Credit View

OTP Bank Plc.

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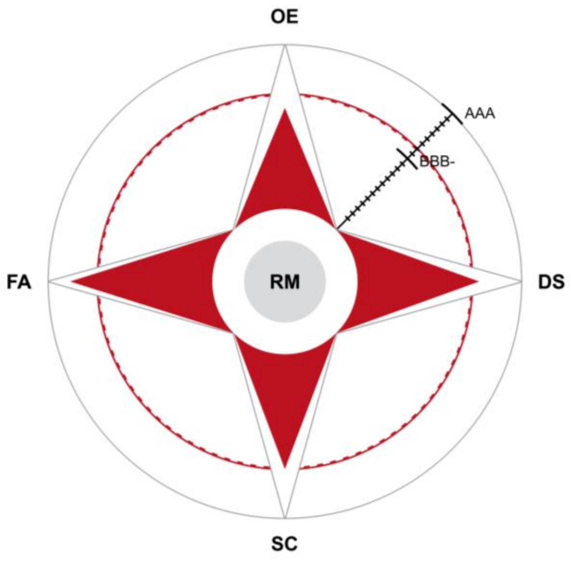
Primary Analyst
Evgeni Petkov, CFA
Associate Director
Eschenheimer Anlage 1
60316 Frankfurt am Main, Germany
Tel. +49 69 7805 9056
evgeni.petkov@dagongeurope.com

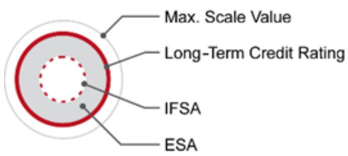
Back-up Analyst
Chulin Bi
Associate Analyst
+49 69 8304 7547
chulin.bi@dagongeurope.com

Long-Term Credit Rating	BBB+
Outlook	Stable
Short-Term Credit Rating	A-2

IFSA:	bbb+
ESA:	Low, National Systemic

Operational Environment:	Satisfactory
Development Strategy:	Strong
Sustainability and Competition:	Strong
Risk Management:	Satisfactory
Financial Performance:	Very Strong





Dagong Global has affirmed the Long-Term Credit Rating of ‘BBB+’ and equivalent Short-Term Credit Rating of ‘A-2’ of Hungary-based OTP Bank Plc. (OTP). The Outlook is stable.

RATING RATIONALE

The Long-Term Credit Rating takes into account the Individual Financial Strength Assessment (IFSA) at ‘bbb+’, and our External Support Assessment (ESA) of low potential to receive National Systemic Support.

The IFSA reflects OTP’s leading franchise in its home market of Hungary and selected CEE countries, its sustainable and stable traditional banking model, retail-based funding, strong liquidity and excellent capitalisation. It also reflects the relatively more volatile economic environment in CEE, the relatively high concentration of assets in Hungary and the satisfactory asset quality with relatively high NPL compared to the EU average, mitigated by very strong coverage. Our credit opinion is based on the following factors:

Sustainable and valued franchise

OTP’s development strategy focuses on traditional banking services, with balance sheet dominated by loans and deposits. It is by far the market leader in Hungary, with market share of 25% in total assets, 30% in retail loans and 37% in retail deposits, has a leading position in Bulgaria (where it recently announced the acquisition of the local Societe Generale subsidiary) and a substantial market share in Croatia.. OTP is present also in Serbia, Romania, Russia, Ukraine, Slovakia and the smaller Montenegro market, where it is the largest bank by total assets.

Stable funding structure

OTP’s funding stems largely from deposits, with average deposits to total funding of 96.7% (Dagong calculation), which we consider as excellent. As of 1H18 60% of deposits are retail deposits, characterised by low cost, high granularity and relative stability. Retail customers seem to value the strong franchise of the bank and the other services that it provides to them and keep deposits with OTP even at interest rates which are lower than those of local peers. It is also viewed as a safe haven in its main markets.

Very strong capitalisation

OTP’s capitalisation is very strong, with a CET1 ratio of 14.6% (16.0% if including unaudited interim profit less indicated dividend) as of 1H18. The capital levels are sustained by its solid profit generation and recent acquisitions did not have a negative impact on the capital ratios. The communicated target range for the CET1 ratio is 12-18%, which we consider adequate. We expect the bank to maintain the ratio close to the middle of that range.

