EARNINGS CALL
TRANSCRIPTION

FY 2025 RESULTS

11 February 2026 at 10:00 CET

SPEAKERS:
ANAS ABUZAAKOUK
ENVER SIRUCIC

BAWAG Group

Anas Abuzaakouk:

Thank you, Operator. Good morning, everyone. I hope everyone is keeping well. I am joined this morning by Enver, our CFO. So we have a lot to cover. Let us jump right into it with the summary of full year 2025 results on slide three.

For the full year 2025, we delivered a record net profit of €860 million, earnings per share of €10.87 and the return on tangible common equity of 27%. The underlying operating performance of our business was very strong, with pre-provision profits of €1.42 billion, up 31% versus prior year, and a cost-to-income ratio of 36%. Total risk costs were €228 million, with an NPL ratio of 80 basis points. The fourth quarter was particularly strong, with a net profit of €230 million, return on tangible common equity of 28% and a strong springboard as we entered 2026. We exceeded all of our 2025 targets and distributed €607 million to shareholders, €432 million in dividends, which was equal to €5.50 per share, and €175 million share buyback, translating into a cancellation of 1.6 million shares, or 2% of shares outstanding. Since our IPO in October 2017, we have reduced shares outstanding by 23% with 77 million shares outstanding as of year-end 2025. We closed the year with a pro forma CET1 ratio of 14.6%, after setting aside €481 million for dividends, equal to €6.25 per share, which we will propose at our annual shareholder meeting in April, as well as deducting the €75 million share buyback that we completed earlier this year.

The recent buyback was used to fund employee stock and remuneration programs, as we are keen to avoid diluting our shareholders. Our liquidity position is robust, with cash of €14 billion equal to 19% of our balance sheet. Organic customer loan growth was strong, up 3% year over year when excluding the Barclays acquisition, including the Barclays Consumer Bank Europe acquisition, customer loans were up 12%. Net interest margin for the business was 329 basis points, up 22 basis points from prior year and reflecting the positive impact from the German credit cards and strong growth in consumer and SMEs. Despite our record performance in 2025 and an EPS CAGR of 14% over the last three years, our best years lie ahead. Our strategy has been consistent since 2012, when focused on being patient, disciplined, cutting through the noise and embracing a continuous improvement mindset. Our resilience is proven by our ability to consistently deliver results and improve each year. On the back of strong customer loan growth in 2025, and the integrations delivering ahead of plan, we are updating our targets and introducing a new three-year rolling outlook. We are now targeting net profit of over €960 million in 2026, over €1.1 billion in 2027 and over €1.2 billion in 2028, excluding any potential acquisitions. This translates into a net profit CAGR of 12% over the next three years, from 2025 through 2028. We also continue to build up excess capital, with over €1.1 billion projected from 2026 through 2028, leaving us with over €1.5 billion of excess capital, which includes our pro-forma excess capital of €468 million to earmark towards M&A, capital distributions or potential new growth opportunities above our stated plans. It is important to note that this excess capital is incremental to the capital underpinning our updated three-year targets and post our 55% dividend payout ratio.

Through the cycle, we are targeting a RoTCE over 20% and the cost-to-income ratio under 33% as the franchise continues to reap the benefits of long-term investments and scale as we build out a pan-European and U.S. banking group. When we refer to through the cycle, there will be years we deliver higher returns given the current rate environment and benign credit cycle, with our targets representing a more conservative floor. However, our goal is to consistently deliver results and be prudent in how we run the bank, accounting for the cyclical nature of markets and lending. Our CET1 target remains at 12.5%, 227 basis points above our minimum regulatory capital requirements. Going forward, we plan to provide a rolling three-year outlook with full year earnings, allowing for a more dynamic outlook that captures internal as well as external developments more real time.

