

QUALITATIVE
DISCLOSURE REPORT
2025

ACCORDING TO REGULATION
(EU) NO. 575/2013 ("CRR")

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LIST OF ABBREVIATIONS

AC	Amortized cost
ALM	Asset Liability Management
AML	Anti-Money Laundering
AS	Application scoring
BCBS	Basel Committee on Banking Supervision
BP	Basis point
BPV	Basis point value
BS	Behavioral scoring
BWG	Bankwesengesetz (Austrian Banking Act)
CAC	Credit Approval Committee
CCF	Credit conversion factor
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHAIID	Chi-square automatic interaction detectors
CHF	Swiss franc
CLN	Credit-linked note
CLO	Collateralized loan obligation
CMM	Capital Management Meeting
CRCU	Credit risk controlling unit
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirement Regulation
CSA	Credit Support Annex
CET1	Common Equity Tier 1
CFT	Countering Financing of Terrorism
DCF	Discounted cash flow
EAD	Exposure at default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected credit loss
EDP	Electronic data processing
EEA	European Economic Area
ERM	Enterprise Risk Meeting
ESG	Environmental, social and governance
ESGC	ESG Committee
EUR	Euro
EV	Economic value
EVE	Economic value of equity
FACE	Free Available Cash Equivalent
FMA	Financial Market Authority
FTP	Funds transfer pricing
FVPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
GBP	British pound
GDP	Gross domestic product
HQLA	High-quality liquid assets

IAS	International Accounting Standards
ICS/IKS	Internal control system
ICT	Information and communications technology
ICAAP	Internal Capital Adequacy Assessment Process
ID	Identity document
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRB	Internal ratings-based approach
ISDA	International Swap and Derivatives Association
ISTC	ICAAP & Stress Test Committee
KFH	Key function holder
KRI	Key risk indicator
KSHK	Kreditsicherheitenkatalog (Credit Collateral Catalogue)
KSV	Kreditschutzverband
KYC	Know your customer
LAS	Liquidity adequacy statement
LCR	Liquidity coverage ratio
LGD	Loss given default
LTIP	Long-term incentive program
LTV	Loan-to-value
MB	Management Board
NFR & ESGC	Non-Financial Risk and Environment Social Governance Committee
NII	Net interest income
NMD	Non-maturity deposit
NPE	Non-performing exposure
NPL	Non-performing loans
NPV	Net present value
OpRisk	Operational risk
PD	Probability of default
PEP	Politically exposed person
PIP	Product implementation process
P&L	Profit and loss
PPU	Permanent partial use
PSC	Portfolio Steering Committee
PVBP	Present value of a basis point
RAP	Risk-adjusted pricing
RBC	Risk-bearing capacity
RCC	Risk and Credit Committee
RCSA	Risk Control Self-Assessment
RM	Risk Modeling
RMBS	Residential mortgage-backed securities
ROC	Receiver operating characteristic
RSF	Required stable funding
RWA	Risk-weighted assets
SA-CCR	Standardized Approach for Counterparty Credit Risk
S-ALCO	Strategic Asset and Liability Committee
SB	Supervisory Board
SEQ	Sicherheitenerlösquotient (collateral return rate)
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprises

S&P	Standard & Poor's
SSPE	Securitization special purpose entity
TM	Treasury & Markets
TMA	Asset Liability Management
TPU	Temporary partial use
UGB	Unternehmensgesetzbuch (Austrian Commercial Code)
USD	US dollar
VaR	Value-at-Risk
WAL	Weighted average life
WAM	Weighted average maturity
WC	Works Council
WGG	Wohnungsgemeinnützigkeitsgesetz (Austrian Non-profit Housing Act)

DISCLOSURE INDEX

Review of risk management systems according to Article 435 (1) point (e) CRR	Consolidated Annual Report IFRS 2025 (pages 23-24, 141)
Figures and information according to Article 435 (1) point (f) CRR	Consolidated Annual Report IFRS 2025 (pages 141-143)
Information according to Article 41 FMA circular letter on accounting issues in connection with derivatives for controlling interest rates	BAWAG P.S.K. Annual Financial Report UGB 2025 (page 27)

GENERAL PRINCIPLES

According to Article 13 of Regulation (EU) No 575/2013 (amended, hereinafter abbreviated to “CRR”), this Disclosure Report is published on the BAWAG Group AG level. BAWAG Group AG is a financial holding company in the form of a corporation. Its main business purpose is the management of the company’s assets. From a risk perspective, the main Bank-wide steering processes are performed by its subsidiary, BAWAG P.S.K. AG. These processes are disclosed in this report.

SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Article 436 points (a) and (b) CRR

Owing to diverging regulations in the International Financial Reporting Standards (“IFRS”) and the CRR, there are two different sets of consolidation guidelines, one for accounting and one for regulatory purposes, which also lead to two different scopes of consolidation. The following paragraphs present the scopes of consolidation and explain changes that occurred in 2025.

Consolidation for accounting purposes

In accordance with IFRS 10, the scope of consolidation includes BAWAG Group AG and all material subsidiaries owned directly and indirectly.

The Group’s share in the total assets and profit or loss of the subsidiary are the criteria for materiality. The proportionate total assets (higher than € 30 million) and profit or loss (higher than € 3 million) of the subsidiary are the criteria for inclusion.

The consolidated financial statements as of 31 December 2025 contained 48 fully consolidated companies and 3 companies that are accounted for using the equity method. The book value of associated equity interests including banks not consolidated at equity amounted to € 0 million as of 31 December 2025.

Controlled companies with a book value of € 7 million were not consolidated because of their negligible effect on the assets, financial and earnings position of the Group. Subsidiaries with a negligible effect on the assets, financial and earnings position of the Group are not included in the consolidation.

Changes in the scope of consolidation with no material impact on the consolidated financial statements

In the third quarter of 2025, BAWAG Education Trust was deconsolidated, due to immateriality. In the fourth quarter, Knab N.V. was merged with BAWAG P.S.K. AG and Orange Loans B.V. was dissolved.

Changes in the scope of consolidation with material impact on the consolidated financial statements

In the second quarter of 2025, seven newly established companies were added to the scope of consolidation. Two companies operate as holding companies and five underlying companies hold commercial real estate properties in the United States. BAWAG became the owner of these real estate properties by means of a debt to equity conversion.

Since the third quarter of 2025, Best Egg Inc. is accounted for using the equity method.

In the fourth quarter, Swiss Autofinance GmbH was added to the scope of consolidation, due to materiality.

For further details, please refer to Note 49 List of consolidated subsidiaries in the BAWAG Group Consolidated Annual Report 2025.

Consolidation for regulatory purposes

The scope of consolidation in accordance with the CRR includes BAWAG Group AG as the highest financial holding company, and all material subsidiaries owned directly and indirectly.

Consolidation for regulatory purposes is carried out in accordance with Article 18 and 19 CRR, with the financial statements of the individual companies and the consolidated financial statements being prepared in accordance with the principles of the IFRS (International Financial Reporting Standards).

The criteria used to determine the scope of consolidation are total assets and off-balance-sheet items. The scope of consolidation for regulatory purposes is different from the scope of consolidation for accounting purposes.

As of 31 December 2025, the scope of consolidation for regulatory purposes included 51 fully consolidated companies, 1 company that was proportionally consolidated and 3 companies that were accounted for using the equity method.

The following table shows an overview of the companies that are treated differently in the scopes of consolidation for accounting and for regulatory purposes:

Table 1: Divergent consolidation basis

	IFRS	CRR
BAWAG Leasing & fleet s.r.o. Prague	FVPL	F
Fides Leasing GmbH	FVOCI	P
Gara RPK Grundstücksverwaltungsgesellschaft m.b.H.	FVPL	F
Kommunalleasing GmbH	FVOCI	F
PT Immobilienleasing GmbH	FVOCI	F

F.....Fully consolidated
 P Proportionally consolidated
 E Equity consolidated
 FVOCI Equity instruments at fair value through other comprehensive income
 FVPL Equity instruments at fair value through profit or loss

→ Significant subsidiaries in terms of Article 43 CRR were not deducted from CET1, as they did not exceed the threshold defined in Article 48 CRR. For significant positions in instruments of AT1 and supplementary capital, there is an obligation for deduction (according to point [d] of Article 56 and Article 66 CRR).

According to Article 36 (1) point (h), institutions shall deduct the applicable amount of direct, indirect and synthetic holdings by the institution of CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities.

Non-significant subsidiaries in terms of Article 46 CRR were not deducted, as they did not exceed the threshold defined in Article 46 CRR.¹

As all subsidiaries subject to banking regulation laws are included in the scope of consolidation or all relevant book values are deducted from own funds in the event that the threshold is exceeded, there is no shortfall in own funds in terms of CRR, Part 8, Title II, Article 436 point (d).

¹ Referring to column “(a) Amounts as in published financial statements” of the template “Composition of regulatory own funds (EU CC1)” in the quantitative disclosure report according to Regulation (EU) No 575/2013 (“CRR”)

IMPEDIMENTS TO THE TRANSFER OF OWN FUNDS

Article 436 point (f) CRR

There are currently no restrictions or other significant impediments to the transfer of own funds or regulatory equity within BAWAG Group.

TOTAL SHORTFALL IN OWN FUNDS OF ALL SUBSIDIARIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

Article 436 point (g) CRR

No shortfalls in own funds are known among subsidiaries that are not consolidated but deducted from own funds.

USAGE OF ARTICLES 7 AND 9 CRR

Article 436 point (h) CRR

There are no issues for the usage of Articles 7 and 9 CRR in BAWAG Group.

RISK MANAGEMENT

GROUP-WIDE RISK MANAGEMENT

Article 435 (1) point (b), (e)–(f) CRR

Article 435 (2) points (a)–(e) CRR

Taking risks in a conscious and selective manner and professionally steering those risks is a core function of BAWAG Group and it is carried out at various places within BAWAG Group on a daily basis. The systematic orientation of risk decisions at the company's targets requires the development of a common fundamental understanding concerning the risk-related issues, the specification of strategic and operational objectives in the individual business units as well as a comprehensive process of continuous risk management covering all risk areas.

BAWAG Group has developed a risk management framework that is forward-looking and relates to its business and risk strategy. The guidelines regarding risk management are laid down in risk management strategies, policies, guidelines and manuals creating a comprehensive risk management framework. The Governance Policy describes the Group-wide governance arrangements and provides an overview of the risk governance framework and organizational structure of the risk management function. The risk strategy (derived from the specifications defined in the BAWAG Group strategy) defines the key risk management principles and core risk steering mechanisms for the Group's Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), risk management processes and risk appetite for the respective business year. In addition, it considers the Group's concentration risk features reflecting how the Group manages concentration risk and the risk catalogue including the respective risk definitions. The management of the individual risk types is part of specific risk management policies and guidelines.

The Management Board determines the strategy for the Group and the individual business segments and defines target values for the key risk ratios. The Management Board then derives the risk strategy and sets the risk appetite for the current planning period. Finally, the Management Board takes fundamental decisions with respect to the models and processes to be applied to identify, measure, control and monitor risks.

The Chief Risk Officer (CRO) is a member of the Management Board and assumes responsibility as the risk manager for the entire BAWAG Group. All risk management units report to the CRO. The CRO regularly informs the Management Board about the current risk situation. As required by the supervisory authority, the risk management is separated from the front-office and back-office units at all levels of BAWAG Group including the Management Board level.

In addition, the Management Board is informed about all risks within the Group in the Enterprise Risk Meeting (ERM). The BAWAG Group Risk Report presented in ERM forms the informational basis in which various key risk indicators are reported, analyzed and their development commented on. Furthermore, any significant change in the risk situation must be immediately reported to the full Management Board.

The external stakeholders are informed about the risk situation in the quarterly investor presentation and also on a semi-annual basis (in the form of the Annual Report and Half-Year Report). The reports and presentations are published on BAWAG Group's website.



As mentioned before, BAWAG Group has implemented a clear risk strategy, which is fully aligned with the Group's overall strategy. The Management Board defines and approves the overall risk appetite and risk strategy on an annual basis. By defining the risk strategy, the overall risk appetite serves as a constraint and represents the Group's intention to use a defined portion of the available internal capital for risks, taking into consideration regulatory and economic capital availability, the liquidity position and the profitability expectations. The risk strategy, coordinated by the Enterprise Risk Management & Analytics division, breaks the overall risk appetite down into more detailed metrics and limits. With regard to the ICAAP economic perspective, all the components are forecast for the respective year based on the capital planning, i.e. all the limit indications provided in the Risk Self-Assessment are already assessed in order to be consistent with the respective risk appetite targets and limits and are considered for the capital allocation.

The risk appetite statement provides a compact overview about BAWAG Group's targets and limits set for the year 2025.²

Table 2: Risk appetite statement

	31.12.2025	Target	Limit
CET1 ratio	14.2%	> 12.50%	> 10.85%
Tier 1 ratio	16.2%	14.25%–14.75%	> 12.85%
Total capital ratio	19.3%	16.75%–17.25%	> 15.50%
Leverage ratio	4.5%	n.d.	> 3.75%
MREL in % of LRE	10.2%	n.d.	> 6.75%
MREL in % of RWA	34.0%	n.d.	> 27.6%
Internal capital utilization ¹⁾	71.5%	< 90%	<95%
ICAAP limits utilization ¹⁾	77.0%	< 95%	< 100%
LCR	204%	> 130%	> 110%
NSFR	142%	n.d.	> 110%
FACE	€9.93bn	> € 2.5bn	> € 2.0bn
Asset encumbrance ratio	23.4%	n.d.	< 50%
NII supervisory outlier test	4.0%	n.d.	< 5%
EVE supervisory outlier test	12.4%	< 12.5%	< 15%
NPL ratio	0.8%	< 2.5%	< 3.0%
NPL total coverage ratio	68.1%	> 70%	> 60%
NFR indicator	0.84	≤ 1.0	≤ 1.15
Share of residential real-estate exposure in high-physical risk areas	13.0%	n.d.	< 20%

² Referring to column "(a) Amounts as in published financial statements" of the template "Composition of regulatory own funds (EU CC1)" in the quantitative disclosure report according to Regulation (EU) No 575/2013 ("CRR").

Restricted / prohibited exposure	0,2%	n.d.	< 10%
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1) The defined thresholds are not to be understood as a target, but as a warning level.

2) These levels of the CO2 equivalent portfolio after Knab having been added to the decarbonization; pathway we will assess additional pathways and implement, if and where appropriate.

Other important figures and information according to Article 435 (1) point (f) CRR can be found in BAWAG Group’s Annual Report.

The BAWAG Group risk strategy and the Governance Policy are updated on an annual basis, approved by the full Management Board, approved by the Risk and Credit Committee, recommended for approval to the Supervisory Board and, in a final step, approved by the Supervisory Board. The BAWAG Group Risk Report is presented in the ERM Committee and discussed within the Risk and Credit Committee of the Supervisory Board on a quarterly basis.

Proactive risk management is a major target of BAWAG Group and is among the core tasks of the risk organization. Efforts must be made to ensure that BAWAG Group takes on risks that are not excessively high (but rather reasonable and measurable).

At the same time, the business model must also definitely be supported along with the planned business growth defined in it. BAWAG Group follows a low-risk strategy, which means that risks are managed conservatively.

Regarding data management (especially risk data management), BAWAG Group pursues strategic objectives that are fully compliant with the regulatory requirements of BCBS239, as the efficiency of risk management is dependent on correct, complete and consistent data that is available on a timely basis. Therefore, BAWAG Group emphasizes the importance of strong data (quality) management and its continuous development and improvement.

Moreover, all rating and scoring systems are subject to a regular validation process in which the adequacy and the performance of the systems are monitored. If further measures are required, appropriate analyses will be initiated and, if necessary, adjustments will be implemented and communicated to the Management Board.

Due to the variety of monitoring processes, ongoing reporting activities and the immediate introduction of countermeasures in the case of significant deviations from the target risk profile defined in the risk strategy, it is ensured that the risk management processes and systems are appropriate.

Risk management organization as of 31.12.2025

The Chief Risk Officer (CRO) is responsible for the Risk Control function and for monitoring the risk management framework across the entire BAWAG Group.

BAWAG Group applies a Group-wide Fit and Proper Policy, which sets forth:

- the selection of Management Board (MB) members, Supervisory Board (SB) members and key function holders (KFH);
- the assessment of suitability of MB, SB, KFH and representatives of the Works Council (“WC”);
 - › the criteria for the suitability assessment and the required documentation
 - › the (annual and ad hoc) re-assessment

The following risk divisions report directly to the Chief Risk Officer:

- Commercial Risk Management

- Retail Risk Management
- Enterprise Risk Management & Analytics
- Validation
- Group Sustainability Office



The Group follows an integrated risk management approach which consistently and coherently covers all risk throughout the Group with full alignment of the risk management units of subsidiaries.

Operative credit risk for non-retail lending is managed within BAWAG Group by the Commercial Risk Management division. In daily business, credit risk is managed jointly by relationship management and risk management based on the dual control principle and assigned authorities. Commercial Risk Management is also responsible for the non-retail sub- and non-performing portfolio, which is primarily managed by the Corporate Restructuring and Workout department.

The Retail Risk Management division is responsible for managing the entire credit risk life cycle (including real estate appraisals, lending/payment fraud mitigation) for Retail & SME customers. Additionally, this unit is responsible for the credit risk management of loan-on-loan exposures (where underlying loans are Retail & SME) via special purpose vehicles (SPV), which fall under non-retail segments.

The Credit Risk Reporting department is responsible for the Group’s and its subsidiaries’ internal reporting including preparation of data overviews using AI tools (Power BI) as well as external credit risk portfolio reporting as agreed in the outsourcing contracts with the subsidiaries. Furthermore, it is responsible for ensuring the data quality of credit risk data by controlling the completeness and correctness of credit risk data used in all downstream processes across BAWAG Group. Credit Risk Reporting also calculates the Group’s and its subsidiaries’ risk costs monthly and is responsible for the calculation of the regulatory non-performing exposure (NPE) backstop requirement. The department reports to the head of Commercial Risk and to the head of Retail Risk Management (dual report).

The Enterprise Risk Management & Analytics division is responsible for developing, implementing and maintaining risk models and techniques, as well as risk management practices, analysis and reporting for credit, market and liquidity risk. The aim is to accurately measure all types of respective risks using a comprehensive set of quantitative analytics and risk metrics, embedding economic, regulatory and accounting considerations. Enterprise Risk Management & Analytics’ main tasks include the definition of the risk strategy, the Group-wide ICAAP, ILAAP and stress test framework and the coordination of the annual SREP. Furthermore, the division’s tasks include the valuation of financial instruments and ensuring the integrity of data and market parameters used in this context.

The Validation division is responsible for the model validation of the Group's internal risk models. It is an independent unit to ensure the adequate quality of the risk models and their performance. Regular validation is performed every one, two or three years depending on the model tier, and initial validation reports are prepared in the event of material model changes or new models. As part of the second line of defense, Validation takes on responsibility for Group data governance and AI governance. The head of Validation also acts as Data Governance Manager and reports in this function directly to the full Management Board. In addition, the Validation division is responsible for the operational risk management including the internal control system, the product introduction process and outsourcing management. Furthermore, the Validation division is responsible for risk integration and coordinating the integration projects across all risk divisions. It oversees the risk due diligence and integration function, which covers the steering of M&A and integration-related projects for the risk function.

The Group Sustainability Office, established in 2024, includes the ESG Risk Management Team and coordinates the implementation, monitoring and reporting of sustainability-related regulations across the Group, with a particular focus on risk management. Due to its long-term nature and the limited availability of accurate data, sustainability risk remains associated with high uncertainty. Nevertheless, to better align sustainability-related risks with the conventional risk types, we strengthened our governance structures throughout 2025, ensuring that employees contributed to our sustainability management within their respective roles and responsibilities. In order to identify, assess and manage our performance with regard to sustainability-related matters, we embedded it across the organization:

- Supervisory Board – ESG Committee (ESGC) – dissolved in April 2025: The responsibility of this committee included reviewing as well as monitoring the execution of the Group-wide Sustainability Strategy and monitoring the progress towards achieving the defined targets.
- Management Board: To align sustainability reporting with financial reporting, we integrated sustainability updates into regular quarterly Management Board meetings. This integration ensures that sustainability is managed as an integral part of our organizational processes. It underscores our approach to viewing the management of these risks and opportunities as a fundamental aspect of our core processes, rather than creating separate streams.
- Group Sustainability Office: The Group Sustainability Office includes the ESG Risk Management team and serves as the central point of coordination for sustainability-related topics across the Group. It provides quarterly updates to the respective committees on Management Board level on the Group's sustainability performance and monitors the implementation of sustainability-related initiatives. The Group Sustainability Office works closely with the impacted functions when preparing for new regulations or driving initiatives, e.g. decarbonization of our portfolio.
- Working groups: Various working groups covering specific ESG topics and promoting several ESG initiatives.

The risk management divisions described above are directly subordinate to the Chief Risk Officer (CRO) and periodically report to the following committees at the Management Board level:

- The Enterprise Risk Meeting (ERM) is a risk meeting of all members of the Management Board and is chaired by the CEO. It takes fundamental risk decisions, such as:
 - › approving the risk strategy and determining the risk appetite, and, if needed, giving recommendations to the Supervisory Board on changes and modifications
 - › approving and (if required) amending BAWAG Group's capital allocation in the ICAAP framework
 - › delegating competence for credit risk limit setting to the Portfolio Steering Committee (PSC) at the profit sub-segment level (level 3) and for specific countries and industries within each sub-segment (level 4)

- › approving capital reallocation in level 3 and level 4 above € 40 million upon explicit recommendation by the PSC
- › delegating competence for market risk limits for the Group to the S-ALCO
- › reviewing and approving underwriting guidelines for all business units
- › reviewing significant findings resulting from regulatory examination and initiating action for remedy
- › discussing the monthly BAWAG Group Risk Report
- › discussing the monthly Capital Report
- › reviewing and approving the use of rating models, IFRS 9 reserve models, scorecards and cut-offs as well as the development of or changes to risk parameters
- › reviewing and approving results of internal model validation and the resulting actions
- › reviewing and approving or recommending (according to regulatory requirements) risk management policies

Furthermore, the ERM has the following competences³ and authorities regarding stress testing whenever required, but at least semi-annually:

- › Check of requirements concerning stress testing
- › Identification of risk factors
- › Definition and review of stress test scenarios
- › Interpretation of results of stress tests
- › Definition of risk measures

There were 11 ERM meetings held in person and 3 circular meetings in 2025.