High NPL, albeit significantly improved and mitigated by very strong coverage

OTP’s NPL ratio (90+ DPD) is, in our view, very high for an investment grade rated bank, at 9.2% as of YE17 and 8.1% as of 1H18. However, it is relatively better than the average for most of the markets where it operates (market averages for YE17[1]: 13.9% in Hungary, 13.3% in Bulgaria and 16.4% in Croatia) and comparable to the levels shown by large banks in Italy and Portugal. The development in the last periods has also been positive, with the NPL ratio decreasing steadily from a peak of 19.8% at YE13. We take comfort from the solid coverage ratio which has also improved from 84.3% as of YE14 to 99.3% as of YE17 and 110.3% as of 1H18.

We also understand that NPL recovery rates on the main category of loans, mortgages, are very high in its major markets, which mitigates further the risks from NPLs. In our view, the fact that the bank is able to maintain strong coverage while posting solid bottom line results shows that the risk level of loans is adequately priced in.

Very strong profitability and sustainable income sources

OTP shows very strong profitability, with a net income to average RWA ratio of 3.6% (up to 1H18; based on Dagong calculations). Net interest income, which we view as recurring and sustainable, represents 62.5% of operating income. Fee and commission income, which we also consider as rather stable, represents 28.7% of operating income and volatile trading income and other operating income only 8.8% (1H18; based on Dagong calculations).

Profitability has improved steadily during the last years, mostly due to strongly decreased cost of risk, resulting from the benign economic environment. Net interest income has been increasing, supported by strong loan growth, while net interest margin has been under pressure, as a result of intensifying competition and the low interest rate environment, a trend which we expect to continue. However, we expect that margins in OTP’s major markets will remain higher than in Western Europe and provide for adequate returns on capital.

[1] Market Intelligence data.

Operating in growing, but volatile markets

The IMF GDP growth forecasts for OTP's major markets are significantly above the expectations for the Eurozone and provide the base for sustainable growth also for the banking industry. The relatively low unemployment rate provides for both loan growth and improvements in asset quality. Additionally, banking margins in these countries are higher than in the Eurozone, allowing banks to achieve adequate profitability. The ratio of housing, consumer and corporate loans to GDP in OTP's major markets is also relatively low, therefore the prospects for sustainable growth are good, in our view.

At the same time, these countries can be considered as small open economies, dependent on exports, tourism, foreign investments and EU funds, therefore more susceptible for external shocks, which we consider as unlikely in the near term. In our opinion, the legal and political environment could also be seen as somewhat riskier than in the Eurozone, which we assess as a relative weakness for the respective domestic banking industries.

External Support Assessment (ESA)

We see low likelihood of support from the Hungarian government. On one hand, OTP is by far the largest bank in the country and definitely systemically relevant. On the other hand, willingness to support the bank might be limited by the fact that at least 61% of its shares are owned by foreign shareholders and its relatively large international exposure. The Hungarian central bank has implemented the BRRD and therefore any support measures would have to be under the directive and subject to approval by EU authorities.

RATING OUTLOOK

The stable outlook reflects our expectations that OTP will maintain its competitive position in Hungary, Bulgaria and other CEE countries; swiftly integrate the recently acquired entities and portfolios; keep NPL coverage at a strong level; maintain adequate profitability; and maintain Common Equity Tier 1 ratio close to the middle of its target range between 12% and 18%, which we consider as adequate.

RATING SENSITIVITIES

The ratings could be upgraded if we see a material and sustainable improvement in NPLs, maintained profitability, further strengthened capital and on-going and sustainable economic growth in Hungary and the region.

Ratings could be downgraded if capital ratios weaken, most likely triggered by more aggressive than expected growth. Ratings could also be downgraded if the macroeconomic conditions in the main countries worsen.

COMPANY PROFILE

The predecessor of OTP Bank, called the National Savings Bank was established in 1949 as a nation-wide, state-owned, banking entity providing retail deposits and loans. In 1990, the National Savings Bank became a public company with a share capital of HUF 23 billion. Its name was changed to the National Savings and Commercial Bank (OTP Bank Rt.). OTP Bank's privatisation began in 1995. As a result of three public offers along with the introduction of the bank's shares into the Budapest Stock Exchange the state's ownership in the bank decreased to a single voting preference (golden) share. Currently the bank is characterised by dispersed ownership of mostly private and institutional (financial) investors.

