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Corporate and CEE government bonds

Multi-Asset Strategies

30.09.2025

Bonds: it pays to be selective

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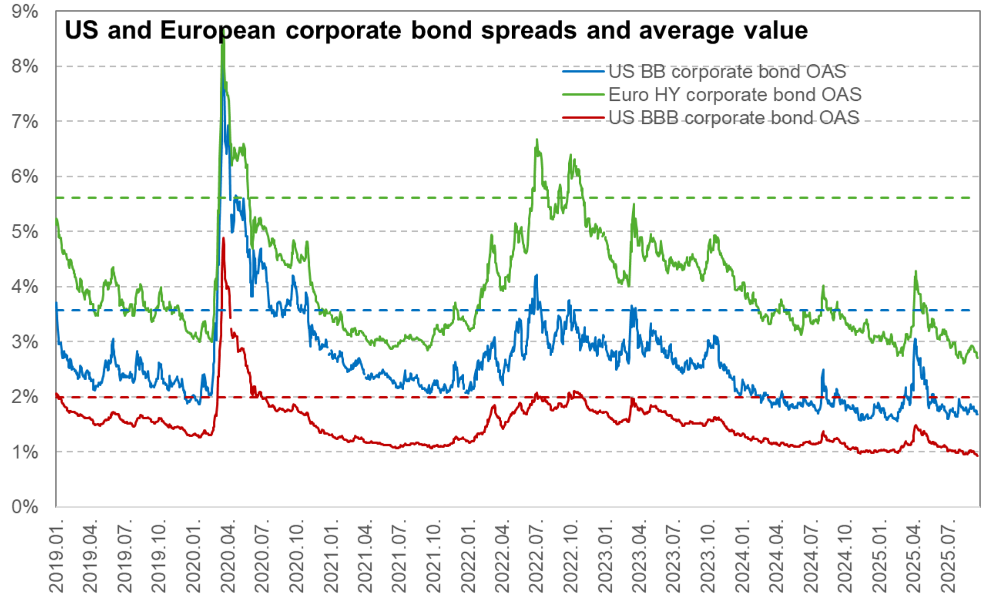

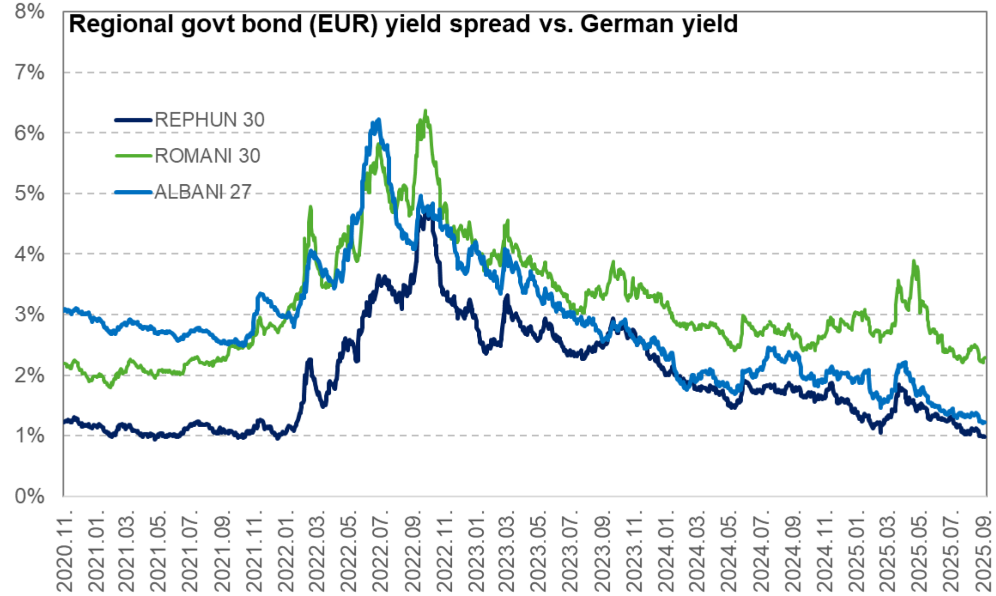

In order to achieve diversification in terms of currency, government bonds denominated in euros and dollars in the region – particularly Hungarian and Romanian bonds – offer attractive returns with acceptable – albeit increasing – risks. Yields rose sharply and the RON weakened in the run-up to the Romanian presidential elections in May, but sentiment improved after the centrist candidate's victory, causing bond yields to fall and the RON to strengthen. However, Romania's fiscal situation remains problematic, and the slowing economy is also a concern. This means that the new government will face significant challenges in the near future. If there is no adjustment, there could be a downgrade from the rating agencies.