- Credit Approval Committee (CAC): Approves loan applications within the authorities defined in the Competence and Power Regulation.
- Strategic Asset and Liability Management Committee (S-ALCO): This committee is the key decision-making body on all topics related to market and liquidity risk management. The S-ALCO allocates the respective risk limits and serves as the escalation body for exceeding individual limits or regulatory requirements. Furthermore, all relevant market and liquidity risk reports as well as ALM and Treasury reports are presented to the board via this committee.
- Non-Financial Risk Committee (NFRC): This committee is chaired by the CRO and is responsible for all non-financial risks with Management Board relevance. Among other topics, this committee deals with Bank-wide NFR risk assessment (as part of the Group risk strategy), significant outcomes of sub-risk self-assessments including monitoring of utilization of operational risk sub-limits, process optimizations and discontinued processes which could implicate reputational risk (as well as an increase in customer complaints) as well as changes in regulatory requirements (report to Regulatory Office, Legal or designated project leaders). Additionally, anti-money laundering/counter terrorist financing (AML/CTF), financial sanctions, ethics,

³ Please note that the competences are operatively delegated to the ICAAP & Stress Test Committee or Macroeconomic Scenario Committee.

conduct and compliance themes are dealt with along with the regular securities compliance and AML/CTF reports. Further regular reports in the NFRC include the Operational Risk Report, reporting of conducted PIPs, reporting of business continuity assessments and management measures, reporting on information and cybersecurity, the Complaints Management Report, the BWG Compliance Report, the Securities Compliance and the yearly outsourcing report.

- The Model Governance Committee (MGC) is responsible for the steering and monitoring of all risk models according to the model inventory, including the overall design of the model governance framework. Furthermore, the MGC deals with the (pre-)approval and monitoring of the modeling and validation planning as well as the IRB roll-out plan / PPU monitoring. Moreover, model-related findings (both internal and external) are regularly presented and discussed in the Model Governance Committee. It also acts as the internal supervision body for ongoing IMIs and, together with the ERM Meeting, it approves (pre-)application packages.
- The Data Governance Board is the central decision-making body overseeing the Group's data governance framework. It is responsible for setting strategic direction, approving data-related policies and standards, and ensuring consistent implementation across business and functional domains. The Board provides oversight of data quality, data ownership, critical data elements, metadata management and data risk, including compliance with regulatory expectations. It acts as an escalation and prioritization forum for material data issues and ensures alignment between business, risk, finance and technology functions to support reliable reporting, sound risk management and effective decision-making.
- Various committees are established at the Supervisory Board level. The most essential one from a risk perspective is the Risk and Credit Committee (RCC), where the BAWAG Group Risk Report is also presented. Four RCC meetings were held in 2025.

Under the current valid version of the Rules of Procedure for the Supervisory Board of BAWAG Group AG dated 6 March 2025, the RCC has the following responsibilities:

- › approves the granting of loans and lines of credit as well as other forms of financing (including but not limited to credit derivatives and receivables represented by securities) to individual borrowers or groups of associated customers within the meaning of Article 392 CRR (exposures that equal 10% or more of the Bank's own funds)
 - › decides on transactions with the Bank's affiliated parties within the meaning of Article 28 BWG
 - › approves material credit policies and advises the Management Board regarding general questions of credit and risk policy
 - › advises the Supervisory Board on the current and future risk appetite and risk strategy and monitors the implementation
 - › regularly monitors the effectiveness and efficiency of the risk management system and compliance with legal and regulatory requirements
 - › reviews whether prices of offered services and products fully take into account the business model and the risk strategy
 - › reviews whether incentives provided by the Bank's remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.
- The ESG Committee (ESGC) deals with the review of the Group-wide ESG strategy and ESG targets and the monitoring of their implementation and receives regular updates on ESG-related topics. Furthermore, the committee advises the Supervisory Board regarding the current and future risk appetite and risk strategy

relating to ESG risks. It also monitors the effectiveness and the efficiency of the management of ESG risks (including risk control, risk policies and management reporting on ESG risks) as well as the compliance with legal and regulatory requirements regarding ESG topics. The ESG Committee held one meeting. In April 2025, the ESG committee was dissolved and integrated into the existing committees.

Number of directorships held

Disclosure of the number of management and supervisory functions held by BAWAG P.S.K. Management and Supervisory Board members pursuant to EBA/GL/2016/11 and Article 435 (2a) CRR as of 31 December 2025:

Table 3: Functions held by Management Board and Supervisory Board members

Name	Function at BAWAG P.S.K.	Number of Management Board functions	Number of Supervisory Board functions
Kim Fennebresque	Member of Supervisory Board	0	7
Frederick Haddad	Member of Supervisory Board	3	5
Tamara Kapeller	Member of Supervisory Board	1	2
Pat McClanahan	Member of Supervisory Board	0	3
Robert Oudmayer	Member of Supervisory Board	0	3
Tina Reich	Member of Supervisory Board	0	5
Ahmed Saeed	Member of Supervisory Board	0	2
Veronika von Heise-Rotenburg	Member of Supervisory Board	3	2
Anas Abuzaakouk	Management Board, CEO	2	0
David O’Leary	Member of Management Board	2	0
Andrew Wise	Member of Management Board	2	2
Enver Sirucic	Member of Management Board	2	0
Sat Shah	Member of Management Board	2	2
Guido Jestädt	Member of Management Board	2	3

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) AND GROUP-WIDE STRESS TEST

Article 435 (1) point (a) CRR

Article 438 point (a) CRR

Article 439 point (a) CRR

The Internal Capital Adequacy Assessment Process (ICAAP) is part of the regulations known as Pillar II. According to the ICAAP Guide issued in November 2018 by the European Central Bank, BAWAG Group has implemented both the normative and economic perspectives for the Group steering.

The Risk Self-Assessment, which is conducted on an annual basis, provides an overview of BAWAG Group’s risk situation using quantitative and qualitative evaluation methods, i.e. all potential risks arising in connection with the implementation of the Group’s strategy are evaluated with respect to their relevance, materiality and their impact on BAWAG Group. Material and non-material risks are considered under the economic perspective, while the normative perspective encompasses Pillar I risks (credit risk, market risk, operational risk) and all other material risks (identified within the RSA process).⁴

⁴ Furthermore, some non-material risk types are automatically taken into account in the normative perspective via P&L in terms of expected loss alone.

BAWAG Group's economic perspective compares the quantified risks, in the form of so-called economic risk covering both expected and unexpected losses, with the internal capital on a short- and long-term basis. The economic perspective is calculated monthly for the short term and quarterly for the long term. The calculation and its components (on level 1 and 2) are discussed and reported to the full Management Board in the ERM.

The following risk categories represent the relevant risk types within BAWAG Group that are quantified and compared with the available internal capital:

- Credit risks: Credit risk is quantified by applying the single risk factor model from Merton, which also underlies the core of the IRB formula, eliminating the additional regulatory parameters, and is populated with economic risk parameters, under the assumption of a given macroeconomic scenario. Furthermore, credit risk covers:
 - › credit risk concentrations in connection with loans to major customers/to groups of affiliated customers
 - › losses resulting mainly from granting loans in currencies other than those in which debtors receive regular income to reimburse their debts (FX lending credit risk)
 - › the risk of the reduction in value of receivables due to the deterioration in the debtor's credit quality without a default having occurred yet (migration risk)
 - › ESG risk stemming from credit risk.

In addition, credit risk includes participations and investment funds (except for those within the scope of the funds risk quantification by EMM), quantified in accordance with Article 165 of Regulation (EU) No. 575/2013 (so-called CRR 2). The unexpected loss of non-consolidated participations (equities) and investment funds is derived directly within the credit default risk component via the usual Merton-Vasicek formula, however with parameters derived according to the strict rules of Article 165 CRR2, in particular, with the relevant PD floors applied and the prescribed values of LGD and residual maturity.

- Market risk: The quantification of interest rate risk in the banking book and credit spread risk are based on value-at-risk models. Other market risks, such as funds risk, foreign currency risk in the banking book or equity risk, are quantified with similar value-at-risk valuation models. These value-at-risk models are based on a historical full valuation approach and generalized hyperbolic distribution. In addition, market risk also covers ESG risk stemming from market risk.
- Liquidity risk: Structural liquidity risk quantification is based on current liquidity gaps applying assumed potential deteriorations of own funding costs. Quantification methods based on historical worst-case analyses are used for market liquidity risk in the banking book and FX basis spread risk. Liquidity risk also includes the ESG risk stemming from liquidity risk.
- Non-financial risk: This category covers operational risk. The definition of operational risk explicitly includes legal risk, compliance risk, model risk, fraud risk, conduct risk, third-party risk, outsourcing risk and information and communication risk. The risk is quantified using the Standardised Measurement Approach (SMA). Furthermore, non-financial risk also covers ESG risk and reputation risk stemming from operational risk.
- ESG risk: ESG risk is quantified within the above-mentioned main risk categories such as credit risk, market risk, liquidity risk and operational risk, as all ESG risks can materialize directly or indirectly through one of the main risk categories. Due to diverse factors, the risks vary for different countries and industries. However, ESG risks are primarily long-term risks. The Group applies an expert model to derive the capital buffer for ESG risk within each individual risk category.

→ Other risks: Economic capital has been quantified for real estate and pension risk. For the quantification of the real estate risk, a simplified VaR model is used that takes into account the average loss occurring over an one-year time horizon and the relative (compared to the average) variability in terms of how much the one-year loss tends to fluctuate over time by applying a confidence level of 99.9%. Pension risk is quantified based on a simplified quantification method (expert judgment and historical observations).

The individual relevant risk types are subsequently aggregated to form the total risk of the Group and are set in relation to the internal capital. The aim of BAWAG Group's ICAAP steering is to ensure adequate coverage of all risks at any time. This aim is supported via a specifically allocated capital buffer subject to allocation at the Management Board's discretion.

The scope of the economic perspective is intended to ensure that all economic risks of the Group are sufficiently covered by the Group's internal capital. All positions that are able to cover losses without transferring the cost to the Group's creditor, i.e. that are risk-bearing, are considered to be part of the internal capital. This mainly constitutes the positions contained in common equity, with some deductions (e.g. non-consideration of intangible assets, own credit risk, Pillar II EL CR, goodwill etc.) and add-ons on top.

Furthermore, a confidence level of 99.9% is applied for the calculations. The confidence level indicates the probability that potential losses do not exceed the quantified risk.

The normative perspective is also fully integrated into the strategic risk management, capital management and planning processes of BAWAG Group.

In connection with the normative perspective, Pillar I risks (credit risk, market risk, operational risk) and material risks are quantified (and some non-material risk types are quantified in terms of EL alone via P&L), projected and subsequently considered in the respective capital (RWA) and P&L views. The following risk types are considered and quantified:

→ Credit risk: The quantification of credit risk is based on the regulatory approach (Standardized, Advanced and Foundation IRB) and is considered under the capital view (RWA). Credit risk losses are also accounted for in the P&L view in the form of expected credit losses. The same applies for FX-lending risk.

→ Single name concentration risk: This refers to economic borrower groups that are sufficiently relevant in terms of capital consumption to be monitored and managed on an individual basis. The most significant consumers of capital are additionally stressed with a higher probability of default in the ICAAP adverse scenario.

→ Market risk: BAWAG Group has identified interest rate risk in the banking book (materialized as EVE and NII risk) and credit spread risk as the material market risks. Other market risk types include funds risk, equity risk as well as FX risk in the banking book. There is no proprietary trading and therefore no trading book. If applicable, all mentioned risks are also considered in the P&L, gains and losses and other comprehensive income. In addition, market risk also covers ESG risk stemming from market risk.

→ Operational risk: The quantification of operational risk is based on the regulatory approach (Pillar I view) and is considered under the capital view (RWA). Operational risk losses are also accounted for in the P&L view.

The methodology and results of both ICAAP perspectives are discussed in the regular ICAAP & Stress Test Committee (ISTC) on a quarterly basis and reported to the ERM Meeting. The ERM Meeting oversees the assessment of the results and defines any corrective action for the risk appetite or business strategy, where necessary.

The link between the ICAAP perspectives and capital management is formally defined within the internal risk and capital governance.

The capital ratios, which are defined within the capital planning process and monitored on a monthly basis by the Capital Management Meeting, are used as a benchmark for the normative perspective. The Group recovery plan is drawn up to account for extreme stress scenarios. As part of the normative perspective and stress test exercises, senior management reviews whether the stressed capital ratios remain above the recovery levels. In the event of breaches of the recovery levels, measures must be taken to improve the capital position sufficiently in order to keep the capital ratios above the recovery levels even under a stressed scenario.

Stress test framework

BAWAG Group performs stress tests on a regular basis in order to assess potential effects on the Group's financial situation stemming from unusual yet plausible specific events and changes in variables such as the impact of a severe economic downturn on the Group's risk profile and financial position. Within BAWAG Group, stress testing is an important management tool and an essential part of the internal risk management.

A governance procedure has been defined and established for the performance of stress tests, and the key decision-making body is the ICAAP & Stress Test Committee as well as the Macroeconomic Scenario Committee. The Enterprise Risk Steering group in the Enterprise Risk Management & Analytics division is responsible for the coordination and guidance of each stress test exercise.

Stress test program

A comprehensive program for the management of stress testing within BAWAG Group has been defined as an integral part of the stress test framework. The program includes several stress test exercises applying a series of techniques that are performed on a regular basis as well as on demand. Regular stress tests exercises include the following:

- ICAAP stress test (macroeconomic scenarios), performed on a quarterly basis
- reverse stress testing, performed once a year
- sensitivity analyses, performed on demand or at least once a year
- ad hoc analyses, performed on demand.

ICAAP stress test

The ICAAP stress test is a macroeconomic stress test with general assumptions of a dynamic balance sheet in normative and economic perspectives, with possible mitigation measures during the projection period. BAWAG Group's stress test exercise is based on macroeconomic scenarios (baseline and at least one adverse scenario including idiosyncratic shocks) covering a four-year horizon for both normative and economic perspectives, which allows a long-term steering starting from the reference date of the stress test exercise.

Macroeconomic scenario effects are transmitted to the portfolio via regression models (e.g. IFRS 9 models) as well as stress factors based on expert judgment (for unavailable historical data or for models with low explanatory power). Outcomes of the ICAAP stress test are expressed in terms of effects on capital ratios through both P&L and RWA for normative and total risk-bearing capacity utilization for the economic perspective.

Reverse stress test

The reverse stress test is designed to identify a set of scenarios leading to a breach of warning or recovery thresholds of the CET1 ratio. The ICAAP stress test framework is utilized as the basis for the identification of such scenarios, along with targeted sensitivity analyses.

ICAAP & Stress Test Committee (ISTC)

The ICAAP & Stress Test Committee (ISTC) provides the central coordination of the ICAAP and stress testing processes at the Group level. The main objective is to ensure effective oversight and control over the operative proceedings of all ICAAP and stress test analyses and to recommend strategic decisions.

Meetings are held whenever required, but at least quarterly, and the scope of activity includes:

- ICAAP normative and economic perspective analyses and monitoring
- all cross-divisional stress tests or similar economic analyses.

The main responsibilities of the ISTC are:

- Approval of the process guidelines and assumptions for each stress test or economic analysis
- Approval of the process guidelines and assumptions for ICAAP normative and economic perspective analysis
- Discussion and approval of the results of stress test exercises and ICAAP perspectives
- Definition of the recommended action/mitigation plan for ERM approval based on the ICAAP and stress test results.

Macroeconomic Scenario Committee (MSC)

The main objective of the Macroeconomic Scenario Committee (MSC) is to identify appropriate scenarios for each stress test exercise and ICAAP perspectives.

The scope of activity includes:

- Identification and alignment of the baseline macroeconomic scenario
- Identification and design of the adverse macroeconomic scenarios, either from an external source or tailor-made for BAWAG Group or for a specific BAWAG Group institution
- Identification and design of the idiosyncratic shocks (e.g. vulnerable large exposures, shock on house price index, retail overlays etc.)
- Approval of the identified scenarios and related assumptions

Moreover, the MSC is responsible for the review and approval of the three scenarios (optimistic, pessimistic and baseline) and related weights used in the calculation of the IFRS 9 expected credit loss.

Meetings are held whenever required, but at least quarterly.

Portfolio steering framework

BAWAG Group follows a detailed portfolio steering framework concept based on hierarchical capital allocation.

For the main risk categories, namely credit risk, market risk, liquidity risk, non-financial risk and the capital buffer for other risks, the defined limits are fixed.

The following four levels of capital allocation are considered:

- Level 1: Capital allocation to risk categories and the MB buffer

- Level 2: Capital allocation to business segments, migration and ESG risk (for credit risk) and to sub-categories (for market, liquidity and non-financial risk)
- Level 3: Capital allocation to business sub-segments (only for credit risk)
- Level 4: Capital allocation to countries for the total portfolio and to industries for the segment Corporates, Real Estate & Public Sector (only for credit risk).

In addition, special and FX portfolios, the top 10 large capital consumers and large collateral providers are monitored on a regular basis within the portfolio steering framework.

Portfolio Steering Committee

This committee provides the central coordination of the portfolio steering processes at the Group level. The main objective is to ensure effective oversight and control over the capital allocation and capital utilization levels and to define recommendations for the Enterprise Risk Meeting at the Management Board level. Meetings of the PSC are held on a quarterly basis and the responsibilities of the PSC are as follows:

- Monitoring of credit risk capital allocation and capital utilization at all levels
- Approval of the standard Portfolio Steering Framework Report
- Approval of the industry reports
- Assessment of the portfolio dynamics and the current utilization of the assigned limits
- Tactical capital allocation for the profit sub-segments (level 3) and for specific countries and industries (level 4) and for specific currencies for the current year
- Assessment of the impact of relevant prospective credit decisions requiring capital reallocation
- Monitoring of the single-name concentrations for credit risk, including the large capital consumers
- Monitoring of special portfolios
- Definition and evaluation of in-depth analyses regarding specific discussion topics related to the core responsibilities of the committee
- Definition of the recommended action/mitigation plan for ERM approval, where necessary

CAPITAL ALLOCATION AND LIMITATION AT TOTAL BANK LEVEL

Article 438 point (a) CRR

Article 439 point (a) CRR

The process for limitation and capital allocation runs parallel to planning and budgeting at least once a year and, if required, more often. Within the defined process, the established premises such as confidence level and risk appetite are reviewed and updated. Steering portfolios are defined for credit risk and are geared towards the customer segments or organizational responsibilities as well as countries and industries. The bank subsidiaries are included in the control portfolios. In addition, migration risk and ESG risk stemming from credit risk are

covered within the credit risk category. Furthermore, specific sub-limits are defined for non-financial⁵, market⁶ and liquidity⁷ risks, and a respective capital buffer is assigned for risks within the risk category “other risks.”

The capital allocation/limitation according to Article 39a of the Austrian Banking Act is defined under the following premises and information:

- The Management Board sets forth the strategy in the annual medium-term plan
- Confidence level, holding period, capital buffer, steering units
- Planning and budgeting process and any changes in risk value/balance sheet items, taking an adequate liquidity position into account
- Existing limit-setting systems (e.g. in connection with market risks)
- Limitation for the steering units according to the quantification methods defined for the individual risk categories.

The capital allocation, as a major component of the Group-wide risk management and limitation of the risk categories, is approved by the full Management Board, approved by the Risk and Credit Committee, recommended for approval to the Supervisory Board and, in a final step, approved by the Supervisory Board.

⁵ Including ESG risk stemming from operational risk.

⁶ Including ESG risk stemming from market risk.

⁷ Including ESG risk stemming from liquidity risk.

CREDIT RISK

OBJECTIVES AND PRINCIPLES OF CREDIT RISK MANAGEMENT

Article 435 (1) points (a)–(e) CRR

Article 439 point (a) CRR

Strategies and processes

Corporate customers

Strategies and processes presented in this section on corporate customers are also largely applied to sovereigns, the financing of government authorities and institutions. Loans are processed and decided upon according to extensive work instructions. The decision-making powers are set forth in order of competency.

Credit is granted on the basis of the following considerations:

- All individual customers and customers in a customer group or a corporate group are rated at least annually.
- The analysis of creditworthiness is based on current business documents (the national accounts for sovereigns) including planning calculations of the company and other information to ensure a meaningful analysis for the rating and the decision.
- The assessment of a customer's creditworthiness and credit-bearing capacity is based on ratings that must systematically cover all information made available by the relationship manager. The final rating confirmation is handled by the responsible organizational risk division. The loan decision is taken solely according to the Competence and Power Regulation.
- BAWAG Group strives to collect suitable collateral to minimize the credit risk, which is assessed using a standardized valuation based on the Group credit collateral catalogue. In the event of any net exposure, correspondingly higher collateral must be provided if the rating shows any signs of worsening.
- Financing for complex business models (e.g. leveraged finance) or in new countries or regions is based on a thorough analysis and description of the associated (credit) risks.
- The (credit) risk units must be involved with appropriate expert opinions, as set forth in the product implementation process. New business segments must also be compatible with the general treatment of credit risk in terms of classification and basic rules in order to ensure consistency.
- Any decision that could change the risk position in a customer relationship requires approval from the competent authorized person/committee. Each application requires a positive front-office recommendation (from the relationship manager) before being submitted to the risk unit.
- If key ratios are defined in a credit relationship as auxiliary conditions (known as covenants), they must be stated in the credit application and approved. Compliance with the key ratios at the contractually fixed dates must be checked by the responsible risk unit.

Retail and small business customers

Risk from new business is managed using clear and conservative underwriting guidelines. Decisions at the point of sale are mostly made on the basis of automated scoring systems that issue recommendations, or the decision

is made downstream in the risk division. Special attention is paid to processing compliance and assuring data quality. A central monitoring process ensures ongoing quality assurance.

Credit risk in retail business is measured monthly focusing on the following elements:

- Portfolio trends in terms of overdue/late payments (e.g. vintage and flow rate analyses)
- Portfolio trends in terms of risk class distribution and risk concentration
- Portfolio trends in terms of credit affordability and collateralization
- Portfolio trends with regard to defaulted loan facilities
- Portfolio trends in terms of incurred risk costs and losses
- Scorecard performance (approval rates and manual decision)
- Performance monitoring of fraud detection
- Portfolio distribution trends by products and channels
- Collection and workout performance

The findings of the analysis are reported periodically to the ERM.

Independently of this process, risk-relevant data from standardized assessments between business managers and risk management are discussed and documented in monthly committee meetings. This process ensures a regular and standard flow of information while also making it possible to respond directly to changes in risk parameters and market conditions.

In the collection process, additional measures support the dunning process to be more efficient on working with overdrafts and loans in delay.

