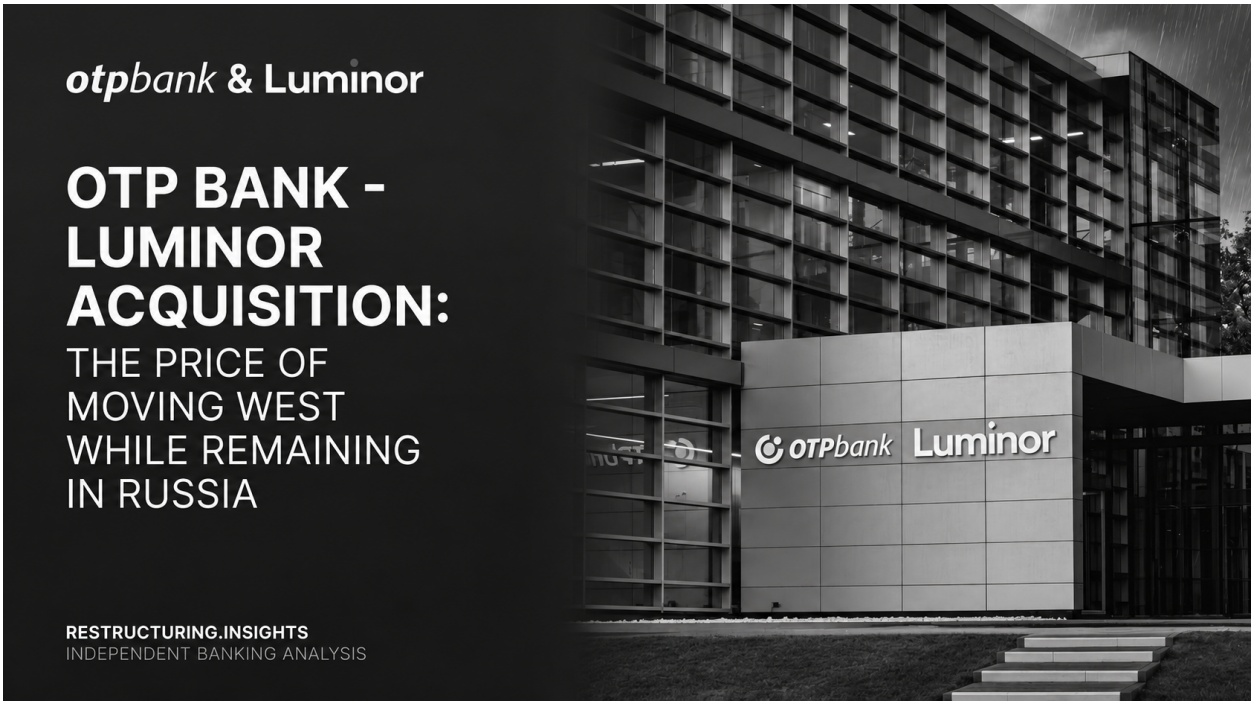


OTP Bank – Luminor Acquisition: The Price of Moving West While Remaining in Russia

OTP is acquiring a €16.9 billion Baltic banking franchise below book value while reconsidering a Russian business responsible for almost one-fifth of its consolidated profit. The acquisition offers strategic opportunities, but the economics of earnings, capital and potential divestment tell a more complicated story.

By Daniel Vnuk, univ. mag. oec., MBA | November 14, 2026

OTP Bank's proposed acquisition of Luminor is the largest transaction in the Hungarian banking group's history and an important step in its expansion beyond Central and Southeastern Europe. The acquisition would provide entry into Estonia, Latvia and Lithuania, add approximately €16.9 billion in banking assets and increase the euro-area share of OTP's customer lending portfolio from 42% to around 50%. OTP has confirmed that the agreed purchase price is below book value, although the consideration remains undisclosed. The strategic rationale is understandable. Luminor offers an established

banking franchise with relatively sound asset quality, a substantial deposit base and room to improve profitability. Whether the discount translates into an attractive financial return is a separate question.

Luminor's latest financial results illustrate the challenge. Despite growing customer lending and maintaining a non-performing loan ratio of just 1.8%, the bank reported a 19.9% decline in net profit during the first nine months of 2026. Its annualized return on equity fell to 8.1%, while operating expenses increased substantially faster than revenue. Much of the deterioration reflects an ongoing technology transformation, which is expected to continue until the end of 2027. These costs may eventually decline, but OTP will need to demonstrate how much of the improvement can be attributed to genuine operating efficiencies rather than the natural completion of a programe already underway.

The capital position adds another dimension. During the third quarter, Luminor recognized a €200 million reduction in ordinary shareholder equity, with payment to its holding company expected in the final quarter of 2026. Following that adjustment and continued lending growth, its CET1 ratio declined to 16.8% on a management basis, compared with 20.2% at the end of 2025. The bank remains well capitalized, although the scope for further distributions is materially smaller than its earlier capital ratios might suggest. More importantly, the €200 million reduction is already reflected in September equity and must not be counted a second time when assessing the acquisition's potential capital benefits.

