged 16.8% during the period.

Profitability benefitted from the strong performance of the Hungarian economy that followed a prolonged period of stagnation after the Global Financial Crisis. Earnings were also supported by sound growth in foreign countries, enhanced by focused acquisitions that strengthened the group's market position in the CEE region. We think that the group's dominant position in its home market is another important element backing margins and returns.

OTP's return on average equity was above 10% in 2020

The Covid crisis caused earnings to fall across the group in 2020, except in Moldova. Revenue growth slowed and credit provisions quadrupled to 115bp of customer loans YoY. Nevertheless, OTP recorded positive returns in Hungary and Bulgaria, as well as Ukraine and Russia, where the group operates with high risk-adjusted margins.

Figure 9: FX-adjusted ROA* by country, last three years



Source: Company data, Scope Ratings
*After conversion to HUF and estimated using end-of-year balance sheet figures; main countries only (Montenegro, Albania and Moldova excluded)

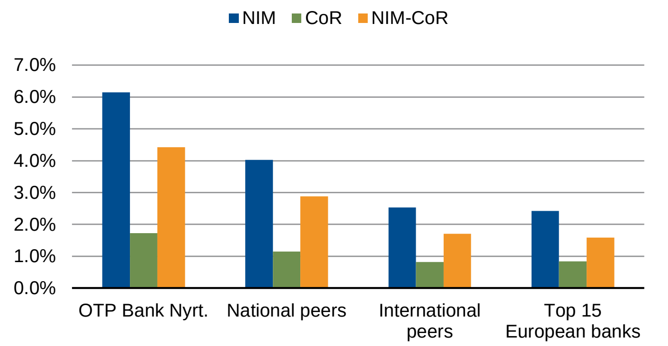
OTP's interest margins have declined for years, but they remain higher than peers'

In the CEE area, margins have been following the long-term decline in interest rates in the past five years. During this period, OTP's net interest margin decreased by about 2 percentage points to 3.5% in 2021.

In 2021, the Hungarian Central Bank raised its base rate in several steps from 0.6% to a five-year high of 1.8% to combat rising inflation. We think that the hikes will provide Hungarian banks with more leeway to defuse margin pressure.

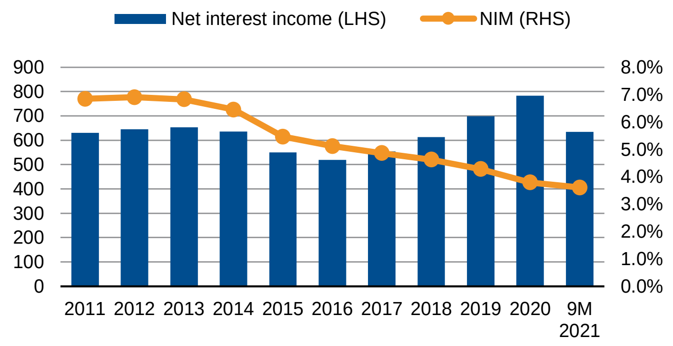
Going forward, OTP's interest margin dynamics will depend on several factors, including the group's expansion into higher-yielding markets, inflationary pressure and the lending mix with consumer credit.

Figure 10: Interest margins, gross and net of cost of risk, 2020



Source: SNL, Scope Ratings
Note: NIM (net interest margin) and CoR (cost of risk) calculated on net customer loans

Figure 11: Net interest income (HUF bn) and margin, historical

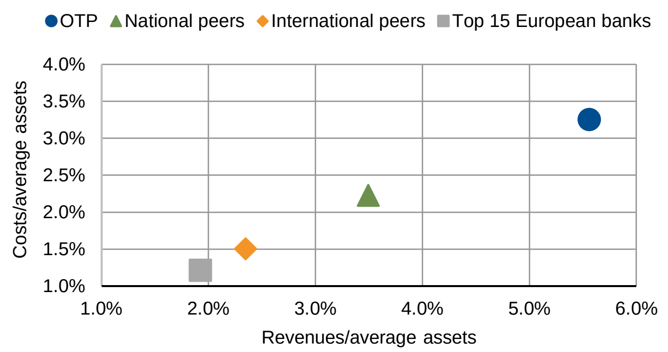


Source: SNL, Scope Ratings
Note: NIM calculated on total financial assets

Despite the margin decline and the Covid crisis, OTP maintained its cost-to-income ratio at 54% in 2020. We think that strong revenue generation allows the bank to operate with less efficiency compared to international peers; its ratio of costs to average assets is indeed well above average. It is worth remembering that OTP's operating expenses include the Hungarian bank levy, which accounted for roughly 10% of the group's expenses in 2020.