This is reflected in higher Romanian spreads. We would manage the increased risk primarily by selecting shorter maturities. Secondly, since Romanian bonds are available in denominations of EUR 1,000 and USD 2,000, the higher risks associated with them can be managed by taking smaller positions. Hungarian and Romanian dollar-denominated government bonds are close to the average yield level of investment-grade corporates, while euro-denominated paper is roughly equivalent to the yield level of non-investment-grade corporate bonds. Since the beginning of June, the Hungarian yield spread to the German government bond (maturing in 2030) has decreased minimally. In Romania, we observed a spike in pre-election uncertainty, but the yield spread subsequently fell back to essentially the same level as before, and we saw stagnation throughout the summer. . The spread remains somewhat below long-term averages (by around 30 bps), which is gradually eroding the relative attractiveness of the bond. For the time being, however, there are no substantially better choices in similar risk categories.

Euro or dollar bonds issued by companies in the region (including Turkish issuances more broadly) still offer a yield premium over similar-rated bonds issued by companies in Europe or the US, while the risk profile of the former is similar or better. US corporate bond spreads are historically very low and have fallen further over the past three months. Investment grade (BBB) spreads have fallen below 1%, reaching a virtual low (0.93%), while BB-rated spreads (1.68%) are also close to their minimum levels (1.56%). In the European high-yield bond segment, we saw a spike between the end of March and mid-April due to capital market turbulence, but as risk aversion subsided, the spread began to narrow (currently 2.7%). All three segments are well below their long-term historical averages. We maintain our previous opinion that we do not consider the asset class as a whole to be attractive, so it is worth being selective.

Source: Bloomberg, OTP Multi-Asset Strategies

EUR and USD regional government bonds

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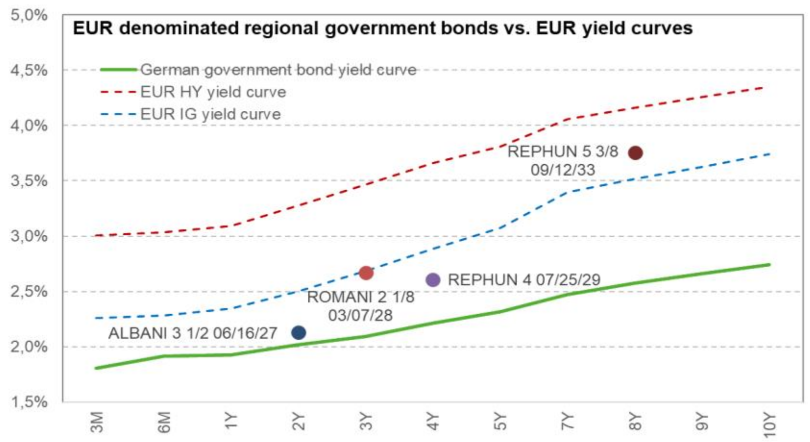
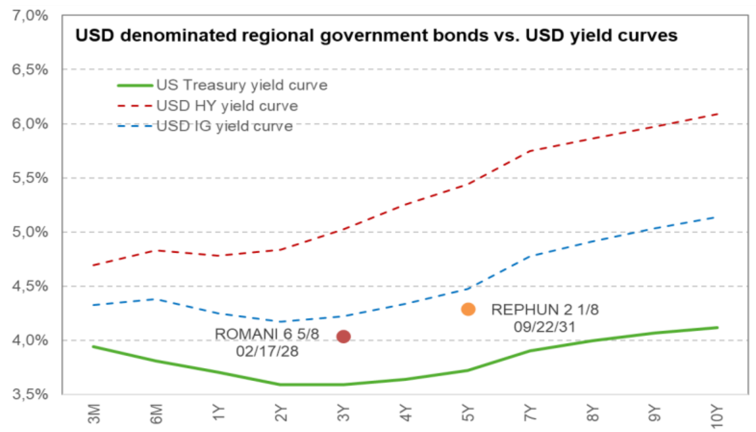
If held to maturity, we consider the risks associated with Hungarian and Romanian foreign currency bonds to be acceptable. From a macroeconomic perspective, both countries face additional risks from high budget deficits, , which could worsen in Romania if the new government fails to adopt an appropriate fiscal package in the short term. For this reason, shorter maturities may be preferable for Romanian bonds. They also have a lower nominal value, which enables us to manage risk more effectively through position sizing. Conversely, for investors considering longer-term investments, Hungarian bonds may be a good alternative. There are also countries in the region with a more favourable macroeconomic outlook, such as Albania. However, even there, the yield on a Eurobond maturing in 2027 remains well below 3%. Those who want to achieve visible yield will have to accept the higher risks involved.