OTP Bank has completed several successful acquisitions in the past years, becoming a key player in the region. Besides Hungary, OTP Group currently operates in 8 countries of the region via its subsidiaries: in Bulgaria (DSK Bank), in Croatia (OTP banka Hrvatska), in Romania (OTP Bank Romania), in Serbia (OTP banka Srbija), in Slovakia (OTP Banka Slovensko), in Ukraine (JSC OTP Bank), in Montenegro (Crnogorska komercijalna banka) and in Russia (JSC OTP Bank). OTP Group provides financial solutions to nearly 18 million customers through 1,474 branches, agent networks and electronic channels.

OPERATIONAL ENVIRONMENT

We view OTP's operational environment as satisfactory as a result of satisfactory regulatory environment, strong local macro economy and satisfactory legal environment.

Regulatory environment: satisfactory

OTP is not under direct ECB supervision at the holding level, as Hungary, and its other major markets, are not part of the Euro-monetary zone. The leading supervisory authority is the Hungarian Central Bank (MNB), which in turn carries out the duties as EU member. In our opinion the supervisory framework and the supervisory abilities of the MNB are adequate. MNB has implemented some of the most stringent limits on lending (in terms of loan-to-value and payment-to-income caps) in Europe, in order to curb excessive lending and preserve stability. It also closely cooperates with the ECB and national regulators in the countries in which OTP has subsidiaries. However, the significant cross border operations of the bank, including those in countries where the track records or regulators is, in our view, weaker than in Hungary pose challenges.

Local macro economy: strong

We evaluate the local macro economy environment for OTP as strong. We consider the data for real GDP growth, unemployment and inflation and take a weighted average, according to the distribution of the bank's loan portfolio by country. The weighted average results for the three indicators are: real GDP growth 3.2%, unemployment 7.0% and inflation 2.8%.

Real GDP (Annual percent change), IMF projections

	2018	2019	2020	2021
Hungary	4.0	3.3	2.6	2.4
Bulgaria	3.6	3.1	2.8	2.8
Croatia	2.8	2.6	2.4	2.3
Serbia	3.9	3.5	4.0	4.0
Romania	3.9	3.4	3.2	3.2
Russia	1.7	1.8	1.8	1.6
Ukraine	3.6	2.7	3.0	3.2

Source: IMF, World Economic Outlook Database October 2018

OTP's major market is naturally Hungary, which accounts for 43% of total loans as of 1H18. Bulgaria traditionally ranks 2nd and Croatia's share has increased significantly following the acquisition of Splitska Banka in 2Q17. The economic development of Hungary and most of the countries in the region has been robust in 2016 and 2017, after some setbacks in the aftermath of the global financial crisis.

As growth and investment have picked up, unemployment has decreased and real wage growth and household consumption have increased. Real estate prices, relevant for OTP's large mortgage business have also increased.

The financial indicators of the Hungarian government have also improved, with budget deficit maintained at a sustainable level (2.0% of GDP in 2017) and public debt as a percentage of GDP decreasing to 73.6% in 2017, from a peak of 80.8% in 2011. The development in the other major markets has been similar. Russia and Ukraine, which experienced recessions in 2015 (particularly severe in Ukraine), have also returned to growth.

We expect the favourable economic conditions to be maintained in the mid-term. In the long term growth will be limited mostly by demographics, with the whole region experiencing negative natural growth rate and negative migration balance. We caution on the fact that most of these countries, with the exception of Russia, and to some extent Ukraine, can be considered as small open economies, vulnerable to external shocks, which we do not expect in the mid-term. The dependence on EU funds is also relatively high and political frictions, which already exist between the current Hungarian government and the EU, can lead to the EU funding being curbed

Legal environment: satisfactory

We view the overall legal environment for OTP as satisfactory. Under the World Bank's 'Ease of doing business index' Hungary occupies rank 48, Bulgaria 50 and Croatia 51. For comparison: Germany 20, Italy 46 and Portugal 29. The average time required to enforce a contract, according also to the World Bank is 605 days in Hungary, 564 days in Bulgaria and 650 days in Croatia, compared to 499 days in Germany, 1120 in Italy and 547 in Portugal. Apart from the above mentioned indicators, the reliability of legislation affecting banks and the impartiality of courts should also be considered. Based on these indicators we view that some of the countries in OTP's portfolio show some weaknesses in terms of their legal framework.