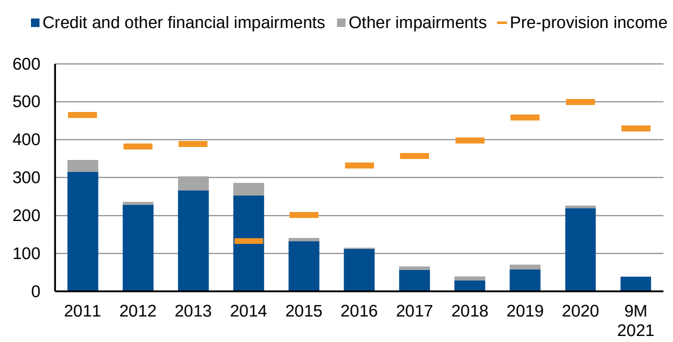
Risk costs are comfortably covered by pre-provision earnings. OTP managed to maintain a comfortable margin over provisions in 2020, despite a quadrupled cost of risk from 0.28% to 1.15%.

Figure 12: Breakdown of 2020 cost-to-income ratio



Source: SNL, Scope Ratings

Figure 13: Pre-provision profits vs financial impairments



Source: SNL, Scope Ratings

Resilient asset quality metrics throughout the pandemic

Since 2014, OTP's asset quality metrics have improved significantly amid more supportive economic conditions. As of September 2021, OTP's Stage 3 ratio stood at 5.2%. Most of the impaired loans are in the group's three main markets of Hungary, Bulgaria and Croatia, where Stage 3 ratios were 3.4%, 6.9% and 8.8%, respectively.

The Stage 3 ratio is notably higher in Russia (12.7%), where OTP focuses on unsecured consumer lending. Here, the group has coverage levels of above 90%, accounting for the low recovery rates on impaired positions.

While Stage 3 ratios are significantly higher than for banks in Western Europe, they are in line with the underlying risk characteristics of the markets where OTP operates –

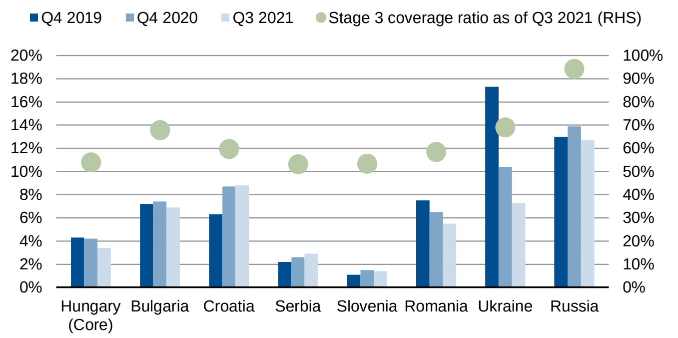
something we capture in our operating environment assessment. We do not further penalise the group for its asset quality.

OTP prefers to work out NPLs rather than dispose of them

OTP's Stage 3 ratio in Hungary is also slightly higher compared to peers', mainly reflecting the strategic preference for internally working out deteriorated positions rather than selling them off at a discount. We acknowledge that, provided the group has the right expertise, this strategy can lead to higher final recovery rates and a better ability to retain customers.

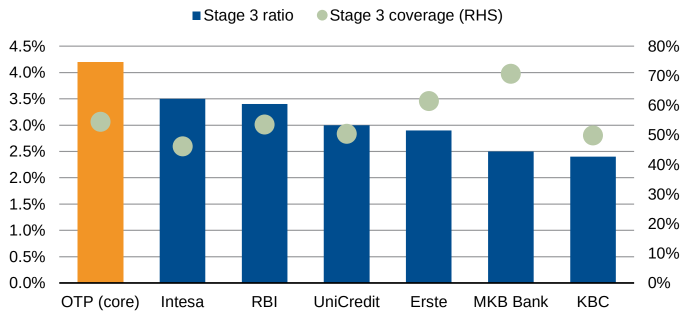
OTP has several entities that act as debt collectors across its markets. In Hungary, it employs around 500 people and has long-standing experience in the field.