Moving to slide four. Our capital development. At year-end 2025, our reported CET1 ratio landed at 14.2%. We generated 417 basis points of gross capital from earnings, closed on the Barclays Consumer Bank Europe acquisition using 180 basis points when compared against year-end RWAs, and made or earmarked capital distributions equal to 350 basis points, which comprised of earmarked dividends of €481 million, as well as €250 million of share buybacks completed across two tranches.

We also completed three SRT transactions, which funded the underlying business growth and provided a net capital relief of approximately 60 basis points. On a pro forma basis, our CET1 ratio was 14.6%, equal to €468 million of excess capital above our CET1 target of 12.5%. This factors in the sale of a minority investment that signed in the fourth quarter of 2025 and is expected to close in the first half of this year. This excess capital starting point provides us with significant amount of dry powder to capitalise on unique organic and inorganic opportunities should they arise. It is important to note that both the Knab and Barclays Consumer Bank Europe acquisitions were fully self-funded. As owner operators, we strive to be good stewards of capital, prudent and disciplined in how we allocate capital with a strong aversion to diluting shareholders. However, this is only made possible because of a very strong earnings and capital generation as we are positioned to deliver a through-the-cycle return on tangible common equity of over 20%.

Slide five, positioning our balance sheet for growth while staying conservative. A key pillar to our strategy is maintaining a conservative balance sheet that is positioned for growth, ensuring we have excess capital and liquidity, and always focusing on risk-adjusted returns, taking a proactive approach to risk management. As we look ahead to 2026 and beyond, we have positioned our balance sheet in a few ways. We have purposely kept an excess cash position, providing us with dry powder from a liquidity standpoint. We have €14 billion of cash, equal to 19% of our balance sheet, and our securities portfolio remains underinvested at €3 billion, equal to 5% of our balance sheet, while we target more of a long-term range of 15-20% in a more attractive spread environment. We continue to be patient and disciplined and will be ready to deploy into customer lending, as well as adding to our securities portfolio when the right opportunities present themselves that meet our risk-adjusted returns.

As far as customer loans, we are focused on secured and public sector lending with an inherently low risk profile, as well as providing us with a source of long-term funding. Over 80% of our customer book is secured or public sector lending that is conservatively underwritten and well collateralised. Housing loans account for over 50% of our customer loans, with an average LTV of 55% on the non-guaranteed mortgages. In total, 60% of the mortgage portfolio has NHG government guarantees, insurance or risk transfers. Additionally, we have €13 billion of covered bond funding relative to approximately €40 billion of mortgages, commercial real estate and public sector assets with significant potential for further long term covered bond funding.

Over the years, we have deployed various risk management tools to proactively mitigate credit risk and free up capital to fund growth. Using CDS, direct insurance and significant risk transfers or SRTs in the form of cash and/or guarantees. We use SRT specifically to free up capital to fund growth and as a loss mitigation tool with an emphasis on unsecured lending. Today, SRTs have become quite prevalent. But our focus over the years was risk mitigation, accounting for through-the-cycle losses and ensuring we stay competitive from a risk-adjusted return standpoint. This has become more pronounced across mortgage lending as we transitioned to the standardised approach in 2024. Today, SRTs covered €9 billion of assets on the balance sheet, of which €6 billion, or two-thirds are tied to mortgages on the standardised approach. SRTs on mortgages improved capital efficiency on a low risk asset class, allowing us to fund growth and better compete with IRB banks and non-bank lenders. SRTs on unsecured and specialty finance assets, which account for €3 billion, primarily consumer loans, credit cards and corporate loans, mitigate risk of unexpected losses and work more as an insurance policy, specifically against volatility of macro sensitive assets.

In terms of lending activity, 2025 was another year defined by being patient and disciplined. Although we saw a pickup in lending activity across consumer & SME, the pricing environment is still challenging across mortgages and corporate lending. We have strategically avoided chasing growth as credit markets remain frothy, given the number of players driving down margins and foregoing loan protections. We believe credit risk in general is mispriced given geopolitical risks, the fiscal situation of many sovereigns and a flawed short-term focus on aggressively pushing lending volume, given the perpetual need to deploy capital as incentives have decoupled from performance.