Structure and organization of relevant risk management functions

Credit risk is an integral part of many business activities and is controlled in the Commercial Risk Management and Retail Risk Management units. In daily business, credit risk is controlled by each business area in coordination with the respective credit risk division on the basis of the authority granted and applying the dual control principle. The authority is based on the CRO's respective delegation and approval.

The regulations governing the authority granted can be found in the Competence and Power Regulation.

Risk measurement systems (approved approaches)

Article 452 point (a) CRR

With the decision of the FMA dated 23 April 2013, BAWAG Group received approval in accordance with Part 3 Title II Chapter 3 Section 1 CRR to calculate the basis of assessment for credit risk as per Article 107 (1) CRR applying the internal ratings based (IRB) approach pursuant to Part 3 Title II Chapter 3 CRR.

After several approvals from the ECB (notably ECB-SSM-2018-ATBAW-25, ECB-SSM-2019-ATBAW-14, ECB-SSM-2022-ATBAW-2 and DGUDI/2024/0691) to extend the scope of the permanent partial use (PPU) of the Standardized Approach pursuant to Article 150 CRR, these portfolios of the exposure class "corporates" within BAWAG P.S.K. AG remain in the IRB approach as of 31 December 2025:

- Corporates
- Commercial real estate
- Cash based accounting above € 1 million exposure
- Specialized Lending (real estate)

All other portfolios are covered by the Standardized Approach, either already approved by the ECB pursuant to Article 150 CRR or in due course of the approval process for the recent acquisitions; only one portfolio remains in the IRB roll-out plan: exposures to institutions pursuant to Article 147 (4) point (d) CRR.

Nevertheless, the IRB standards are maintained for the purposes of the PD, LGD as well as CCF model developments which are further used for determining the economic capital requirement under the Pillar 2 framework.

Reporting systems

The full Management Board is informed regularly about all risks in the Enterprise Risk Meeting (ERM) based on the comprehensive Group Risk Report. In addition, a set of Power BI Reports is implemented, allowing management a clear and comprehensive view of the portfolio including all credit risk KRIs. In addition, the full Management Board is informed immediately in the event of any material change in the risk situation.

Risk hedging and mitigation⁸

Collateral is recognized and assessed in accordance with the Credit Collateral Catalogue (Kreditsicherheitenkatalog, KSHK), which reflects the principles of the CRR, other relevant legal regulations and internal procedural rules. Together with the collateral checklist, the Credit Collateral Catalogue serves as the basis for cataloguing collateral according to internal risk criteria. The Credit Collateral Catalogue also determines the amount to be set for the market value and collateral lending value (internal value "Belehnwert") and if the collateral may be applied to reduce risk under the current regulatory requirements or not. If new collateral is not yet defined in the Credit Collateral Catalogue, the organizational unit RWA & Collateral Management must check whether this new collateral is eligible for recognition and select the method for the valuation of the market value and the limits for the lending value in coordination with the affected areas and submit these items to the ERM for approval.

Monitoring is conducted regularly, and the currently valid lending value estimates are reconciled with the historical realization proceeds and checked.

The collateral lending value ("Belehnwert") is the value at which the collateral is internally estimated in terms of reducing exposure. The lending value incorporates values empirically obtained from salability, duration of realization or discounts based on risks specific to the rating or country. In the case of real estate with prior liens, these liens are also considered in calculating the loan to value ratios. The collateral lending value is set for daily credit business and is generally less than the current market value. The collateral lending values in general and the discount rates per risk category in particular are subject to periodic review.

The market value is the value of the collateral usually attainable from selling the asset in a fair business transaction. The market value is determined using a valuation process that considers future marketability and is geared towards standardized valuation processes (e.g. for real estate: income approach, cost approach, sales comparison approach etc.). Speculative aspects are not considered in the calculation of the market value.

⁸ See also "Credit risk mitigation techniques" in the internal rating based approach.

COUNTERPARTY DEFAULT RISK ARISING FROM DERIVATIVES, REPURCHASE TRANSACTIONS, SECURITIES AND COMMODITIES LENDING TRANSACTIONS, MARGIN LENDING TRANSACTIONS AND LONG SETTLEMENT TRANSACTIONS

Strategies, processes and management

Article 435 (1) point (a)–(d) CRR

The counterparty default risk is treated as part of the credit risk. Details on strategies and procedures of the management of credit risks are presented in the section “Objectives and principles of credit risk management.”

Structure and organization of relevant risk management functions and risk measurement systems

Article 439 point (a) CRR

Counterparty default risk is a version of credit risk designating the potential risk of default in treasury transactions, especially derivative transactions. It quantifies the risk of loss that would materialize if the credit rating of a counterparty of BAWAG Group worsened during the term of a transaction – all the way to the worst-case scenario of a default.

The credit risk divisions assess actual counterparties based on front-office requests. A limit system is employed to monitor this risk category and sets separate limits for the three asset classes of derivatives, money market and securities (product limit system). The Risk Modelling (RM) Division is responsible for monitoring compliance with the set limits. The extent to which the limit is used is calculated methodically following the approach “positive market value plus add-on” utilizing credit risk mitigation techniques (refer to section “Credit risk mitigation”).

This monitoring of limit use is done in real time and in the form of daily reports. The RM division reports to the front office on a daily basis and to the back office whenever limits are exceeded. The front office and back office then order countermeasures to be taken, subject to an escalation process coordinated by the RM Division.

All relevant provisions for counterparty risk and the associated processes are described in detail in the risk management manual for treasury markets, which is updated annually and approved by the full Management Board. The rules are supplemented by various process instructions for Treasury & Markets (TM) and credit risk manuals for the credit segments.

Risk hedging and mitigation

Article 439 point (b) CRR

BAWAG Group can demand the furnishing of collateral or take other steps to mitigate risk based on bilateral agreements (repurchase agreements, lending transactions, ISDA netting agreements, credit support annexes etc.). From the standpoint of BAWAG Group, credit risk only exists in cases in which the net market value is positive (replacement risk). As this risk depends largely on fluctuations in market risk parameters (exchange rates, interest rate movements, stock prices etc.), regular recalculation of this risk is indispensable, as is the appropriate adjustment of the collateral.

The types of collateral generally allowed include cash in several (major) currencies found in a set list (usually EUR, USD, GBP and CHF) and securities from issuers with good ratings (government bonds of select European countries and the United States).

If securities are provided as collateral, a haircut based on the remaining term is additionally applied. The collateral amounts are adjusted to the current risk situation (market valuation of the counterparty’s transactions), or the intrinsic value of the collateral is checked at contractually agreed times (exchange rate

fluctuations are taken into account for collateral denominated in foreign currencies and the market value of securities). The customary intervals for valuation in the market are daily, weekly or monthly. For the majority of contracts, a daily valuation is provided.

The possibility of realizing the deposited collateral in the event of the partner's bankruptcy and its further use (e.g. re-mortgaging or passing along of the collateral as security for another contracting party) is ensured by the legal opinions drawn up on behalf of the ISDA for the given jurisdiction of the individual contracting parties.

For derivative business, generally only cash collateral denominated in EUR and USD— as well as in CHF and GBP in the case of a clearer— is allowed. This type of security therefore does not result in any reserves being formed nor is hedging required for the received financial collateral, as (with the exception of USD, CHF and GBP) its value does not change due to price changes.

Correlation risks

Article 439 point (c) CRR

According to the Basel Committee, there are two types of correlation risk, general and specific. A general correlation risk exists if there is a high correlation between the counterparty's probability of default and risk factors in the general market risk. A specific correlation risk exists if there is a high correlation between the counterparty's probability of default and the replacement value of current transactions being conducted with that counterparty due to the nature of these transactions.

Possible correlation risk is taken into account in connection with deliberations on the collateral portfolio. Any specific correlation risk is countered by combining the granting of limits to a counterparty or obligor group of counterparties and the setting of internal limits (exposure determination). For derivative business, only financial collateral in the form of cash deposits is generally allowed. This practice is also intended to help avoid specific correlation risks. In determining the limit and limit structure during the rating check, BAWAG Group considers the counterparty's rating and a possible worsening of this rating. These factors are not part of the determination of exposure.

In the case of counterparties with whom a relatively large volume of derivative business is conducted, collateral agreements are also signed. They stipulate that positive market values are regularly compensated solely in the form of cash deposits.

With respect to repos and securities finance, additional risks are largely eliminated in the corresponding agreements (repo annex, tri-party agreement) by setting restrictive criteria on acceptable types of securities, issuers, rating classes and haircuts. In repos trade, margin calls are periodically executed to compensate for the market value.

Settlement and delivery risk is composed of the pre-settlement/fulfillment risk and the replacement risk. Pre-settlement/fulfillment risk results from the unilateral provision of an input by BAWAG Group under a mutual transaction. It exists until the complete fulfillment of the counter-performance. Replacement risk occurs if the full settlement of a transaction is not carried out immediately upon its conclusion. If the counterparty defaults prior to full performance, the Group has to find a replacement in the market based on the conditions prevailing at that time. Due to changes in market value in the meantime, BAWAG Group may incur losses from the necessary replacement. From an economic point of view, replacement risk is identical to the counterparty risk. In contrast to counterparty risk, however, it does not occur for forward transactions, for which a future settlement was explicitly agreed. It exists in the framework of step-by-step transactions where, due to standard market practices, a period of several days may separate the conclusion of the contract and settlement.

Rating downgrade and its impact on collateral

Article 439 point (d) CRR

Contractual clauses on dependencies between the collateral provided and the rating assigned exist only in a few isolated cases in connection with risk mitigation agreements from derivative transactions. In some of these agreements, this provision affects what are known as the “independent amount,” the “threshold amount” and the “minimum transfer amount.”

Based on existing agreements and as matters stand today, a rating downgrade of the Bank would not have any material effect on the additional amount to be provided.

Measures for exposure value

Article 439 point (f) CRR

Treasury business is focused on asset and liability management. Derivative financial transactions are conducted in the form of interest rate and currency swaps, forward exchange dealing, interest rate options and credit default swaps. BAWAG Group was not engaged in securities lending, commodity lending or in any margin lending transactions or long settlement transactions as of 31 December 2025.

The fair value is applied in the valuation of derivatives and repos. It is determined from publicly quoted prices. If there is no quoted price available, the fair value is determined using accepted valuation methods. The fair value represents the potential replacement cost.

BAWAG Group has opted to use the Standardized Approach for Counterparty Credit Risk as defined in Article 274–280 (f) CRR. The counterparty risk thus consists of the replacement cost (Article 275 CRR) plus the potential future exposure (Article 278 CRR) multiplied by the alpha factor of 1.4. A positive market value from the standpoint of BAWAG Group is an economic exposure in relation to the counterparty that would be lost in part or altogether in the event of default. The market value thus also represents the additional cost that would be necessary to place a comparable transaction. In calculating the internal exposure (limit add-on), BAWAG Group is guided by the procedure stipulated for determining capital adequacy.

Estimation of the scaling factor

Article 439 point (i) CRR

Own estimates for determining the scaling factor are not in use.

CREDIT RISK MITIGATION

Policies and processes for netting

Article 453 point (a) CRR

BAWAG Group has made use of off-balance-sheet netting since 31 December 2008. Netting pertains exclusively to derivative instruments with counterparties that have signed a corresponding master agreement entitling BAWAG Group to undertake netting. In the case of additional agreements covering open receivables by collateral (Credit Support Annex), BAWAG Group intends to include the highest possible volume of derivatives as defined by the CSA agreement. Furthermore, attention is paid to ensuring low correlation between the probabilities of default of the debtor and the security.

Netting is applied to the entire derivative business. The pertinent netting agreements are legally valid and legally enforceable in all relevant jurisdictions in the event that the counterparty becomes insolvent or goes bankrupt. All netting cases are regulated by an adequate standardized process. Data are maintained and calculated via an electronic data processing (EDP) supported system.

Types of collateral and collateral valuation and management

Article 453 points (b)–(c) CRR

The following guidelines must be followed for collateral valuation and management:

- BAWAG Group has the right to accept or reject collateral or to assign to collateral the value deemed necessary and reasonable in order to protect the Group’s interests.
- The Credit Collateral Catalogue and the collateral policies of the affiliated companies define what combinations of goods (characteristics of the economic good/asset) and collateral (to which BAWAG Group has title) are deemed basically acceptable and what value (market value, nominal value etc.) to apply. It also indicates what discounts from the calculated value apply and under what circumstances this collateral can be applied to reduce capital requirements. This document is revised as necessary, but at least once a year.
- The accompanying documents stipulate the process steps required to evaluate, receive and put into effect the collateral, and to manage and realize it.
- All collateral must have a market value that is easy to determine or an internally calculated value, and BAWAG Group must be able to represent its interests in the collateral.
- Collateral must meet the general legal requirements, in particular the minimum recognition requirements and the policies defined by the ERM.

The compliance of the collateral with the legal criteria and the policies is determined during the credit application process in the front office and reviewed by the risk departments. Generally, the value of collateral is checked during annual prolongation or the annual review or as warranted (e.g. exposure increase, default).

The table below provides a summary of the key types of collateral, their estimated values and the frequency of valuation:

Table 4: Types of collateral and collateral valuation and management

Type of collateral	Estimated values	Frequency of valuation
Financial collateral	Market value according to current GEOS and also other related price data, for example (with volatility adjustments considered)	Automatic daily valuation except for deposits at other banks
Residential real estate	Market value	The centralized Residential Real Estate Appraisal team determines the value of all residential properties in Austria based on a standard methodology and valuation tool. Valuation of real estate properties in other countries is also done by independent experts or external companies according to international standards. The periodic review and updating of property values is performed at least annually on a model-supported basis for average Austrian residential properties, based on the Halifax House Price Index for residential properties in Great Britain and by MAC (MeilleursAgents.com) for French residential properties. The values of the properties in the Netherlands are periodically updated based on the CBS index (Centraal Bureau voor de Statistiek) and the real estate properties situated in Germany are periodically checked with the help of the market volatility concept (“Marktschwankungskonzept”) by BAWAG and individually checked for all higher-priced real estate properties at least every three years.

Commercial real estate	Market value	For Austria and Germany: The value of commercial real estate is assessed by an independent expert at no more than the current market value. Once a year, the risk units additionally check whether any material changes have occurred. A new valuation is ordered when needed. A new valuation is conducted by the Real Estate Appraisal department at least every three years for loans > € 3 million.
Other physical collateral	Market value (not used for regulatory purposes)	Revaluation may be performed according to the different types of collateral. Amortization may be applied if the revaluation is not performed.
Pledging or assignment of life insurance policies	Repurchase value (only conventional and funds-oriented life insurance policies where the surrender value cannot be reduced are used for regulatory purposes)	Automatic updating of repurchase value (through the insurance platform). For all other insurance companies when data is not transmitted via the platform: The customer must be obligated to submit the insurance confirmation annually.
Guarantees	Guaranteed amount (nominal value) (for possible currency risks; volatility adjustment)	Monthly reconciliation of liability amount with the balance – depending on scope of liability (if the guarantee covers 100% of the loan amount)
Co-obligations / Guarantees without rating	Guarantee amount (nominal value) (not used for regulatory purposes)	Daily comparison with existing loan amount

Guarantors/counterparties for credit derivatives

Article 453 point (d) CRR

The main types of guarantors eligible for regulatory credit risk mitigation are domestic and foreign banks, the federal government, state governments, local governments and sovereigns. With respect to the eligibility of the guarantees, there are internal minimum requirements defined in the Commercial Underwriting Guidelines. These guidelines explain under which conditions the customers are allowed to have limits granted for derivative transactions and guarantees. For instance, the rules say that derivative limits may only be granted to banks with a very good credit rating (the equivalent of a minimum rating of A⁻⁹). Any exceptions must be well-founded, separately requested and explicitly approved.

The small volume of hedging transactions that existed on the reporting date in the form of credit derivatives was concluded exclusively with major international banks with AA or A ratings.

Collateral risk concentrations

Article 453 point (e) CRR

A concentration risk exists if a significant percentage of collateral items Group-wide (at the portfolio level) are concentrated in a small number of collateral categories, instruments, sectors or special protection providers (e.g. collateral providers). Certain reporting and monitoring activities are conducted at the consolidated level for all types of physical collateral and guarantees for credit risk as well as market risk.

To cope with the potential concentration of the credit risk mitigation techniques, a large collateral providers list is provided monthly within the Portfolio Steering Framework Report. The list contains guarantors with a collateral market value over € 50 million and shows the internal rating, net exposure to BAWAG Group and specific comments for each guarantor explaining the usage of the guarantee. The list is presented to the Portfolio Steering Committee monthly and is discussed with regard to guarantee effectiveness and potential countermeasures during the quarterly meeting.

⁹ Rating given by the rating agency Standard & Poor's.

VALUE ADJUSTMENTS AND RESERVES

Definition of “past due,” “forborne loans and forbearance measures,” “impaired,” “general credit risk adjustments” and “specific credit risk adjustments”

Article 442 points (a) and (b) CRR

Definition of “past due”

According to the CRR, days past due begin once an obligor has breached an advised limit, has been notified of a limit that is lower than the current outstanding amount or has drawn credit without authorization and the underlying amount is material. Days past due for credit cards commence on the earliest maturity date. In addition, a receivable is deemed past due if the counterparty has failed to make their contractually agreed payments.

Definition of “forborne loans and forbearance measures”

Measures of forbearance can be extended if borrowers face financial difficulties and are considered to be unable to meet contractual obligations. BAWAG Group has sound and transparent processes in place to define the conditions under which concessions, in the form of the modification of terms and conditions, may be granted. Depending on the customer segment, possible measures include the temporary postponement or reduction of interest or principal payments, the restructuring of credit facilities or other forbearance measures. In exceptional cases, a permanent reduction of interest rates may be granted.

Measures of forbearance or refinancing are instruments to ultimately reduce the existing risk and avoid default with respect to debt claims, if it is expected that a default can thereby be forestalled. However, forbearance measures are by no means used to avoid or postpone the recognition of an unavoidable impairment or disguise the level of credit risk resulting from forborne assets.

By implementing forbearance measures appropriate in terms of time and scope, BAWAG Group supports clients in maintaining financial stability. If the supporting measures are not successful, exposures will be recognized as non-performing and impaired according to regulatory and accounting standards. For clients or a group of clients where a default is identified, a provision is booked in accordance with internal guidelines.

For reporting as well as internal risk management purposes, BAWAG Group implemented processes and methods according to regulatory standards in order to identify exposures for which forbearance measures have been extended. These are classified as forborne.

Definition of “impaired”

In accordance with IFRS 9, the expected credit loss (ECL) is computed for all performing and loan loss provisions (LLP) for all non-performing financial assets that are recorded at amortized cost (AC) or at fair value through other comprehensive income (FVOCI), including lease receivables, loan commitments and financial guarantees and contract assets according to IFRS 15.

A key aspect of impairment estimation in accordance with IFRS 9 involves the allocation of financial assets into three stages. Stage 1 and 2 comprise assets that are deemed to be performing, while Stage 3 is designated for non-performing assets.

Additionally, financial assets that are purchased or originated as credit-impaired at the time of initial recognition (POCI) fall into a distinct and separate category. BAWAG Group examines the stage allocation of assets at each reporting date.

Stage 1: Initial recognition

All financial instruments are in Stage 1 at initial recognition (with a few exceptions, e.g. POCI), as are those which do not show a significant increase in credit risk since initial recognition.

Stage 2: Significant increase in credit risk (SICR)

When a financial instrument has been in Stage 1, but a significant increase of credit risk since the initial recognition is observed, the instrument is transferred to Stage 2. The SICR is generally conducted at the individual loan level. Industry impacts are assessed on a group basis and included in potential watchlist assessments.

The transfer criteria from Stage 1 to Stage 2 are in three pillars:

- quantitative criteria
- qualitative criteria
- backstop criterion

The quantitative criteria examine the worsening of lifetime and forward-looking PDs since the initial recognition, while the qualitative criteria gather additional information about the assets to assess the SICR. As an additional backstop criterion, payment in arrears is considered in BAWAG Group. If one of the criteria is satisfied, a financial instrument is transferred from Stage 1 to Stage 2. Hence, if none of the transfer criteria is active, the asset is kept in or reassigned to Stage 1.

Quantitative criteria

A quantitative criterion examines the financial asset's credit risk profile based on two aspects:

- the relative lifetime PD change
- the absolute lifetime PD change

If both indicators surpass the predetermined thresholds and indicate a significant increase in credit risk, then the asset is transferred to Stage 2.

Qualitative criteria

Qualitative staging criteria factors selected by BAWAG Group are:

- Entry in watch list (non-retail customers)
- Entry in warning list (retail customers)
- Forbearance flag

If one of these factors is flagged as active, a financial asset is transferred to Stage 2.

Backstop criterion

As a backstop criterion, BAWAG Group employs payment in arrears for more than 30 days. All financial instruments that are more than 30 days past due would be transferred to Stage 2, if not yet in Stage 3.

In cases where no staging factor is active, the exposure is automatically reassigned to Stage 1. Defaulted exposures that are not impaired and with no arrears at either the customer or account level on the reporting date are deemed as cured from default and are assigned to Stage 2 considering the lowest internal risk class for the purpose of the ECL calculation.

Stage 3: Credit impaired/non-performing

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or group of financial assets is impaired, and impairment losses are incurred if:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the reporting date (“a loss event”)
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets

Definition of “general credit risk adjustments”

Expected credit losses (ECL) recognized for Stage 1 and Stage 2 financial instruments under IFRS 9. These adjustments are calculated using probability-weighted scenarios incorporating forward-looking macroeconomic factors and credit risk parameters (PD, LGD, EAD), with a 12-month horizon for Stage 1 instruments and a lifetime horizon for Stage 2 instruments.

Definition of “specific credit risk adjustments”

Loan loss provisions for Stage 3 financial instruments representing credit-impaired assets where objective evidence of loss events exists. These provisions are determined through individual assessment of significant counterparty relationships or portfolio-based loss rates for non-significant exposures, reflecting expected future recoveries and current counterparty circumstances.

RATING SYSTEMS AND RATING PROCESSES

External ratings systems

Article 444 points (a)–(d) CRR

The weighted exposure amounts are calculated for regulatory purposes for a part of the loan portfolio (banks, subsidiaries in TPU) using the standardized credit risk approach according to Part 3 Title II Chapter 2 of the CRR. It is generally geared solely towards ratings from Moody’s.

The distinction between issuer rating and issue rating as described in Article 139 CRR is taken into account when external ratings are used. Issuer ratings are used in particular only if no issue rating is available and the conditions in Article 139 CRR are satisfied.

