OTP BANK PLC

INITIATION OF COVERAGE

18 June 2026

OTP NEW BUY/HUF56,000: PROFITS, GROWTH AND DERISKING

We like OTP for its attractive valuation, supported by robust, sustainable organic and acquisitive asset growth, superb profitability, and an expected further reduction in the geopolitical risk premium. OTP's presence across multiple geographies entails both benefits and risks, which are captured by our valuation model. Our end-2027 target price of HUF 56,000 offers a total return of 29%, comfortably outpacing the risk-calibrated opportunity costs. OTP's large capital buffer signals further acquisitions and/or a substantial boost in dividends.

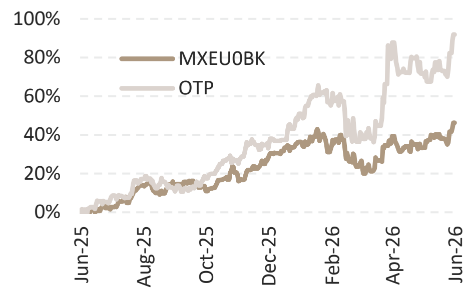
Strategic positioning: acquisitive growth, diversified footprint: OTP has become the premier banking consolidator in CEE. Its footprint is strongest in Hungary and Bulgaria, complemented by robust positions across the Balkans, very high profitability in the FSU, and a rapidly emerging growth engine in Uzbekistan. Backed by a fortress CET1 ratio of ~18% versus an 11.1% regulatory floor, the bank is actively seeking bolt-on acquisitions in Central Asia and the Caucasus. With assets expanding at an exceptional 16% CAGR over the last ten years and superb blended margins, OTP's growth and profitability profiles sit at the top of the range when compared to European peers.

Superb earnings growth outlook: Asset growth should remain the main revenue driver, with loans rising at 11% CAGR in 2025-28 and earnings increasing at 11% CAGR. Blended margins may stay stable, while operating profitability and cost of risk support sustainably high returns, with ROA at exceptionally strong 2.3-2.5%.

Valuation: On a forward P/E basis, the shares look cheap, trading at a 20% discount to the European banking index multiple. Our HUF 56,000 Gordon Growth-based target price—discounting a 100 bps geopolitical risk premium—offers a 29% expected return. OTP's EUR 6.6bn excess capital buffer, structurally supplemented by EUR 2.4bn in Tier 2 capital, signals an acceleration of earnings growth and/or a substantial boost in dividends.

Key risks: 1. Residual regulatory risk in Hungary, 2. Russian geopolitical exposure, 3. M&A execution risks, 4. key person concentration within management, 5. lack of clarity regarding the uncanceled treasury share count.

RELATIVE PERFORMANCE



Source: Bloomberg

OTP: TP AND RATING SUMMARY

Bloomberg TK	OTP HB
Price, HUF	44,470
Date:	18-Jun-26
MCAP, HUFbn	12,452
Shares out, mn	280
Free float	91%
ADTV 3M, USDmn	66
TP, EUR (New), HUF	**56,000**
Valuation horizon	Dec-27
Interim DY	2.6%
Expected return	29%
COE	13.0%
Prorata COE	20%
Excess return	9%
Rating (New)	Buy

Source: Bloomberg, Roemer Capital

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OTP - OPERATING FORECASET AND VALUATION SUMMARY

HUFbn	2024A	2025A	2026F	2027F	2028F
Revenue	2,634	2,917	3,160	3,478	3,770
Opex	-1,089	-1,217	-1,350	-1,449	-1,558
Provisions	-158	-197	-165	-223	-252
Net income	1,076	1,146	1,217	1,437	1,587
Loans	23,362	25,829	29,508	32,649	35,806
Common equity	5,120	5,626	6,446	7,236	8,030
NII/assets	4.2%	4.4%	4.5%	4.4%	4.3%
FCM	1.3%	1.4%	1.3%	1.4%	1.4%
CCIR	45.6%	46.8%	47.6%	46.3%	45.7%
COR	0.70%	0.81%	0.58%	0.71%	0.74%
CET1	18.9%	18.1%	18.1%	18.6%	19.1%
PE	11.6	10.9	10.2	8.7	7.8
PTB	2.3	2.0	1.8	1.6	1.4
DY	2.2%	2.5%	2.6%	3.0%	3.4%
EPS, HUF	3,843	4,094	4,348	5,131	5,669
BVPS, HUF	19,184	21,723	25,095	28,176	31,271
DPS, HUF	981	1,121	1,146	1,352	1,494

Source: Roemer Capital

SHARE PERFORMANCE AND ATTRIBUTION

The shares are highly sensitive to the Russia-related geopolitics. Tracking the share performance over the five-year horizon shows that after the start of the Russia-Ukraine war OTP lost over half of its capitalization which was clearly excessive, given that Russia, Ukraine and Moldova (the three FSU countries in the OTP portfolio) accounted for around 20% of the group's earnings.

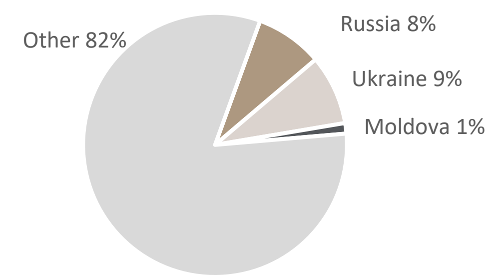
While **in 2022-25 the shares largely tracked the MSCI European banking shares' index**, OTP staged a remarkable catch-up in the aftermath of **the Hungarian general election** in April which saw removal of Victor Orban, the far-right Prime Minister. The economic impact of his 16-year tenure was characterized by unorthodox economic policies ("*Orbanomics*") that ultimately led to a severe inflation crisis, stagnation and aggressive financial systemic strain with punitive taxation on banks.

Renewed pragmatic EU Relations bear fruits: In exchange for adopting a more mainstream, cooperative stance on European security, the EU rewarded the new Hungarian government by unfreezing **EUR16.4bn** in EU funds that had been withheld due to Orbán's rule-of-law violations.