On the flip side, our commercial real estate business continues to perform well and we are finding pockets of opportunity. This is a result of our conservative underwriting over the years and underlying exposure to residential, industrial and logistics assets, which make up approximately 80% of the portfolio. The U.S. office sector overall remains distressed. However, we are now seeing pockets of opportunity in select idiosyncratic transactions across the capital structure.

Moving to slide six. Building a pan-European and U.S. banking group. Our success over the years is a result of embracing a continuous improvement mindset, one that allows the company to constantly adapt. This past year was no different. Even though our company is in great shape, we must adapt from a position of strength and not fall victim to complacency. The recent acquisitions have been a catalyst for building the operating framework for a pan-European & U.S. banking group. As we look to the future, we must challenge the status quo and reimagine the company. In the face of shifting demographics, changing customer behaviour, and transformative technologies, we need to ensure that we stay competitive and relevant for the long term. Over the years, we have transformed from a branch-heavy business with limited digital capabilities to a digital first bank, complemented by a high quality advisory branch network. We self-funded 14 acquisitions, expanded into six new countries, and built a strong leadership team with a deep bench and an owner-operator mindset. Today, our business is 90% retail & SME, 90% digital originations and 90% tied to the euro countries of Austria, Germany, the Netherlands and Ireland. With the integration of our two recent acquisitions largely complete, we are positioning ourselves for future growth, both organic and inorganic. We have redesigned the company to reflect both the broader footprint as well as capture new opportunities. We are starting to see the benefits of greater scale and efficiencies, greater digital engagement, a wider geographic footprint and more opportunities to pursue. Most importantly, our transformation over the years has been anchored to our culture. We foster an owner-operator mindset, encourage entrepreneurial thinking, and continuously challenging the status quo. Our senior leadership team embodies stability and dedication, with the management board and senior leaders collectively owning approximately 5% of the company. This reflects our owner-operator culture and commitment to long term success of the franchise. This group has an average tenure of 12 years. 25% of our current leadership team joined through prior acquisitions, and we continue to build a deep bench of leaders cultivated through internal development programs, mentoring, strategic recruitment and acquisitions. This is vital as we expand into a pan-European & U.S. banking group, ensuring we have the proper bandwidth and skillset to grow the business and address the many challenges and opportunities ahead. Our future success depends on preserving this truly unique and dynamic culture as our company continues to grow and evolve.

Moving to slide seven. Technology underpinning our transformation, AI as the next leg. Despite our achievements over the years, we recognise that ongoing technological disruption, specifically the rapid advance of artificial intelligence, demands that we proactively redesign our company. This era of innovation and disruption will fundamentally reshape how we serve our customers, structure our organisation, and define the very nature of work. As a result, some technologies and processes will quickly become obsolete, requiring us to rethink traditional roles and create entirely new ones. The economic landscape is evolving in ways that are hard to understand or predict. Our goal is to proactively navigate these changes and ensure the long-term success of our franchise. We plan to incorporate AI into our operating framework. We will significantly enhance customer service, making this a true competitive advantage as we reduce friction in our processes, enable immediate and effective first-touch resolution. While we have already made significant strides in driving operational efficiency, we must remain focused on continuing to eliminate unnecessary bureaucracy, freeing up our people to engage in more impactful and rewarding work that requires more creativity, problem solving, and critical thinking. Our goal is to free up advisors to spend more quality time with customers, and enable our operations and call centre teams to focus on more complex cases and portfolio management, and streamline central functions to play a more strategic role across the group.