CORPORATE GOVERNANCE AND DEVELOPMENT STRATEGY

We view the bank's corporate governance as neutral to the rating and adequate for its business model. Development strategy is viewed as strong, evidenced by the results and the perspectives of the bank.

Corporate governance: neutral

We evaluate OTP's corporate governance as neutral, given its good level of transparency and its independent decision-making processes. According to the corporate governance report, the bank's main management body is the Board of Directors, consisting of three executive and ten independent members. The members are elected by the general meeting for a term of five years. The main supervisory body is the Supervisory Board consisting of six members, of which four should be independent. They are elected by the general meeting for a term of three years and should meet at least six times a year. One corporate governance weakness is, in our opinion, that the positions of Chairman and CEO are occupied by the same person and that he also owns other businesses. However, loans to companies owned by the management are reported in the balance sheet and the amount is not significant (less than 1% of total loans and less than 4% of equity), therefore related lending in our view is not an issue.

Other than that the separation of control and management functions and the structure and composition of government bodies are adequate. The qualifications and experience of top executives are sufficient for their roles and the continuity in management and strategy is evident. Ownership is widely spread, with no owner exercising control over the bank. Shares are listed on the Budapest stock exchange, therefore disclosure of information is very good.

Development strategy: strong

The history and the current results of OTP have shown that it has a good development strategy and is able to implement it successfully. It has executed all its acquisitions successfully and integrated newly acquired entities smoothly. The bank remains focused on traditional banking services in the countries where it already has sizeable presence and good knowledge of the market, which we consider as very prudent.

Its growth strategy is focused on acquiring banks in the markets where it does not yet belong to the market leaders and economies of scale are achievable. However, selected acquisitions in its leading markets, Hungary and Bulgaria, are explicitly not excluded. An example is the purchase of Societe Generale Expressbank in Bulgaria, announced in August 2018 and expected to be completed in 4Q18. The acquisition will make the Bulgarian subsidiary of the OTP the largest bank in Bulgaria by total assets. OTP seems to be able to carefully analyse opportunities and threats and is willing to take reasonable risks. The profitability target is set at a reasonable level – 15% RoE - which does not encourage excessive risk taking and we expect it would be exceeded by a comfortable margin in 2018.

SUSTAINABILITY AND COMPETITION

We view OTP’s sustainability and competition as strong. Sustainability is in our view very strong, based on the bank’s traditional business model with its focus on lending and deposit taking.

Business sustainability: very strong

We evaluate OTP’s sustainability as very strong due to its focus on a traditional banking business focused on loans to retail clients and corporates, a funding structure that is dominated by deposits, and a stable component of net interest income over operating income. Changes to our opinion are unlikely in the mid-term.

Net loans represent 52.7% of total assets on a 3 year average basis. As of 1H18, mortgages accounted for 30% of net loans, unsecured consumer loans for 23%, car-financing for 4%, corporate for 36% and SME loans for 7%. The structure of the loan portfolio has been quite stable over the last years and we view it as sustainable. On the liabilities side, OTP’s funding stems largely from deposits, with a 3 year average of deposits to total funding of 92.7%, which we consider as excellent. 60% of deposits are retail deposits, characterised by low cost, high granularity and relative stability. Retail customers seem to be valuing the strong franchise of the bank and the other services that it provides to them and keep deposits with OTP even at interest rates which are lower than those of local peers.

OTP is also viewed as a safe haven in its main markets: during the banking crisis in Bulgaria in 2014 OTP actually gained market share in deposits. The income also shows high sustainability, with net interest income representing 64.2% of total income on a 3 year average up to 1H18.

Diversification: satisfactory

In terms of business diversification, we do not apply a penalisation from a potential mono-line business model, as the bank provides a wide range of traditional banking services. We view the geographic diversification as satisfactory, considering the above mentioned distribution of loans by country. By total assets the concentration in Hungary is slightly higher due to the holdings of Hungarian government bonds. Clearly the most important market for OTP is its home country of Hungary, but the presence in other markets in the region is sufficient to smooth results should difficulties occur in the home market.

Competitive position: strong

We consider that OTP’s competitive position is strong. The bank is the market leader in Hungary and Montenegro and will achieve this position soon also in Bulgaria, after the completing the above mentioned acquisition. It has shown that it can successfully compete with the subsidiaries of large international groups (Unicredit, Raiffeisenbank, KBC Group) in these markets and gain and maintain market share without sacrificing profits. However, it should be considered that these markets are quite small and the total size of OTP is comparable to mid-sized banks in larger European countries. Also, we expect competition to intensify and it remains to be seen whether OTP can maintain or strengthen its competitive position without affecting significantly its financial profile.