Figure 14: OTP's headline asset quality metrics by country



Source: Company data, Scope Ratings
Note: ratios calculated on gross values

Figure 15: OTP core vs Hungarian peers – headline asset quality metrics, YE 2020

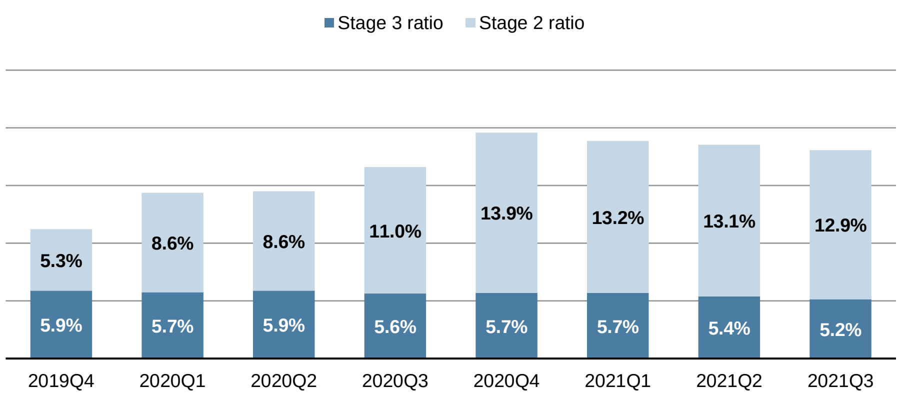


Source: SNL, Scope Ratings
Note: ratios calculated on gross values

Since the beginning of the pandemic, the issuer's Stage 2 ratio has increased materially, peaking at 13.9% at YE 2020. This was due to the reclassification of corporate exposures based on sectors and the credit migration of some retail positions.

So far, there have been no signs of credit deterioration in OTP's loan book due to Covid. The group's gross Stage 3 ratio has decreased by 76bp since the end of 2019. An important factor behind the decline of the ratio was lending growth supported by government-subsidised lending programmes. On a FX-adjusted basis, the stock of performing loans expanded by 11% in the first nine months of 2021.

Figure 16: OTP – Stage 2 and 3 ratios, past quarters



Source: SNL, Scope Ratings
Note: ratios calculated on gross values

When the pandemic hit, OTP was subject to different debt moratorium programmes across its geographies. In Hungary, a legal moratorium had to be automatically applied to all outstanding loans unless customers opted out voluntarily. The blanket moratorium expired at the end of October 2021, after which customers can only opt in subject to conditions until 30 June 2022.

Loans under debt moratoriums made up 4.2% of loans in Hungary as of November 2021. We do not expect a material increase in non-performing loans once the payment holiday programme expires. Legal moratoriums have expired in most other jurisdictions, except in Montenegro where the deadline for applications is YE 2021.

Solid capital position notwithstanding acquisitions in the recent past

For 2021, the Hungarian Central Bank set OTP's CET1 ratio requirement at 7.9%. The systemic risk buffer of 2% has been temporarily removed due to Covid but OTP will have to replenish that buffer again by 2024, starting from 2022 (0.5%). The CET1 portion of the Pillar 2 requirement is 0.78% and there is a small 0.1% countercyclical buffer due to OTP's exposure to Bulgaria. The capital conservation buffer is 2.5%.

At the end of September 2021, the group's consolidated CET1 ratio stood at 15.4%, 1pp above the pre-Covid level. The total capital ratio was 17%. Since OTP does not hold AT1 instruments, its Tier 1 ratio was at the same level as the CET1 ratio.

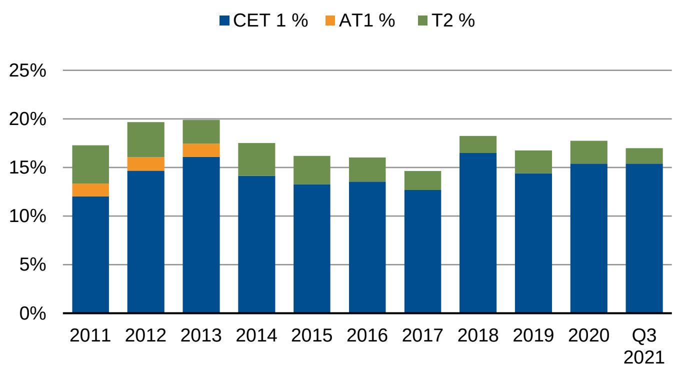
As opposed to most Western European banks, OTP held high capital ratios already in the beginning of the past decade. The strong internal capital generation allowed the group to carry out several acquisitions and pay dividends before the pandemic. Despite the recent restrictions to dividend distribution, management remains committed to distribute part of the earnings.