Central to our AI strategy is building the right technical infrastructure and fostering institutional expertise to remove friction from both customer journeys and internal operations. Our tech ops investments over the years have enabled us to fully migrate to the public cloud, enhance our data architecture, and adopt standardised workflow and reporting tools. This technical foundation will be the foundation for building an AI operating framework, one that seamlessly integrates technology, supports robust governance, and drives impactful use cases. To support this, we have set up a dedicated team of business process engineers within our Tech Ops group, combining process know-how with technical skills to lead AI initiatives in close partnership with functional experts. However, we believe that before AI can be properly implemented, there needs to be NI or natural intelligence around the process. This means team members with deep process and institutional knowledge, working closely with business process engineers to redesign processes through simplification measures, basic workflow automation, and ultimately AI. We believe AI will ultimately enhance our operational excellence and best-in-class efficiency in the coming years, a true differentiator for BAWAG and our competitive advantage. With that, I'll hand over to Enver.

Enver Sirucic:

Thank you, Anas. I will continue on slide nine. In terms of our balance sheet and capital, customer loans were up 2% and customer deposits were up 4% quarter over quarter. Organic customer loan growth was 3% year over year when excluding the Barclays acquisition. Including the Barclays acquisition, customer loans were up 12%. Tangible common equity is up 9% year over year after setting aside a €6.25 dividend per share, or €481 million, in absolute terms, which we will propose at our annual shareholder meeting in April. We maintained a fortress balance sheet with €14.1 billion in cash, equal to 19% of our balance sheet, and LCR of 204%, and overall strong asset quality with a low NPL ratio of 80 basis points.

Moving to slide ten. A strong last quarter with net profit of €230 million and a return on tangible common equity of 28%. Core revenues were up 3% versus prior quarter, with net interest income up 3% and net commission income up 4%. Operating expenses were down 3% in the quarter and cost-to-income ratio stood below 34%. Risk costs were €64 million, or 45 basis points in the quarter, including provisions for a single name default.

On slide 11, our core revenues. Strong performance of net interest income, up 3% in the quarter, driven by robust customer loan growth of 2%, with strong momentum in real estate and public sector, solid consumer business and stable mortgage lending. Net interest margin at 332 basis points improved on the back of better asset mix, while deposit data improved by one percentage point to 37% in Q4. Net commission income was up 4%, with continued strong momentum across business lines, particularly in credit cards and payments. For 2026, we anticipate a continued positive trend, with net interest income and core revenues expected to grow by 6%.

On page 12. Operating expenses at €194 million, a 3% decrease for the quarter, with the cost income ratio at 33.8%, similar to levels before both acquisitions. To date, more than 80% of the acquisitions have been successfully integrated as planned, and cost synergies have increased, particularly after the branchification of Knab last November. We continue to drive operational initiatives designed to streamline processes and enhance long-term productivity across our business lines. Combined with the completion of integration efforts, these measures are expected to improve our operational efficiency. We expect a reduction in operational expenses by more than 5% in 2026. Regulatory charges are projected to increase by €9 million to €48 million in 2026, due to increased size of our balance sheet.

Moving to page 13. Risk costs were €64 million in the quarter, driven by a provision for a single name default and a higher share of retail consumer lending. Asset quality remains solid, with an NPL ratio of

80 basis points. We expect continued strong asset quality in 2026, with a risk cost ratio of around 45 basis points, mainly reflecting a higher share of consumer lending and otherwise strong credit quality.

Slide 14. Our retail & SME business delivered a quarterly net profit of €210 million, a very strong return on tangible common equity of 39% and a cost-to-income ratio of 31%. Pre-provision profits were €343 million, up 10% compared to prior quarter, with core revenues 4% stronger versus prior quarter, while operating expenses were down 8% in the quarter. The retail risk cost was €58 million, with a risk ratio of 60 basis points. We continue to see solid credit performance across the business with a low NPL ratio of 1.2%. Average customer loans and deposits grew by 1% in the quarter, and we expect continued growth across the retail & SME franchise in 2026, driven by solid growth in consumer and SME, with mortgage originations slowly starting to pick up.