Commission Implementing Regulation (EU) 2016/1799 is consulted with regard to the mapping of external ratings to the individual credit quality steps. The following table shows the relationship of the application of the ratings of ECAI for specific exposure classes.

Table 5: Mapping of external ratings to the individual credit quality steps

Exposure classes according to Article 112 CRR	Moody’s	S&P	Fitch
Central governments or central banks	X		
Regional governments or local authorities	X		

Public sector entities	X		
Multilateral development banks	X		
International organizations	X		
Institutions	X		
Corporates	X		
Retail exposures			
Secured by mortgages on immovable property			
In default	X		
Associated with particularly high risk			
Covered bonds	X		
Securitization positions	X	X	X
Exposures to institutions and corporates with a short-term credit			
Units or shares in collective investment undertakings	X		
Equity			
Other items			

The assignment of ratings is based on a daily data feed of the ECAI Moody's, which is processed in the IT systems of the Bank. This data is joined with the client or security master data automatically in order to ensure an up-to-date and – in terms of the calculation of own funds requirements – complete set of input data.

Relationship between internal and external ratings

Ratings from Moody's are employed to calculate the minimum capital requirements for regulatory purposes that are applied in accordance with permanent or temporary partial use. For securitizations, the ratings from Moody's, Standard & Poor's and Fitch are incorporated in the calculation of risk-weighted exposures.

The results of the internal rating procedures are depicted using a master scale. The following table shows the relationship between the internal rating notches and the external ratings.

Table 6: Rating notches and classes for all segments

Rating notch	External rating agencies		
	Moody's	S&P	Fitch
1.1	Aaa ¹⁾	AAA ¹⁾	AAA ¹⁾
1.2	Aaa ¹⁾ , Aa1	AAA ¹⁾ , AA+	AAA ¹⁾ , AA+
1.3	Aa2	AA	AA
2.1	Aa3	AA-	AA-
2.2	A1	A+	A+
2.3			
3.1	A2	A	A
3.2			
3.3	A3	A-	A-
4.1	Baa1	BBB+	BBB+
4.2	Baa2	BBB	BBB
4.3	Baa3	BBB-	BBB-
5.1	Ba1	BB+	BB+
5.2	Ba2	BB	BB
5.3	Ba3	BB-	BB-
5.4	B1	B+	B+
6.1	B2	B	B
6.2	B3		
6.3	Caa1	B-	B-
6.4	Caa2		
7	Caa3	CCC+, CCC, CCC-, CC, C	CCC, CC, C
8.1–8.5	Ca, C	R, SD, D	RD, D

1) Aaa and AAA correspond to class 1.1 for sovereigns and to class 1.2 for all other segments.

The internal rating processes for the exposure classes also take into account external ratings under certain conditions (e.g. information that is more current or more comprehensive).

Control mechanism for rating systems

Article 452 point (c) and (d) CRR

During the life cycle of the rating system, different independent units within BAWAG Group are involved, based on the three lines of defense principle: The first line of defense is the CRCU (credit risk control unit according to Article 190 CRR), which is part of the EM division. The second line of defense pursuant to Article 185 CRR is the Validation team (VA), and the third line of defense is Internal Audit with the function as outlined in Article 191 CRR. Each of the units report directly to the CRO without any further dependencies.

The CRCU is in charge of the initial model development as well as the review of estimates for the rating systems that take place either yearly, semi-annually or quarterly, driven by the materiality of the rating system. Based on the outcome of the review of estimates, different actions are taken, e.g. recalibration or new estimation of the risk parameters. The result of each review of estimates is presented to the Model Governance Committee and has to be approved accordingly.

The Validation unit is in charge of the initial model validation as well as the regular validation for all rating systems comprising the following activities:

Table 7: Description of the validation methods

Validation method	Description
Method 1	Verification of the documentation for the rating and scoring systems
Method 2	Verification of the quality of the database being used for validation
Method 3	Verification of the correct use of the rating and scoring systems as part of a use test
Method 4.1	Distribution analysis to identify clusters of customers in individual risk classes
Method 4.2	Comparison of internal ratings with external ratings (benchmarking)
Method 4.3	Identification of clustering of high exposures in individual risk classes
Method 4.4	Verification by the risk manager of the frequency of overrulings/overrides in the automatically generated rating classes
Method 4.5	Verification of clusters of defaults in individual rating or scoring systems
Method 4.6	Representativeness of portfolio and risk factors
Method 5.1	Testing of rating and scoring systems as regards calibration by comparing the mean forecast PD and the mean observed default rate
Method 5.2	Testing of individual risk classes as regards calibration by comparing the mean forecast PD and the mean observed default rate using binomial distribution tests
Method 6	Testing of the discriminatory power of the rating and scoring systems using ROC and Gini coefficient
Method 7.1	Stability analyses of discriminatory power over time, risk weights and homogeneity
Method 7.2	Analyses of migration matrices

The results achieved using the described methods are presented in a traffic signal system. If results of statistical significance and major deviations from established values exist, subsequent analyses are initiated and may result in corresponding adjustments.

Besides the internal quality assurance in the course of the model development and the validation, Internal Audit conducts assessments in the event of material model changes.

Reporting related to credit risk models

Article 452 point (e)

The reporting for the credit risk models follows the three lines of defense as well:

- The CRCU has the yearly, semi-annual or quarterly monitoring reports (e.g. review of estimates), which are presented to the Model Governance Committee. These are the main topics of this reporting:
 - › Representativity of the application portfolio
 - › Model performance (e.g. discriminatory power)
 - › Calibration (realized versus estimated risk parameters)

- The Validation unit as the second line of defense provides the initial and regular validation report for all credit risk models. Among others, the following categories are prepared regularly as part of standardized monitoring reports:
 - › Distribution of the customers and exposures across the Basel segments according to CRR, an internal subdivision of the exposure classes
 - › Distribution of the risk classes across the Basel segments according to CRR
 - › Risk classes based on overruling

- › Discriminatory power of the rating and scoring system
- › Analyses regarding calibration

If defined limits are exceeded or fallen short of, the causes are analyzed in detail and countermeasures are initiated as needed.

→ Internal Audit reports on an ad hoc basis, e.g. for material model changes, and tracks the regulatory findings, but has no regular reports regarding the credit risk models.

Internal rating systems

Article 452 point (f)

Probability of default

The probability of default (PD) is the estimated probability that a borrower will default within the next 12 months. The occurrence of one of the events listed below is deemed as a default event throughout the Group. The definition of default corresponds to the regulatory reference definition (“90 days past due” and “unlikely to pay”) as set forth in Article 178 CRR. The new definition of default based on EBA/GL/2016/07 including the lower materiality thresholds of Regulation (EU) 2018/1845 was introduced on 1 July 2020.

Table 8: Description of the reference definitions for default

Reference definition for default	Description
90 days past due	More than 1% of the Group-wide on-balance exposure is more than 90 days past due
Unlikely to pay (UTP)	Restructuring (e.g. non-accrued status, distressed restructuring etc.)
	Specific credit risk adjustments (e.g. manual loan loss provisions, write-offs etc.)
	Soft and hard UTP triggers (e.g. license withdrawn, repayment gap etc.)
	Legal proceedings (filing for bankruptcy, bankruptcies etc.)

At present, BAWAG Group mainly uses statistical PD estimation models. The models are chosen such that they provide a high discriminatory power, business interpretability and stability over time. The base for estimation is mostly internal data collected within the Group data warehouse, which is regularly checked for representativeness with respect to the application sample, particularly at the stage of model development and calibration. Representativeness analysis enables the definition of the calibration segments and the calibration sample length, as well as early identification of deficiencies specified within EBA/GL/2017/16 and changes in risk appetite and lending standards. The models are then calibrated towards the long-term average default rates as per EBA/GL/2017/16, using mostly internal data and employing the maximum available default history. Finally, margins of conservatism covering uncertainty from the identified deficiencies and estimation errors are applied. A recalibration of the models is performed regularly, and performance of the models is carefully monitored on a regular basis. The estimation and calibration process are executed considering EBA/GL/2017/16. Regulatory floors are reflected in the sense of the PD of the best risk class a customer can obtain. The PD estimation is validated annually using qualitative and quantitative methods. The qualitative methods focus on data quality, utilization and on the quality of the documentation for the estimation process. Discriminatory power is measured in the quantitative area. Furthermore, a binomial test (within others) is used for calibration and to check the discrepancy between the forecast PD and the rate of default actually observed. The stability of the estimation models is also observed over extended periods of time.

Table 9: Overview of rating and scoring systems

	Rating system	Model type	BAWAG P.S.K.	Other institutions
Corporates	Corporate standard	log. regression	x	x
	Cash based accounting	Expert model	x	x
	Commercial real estate	log. regression	x	x
	Specialized lending	Slotting approach	x	x

Corporate standard

This area of application pertains to companies that use accrual accounting and that cannot be assigned a special rating procedure because of their business purpose (e.g. real estate companies). These companies must also have a group exposure under Basel II equal to or greater than € 1 million or consolidated operating revenue equal to or greater than € 50 million. The customer’s risk class is calculated from a combination of a financial rating from a statistically based balance sheet rating and an assessment of qualitative characteristics (e.g. management, organization, market/sector, general factors and account management). The risk analyst can overrule¹⁰ or override¹¹ a confirmed customer rating if needed. The major reasons for this step are downgrades based on an outdated balance sheet, or warning signals (e.g. outstanding taxes, warning list entries) and consideration of a group influence, ratings of a rating sponsor (e.g. support from dominant shareholders, personal partner with unlimited liability) or, under certain restricting circumstances, consideration of external ratings.

The performance of the model is assessed on a regular basis, and differences between the observed and actual default rates reveal no underestimation of the observed default rates.

Cash based accounting

This expert model covers Austrian counterparties with cash-based accounting in the exposure class “corporates”. The performance of the model is assessed on a regular basis, and differences between the observed and actual default rates reveal no underestimation of the observed default rates.

Commercial real estate

This area of application covers companies with accrual accounting that can be designated as real estate agents/ investors based on their business activities. The rating system is generally structured like the corporate standard process. It combines hard-fact and soft-fact ratings, which can be altered by overruling/override.

The performance of the model is assessed on a regular basis, and differences between the observed and actual default rates reveal no underestimation of the observed default rates. The regulatory floor for the minimum PD is 0.03%.

Specialized lending

According to the CRR, specialized lending refers to exposures created in relation to companies specially set up to finance or operate real properties that comply with the criteria set down in Article 147 (8) points (a) to (c). For specialized lending, BAWAG Group applies the regulatory slotting approach. The model is developed in accordance with the “EBA Final RTS on specialized lending exposures (EBA-2016-RTS-02)” and the respective Commission Delegated Regulation (EU) 2021/598.

¹⁰ Overruling refers to a deviation of the confirmed rating from the automatically calculated rating in predefined cases with defined effects, i.e. according to defined rules (e.g. outdated annual financial statements of the customer, various warning signals and group influence).

¹¹ An override refers to a variable deviation from the automatic rating outcome based on a subjective assessment with a review conducted by a risk analyst and with a corresponding decision by an authorized employee.

MARKET RISK

OBJECTIVES AND PRINCIPLES OF THE MANAGEMENT OF MARKET RISK

Article 435 (1) points (a)–(d) CRR

Strategies and processes

BAWAG Group has a clearly defined market risk appetite framework. The Group's market risk strategy has a focus on balance sheet hedging and mitigating earnings (volatility of net interest income [NII], gains and losses, and other comprehensive income) and economic risks arising from market risk factors. Consequently, the Bank has decided to discontinue all trading book activities. This risk appetite is reflected in the Bank's limit framework, which ensures the management of the respective risk categories within narrow limits.

The quantification and monitoring of market risks comprise interest rate risk, volatility risk, credit spread risk, funds risk and foreign currency exchange risk. The measurement and monitoring of risk positions is provided by applying sensitivity analyses as well as the analysis of the associated loss potential derived from periodic stress tests. The steering of risks is achieved by setting limits for the individual types of risk, which are approved by the Management Board.

The objectives of the limit system are defined as follows:

- To create a risk-oriented limit system that consistently and methodically covers all positions in the trading and banking book that are sensitive to market risk and all risk factors using standard risk ratios.
- To ensure the controllability of market risk using clear-cut, non-ambiguous risk ratios and to set limits for these ratios in a proactive limit system.
- To integrate risk measurement, limit setting and the monitoring of limit utilization systematically for all positions in the trading and banking book sensitive to market risk at the individual and aggregate level in order to improve the basis for making decisions on risk policy and risk diversification.
- To integrate the market risk limits into budget planning and to take account of calculated risk-bearing capacity and, thereafter, of risk appetite in the scope of the overall ICAAP framework.

Structure and organization of relevant risk management functions

The Risk Modeling division reports directly to the CRO. The division is responsible for the steering, measurement and controlling of liquidity and market risk of BAWAG Group. The most important responsibilities concern the monitoring of market risk, in particular interest rate risk, volatility risk, credit spread risk and foreign currency exchange risk. This is achieved through the limitation of the individual types of risk, and in this regard, it is RM's responsibility to set such limits as approved by the Management Board within the ICAAP.

Additionally, the counterparty credit risk monitoring of treasury positions is located within the area of market risk.

The relevant committee with regard to market risk is the Strategic Asset Liability Committee (S-ALCO). Topics in the context of total risk including ICAAP are handled within the ERM.

Market risk limit framework

Market risks are limited at least at two levels at a minimum, and where regulatory limits apply, at three levels:

- by ICAAP limits within the context of overall Bank risk management (e.g. VaR)
- operational limits for the management of the specific risk category (e.g. present value of basis point [PVBP] limit, Greeks limits, volume limits etc. including limits by accounting method and time band).
- regulatory limits (e.g. for interest rate risk: EVE SOT of 15% and NII SOT of 5%)

To limit the interest rate risk, a maximum available basis point value (BPV) is defined for individual credit institutions that are relevant to the interest rate risk and in the scope of consolidation in accordance with IFRS. The basis point value is also sub-divided into maturity ranges and limited at this level. Positions affecting the profit and loss account and equity are also subjected to separate limits. Volume limits per currency are applied to reduce the foreign currency risk of the customer bank. In general, BAWAG Group follows the strategy of minimizing or avoiding foreign currency risk in the banking book.

In addition, a limit framework has been set up to capture the impact of interest rate changes on the Bank's future earnings capacity. The net interest income risk limit handles the impact on the future earnings capacity/ NII in a stress scenario over the horizon of 12 months.

In addition to and as part of the ICAAP, both historical VaR and various stress tests are reported for the economic and normative ICAAP perspective, respectively.

Reporting systems

The market risk reporting comprises internal and external risk reporting. Limit compliance is checked daily for FX risk and interest rate risk BPV and reported to the Management Board. Compliance with the basis point value limits (enterprise and maturity range limits as well as limits relevant to OCI and P&L for interest rate risk and credit spread risk) is monitored monthly at the institution and Group level.

Furthermore, stress tests, reverse stress tests and scenario analyses are conducted. Intended future measures are included in all reports as needed. A net-interest-income simulation (NII simulation) with associated stress tests is performed monthly.

All relevant key figures along with the stress tests are reported to the S-ALCO or as part of the Group Risk Report to the ERM. A VaR is calculated monthly at the Group level.

External reporting comprises the reporting to the Joint Supervisory Team.

Risk hedging and mitigation

Market risks are steered within the applicable limit framework.

To manage market risks within the economic and earnings perspective, the TM division develops hedging and positioning strategies.

To steer the volatility of gains and losses and other comprehensive income, BAWAG Group applies hedge accounting pursuant to IAS 39. The following hedge accounting methods are currently used:

- Micro fair value hedge: hedging against the risk of interest rate changes for fixed-interest instruments held as assets and liabilities.
- Portfolio fair value hedge ("EU carve-out"): application to sub-portfolios of sight deposits.

→ Cash flow hedge accounting: hedging of FX risks of future spread income and cross-currency basis risks.

→ Net investment hedge accounting: hedging FX risk arising from participations in foreign currency.

Interest rate derivatives that are not assigned to a hedge accounting relationship are recognized at their fair values.

For AGAAP accounting, BAWAG Group uses a macro-hedge as specified in the FMA circular letter on accounting issues in connection with derivatives for managing interest rate risk. The management of interest rate risk covers all interest-bearing positions related to derivatives business in the banking book. Non-interest-bearing positions (equity capital, participations etc.) are excluded from the macro-hedge.

MARKET RISK UNDER THE STANDARDIZED APPROACH

Article 445 (1) CRR

The following article is not applicable as the Bank maintains no exposure in the trading book.

INTERNAL MODELS FOR LIMITATION OF MARKET RISK

Article 455 (1)–(3) CRR

BAWAG Group does not make use of an internal model to calculate its own funds requirements for market risk.

INTEREST RATE RISK FROM POSITIONS NOT HELD IN THE TRADING BOOK

Article 448 (1) point (a)–(g) CRR

Measurement of interest rate risk

The methods currently used for the banking book include sensitivity analysis, stress tests and value-at-risk as well as volume limits for open positions.

The interest rate risk in the banking book is measured at least monthly. An analysis of interest rate risk is conducted for subsidiary banks and other financial institutions that are relevant in terms of interest rate risk.

There are two complementary methods of measuring the potential impact of IRRBB:

→ Present value perspective (changes in economic value – EV, or economic value of equity – EVE when measuring the change in value relative to equity): Account is taken of risks resulting from changes in the market value of transactions accompanied by shifts in interest rate curves. Changed interest rate curves are simulated for the main currencies in the monthly stress tests.

In addition to and as part of the ICAAP, the VaR is also reported for the economic steering circle.

→ Income perspective: Risks that may cause an unexpected decline in the net interest income (interest margin risk, impact of possible interest rate scenarios).

Present value perspective

Economic value of equity (EVE): The change in EVE (Δ EVE) represents a risk measure, which is the present value change in EVE, i.e. in the net present value of the balance sheet excluding equity under a particular interest rate stress scenario.

The PVBP is the difference between the net present value (NPV) based on the yield curve shifted by 1bp and the NPV based on the current yield curve. The NPV is calculated based on a discounted cash flow full valuation method. The NPV is obtained either by discounting the expected cash flows of the contract (marked to model) or using a given market value observation of the contract (marked to market).

The following table depicts BAWAG Group's interest rate risk sensitivities as of 31 December 2025 on the basis of the PVBP concept:

Table 10: Interest rate sensitivities

31.12.2025 in € thousand	<1Y	1Y~3Y	3Y~5Y	5Y~7Y	7Y~10Y	>10Y	Total
EUR	(389)	205	103	(144)	78	(323)	(470)
USD	10	(20)	(18)	9	–	(32)	(51)
CHF	(8)	6	2	(1)	(4)	(1)	(6)
GBP	(5)	(1)	–	–	–	–	(6)
Other currencies	(1)	(2)	6	2	–	(1)	4
Total	(393)	188	93	(134)	74	(357)	(529)

For the VaR within ICAAP, the Group applies a historical simulation combined with a general hyperbolic distribution. Based on the market data history, monthly loss scenarios are defined. The time intervals do not overlap to ensure independent scenarios. To prevent the underestimation of heavy tails, special cases (including the most general one) of a flexible family of distributions – the generalized hyperbolic (ghyp) distributions – are calibrated to the defined loss scenarios. A one-year VaR is determined for each and finally, a robust mean is calculated to minimize the model risk. The ghyp family includes several well-known distributions (normal distribution, Student's t-distribution, normal inverse gauss distribution).

Income perspective

Net interest income risk is quantified through the simulation of future interest income and expense under various scenarios. The analysis incorporates all the Group's NII-relevant assets, liabilities and off-balance instruments. On-balance-sheet contracts with maturities scheduled within the simulation period are replaced upon runoff (constant balance sheet assumption) with new business margins.

The market rate scenarios applied cover parallel and non-parallel upward and downward shifts of relevant yield curves, thereby incorporating limits to the degree to which rates are allowed to drop below zero.

Furthermore, loan prepayment rates (which govern the early redemption of a certain portion of the loans under a given market rate scenario) are also modeled along with alternate new volume, rate and margin scenarios.

Hedging strategies, for example the hedging of FX credit spread risk and non-maturity deposits, are generally assumed to be continued through the end of the simulation horizon.

Variation in earnings and economic value

Based on the internal interest rate risk measurement model, BAWAG Group measures the fluctuations in both EVE and NII driven by the interest rate movements.

Economic value of equity is a cash flow calculation that subtracts the present value of the expected cash flows on liabilities from the present value of all expected assets (including derivatives).

For BAWAG Group, the following EVE calculation assumptions apply:

- Positions included: The calculation of EVE includes all cash flows from all interest rate-sensitive assets, liabilities and off-balance-sheet items in the banking book. Other non-interest-bearing positions are recognized at their book values. Equity is not included.
- Cash flows: The method used is a DCF (discounted cash flow) method. Both principal and interest rate cash flows are rolled out according to the contractual specifics and, if applicable, these cash flows are adjusted by customer behavior assumptions, mainly prepayment assumptions. Deals with undefined maturity profiles are modeled according to the respective models, which reflect both the repricing behavior as well as the liquidity aspects (for ALM models, please see below).
- Time horizon: EVE measures reflect changes in value relative to equity over the remaining life of the balance sheet, i.e. until all positions have run off.
- Balance sheet assumption: Δ EVE is computed with the assumption of a run-off balance sheet, where existing banking book positions amortize and are not replaced by any new business.

The following table shows BAWAG Group's variation in EVE in the event of a +/-200bp parallel rate shock as well as six upward and downward rate shocks (in line with Article 1, lit. 1, [a]–[f] of EBA/RTS/2022/10 as well as EBA/GL/2022/14 Guidelines on the management of interest rate risk and credit spread risk arising from non-trading book activities), broken down by currency. In line with Article 4 (l) of EBA/RTS/2022/10, all positive changes to EVE per currency are weighted by a factor of 50%.

The higher EVE sensitivity compared to the previous year reflects our strategic positioning (PVBP as of December 2025 of minus EUR 529 thousand compared to the PVBP of minus EUR 407 thousand as of December 2024). Accordingly, the table below shows higher negative EVE impacts for higher rate shifts.

In addition, since January 2023 BAWAG Group applies methodology based on the risk-free rate at origination of each instrument (excluding commercial margins and other spread components) within the risk management and measurement approach for interest rate risk in the non-trading book.