Hungarian economy grew by 0.1% on an annual basis in 2Q2025. The upturn in economic activity in Q2 is in line with OTP Bank's full-year growth forecast of 0.6%. Hungary faces similar problems to other European economies focused on industry, as consumer demand has shifted towards services, while the automotive industry – the former engine of growth – is struggling with high energy prices, technological change and increasing competition from China. However, there are also country-specific factors. Investment levels are still falling sharply, and following the suspension of EU funds, public investment has also been curtailed.

Economic growth in Romania is modest, while the budget deficit is particularly high. For this reason, the new government decided to raise taxes in August, but this has pushed up inflation, meaning that the central bank is unable to cut interest rates. In other words, the government faces serious challenges, although these risks may already be factored into bond prices.

The list also includes an Albanian eurobond, which also has a shorter maturity and is currently a more attractive alternative than the above countries in terms of macroeconomic fundamentals. Albania is a small and relatively closed economy, with tourism being an important driver of its GDP growth of around 3.5%. The budget deficit is under control, with a deficit-to-GDP ratio of 2.2% expected this year and a current account deficit of around 2.5%, while the debt-to-GDP ratio has fallen from 74% in 2020 to 55% in 2024. There are no apparent imbalances, with the biggest risk being an overheated real estate market.

Country	Bond	ISIN	Coupon (%)	Maturity	Yield to maturity	Rating (S&P)	Min. quantity
			Government bonds (EUR)				
Hungary	REPHUN 5 3/8 09/12/33	XS2680932907	5,375	2033.09.12.	3,76%	BBB-	1 000
Hungary	REPHUN 4 07/25/29	XS2753429047	4,000	2029.07.25.	2,61%	BBB-	1 000
Romania	ROMANI 2 1/8 03/07/28	XS2434895475	2,125	2028.03.07.	2,67%	BBB-	1 000
Albania	ALBANI 3 1/2 06/16/27	XS2010031990	3,500	2027.06.16.	2,13%	BB	100 000
			Government bonds (USD)				
Hungary	REPHUN 2 1/8 09/22/31	XS2388586401	2,125	2031.09.22.	4,29%	BBB-	200 000
Romania	ROMANI 6 5/8 02/17/28	XS2571922884	6,625	2028.02.17.	4,04%	BBB-	2 000

Source: Bloomberg, OTP Multi-Asset Strategies

EUR corporate bonds

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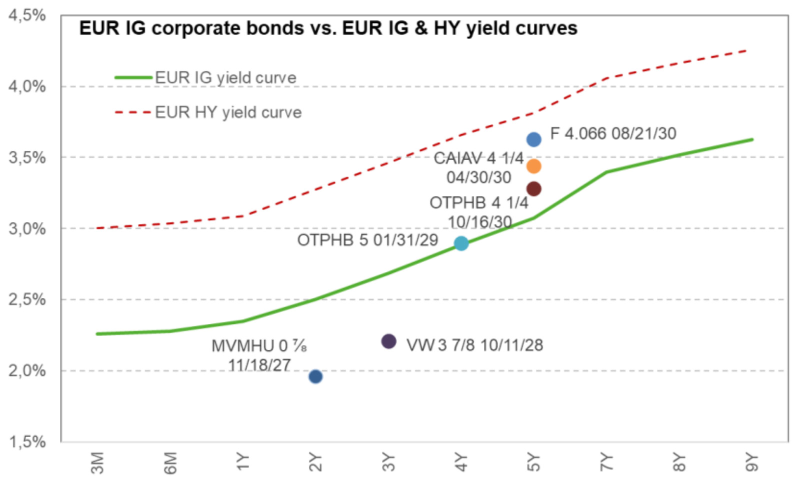