The issuer's asset risk intensity is high, at 62% at the end of September 2021. Two reasons lie behind such a high figure: the use of standardised models to assess credit risk, and the loan composition, skewed towards unsecured lending.

Positive results in EBA 2021 stress test

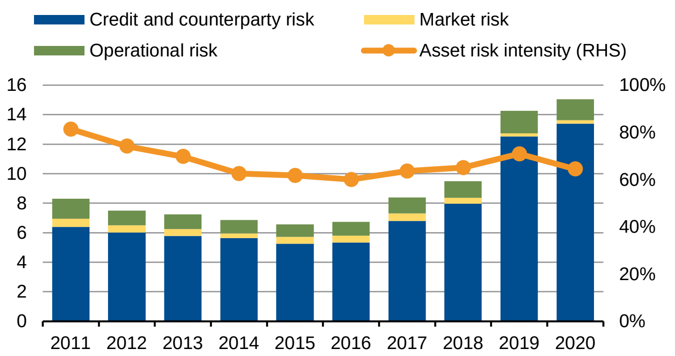
Under the adverse scenario of the EBA's 2021 stress test, OTP's CET1 ratio could decline by 3 percentage points from the 2020 level, which is the 12th best result in the EBA sample. The 2023 CET1 ratio under the adverse scenario would still be above the group's minimum requirement even with a 2% O-SII buffer.

Figure 17: OTP – capital ratios, historical



Source: SNL, Scope Ratings
Note: Basel III from 2014

Figure 18: RWA (HUF trn) split vs RWA intensity



Source: SNL, Scope Ratings

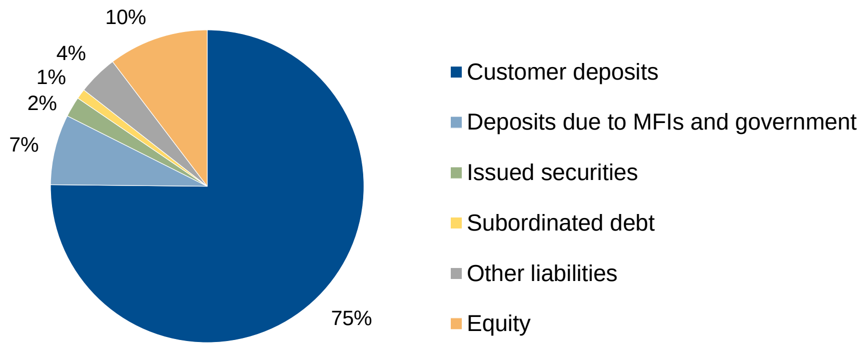
In September 2021, OTP decided to redeem HUF 180bn worth of ICES bonds (Income Certificates Exchangeable for Shares) and to repurchase around 14.5bn ordinary shares held as a collateral. Following amendments to EU regulation, ICES bonds can no longer be considered as regulatory capital or for MREL purposes. Moreover, ICES bonds are more expensive than MREL-eligible senior instruments that can be issued by OTP. This operation reduced the group's CET1 ratio by 55bps.

In order to replenish capital, the board proposed to sell treasury shares to two SECOPs (Special Employee Co-Ownership Program), for a maximum value of HUF 210bn. Considering also the ICES transaction, the total effect on capital could be positive: up to 80bps for the CET1 ratio and 20bps for the total capital ratio. The board's proposal was accepted at OTP's extraordinary general meeting in October 2021.

Customer deposits are the primary source of funding

OTP funds mainly through customer deposits, especially in the Hungarian and Bulgarian markets. As of Q3 2021, customer deposits accounted for 75% of the group's balance sheet. Retail customers made up almost 60% of total deposits, most of which are sight deposits. The loan-to-deposit ratio stood at 76% at the end of Q2 2021.