Table 11: Instantaneous change of the economic value of equity

31.12.2025 in € million	+200bp	(200bp)	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
Total	(274)	(125)	(274)	(124)	(167)	43	(93)	59
EUR	(255)	(101)	(255)	(101)	(153)	52	(93)	60
USD	(18)	(23)	(18)	(23)	(14)	(9)	0	(1)
GBP	0	0	0	0	0	0	0	0
CHF	0	(1)	0	0	0	0	0	0
OFX	0	0	0	0	0	0	0	0

Net interest income (NII) is a common earnings-based measure calculated as the difference between revenues generated by interest-bearing assets and the cost of servicing interest-bearing liabilities. It focuses on changes in future profitability. Δ NII, the change in NII, is the projected change in NII over a particular time horizon resulting from a sudden or gradual interest rate movement. To the extent that future earnings will impact future equity levels, Δ NII and Δ EVE are aligned, although estimated EVE changes also include adjustments to net income which would occur beyond the horizon applied to earnings measures.

For BAWAG Group, the following NII calculation assumptions apply:

- Positions included: NII includes all cash flows from all assets, liabilities and off-balance-sheet items in the Group, including all non-interest-bearing positions, which are assigned an interest rate of 0%. Cash flow balancing is conducted using predefined pricing assumptions.
- Cash flows: The assumptions from behavioral models (prepayments, early terminations and repricing of NMD) as well as their adjustment to interest rate level, if relevant, are applied consistently for both EVE and NII risk (scenario) analyses.
- Margins: Cash flows include commercial margins and other spread components.
- Time horizon: BAWAG Group generally simulates NII over a one-year (regulatory purposes) and a three-year (ICAAP) horizon. The latter is consistent with the planning process. Thus, NII risk can be viewed as the short- to medium-term vulnerability of the Bank’s NII to IRR.
- Balance sheet assumption: For regulatory purposes, BAWAG Group uses a constant balance sheet approach, under which matured existing business is replaced by new business production. For internal stress testing (ICAAP), new business assumptions in line with BAWAG Group’s planning process as well as stressed volumes are applied.

The following table shows BAWAG Group’s variation in NII in the event of an upward and downward parallel rate shock (in line with Article 1, lit. 2, [a]–[b] 114 of EBA/RTS/2022/10 as well as EBA/GL/2022/14 Guidelines on the management of interest rate risk and credit spread risk arising from non-trading book activities), broken down by currency. In line with Article 5 (b) of EBA/RTS/2022/10, all positive changes to NII per currency are weighted by a factor of 50%.

Table 12: Change in the forecasted net interest income within 12 months

31.12.2025 in € million	Parallel up	Parallel down
Total	-22	-131
EUR	-34	-102
USD	14	-24
GBP	-4	2
CHF	-2	1
Other FX	4	-8

Assumptions regarding non-maturity positions

For positions without a defined interest rate (non-maturity positions), BAWAG Group applies replication assumptions based on mathematical models. These models, in turn, are based on a holistic view of interest rate and liquidity risk and consist of the following components:

- Future-oriented interest rate scenarios derived based on a forward-looking two-factor Hull-White model.
- Client rate prediction based on historical data. Client rates are expressed as functions of market interest rates – the model applies return-based regression models. The functions are then used to estimate client rates for each interest rate scenario.
- Volume prediction: Volume trends are developed according to plan figures; seasonal fluctuations are captured by time series models.
- Optimization: The model defines the optimal replication portfolio satisfying a set of liquidity, regulatory and internally defined constraints.

The duration of the replication model is constrained in accordance with regulatory guidelines for each product group. Furthermore, the Bank has defined a set of different model constraints in order to reflect different types of risk appetite (conservative, moderate, liberal) and mitigate inherent model risks.

Retail non-maturity deposits (NMDs) of BAWAG Group, denominated in EUR, are generally classified into transactional and non-transactional portfolios or further sub-portfolios depending on the product characteristics. The transactional accounts have a duration ranging from 2.49 to 4.15 years, depending on the product's characteristics, due to stable long-term core deposits. The duration of non-transactional accounts, predominantly savings products, is 2.19 years.

In addition, through the acquisition of Idaho First Bank, BAWAG Group also manages minor volumes in USD retail NMDs, which show an average duration of 1.77 years.

Commercial NMDs of BAWAG Group have a duration ranging from 1.08 to 2.76 years.

The interest rate replication model is reviewed and validated once a year. Back-testing and the adjustment of replication assumptions are carried out prior to the planning process.

Assessment of call rights and prepayment behavior

The measurement of interest rate risk also considers embedded call rights and customer prepayment behavior. To determine the value of such embedded options, two different approaches are applied:

- Rational right holders: For professional market participants (e.g. large corporate customers) who are able and willing to take action if prevailing market conditions are in their favor, rational behavior is assumed. For such clients, call and termination rights are valued using the method of replication with swaptions.
- Behavior-based assessment: For clients who do not fulfill the assumption of a rationally acting right holder (e.g. retail and SME customers), prepayments are modeled based on historically observed behavior of homogenous customer groups.

Two types of prepayment models are currently used: on the one hand, portfolio prepayment models which assign a single prepayment rate for an entire loan portfolio. This approach is applied to loan portfolios with a low interest-rate-risk profile (e.g. portfolios with low volume or low duration). A simple average of past observed prepayment rates (expressed in CPR [conditional prepayment rate]) is used as an estimate of future prepayment rates. On the other hand, more sophisticated loan prepayment models are used which assign a prepayment rate to each loan individually based on certain loan characteristics (e.g. loan age, remaining time to maturity, difference between mortgage rate and current refinancing rate etc.).

The CPR of retail loans ranges between 2.5% p.a. and 30.0% p.a. depending on the market and characteristics of the product. Commercial loans prepay with a CPR ranging between 5.7% p.a. and 42.3% p.a.

In addition to prepayment models relevant for the assets, a model was developed for savings deposits to derive the early termination rate (ETR) from the ten-year data history. The ETR amounts to 2.5% p.a.

Scenario analysis

Both static and dynamic analyses are currently carried out for BAWAG Group (internal risk report). Interest rate gaps, key rate durations, average interest rates and changes in market values for various scenarios are calculated for each defined portfolio as part of the static analysis. The various scenarios and risk parameters below are analyzed to determine their impact on the economic value of the position:

- Parallel shifts in the interest rate curves (+/-25bp, +/-50bp, +/-110bp, +/-145bp, +/-200bp, +/-300bp)
- Non-parallel shifts (flattening, steepening, humping scenarios using different slope and shift pace).

- Worst-case scenario (derived from historical time series)
- Regulatory scenarios based on EBA/GL/2022/14 Guidelines on the management of interest rate risk arising from non-trading book activities incl. EBA/RTS/2022/10
- Various changes in the shape of the yield curves (steepening, flattening, humping) with different pace of increase/decrease of interest rates
- Reverse stress tests
- Forward-looking scenarios based on macroeconomic expectations
- Other scenarios as required.

In the dynamic simulation of interest income, different scenarios are investigated along with their impact on net interest income (parallel and non-parallel shifts of the yield curve).

Interest rate risk mitigation strategies

BAWAG Group uses hedge accounting pursuant to IAS 39. The following fair value hedge accounting methods are currently used to mitigate market risks:

Micro fair value hedge: Hedging of financial assets or financial liabilities against changes in their fair value. The decision on instruments to be assigned to micro hedge accounting is made in the context of the overall interest rate risk position.

Portfolio fair value hedge (“EU carve-out”): BAWAG Group has identified sight deposits in euros as a portfolio that is to be protected against interest rate risks. These deposits are divided into time buckets in accordance with the expected repayment and interest rate adjustment dates. BAWAG Group determines an amount of liabilities from the identified portfolio that corresponds to the amount to be hedged as the underlying for the portfolio fair value hedge using a bottom layer approach. At the end of 2025, approximately 46% (2024: 39%) of the total volume of sight deposits was allocated to a portfolio fair value hedge.

In addition, contractually agreed interest rate caps and/or floors embedded in financial assets (e.g. loan receivables or securities) or liabilities (e.g. savings deposits) are designated to portfolio fair value hedge accounting in order to mitigate changes in the fair value of these instruments resulting from changes in interest rates. The decision on the amount to be designated to portfolio fair value hedge accounting is determined using a bottom layer approach and made in the context of the overall interest rate risk position and limit framework.

Interest risk reporting systems

The full Management Board is informed monthly about all risks in the S-ALCO/MB based on the comprehensive Market Risk Report and in the ERM (part of the Group Risk Report). In addition, the full Management Board is informed immediately in the event of any material changes in the risk situation.

Credit valuation adjustment risk

Article 445a (1) (2) (a,b) CRR

None of the requirements for using simplified approaches for determining counterparty credit risk as laid out in Art. 273a CRR are met. BAWAG Group applies the Reduced Basic Approach (Art. 384 [3] CRR) for the quantification of credit valuation adjustment own funds requirements. This process is embedded in the monthly credit risk RWA calculation and reporting framework.

OPERATIONAL RISK

The definition of operational risk (OpRisk) refers to “the risk of losses due to inadequacy or failure of internal processes, people and systems or due to external events.” This definition includes all its subtypes, e.g. legal risk, compliance risk, outsourcing risk, conduct risk and ICT risk as well as ESG risk.

STRATEGIES, PROCESSES AND MANAGEMENT

Article 435 (1) point (a)-(d) CRR

Article 446 (1) point (a) CRR

A clear organizational structure and authorization levels form the basis of operational risk governance. Operational risks are managed by established Group-wide processes for loss data collection, yearly risk assessment processes for all divisions and subsidiaries, uniform materiality and risk assessment of outsourcing activities, a sound product implementation process (PIP) including a CSR/ESG statement and ongoing monitoring via key risk indicators (KRIs), including the definition of mandatory measures for risk mitigation in case of the exceedance of defined thresholds. The KRI monitoring takes place on three levels: strategic, tactical and operational. In addition, BAWAG Group works continuously to bolster its defenses against cyberattacks. The selected security approach is based on regulatory requirements and the security policy set.

A consistent guideline and a risk-adequate internal control system (including automated controls embedded in the IT infrastructure) as well as a security control set - including a variety of organizational and technological measures - are in place to manage and mitigate BAWAG Group’s operational risk. Aligned teams in the first and second line of defense ensure the implementation and effectiveness of these measures.

STRUCTURE AND ORGANIZATION OF OPERATIONAL RISK MANAGEMENT

Within the OpRisk Management Policy, the Management Board determines principles for the sound management of operational risks for the Group. These activities are coordinated centrally by the department responsible for operational risk management in order to ensure a common approach. In addition, the management of operational risks is handled locally in the individual business segments in the respective Group units by the division heads or managing directors and their operational risk agents. All employees are responsible for identifying operational risks and proceeding in accordance with the appropriate regulation.

The OpRisk Management Policy, the Internal Control System (ICS) Policy, the Outsourcing Policy, the Product Implementation Process (PIP) Policy and the respective internal manuals and technical documentation form the basis for sound operational management.

RISK MEASUREMENT SYSTEM

The following risk measurement systems are in use:

Loss data collection

Events, losses, profits, recoveries and near-losses resulting from operational risks in the Group are collected continuously as part of an institutionalized loss reporting system to provide a database for the management of operational risks. The collected data are analyzed to identify patterns/clusters and faulty processes.

Definitions:

- Operational risk events are incidents occurring during a business process with unexpected effects owing to inadequacy and failure of internal processes, people or systems or owing to external events or circumstances. An operational risk event can, but does not have to, lead to an economic or financial effect.
- Losses from operational risks result from operational risk events with a negative financial impact. The analysis of these losses provides important evidence that can be used to identify the operational risks and to take steps to avoid future losses. Depending on the nature and timing of the events, they may reflect the existing or historical environment of the checks.
- Profit from operational risks has a positive financial impact. Even if profit results from an operational risk event, the event itself is an indication of a process weakness that could result in a loss the next time it occurs. Therefore, these events provide valuable clues to risk management.
- Recoveries refer to the reduction of a loss (e.g. insurance). Operational risk recoveries are divided into insurance recoveries and other recoveries.
 - › Insurance policies are an important way of reducing loss. Even if the act of taking out an insurance policy cannot prevent a possible operational risk event, it can at least reduce the financial effect caused by such an event.
 - › Other recoveries are payments by third parties that reduce the loss for the company. Examples are damage claim payments, penalty payments, recourse payments and refunds.
- Losses that had a high probability of occurrence (“near-losses”) are risk events that ultimately did not result in a financial impact. Near-losses refer to mistakes, system failures or process accidents that could have a negative financial effect but have no impact thanks to favorable circumstances. The identification of near-losses can open up possibilities for improving system structures and processes and reducing the extent of loss that occurs. A near-loss is an event signaling that a system or process weakness can result in losses if not remedied.

Risk Control Self-Assessment (RCSA)

Annual RCSA per business unit (division/subsidiary)

Using the RCSA framework, all organizational units and subsidiaries identify and assess their material processes, operational risks (incl. the risk of disregarding regulatory requirements) on a yearly basis via an uniform framework. This includes the assessment of internal control measures, the probability and the effect of potential losses arising from individual risks. A link to business continuity (e.g. business impact analysis) is established within the RCSA. In addition, the responsible divisions and subsidiaries define worst case estimations and identify the respective risks related to climate change and renewable energy transactions, as well as related to demographic change or other social issues.

Each year, individual key topics are examined and assessed based on internal and external necessity.

If the risk potential exceeds a defined limit, the evaluation of the implementation of appropriate measures is mandatory. Their implementation is subject to continuous subsequent monitoring, via a centralized application allowing all relevant stakeholders to manage the agreed actions.

Ad hoc risk assessment

The identification and assessment of potential risks and measures in the case of ad hoc issues is realized through clearly defined processes, especially for outsourcing and the implementation of new products and processes.

Outsourcing assessment

Outsourcing assessments must be conducted for all outsourcing contracts. The aim is to identify and assess any operational risks associated with outsourcing projects. The assessment must be performed before an agreement is signed so any potential risk assessment findings can be considered in the contract.

Outsourcing specifications are defined in the Outsourcing Policy. Along with operational risk, the policy covers the assessment of other risks such as regulatory risks and risks from collaborating with business partners.

Key risk indicators

Key risk indicators (KRIs) show risks in the banking processes and indicate changes in the risk profile to identify and forecast negative trends or a changed risk profile in company workflows and divisions/subsidiaries in a timely manner.

Based on the results from the annual RCSA, the main operational risks are identified and used as the basis for the elaboration or annual review of the definition and threshold values of the KRIs. Each KRI is valued using a traffic light system (red/yellow/green) and reported to the divisions and subsidiaries on a monthly basis. If thresholds are exceeded, increased observation (yellow) or a mandatory measure for risk reduction (red) must be specified. The measures and their implementation are constantly monitored and reported periodically.

Operational risk assessment of new business segments or products

New business segments or products have to be introduced using a product implementation process in which all defined divisions submit their vote (incl. analysis on potential impacts and implications of the to-be introduced products) and any possible conditions in an end-to-end analysis of the process. ICS is included within the process steps and in the automated workflow.

Stress tests

Operational risk is included in the stress testing activities. The operational risk stress parameters are defined as expert estimation based on macroeconomic stress scenarios. The impacts are calculated taking into account the historical loss data.

RISK REPORTING FRAMEWORK

Reports are produced periodically on material operational risks and on the actions needed to prevent similar risks in the future. These documents enable the Management Board and the division heads to manage operational risks and minimize possible losses arising from those risks.

→ The ERM receives a summary of OpRisk costs (P&L impact), KRIs (incl. measures in case of threshold breaches), and ICAAP limit including the utilization as part of the Group Risk Report.

→ The divisions and subsidiaries receive reports related to the RCSA, KRIs and open measures on an ongoing basis.

- The Group results from the RCSA process are reported in the annual RCSA & ICS Report in the NFRC.
- An overview of the topic of outsourcing, recently conducted outsourcing assessments and the monitoring results are reported periodically in the NFRC. Furthermore, an annual BAWAG Group Outsourcing Report is submitted to the NFRC as well.
- All conducted product implementation processes (PIPs) are reported periodically in the NFRC.
- An overview of all pending measures for reducing operational risk is reported via the NFRC to the Management Board on a quarterly basis.

RISK HEDGING AND MITIGATION

BAWAG Group has laid the basis for operational risk mitigation with its segmented organizational structure, clear rules on competencies and responsibilities, and work instructions. In addition, consistent guidelines on corporate authorization levels help to achieve the goal of a controlled risk situation, as well as the implemented ICS, which (adequately) mitigates risk. The ICS does so, for example, by means of the dual control principle, separation of functions, access checks, limited authorizations, computer-assisted plausibility checks and system tests. In addition, centrally regulated insurance management helps to hedge the risks.

OWN FUND REQUIREMENTS

Article 446 points (a)–(c) CRR

The regulatory own fund requirements for operational risks are calculated using the Standardised Measurement Approach (SMA) according to Basel IV.

LIQUIDITY RISK

Article 435 (1) points (a)–(d) CRR

STRATEGIES, PROCESSES AND MANAGEMENT

The ALM team in the TM division and the S-ALCO (Strategic Asset Liability Committee) handle liquidity management throughout the Group. EM independently measures and monitors liquidity risks. The principles and goals below serve as the point of departure for liquidity management:

Principles of liquidity control

- Liquidity management is a central core competence.
- Together with capital, liquidity represents the most important scarce resource of the Bank and must therefore be controlled.
- Liquidity has a price that fluctuates with supply and demand.
- Primary responsibility for liquidity management is allocated to the TM division, which is part of the CFO organization. Within TM, the TMB department is tasked with the main responsibility for liquidity management including acting as the central function with control to monetize the liquidity buffer.
- ALM does not pursue its own profitability goals in the process.
- BAWAG Group follows a centralized approach to liquidity management. This includes that the size and quality of the liquidity buffers, liquidity risk-relevant KPIs, the funding strategy and the execution of refinancing measures as well as the disposition of excess liquidity is determined by BAWAG Group and aligned with its subsidiaries. Subsidiaries are generally expected to refinance their funding needs or to deposit their excess liquidity with BAWAG P.S.K. in accordance with their governance and legal or regulatory constraints (e.g. legal lending limits, LCR inflow caps etc.).
- EM is responsible for liquidity risk measurement, quantification, monitoring and controlling, and providing independent risk oversight.
- Control activities are geared primarily towards liquidity cover, secondly towards liquidity structure and thirdly towards liquidity costs.
- From an organizational standpoint, ALM manages liquidity independently of the business areas, but the effects of liquidity actions are analyzed and taken into account at the level of the business areas.
- Income, accounting and RWA effects are considered in the process, as are the ramifications for collateral, regulatory key ratios, maturity structure and the franchise value.
- Liquidity control is performed indirectly with internal clearing prices for customer business and indirectly with needs-based transaction pricing for large-volume wholesale funding.

- The price of liquidity is determined centrally using defined methods. ALM serves as the counterparty for all business areas with respect to obtaining and extending liquidity.
- Liquidity control takes account of possible negative effects from risks to BAWAG Group's reputation.

Goals

The central goals of liquidity control are as follows:

- Ensure sufficient liquidity even in a stress case
- Meet short- and medium-term liquidity needs and ensure long-term funding based on planning and forecast calculations for each currency
- Develop and maintain the strategic refinancing structure
- Maintain sources of financing on the capital market and in customer business even in periods with a minimal need for obtaining refinancing
- Reduce the concentration risk as regards the maturities profile and through diversification of funding sources and counterparties
- Optimize the maturity structure and funding costs
- Maintain a sufficiently large liquidity buffer at the lowest possible costs
- Comply with all internal and external key ratios and regulatory limits for liquidity
- Invest excess liquidity based on planning and forecast calculations
- Adjust liquidity prices in the short term to optimally control liquidity
- Take into account strategic elements for the procurement of funds such as the franchise value for customer deposits and customer relationships

Liquidity risk statement

BAWAG Group has established a Group-wide Internal Liquidity Adequacy Assessment Process (ILAAP) framework which defines the Group's liquidity risk management processes, steering mechanisms, funding strategies and liquidity risk limits to adhere to the overall risk appetite. The overall risk appetite defined by the Management Board serves as the boundary condition for the risk strategy. The limits set for liquidity risk within the ICAAP and ILAAP are strategic specifications for the steering and limitation of the Group's overall risk position and express the Group's risk appetite. Compliance with these limits ensures an adequate liquidity position.

Within the overall business and risk strategy, the management of BAWAG Group has outlined the focus on maintaining a conservative, low-risk balance sheet with an explicit commitment to a strong capital position, low levels of leverage, a strong liquidity position with a conservative funding profile and a deposit-based funding strategy.

Retail and corporate savings products have been the core part of the Group's funding strategy over the years and will continue to be the dominant source of funding for the balance sheet. In line with this strategy, the acquisition of Barclays Consumer Bank Europe further strengthens the focus on retail deposits as a cornerstone of the funding model. This strategy is confirmed by a share of stable customer deposits contributing 70% of total balance sheet funding, with retail deposits representing the most important pillar.

The stable deposit base is supplemented with a diversified strategy of wholesale funding. The funding instruments comprise both unsecured bonds as well as bonds secured by mortgages (covered bonds) and public sector collateral.

In addition to a stable and growing deposit base, BAWAG Group executed roughly € 1.6 billion of own-issuance funding in 2025, reflecting continued strong investor demand and reliable access to capital markets. Issuance activity comprised € 1.3 billion in senior unsecured bonds across seven transactions, € 250 million in Tier 2 instruments, and approximately € 100 million in credit-linked notes (CLN). The maintenance of a robust liquidity and funding position is considered to be a core element of the successful implementation of the overall business strategy.

BAWAG Group has implemented a liquidity risk limit framework covering the relevant time horizons from short to long term as well as comprehensive stress testing procedures to measure potential liquidity risks and to ensure liquidity adequacy even in adverse scenarios. These stress analyses are based either on empirically available data, hypothetical but plausible stress scenarios or forward-looking information derived from business forecasts. The liquidity stress testing is designed to identify and address the key vulnerabilities of the Group towards contingent liquidity risks and to determine the size of its liquidity buffer and counterbalancing capacity needs beyond the regulatory minimum standards.

BAWAG Group maintains a significant liquidity buffer to cover unexpected liquidity outflows in a stress scenario. The holding of the liquidity buffer therefore represents a preventive measure to reduce liquidity risk. Furthermore, the Group has contingency funding plans in place which define what constitutes a liquidity contingency, the monitoring procedures in place to identify the occurrence of a liquidity contingency event, changes in the governance resulting from the declaration of a liquidity contingency as well as the measures available to rectify a liquidity crisis. BAWAG Group has a set of predefined measures that can be taken in the event of a liquidity contingency to improve the liquidity situation of the Group.

