MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms OTP Bank's Baa1 long-term deposit ratings, changes outlook to positive

23 Jul 2026

The Baa3 issuer ratings of OTP Jelzalogbank Zrt. are also affirmed, outlook changed to positive

Limassol, July 23, 2026 -- Moody's Ratings (Moody's) has today affirmed OTP Bank Nyrt.'s (OTP) Baa1/P-2 long- and short-term local and foreign currency deposit ratings and its Baa3 foreign currency senior unsecured debt rating. The bank's baa3 Baseline Credit Assessment (BCA) and Adjusted BCA; its A3/P-2 long- and short-term local and foreign currency Counterparty Risk Ratings (CRRs); Baa1(cr)/P-2(cr) long- and short-term Counterparty Risk (CR) Assessments; and Ba1 foreign currency subordinated debt ratings were also affirmed. The outlooks on the long-term deposit and senior unsecured debt ratings were changed to positive from stable.

At the same time, the Baa3 long-term issuer rating of OTP Jelzalogbank Zrt. (OTP Mortgage Bank)'s (OTP MB, OTP's wholly owned mortgage bank subsidiary) was also affirmed, with the outlook on the long-term issuer rating changed to positive from stable. Further, OTP MB's A3/P-2 long- and short-term CRRs and Baa1(cr)/P-2(cr) long- and short-term CR Assessments were also affirmed.

The rating actions follow OTP's announcement on 20 July (https://www.otpgroup.info/static/investor-relations/260720_Luminor_207_e.pdf) that it had reached an agreement to acquire 100% of the shares of Luminor Holding, the parent company of Luminor Bank A.S. (Luminor; deposits: A2 stable; senior unsecured: A2 negative; BCA: baa2), the third-largest bank in Latvia and Lithuania, and the fourth-largest in Estonia.

As a result of the acquisition of Luminor, OTP's assets will increase by around 13%, and its asset exposure to euro-area countries will grow to close to 50% of the total, from around 40% currently. The transaction is subject to relevant regulatory approvals and is expected to close in 2027.

RATINGS RATIONALE

GREATER DIVERSIFICATION IN LOWER-RISK OPERATING ENVIRONMENTS SUPPORTS BCA UPSIDE

Once approved, the transaction will have a modest impact on OTP Bank's financial performance. However, the acquisition of Luminor will materially increase OTP's geographic diversification and exposure to lower-risk operating environments, leading to an improvement in its weighted average macro profile to Moderate from Moderate-, and supporting upward pressure on its BCA over time, provided OTP's financial performance remains on track.

Although the consideration OTP will pay to Luminor's shareholders has not been disclosed, OTP has a long track record of demonstrating price discipline in bank acquisitions carried out below book value. As a result, we expect the reduction in OTP's strong capitalization to be manageable, particularly considering its strong internal capital generation, demonstrated by its 4% return on risk-weighted assets in 2025.

Given Luminor's weaker profitability, we expect the transaction to be mildly dilutive for OTP's very strong profitability. However, we consider that Luminor's profitability has substantial upside potential through cost efficiencies and a reduction in the drag from large IT investments. Luminor's reported 69% cost-to-income ratio in 2025 is much weaker than OTP's 49%.

The acquisition of Luminor will have a marginally positive impact on OTP's asset quality, while offering OTP the opportunity to grow in a lower-risk environment. Luminor's average cost of risk over the last three years was 10 basis points (bps), significantly lower than OTP's 73 bps. However, we acknowledge that Luminor's cost of risk may rise over time, reflecting not only OTP's conservative provisioning but also OTP's preferred loan allocation toward a higher share of riskier unsecured retail loans, which currently account for a small part of Luminor's loan book.

Despite Luminor's more stretched funding position, reflected in its 97% loan-to-deposit ratio, we expect Luminor to remain self-funded, as are almost all of OTP's subsidiaries. In addition, Luminor has limited debt maturities, reducing refinancing needs. Consequently, we do not expect the acquisition to have a material impact on OTP's funding and liquidity profile.

AFFIRMATION OF DEPOSITS AND DEBT RATINGS

The affirmations of OTP's Baa1 long-term deposit, Baa3 senior unsecured and Ba1 subordinated debt ratings reflect the bank's baa3 BCA and Adjusted BCA and the unchanged outcome of our Advanced Loss Given Failure (LGF) analysis, which provides a two-notch uplift to the bank's long-term deposit ratings, no uplift to the senior unsecured and one negative notch for the subordinated debt ratings.

Our Advanced LGF analysis considers OTP's current resolution perimeter, which excludes certain operations, the most important of which are the Slovenian, Russian, Ukrainian and Uzbek operations. Given OTP's current multiple point of entry (MPE) resolution approach, with the Hungarian and Slovenian banks forming two separate points of entry, we have not included Luminor's assets into OTP's resolution perimeter at this stage. In our Advanced LGF analysis, we incorporate OTP's outstanding debt volumes and planned issuances based on its current resolution perimeter.

Our assumption of a moderate likelihood of support from the Government of Hungary (Baa2 negative) for the bank's deposits and senior unsecured debt, does not result in any rating uplift.

OTP MB

The actions on OTP MB's ratings mirror the respective actions on the parent bank's ratings. 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.

OUTLOOKS

The positive outlooks on OTP's long-term deposit and senior unsecured debt ratings and OTP MB's issuer ratings are driven by our expectation that a successful acquisition of Luminor will materially increase OTP's exposure to lower-risk and more predictable operating environments, supporting a gradual strengthening of the bank's risk profile and financial performance.

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 or 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. An upgrade of OTP's deposit ratings is contingent on the Government of Hungary (Baa2 negative) maintaining its rating. An upgrade of OTP's CR Assessment is not possible unless the Hungarian government rating is upgraded.

OTP's BCA could be upgraded if by the time of closing of Luminor's acquisition, OTP maintains its currently strong solvency and preserves the stability of its funding and liquidity.

OTP's and OTP MB's ratings could 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 subordinated debt ratings already incorporate the lowest outcome from our Advanced LGF analysts and could only be downgraded as a result of a downgrade of the bank's BCA.

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

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at https://ratings.moodys.com/rmc-documents/454566. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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.

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