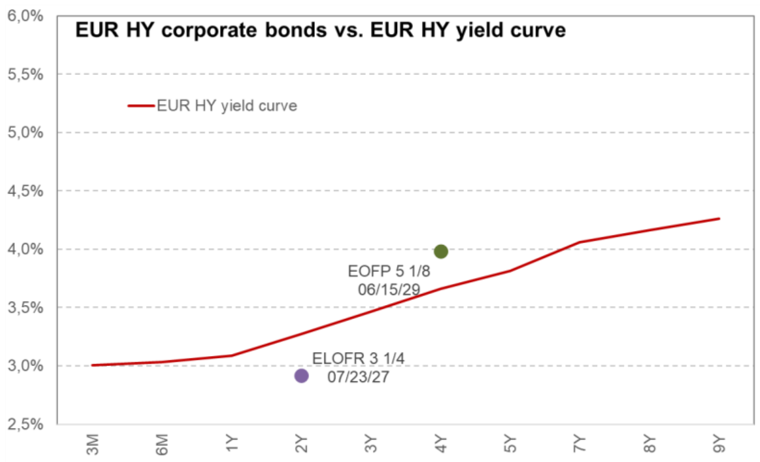

Company	Bond	ISIN	Coupon (%)	Maturity	Call opportunity	Yield (in case of call)	Yield to mat.	Rating (Fitch/ Moody's/S&P)	Min quantity
Corporate bonds (EUR)									
Volkswagen Leasing	VW 3 7/8 10/11/28	XS2745725155	3,875	2028.10.11.	-	-	2,21%	BBB+	1 000
OTP BANK	OTPHB 5 01/31/29	XS2754491640	5,00	2029.01.31.	2028.01.31.	2,19%	2,90%	Baa3	100 000
OTP BANK	OTPHB 4 1/4 10/16/30	XS2917468618	4,25	2030.10.16.	2029.10.16.	2,97%	3,28%	Baa3	100 000
MVM ENERGETIKA	MVMHU 0 ⅞ 11/18/27	XS2407028435	0,875	2027.11.18	2027.08.18	2,11%	1,96%	BBB-	100 000
CA IMMOBILIEN	CAIAV 4 1/4 04/30/30	XS2927556519	4,25	2030.04.30.	2030.01.30.	3,41%	3,44%	Baa3	100 000
Forvia	EOFP 5 1/8 06/15/29	XS2774391580	5,125	2029.06.15.	2026.06.15.	2,96%	3,98%	BB-	100 000
ELO SACA	ELOFR 3 1/4 07/23/27	FR0013524865	3,25	2027.07.23.	2027.04.23.	2,87%	2,92%	BB-	100 000
Ford Motor Credit	F 4.066 08/21/30	XS3006514536	4,066	2030.08.21	-	-	3,63%	BBB-	100 000

Yields on corporate bonds issued in euros have fallen steadily over the past three months as risk appetite has improved. This makes it particularly difficult to find corporate bonds that still offer meaningful yields at acceptable risk levels. We have kept names on our current list that we have had for a long time because it is difficult to find better alternatives. These include, among others, the Austrian real estate company CA Immo's bond maturing in 2030, which, despite its investment grade rating, offers a higher yield than the euro Investment Grade yield curve.

Among bank bonds, OTP's 2029 maturity and 2030 maturity bonds are included in the list. The MREL bonds were issued due to regulatory requirements, which can be partially or fully written off in a crisis situation or converted into capital, which partly explains the yield premium.

From Europe, bonds issued by Volkswagen's leasing division are included in the list despite their lower yield compared to others, as euro-denominated securities with a face value of EUR 1,000 are rare. Thanks to this, bonds from a sufficiently stable issuer can also be included in smaller portfolios.

Among the riskier options, France's Forvia and Auchant operator ELO Group are on the list. In addition to these, we have added securities issued by Ford's financial division as a new entrant, as it offers a meaningful yield premium among euro bonds with an appropriate risk profile.