Within the ILAAP framework, two complementary perspectives are evaluated to assess the adequacy of the Bank's liquidity and funding positions over a multi-year horizon. These perspectives include the "economic" and "normative" perspective and with regard to scenario considerations, they are aligned with ICAAP simulations.

On the basis of its ILAAP, the Group conducts an ongoing self-assessment of its liquidity risk profile, risk measurement and management framework and liquidity adequacy. The outcome of this process is documented annually in the Group's liquidity adequacy statement (LAS) signed by the Management Board of BAWAG Group. On the basis of the ILAAP, the Management Board is convinced that the current risk management framework allows for the comprehensive identification, quantification, measurement and steering of all relevant liquidity risks and considers the liquidity and funding position of BAWAG Group to be solid and fully adequate as of 31 December 2025.

STRUCTURE AND ORGANIZATION OF RELEVANT RISK MANAGEMENT FUNCTIONS

Organizational structure

The full Management Board determines the business strategy of the Group and the individual business areas and defines target values for the central key ratios. The board is therefore responsible for the liquidity strategy and defines the level of risk tolerance for the planning period.

The CFO, as a member of the Management Board, performs the function of liquidity manager for the Group as a whole. The TM division reports to the CFO and incorporates the liquidity management. The CFO monitors the activity of the organizational units and regularly informs the full Management Board about the liquidity

situation. TM bears the central specialized responsibilities for liquidity management. A central collateral management function for BAWAG Group is integrated into Asset Liability Management (ALM).

Controlling (FPA) is responsible for operational accounting of the liquidity costs and premiums in the profit center calculations and for the methods used in the FTP system. The liquidity cost system derives prices from current market rates. The fine tuning is performed by ALM to balance short-term gaps.

EM, a division reporting to the CRO, measures the current liquidity risk, prepares limit proposals for the S-ALCO and monitors compliance with the defined limits and liquidity buffers.

TM is responsible for the operational execution of money market and capital market transactions.

Liquidity management is subdivided into four task areas: operational, tactical and strategic liquidity management and liquidity buffer management. With regard to liquidity risk categories, a distinction is made between dispositive, structural and market liquidity risks.

The reporting of the current and projected liquidity position as well as the funding potential is performed by the TM division. One of the most important key ratios is FACE (Free Available Cash Equivalent), which is internally defined at BAWAG Group. The liquidity buffer is divided into a short-term and medium-term portion that can be liquidated. The reporting of the liquidity risk is performed by EM.

RISK MEASUREMENT SYSTEMS

The liquidity risk is calculated by rolling out the cash flows from existing transactions. These cash flows are calculated from business data drawn from the central data warehouse. Based on the transaction data for customer business (loans, deposits, securities etc.), the cash flows from the repayment of principal are rolled out at the individual transaction level within the market risk management system OneSumX and are reported in aggregated form according to defined criteria (e.g. product type, customer category and behavior with respect to the repayment of principal). Positions with undefined maturities (current accounts and customer deposits) are assigned to the time bands based on the modeled liquidity replication assumptions, reflecting the historical retention period and volume fluctuations.

The total of asset and liability cash flows determines the gap in the static balance of cash flows, i.e. new business is not assumed. The stressed funding cost resulting from closing the funding gaps is quantified as well. Special attention is paid to the structural risk in FX funding, which is articulated in FX basis spread risk. To measure this risk, the PVBP concept (similar to the interest rate risk) has been implemented. Furthermore, stress tests are then conducted in BAWAG Group's balance sheet by making certain assumptions regarding volume changes in certain stress situations. These stress tests are based on the existing balance sheet structure and assume that transactions drawing to an end will be replaced under the same conditions (terms, volumes but with different circumstances). With this constant balance sheet, the volume assumptions for individual products are then weighted with the relevant stress factors (outflow assumptions).

The stress scenarios are distinguished as follows:

- Intraday stress
- Idiosyncratic stress
- Systemic stress
- Mixed stress scenario
- Reverse stress test
- Forward-looking adverse scenarios (ICAAP/ILAAP)

The stress tests also take account of the liquidity buffer and the counterbalancing capacity, i.e. unencumbered liquidity reserve. It is assumed that these buffers can be converted into genuine liquidity in a short time either in a sale, in repurchase agreements or through refinancing from the central bank.

The time-to-wall is measured in these stress tests. The stipulated risk limits must be adhered to in the stress tests taking into account the liquidity buffer and the counterbalancing capacity; otherwise, TM must suggest or initiate countermeasures. The stress test results determine the size of the liquidity buffer and the counterbalancing capacity.

RISK REPORTING SYSTEMS

The liquidity status is presented and reported in standardized, regular reports. These reports are divided into the following categories:

- Operational liquidity status
- Tactical liquidity status
- Structural liquidity status

The reports on the operational liquidity status basically provide a concrete forecast of liquidity for the next several days so that the operational liquidity management can immediately indicate a need for liquidity or a surplus of liquidity. This status is then adjusted by conducting short-term interbank transactions or by compensating account balances.

The reports on the tactical liquidity status are used to estimate business developments on the assets or liabilities side of the balance sheet and to present them to the S-ALCO on a monthly basis. These reports depict developments in economic and regulatory liquidity statically and dynamically, pointing out potential gaps. The corresponding limits and compliance with them are measured in these reports for economic and regulatory liquidity. TM is responsible for closing unplanned tactical gaps (in a time horizon of 15 months) by taking preemptive actions.

On the one hand, the reports on the structural liquidity status are produced under a dynamic perspective as part of the overall Bank planning. In the process, TM coordinates the planning of overall funding, which comprises theoretical scenarios, business shifts and planned assumptions for new business. The funding plan has a time horizon of five years. On the other hand, the structural liquidity risk is also measured monthly under a static perspective and quantified with stress assumptions.

RISK HEDGING AND MITIGATION

Risks are hedged and mitigated by means of ongoing checks of the current and forecast liquidity status from an economic, regulatory and also strictly cash standpoint. Plans are constantly adjusted based on current developments in the business areas and the market and on a re-evaluation of the liquidity buffer and the counterbalancing capacity.

A liquidity emergency plan for the actual stress case was drawn up and is periodically updated.

The purpose of the liquidity risk strategy is not only to hedge and mitigate risks. It is also used for rendering risks measurable, for raising awareness of risks and for actively controlling risks (in terms of a conscious decision to take a liquidity risk). In this same context, BAWAG Group continuously tests market liquidity for individual balance sheet items and constantly assesses the ability of the market to absorb products on the liability side (and the potential refinancing costs associated with them). It also prepares forecasts of the volume of collateral material for securitized refinancing (and reconciles it with the business plan).

LIQUIDITY COVERAGE RATIO

Commission Delegated Regulation 2015/61 with regard to liquidity coverage requirements for credit institutions (Delegated Act) came into force as of 1 October 2015. The Delegated Act supplements and amends the rules for the calculation and reporting of the liquidity coverage requirement (LCR) of the CRR. At the consolidated level, BAWAG Group is subject to the LCR requirement and to the LCR disclosure requirement. LCR requires banks to hold high-quality liquid assets (HQLA) to cover net cash outflows over the period of 30 calendar days, calculated under the assumption of severe liquidity stress.

High-quality liquid assets (HQLA)

Assets are considered to be HQLA if they can be easily and immediately converted into cash at little or no loss of value. The LCR defines HQLA in three asset categories – Level 1, Level 2A and Level 2B – and applies haircuts and limits to certain asset categories.

BAWAG Group's HQLA consist primarily of central bank and government assets assuring maximum reliability in times of stress. All securities that are included in BAWAG Group's HQLA must meet internal requirements that ensure low levels of concentration with respect to issuers and their origin.

Net cash outflows

Net cash outflows are defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. Total expected cash outflows and inflows are based on the contractual maturity of assets, liabilities and off-balance-sheet commitments. Where contractual maturity is not applicable, the LCR sets forth maturity assumptions by multiplying the outstanding balances of these categories by the rates at which they are expected to flow under the scenario. Inflows are subject to an aggregate cap of 75% of total expected cash outflows.

The structure of the LCR outflows reflects the Group's conservative funding structure, with retail deposits being the most important source of liquidity and with very low counterparty concentrations among all funding items.

Outflows related to derivative exposures and other collateral requirements reflect contractual derivative settlements as well as contingent derivative outflows (largest net cumulative collateral outflow or inflow in a 30-calendar day period over the last two years).

BAWAG Group has no individual currency concentrations above the regulatory thresholds. For this reason, the LCR metrics are only reported in euros.

As of 31. December 2025, the average LCR value for the last 12 months amounts to 218% with an HQLA portfolio of € 14,508 million and € 6,665 million in net outflows.

The average LCR figure stated above significantly exceeds the regulatory LCR requirement, characterizing a solid liquidity position throughout 2025.

NET STABLE FUNDING RATIO

With the implementation by the European Parliament, Regulation (EU) 2019/876 Net Stable Funding Ratio (NSFR), initially introduced by the Basel Committee, has finally become a binding requirement in the European Union. As a large institution, BAWAG Group is obliged to present NSFR information on a semi-annual basis.

The aim of NSFR is to promote a stable funding structure in relation to the composition of institutions' assets and off-balance-sheet activities. It is achieved by limiting the possibility of overreliance on short-term funding. The regulatory limit of 100% requires banks to keep available stable funding (ASF) at least in the same amount as required stable funding (RSF).

As of 31. December 2025, the NSFR for BAWAG Group was at 142%. The increase as compared to year-end 2023 was due to an increase in ASF that was driven by an increase in retail deposits and new own issuances. The total loan volume also increased, which caused an increase in RSF.

CONCENTRATION RISK

Article 435 (1) points (a)–(d) CRR

STRATEGIES, PROCESSES AND MANAGEMENT

The general framework for the management of concentration risk is based on estimates made by senior management coupled with specifications and recommendations made by national and international institutions engaged in bank regulation.

The Risk Management Organization manages, limits and controls concentration risks and reports them on a monthly basis to the Portfolio Steering Committee, composed of controlling, markets and risk division heads.

Risk concentrations arise from large exposures in individual customer segments or from large total exposures in certain industries, countries or foreign currencies whose loss potential could endanger BAWAG Group's core business or has an impact on the risk profile.

The management of country and industry limits is carried out as a standard process in accordance with binding internal guidelines.

STRUCTURE AND ORGANIZATION OF RELEVANT RISK MANAGEMENT FUNCTIONS

The main body is the monthly ERM, in which all Management Board members participate and in which the CEO serves as the chairperson. The CRO bears responsibility for the management of concentration risks in the Management Board. The ERM Committee is set up as a committee at the Management Board level and is responsible inter alia for approving the methods and the processes employed for measuring concentration risks. The ERM delegates the steering and monitoring of the concentration risks to the Portfolio Steering Committee. The Enterprise Risk Modeling & Analytics division bears responsibility for concentration risk management in coordination with the Commercial Risk Management and Retail Risk Management divisions.

RISK MEASURING SYSTEMS AND LIMITATION

Allocated economic capital is the basis for quantifying the concentration risk at the level of individual borrowers and groups of affiliated customers. The quantification is part of the portfolio steering framework.

Appropriate limits are determined for countries, for industries (for the segment Corporates, Real Estate & Public Sector) and for currencies, and constitute an integral part of the efforts to control total Bank risk.

All limits are monitored on an ongoing basis and in accordance with the estimated risk potential.

If limits are exceeded, the risk management units and the Management Board agree on suitable actions to limit or reduce the risk.

To prevent losses in connection with collateral concentrations that could put the financial stability at risk or result in a material change in BAWAG Group's risk profile, appropriate warning thresholds are defined and are subject to periodic monitoring and reporting processes.

All material risk factors are depicted in scenario analyses and stress tests using VaR models in order to analyze and monitor market concentration risks.

Regarding concentrations of operational risks, the focus is on activities with a long business history, and particular emphasis is also placed on adequate assessments of new lines of business.

Active monitoring of funding requirements and its structure paired with broad diversification of funding sources supported by a range of limits are precautions against potential liquidity problems from risk concentrations in the investment and funding structure.

RISK REPORTING SYSTEMS

The discussion of the Portfolio Steering Framework Report (which has separate sections focusing on concentration risks in the business sub-segments, single names, countries, industries, currencies, collateral and special portfolios) is performed in the PSC. This committee is delegated by the ERM to monitor and manage the economic capital allocated on the bottom levels of the portfolio steering framework (level 3 business sub-segments and level 4 countries and industries, up to € 60 million).

After the competent risk committee receives and approves the concentration risk report, the report is communicated to the relevant underwriting units.

RISK HEDGING AND MITIGATION

Effective hedging and mitigation of concentration risk is essential for maintaining the stability and resilience of the Group's risk profile. Concentration risk can arise from excessive exposure to individual counterparties, sectors, products or geographic regions, and may amplify losses during periods of market stress. To address these challenges, the Group applies a structured, forward-looking framework that ensures early detection, proactive management and timely intervention.

The Group follows a four-stage concept to ensure that concentration risk is identified early, managed proactively and mitigated effectively:

- **Risk identification and limitation:** A fundamental component of hedging and mitigating concentration risk is the continuous identification, assessment and limitation of all relevant sub-risk types. The Group systematically analyzes portfolios across counterparties, sectors, products and geographies to detect potential concentrations at an early stage. Quantitative indicators and qualitative assessments are used to evaluate the materiality of emerging risks. Identified concentrations are subject to predefined limits aligned with the Group's risk appetite framework.
- **Diversification:** Diversification is a central pillar of the Group's concentration risk strategy. By allocating portfolios across a broad range of asset classes, industries, customer segments and geographic regions,

the Group reduces dependency on any single risk driver. Diversification stabilizes the portfolio performance, particularly during periods of market volatility or sector-specific downturns.

- **Monitoring:** Ongoing monitoring ensures that concentration risks remain transparent and manageable over time. The Group continuously tracks exposure developments, limit utilization and changes in risk drivers. Stress testing plays a critical role in this process. By simulating severe and adverse scenarios, the Group assesses how concentrations could impact capital adequacy and profitability.
- **Establishment/implementation of specific countermeasures:** Where concentration risks exhibit negative developments or approach predefined thresholds, the Group initiates targeted mitigation actions. These may include obtaining additional guarantees or credit protection, reducing or restructuring exposures, imposing temporary restrictions on new business in affected segments etc. All countermeasures are executed in accordance with internal governance procedures and documented within the Group's ICAAP framework.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

Article 449 point (a) CRR

INTRODUCTION

Climate change is one of the most significant challenges the world needs to address, and we recognize that the financial sector plays a vital role in supporting the achievement of global climate goals. Mitigating or adapting to climate change is a long-lasting process that requires contributions from all stakeholders, including policymakers, companies and private individuals who all can contribute by setting the framework as well as by altering consumption patterns for a more sustainable future. Our responsibility in addressing climate change encompasses various aspects, from adhering to our business principles including managing respective risks associated with climate change to actively engaging with our stakeholders.

Our climate and environmental strategy is in full alignment with our strategic pillars:

- **Growth:** We aim to grow our business organically as well as through M&A. We do this in consideration of our transition plan, which aims to reduce the intensity of our largest GHG-emitting portfolios. We also support the transition to a more sustainable future by providing financing for e.g. renewable energy and home improvements.
- **Efficiency:** Optimizing our use of resources in our own operations aligns with our strategy to minimize our impact on climate and the environment.
- **Safe & secure:** Our focus is on risk-adjusted returns, therefore already having a low exposure to high-emitting sectors today. We integrate climate- and environmental-related risks into our overall risk management framework to monitor as well as manage the resilience across our portfolios against these risks.

To address the evolving risks posed by climate change, BAWAG Group has established a governance framework for managing climate-related risks that aligns closely with its financial reporting structures. We transitioned from having separate committees to embedding climate and environmental-related reporting within our regular governance processes, where appropriate.

To address the disclosure requirements according to CRR 449a, we lay out in the tables below the references to already disclosed and audited information, where available, and add the respective information in case this has not been addressed in other publications.

- **Table 1 (Table 13 in this document):** Integration of environmental risks, including specific information on climate change risks and on other environmental risks, in their business strategy and processes, governance and risk management
- **Table 2 (Table 14 in this document):** Integration of social risks in their business strategy and processes, governance and risk management
- **Table 3 (Table 15 in this document):** Integration of governance risks in their governance and risk management

ENVIRONMENTAL RISK

Table 13: Qualitative information on environmental risk

BUSINESS STRATEGY AND PROCESSES	
a) Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning	Annual Report 2025 Non-financial report 1) SBM-1 – Strategy, business model and value chain 2) E1 – Climate Change 3) IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities
b) Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information about the design of business strategy and processes	Annual Report 2025 Non-financial report: 1) E1 – Climate Change – 1.1 Our transition plan 2) E1 – Climate Change – 1.2. Policies related to climate change mitigation and adaption 3) E1 – Climate Change – 1.3. Actions and resources related to climate change policies 4) E1 – Climate Change – 1.4. Targets related to climate change mitigation and adaption
c) Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities	Annual Report 2025 Non-financial report: 1) Taxonomy disclosures 2) E1 – Climate Change – 1.1 Our transition plan 3) E1 – Climate Change – 1.3. Actions and resources related to climate change policies
d) Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks	Annual Report 2025 Non-financial report: 1) E1 – Climate Change – 1.2. Policies related to climate change mitigation and adaption 2) E1 – Climate Change – 1.3. Actions and resources related to climate change policies 3) E4 – Biodiversity and ecosystems 4) GOV-4 – Statement on due diligence
GOVERNANCE	
e) Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels	Annual Report 2025 Non-financial report: 1) GOV-1 – The role of the administrative, management and supervisory bodies 2) GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
f) Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organizational structure both within business lines and internal control functions	Annual Report 2025 Non-financial report: 1) GOV-1: The role of the administrative, management and supervisory bodies 2) GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
g) Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels	Annual Report 2025 Non-financial report: 1) GOV-1: The role of the administrative, management and supervisory bodies 2) GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

h)	Lines of reporting and frequency of reporting relating to environmental risk	Annual Report 2025 Non-financial report: 1) GOV-1: The role of the administrative, management and supervisory bodies 2) GOV-2 – Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies
i)	Alignment of the remuneration policy with institution’s environmental risk-related objectives	Annual Report 2025 Non-financial report: 1) GOV-3 –Integration of sustainability-related performance incentive schemes 2) BAWAG Group’s remuneration report
RISK MANAGEMENT		
j)	Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework	1) Annual Report 2025 – Risk management: Sustainability-related risk 2) Annual Report 2025 – Non-financial report: GOV-1
k)	Definitions, methodologies and international standards on which the environmental risk management framework is based	<p>BAWAG’s approach to managing environmental risks is aligned with the supervisory requirements and is structured around the following principles, addressing short-, medium-, and long-term impacts:</p> <p>Identifying and assessing risks: We identify and assess the materiality of environmental risks by understanding how our business environment can be impacted by climate, environmental, demographical, societal, technological and regulatory/policy changes, which informs our materiality assessment. In addition, we assess single clients using a risk-adjusted approach where data is available as well as through our environmental risk heatmap when single-customer data is not available.</p> <p>Measuring risks: Although there is still significant uncertainty in climate and environmental risk with reliance on third-party data, proxies or industry averages, we integrate these risk categories in our management processes and risk management framework, including the valuation of collateral (e.g. real estate).</p> <p>Conducting scenario analyses and stress tests: Integrating climate-related assumptions in our internal stress tests as well as performing scenario analysis for physical as well as transition risks informs our ICAAP as well as our strategic response to potential risks.</p> <p>Mitigating potential risks: As some risks are long-term in nature, we aim to align our strategic response to the specifics of the respective portfolios. With mortgages being our largest asset class, we worked through initiatives for a transition plan for that portfolio in order to account for the longer-term maturities. Power generation will be based on an engagement process with our customers reflecting the nature of the customer as well as the importance of energy to society. To reduce physical risks, we require insurance where relevant and possible. We aim to improve our data collection on insurance to build and maintain a comprehensive view on insured physical risk drivers</p> <p>Managing risk through risk metrics and targets: We establish metrics and targets to track the effectiveness of our initiatives and identify any adverse developments.</p> <p>Integrating climate considerations into our risk management processes and continuously improving our management of climate change risks as we get more accurate and reliable data within our portfolios will support our transition effectively. Governments in our core markets are working to combat or adapt to climate change by introducing policies, raising awareness across the population and providing certain incentives.</p> <p>In order to monitor the development of our portfolio as well as identify adverse developments regarding climate- and environmental risks, we set key performance and risk indicators which go beyond sectors for which we have targets and cover other risks. Examples thereof are:</p> <ul style="list-style-type: none"> • Financed emissions (million tons of CO₂e) • Residential mortgages (energy intensity: kgCO₂/m²) • Share of energy performance certificate in residential real estate origination in Austria (no central database) • Power generation (energy intensity gCO₂/kWh) • Share of commercial real estate exposure with actual EPC label and composition of EPC label • Exposure to physical climate risk for loans collateralized with real estate assets • Exposure to high-transition risk sectors relative to total customer exposure

We also review risk indicators for smaller portfolios on an annual basis to inform the annual materiality assessment. These are specific to that portfolio but assessed to be of lower impact for BAWAG’s overall financial performance and resilience of the Group.

In addition to integrating key performance indicators to manage these types of risks, BAWAG Group has established a set of key risk indicators across credit, market, liquidity, operational and reputational risk categories with different levels of categorization, established limits as well as integrated sustainability considerations into the portfolio steering framework considering sustainability-related developments for respective industries. Nevertheless, sticking to our overall business principle to focus on risk-adjusted returns remains a key priority for our decision-making.

Credit risk: Through our ESG due diligence process, we collect and assess via a risk-based approach the ESG risk of a client in the phase of loan application as well as in the review of exposures. On a portfolio level, ESG risk with impacts due to physical and transitional risks are considered in the stress test runs.

Market risk: ESG risk stemming from market risk is also included in the stress test run relevant for the derivation of the capital buffer.

Liquidity risk: We employ stress testing and pathway analysis to evaluate the impact of climate risks. Specifically, our stressed net liquidity position scenarios, which are run daily, now include climate disasters as potential stress triggers.

Operational risk management framework: Climate risk identification is performed through the analysis of past internal and external operational risk events. We also use exploratory scenario analysis to examine potential climate events and the effectiveness of corresponding controls, helping us identify areas for further risk mitigation and control enhancement. Our Business Continuity and Third-Party Risk Management frameworks ensure resilience against disruptions to processes and services by taking an all-hazards approach.

Reputational risk: We manage impacts from the Bank’s activities in high-risk sectors through our ESG risk policy. This specifies restrictions, escalation procedures and due diligence requirements for sectors with elevated environmental risks. This approach enables us to effectively mitigate reputational risks associated with our business operations.