Positives for Ukraine. In March 2026, right before the election, Orbán used his veto power to block a **EUR90bn EU loan package** to Ukraine. Following his ouster in April, the EU released the funds.

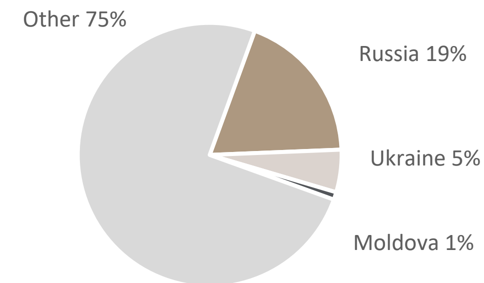
Assuming that the election's direct positive effects accruing to Hungary and Ukraine are reflected by the shares, it also follows that that **the implicit "Russian" discount** remains in place, especially since the share of Russia in the total earnings has more than doubled to 19%. Our conclusion here is that the stock should continue to be highly sensitive to the Russia-Ukraine newsflow.

2021 EARNINGS SPLIT



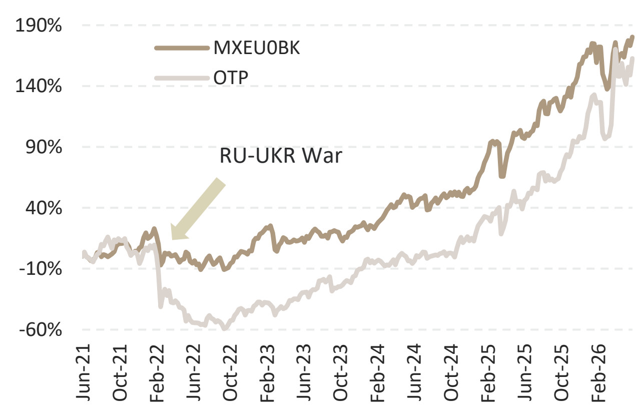
Source: Company

2025 EARNINGS SPLIT



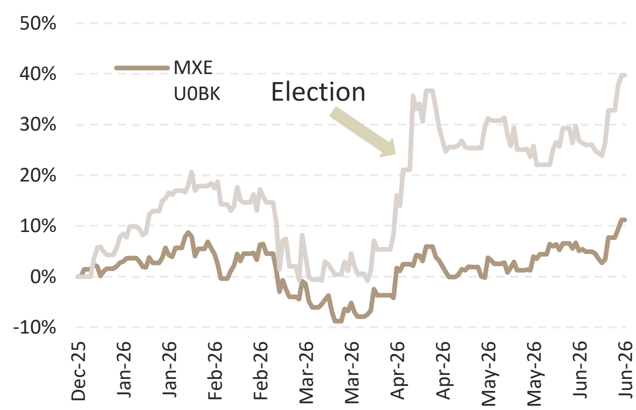
Source: Company

RELATIVE PERFORMANCE 5Y



Source: Bloomberg

RELATIVE PERFORMANCE YTD



Source: Bloomberg

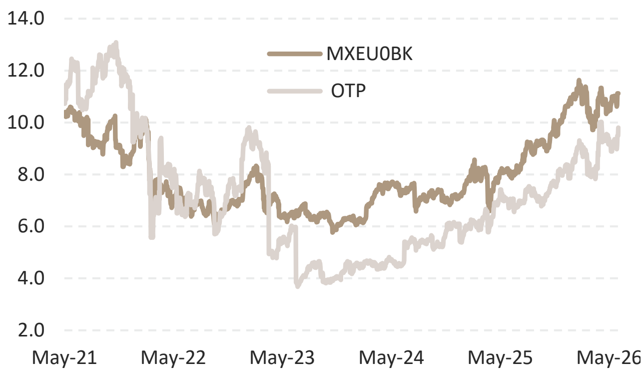
MAKING SENSE OF MULTIPLES ROLLERCOSTER

From premium to discount. Before the onset of the Russia-Ukraine war in February 2022, OTP traded at a premium to European banks's PE, however the perceived deterioration of the earnings outlook resulted in a discount. Comparisons of PB showed the premium evaporating by early 2023, however recovery of the shares saw a partial recovery of the premium, albeit not to the pre-war levels.

PB premium is justified by returns. The implied ROE comparisons show that the markets assume ROE in excess of 20%, more than 50% higher than the MSCI Europe Banking index returns.

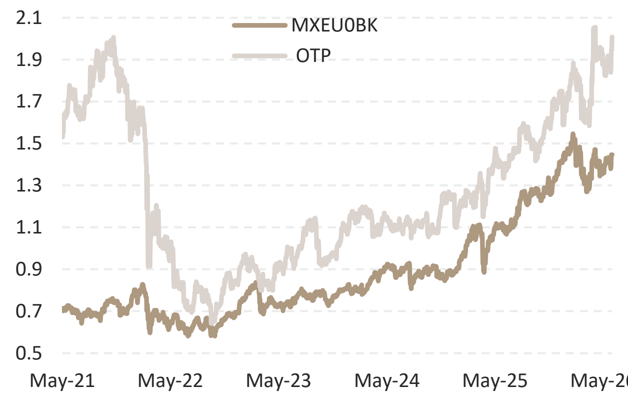
The consensus implied COE for OTP is above 14%, compared to 10% for the index. The further decline of COE due to the macroeconomic harmonization with the EU after the recent election, and further decline of the geopolitical risks related to Russia is an eventuality in our view.