The wider investment case became more complicated on 11 November, when OTP confirmed that it was reviewing its Russian banking strategy, including a possible complete exit. OTP Bank Russia generated HUF 157.8 billion (approximately €430.9 million) in net profit during the first nine months of 2026, representing 18.8% of OTP Group's reported consolidated earnings. The subsidiary is exceptionally profitable, with a reported ROE of 40%, but restrictions on transferring additional dividends have reduced the practical availability of that income to the parent company. OTP is therefore considering the future of a highly profitable business while preparing to acquire a lower-return banking franchise in the euro area.

The two developments should not be treated as financially interchangeable. Russian earnings cannot be replaced simply by acquiring Luminor, and the potential benefits of leaving Russia cannot be measured through a CET1 sensitivity alone. Nevertheless, both decisions concern the same underlying issue: how OTP allocates capital across businesses with significantly different returns, regulatory constraints and long-term prospects.

My assessment is that the Luminor acquisition makes strategic sense, but its investment case remains incomplete. OTP's acquisition experience provides a credible basis for improving Luminor's performance. The discount to book value may prove attractive, particularly if earnings increase and capital is deployed more efficiently. However, without the actual purchase price, a detailed synergy plan and clarity on the Russian strategy, I would be cautious about treating the transaction as an established source of shareholder value.

The Acquisition: A Different Banking Geography

On 20 July 2026, OTP Bank signed an agreement to acquire 100% of Luminor Holding AS from a consortium of funds managed by Blackstone and Norway's DNB Bank. Blackstone's consortium holds approximately 80.05%, while DNB owns the remaining 19.95%. Luminor was created in 2017 through the combination of Nordea's and DNB's Baltic operations and has subsequently undergone substantial changes to its technology, operating model and customer proposition. Under OTP ownership, the bank would become a long-term strategic platform rather than an investment held by financial shareholders. Completion remains subject to the necessary regulatory approvals [note 1) 3)].

The acquisition would extend OTP's presence to 14 countries and materially increase its exposure to the euro area. That diversification is attractive, particularly given the Group's existing concentration in Central and Eastern European markets. The Baltic states offer relatively mature banking systems, established digital infrastructure and access to customers operating within the eurozone. At the same time, competition from Nordic banking groups places considerable pressure on lending margins and operating efficiency. OTP's experience in higher-margin markets cannot simply be transferred to Luminor

without adjusting expectations for the commercial environment in Estonia, Latvia and Lithuania.

Transaction Overview

Indicator	Position
Acquirer	OTP Bank Plc., Hungary
Target	Luminor Holding AS, Estonia
Operating bank	Luminor Bank AS
Ownership being acquired	100%
Sellers	Blackstone-managed funds and DNB Bank
Agreement signed	20 July 2026
Purchase consideration	Not publicly disclosed
Price indication	Below book value, confirmed by OTP
Total banking assets, September 2026	€16.91bln
Net customer loans	€12.30bln
Customer deposits	€12.39bln
EU merger-control clearance	12 October 2026
Completion	Subject to remaining regulatory approvals

Sources: *OTP acquisition announcement, 20 July 2026; OTP Half-Year Financial Report 2026; Luminor Interim Report 3Q2026; European Commission, Case M.12586.*

The European Commission approved the concentration under EU merger-control rules on 12 October 2026. That decision does not constitute prudential approval for the acquisition of an ECB-supervised banking group. The latter assessment remains relevant because the proposed acquirer must satisfy the applicable supervisory requirements, including those relating to financial soundness, governance and regulatory compliance. Questions raised by Baltic authorities concerning OTP's Russian operations have consequently attracted considerable attention, although no publicly confirmed decision establishes that OTP must dispose of its Russian subsidiary as a condition for acquiring Luminor [note 5) 6)].

From a strategic perspective, I regard Luminor as a sensible acquisition target. OTP would be acquiring an established franchise rather than building a new business in three competitive markets. The more difficult question is whether the bank's current earnings,

capital requirements and expected integration benefits justify the eventual purchase price. The transaction's financial attractiveness needs to be assessed on that basis, rather than through the geographical expansion alone.

Luminor's Financial Performance: Better Lending Growth Than Earnings Growth

Luminor's results for the first nine months of 2026 show continued balance-sheet expansion supported by relatively strong credit quality. Net customer loans reached €12.30 billion, approximately 10.5% above September 2025, while customer deposits increased to €12.39 billion. The non-performing loan ratio remained low at 1.8%, and the bank continued reducing its older Stage 3 exposures. These indicators support the view that OTP is acquiring a fundamentally sound lending business rather than a banking franchise facing a material deterioration in asset quality [note 2)].

Profitability presents a less favorable picture. Total operating income increased by 2.8% to €415.5 million, while operating expenses rose by 14.5% to €279.4 million. Profit before credit losses and tax declined from €160.1 million to €136.1 million, and net profit fell from €134.9 million to €108.1 million. Profit attributable to the ordinary shareholder, after the allocation to Additional Tier 1 capital holders, declined to €99.8 million. That final figure provides the more appropriate earnings basis for assessing the value attributable to ordinary equity.

The main explanation for the higher cost base is the bank's technology transformation. Migration expenditure increased by €37.1 million year-on-year, exceeding the overall €35.4 million increase in operating expenses. Excluding those separately disclosed costs, expenses would have declined slightly from €222.9 million to €221.2 million, producing a simplified cost-to-income ratio of approximately 53.2% in 9M2026 compared with 55.2% a year earlier. The underlying trend is therefore more favorable than the reported increase in costs initially suggests. However, the comparison is not a fully normalized earnings calculation, particularly because other exceptional items, including an €8 million goodwill impairment in 2026, also affect reported operating expenditure.