In addition, climate risk identification takes place through analysis of past internal and external operational risk events; exploratory scenario analysis is also used to analyze potential event situations and the effectiveness of related controls to identify areas for further risk mitigation and strengthening of the control environment. Business Continuity and Third-Party Risk Management frameworks are in place to manage risks of disruption to processes and services taking an all-hazards approach

<p>i) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels</p>	<p>Annual Report 2025 Non-financial report: IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities</p>
<p>m) Activities, commitments and exposures contributing to mitigate environmental risks</p>	<p>Annual Report 2025 Non-financial report: 1) E1 – Climate Change – 1.1 Our transition plan 2) E1 – Climate Change – 1.2. Policies related to climate change mitigation and adaption 3) E1 – Climate Change – 1.3. Actions and resources related to climate change policies 4) E1 – Climate Change – 1.4. Targets related to climate change mitigation and adaption</p>
<p>n) Implementation of tools for identification, measurement and management of environmental risks</p>	<p>Annual Report 2025 Non-financial report: IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities</p>
<p>o) Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile</p>	<p>Annual Report 2025 Non-financial report: E1 – Climate Change</p>

<p>p) Data availability, quality and accuracy, and efforts to improve these aspects</p>	<p>Annual Report 2025 Non-financial report: 1) ESRS 2 – BP2 – Disclosures in relation to specific circumstances, estimated upstream and/or downstream value chain data from indirect sources; forward-looking information 2) E1 – 1.6 GHG emissions In addition, BAWAG Group has developed a data strategy to continuously improve climate and environmental-related data.</p>
<p>q) Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits</p>	<p>In alignment with the supervisory requirements, BAWAG has included ESG in the Group’s risk appetite statement with the aligned existing escalation process, covering both physical risk as well as transition risk. In addition to our approach of identifying, measuring and managing environmental risks, we are e.g. limiting the share of residential real estate exposure in high physical risk areas. In addition, we have set a limit for our exposure to defined prohibited and restricted financing activities, the latter including specific high-emitting industries.</p>
<p>r) Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework</p>	<p>Certain industries will encounter heightened transition risks as they strive to comply with upcoming regulatory and technological requirements. We anticipate that most of these regulations will be implemented in the short-to-medium term to address the pressing need for action on this issue. At the same time, there is still uncertainty related to political developments. Physical risk is another type of risk which can impact the valuation of assets as climate change emerges. Climate and environmental risks can have an impact across risk categories (credit risk, liquidity risk, market risk, non-financial risk) and were introduced in the framework, however with credit risk being more exposed to elevated credit and valuation risks. The potential for heightened default risk and valuation losses exists for clients and assets affected by physical and transition climate risks. With our focus on providing lending to private individuals, the transition is also dependent on government support to ensure a fair transition and avoiding social inequalities resulting from climate change. These risks stem from regulatory changes, technological changes in order to provide low-carbon products or services, shifts in market sentiment and changing consumer patterns. While the risks described above primarily arise from our lending activities, we may also experience operational disruptions due to factors such as extreme weather events or long-term temperature increases, which can affect our offices, employees and processes. Additionally, reputation management is an important factor. Although we have full control over the decarbonization of our own operations, the transition of our lending portfolio largely depends on our customers’ actions and their initiatives toward a sustainable future. There is a potential risk of reputational damage if we fail to respond effectively to climate risks or do not meet climate goals, as we are dependent on the responsiveness and initiatives of our clients.</p>

SOCIAL RISK

Table 14: Qualitative information on social risk

<p>BUSINESS STRATEGY AND PROCESSES</p>	
<p>a) Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning</p>	<p>As part of the double materiality assessment based on the European Sustainability Reporting Standards, BAWAG Group has identified S1 – Own workforce and S4 – Customers and end-users as material topics. The related strategies to address these impacts or risks are described in the Annual Report 2025 – Non-financial report “S1 – own workforce” – strategies and “S4 – consumers and end-users” – strategies.</p> <p>For the portfolio, we use the social risk heatmap for identification and monitoring.</p> <p>BAWAG Group’s Code of conduct: Annual Report 2025 – Non-financial report: ESRS G1-1: Business conduct policies and corporate culture</p>
<p>b) Objectives, targets and limits to assess and address social risk in short term, medium term and long term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes</p>	<p>For the areas identified as material as part of our double materiality assessment, this is disclosed in the Annual Report 2025 – Non-financial report “S1 – own workforce” – targets and “S4 – consumers and end-users” – targets.</p>

c)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities	<p>As only a limited amount of our customers are subject to sustainability reporting, we mainly assess social risks based on the social risk heatmap, which assesses the counterparty based on a combination of industry as well as country factors. In case the counterparty shows an elevated social risk, a detailed analysis is performed of the respective customers. Large counterparties subject to sustainability reporting are assessed based on their minimum safeguard disclosure.</p> <p>The Bank has established minimum standards to manage human rights-related and other social risks. The Human Rights Policy describes the related guidelines and principles of BAWAG Group and is approved by the Management Board. It contains our commitment to define our framework of action in our relationship with different stakeholders such as employees, customers, suppliers and society. In 2024, the lending criteria were expanded to include the social and governance components in the list of non-financed activities in order to reflect this in the financing criteria in addition to the existing policies and procedures.</p>
GOVERNANCE		
d)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to:	<p>the related responsibilities are described in the Annual Report – Non-financial report GOV 2. BAWAG Group's customer base is geared towards Retail & SME. Therefore, the amount of corporate customers is limited and as described in point c), the number of corporate clients being subject to or voluntarily reporting on sustainability-related information is limited even further. In addition, we operate in countries with high social standards.</p>
i)	Activities towards the community and society	<p>Human rights are part of BAWAG's code of conduct, which is approved by the Management Board as well as integrated in our own workforce, how we deal with our customers as well as assess the human rights commitment and effectiveness during the loan application process as part of the monitoring within the risk management process.</p>
ii)	Employee relationships and labor standards	
iii)	Customer protection and product responsibility	
iv)	Human rights	
e)	Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body	<p>BAWAG Group has aligned management processes for sustainability-related impacts and risks with dedicated governance and reporting processes across management and supervisory functions.</p> <p>1) Annual Report 2025 – Non-financial report: GOV-1: The role of the administrative, management and supervisory bodies</p> <p>2) Annual Report 2025 – Non-financial report: GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</p>
f)	Lines of reporting and frequency of reporting relating to social risk	<p>Annual Report 2025 – Non-financial report:</p> <p>1) GOV-1: The role of the administrative, management and supervisory bodies</p> <p>2) GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</p>
g)	Alignment of the remuneration policy in line with institution's social risk-related objectives	<p>1) Annual Report 2025 – Non-financial report: GOV-3 –Integration of sustainability-related performance incentive schemes</p> <p>2) BAWAG Group's remuneration report</p>
RISK MANAGEMENT		

<p>h) Definitions, methodologies and international standards on which the social risk management framework is based</p>	<p>BAWAG is a member of the UN Global Compact and is also committed to the principles of the UN Women’s Empowerment Program. The company’s values are based on ILO conventions and the freedom of association. In our own operations, we consider human rights, including the OECD Guidelines and the UN Guiding Principles on Business and Human Rights. While BAWAG Group already adheres to high standards given the markets it operates in, our definition of social responsibility goes beyond legal requirements. Our employees are the greatest assets when it comes to the execution of our strategy, therefore we have set various initiatives to limit social risks in our own workforce. More details are outlined in the human rights policy and the document on Diversity and Inclusion in BAWAG.</p> <p>BAWAG Group has implemented a comprehensive process for identifying and monitoring activities’ exposures, and assets sensitive to social risks. BAWAG Group also identifies and monitors social risks that are currently non-material. Nevertheless, the Bank recognizes the importance of integrating social risk management into its overall risk management framework to protect its reputation, ensure long-term sustainability and meet its obligations as a responsible corporate citizen. BAWAG Group has made a number of commitments to mitigate social risks, including the adoption of the United Nations Global Compact and the UN Women’s Empowerment Program.</p> <p>BAWAG Group has defined lending criteria for the Corporate segment according to which all customers are screened. If a company is involved in one of these areas and can be held responsible for its involvement, it can be excluded or restricted in lending. The restricted/prohibited criteria are reviewed on a regular basis and may change. The currently applicable list of lending criteria is published and accessible via https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG.</p> <p>The minimum social safeguards check of larger/ listed companies is based on the minimum social safeguard requirements laid out in the EU Taxonomy. The requirements focus on human rights, labor rights and combating bribery, bribe solicitation and extortion. In fact, the EU Taxonomy’s minimum social safeguards demand compliance with the following international standards:</p> <ul style="list-style-type: none"> • The United Nations Guiding Principles on Business and Human Rights, • Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and • The principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work and the International Bill of Human Rights. These are the eight core labor standards <ol style="list-style-type: none"> 1. Freedom of Association and Protection of the Right to Organise Convention 2. Right to Organise and Collective Bargaining Convention 3. Forced Labour Convention 4. Abolition of Forced Labour Convention 5. Minimum Age Convention 6. Worst Templates of Child Labour Convention 7. Equal Remuneration Convention 8. Discrimination (Employment and Occupation) Convention
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Our social risk heatmap, on the other hand, was developed internally and provides social risk assessments for the countries and industries where our customers are active. For the social risk country analysis, we researched strong, reliable and credible indices that provide comprehensive coverage of the social ERS sub-topics. The following indices were chosen:

- **Human rights index** by Our World in Data: represents the extent to which people are free from government torture, political killings and forced labor and whether they have property rights and enjoy the freedoms of movement, religion, expression and association.
- **ITUC Global Rights Index:** documents violations of internationally recognized collective labor rights by governments and employers, analyzes national legislation and identifies sectors where labor rights are not sufficiently protected. Primarily, a country's compliance with the following fundamental labor rights is assessed: the right to collective bargaining, the right to strike, the right to freely perform trade union activities, the right to establish and join unions and civil liberties.
- **Numbeo's Quality of Life Index:** consists of eight separate indices (Purchasing Power Index, Pollution Index, House Price to Income Ratio, Cost of Living Index, Safety Index, Health Care Index, Traffic Commute Time Index, Climate Index)
- **Social Progress Index:** measures more than 50 drivers of social progress while focusing on topics that are most relevant to families and individuals. The main categories are nutrition and medical care, water and sanitation, housing, safety, basic education, information and communications, health, environmental quality, rights and voice, freedom and choice, inclusive society and advanced education.

We decided to weigh these indices equally, as all of them have a broad set of underlying indicators and contribute to several factors of the ERS social framework that are equally relevant and use the maximum score for a country's final social risk evaluation. The indices used are based on different rating methodologies, thus they had to be converted into a common scheme to allow an overall social risk score to be obtained for each evaluated country. The converted scale covers a 1–4 rating with: (1) low, (2) low-moderate, (3) moderate-high and (4) high social risks.

For the social risk industry assessment, we defined and analyzed four different categories, each of them including various social risks from 1 (low) to 4 (high):

- **Human capital and labor rights:** Labor relations, human resources, health and safety at work (including employee well-being), diversity and inclusion, decent income and working hours, no forced labor and abolition of child labor
- **Data and privacy:** Data security and customer privacy
- **Responsible production:** Product quality, supply chain management, community and stakeholder engagement, product disclosure and labeling and consumer health
- **Demographic and societal trends:** Demographic change, access and affordability, social responsibility and consumer activism

The overall social risk result is derived from the maximum score of all categories. These scores are used for screening the portfolio as well as on the single loan application level.

<p>i) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels</p>	<p>The process for the identification, assessment and management of material impacts is described in the Annual Report 2025 – Non-financial report chapter IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities.</p> <p>The assessment of social risks in relation to our counterparties is performed in two different ways depending on the size of the counterparty: The assessment of corporate customers follows a risk-based approach. For larger companies, we evaluate their minimum social safeguards based on the EU Taxonomy using audited reports. For non-listed companies, we apply a social risk heatmap based on country and industry. The assessment primarily focuses on social risks related to labor practices, human rights, societal impact and minimum safeguards, depending on data availability and the size of the counterparty. In case a client scores with an elevated risk, an in-depth assessment of the client is performed, including a dedicated consideration of human rights. The results of the assessment including the optional in-depth assessment is considered by the relevant decision-maker according to BAWAG's Competence and Power Regulation. Social risks can affect the financial performance of our counterparties and impact the reputation of both our customers and BAWAG as a financial institution. Our responsibility with regard to social standards is therefore embedded in our business strategy based on our strategic focus on the markets we are operate in. Given our business focus on Germany, Austria, Switzerland, the Netherlands, Ireland, the United Kingdom and the United States, we expect our counterparties to comply with respective national laws and regulations, which already uphold comprehensive human rights and high social standards.</p>
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j)	Activities, commitments and assets contributing to mitigate social risk	BAWAG’s core activities and assets limit social risks since BAWAG primarily operates in sectors and countries with high social standards. At the same time, data for non-listed companies is very limited, so the analysis based on our social risk heatmap is also subject to a high level of uncertainty.
k)	Implementation of tools for identification and management of social risk	BAWAG has implemented various tools to identify social risks within its customer base. For corporate customers, it uses the internally developed social risk heatmap, combined with minimum social safeguard checks for listed companies. Where possible, we are improving tools to effectively identify and manage social risks as well as to enhance our data quality and social risk coverage. In addition, overall macroeconomic factors, such as the unemployment rate, are part of our stress testing framework.
l)	Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits	BAWAG Group has established restricted and prohibited lending criteria.
m)	Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework	BAWAG Group operates in financially strong markets, which have especially proven their support over the past years during extraordinary times, like the pandemic. These events as well as natural hazards, for example, could lead to higher default rates, social inequalities etc. However, given the governments’ support during those times, combined with the promotion of a fair transition, we do not anticipate high social risk.

GOVERNANCE RISK

Table 15: Qualitative information on governance risk

GOVERNANCE		
a)	Institution's integration in their governance arrangements of the governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental and social topics	Our own governance: Annual Report – Non-financial report: GOV-1 As only a limited amount of our customers are subject to sustainability reporting, the availability of respective data of our counterparties is limited.
b)	Institution's accounting of the counterparty's highest governance body's role in non-financial reporting	Not present for all customers given our limited number of customers being subject to non-financial reporting.
c)	Institution's integration in governance arrangements of the governance performance of their counterparties including:	
i)	Ethical considerations	During the loan application process, the counterparties of BAWAG are additionally reviewed in terms of corporate governance of environmental, social and governance. Counterparties with an increased environmental and social risk, customers in defined sectors or customers with financing requests that are in industries covered by the (restricted) lending criteria must undergo a detailed screening within the ESG due diligence process. This determines whether and which guidelines exist in the area of ESG, such as climate strategy, ESG governance policy, ESG risk policy, diversity and inclusion, anti-discrimination, conflicts of interest, health and safety.
ii)	Strategy and risk management	Furthermore, it is determined whether, for example, policies on human rights have been approved by the highest level of the organization, whether there have been cases of anti-corruption and bribery in the past, whether there are internal control systems to prevent and track bribery, whether these prevention systems are also reported on or whether there have also been cases of violating competition law or tax law in the past. All of these points are raised in the course of the ESG due diligence process (in some cases mandatory) and are taken into account by the relevant decision-maker during the decision-making process in accordance with the Competence and Power Regulation.
iii)	Inclusiveness	
iv)	Transparency	
v)	Management of conflicts of interest	
vi)	Internal communication on critical concerns	
RISK MANAGEMENT		

d)	Institution's integration in risk management arrangements the governance performance of their counterparties considering:	
i)	Ethical considerations	Please see the outlined governance arrangements in the previous paragraphs. Furthermore, regarding our customers and counterparties, the assessment of governance with respect to ESG is an inherent part of the described due diligence processes, product implementation process and the outsourcing assessment and is also part of the credit rating and loan application process. The assessment is still based on a certain level of uncertainty given the limited number of corporate customers reporting on sustainability-related topics.
ii)	Strategy and risk management	
iii)	Inclusiveness	
iv)	Transparency	
v)	Management of conflicts of interest	
vi)	Internal communication on critical concerns	

RISK OF MONEY LAUNDERING AND FINANCING OF TERRORISM

Article 435 (1) points (a)–(d) CRR

STRATEGIES, PROCESSES AND MANAGEMENT

Based on the business model of BAWAG Group focusing on retail, small business, corporate and public sector clients in developed markets of the DACH/NL region (Germany, Austria, Switzerland and the Netherlands), Western Europe and the United States, the overall risk of money laundering and terrorism financing is low.

Strategies and processes for the prevention of money laundering, countering the financing of terrorism and compliance with financial sanctions (abbreviated as AML/CFT in the following paragraphs) have been approved by the Management Board. As required by law, a comprehensive risk analysis of specific money laundering, FT and financial sanctions risks and mitigants is regularly assessed and maintained.

Pertinent directives (summarized in a separate manual) and mandatory technical IT fields ensure compliance with all relevant regulations to prevent money laundering and terrorism financing under the Financial Market Money Laundering Act (FM-GwG) based on the 4th and 5th EU Anti-Money Laundering Directive (EC 849/2015 and EC 843/2018) and under EU Regulation 1113/2013 on information accompanying transfers of funds and certain crypto-assets. Furthermore, an internal control system ensures compliance with the measures, policies, controls and procedures implemented. Customer relationships and domestic and foreign transactions are automatically monitored along AML/CFT risk classifications, which follow the AML/CFT risk analysis. These customer, transaction and country screenings consider the High-Risk Country Regulation issued by delegated regulation of the European Commission and the relevant sanction guidelines/regulation of the UN, OFAC, EU, UK, the Oesterreichische Nationalbank (the Austrian National Bank) and the Austrian Financial Market Authority (FMA).

Employees are regularly adequately trained (theoretically and practically in self-study programs and classroom trainings) to sensitize them to specific typologies suspected of money laundering or terrorism financing or connected to financial sanctions ("sanctions").

STRUCTURE AND ORGANIZATION OF RELEVANT RISK MANAGEMENT FUNCTIONS

The mandatory AML Officer is supported by a division leader and specialized employees. The Chief Compliance Officer in his function as AML and Sanctions Officer ("AML Officer") reports directly to the full Management Board. The organizational Anti-Money Laundering and Sanctions manual outlines the duties and responsibilities of the Anti-Money Laundering & Know Your Customer division.

The main competences of the AML Officer are:

- develop and maintain an ML/FT/sanctions risk assessment framework for business-wide and individual ML/FT/sanctions risk assessments

- ensure that adequate policies and procedures are put in place, kept up to date and implemented effectively on an ongoing basis
- further develop policies, controls and processes including (IT) systems to prevent money laundering and counter the financing of terrorism along regulatory developments
- define Group-level AML/CFT standards and ensure that local, entity-level policies and procedures comply with the AML/CFT and financial sanctions legislation and regulations applicable to each entity of the Group individually, and are also aligned to the Group standards defined
- monitor whether the measures, policies, controls and procedures implemented by the credit or financial institution comply with the credit or financial institution's AML/CFT obligations via
 - › comprehensive inspection and control rights (regular internal control system checks) and access to all systems
 - › possibility for ad hoc audits at any time
- consult before a final decision is taken on onboarding new high-risk customers or maintaining business relationships with high-risk customers
- ensure the alerts handling in the course of the continuous monitoring
- ensure that knowledge or suspicion of ML/FT or of a person's connection with ML/FT are promptly reported to the FIU and block accounts
- assess specific training needs and ensure that adequate theoretical and practical training is provided to the persons exposed to different levels of ML/FT risks
- advise the management on measures to be taken to ensure compliance and report on an ongoing basis.

RISK MEASUREMENT SYSTEMS

In addition to the yearly overall risk analysis, suspicious ML/TF constellations are continuously analyzed for new patterns to develop the AML/CFT systems. A Group-wide exchange of suspicious cases related to money laundering has been organized since 2017.

BAWAG Group operates an AML/CFT software system that classifies all customer relationships into AML/CFT risk classes (applying specific risk factors like product, domicile/residence, industry, nationality, payments behavior etc.). Upon applying for a product, respective measures vary based on the assigned risk class (e.g. enhanced due diligence or increased monitoring for higher risk classes). The software differentiates between standard, medium and high AML/CFT risk classes (such as politically exposed persons). New patterns of behavior or findings are translated into new transaction monitoring scenarios, another module of the AML/CFT software. The third module of the applied AML/CFT software ensures the monitoring of customers against PEP (politically exposed persons) and relevant sanctions lists.

Regarding sanction screening, the applied software ensures transaction screenings against relevant lists and other sanctions criteria before transactions are executed.

RISK REPORTING SYSTEMS

The AML Officer reports to the full Management Board and the Audit and Compliance Committee on a quarterly basis. Furthermore, the AML annual report has to be acknowledged by the Supervisory Board. Since 2017, the NFRC and the ESGC have been established on the Management Board level, which meet on a regular basis.

RISK HEDGING AND MITIGATION

BAWAG Group's overall AML/CFT strategy is subject to at least an annual review and re-approval of the Management Board.

Comprehensive guidelines are summarized in the Anti-Money Laundering and Sanctions manual, and a control system is in place for the opening and monitoring of accounts and for one-time transactions where mandatory identification duties apply. Furthermore, mandatory IT fields ensure that the required data is recorded for account opening processes and specific transactions (e.g. verification of source of wealth and/or funds, transactions requiring an ID to be shown).

Additionally, the AML Officer has established a monthly internal control system, which checks compliance of sample sets with the internal account opening and transaction policies. Any errors are redirected for correction, retraining or imply other effective measures to the person in charge.

In addition to the comprehensive Bank risk analysis that undergoes an evaluation once a year, BAWAG Group regularly analyzes suspicious cases for new behavior patterns, which lead to software updates or other specific actions.

RESIDUAL RISK FROM TECHNIQUES OF CREDIT RISK MITIGATION

Article 435 (1) points (a)–(d) CRR

STRATEGIES, PROCESSES AND MANAGEMENT

All risks which are not already covered in other risk sections are referred to as residual risks from techniques of credit risk mitigation:

- Concentration risks for collateral
- Legal risk of realization (change in the legal situation etc.)
- Other risks – changes affecting security and exceeding usual fluctuations and changes.

Transparent risk assessment for concentrations of collateral is ensured by means of appropriately defined processes and continuous monitoring of collateral at the portfolio level and guarantor level. These activities give the management a sufficient basis of information in order to adequately control collateral concentration risks.

BAWAG Group covers legal risk and other risks by applying correspondingly conservative valuation approaches and collateral lending values.

In addition, potential credit losses due to collateral deterioration are simulated within stress testing and possible effects on the risk-bearing capacity of BAWAG Group are considered.