BEST PE COMPARISONS



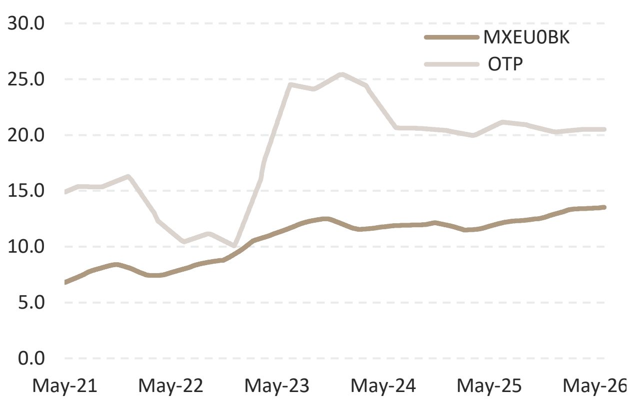
Source: Bloomberg

BEST PB COMPARISONS



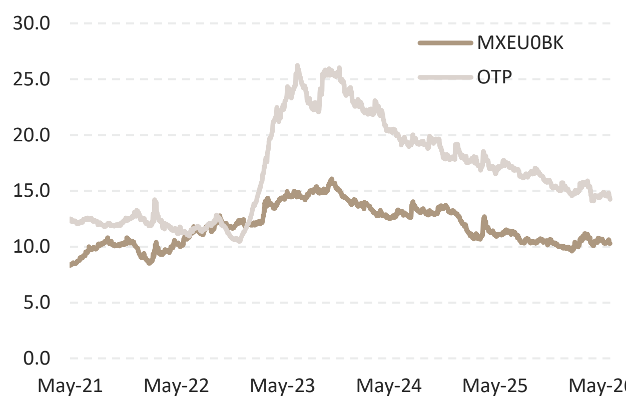
Source: Bloomberg

BEST ROE COMPARISONS



Source: Bloomberg

IMPLIED COE COMPARISONS

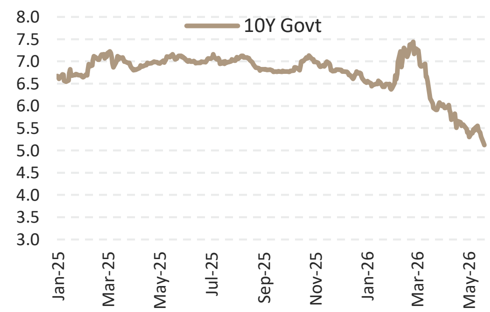


Source: Bloomberg

VALUATION

COE calibration: In our forecast of Cost of Equity, we look at the local currency bond yields, assuming a level of 5.0% as the "fair" risk-free rate. We adjust it up by 7% (the historical 50-year delta in returns of US stocks over Treasuries), which gives us a proxy for the equity risk premium, translating into 12.0% as the Base Cost of Equity. However, as we have already shown, OTP shares' valuation reflects a significant geopolitical premium, and we duly add another 100bp to arrive at 13% COE, due to our concerns over the business continuity in Russia.

HUF BONDS' YIELD



Source: Bloomberg

OTP: COE MODEL

		Comment
Risk Free Rate	5.0%	Assumed year-end 10Y Govt Bond HUF
Equity risk premium	7.0%	50Y hist. diff. in returns stocks/bonds
Base cost of equity	12.0%	
Liquidity risk premium, bp	0	Liquid large free-float adj. cap
Geopolitical RP, bp	100	Business continuity can be questioned
COE	13.0%	

Source: Roemer Capital

Gordon Growth valuation: Our valuation model takes into account a 21% sustainable ROE and 6% terminal growth, resulting in an end-2027 valuation of HUF 56,000 with total expected return of 29%. This valuation offers an attractive excess return of 9% over the opportunity costs (pro-rata COE).

OTP GORDON GROWTH VALUATION

	HUF
BVPS	28,504
COE	13.0%
ROE 2028F	21%
Growth	5%
Fair PBV: (ROE-g)/(COE-g)	2.0
Fair Value: end-27	**56,000**
Close price	44,470
Interim DY	2.6%
Total expected return	**29%**
Pro-rata COE	20%
Excess return	9%

Source: Roemer Capital

High sensitivity to geopolitical risk. Our matrix for valuation sensitivity to COE and ROE implies that a 100bp additional geopolitical risk premium reduces TP by 12%. With Russia, Ukraine, and Moldova accounting for around 25% of total earnings, our valuation model essentially discounts these earnings streams by half.

TP COE ROE SENSITIVITY, HUF

			COE	
	56,000	12.0%	13.0%	14.0%
	21.8%	68,000	60,000	53,000
ROE	20.8%	64,000	56,000	50,000
	19.8%	60,000	53,000	47,000
TP COE/ROE SENSITIVITY, %				
	20.4%	21%	7%	-5%
ROE	19.4%	14%	0%	-11%
	18.4%	7%	-5%	-16%

Source: Roemer Capital

KEY RISKS

Regulatory and Windfall Tax Interventions: In the past, the Hungarian government frequently imposes unpredictable windfall taxes, mandatory interest rate caps, and temporary loan moratoria to manage public budget deficits, directly squeezing OTP's domestic profit margins. With removal of Victor Orban from power, this risk may gradually diminish.

Russian risk: Severe regulatory capital controls and strict cross-border sanctions complicate OTP's ability to freely repatriate capital and local dividend flows to the parent group. OTP has attempted to sell the entity, but has been unable to find a qualified buyer. While OTP had no issues repatriating dividends prior to the second half of 2025, the subsequent escalation between Russia and the EU over Russian assets held by Euroclear led the Central Bank of Russia to decline permissions for upstreaming dividends.

Aggressive M&A and Integration Hurdles: Expanding rapidly into emerging banking sectors like Uzbekistan carries long-term operational risks, high capital deployment costs, and technical challenges when aligning divergent regional IT architectures.

Concentration of Strategic Power: Despite the formal separation of the Chairman and CEO roles, strategic oversight remains heavily concentrated within the foundational leadership family, as the positions are now held by father and son, respectively. This structural arrangement preserves strategic continuity but heightens key-person dependency risks and potential governance friction during future transition phases.

Ambiguity of Treasury Shares. The high volume of and unclear intentions regarding uncanceled treasury shares create opacity around the true outstanding share count, complicating per-share metric and valuation forecasting.

STRATEGY: ACQUISITIONS ARE KEY

Corporate Strategy: The Regional Consolidator. OTP Group operates as the main banking consolidator in Central and Eastern Europe. Since privatizing in the late 1990s, the company has transformed from a single-country "national champion" in Hungary into a cross-border financial powerhouse. The group's overarching strategic goal is geographic diversification. By scaling rapidly outside of Hungary, OTP may be trying to dilute domestic regulatory risks, such as Hungarian banking taxes and interest rate caps. Today, the parent bank maintains highly localized decision-making and rapid credit approvals in its foreign outposts, enabling it to wrestle market share.