Luminor Bank: Nine-Month Financial Performance

Financial indicator	9M2025	9M2026	Change
Net interest income	€320.6m	€329.0m	+2.6%
Net fee and commission income	€63.4m	€66.7m	+5.2%
Total operating income	€404.1m	€415.5m	+2.8%
Operating expenses	€244.0m	€279.4m	+14.5%
Technology migration costs included above	€21.1m	€58.2m	+€37.1m
Profit before credit losses and tax	€160.1m	€136.1m	-15.0%
Profit before tax	€167.0m	€137.0m	-18.0%
Reported net profit	€134.9m	€108.1m	-19.9%
Profit attributable to ordinary shareholder	€127.9m	€99.8m	-22.0%
Cost-to-income ratio	60.4%	67.2%	+6.8 pp
Annualized ROE	10.1%	8.1%	-2.0 pp

Source: *Luminor Interim Report 3Q2026, pages 5-9, 16 and 56-57.*

Luminor expects its technology migration programe to continue through 2027. Bringing previously outsourced technology functions in-house has already increased personnel expenditure, while the bank continues modernizing its operating platform. Some migration expenditure should disappear as the programe progresses, but a larger permanent technology function will continue to generate costs. The eventual financial benefit will depend on the difference between expenses eliminated, costs retained and any further investment required to complete the programe.

This is an important consideration for OTP's future integration plans. Savings arising from the completion of Luminor's existing programe should not subsequently be counted again as incremental acquisition synergies. A credible assessment of post-acquisition profitability needs to distinguish these two sources of improvement, particularly given the possibility that OTP may introduce additional systems, functions or operating requirements after completion.

Credit quality remains a relative strength, although impairment reversals also contributed less to earnings than in the previous year. Luminor recognized a €0.9 million net reversal of expected credit losses during the first nine months of 2026, compared with €8.2 million

in 2025. The difference contributed to the decline in profitability and illustrates why future earnings estimates should not assume that favorable impairment outcomes will recur indefinitely.

OTP is acquiring a bank with a sound balance sheet and an established customer franchise. The principal challenge is to improve the earnings generated by that franchise while maintaining its current credit quality and completing an unfinished operating transformation.

Acquisition Valuation: The Difference Between Buying Equity and Buying Earnings

OTP confirmed in its August 2026 financial report that the purchase price agreed for Luminor was below book value. The consideration itself has not been published, nor have the contractual adjustments that may apply at closing. Consequently, an exact P/B or P/E multiple cannot be established. Any specific multiple used in this analysis must therefore be understood as a valuation sensitivity rather than the confirmed economics of the transaction [note 4)].

The valuation also requires a distinction between Luminor Holding, whose shares OTP is acquiring, and Luminor Bank, whose interim financial statements provide the basis for this analysis. At year-end 2025, the two entities reported almost identical consolidated ordinary shareholder equity, as shown below.

Luminor Holding vs. Luminor Bank: Ordinary Shareholder Equity

Entity	Ordinary shareholder equity, 31 December 2025
Luminor Holding AS (consolidated IFRS)	€1,738.0m
Luminor Bank AS (consolidated IFRS)	€1,737.3m
Difference	**€0.7m**

Sources: *Luminor Holding Annual Report 2025; Luminor Bank Interim Report 3Q2026.*

The difference of just €0.7 million between Luminor Holding's and Luminor Bank's consolidated ordinary shareholder equity at year-end 2025 provides a useful historical cross-check for the valuation methodology. However, that relationship cannot be assumed to have remained unchanged during 2026. In particular, Luminor Bank's €200 million capital reduction created a corresponding liability to its holding company, with potentially different implications for consolidated equity at the holding-company level. The September 2026 bank figures therefore serve as an indicative valuation reference, not as a reconstruction of Luminor Holding's equity or the consideration payable under OTP's acquisition agreement.

At 30 September 2026, Luminor Bank reported €1,560.4 million in equity attributable to its ordinary shareholder. Total IFRS equity was higher, at €1,708.1 million, because it included €147.7 million of Additional Tier 1 instruments classified as equity. For an indicative valuation of the ordinary interest, €1,560.4 million is the more appropriate starting point. The bank also reported €28.0 million in intangible assets, resulting in an indicative tangible ordinary equity value of approximately €1,532.4 million.

On the earnings side, the €99.8 million attributable to the ordinary shareholder during the first nine months of 2026 translates into a simple annualized run rate of approximately €133.1 million. Against September ordinary equity, this represents an indicative return of 8.5%. The measure differs from Luminor's formally reported ROE of 8.1%, which is calculated using average equity rather than the closing capital base.

Illustrative Acquisition Valuation

Assumed P/B	Implied ordinary equity value	P/E on annualized attributable earnings	Earnings yield on assumed price
0.65x	€1,014m	7.6x	13.1%
0.75x	**€1,170m**	**8.8x**	**11.4%**
0.85x	€1,326m	10.0x	10.0%
0.95x	€1,482m	11.1x	9.0%

Source: *Independent calculations using Luminor Bank's September 2026 ordinary shareholder equity of €1,560.4 million and annualized attributable profit of €133.1 million.*

Multiples are hypothetical scenarios, not disclosed acquisition terms. The analysis uses the operating bank as a proxy for the underlying franchise and does not reconstruct the consolidated equity or purchase price of Luminor Holding.