STRUCTURE AND ORGANIZATION OF THE RELEVANT RISK MANAGEMENT FUNCTIONS

These risks are constantly monitored within the risk organization and regularly reported to the Portfolio Steering Committee. The concept for monitoring concentration risks regulates the possible actions and the powers pertaining to the imposition, execution and monitoring of concentration risks arising from collateral.

RISK HEDGING, RISK MITIGATION AND RISK MEASUREMENT SYSTEMS

Various steps are taken to address and ensure compliance with the requirements pertaining to residual risk from credit risk mitigation.

- The market value and collateral lending value are assessed and estimated during collateral valuation. Details on the valuation procedure are given in the Credit Collateral Catalogue.
- Stress tests are conducted to analyze the fluctuations in collateral market values and lending values and their ramifications for the risk-bearing capacity. Details about these stress tests can be found in the stress test.
- The residual security concentration risk is covered in the monitoring plan entitled Concentrations of Collateral.

MACROECONOMIC RISK

Article 435 (1) points (a)–(d) CRR

STRATEGIES, PROCESSES AND MANAGEMENT

Macroeconomic risk considers potential losses that are induced by exposures to macroeconomic risk factors, such as a significant deterioration of the real GDP growth rate, a significant increase of the unemployment rate or a significant change in the inflation rate.

Macroeconomic risks have myriad possible consequences. Unfavorable overall economic developments could result in negative repercussions for BAWAG Group such as a negative change in market prices, increased default rates, less demand for products, negative trends in the value of participations, falling savings rates (tight liquidity) and so forth.

Risk is identified during stress testing conducted to determine the type and scope of the required stress tests and to define the macroeconomic scenarios and the associated risk parameters. Stress tests are conducted periodically and fall under the responsibility of the individual specialized units of the (risk) organization.

STRUCTURE AND ORGANIZATION OF RELEVANT RISK MANAGEMENT FUNCTIONS

The items are addressed here in an interdepartmental manner due to the interdisciplinary topics associated with macroeconomic risks.

RISK MEASUREMENT, RISK REPORTING SYSTEM AND RISK HEDGING OR MITIGATION

Preliminary control of macroeconomic risks is performed during overall Bank risk control and planning activities. Planning is completed with a defined economic environment indicated.

Within the annual Risk Self-Assessment process, macroeconomic risk is assessed. In general, macroeconomic factors are considered within the quantification of the individual risk types using validated models. Nevertheless, the Group also holds a capital buffer at the Management Board level for acquisitions and unidentified risks – a potential residual risk stemming from a negative macroeconomic development for the Group is also covered by this buffer.

Furthermore, the Group controls the impact of macroeconomic changes within the reporting of stress test results as well as during the determination of any necessary actions. Possible measures for subsequent control range from diversification and the reduction of risk positions to an increase in internal capital. Measures can also be of an organizational nature, for instance an in-depth analysis of risk drivers or also the inclusion of

additional aspects in the stress tests. The measures are approved by the decision-makers and carried out by the responsible organizational units.

Stress test results and any necessary measures are discussed in the dedicated ICAAP & Stress Test Committee and then presented to the ERM. In addition, the Group has implemented the Macroeconomic Scenario Committee to identify appropriate scenarios for each stress test exercise and ICAAP perspectives.

PARTICIPATIONS NOT HELD IN THE TRADING BOOK

OBJECTIVES AND PRINCIPLES FOR THE MANAGEMENT OF PARTICIPATIONS

Article 435 (1) point (a)–(d) CRR

STRATEGIES AND PROCESSES

Participation risk includes potential losses from own equity provided, from risks caused by the assumption of liability (e.g. comfort letters) or from profit and loss transfer agreements (assumption of losses).

Under the participation strategy approved by the Management Board, participations are divided into the following categories:

- Majority participations in the financial services sector that are considered part of the core business and that therefore address additional groups of customers or enlarge the product range and that must satisfy minimum return requirements at least in the medium term. These minimum return requirements can be met by contributions to the Bank's result from dividends, interest and commission income or service contributions.
- Minority participations in the financial services sector of strategic significance for enlarging the product range within the financial services sector. These equity exposures are measured based on direct return.
- Auxiliary undertakings that perform services for BAWAG Group in outsourced legal entities. Auxiliary undertakings are generally active in the IT sector or in payments. The participation portfolio carries auxiliary undertakings both as majority participations and as minority participations (usually collaborations with other credit institutions).
- Other participation items

BAWAG Group generally pursues the goal of achieving appropriate and lasting profitability, taking any risk mitigation into account. Any major change in the participation portfolio therefore requires the approval of the Management Board.

STRUCTURE AND ORGANIZATION OF RELEVANT RISK MANAGEMENT FUNCTION

The risk management function for participations is integrated into the Real Estate & Institutional Clients unit within the Commercial Risk Management division as well as into Retail Risk for Portfolio Participations. These units report to the Chief Risk Officer (CRO). The participation risk strategy (as a part of the risk strategy) and risk assessments on risk associated with equity capital actions are submitted to the respective decision-making authority.

RISK MEASUREMENT SYSTEMS

For material operational participations, the Controlling and Accounting units conduct a standardized analysis of target versus actual company figures during the year, with monthly reports to the relevant stakeholders.

An impairment test for participations must be carried out annually and reviewed by Credit Risk Management. The purpose of the impairment test is to determine the recoverability of the participations and to identify hidden reserves in the participation portfolio. Impairments are recognized in the financial statements by the Accounting unit.

Subsequent risk control is represented by the assessment and quantification of participation risk (non-consolidated participations according to IFRS) within the annual Risk Self-Assessment process, using a simplified VaR/LGD model and defining a constant buffer for the risk within the ICAAP framework.

RISK REPORTING SYSTEMS

Participation risk is monitored by the respective risk unit. Every participation is assigned an internal rating at least annually. Acquisitions, disposals and changes in shareholdings are recorded in reports distributed by Corporate Affairs (HAC). Additionally, there are quarterly impairment tests for all non-consolidated participations in order to establish book gains and losses, which are the main drivers within participation risk.

RISK HEDGING AND MITIGATION

The treatment of risks arising from participations is governed in the Participation Risk Strategy (as part of the risk strategy) and other related documents.

In addition, the Controlling unit monitors the financial results of all material operational participations on an ongoing basis and monitors the performance of all other participations in the overall portfolio annually.

SECURITIZATION

DISCLOSURE OF EXPOSURE TO SECURITIZATION POSITIONS

Article 449 points (a)—(b) CRR

All securitization positions of the Group are assigned to the banking book. The portfolio includes no re-securitization positions. Securitization positions include transactions that are classified as non-STS and two transactions that are classified as STS. As of 31 December 2025, the Group has seven synthetic securitization transactions outstanding in which it acted as the originator.

The synthetic transaction “BAWAG Auto Leases 2023-1” is split into a senior, mezzanine and first loss tranche. The senior tranche, the first loss tranche and a minimum of 5% of each reference obligation are retained, while the credit risk of the mezzanine tranche is guaranteed by insurance companies. In addition, the transaction includes a synthetic excess spread in the amount of the expected loss of the portfolio. The senior and mezzanine tranches are amortized on a pro rata basis, switching to sequential amortization in case of a subordination event, with the first loss tranche being subject to sequential amortization from the outset. Losses are first allocated to the excess spread and then to the tranches in reverse order of seniority. The transaction has a final legal maturity in 2037 and includes Austrian auto leases.

The synthetic transaction “BAWAG Corporate Loans 2024-1” is split into a senior, mezzanine and first loss tranche. The senior tranche, the first loss tranche and a minimum of 5% of each reference obligation are retained, while the credit risk of the mezzanine tranche is guaranteed by an insurance company. In addition, the transaction includes a synthetic excess spread in the amount of the expected loss of the portfolio. The senior and mezzanine tranches are amortized on a pro rata basis, switching to sequential amortization in case of a subordination event, with the first loss tranche being subject to sequential amortization from the outset. Losses are first allocated to the excess spread and then to the tranches in reverse order of seniority. The transaction has a final legal maturity in 2035 and includes corporate loans.

The synthetic transaction “BAWAG Consumer 2024-2” is split into a senior, mezzanine and first loss tranche. The senior tranche, the first loss tranche and a minimum of 5% of each reference obligation are retained, while the credit risk of the mezzanine tranche is protected by a third-party investor via a CLN structure. In addition, the transaction includes a synthetic excess spread in the amount of the expected loss of the portfolio. The senior and mezzanine tranches are amortized on a pro rata basis, switching to sequential amortization in case of a subordination event, with the first loss tranche being subject to sequential amortization from the outset. Losses are first allocated to the excess spread and then to the tranches in reverse order of seniority. The transaction has a final legal maturity in 2034 and includes consumer loans.

The synthetic transaction “Start Mortgages 2025-1” is split into a senior, mezzanine and first loss tranche. The senior tranche, the first loss tranche and a minimum of 5% of each reference obligation are retained, while the credit risk of the mezzanine tranche is guaranteed by insurance companies. In addition, the transaction includes a synthetic excess spread in the amount of the expected loss of the portfolio. The senior and mezzanine tranches are amortized on a pro rata basis, switching to sequential amortization in case of a subordination event, with the first loss tranche being subject to sequential amortization from the outset. Losses are first allocated to the excess spread and then to the tranches in reverse order of seniority. The transaction has a final legal maturity in 2040 and includes residential mortgage loans.

The synthetic transaction “BAWAG Mortgages 2025-2” is split into a senior, mezzanine and first loss tranche. The senior tranche, the first loss tranche and a minimum of 5% of each reference obligation are retained, while the credit risk of the mezzanine tranche is guaranteed by insurance companies. In addition, the transaction

includes a synthetic excess spread in the amount of the expected loss of the portfolio. The senior and mezzanine tranches are amortized on a pro rata basis, switching to sequential amortization in case of a subordination event, with the first loss tranche being subject to sequential amortization from the outset. Losses are first allocated to the excess spread and then to the tranches in reverse order of seniority. The transaction has a final legal maturity in 2040 and includes residential mortgage loans.

The synthetic transaction “BAWAG Consumer 2025-3” is split into a senior, mezzanine and first loss tranche. The senior tranche, the first loss tranche and a minimum of 5% of each reference obligation are retained, while the credit risk of the mezzanine tranche is protected by a third-party investor via a CLN structure. In addition, the transaction includes a synthetic excess spread in the amount of the expected loss of the portfolio. The senior and mezzanine tranches are amortized on a pro rata basis, switching to sequential amortization in case of a subordination event, with the first loss tranche being subject to sequential amortization from the outset. Losses are first allocated to the excess spread and then to the tranches in reverse order of seniority. The transaction has a final legal maturity in 2035 and includes consumer loans.

The significant risk transfer pursuant to Article 245 (2) (a) Regulation (EU) 2017/2401 contributes to regulatory capital relief.

The investor securitization portfolio consists of collateralized loan obligations (CLOs) with risks mainly from Western and Northern European and US companies, as well as of private securitizations.

The CLO portfolio consists entirely of senior tranches with adequate subordination. Moreover, all positions in the portfolio are AAA-rated. The Group has established an Investment and Monitoring Policy, which represents the foundation for the risk management process for the CLO portfolio. The policy specifies criteria that must be assessed prior to an investment in individual CLO positions. It consists of both “must meet” and “should meet” criteria. “Must meet” criteria have to be fulfilled for a CLO investment to be approved. Any breach of “should meet” criteria must be appropriately assessed and documented. In addition, the policy determines the risk monitoring process, which is carried out on a regular basis after an investment has been approved.

Risk reporting also consists of quarterly risk reports prepared by Enterprise Risk Management & Analytics (EM) and submitted to the Credit Approval Committee (CAC) for acknowledgement.

Quarterly reports consist of an overview of the total CLO portfolio in which key risk parameters for individual positions are summarized. This includes the seniority, weighted average life (WAL), weighted average maturity (WAM), attachment and detachment points, subordination level, expected recovery value and so forth. Moreover, EM provides an overview of key parameters in comparison to the previous quarter, as well as the analysis of the underlying collateral. In addition, stress testing of individual CLO positions is performed as part of the quarterly reports.

The private securitization portfolio consists of investments in structured credit portfolios with underlying obligors in the US and UK, with predominantly residential transition loans (RTLs), as well as second lien mortgages amongst other assets. The portfolio consists entirely of senior tranches with adequate subordination.

The Group has a Retail Asset Linked Lending Standard policy which defines the criteria for extending credit to an entity and contains a specific focus on the due diligence requirements for a securitization structure as well as prudent underwriting of underlying exposures. The policy outlines the documentation/policies to be reviewed and also dictates data availability requirements to ensure appropriate ongoing monitoring of the credit quality and performance of underlying exposures. Pertinent items reviewed and analyses conducted are documented in the Credit Approval Committee (CAC) memo that is submitted for approval.

Monitoring of the underlying portfolios is carried out on a regular basis, tracking key metrics as applicable to each portfolio. These include, but are not limited to, attachment point and limit utilization, loan to value (LTV) and loan to after repair value (LT-ARV) ratios, credit score distributions, geographical spread and market/HPI trends in geographies of interest, as well as monitoring of the relevant covenants for each underlying portfolio.

Moreover, the monitoring also includes the stress testing of individual positions, which is carried out on a regular basis.

Article 449 point (c)—(g)

Risk-weighted exposure amounts for non-STS securitization are calculated in accordance with Article 254 (1) CRR, where BAWAG Group has chosen to apply the preference of SEC-ERBA (Art. 263 CRR) over SEC-SA (Art. 261 CRR) in line with Article 254 (3) CRR for securitization with external ratings.

Positions with no external rating from Moody's, Standard & Poor's or Fitch are calculated according to the segmentation of the underlyings under the SEC-SA approach (Art. 261 CRR) or the SEC-IRBA approach (Art. 259 / 260 CRR). Where a securitization position is assigned a risk weight of 1250%, the exposure value is deducted from CET1 in accordance with Article 36 (1) point (k) (ii). The excess spreads and first loss tranches of the synthetic securitization transactions are also deducted from the CET1 if they exceed the value adjustments of the underlying loans.

The Group does not provide any securitization-related services, such as advisory, asset servicing or management services. There are no SPEs included in the regulatory scope of consolidation.

The Group does not provide support to other legal entities. Therefore, this point is considered to be irrelevant.

There are currently no investments by affiliated institutions.

The securitized assets of the seven synthetic securitization transactions are on-balance sheet. No transfer or sale of the securitized assets took place and therefore no gains or losses on sales occurred.

The only impact on accounting from these transactions is on the profit and loss statement via the ongoing payment of the premium to the investor and in the case of losses to the protected tranches, the receipt of protection payments from the investor.

There were no assets assigned to "awaiting securitization".

Article 449 point (h)—(i)

Basically, the estimated ratings of Moody's, Standard & Poor's and Fitch are utilized for investment deliberations, regardless of the category of securitized exposure.

The Group has no disclosure obligations in accordance with Article 449 point (i) CRR, because it does not apply the internal assessment approach.

LEVERAGE RATIO

Article 451 (d)—(f) CRR

The leverage ratio represents the ratio between Tier 1 capital and the leverage exposure pursuant to Article 429 CRR, as specified by Delegated Regulation (EU) 2015/62. Essentially, the leverage exposure represents the sum of unweighted on-balance sheet and off-balance sheet positions considering valuation and risk adjustments.

As of 31 March 2025, the calculation was adjusted in accordance with the new requirements under CRR III, resulting in minor changes to the ratio.

Internally, the leverage ratio is calculated and reported on a monthly basis in the Capital Management Meeting (CMM) and Enterprise Risk Management (ERM), in which the Management Board is represented. The reporting also comprises a comparison of the current indicator value with the defined alert and recovery threshold levels. To manage the risk of excessive leverage, the recovery plan sets out procedures and processes for responding to changes in the leverage ratio, to be implemented if necessary.

No Pillar 2 Requirement (P2R) pursuant to Article 104(1) point (a) of Directive 2013/36/EU has been imposed by the competent supervisory authority to address the risk of excessive leverage.

As of 31 December 2025, BAWAG Group's leverage ratio amounts to 4.52%, remaining comfortably above the regulatory minimum requirement of 3%. In comparison to the prior year-end reporting date, the leverage ratio declined by 42 basis points. This development is primarily attributable to an expansion of the balance sheet driven by M&A activities as well as a reduction in Tier 1 capital resulting mainly from the redemption of AT1 instruments.

REMUNERATION POLICY DISCLOSURE

Article 450 (1) points (a)–(f) CRR

BAWAG Group has established a Remuneration Committee, which is set up as a Supervisory Board committee. The Remuneration Committee approves the Remuneration Policy of BAWAG Group and reviews the applied remuneration practices as well as the remuneration-related incentive structure. It is responsible for the determination of terms and conditions of contracts of Management Board members and the target determination and granting of bonuses for each Management Board member.

The Remuneration Committee approves the aggregate bonus pool for BAWAG Group and reviews the annual bonus allocation on a statistical basis. The Remuneration Committee consists of the deputy chairman of the Supervisory Board, who also chairs the Remuneration Committee, and five other Supervisory Board members, including two members of the Works Council. One member is an expert on remuneration and one is also a member of the Risk and Credit Committee. In 2025, 5 meetings of the Remuneration Committee were held. The Remuneration Policy applies to the members of the Management Board and the employees of BAWAG Group and is compliant with the provisions and principles of Directive 2013/36/EU (CRD IV) as amended by Directive 2019/878/EU (CRD V), the EBA guidelines on sound remuneration policies, the FMA circular on principles of remuneration policies and practices and the Austrian Banking Act.

Regarding the structure of remuneration, all remuneration and other benefits granted by BAWAG Group are qualified as either fixed or variable remuneration as defined by the regulatory framework. Criteria for fixed and variable remuneration are clear, objective, predetermined and transparent.

For employees whose activities have a material influence on the risk profile (identified staff), the Remuneration Policy provides for effective risk management. The assessment in this regard is carried out in accordance with the qualitative and quantitative criteria set forth in the applicable regulatory framework. Individual quantitative and qualitative targets for identified staff are agreed between the respective employee and the relevant manager.

In accordance with the above-mentioned legal framework, identified staff receive the bonus distributed over a period of five years and at least 50% in phantom shares (based on shares of BAWAG Group AG) or/and in shares, provided a certain amount of the variable remuneration is reached. The high proportion of (phantom) shares in the variable compensation for identified staff leads to a high level of alignment between the interests of the management and the shareholders focused on growth of the corporate value. Bonus awards granted to non-identified staff are deferred, provided the bonus award granted exceeds a certain amount. For risk and control function holders who are classified as identified staff, the process of target setting and target assessment differs from that of other identified staff, as KPIs or performance targets for the Group shall not be used. The targets have to be derived from the risk strategy and governance of BAWAG Group and the business unit, defined by the Chief Risk Officer together with responsible division heads. The Management by Objectives process (in which the line manager determines targets with the employee personally) serves as a quality check of the content of the targets. However, the compensation of staff in risk and control functions is decided regardless of the success of the business units they control. Malus and claw back provisions are in place in accordance with the regulatory framework.

In reviewing and deciding on any awards of variable compensation to members of the Management Board and employees, the Remuneration Committee takes into account the market situation and market trends, the appropriateness of bonus payments, the risk trends and the strengthening of the equity base.

The Remuneration Policy takes the statutory provisions into account as follows:

- To ensure risk adequacy, the variable remuneration must not incentivize entering into inappropriate risks.
- To ensure sustainability, success is determined based on a longer-term assessment. Bonus awards paid to identified staff consist of 50% cash and 50% phantom shares, and 40% to 60% of the bonus is paid up front, provided a certain bonus amount is reached. The remaining portion of a bonus award is deferred and vests over a period of five years.
- The appropriateness and market adequacy of remuneration are ensured, and a balanced relationship between fixed and variable components is achieved.
- The variable remuneration is determined on the basis of the individual's success as well as on the success of the respective organizational unit and BAWAG P.S.K. (other conditions apply for internal control functions).
- To ensure a gender-neutral remuneration scheme, BAWAG Group ensures an appropriate process in relation to the gender pay gap and will monitor its development over time.
- The results of internal and external audits, on-site reviews by regulators and the overall fulfillment of compliance requirements shall be used as a further indicator for individual bonus allocation.

Further information on remuneration-related topics is available in BAWAG Group's Consolidated Annual Report as well as the remuneration report.

APPENDIX (QUALITATIVE DISCLOSURE): BAWAG RISK REPORT OVERVIEW

Topic	Details	Qualitative disclosure, pages	Consolidated Annual Report, page	Other publications
General principles	Scope of consolidation and consolidation methods	9–11	39–40	
Risk management	Group-wide risk management	12–19	23–24, 141–143	
	Internal capital adequacy assessment process and Group-wide stress test	19–24	143–145	
	Capital allocation and limitation at total Bank level	24–25	8-10	
Credit risk	Objectives and principles	26–28	141–142, 145–151	
	Counterparty default risk – Treasury	29–31	41–45	
	Credit risk mitigation	31–33	145–146, 150–151, 158	
	Value adjustments and reserves	34–36	151, 159–169	
	Rating systems and rating processes	36–41	149–151	
Market risk	Objectives and principles	42–44	141–142, 168–170	
	Market risk under the standardized approach	44	169–174	
	Internal models for limitation of market risk	44	169–174	
	Interest rate risk from positions not held in the trading book	44–49	169–174	
Operational risk	Strategies, processes and management	50	176–177	
	Structure and organization	50	176	
	Risk measurement systems	51–52	141–142, 176–177	
	Risk reporting framework	52–53	177	
	Risk hedging and mitigation	53	176–177	
	Own fund requirements	53	177	
Environmental, social and governance risk	Strategy, processes, governance and management	64–73	177	BAWAG Group website
Other risks	Liquidity risk	54–60	141–142, 174–176	
	Concentration risk	61–63	143–145, 154–156, 174	
	Risk of money laundering and financing of terrorism	74–76	23	
	Residual risk from techniques of credit risk mitigation	77–78	145	
	Macroeconomic risks	79–80	143–146, 162–164	
Additional	Participations not held in the trading book	81–82	44–46, 171–172	
	Securitizations	83–85	150–151	
	Leverage ratio	86	9, 100	
	Remuneration policy disclosure	87–88	124–125, 187	
	About BAWAG Group		6–13, 21–28	BAWAG Group website
	BAWAG Group on the stock market <ul style="list-style-type: none"> • Investor Relations • Share Information • Ratings 		25–26	BAWAG Group website
	Funding		9, 11–13, 21–22, 180–181	BAWAG Group website
	Corporate governance		27, 187–188	BAWAG Group website