OTP GEOGRAPHIC UNIVERSE - CEE AND BEYOND

Source: Company

M&A Execution and Criteria. OTP’s expansion is heavily fueled by inorganic mergers and acquisitions. Since the early 2000s, the group has successfully bought out and integrated 25 different banks.

Target Parameters: Management strictly pursues accretive transactions that promise a mid-teens Internal Rate of Return (IRR) and a full capital payback within 4–5 years.

Synergy Extraction: Rather than maintaining hands-off investments, OTP works swiftly to strip out 25% to 35% of the acquired cost bases through strict operational mergers and technological integration within 24 to 36 months.

Geographic Footprint & Key Subsidiaries: The OTP footprint spans 11 target nations, serving roughly 17 mn clients. The portfolio is distinctly split into three operational arcs:

The Core Geographies comprise Hungary, the home market and the primary anchor, Bulgaria (DSK Bank): A dominant, crown-jewel market leader for the group and Slovenia & Montenegro: Key regions where OTP maintains clear top-3 market share dominance.

The Balkan Growth Corridor: Active, profitable universal banking subsidiaries across Croatia, Serbia, and Albania.

The High-Growth Eastern Shift: Uzbekistan (Ipoteka Bank): Acquired in 2023. This represents a major strategic evolution for the group, intentionally shifting capital away from saturated European fields to capture an underpenetrated, fast-growing Central Asian retail credit market. Ukraine & Moldova: Legacy eastern foothills that continue to operate defensively under stable local management.

The Russian Operations: Tactical Maximization vs. Strategic De-emphasis

OTP's Russian subsidiary remains a significant cash generator for the group, though its long-term corporate status is highly sensitive:

The Revenue Windfall: As rival Western banks scale back, Russian corporations have migrated to OTP for international trade settlements. This dynamic resulted in a sharp profit increase for the Russian business unit.

Compliance Boundaries: To minimize geopolitical blowback, OTP halted corporate lending in Russia, ceased processing US dollar transactions, and implemented strict filters on euro transfers.

Capital Extraction: The group's primary objective is capital extraction rather than operational growth. Since 2022, OTP has extracted over RUB 42 bn (roughly $470+ mn) in dividends back to the Hungarian parent. Because the Russian operations exist in a state of geopolitical containment with no planned long-term capital re-investment, management treats it as an cash engine rather than a core strategic growth pillar.

The Romanian Exit is illustrative. OTP officially closed the sale of its Romanian subsidiary to Banca Transilvania on July 30, 2024, for EUR 347.5mn. The strategic exit was driven by several specific factors:

- Lack of Scale: Local market share stalled below 2.5%, failing to meet internal top-5 goals.
- Regulatory Roadblocks: We understand that the Central Bank of Romania blocked attempted local acquisitions, cutting off paths to inorganic scale.
- Capital Pivot: Proceeds were immediately redeployed to fund more lucrative, higher-margin growth in Uzbekistan.

COMPARING OTP WITH PEERS

Comparing OTP Group against its primary regional competitors, Erste Group and Raiffeisen Bank International (RBI), highlights distinct differences in risk profiles, geographical footprint, and financial efficiencies across Central and Eastern Europe (CEE). In terms of strategic profiles:

OTP Group: Operates as a pure cross-border consolidator with an emerging markets' focus. It functions with decentralized, localized management and prioritizes rapid M&A execution to maintain top positions in higher-margin, less crowded CEE and Central Asian banking markets.

Erste Group: Acts as the lower-risk, premier retail and corporate financial champion of the stable eastern European corridor. Its footprint focuses heavily on wealthy, mature markets (Austria and the Czech Republic), translating to stable, low-volatility income.

RBI: Historically known as a highly aggressive, pioneering network bank in the CIS and CEE regions. Currently, RBI faces severe structural transitions and operational scrutiny as it navigates complex containment, structural spin-offs, and compliance mandates regarding its massive legacy assets in Russia with equity of EUR5.7bn.

Geographical Footprints:

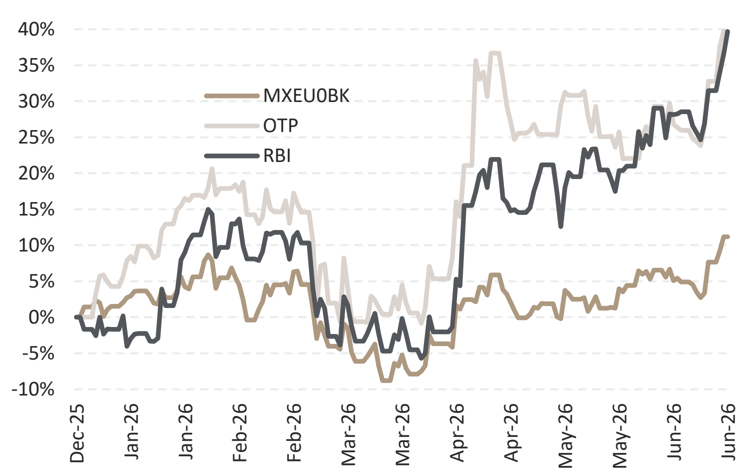
OTP Group: Core dominance in Hungary and Bulgaria, strong presence across the Balkan corridor (Slovenia, Serbia, Croatia, Montenegro, Albania), with an active growth pivot targeting the under-penetrated retail banking sector in Uzbekistan.

Erste Group: Highly concentrated in Austria, the Czech Republic, and Slovakia (which together drive the vast majority of group profits), paired with mid-tier universal banking operations in Romania, Hungary, and Serbia.

RBI: Operates across a wide fragmented network including Austria, the Czech Republic, Slovakia, Romania, and the Balkans. Its overall investment thesis remains heavily complicated by legacy exposure in Russia and Belarus.