Source: Bloomberg, OTP Multi-Asset Strategies

USD corporate bonds

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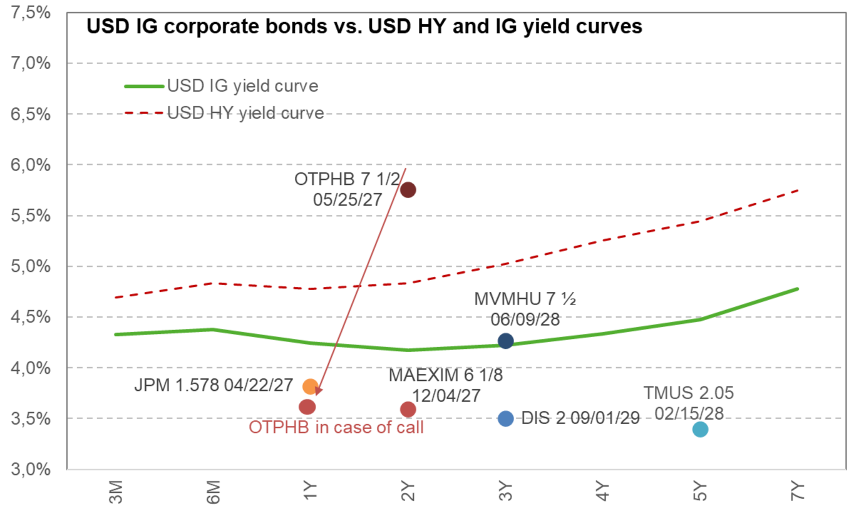

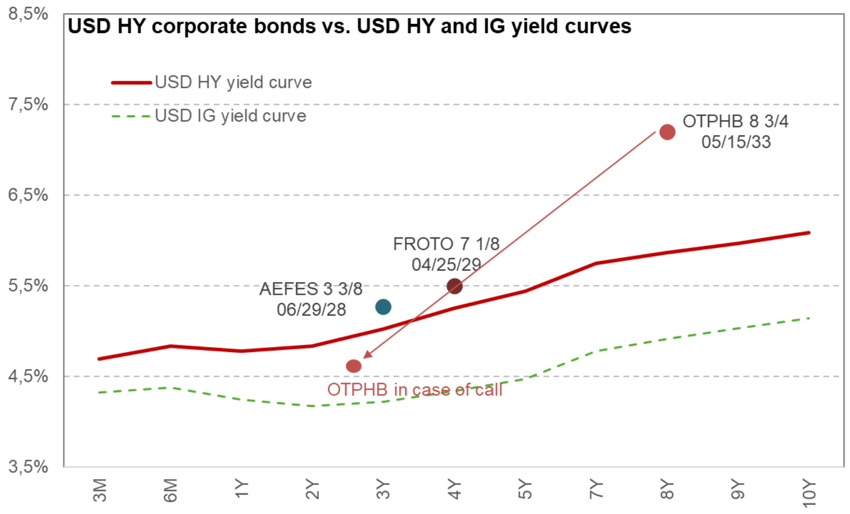

Company	Bond	ISIN	Coupon (%)	Maturity	Call opportunity	Yield (in case of call)	Yield to mat.	Rating (Fitch/ Moody's/S&P)	Min quantity
				Corporate bonds (USD)					
JP MORGAN	JPM 1.578 04/22/27	US46647PCB04	1,578	2027.04.22.	2026.04.22.	3,26%	3,82%	A1	2 000
Walt Disney	DIS 2 09/01/29	US254687FL52	2,00	2029.09.01	2029.06.01	3,60%	3,51%	A	2 000
T-MOBILE USA INC	TMUS 2.05 02/15/28	US87264ACA16	2,05	2028.02.15	2027.12.15	3,50%	3,40%	BBB	2 000
OTP BANK	OTPHB 7 1/2 05/25/27	XS2626773381	7,50	2027.05.25.	2026.05.25.	3,62%	5,76%	Baa3	200 000
EXIM BANK	MAEXIM 6 1/8 12/04/27	XS2618838564	6,125	2027.12.04.	2027.11.04.	3,50%	3,59%	BBB-	200 000
Ford Otomotiv	FROTO 7 1/8 04/25/29	XS2782775345	7,125	2029.04.25.	2029.01.25.	5,39%	5,50%	BB	200 000
Anadolu Efes	AEFES 3 3/8 06/29/28	XS2355105292	3,375	2028.06.29.	2028.03.29.	5,46%	5,27%	BB+	200 000
OTP BANK	OTPHB 8 3/4 05/15/33	XS2586007036	8,75	2033.05.15.	2028.02.15.	4,39%	7,20%	Ba2	200 000
MVM ENERGETIKA	MVMHU 7 ½ 06/09/28	XS2634075399	7,50	2028.06.09	2028.03.09	3,98%	4,27%	BBB-	200 000

In the case of dollar-denominated corporate bonds, the termination of the US-Hungarian double tax treaty will result in higher tax liabilities on interest payments, so we have listed bonds that are not US-denominated or that offer high yields with relatively low interest (coupons).