RISK MANAGEMENT

We consider OTP's risk management to be satisfactory, mostly influenced by our view on credit risk, due to the still high amount of NPLs.

Market risk: satisfactory

Market risk at OTP is not significant as the bank does not rely primarily on trading to generate income. OTP aims to realise some benefits from exchange rate and yield curve movements in compliance with legal requirements, taking only risk exposure for a potential loss which does not jeopardize the profitability and operation safety of the Group. OTP's Treasury is responsible for market risk management and for keeping risk within the limits approved by the Board. For risk management and internal reporting OTP applies a risk management system that is based on, but is independent from the front office system. It applies a historical VAR model to calculate the internal capital requirement of FX, market and interest rate risk. The capital requirement for market risk amounts to less than 10% of the total capital requirement of the bank and stem mostly from FX risk.

Operational risk: satisfactory

The economic capital set aside for operational risks is also relatively low. The consolidated capital requirement is the sum of the Advanced Measurement Approach (AMA) capital requirement and the Basic Indicator Approach (BIA) capital requirement calculated by those subsidiaries that do not fall under the AMA approach. The AMA enables institutions to achieve sophisticated risk management and refined capital calculation regarding operational risks. The model includes the use of four data elements: historical internal loss data collected by all the management organisations of OTP Bank; risk self-assessment performed by banking experts; scenario analysis that reflects extreme events; and external data that aims to complete the internal loss database.

The four basic sources are divided into a subjective (self-assessment, scenario analysis) and an objective (external and internal loss data) group. OTP is member of the ORX (Operational Riskdata Exchange Association) data consortium, thus it takes into account losses of the ORX as external data. We do not consider OTP to be more exposed to operational risks than an average traditional bank. The control and management of operational risk are deemed to be adequate in our view.

Credit risk: satisfactory

Both the qualitative opinion of credit risk and the quantitative assessment from the banks' asset quality ratios are now satisfactory, with the quantitative result improving from moderate, due to strongly decreased NPL ratio. Credit risk is in our view, the major risk for OTP.

OTP's NPL ratio (90+ DPD) is, in our view, very high for an investment grade rated bank, at 9.2% as of YE17 and 8.1% as of 1H18. However, it is relatively better than the average for most of the markets where it operates (market averages for YE17: 13.9% in Hungary, 13.3% in Bulgaria and 16.4% in Croatia) and comparable to the levels shown by large banks in Italy and Portugal. The Hungarian and Bulgarian operations show better asset quality, while the consolidated NPL average is negatively impacted by the still very high NPL of the Russian and Ukrainian operations. The development in the last periods has been positive, with NPL decreasing steadily from a peak of 19.8% in 2013. We take comfort from the solid coverage ratio which has also improved from 84.3% as of YE14 to 99.3% as of YE17 and 110.3% as of 1H18. We also understand that NPL recovery rates on the main category of loans, mortgages, are very high in its major markets, which mitigates further the risks from NPL. We expect NPLs to remain at current level and coverage to be maintained at above 100%. Pressure on the asset quality metrics might come from acquisitions of institutions or portfolios with lower asset quality.

The fact that the bank is able to maintain strong coverage while posting solid bottom line results shows that the risk level of loans is adequately priced in. The loan portfolio is very granular, without any significant single name concentration. As stated above, about 57% of the portfolio is retail (including mortgages) and 43% corporate and SME. Mortgages account for 30% of the net total portfolio, which is high, but not excessive, and has been reduced from 33% as of 1H17. Exposure by economic sector in the corporate portfolio is fairly diversified.