At a hypothetical acquisition price of 0.75x book value, OTP would pay approximately €1.17 billion for a banking business generating around €133 million in annualized attributable earnings. The resulting P/E of 8.8x and earnings yield of 11.4% would appear reasonably attractive for a bank with a relatively clean credit portfolio, strong liquidity and an established position in three euro-area markets. The same assumed price would represent approximately 0.76x September tangible ordinary equity, before considering holding-company adjustments.

The calculation does not establish that OTP will earn an 11.4% return on its consolidated equity. The eventual return will reflect the acquisition consideration, funding arrangements, regulatory capital requirements, integration costs, purchase-price allocation and the earnings retained or distributed within the enlarged Group. The more useful conclusion is that a purchase below book value can offer favorable economics if the acquired business maintains its earnings and the buyer can improve its efficiency without incurring disproportionate additional costs.

DNB's financial reporting provides some insight into the seller's position. During the third quarter of 2026, DNB recognized a negative accounting effect of NOK 704 million (approx. €64.6 million) relating to the agreed sale of its 19.95% interest in Luminor. That loss reflects the accounting treatment of DNB's particular investment and does not disclose the total price OTP has agreed to pay. It would be inappropriate to extrapolate the amount mechanically to the value of 100% of Luminor [note 7)].

The difference between the seller's and buyer's perspectives remains relevant. DNB is completing its withdrawal from Baltic banking operations, while Blackstone-managed funds are exiting a financial investment. OTP intends to retain and develop the franchise over a longer period. Different investment horizons may support different valuations, but the

economic advantage for OTP will depend on whether it can generate better returns from Luminor's assets and capital than the existing ownership structure.

How Much Earnings Improvement Would Justify a Higher Valuation?

Luminor's current profitability provides a useful basis for estimating the improvement needed to achieve more attractive shareholder returns. Applying different sustainable returns to September ordinary shareholder equity produces the following sensitivity.

Indicative return on September equity	Required annual attributable profit	Increase over current annualized earnings	Illustrative P/B at 12% cost of equity
Current run rate, 8.5%	€133.1m	-	0.71x
10.0%	€156.0m	+€23.0m	0.83x
12.0%	€187.2m	+€54.2m	1.00x
14.0%	€218.5m	+€85.4m	1.17x

Source: *Independent calculations based on unchanged September ordinary shareholder equity of €1,560.4 million. The valuation column uses a simplified zero-growth residual-income relationship, P/B = sustainable ROE / cost of equity. The 12% cost of equity is illustrative and is not an OTP management estimate.*

The sensitivity highlights the relationship between the purchase discount and sustainable profitability. At a hypothetical cost of equity of 12%, Luminor's current indicative return of 8.5% would support a theoretical valuation of approximately 0.71x book value under a simplified steady-state model. If OTP could increase sustainable returns to 12%, the valuation could theoretically move towards book value. That would require approximately €54 million in additional annual attributable earnings on the current capital base.

The improvement is not beyond the scale of the business, but it requires identifiable financial measures. A five-percentage-point reduction in the cost-to-income ratio, applied to annualized nine-month operating income of approximately €554 million, would generate around €27.7 million in pre-tax savings. At an illustrative 20% tax rate, the after-tax

contribution would be approximately €22 million. This would cover almost all the additional profit required for a 10% return, but less than half the increase needed for 12%.

OTP may also benefit from higher fee income, better balance-sheet management, procurement efficiencies and common operating functions. However, the expected disappearance of existing migration expenditure must be separated from savings resulting specifically from OTP ownership. If the same cost reduction appears in both the normalized Luminor earnings forecast and the acquisition synergy estimate, the valuation would overstate the financial improvement available to shareholders.

My assessment is that Luminor offers credible earnings upside, but the scale remains uncertain. The discount to book value may provide an attractive entry point, particularly if the existing technology programe is completed successfully. Whether the acquisition ultimately produces returns above the cost of equity will depend on sustained earnings improvements, not the discount alone.

Capital Release: The €200 Million Adjustment and What Remains

The capital position is central to the valuation because Luminor has historically operated with capital ratios substantially above regulatory minimum requirements. At the end of 2025, the management-basis CET1 ratio stood at 20.2%. By September 2026, it had declined to 16.8%, reflecting lending growth and the decision to reduce the bank's capital by €200 million. The reduction was approved during the third quarter and recognized in the financial statements, with the corresponding payment to Luminor Holding expected in the final quarter of 2026 [note 2)].

Importantly, this is a payment from the operating bank to its holding company. It should not automatically be described as a completed distribution to the ultimate selling shareholders. Nor can its effect on OTP's final purchase consideration be determined without the share purchase agreement and Luminor Holding's consolidated accounts. What is clear is that the reduction has already been recognized in Luminor Bank's September equity and must not be deducted again from that amount when constructing the valuation.