Slide 15. Our corporate, real estate & public sector business delivered fourth quarter net profit of €37 million and generating a strong return on tangible common equity of 29% and a cost-income ratio of 23%. Pre-provision profits were €58 million, while risk costs were at €6.5 million, mainly tied to provisions for a single name default. Average assets were up 4% in the quarter, with strong momentum in real estate and public sector, while corporate lending remained muted. We will continue with our current approach in 2026 and stay patient, focus on disciplined underwriting, risk adjusted returns, and not blindly chase volume growth.

Slide 16. Our updated targets. Following strong customer loan growth in 2025 and progress on integrations being ahead of plan, we are revising our targets and the three-year outlook. We are targeting net profit exceeding €960 million in 2026, over €1.1 billion in 2027, and over €1.2 billion in 2028, with a 12% CAGR from 2025 to 2028, excluding any acquisitions. Our strategy focuses on improving operating leverage by increasing core revenues and consistently reducing expenses. Top line growth will come from 3-4% annual loan growth, a higher asset margin due to an improved asset mix, and positive effects from deposit hedge roll-off. Following integrations, we aim for annual net cost reductions through 2028. These efforts will drive ongoing improvement as we continue investing in advisory, tech infrastructure and data assets. Looking ahead with continued mix shifts and effective underwriting, we expect risk costs to remain at 45 basis points for the next few years. In addition to our profit targets, we plan to generate over €1.1 billion in incremental excess capital by

2028 following a dividend payout of 55%. The resulting excess capital of more than €1.5 billion by 2028 may be allocated towards organic growth initiatives, further M&A or capital distributions. Our through-the-cycle targets remain unchanged, with a return on tangible common equity of above 20%, cost-income ratio of below 33% and a CET1 ratio target at 12.5%. And with that, operator, let's open up the call for Q&A. Thank you.

Operator:

Thank you. As a reminder to ask a question, you will need to press star one on your telephone and wait for your name to be announced. To withdraw your question, please press star one, once again. Please stand by while we compile the Q&A roster. We will take our first question, and the question comes from the line of Gabor Kemény from Autonomous Research. Please go ahead. Your line is open.

Gabor Kemény (Autonomous Research):

Good morning. Thanks for your thoughts. My first question is on the 2027 guidance where you upgraded by around €100 million. I understand this is primarily NII-driven. Can you confirm it is mostly the asset mix as you are shifting more towards consumer? To remember about the hedges, are hedge positions expected to become more profitable. And specifically on consumer: You pointed out that it is growing nicely. Can you speak a bit about the drivers and the growth outlook in this segment?

My other question will be on capital. I mean, you ended the year at half a billion euros of excess capital, but not doing a share buyback for now. I understand you are looking at various capital deployment options, but when do you think you will be able to decide on whether you do a share buyback this year or not?

And my final question is a broader one. I understand you cannot comment on transactions, but can you share your views on the Irish banking market and the performance of your local business there? Thank you.

Anas Abuzaakouk:

Okay. Gabor, I will start with the capital allocation. Question two and three, Ireland, and then Enver will take the 2027 guidance, some of the specifics. All good questions, Gabor. Thanks for submitting. As far as capital allocation, we always say as part of our capital allocation framework, we will assess at year-end given our excess capital position. This is really no different this year. The only difference is we are assessing a number of market opportunities and will be in a better position to communicate what we are going to do with our excess capital in overall capital allocation hopefully by the first quarter results. I think we are going to be in a good position.

As to your general question on Ireland, we entered Ireland two years ago through MoCo, and that was on the back of having studied the market and having lent into Ireland for a number of years. We bought Depfa, which was a wind-down platform. We think Ireland is one of the most robust banking markets across the European Union. But that is not a development today, that has been our belief over the past few years. So we think it is structurally a really good retail banking market. But that is one of our core seven markets that we have defined, and one of the four core European markets. I will pass it over to Enver on the '27 guidance.