FINANCIAL PERFORMANCE

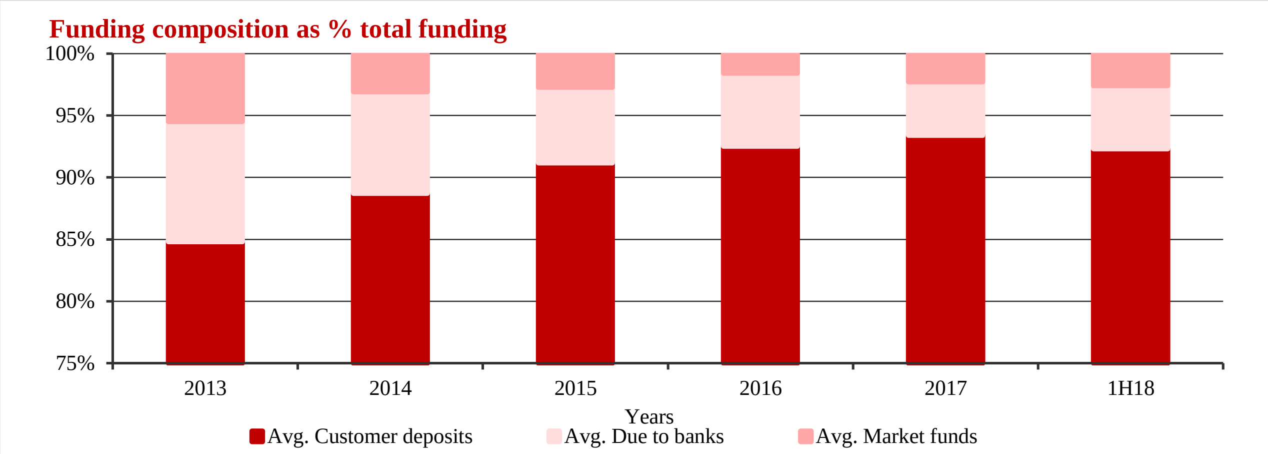
We view the financial profile of OTP as very strong mainly due to its very strong capital base, stable and retail oriented funding and ample liquidity. Profitability is very strong despite the low interest rate environment.

Capital: very strong

Capitalisation based on CET1 and leverage is viewed as very strong. CET1 ratio (12.7% as of YE17 and 14.6% as of 1H18) and the leverage ratio (12.4% as of YE17 and 12.0% as of 1H18 according to Dagong calculations) are aligned to EU averages and in cases higher than market leaders in core EU countries. The communicated target range for the CET1 ratio is 12-18%, which we consider adequate. We expect the bank to maintain the ratio close to the middle of that range. The capital levels are sustained by solid profit generation and recent acquisitions have not had a negative impact on the capital ratios. That said, larger future acquisition might apply some pressure to capital, although we expect it to be manageable.

Liquidity and funding: strong

As already elaborated in the sustainability section, we consider OTP's funding mostly from retail deposits as stable and sustainable and one of major credit strengths. The liquidity risk management is adequate and the regulatory liquidity requirements are fulfilled with comfortable margins. Capital market issuance is very limited and driven mostly by regulatory requirements, as Hungarian banks have been requested to fund some of their mortgage exposure by mortgage bonds. We see no challenges to liquidity or funding in the mid-term.



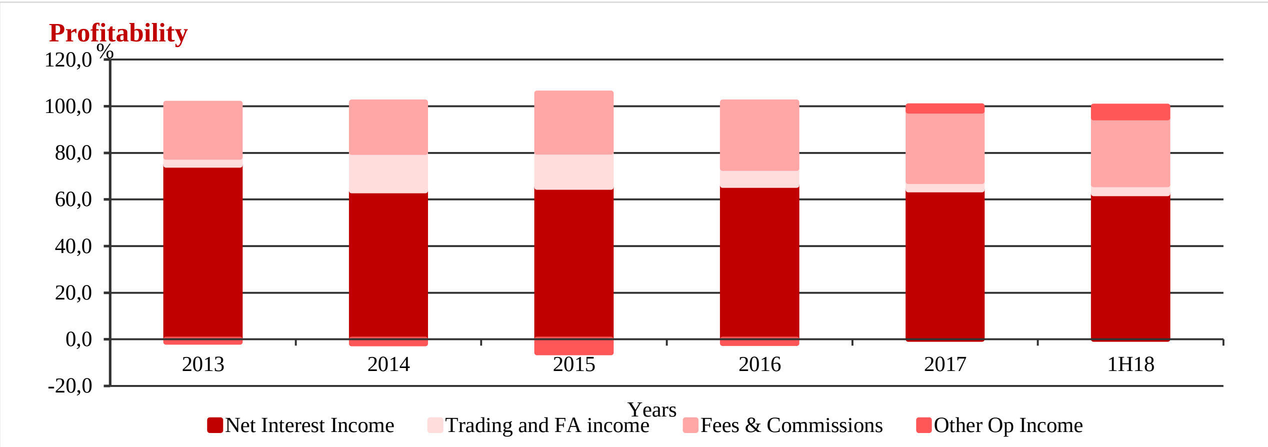
Source: OTP Bank annual reports, Dagong Global.