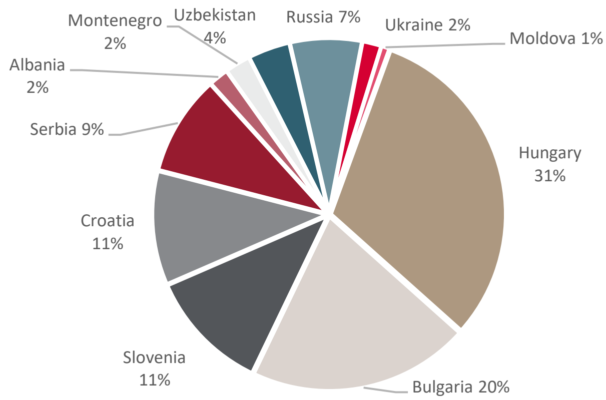
OTP and RBI as geopolitical plays. The duo has massively outperformed the European peers, with geopolitics playing a major role, we consider. Such drivers remain in place as OTP should benefit from a deeper re-integration into the EU as well as de-escalation along the Russia-Ukraine fault line. The end of the hostilities in the Persian Gulf should allow the US and the EU to renew push for ceasefire in Ukraine, we believe.

PERFORMANC COMPARISONS



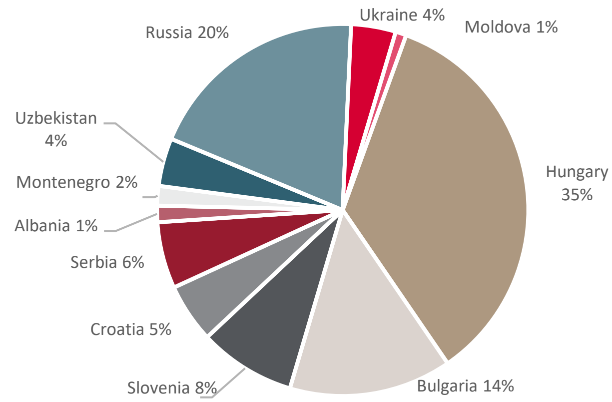
Source: Bloomberg

OTP LOANS BY COUNTRY: 1Q26



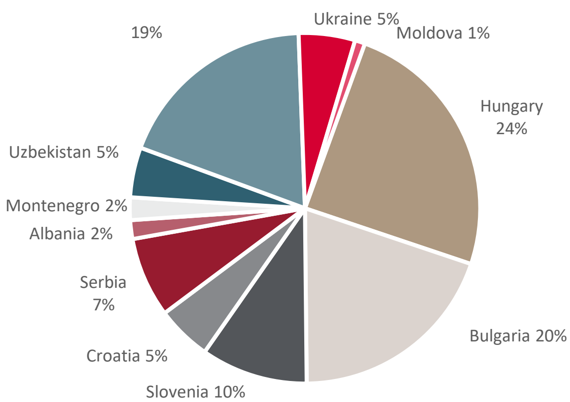
Source: Company

OTP REVENUE SPLIT: 2025



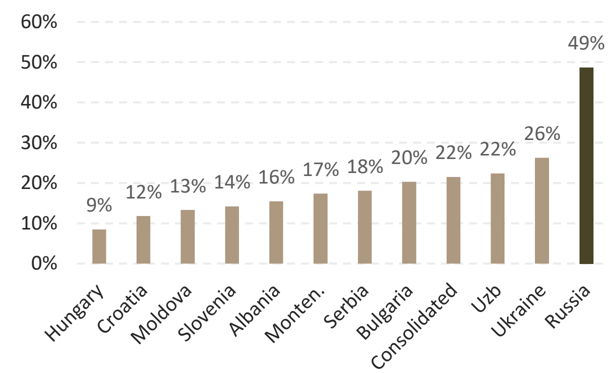
Source: Company

OTP NET INCOME SPLIT, 2025



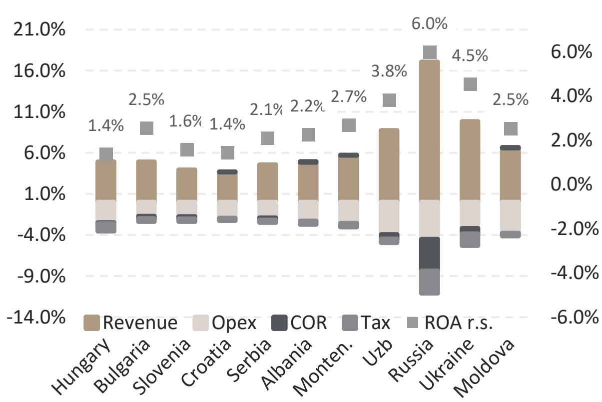
Source: Company

ROE BY COUNTRY



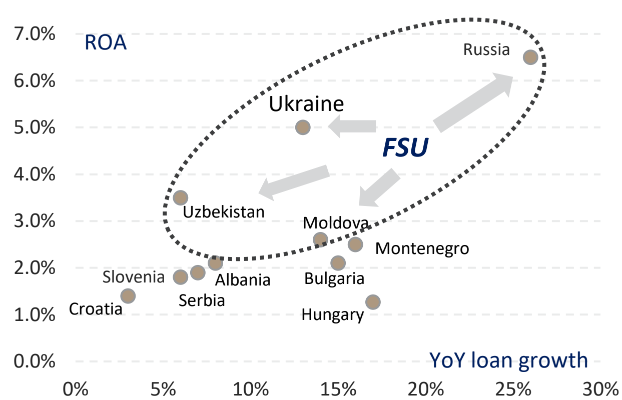
Source: Company

ROA DECOMPOSITION BY COUNTRY



Source: Roemer Capital, Company

ROA VS LOAN GROWTH



Source: Roemer Capital, Company

OTP: SHAREHOLDING AND GOVERNANCE

OTP Bank ownership structure characterized by a massive free-float and complete corporate independence. Unlike many peers in Central and Eastern Europe (CEE), OTP is not a subsidiary of a Western financial group, nor is it state controlled.