Enver Sirucic:

Gabor, your questions, I think, related to the NII development. There are three factors that we laid out. The first one is we assume loan growth of 3-4%. And if you look back, this is consistent with the performance that we have seen, especially over the last 12 months. The second one is better asset mix. The overall balance sheet structure will not change significantly. When we say we have 80/20, like 80% secured public sector lending, then 20% unsecured, that's going to be the same mix in the future. The only difference if you look at the front book NIM, the asset mix is healthier in terms of NIM improvement, mainly driven by consumer lending and the credit card business that we acquired obviously last year. And the third element is the deposit hedge growth, which is more a technical effect, given the duration of our structural hedge that is on the long tail, ten-years rolling or five years effective. And that effect is coming through now in '26, '27 and '28. I hope that helps.

Gabor Kemény:

That is brilliant. Thank you so much.

Anas Abuzaakouk:

Thanks, Gabor.

Operator:

Thank you. We will take our next question. Your next question comes from the line of Hugo Cruz from KBW. Please go ahead. Your line is open.

Hugo Cruz (KBW):

Hi. Could you give a little bit more detail on those NII dynamics? Where do you expect loan growth, I mean you said it was a bit in line with the current trends, but if you could kind of give us a bit more granular expectations of loan growth by country or by key products. Also, can you quantify the benefits from the deposit hedging in each year, like kind of where is the front book yields and the size of the portfolio? So we can try to model it, please.

Final question on M&A. Can you remind us like what is your ROI and EPS accretion thresholds for any deals that you might announce? Thank you.

Anas Abuzaakouk:

Okay. Thanks, Hugo. All good questions as well. Let me start with the easy one, the last one. When we do M&A, consistent with the 14 acquisitions that we have done over the past decade, we have the defined return threshold or requirement. That for us is kind of our franchise through-the-cycle return on tangible common equity of over 20%. I think if you look at prior deals, we have obviously had, I think, a really strong performance and outperformed particular threshold. But you should think of that as kind of the floor. And then when we look at just M&A and just inorganic opportunities more generally, we measure that against potential share buyback. And I think if you look at - not that we focus on the share price or valuations, we don't make strategic decisions based on that - but if you look at where the business is trading on a price to earnings basis, take a two-year forward PE multiple, I think share buybacks are still very attractive. It is a good return for our investors, given that we, I think, trade at or slightly below the European Bank index in terms of PE multiples. So that was M&A return thresholds. What was the next question.

Hugo Cruz:

Loan trends.

Anas Abuzaakouk:

Loan trends. More broadly, Hugo, I tried to give some colour during the presentation, and Enver can add more specifics. But if you look at the different asset classes, so within consumer & SME, the credit card business actually has performed better than we had underwritten after making the acquisition. I think that trend will continue in the years to come. That is specific to Germany, but also potentially Austria and the adjacent countries. But that is really not in the numbers. Specialty finance, which is leasing in particular both auto and equipment leasing, I think that's been a positive development as well as our factoring business. And that is a mix of NII and NCI. The mortgages I would say has been from a consumer standpoint or retail & SME standpoint has been probably the one challenged area, not so much on volumes, because the volume is there, but I made a comment around just overall margins. And when you look at kind of risk-adjusted returns, I think there are certain levels that for us we think have become irrational as far as pricing. So we are pretty conservative on that front I think when you think about overall mortgages. Now, that obviously varies between different countries. I think it is more challenged in Austria and Germany. We see good opportunities in the Netherlands, in Ireland, from a mortgage standpoint, just to answer your question about specific geographies. And then when you look at the non-retail & SME business, I would say don't have much expectations for us, at least in our planning. For corporate lending, obviously, there's pockets of opportunities, but the general comment about credit risk being mispriced really is focused on corporate lending and corporate credit risk. And it just feels like there's an irrational exuberance and a real strong focus on volumes because there has been a lot of capital that has been raised across different platforms, public and private. And when you raise that much capital, you are incentivised, I think, to deploy that capital and to grow AUM. And that was my comment about decoupling of performance in a lending environment. So that is one rule, I think we will just continue to be conservative. Public sector, we see good opportunities, more broadly, not just in Austria, but across kind of the core markets that we are in. And then commercial real estate, which is really residential in one form or another; industrial logistics also to a certain extent, but it has been really focused on residential, that has been robust, and what we see a good pipeline on the back of a strong fourth quarter.