Figure 19: OTP – Funding structure as of Q3 2021



Source: SNL, Scope Ratings

Funding drawn from capital markets only accounts for 3% 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. The latest international issue was a EUR 500m Tier 2 in July 2019. The group used to issue retail bonds, although never in big quantities because government bonds are the preferred investment for retail customers.

OTP is not keen to increase wholesale funding because deposits are cheaper. This is due to the group's dominant market position and to customers' reluctance to switch to investment products with higher yields – in particular in Hungary. The group only issues debt instruments to fulfil regulatory requirements. For instance, its Hungarian mortgage subsidiary must fund 25% of its loan book with covered bonds.

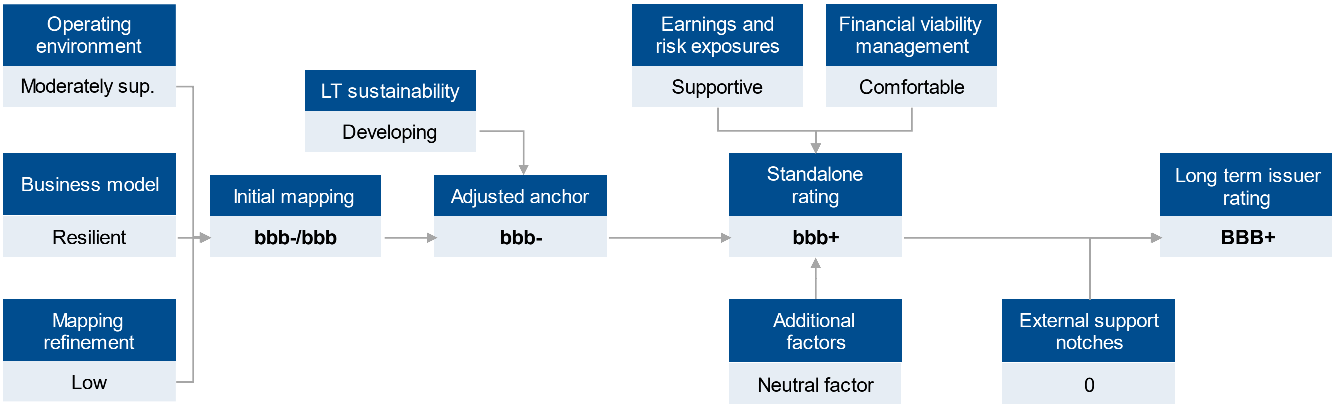
Future bond issuance to fulfil its MREL requirement

OTP does not currently make full use of AT1s, T2s and senior non-preferred debt to meet its MREL requirement, which will be binding from 1 January 2022 (11.55% of the group's TLOF, or 17.16% of its risk-weighted assts).

We believe the group has room to optimise its capital structure, which at present is of very high quality compared to European banks.

Liquidity buffers are comfortable. As of Q3 2021, its liquidity coverage ratio stood at 203%, while its net stable funding ratio at 130%.

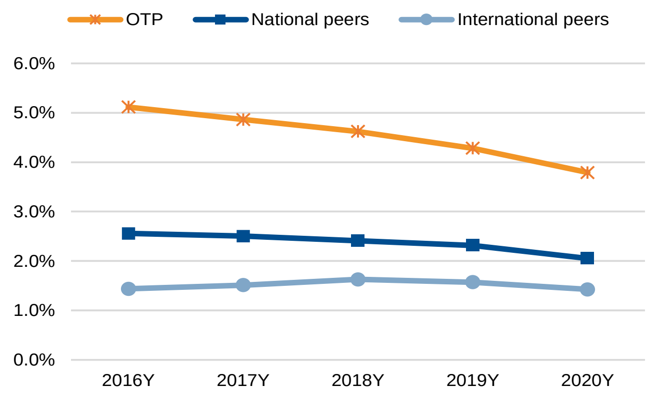
I. Appendix: Overview of the rating process