High Free Float & Global Backing: The bank's free float sits at an exceptionally high 70% to 75% on the Budapest Stock Exchange. International institutional investors—primarily Western European and American asset managers like Vanguard, BlackRock, and T. Rowe Price—collectively own over 55%.

Strategic Shielding via Crossholdings: The largest single corporate shareholder is MOL Hungarian Oil and Gas PLC (~8.6%). This historic partnership forms a powerful domestic alliance that serves as deterrent against hostile takeovers.

The Bancassurance Alliance: French insurance giant Groupama holds a ~5.1% stake. This equity relationship anchors a long-term commercial partnership, giving OTP a steady stream of non-interest income by selling Groupama products across its 11-country CEE footprint.

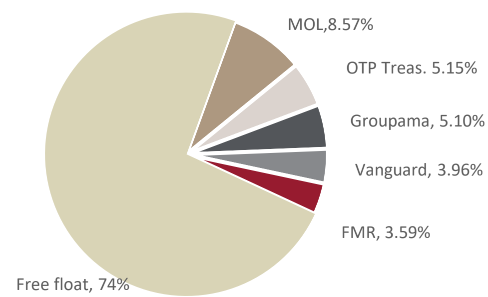
Corporate Governance: The Hungarian state holds no "golden shares" or veto rights, ensuring a transparent, market-driven one-share-one-vote structure.

The Complexity of OTP's Share Count Structure. OTP Bank's total registered share count has remained unchanged at 280 million since its IPO in 1995. However, the effective share float is highly nuanced due to the bank's substantial treasury share balance.

- **Buybacks a factor.** Rather than canceling repurchased equity, the bank retains it as treasury shares. Driven by active buyback programs, total treasury shares at the group level have expanded from 19.0 million in 2024 to 26.13 million as of 1Q26. This treasury balance is split into two tranches: 11.7 million shares earmarked for the Employee Share Ownership Program (ESOP) and 14.4 million shares held directly on the parent bank's balance sheet.
- **Applying Different Share Counts for Different Valuation Metrics.** Because these two tranches are treated differently under regulatory and accounting standards, financial models must utilize distinct share counts depending on the purpose:
- For **Gordon Growth Valuation** (Modified Dividend-Discount Framework): The 14.4 million shares held directly by OTP Bank are legally barred from receiving dividends. However, the 11.7 million ESOP-allocated shares remain eligible for dividend distributions. Therefore, our dividend-centric Gordon Growth model utilizes 265.6 million dividend-bearing shares (280mn total minus the 14.4mn direct bank treasury shares).
- **EPS Calculation:** To calculate the underlying financial performance available to true equity holders, the total share count must be reduced by all treasury shares. This calculation utilizes 253.9 million outstanding shares (280mn total minus the full 26.13mn group treasury block).

What is the use of treasury shares? OTP has not disclosed its intentions to cancel treasury shares. At the same time, we do not believe that treasury shares could be used for M&A Indeed, using treasury shares for M&A is restricted, due to regulatory penalties, capital ratios impact and legal purpose mandate restrictions, limiting the usage to either employee ownership plans or capital optimization (boosting ROE). Furthermore, in banking transaction sellers overwhelmingly demand cash to avoid market/FX risks. In any case the newly issued T2 note is a testament that for M&A management wants to use the alternative sources.

SHAREHOLDING STRUCTURE



Source: Company

Former CEO was Dr. Sándor Csányi who served as the Chief Executive Officer of OTP Bank for a historic thirty-three years from 1992 to 2025, making him Europe's longest-serving listed bank CEO. During this tenure, he masterminded OTP's transformation from a privatized, domestic state monopoly into a massive multinational financial institution operating across eleven countries. Following the strategic corporate decision to separate the Chairman and CEO positions, positive from the governance perspective, he transitioned into his current corporate role as the Executive Chairman of the Board of Directors.

Péter Csányi, the son of long-standing Chairman Sándor Csányi, was appointed Chief Executive Officer of OTP Bank on May 1, 2025. Prior to taking the helm, he served as Deputy CEO of the Digital Division and head of IT. He also holds an extensive external consulting pedigree, having spent five years as a senior consultant at McKinsey & Company. His current mandate and vision represent a clear strategic pivot toward deeper technological integration, operational execution, and a strict focus on IT infrastructure and automation.

OUTLOOK: VOLUME GROWTH THE KEY REVENUE DRIVER

Expecting continuation of strong growth trends. Our model takes into account the volume growth trends and interest rate outlook by country, as outlined in the table at the end of this section. On our estimates, in 2026-28 majority of the countries in OTP's portfolio should deliver double digit growth, with the aggregate CAGR of 11%, significantly exceeding the anemic growth levels in the "old" Europe.

LOANS

HUFbn	2024F	2025A	2026F	2027F	2028F	25-28 CAGR
Hungary	7,078	8,096	9,300	10,467	11,554	13%
Bulgaria	4,810	5,314	6,004	6,563	7,104	10%
Slovenia	2,909	2,980	3,228	3,392	3,565	6%
Croatia	2,763	2,809	3,036	3,261	3,495	8%
Serbia	2,341	2,515	2,699	2,922	3,132	8%
Albania	476	500	552	609	672	10%
Montenegro	545	609	711	800	883	13%
Uzbekistan	1,064	1,042	1,190	1,393	1,629	16%
Russia	1,111	1,733	2,028	2,372	2,775	17%
Ukraine	441	446	538	630	737	18%
Moldova	180	205	222	240	260	8%
Total	**23,718**	**26,247**	**29,508**	**32,649**	**35,806**	**11%**

Source: Company, Roemer Capital

Divergent margin trends. For the countries within the Eurozone the expected ECB hikes should provide moderate support to NIMs. For the rest, we expect various degrees on NIM erosion, significantly more pronounced across the FSU countries, from the abnormally high levels. Poor visibility of the policy rates, particularly for Russia and Ukraine due to volatile geopolitical factors, creates a significant room for forecasting error. However, the individual country trends in our model cancel-out, resulting in a static aggregate margin trend. Our aggregate NII/asset series for 2026-28 is close to 4.2%.