Luminor Bank: Capital Position at 30 September 2026

Indicator	Amount or ratio
Ordinary shareholder equity	€1,560.4m
AT1 instruments classified as IFRS equity	€147.7m
Total IFRS equity	€1,708.1m
Management-basis CET1 capital	€1,471.1m
Total risk exposure amounts	€8,740.0m
Management-basis CET1 ratio	16.80%
Regulatory reporting CET1 ratio	16.20%
Disclosed minimum CET1 requirement	11.63%
Regulatory CET1 requirement including Pillar 2 Guidance	13.13%
Management CET1 target	15.00%
Indicative capital above 15% target	Approx. €160m

Source: *Luminor Interim Report 3Q2026, pages 7 and 17–18. The indicative €160 million represents management-basis CET1 capital less 15% of risk exposure amounts. It is not confirmed distributable capital.*

The distinction between the management-basis CET1 ratio of 16.8% and the regulatory reporting ratio of 16.2% is important. The management measure includes profit intended to be retained, while the regulatory reporting measure follows the applicable recognition treatment at the reporting date. For the purpose of estimating capital above Luminor's own 15% target, I have consistently used management-basis CET1 capital and the corresponding risk exposure amounts.

This produces approximately €160 million of indicative CET1 headroom above the bank's stated target. The figure is useful as a measure of potential flexibility, but it is not equivalent to cash immediately available for distribution. Regulatory expectations, MREL requirements, additional lending growth and future investment needs may all affect the amount that can ultimately be released.

Luminor's own reporting illustrates the impact of capital optimization on profitability. The bank's annualized ROE for the first nine months of 2026 would have been 10.0% if calculated on a capital base corresponding to its 15% CET1 target, compared with the

reported 8.1%. The difference arises from the amount of capital employed rather than additional operating income. It is financially relevant, but it should not be confused with an improvement in the underlying earnings capacity of the business.

OTP may eventually be able to deploy some of Luminor's surplus capital more efficiently. However, transferring capital from a subsidiary to its parent does not automatically improve consolidated ROE. The economic benefit depends on the regulatory treatment, the amount genuinely available for redeployment and the return achieved on that capital after it has been released. Any valuation that separately attributes full value to the capital surplus and then also assumes an improved ROE resulting from its release risks counting the same benefit twice.

For that reason, I would examine sustainable operating earnings before assigning value to additional capital extraction. Capital optimization may improve the economics of the acquisition, but it cannot replace the need for a competitive and profitable banking franchise.

Russia: The Earnings OTP May Have to Give Up

OTP's latest financial disclosures introduce a strategic consideration that goes beyond the Luminor acquisition itself. On 11 November 2026, the Group confirmed that it had begun reviewing its Russian banking strategy, including the possibility of a complete exit. Management linked the review to its strategic interests in the Baltics and limited progress in transferring additional dividends from Russia. The review is expected to conclude by the end of 2026, although that timetable does not imply that any potential disposal could be completed within the same period [note 1)].

The Russian business is a substantial contributor to OTP's consolidated profitability. During the first nine months of 2026, OTP Bank Russia generated HUF 157.8 billion (approximately €430.9 million) in net profit, compared with HUF 837.7 billion (approximately €2.29 billion) for the Group as a whole. The Russian subsidiary therefore accounted for approximately 18.8% of consolidated reported earnings. Its return on equity was 40%, although that figure

had declined from approximately 49% in 2025. These are materially higher returns than those currently generated by Luminor, reflecting differences in business models, interest-rate environments and risk profiles.

The accounting contribution is significant, but the availability of those earnings is constrained. OTP has indicated that transferring additional dividends from Russia has become increasingly difficult, despite the subsidiary's profitability. This reduces the practical value of income that cannot readily be distributed to the parent company. It also makes the Russian operation difficult to assess using conventional measures of profitability alone. A high reported ROE does not necessarily translate into an equally attractive return for shareholders when capital transfers, disposal options and the ability to reinvest earnings are restricted.

The Earnings Comparison: Russia and Luminor

Indicator	Reported 9M2026	Simple annualized run rate
OTP Group consolidated net profit	HUF 837.7bn (approx. €2,287m)	Not used for forecasting
OTP Bank Russia net profit	HUF 157.8bn (approx. €430.9m)	HUF 210.4bn (approx. €574.5m)
Luminor profit attributable to ordinary shareholder	€99.8m	€133.1m
Luminor profit at illustrative 12% return on September equity	Not applicable	€187.2m
Additional Luminor profit needed to reach 12%	Not applicable	€54.2m

Sources: *OTP 9M2026 Results; Luminor Interim Report 3Q2026; independent calculations. HUF amounts are converted at the ECB reference rate of 30 September 2026, EUR 1 = HUF 366.20. The annualized figures multiply nine-month earnings by 4/3 and are illustrative run rates, not forecasts. The OTP and Luminor earnings measures have different consolidation and ownership bases.*

The comparison provides a useful perspective on the scale of OTP's strategic decision. At the latest nine-month earnings pace, OTP Bank Russia would generate approximately €574.5 million annually, compared with Luminor's €133.1 million in annualized attributable

earnings. Even if Luminor improved its return on the current ordinary equity base to 12%, its annual attributable profit would rise to approximately €187.2 million. That would represent only around one-third of Russia's current annualized earnings contribution.