Profitability: very strong

OTP shows very strong profitability, with a 3 year average return on RWA of 3.6% (up to 1H18; based on Dagong Global calculations). Net interest income, which we view as recurring and sustainable, represented 62.5% of operating income on 3 year average basis. Fee and commission income, which we also consider as rather stable, represented 28.7% of operating income and volatile trading income and other operating income only 8.8%.

Profitability improved significantly in the last years, mostly due to strongly decreased cost of risk, resulting from the benign economic environment. Net interest income has been increasing, supported by strong loan growth, while net interest margin has been under pressure, as a result of intensifying competition and the low interest rate environment, a trend which we expect to continue. However, we expect that margins in OTP's major markets will remain higher than in Western Europe and provide for adequate returns on capital.

We caution on the slightly increased personnel expenses, which are rather untypical for a European bank. OTP explains them with their plan to grow and with the generally increased employment and wages in its major markets, which are on the other side good for loan growth and asset quality. We expect profitability to be maintained in the near- to mid-term, as moderate loan growth should compensate for eroding margins.



Source: OTP Bank annual reports, Dagong Global.

Stress Test and Scenario Analysis for the IFSA

The assigned IFSA of ‘bbb+’ and the Long-Term Credit Rating of ‘BBB+’ are not constrained by our stress test and scenario analysis. OTP’s capital levels remain resilient in our base and stress scenarios, which is also reflected in our stable outlook. The scenarios applied contain both bank-specific and macro-environment developments, in line with general market expectations.

OTP withstands well our liquidity stress-test (defined as a liquidity stress for a deposits run-off in 1 year and wholesale maturities expiring without additional bond issuances). The negligible amount of issued debt allows the bank to keep ample liquidity considering also the stock of central bank eligible assets up to date. For a scenario of deposits run-off of 5% (base) /15% (adverse) in 2018 and expiration of wholesale maturities, the bank keeps a sufficient liquidity gap. It would have been positive even if only cash, without central bank eligible securities, were considered.

OTP withstands well our asset quality stress for the base scenario. For a base scenario stressing the expected loan losses to the average of the last 8 years and adding additional losses from the securities portfolio, we observe that the effect on CET1 is minor (and mostly in terms of a less positive growth rate compared to previous years, rather than a reduction). For an adverse scenario the effect on CET1 is higher but we note that this scenario is not likely due to the current portfolio composition.

External Support Assessment

We see low likelihood of government support from the Hungarian government. On one hand, OTP is by far the largest bank in the country and definitely systemically relevant. On the other hand, willingness to support it might be limited by the fact that at least 61% of its shares are owned by foreign shareholders and its relatively large international exposure. In addition, the Hungarian Central Bank has implemented the BRRD and therefore any support measures would have to be under the directive and subject to approval by EU authorities.

Financial Highlights

Dagong Global financial data calculations based on OTP Bank plc, consolidated financial statements audited by Deloitte.

Selected financials	**HUF**	**Millions**			
Balance sheet	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**	**30-Jun-18**
Investment securities	1,837,796	2,485,945	2,934,426	3,829,466	3,907,121
Gross loans	6,993,326	6,423,587	6,680,505	7,726,630	8,501,864
Loan loss reserves (LLR)	-1,129,085	-1,013,620	-944,273	-738,796	-764,018
Fixed assets	206,440	193,661	193,485	237,321	320,021
Total assets	10,971,052	10,718,848	11,307,665	13,190,228	14,213,426
Customers deposits	7,673,478	7,984,579	8,540,583	10,233,471	10,870,394
Due to banks	708,274	533,310	543,775	472,068	600,048
Market funds	267,084	239,376	146,900	250,320	305,109
Subordinated debt	281,968	234,784	77,458	76,028	83,513
Shareholders’ equity	1,260,817	1,231,008	1,417,357	1,636,590	1,703,864
Risk weighted assets (RWA)	6,859,439	6,576,258	6,730,467	8,389,920	8,991,613
Income statement					
Net interest income	636,097	550,430	519,729	553,756	291,798
Trading and financial assets income	163,532	128,283	57,025	29,810	17,599
Fees and commission income	215,656	213,872	222,991	261,193	134,181
Operating income	996,677	844,223	785,966	863,140	467,135
Operating expenses	508,692	465,516	456,098	499,450	283,628
Income before provisions	487,985	378,707	329,868	363,690	183,507
Loan loss provisions (LLP)	446,830	318,683	93,473	40,848	8,529
Pre-tax income	-153,643	60,024	236,395	322,842	174,978
Taxes	-51,385	-3,147	33,943	41,503	20,408
Net income	-102,258	63,171	202,452	281,339	154,570