So when you put all of that together, you know that I think gives you a good perspective and why we feel pretty confident. We usually do not give loan volume targets. But this is one to two points above kind of blended GDP growth in the markets that we are in, which translates to about 3-4% loan growth, and hopefully we will be able to execute and hopefully even overdeliver.

Enver Sirucic:

I think there was a question on the contribution of the deposit hedge to the overall NII and the trends. We try to provide the details on that target page, but probably I would phrase it is, if you think about 2026, we are saying the NII will grow by more than 6%. And if you want to break it down by asset or loan growth on the one side and the liability side on the other side, I would probably say two-thirds is coming from loan growth and asset margin improvement, and one-third is coming from the deposit side. So, if you like, two points around about deposits and four points-plus is on the asset side. I would assume a very similar trend for the other years, although there is always some nuance to that. But directionally, this is the formula for the NII growth in '26 and the other years.

Hugo Cruz:

Thank you very much.

Anas Abuzaakouk:

Thank you.

Operator:

Thank you. We will take our next question. The question comes from the line of Jeremy Sigee from BNP Paribas. Please go ahead. Your line is open.

Jeremy Sigee (BNP Paribas):

Thanks very much. Good morning. You have got about half a billion surplus capital as of now with the pro-forma numbers. Just continuing the discussion about capital deployment and investment opportunities. Could you talk about your attitude to something you could already afford to do, another Knab or a Barclays Germany? But could you talk about your attitude to potentially larger transactions if something came up in the 1 billion, 2 billion range? Would that be manageable? How would you see the risk reward, and what would be your attitude to potential share issuance or other financing options for that?

Anas Abuzaakouk:

Okay. Thanks, Jeremy. Good question. I would say, look, if you look at our history of deals that we have done, the 14 acquisitions, and that is some portfolios as well, it has ranged from as small as half a billion to as large as almost €20 billion. We do not discriminate in terms of size. I would say the one thing that we are probably more sensitive to now, given just the position of the franchise, is a small deal takes as much time as a large deal. So we have no aversions towards going after larger deals, and that varies in size. I think you mentioned 1 to 2 billion in terms of acquisition price. I would not even look at it through that lens. I think from our standpoint, we look at it through just - can we actually create value when we think about what makes BAWAG unique in terms of our culture, our focus on operational excellence, managing the balance sheet, focusing on conservative markets? I think 50% of our balance sheet today or of our customer loans are mortgages. We have a 'how much can you lose as opposed to how much can you make' type mindset when we think about risk management. And all of that kind of factors into our overall decision. And I would say an important intangible element is, do we have the bandwidth? And I kind of alluded to it during the presentation, which was I think we have a deep bench of senior leaders we have worked together for over a decade. And I think we have the bandwidth to be able to take on larger acquisitions. And given that the two acquisitions are largely complete, Knab and Barclays Consumer Bank Europe, I think we have the bandwidth to be able to address larger acquisitions going forward. Was there another question? I think that was on the M&A.

Jeremy Sigee:

Well, just about financing as well. I mean, that would imply if it was bigger than the surplus capital, so you had to issue some shares as part of the transaction. What would be your attitude to that?

Anas Abuzaakouk:

Jeremy, we are not averse to issuing shares. But if you look again at the 14 deals that we have done, you saw the two deals that we did concurrently, the more recent ones, we have self-funded everything. We generate over 400 basis points of gross capital through earnings. As you rightly stated, we have about half a billion. We are talking about making almost a billion this year. I mean, if you kind of put all this stuff together, I think we are in a really fortunate position where we generate a significant amount of capital that to the extent that we can avoid over diluting shareholders, that is our default position. But yeah, we are not averse to issuing shares. Thanks, Jeremy.