These figures do not mean that OTP should retain its Russian subsidiary or that Luminor must independently replace all Russian earnings. A Russian disposal could generate consideration, alter capital requirements and allow resources to be redeployed elsewhere in the Group. Equally, the existing Russian earnings run rate may not be sustainable, particularly given the subsidiary's exceptionally high profitability and the restrictions affecting its operations. Nevertheless, the comparison demonstrates why the economic consequences of an exit deserve more attention than the headline benefits of geographical diversification.

Illustrative Russian Earnings Reduction Sensitivity

Reduction in current Russian earnings contribution	Annualized earnings no longer contributed	Additional Luminor profit at 12% ROE as share of that amount
25%	€143.6m	37.7%
50%	€287.3m	18.9%
100%	€574.5m	9.4%

Source: *Independent calculations using OTP Bank Russia's 9M2026 net profit of HUF 157.8 billion (approximately €430.9 million), annualized to HUF 210.4 billion (approximately €574.5 million), and the €54.2 million additional annual Luminor earnings required to reach a 12% return on September 2026 ordinary shareholder equity. Currency equivalents use the ECB reference exchange rate at 30 September 2026. These scenarios exclude disposal proceeds, acquisition financing, regulatory capital effects and future changes in profitability.*

The sensitivity is not intended to suggest that Luminor's earnings are the sole alternative to Russia. It demonstrates the relative scale of the two businesses. At a 12% return on current equity, Luminor's incremental annual profit of approximately €54 million would offset less than 10% of the Russian subsidiary's present annualized earnings contribution if that contribution were lost in full. Any broader assessment of shareholder value would

therefore need to consider the proceeds and capital effects of a Russian disposal, together with the opportunities for reinvestment across OTP's existing operations.

The CET1 Effect: A different Financial Consideration

OTP's latest results contain a particularly interesting capital sensitivity. The Group reported a consolidated CET1 ratio of 17.8% at the end of September 2026 and estimated that deconsolidating its Russian operation for zero consideration would have increased that ratio by approximately 40 basis points, all else equal. On that narrow hypothetical basis, the CET1 ratio would have been around 18.2% [note 1)].

The estimate reflects the combined effect of removing the Russian subsidiary's regulatory capital and risk-weighted assets from OTP's consolidated capital calculation. It does not represent an expected gain from disposal, an estimate of sale proceeds or a prediction that OTP will exit Russia at no consideration. The economic effects of an actual sale could differ materially, particularly if the transaction involved losses, restrictions on proceeds or changes to the Group's financial position before completion.

The distinction between the relevant capital figures is essential.

A possible improvement in OTP's CET1 ratio following Russian deconsolidation cannot be added mechanically to Luminor's capital headroom or interpreted as financing capacity created by the acquisition. The effects arise from different entities, assumptions and regulatory calculations. In particular, the +40-basis-point sensitivity does not establish the capital impact of acquiring Luminor or the consolidated position that would arise if both transactions occurred.

For shareholders, the appropriate calculation is broader: what consideration could be realized from the Russian business, what earnings would be surrendered, how would consolidated capital and risk-weighted assets change, and what returns could OTP achieve through alternative uses of capital? Without that information, the potential capital-ratio benefit cannot establish whether an exit would create economic value.

Capital measure	Reported figure	Meaning
OTP Group CET1, September 2026	**17.8%**	Reported consolidated ratio
Hypothetical Russian deconsolidation at zero consideration	**+40 bps**	Standalone, all-else-equal capital sensitivity
Luminor Bank CET1, management basis	**16.8%**	Includes profit intended to be retained
Luminor Bank CET1, regulatory reporting basis	**16.2%**	Regulatory reporting treatment
CET1 impact of OTP acquiring Luminor	**Not quantified on a directly comparable basis in the reviewed disclosures**	Cannot be inferred by combining the other figures

Sources: *OTP 9M2026 Results, page 8; Luminor Interim Report 3Q2026, page 7.*

The Russian subsidiary's high profitability and constrained capital mobility illustrate why this decision is difficult. Retaining the business preserves a substantial accounting earnings contribution, while an exit might simplify the Group's regulatory profile and improve its capacity to operate within the European banking market. Neither outcome is inherently superior without considering the price, execution risks and resulting consolidated earnings and capital position.

Synergies and Integration: What OTP Still Needs to Deliver

OTP has accumulated considerable experience in acquiring and integrating banks across Central and Eastern Europe. That experience provides a credible basis for expecting improvements at Luminor, particularly in procurement, treasury management, selected central functions, product development and capital allocation. The Group's ability to manage acquisitions is not the principal issue. The challenge is determining how much additional profitability can be created in a business whose operating transformation is already underway and whose market conditions differ materially from several of OTP's existing jurisdictions.

Luminor's current technology programe creates both opportunities and constraints. Completion of the programe may reduce migration expenditure and improve operating efficiency, but OTP may also incur additional costs if it introduces Group-wide processes, reporting requirements or technology capabilities. The timing of these changes matters. A second integration programe launched before the existing transformation has been completed could delay some benefits or increase operational complexity.

The bank's latest financial results provide a reasonable basis for assessing earnings sensitivities, but not for attributing a particular synergy amount to OTP. Management has not disclosed a sufficiently detailed post-acquisition operating plan to determine which savings will be incremental. For illustrative purposes, additional recurring after-tax earnings of €20 million, €40 million or €60 million would have the following effect on Luminor's profitability.