Selected financials	EUR	Millions			
Balance sheet	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**	**30-Jun-18**
Investment securities	5,843	7,944	9,469	12,346	11,884
Gross loans	22,234	20,528	21,557	24,910	25,860
Loan loss reserves (LLR)	-3,590	-3,239	-3,047	-2,382	-2,324
Fixed assets	656	619	624	765	973
Total assets	34,881	34,254	36,488	42,524	43,233
Customers deposits	24,397	25,516	27,559	32,992	33,064
Due to banks	2,252	1,704	1,755	1,522	1,825
Market funds	849	765	474	807	928
Subordinated debt	896	750	250	245	254
Shareholders' equity	4,009	3,934	4,574	5,276	5,183
Risk weighted assets (RWA)	21,809	21,016	21,718	27,048	27,350
Income statement					
Net interest income	2,022	1,759	1,677	1,785	888
Trading and financial assets income	520	410	184	96	54
Fees and commission income	686	683	720	842	408
Operating income	3,169	2,698	2,536	2,783	1,421
Operating expenses	1,617	1,488	1,472	1,610	863
Income before provisions	1,551	1,210	1,064	1,172	558
Loan loss provisions (LLP)	1,421	1,018	302	132	26
Pre-tax income	-488	192	763	1,041	532
Taxes	-163	-10	110	134	62
Net income	-325	202	653	907	470

Financial ratios	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	30-Jun-18
Net interest income to operating income	63.8%	65.2%	66.1%	64.2%	62.5%
Stable funding	88.7%	91.2%	92.5%	93.4%	92.3%
Net loans to total assets	53.5%	50.5%	50.7%	53.0%	54.4%
Loan loss reserves to NPL	84.3%	91.8%	97.0%	100.2%	110.3%
NPL	19.1%	17.2%	14.6%	9.5%	8.1%
Tier 1 capital ratio	14.1%	13.3%	13.5%	12.7%	14.6%
Leverage ratio (Dagong calculation)	11.5%	11.5%	12.5%	12.4%	12.0%
Gross loans to customers deposits	91.1%	80.4%	78.2%	75.5%	78.2%
Customers deposits to total funding	92.0%	93.9%	95.9%	97.2%	96.7%
Income before provisions to LLP	109.2%	118.8%	352.9%	890.3%	2151.6%
Return on average RWA	1.4%	0.9%	3.0%	3.7%	3.6%
Income before provisions to avg. total assets	4.6%	3.5%	3.0%	3.0%	2.7%

FULL LIST OF SOLICITED RATINGS

OTP Bank Plc.

Long-Term Credit Rating (FC&LC)	BBB+
Short-Term Credit Rating (FC&LC)	A-2
Outlook	Stable
IFSA	bbb+
ESA	Low, National Systemic

FC & LC: Foreign Currency and Local Currency

RATINGS HISTORY

Ratings assigned 28 November 2017:

OTP Bank Plc. BBB+/A-2/Stable

CRITERIA APPLIED

Criteria for Rating Financial Institutions (25 July 2018)
General Rating Framework (14 August 2018)

OTHER REGULATORY DISCLOSURES

- The ratings above are solicited and Dagong has received compensation for providing these ratings.
- In determining the ratings, Dagong uses public and non-public information provided by the issuer, public information from reliable third-party sources and internally developed models and analytical tools. Dagong´s analytical team does not take into consideration sources of information deemed not reliable.
- This credit view was disclosed to the rated entity before being published. Dagong had provided the rated entity a draft ahead of the publication to review for any factual errors and unintentional disclosure of confidential information. Dagong maintains full editorial control over the credit view, which represents its independent opinion.

For any further information on rating criteria and procedures, please refer to the following links:
http://www.dagongeurope.com/procedures.php
http://www.dagongeurope.com/rating_criteria.php

Media contact:
Fei Chen
+49 69 8304 4421
fei.chen@dagongeurope.com