Companies in the region typically issue bonds in euros, with a much narrower list available in dollars. For this reason, the list includes two MREL bonds issued in recent years that are linked to OTP, of which the 2027 senior preferred is ranked higher than the longer-maturity 2033 subordinated paper. In both cases, there is the possibility to call the bonds earlier, in which case the resulting yield potential is much more limited. The list also includes bonds issued by EXIM Bank maturing in December 2027 and MVM maturing in June 2028.

From the wider region, two Turkish companies (Ford Otomotiv and Anadolu Efes) are also on the list, with dollar bonds that carry much higher risk but offer a sufficiently attractive yield premium over the average high-yield corporate yield. The risk of default is reduced by the fact that both companies are backed by well-known owners with an international background.

The selection now includes bonds from globally renowned US issuers such as JP Morgan, Walt Disney, and T-Mobile USA. These securities have lower coupons, but their yields are still attractive, while their risk level is acceptable.

Source: Bloomberg, OTP Multi-Asset Strategies

Description of the companies included in the list

Issuers with investment-grade credit rating:

With USD 4.1 trillion in assets, JP Morgan is the largest financial institution in the US and one of the largest globally. It is also a leader in investment banking, financial services, commercial banking and wealth management. The majority of its revenues are generated in North America, but it also has exposure to many countries around the world through its subsidiaries. The bank's recent CET1 capital adequacy ratio is 15%, which is considered comfortable. In its latest quarterly report, the bank reported a good results due to higher interest rates income and increased asset management fees.

Volkswagen is one of the world's largest manufacturers of cars and trucks, selling its vehicles under a number of independently operated brands and offering financial services (leasing, vehicle financing) to its customers. It has a market capitalisation of nearly €50 billion, employs more than 650,000 people and has plants and research centres in many countries around the world. In 2025H1, it delivered 4.36 million vehicles, an increase of 0.5% compared to the same period of the year earlier. Revenues stayed the same at €158 billion compared to last year. The company has a low level of debt and although it is currently facing a number of industry challenges and there are reports of plant closures, its operations are considered stable. Other major shareholders include the German state of Lower Saxony, with an 11.8% stake.

The OTP Group serves 17 million customers in 11 countries, with more than 1,300 branches. OTP has a particularly strong liquidity and capital position among European banks (CET1 ratio of 18%, LCR of 230%), while maintaining stable profitability. The bank's growth has been supported by acquisitions in recent years, thanks to which OTP now has strong market positions in several other regional countries in addition to Hungary, generating more than 65% of its profits outside Hungary. Despite the Russian-Ukrainian situation, the Hungarian regulatory headwinds and the extra profit tax, OTP achieved a net profit of HUF 1,076 billion in 2024 (+9% yoy) with 23.5% ROE. The net loan-to-deposit ratio was 75%, with Stage 3 loan (3.4%) coverage exceeding 60.5% in 2025H1. Several of the bank's bonds are on the list, of which are mainly senior preferred MREL ones.

CA Immobilien Anlagen is a Vienna-based property management and development company. Their properties are mainly located in major German cities, but they also have a presence in the capitals of Central and Eastern Europe and Vienna. Their main focus is on office buildings, complemented by hotel and residential buildings. Despite the fundamentally unfavourable macroeconomic situation (weak growth, high interest rates), the company has so far managed to maintain the occupancy rate of its properties at a high level of 90%. The company sold non-strategic assets in Germany and Austria in the third quarter, all above book value. Debt levels are low by sector standards (37.2% LTV). In May, the company continued to sell non-strategic assets, including real estate in Budapest. According to the latest news, it may even withdraw completely from Hungary in order to strengthen its presence in its key markets. The company has sufficient liquidity to complete its remaining development projects and fulfil its obligations as they arise. The risk is mitigated by the fact that the company's balance sheet is much stronger than those of its peers.