Illustrative Post-Acquisition Earnings Improvement

Additional recurring annual after-tax profit	Total annual attributable earnings	Return on September ordinary equity	Earnings yield at hypothetical 0.75x P/B
€0m	€133.1m	8.5%	11.4%
€20m	€153.1m	9.8%	13.1%
€40m	€173.1m	11.1%	14.8%
€60m	€193.1m	12.4%	16.5%

Source: *Independent calculations. The assumed acquisition consideration is €1,170.3 million, equivalent to 0.75x September ordinary shareholder equity. Additional earnings represent illustrative recurring after-tax improvements, not OTP guidance. The model excludes further integration expenditure, financing costs, acquisition accounting, changes in risk-weighted assets and capital distributions.*

At the hypothetical acquisition price used in this analysis, €40 million in additional recurring attributable earnings would increase the earnings yield on consideration from 11.4% to approximately 14.8%. That would represent a meaningful financial improvement, provided the additional earnings were genuinely incremental and sustainable. However, the same

benefit must not be counted through several separate assumptions concerning lower migration expenditure, cost savings and capital optimization.

I would expect OTP's revised integration plan to explain the earnings bridge between Luminor's current operating performance and the returns anticipated under new ownership. That bridge should identify expenses expected to disappear as the existing technology programe concludes, additional savings generated by OTP's ownership, the costs of implementing those savings and the capital required to support future lending growth. The outcome is likely to be more useful than a single headline synergy figure.

The Regulatory Test and the Wider Capital Allocation Decision

Regulatory approval remains an important part of the transaction. The European Commission's October decision addressed competition concerns, while the proposed change in ownership of Luminor requires a separate prudential assessment. Lithuania's central bank has publicly raised questions about OTP's Russian operations, and OTP subsequently acknowledged that its Russian presence was relevant to its strategic expansion in the Baltics. These developments establish a connection between the acquisition and the Group's broader geographical exposure, but they do not prove that a Russian exit has been formally imposed as a condition of approval [note 5) 6) 8)].

The investment case should therefore be analyzed under more than one potential outcome. OTP may complete Luminor while retaining Russia, provided the relevant supervisory requirements are satisfied. It may ultimately decide to sell its Russian subsidiary, subject to finding an acceptable buyer and obtaining the necessary approvals. A gradual reduction in exposure is another possibility if a complete disposal proves impractical. Each outcome would produce different earnings, capital and execution effects, and no scenario should be treated as settled before management announces its decision.

The wider capital allocation question is more important than the apparent difference between Russian and Baltic profitability. Russia offers exceptionally high reported returns, but the ability to transfer and redeploy capital is constrained. Luminor offers a more

conventional euro-area banking franchise with lower current returns, considerable operating investment and the prospect of more predictable long-term integration within OTP's European structure. The economic value of each business depends on the returns shareholders can ultimately realize, not simply the ROE reported by the subsidiary.

OTP's revised business case will need to demonstrate how the acquisition consideration, Luminor's sustainable earnings, its post-acquisition capital requirements and any Russian strategic decision fit together at consolidated Group level. The transaction could improve geographical diversification and the Group's regulatory profile while reducing near-term earnings, or it could create additional value through successful integration and more efficient capital deployment. Without a consolidated earnings and capital assessment, the available information does not yet establish which effects will dominate.

Conclusion:

The Acquisition Makes Strategic Sense. The Economics Still Need to Be Proven.

OTP's acquisition of Luminor has a convincing strategic rationale. It provides an established banking platform in three euro-area markets, strengthens the Group's geographical diversification and offers opportunities to improve the profitability of a relatively sound franchise. The purchase price has been agreed below book value, which may provide an attractive starting point for a long-term investor with OTP's integration experience.

However, the discount should not be mistaken for an investment return already secured. Luminor's profitability remains modest relative to its ordinary equity, and part of the expected earnings improvement will arise from a technology transformation initiated under the existing ownership. The bank's capital position has also changed materially since the transaction was announced. Its €200 million capital reduction is already reflected in September equity, while further capital release remains subject to regulatory and commercial constraints.

The Russian dimension is more consequential than a conventional acquisition analysis might suggest. OTP is considering the future of a subsidiary responsible for approximately

19% of its consolidated reported earnings, while acquiring a Baltic business whose current annualized attributable profit is substantially smaller. The Group's disclosure of a hypothetical 40-basis-point CET1 improvement from Russian deconsolidation is relevant, but it does not establish the financial merits of a disposal. The decision will ultimately depend on the capital and proceeds available, earnings surrendered and opportunities for reinvestment.

I do not question OTP's ability to acquire and integrate banks. Its track record provides a sound basis for expecting competent execution. My reservation concerns the amount of additional economic value that can presently be demonstrated from this particular transaction. Without a disclosed purchase price, a credible post-acquisition earnings bridge and a clearer assessment of Russia, the investment case remains dependent on assumptions that have not yet been quantified.

The central financial test is whether OTP can generate sustainable returns above the cost of capital on the resources committed to Luminor, after realistic integration expenditure and regulatory requirements. A purchase below book value may improve those economics, and effective capital management could strengthen them further. Neither eliminates the need for earnings that can be sustained through a normal credit cycle.

My conclusion is that OTP is acquiring a strategically attractive franchise, but shareholders should not assume that the discount alone makes the transaction an exceptional investment. The financial justification will depend on how much recurring profit OTP can generate from Luminor and whether the wider capital allocation decisions surrounding Russia ultimately strengthen, rather than merely reshape, the Group's economic returns.