NII/LOANS

	2024F	2025A	2026F	2027F	2028F	28/25, bp
Hungary	8.5%	8.9%	9.2%	9.0%	8.8%	-17
Bulgaria	5.7%	5.6%	5.8%	6.1%	6.1%	48
Slovenia	6.7%	6.2%	6.1%	6.4%	6.4%	18
Croatia	3.9%	4.0%	3.9%	4.3%	4.3%	33
Serbia	5.2%	5.0%	4.4%	4.5%	4.5%	-54
Albania	7.4%	7.2%	6.4%	6.2%	6.0%	-113
Montenegro	6.7%	6.5%	5.8%	5.5%	5.5%	-107
Uzbekistan	11.5%	10.5%	11.9%	11.0%	10.0%	-51
Russia	18.8%	23.8%	21.9%	18.9%	17.2%	-656
Ukraine	23.1%	24.1%	21.3%	18.1%	16.3%	-776
Moldova	8.9%	9.6%	9.2%	9.0%	8.8%	-81

Source: Company, Roemer Capital

RATE POLICY AND NIM OUTLOOK SUMMARY

Country	Monetary Framework	Current Policy Rate	2026 Rate Outlook	2027–28 Assumption	NIM Outlook
Hungary	Independent (NBH)	6.25%	5.5–5.9% by end-2026 (50–100bp cuts)	Gradual easing toward ~4–5% by 2028	Gradual compression
Bulgaria	Eurozone (ECB)	2.25% ECB deposit	Further ECB hikes possible (+25–50bp)	Potential reversal/cuts in 2027	Stable to slightly positive near-term
Slovenia	Eurozone (ECB)	2.25% ECB deposit	Further ECB hikes possible	Potential reversal/cuts in 2027	Stable
Croatia	Eurozone (ECB)	2.25% ECB deposit	Further ECB hikes possible	Potential reversal/cuts in 2027	Stable; tracks ECB dynamics
Serbia	Independent (NBS)	5.75%	On hold; no cuts expected in 2026	Modest easing possible in 2027	Stable NIMs; limited compression risk near-term
Albania	Independent (BoA)	3.5% o/n lending	Near term upside risk	Stable	Stable
Montenegro	EUR, no ECB	Tracks ECB	Tracks ECB; hikes feed through	Tracks ECB trajectory	Mild compression
Uzbekistan	Independent (CBU)	14.00%	On hold; gradual cuts if inflation falls	Gradual easing toward single digits	Wide spreads; compression
Russia	Independent (CBR)	14.50%	~14% avg 2026; continued cuts	10-11% by 2027; further easing in 2028	NIM compression
Ukraine	Independent (NBU)	15.00%	Gradual cuts; single-digit inflation target	War-dependent	Elevated NIMs; war resolution key catalyst
Moldova	Independent (NBM)	8.5% o/n lending	Gradual easing bias	Gradual easing	Mild compression

Source: IMF, Bloomberg

TRACKING ROA COMPONENTS: ROBUST EARNINGS GROWTH AHEAD

Revenue: On our numbers, the key revenue lines slightly trail asset growth. Our model shows large variations of revenue across the countries in the portfolio. The aggregate revenue from banking has CAGR of 9%.

REVENUE BY COUNTRY MODEL

HUFbn	2024F	2025A	2026F	2027F	2028F	25-28 CAGR
Hungary	868	975	1,178	1,312	1,428	14%
Bulgaria	375	396	441	506	550	12%
Slovenia	252	236	242	265	278	6%
Croatia	62	55	52	61	69	8%
Serbia	154	162	155	169	181	4%
Albania	40	40	38	41	44	3%
Montenegro	46	48	48	53	58	7%
Uzbekistan	126	117	140	151	162	12%
Russia	344	545	528	556	612	4%
Ukraine	102	109	111	113	121	4%
Moldova	26	26	26	28	29	4%

Source: Company, Roemer Capital

Operating profitability, captured by the Cost-to-Core-Income ratio, varies widely. For the countries with high base, including Hungary, Croatia and Moldova, we expect significant improvements of efficiency due to the operating leverage effects and technology. At the group level, by 2028 CCIR should decline by 123bp.

CCIR

	2024F	2025A	2026F	2027F	2028F
Hungary	56%	57%	55%	53%	53%
Bulgaria	34%	36%	39%	37%	36%
Slovenia	43%	44%	48%	45%	44%
Croatia	49%	54%	55%	52%	50%
Serbia	42%	45%	47%	45%	44%
Albania	45%	49%	52%	50%	48%
Montenegro	41%	44%	45%	43%	44%
Uzbekistan	40%	47%	46%	43%	43%
Russia	38%	35%	40%	39%	39%
Ukraine	34%	34%	33%	33%	33%
Moldova	77%	73%	73%	69%	65%

Source: Company, Roemer Capital

Cost of Risk forecasting presents challenges due to extremely volatile quarterly dynamics. Our forecasts assume continuation of benign operating environment, the ever-volatile Russia being the only area of concern with the lagged shock of sustained high interest rates and continuing shift into unsecured retail. Taking into account the recent quarterly levels, our aggregate 2026-28 COR level stays in the 0.7-0.8% range.

COR

	2024F	2025A	2026F	2027F	2028F
Hungary	0.72%	0.64%	0.06%	0.40%	0.40%
Bulgaria	0.44%	0.34%	0.51%	0.50%	0.50%
Slovenia	0.28%	0.24%	0.64%	0.50%	0.50%
Croatia	-0.07%	0.10%	0.12%	0.25%	0.25%
Serbia	0.77%	0.27%	0.35%	0.40%	0.40%
Albania	-0.06%	-0.11%	0.24%	0.40%	0.40%
Montenegro	-0.26%	0.10%	0.16%	0.25%	0.25%
Uzbekistan	-0.26%	0.10%	0.16%	0.25%	0.25%
Russia	5.10%	8.39%	4.56%	4.49%	4.49%
Ukraine	-1.00%	1.60%	1.40%	1.50%	1.50%
Moldova	-0.35%	-0.02%	0.31%	0.40%	0.40%

Source: Company, Roemer Capital

Strong sustainable earnings growth ahead. Notwithstanding the significant differences in the expected earnings trends by country, we forecast the aggregate bottom line to increase with CAGR of 10%, essentially tracking the revenue trajectory with the aggregate bottom line gaining nearly 1/3 in 2026-28.

