

**Rating Action: Moody's takes rating actions on six Hungarian banks**

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28 Sep 2021

**Rating actions follow the upgrade of the Government of Hungary**

Limassol, September 28, 2021 -- Moody's Investors Service (Moody's) has today taken rating actions on six Hungarian banks. The actions follow the upgrade of Hungary's government bond rating to Baa2 from Baa3 with the outlook changed to stable from previously positive (please see "Moody's upgrades Hungary's ratings to Baa2, changes outlook to stable from positive" [https://www.moody.com/research/--PR\\_454087](https://www.moody.com/research/--PR_454087), published on 24 September 2021).

Specifically, Moody's took the following actions:

- MFB Zrt. (MFB): the bank's long-term backed deposits and long-term backed senior debt ratings were upgraded to Baa2 from Baa3 and the outlook changed to stable from positive. MFB's short-term backed deposit ratings were also upgraded to P-2 from P-3.

- OTP Bank NyRt's (OTP Bank): the agency upgraded the bank's Counterparty Risk Assessment (CR Assessment) to Baa1(cr) from Baa2(cr) and initiated a review for upgrade on the bank's Baa1 long-term deposit ratings and its Baa1 long-term Counterparty Risk Ratings (CRR). Concurrently, Moody's also upgraded OTP Jelzalogbank Zrt., (OTP MB, OTP Bank's fully owned mortgage bank) CR Assessment to Baa1(cr) from Baa2(cr) and initiated a review for upgrade on the mortgage bank's Baa1 long-term CRRs. The short-term P-2 CRRs and P-2(cr) CR Assessments of both banks have been affirmed.

- Erste Bank Hungary Zrt., Kerskedelmi & Hitel Bank Rt., and Raiffeisen Bank Zrt.: the agency upgraded the banks' long-term CRRs to A3 from Baa1 and their long-term CR Assessments to Baa1(cr) from Baa2(cr). The short-term P-2 CRRs and P-2(cr) CR Assessments of all banks have been affirmed.

All other ratings and their applicable outlooks as well as rating assessments of the banks that are part of today's rating action remain unaffected.

Please click on this link [https://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL455318](https://www.moody.com/viewresearchdoc.aspx?docid=PBC_ARFTL455318) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

**RATINGS RATIONALE**

The upgrade of the backed long-term deposit and long-term senior debt ratings of MFB, Hungary's wholly government owned development bank, reflect their alignment with the sovereign's ratings given the government's full ownership and direct, irrevocable and unconditional guarantee of MFB's liabilities.

The upgrade of the CR Assessments and CRRs of the foreign-owned banks, and the CR Assessments of OTP Bank and OTP MB, were driven by the sovereign upgrade to Baa2, which has lifted the constraints on these assessments and ratings relative to the government rating. According to Moody's Banks Methodology, banks' Counterparty Risk, deposit and debt ratings typically will not exceed the sovereign rating by more than two notches and the CR Assessment may not exceed the sovereign rating by more than one notch. These constraints mainly reflect Moody's opinion about the significant risk correlations between a bank and the country it operates in owing to the limitations a government can impose on domestic entities.

The upgrade of Hungary's government bond rating has lifted the current constraint on OTP Bank's and OTP MB's CR Assessments, resulting in a one-notch upgrade to Baa1(cr) from Baa2(cr). The banks' CR Assessments are now positioned at the highest level possible, one notch above the sovereign rating.

The review for upgrade of OTP Bank's long-term deposit ratings and OTP Bank's and OTP MB's long-term CRRs is driven by the ongoing review on OTP Bank's Baseline Credit Assessment (BCA), which the rating agency initiated on 13 July 2021, 2021 (please see: "Moody's takes rating actions on OTP Bank NyRt and its mortgage bank subsidiary" [https://www.moody.com/research/--PR\\_449321](https://www.moody.com/research/--PR_449321)).

The CRRs of the foreign owned banks are no longer constrained by the sovereign rating while their CR Assessments remain constrained at one notch below Hungary's government bond rating of Baa2.

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

MFB Zrt.

MFB's ratings could be upgraded if the Hungarian government's ratings are upgraded. The ratings could be downgraded if: (1) the Hungarian government's ratings are downgraded, or (2) there is a termination of the guarantee or a weaker commitment from the Hungarian government.

The commercial banks:

OTP Bank's (and OTP MB's) CR Assessments could be upgraded following an upgrade of both OTP Bank's BCA and Adjusted BCA and an upgrade of the sovereign rating. OTP Bank's long-term deposit ratings and OTP Bank's and OTP MB's CRRs could be upgraded following an upgrade of OTP Bank's BCA.

The foreign owned banks' CRRs could be upgraded following an upgrade of both their Adjusted BCA and an upgrade of the government rating while their CR Assessments could be upgraded following an upgrade of the government rating.

The banks' CR Assessments and CRRs and OTP Bank's long-term deposit ratings could be downgraded following a downgrade of their BCAs or Adjusted BCAs or lower volumes of lower ranking liabilities in banks' liabilities waterfalls that would increase losses for counterparties and reduce notching uplift in the Advanced LGF.

#### PRINCIPAL METHODOLOGY

The principal methodology used in rating MFB Zrt. was Government-Related Issuers Methodology published in February 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1186207](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207). The principal methodology used in rating Erste Bank Hungary Zrt., Kereskedelmi & Hitel Bank Rt., OTP Bank NyRt, OTP Jelzalogbank Zrt. (OTP Mortgage Bank), Raiffeisen Bank Zrt. was Banks Methodology published in July 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1269625](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1269625). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

#### REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL455318](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL455318) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- EU Endorsement Status
- UK Endorsement Status
- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Disclosure to Rated Entity
- Lead Analyst
- Releasing Office

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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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