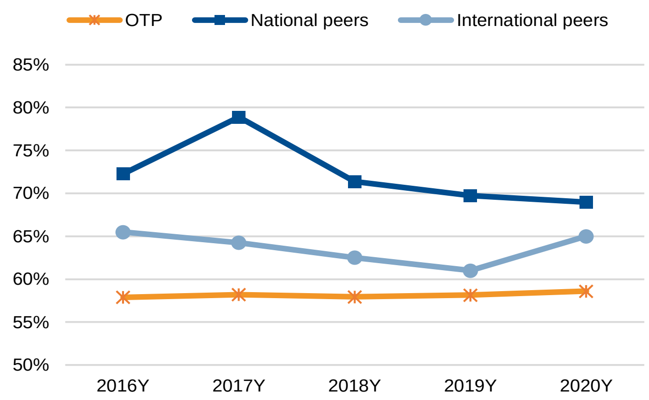
Step		Assessment	Summary rationale
STEP 1	Operating environment	Very supportive Supportive **Moderately supportive** Constraining Very constraining	• Hungary is the group's main operating environment. It is one of the largest CEE economies. • Hungary's regulatory and legal framework is somewhat less strong than those in 'supportive' markets; a polarised political environment adds an element of unpredictability. • We consider Bulgaria and Croatia, respectively OTP's second and third markets, to be moderately supportive environments as well.
	Business model	Very resilient **Resilient** Consistent Focused Narrow	• OTP is a large universal bank with a dominant position in its domestic market. • High geographical diversification allows the group to temper shocks in its domestic economy. • The presence in some markets exposes the group to currency and asset quality risk, which can be a source of losses. • OTP's strategy is centred around growth, both organic and inorganic. The group is comfortable with undertaking risky investments when they come with high return potential.
	Mapping refinement	High **Low**	• The low refinement reflects our view that compared to peers, OTP embraces a riskier strategy. It also reflects its exposure to relatively less supportive operating environments.
	Initial mapping	**bbb/bbb-**	
	Long-term sustainability	Best in class Advanced **Developing** Lagging	• OTP recently took first steps into the sustainability theme with an ESG programme. The group is yet to provide information on its exposure to climate and transition risks. Moreover, it does not have any target on the reduction of indirect emissions. • OTP has the scale to be the leading player in digital banking in the future.
	Adjusted anchor	**bbb-**	
STEP 2	Earnings capacity & risk exposures	Very supportive **Supportive** Neutral Constraining Very constraining	• Strong earnings capacity backed by high interest margins (also when corrected for provisions), though operating efficiency could be further improved. • In 2020, the group's profitability declined but remained sound. • Asset quality metrics are worse than European standards. However, they have declined significantly in the past years. • No signs of credit deterioration so far. We do not expect cliff effects after the expiration of Hungarian moratoriums.
	Financial viability management	Ample **Comfortable** Adequate Limited Stretched At risk	• Capital buffers are high, further boosted by the temporary removal of the O-SII buffer. Capital is backed by earnings retention. • EBA stress test results are encouraging. • OTP is mostly deposit-funded; access to international capital markets is sporadic and prompted by regulatory requirements.
	Additional factors	Significant support factor Material support factor **Neutral** Material downside factor Significant downside factor	• No additional factor
	Standalone	**Bbb+**	
STEP 3	External support	Not applicable	
Issuer rating		**AA-**	