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He began his career as a licensed tax auditor at the Croatian Ministry of Finance before moving into banking. His career includes Risk Management and Restructuring Advisory positions at Hypo Alpe-Adria-Bank (later Addiko Bank) and HETA Asset Resolution, Austria's state-owned company responsible for the wind-down of the former Hypo banking group's non-performing and non-core assets. His experience spans the management of large corporate credit exposures, complex restructuring and recovery transactions, and the resolution and disposal of distressed banking portfolios, including sale of non-performing loan portfolios.

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As the author of Restructuring.Insights, he publishes independent analysis of European banking markets, financial institutions, banking sector consolidation and corporate restructuring, drawing on his practical experience in credit risk management and distressed asset resolution.

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Valuation and Currency Methodology

All financial figures are based on publicly available disclosures unless expressly identified as independent calculations or illustrative assumptions. The valuation sensitivities use Luminor Bank AS's ordinary shareholder equity of €1,560.4 million at 30 September 2026, excluding €147.7 million of Additional Tier 1 instruments classified as equity under IFRS. Annualized attributable earnings of approximately €133.1 million are derived from the €99.8 million reported for the first nine months of 2026, multiplied by 4/3. These measures relate to the operating bank and provide an indicative basis for assessing the underlying banking franchise. They do not establish Luminor Holding AS's consolidated equity value or OTP's contractual acquisition consideration.

The distinction between the holding company and the operating bank is particularly relevant following Luminor Bank's €200 million capital reduction recognized in September 2026. That amount is already reflected in the ordinary shareholder equity used for valuation and has not been deducted again. The corresponding liability to Luminor Holding may have

different implications at the consolidated holding-company level. Without the relevant September 2026 holding-company financial information and contractual acquisition adjustments, these effects cannot be independently reconciled to the purchase consideration.

The assumed P/B multiples, cost-of-equity assumptions, earnings improvements and post-acquisition synergy scenarios are illustrative and do not represent OTP management forecasts or independently established fair values. The simplified zero-growth residual-income relationship assumes a stable equity base and sustainable earnings available to shareholders. It is used to illustrate the relationship between profitability, the cost of equity and implied valuation multiples rather than to produce a formal valuation or share-price target. Annualized earnings represent indicative run rates, not forecasts of future financial performance.

Amounts originally denominated in Hungarian forints (HUF) and Norwegian kroner (NOK) have been converted into euros using the European Central Bank's official reference exchange rates at 30 September 2026: EUR 1 = HUF 366.20 and EUR 1 = NOK 10.9015. These period-end rates are applied consistently for analytical comparability. Euro equivalents of income statement amounts are indicative conversions and do not represent accounting translations using average exchange rates for the relevant reporting periods. The original reported amounts remain authoritative, and minor rounding differences may arise.

The capital analysis distinguishes between Luminor's management-basis and regulatory reporting CET1 ratios. The approximately €160 million of indicative capital above the bank's 15% management CET1 target is an arithmetic estimate based on reported management-basis CET1 capital and risk exposure amounts. It does not represent confirmed distributable capital. Any actual release would depend on regulatory requirements, supervisory expectations, capital planning, MREL obligations and the bank's future operating needs.

The Russian earnings sensitivities use reported 9M2026 profit annualized on a straight-line basis, with currency conversions held at the September reporting-date exchange rate. The

comparisons involve different entities, ownership structures and consolidation bases and are intended to illustrate the relative scale of earnings contributions rather than forecast the effects of a potential disposal. OTP's disclosed positive CET1 sensitivity of approximately 40 basis points relates exclusively to the hypothetical deconsolidation of its Russian subsidiary at zero consideration. It is not an estimate of disposal proceeds, an expected capital gain or the regulatory capital impact of acquiring Luminor. The analyses exclude potential transaction consideration, financing costs, acquisition accounting, future earnings changes and other adjustments that may materially affect the Group's eventual financial position.

Disclaimer

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Certain financial ratios, valuation multiples, earnings comparisons, capital calculations and acquisition-related sensitivities have been independently derived from published information. These calculations are based on expressly identified assumptions and may differ from the methodologies, adjustments or conclusions adopted by the institutions concerned. In particular, comparisons involving Luminor Bank, Luminor Holding and OTP Group are subject to differences in reporting scope, capital structure, accounting treatment and consolidation. Illustrative earnings yields, returns on period-end equity and capital sensitivities must not be interpreted as formal regulatory profitability measures, independently established acquisition returns or guarantees of future performance.

Any assessment of OTP's proposed acquisition of Luminor, potential operating efficiencies, integration benefits, capital optimization or strategic alternatives concerning its Russian subsidiary necessarily involves forward-looking assumptions and significant commercial, financial, legal and regulatory uncertainty. Neither the acquisition consideration nor the ultimate financial consequences of a potential Russian disposal can be established from the available disclosures. Actual outcomes may differ materially from the scenarios presented due to regulatory decisions, contractual terms, market developments, acquisition accounting, integration expenditure, changes in profitability and other factors beyond the author's knowledge or control. Events occurring after the stated information cut-off date may alter the circumstances examined, and the author undertakes no obligation to update or revise the analysis.

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