Jeremy Sigee:

Very helpful. Thanks very much indeed.

Operator:

Thank you. We will take our next question. Your next question comes from the line of Borja Ramirez from Citi. Please go ahead. Your line is open.

Borja Ramirez (Citi):

Hello. Good morning. Thank you so much for taking my questions. A couple of questions on the NII please. So the NII guidance includes

6% annual growth, includes 4% from the asset side, and the rest on the deposit side, if I understood well? From the asset side, are you assuming any redeployment of your excess cash into bonds in your target? And then on the deposit side, are you assuming deposit beta remains stable? And also, could you please remind me the notional volume and the yield of the hedge and the duration, please?

Enver Sirucic:

Borja, I think it is easy to answer. Yes. The split is plus 4% and plus 2% as I mentioned previously. We do not assume any redeployment of the excess cash into bond investments. So that is not in our numbers.

Anas Abuzaakouk:

We like to one day.

Enver Sirucic:

We would like to do. Yes, we have a lot of excess cash to deploy. But if we look at the current market trends, we do not expect any widening of credit spreads at the current stage. I think the other question was around the structure of the deposit hedge, I guess. So 40% of our non-maturity deposits, so which oscillates between €35 and €40 billion - 40% of that are actually put on structural hedge which is ten years rolling monthly. So on average duration you have five years from that point. And that is the main driver then for the NII uptake in the outer years.

Borja Ramirez:

Thank you.

Operator:

Thank you. As a reminder, if you wish to ask a question, please press star one, one on your telephone.

Anas Abuzaakouk:

Is there a question?

Enver Sirucic:

Yeah. We cannot hear anything.

Operator:

Yes. Please stand by. One moment, please. Your next question comes from the line of Amit Ranjan from J.P. Morgan. Please go ahead. Your line is open.

Amit Ranjan (J.P. Morgan):

Yes. Hi. Good morning and thank you for taking my questions. The first one is on the slide on AI, slide seven. How should we think about the investments versus the savings? Are these gross cost savings initiatives which are then invested in the business, and at one point mid-term, we should think about some net cost savings from this?

Anas Abuzaakouk:

Amit. Hi. Good question. The way you should think about AI is, look, AI is built into kind of the technological transformation. It is just one component of many components. If you are asking specifically around where is the cost-out, everything is within kind of the mixture of under 33%. And I mentioned also like the through-the-cycle targets. Those are more floors. And, obviously, hopefully we look to over-deliver. But for us, AI in terms of like reinvestments, we have continuously made technology investments over the years. It is not a one thing comes out and one thing goes up. We look at it at a macro level in terms of are we making the right technology investments, are we building up our tech ops capabilities. And I think that is what was my comment around we will always be best-in-class when it comes to operational excellence as well as efficiency. And that is the true competitive advantage. So we do not go into this kind of change the bank, run the bank. These are like monikers that we just do not look at it that way.

Amit Ranjan:

Thank you. And just one clarification on the NII. Are you using the forward curve for '26 and beyond?

Enver Sirucic:

Sorry. Could you say that again?

Anas Abuzaakouk:

Are you using the forward curve?

Enver Sirucic:

Yes, we always update the numbers based on the most recent forward curve. Yeah.

Amit Ranjan:

Okay. Perfect. Thank you.

Anas Abuzaakouk:

Thanks, Amit.

Operator:

Thank you. There are no further questions in the queue. I will now hand back to Anas Abuzakouk for closing remarks.

Anas Abuzaakouk:

Thank you, Operator. Thanks, everyone, for joining this morning. Sorry for the slight delay to get started, but we look forward to catching up with you during first quarter results. Take care everybody. Have a nice day.

Operator:

This concludes today's conference. Thank you for participating. You may now disconnect.