II. Appendix: Peer comparison

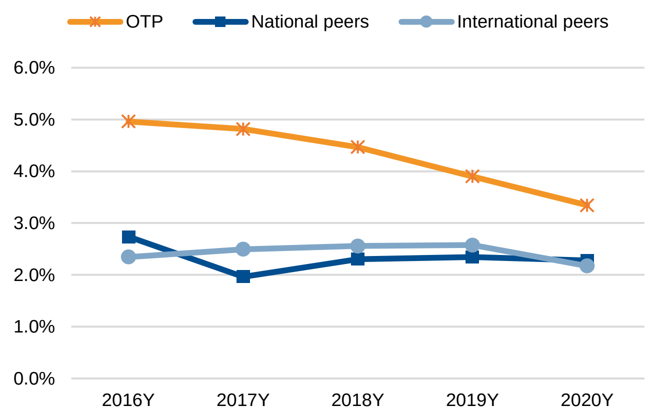
Net interest margin



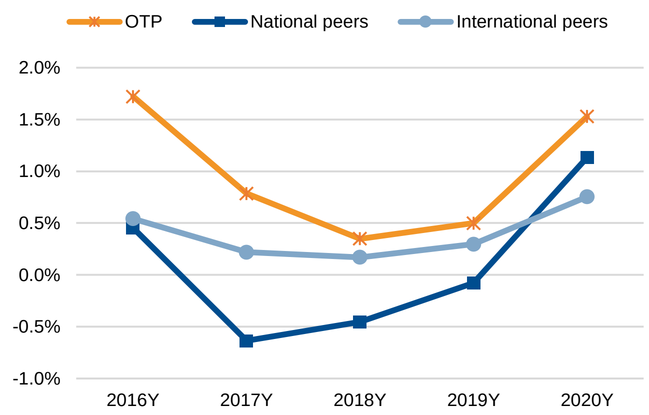
Cost-to-income



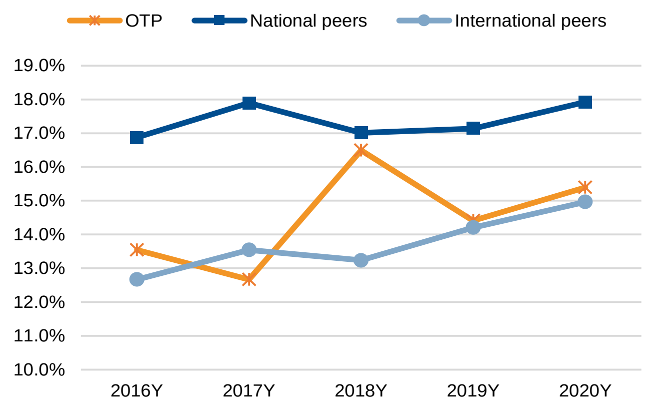
Pre-provision income/risk-weighted assets



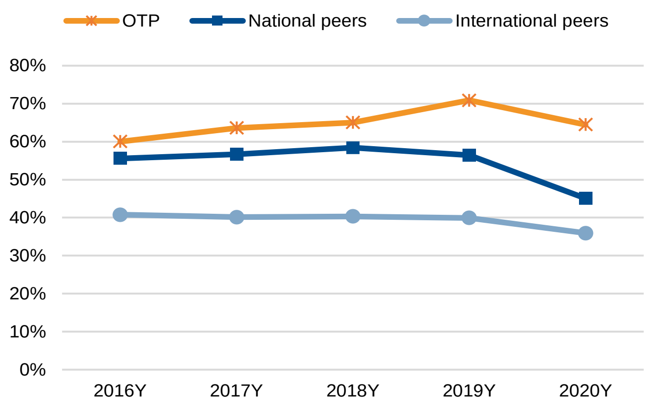
Loan loss provisions/average gross loans



CET1 ratio (transitional)



Return on risk-weighted assets



Source: SNL, Scope Ratings
National peers: Kereskedelmi és Hitelbank Zrt., UniCredit Bank Hungary Zrt., Erste Bank Hungary Zrt., Raiffeisen Bank Zrt., Magyar Takarékszövetkezeti Bank Zrt., CIB Bank Zrt., MKB Bank Zrt., Budapest Hitel- és Fejlesztési Bank Zrt.
International peers: Erste Bank, RBI, UniCredit, Intesa, KBC, SocGen

III. Appendix: Selected financial information – OTP Bank Nyrt

	2017Y	2018Y	2019Y	2020Y	9M 2021
Balance sheet summary (HUF bn)					
Assets					
Cash and interbank assets	1,660	1,968	2,127	3,581	4,231
Total securities	3,840	3,821	4,721	5,193	5,984
of which, derivatives	95	119	118	124	NA
Net loans to customers	7,018	8,116	11,908	13,553	14,868
Other assets	672	686	1,365	1,008	1,097
Total assets	**13,190**	**14,590**	**20,122**	**23,336**	**26,181**
Liabilities					
Interbank liabilities	472	393	844	1,219	1,904
Senior debt	250	418	448	631	550
Derivatives	87	81	97	116	164
Deposits from customers	10,233	11,285	15,171	17,891	19,677
Subordinated debt	76	81	250	275	270
Other liabilities	431	506	1,020	667	914
Total liabilities	**11,550**	**12,764**	**17,830**	**20,799**	**23,480**
Ordinary equity	1,637	1,824	2,286	2,533	2,695
Equity hybrids	0	0	0	0	0
Minority interests	3	2	5	4	5
Total liabilities and equity	**13,190**	**14,590**	**20,122**	**23,336**	**26,181**
Core tier 1/ common equity tier 1 capital	*1,063*	*1,565*	*2,055*	*2,316*	*2,511*
Income statement summary (HUF bn)					
Net interest income	554	613	699	783	634
Net fee & commission income	261	274	374	398	322
Net trading income	30	43	18	33	9
Other income	10	16	3	-6	4
Operating income	**855**	**947**	**1,093**	**1,207**	**969**
Operating expenses	498	549	636	707	539
Pre-provision income	**357**	**398**	**458**	**500**	**430**
Credit and other financial impairments	57	28	57	220	38
Other impairments	9	11	13	7	NA
Non-recurring income	32	0	80	8	0
Non-recurring expense	1	6	0	0	0
Pre-tax profit	**323**	**353**	**467**	**281**	**392**
Income from discontinued operations	0	-1	-5	6	0
Income tax expense	42	34	50	27	57
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	1
Net profit attributable to parent	**281**	**318**	**412**	**259**	**335**