EXIM Hungary is the country's official export credit agency. As the only domestic bank and insurance company specialising in international trade, foreign market expansion, and investments, it has been operating domestic loan programmes aimed at improving international competitiveness for nearly a decade, in addition to export financing. In 2024, the bank's total assets amounted to HUF 3,967 billion, while its after-tax profit was HUF 14.4 billion. The Hungarian state is liable as guarantor for the bank's liabilities up to HUF 4,300 billion, to be covered by the central budget. A significant proportion of loans provided directly by EXIM to exporters are guaranteed by the state-owned MEHIB, which contributes to the bank's favourable loan portfolio quality and long-term financial stability. EXIM's credit rating is the same as that of the Hungarian state.

Walt Disney is one of the world's best-known entertainment companies, with a global presence in film production, television channels (e.g., ABC, ESPN), streaming services (Disney+, Hulu), and theme parks and resorts. The company owns iconic brands such as Pixar, Marvel, Star Wars, and National Geographic. Disney is in a strong financial position and shows stable growth thanks to its diversified revenue streams. The company's debt is moderate.

T-Mobile USA is one of the leading mobile communications providers in the United States and a subsidiary of Deutsche Telekom. Since its merger with Sprint in 2020, the company has gained significant market share and is at the forefront of 5G network deployment. With its innovative tariff packages and customer-centric approach, T-Mobile is a strong competitor to AT&T and Verizon. The company's net debt/EBITDA ratio is around 3.5, which is still acceptable, especially in the telecommunications sector, where debt is typically higher due to high investment requirements.

Ford is an American car manufacturer that employs more than 150,000 people worldwide and has factories in many countries (mainly the US, China, and the EU). In the last quarter, the company reported revenues of $50 billion, with strong sales in the US. The car manufacturer has a strong balance sheet, with $28 billion in cash. Although the company faces challenges due to automotive tariffs, this does not jeopardize its operations. The bond on the list was issued by Ford Credit, Ford's financial services subsidiary, which primarily deals with car financing.

MVM Group is a key player in the Hungarian energy system, with a portfolio covering the entire Hungarian energy sector. Its activities include electricity retail and generation, natural gas retail and storage, and transmission system operation. MVM is also present as an investor and developer in the electricity markets of other countries in the region, with the primary goal of its international investments being to strengthen MVM's market position and increase shareholder value. An important element of the company's strategy is to play a key role in the green transition and to diversify its existing portfolio. MVM is a 100% state-owned company with more than 140 member companies, which achieved revenues of HUF 2,587 billion and EBITDA of HUF 478 billion in the first half of 2025. MVM's debt level is not high, with a net debt/EBITDA ratio of around 1.4. Due to its state ownership, the risks associated with MVM bonds are moderate.

Description of the companies included in the list

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Bonds of speculative companies (high yield):

Forvia is a European-based global automotive supplier founded in 2022 through the merger of Faurecia and Hella. It is one of the world's largest automotive technology companies, a leader in the design and manufacture of lighting technologies, exhaust systems, seats, and automotive components. In 2024, it generated revenues of €27 billion, down slightly from €27.2 billion a year earlier. EBITDA was up 2% year-on-year and net debt was down 5% year-on-year. Management forecasts revenues of € 26.3-27.5 billion and a net debt/EBITDA ratio of 1.8 for the financial year 2025. Forvia is rated BB+ with negative outlook by Fitch and BB with a negative outlook by S&P.

Anadolu Efes is primarily a beer brewer, with 21 breweries in 6 countries, making it the 10th largest brewer in the world. It also has a 50.3% stake in Coca-Cola Icecek, a soft drinks bottler with 33 bottling plants in 12 countries. Most of its brewing and bottling operations are in Asia. Turkey accounts for 39% of consolidated sales, Russia for 22%, Kazakhstan for 11% and Pakistan for 6%. Revenue in 2024 was TRY 231 billion, EBITDA was TRY 39.4 billion and profit after tax was TRY 23 billion. From Q1 2025 onwards, the company stopped consolidating its Russian subsidiary in its financial statements. Although operations in Russia have not ceased, the subsidiary has been legally and financially separated from the parent company. This has increased transparency and reduced risk. However, revenue and profit declined on an annual basis, mainly due to the exclusion of the Russian division. However, margins narrowed due to intense competition. Debt is not high, with a net debt/EBITDA ratio of 0.6x and a long-term target of 1-2x. The debt maturity structure is acceptable (average maturity 3.1 years), with existing cash covering debt maturing in the next 4 years. Most of the long-term debt is denominated in US dollars, but a significant amount of cash is also held. 43% of Anadolu is owned by Turkey's Anadolu Group, while 24% is owned by international brewer Anheuser-Busch (with which it also has a partnership), which should provide some comfort when buying bonds.