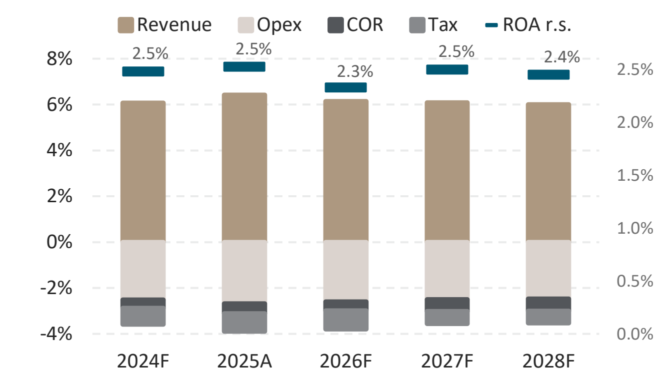
NET INCOME

HUFbn	2024F	2025A	2026F	2027F	2028F	26-28 CAGR
Hungary	270	264	337	446	506	24%
Bulgaria	201	211	213	250	275	9%
Slovenia	113	106	85	103	110	1%
Croatia	62	55	52	61	69	8%
Serbia	66	79	69	76	82	1%
Albania	20	19	16	17	18	-1%
Montenegro	24	22	22	24	26	6%
Uzbekistan	24	22	22	24	26	6%
Russia	137	202	206	215	234	5%
Ukraine	41	56	45	48	51	-3%
Moldova	11	10	9	10	11	4%

Source: Company, Roemer Capital

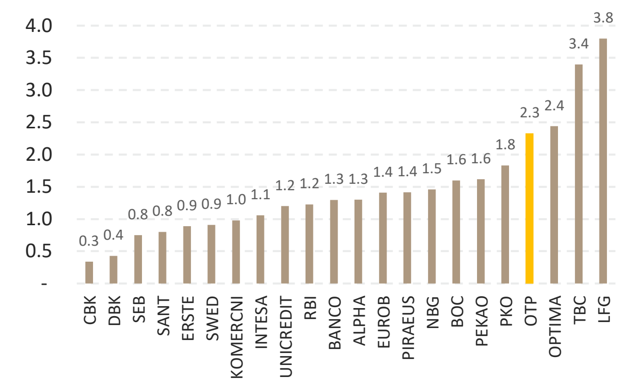
Superb returns expected. Our OTP forecasts translate into high 2026-28 ROA 2.3-2.5%, which is much higher than for most banks the developed and emerging European universe.

OTP ROA DECOMPOSITION



Source: Company

2026 ROA COMPARISONS, %



Source: Roemer Capital, Bloomberg

OTP: OPERATING FORECAST

HUFbn	2024F	2025A	2026F	2027F	2028F
NII	1,783	1,945	2,196	2,403	2,592
Fee income	546	604	652	754	835
Other	306	368	311	320	342
Total revenue	2,634	2,917	3,160	3,478	3,770
Operating expenses	-1,089	-1,217	-1,350	-1,449	-1,558
Pre-provision income	1,545	1,700	1,809	2,029	2,212
Total risk costs	-158	-197	-165	-223	-252
Pre-tax income	1,387	1,503	1,638	1,798	1,950
Net income	1,076	1,146	1,217	1,437	1,587
Per share data, HUF					
Avg. diluted shares out (mn)	280	280	280	280	280
EPS - diluted	3,843	4,094	4,348	5,131	5,669
DPS	981	1,121	1,146	1,352	1,494
BVPS	19455	21989	25392	28504	31631
TBVPS	19,184	21,723	25,095	28,176	31,271
Ratios					
NII/assets	4.2%	4.4%	4.5%	4.4%	4.3%
Fees/assets	1.30%	1.36%	1.32%	1.38%	1.40%
CCIR	46%	47%	48%	46%	46%
COR	0.70%	0.81%	0.58%	0.71%	0.74%
ROTE	23.2%	21.5%	20.1%	19.7%	20.8%
ROA	2.6%	2.6%	2.46%	2.4%	2.7%
Total payout	36%	38%	40%	45%	50%

Source: Company, Roemer Capital

OTP: BALANCE SHEET FORECAST

HUFbn	2024F	2025A	2026F	2027F	2028F
Cash and equivalents	6,079	4,966	9,521	10,126	10,781
Net loans	23,362	25,829	29,508	32,649	35,806
Securities	1,706	2,046	2,501	2,767	3,034
Assets	43,419	45,427	52,047	57,179	62,384
Due to banks	2,095	1,581	1,839	2,035	2,232
Customer deposits	31,666	33,734	37,888	42,033	46,249
Debt securities	2,593	2,513	2,923	2,923	2,923
Total liabilities	38,299	39,802	45,601	49,942	54,354
Common equity	5,120	5,626	6,446	7,236	8,030
Cash to assets	14%	11%	18%	18%	17%
Loans to assets	54%	57%	57%	57%	57%
Securities to assets	4%	5%	5%	5%	5%
Loans to deposits	74%	77%	78%	78%	77%
Equity to assets	12%	12%	12%	13%	13%
Asset quality					
Stage 3/Gross loans	3.6%	3.5%	3.3%	3.2%	3.1%
LLR	4.0%	3.8%	-3.7%	-3.8%	-3.8%
LLR/Stage 3	109.7%	110.4%	-112.1%	-117.8%	-124.3%
Capital adequacy					
CAR	20.3%	19.7%	20.6%	21.0%	21.2%
Tier1 ratio	18.9%	18.1%	18.1%	18.6%	19.1%
CET1 ratio	18.9%	18.1%	18.1%	18.6%	19.1%

Source: Company, Roemer Capital

DISCLAIMER

COMPLETED 18 JUN 2026 10-00 EEST

DESSIMINATED 18 JUN 2026 10-30 EEST