Source: SNL, Scope Ratings

IV. Appendix: Selected financial ratios – OTP Bank Nyrt

	2017Y	2018Y	2019Y	2020Y	9M 2021
Funding and liquidity					
Net loans/ deposits (%)	69%	72%	75%	71%	76%
Liquidity coverage ratio (%)	208%	207%	169%	214%	203%
Net stable funding ratio (%)	145%	144%	125%	139%	NA
Asset mix, quality and growth					
Net loans/ assets (%)	53.2%	55.6%	59.2%	58.1%	56.8%
Problem loans/ gross customer loans (%)	9.6%	8.6%	5.7%	5.1%	5.2%
Loan loss reserves/ problem loans (%)	95.2%	86.7%	93.9%	115.8%	107.6%
Net loan growth (%)	22.0%	15.6%	46.7%	13.8%	12.9%
Problem loans/ tangible equity & reserves (%)	34.0%	32.6%	26.4%	23.4%	24.3%
Asset growth (%)	17.7%	10.6%	37.9%	16.0%	16.3%
Earnings and profitability					
Net interest margin (%)	4.9%	4.6%	4.3%	3.8%	3.6%
Net interest income/ average RWAs (%)	7.5%	6.9%	6.0%	5.2%	5.5%
Net interest income/ operating income (%)	64.8%	64.8%	63.9%	64.8%	65.4%
Net fees & commissions/ operating income (%)	30.5%	29.0%	34.2%	32.9%	33.2%
Cost/ income ratio (%)	58.2%	57.9%	58.2%	58.6%	55.6%
Operating expenses/ average RWAs (%)	6.7%	6.2%	5.4%	4.7%	4.7%
Pre-impairment operating profit/ average RWAs (%)	4.8%	4.5%	3.9%	3.3%	3.7%
Impairment on financial assets / pre-impairment income (%)	15.9%	7.2%	12.5%	43.9%	8.9%
Loan loss provision/ average gross loans (%)	0.8%	0.3%	0.5%	1.5%	0.2%
Pre-tax profit/ average RWAs (%)	4.4%	4.0%	4.0%	1.9%	3.4%
Return on average assets (%)	2.3%	2.3%	2.4%	1.2%	1.8%
Return on average RWAs (%)	3.8%	3.6%	3.5%	1.7%	2.9%
Return on average equity (%)	18.6%	18.7%	20.3%	10.8%	16.9%
Capital and risk protection					
Common equity tier 1 ratio (%, transitional)	12.7%	16.5%	14.4%	15.4%	15.4%
Tier 1 capital ratio (%, transitional)	12.7%	16.5%	14.4%	15.4%	15.4%
Total capital ratio (%, transitional)	14.6%	18.3%	16.8%	17.7%	17.0%
Leverage ratio (%)	9.3%	8.3%	8.6%	8.8%	10.0%
Asset risk intensity (RWAs/ total assets, %)	63.6%	65.0%	70.9%	64.5%	62.2%
Market indicators					
Price/ book (x)	1.8x	1.7x	1.9x	1.5x	1.9x
Price/ tangible book (x)	2.0x	1.9x	2.1x	1.6x	2.1x
Dividend payout ratio (%)	20.6%	18.2%	NA	NA	NA

Source: SNL, Scope Ratings

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891-0

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris

23 Boulevard des Capucines
F-75002 Paris

Phone +33 6 62 89 35 12

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

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