Ford Otosan manufactures and markets trucks, passenger cars and vans, among other products, and sells its passenger cars and vans primarily domestically, with a large proportion of its commercial van production exported. The company is Ford Motor Company's largest production centre in Europe; it is equally owned by Ford's German subsidiary and Turkey's Koc Holding and employs more than 23,000 people. The company's revenue increased by 5% to TRY 93 billion in Q1 of 2025, but its net profit decreased by 48% to TRY 6.5 billion. This significant decline in earnings was primarily due to the high base effect, weaker domestic demand, and cost pressures. While the challenging economic landscape in Turkey presents obstacles, the company boasts stable export markets and robust strategic partnerships (e.g. with Ford). All the company's export contracts are denominated in euros (including those with countries outside the eurozone), so there is a natural hedge of foreign currency liabilities. The management of export receivables is straightforward for the company as Ford Europe is the only counterparty.

ELO SACA is a French holding company with operations in 13 countries and nearly 160,000 employees. It owns the Auchan Retail food retail chain with 2,900 stores, the New Immo Holding real estate holding company and a 49.9% stake in the Oney financial services company. ELO SACA's shares are not listed; 98% are held by the founding Mulliez family and 2% by the company's employees. In 2024, the company generated revenues of €32 billion, of which 98% was contributed by Auchan and 2% by New Immo. EBITDA exceeded €1.2 billion, but the company was unable to operate profitably with a net loss of €93 million and a significant free cash burn of €224 million, partly due to strong competition in the French market (but other retail locations also performed poorly), but the loss of the Russian-Ukrainian units also contributed to a further deterioration in market share and profitability. Restructuring processes have been initiated to offset this, but their effectiveness is questionable (according to S&P) in a difficult operating environment. Debt increased again last year, and S&P Global expects adjusted net debt/EBITDA to remain above 4 this year and possibly below 4 by 2026. That's a very high ratio, and it's no coincidence that the company's bond trades at a visible yield premium. For this reason, it is worth choosing a shorter maturity and being aware that this is an above-average risk choice. However, the owners have also raised capital in recent years (EUR 400m), so this kind of support could remain on the capital side, and the company also has a significant real estate portfolio (over EUR 7bn), which could also be sold to provide liquidity (as it has also significantly deleveraged through asset sales in 2018-20).

Credit ratings

Moody's	Fitch	S&P	Description of rating
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High Grade
Aa2	AA	AA	
Aa3	AA–	AA–	
A1	A+	A+	Upper Medium Grade
A2	A	A	
A3	A–	A–	
Baa1	BBB+	BBB+	Lower Medium Grade
Baa2	BBB	BBB	
Baa3	BBB–	BBB–	
Ba1	BB+	BB+	Non-Investment Grade Speculative
Ba2	BB	BB	
Ba3	BB–	BB–	
B1	B+	B+	Highly Speculative
B2	B	B	
B3	B–	B–	
Caa1	CCC+	CCC+	Substantial Risk, Extremely Speculative
Caa2	CCC	CCC	
Caa3	CCC–	CCC–	In Default, Low Probability of Return
Ca	CC	CC	
Ca	C	C	
C	D	DDD	In Default
-	D	DD	
-	D	D	

We have listed dollar- and euro-denominated regional government bonds and regional, US and European corporate bonds that offer reasonable returns with acceptable risks. It is important to note that the potential for higher returns is associated with higher risks (as reflected in the rating), and this should be considered when making investment decisions.

The companies on the list have been compared quantitatively on the basis of the main indebtedness indicators, and the analyst consensus available on the companies in question has been used to assess their fundamentals/outlook, without examining the legal and tax aspects of the individual bonds. We have included corporate bonds that, based on the main indebtedness indicators and their debt rating, still appear to be at acceptable risk and offer a relatively attractive return. It is important to note that for bonds classified as high yield – i.e., not recommended for investment – the potential for higher yields may be associated with extra risks, and in these cases, it is worth proceeding with even more caution. We have not included securities in the highly speculative category, where the deterioration in the growth picture could increase the probability of default.

The information in the tables is based on the Bloomberg database. As some bonds may have low market liquidity, the yields shown in the table should be taken as an indication and may differ from current market pricing

The analysis does not cover the tax and legal aspects of bonds.

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