EARNINGS CALL TRANSCRIPTION

Q2 2026 RESULTS

21 July 2026 at 10:00 CEST

SPEAKERS:
ANAS ABUZAAKOUK
ENVER SIRUCIC

Jutta Wimmer:

Good morning, everyone. Before we start with the call, let me remind you of the following. As you know, on 14th April, we announced that BAWAG had entered into recommended transaction to acquire 100% of PTSB. That transaction remains ongoing and is subject to a shareholder, High Court and regulatory approvals. As the transaction is regulated by the Irish Takeover Rules, we are restricted in the information we can provide on this call, and as a result, we will not take any questions in relation to the PTSB transaction.

With that, I will hand over to Anas, our CEO.

Anas Abuzaakouk:

Thank you, Jutta. I hope everyone is keeping well. I'm joined this morning by Enver, our CFO. Let's go ahead and get started with the summary of second quarter results on slide three.

We delivered net profit of €255 million, EPS of €3.28, and return on tangible common equity of 29% during the second quarter. The operating performance of our business remains very strong, with core revenues of €590 million, up 8% versus prior year, pre-provision profits of €413 million and a cost/income ratio of 31%.

We continue to realise the benefits of investments over the years as we build out a pan-European and US banking group. Total risk costs were €75 million, translating into a risk cost ratio of 54 basis points. We havde a low NPL ratio of 90 basis points and continue to see solid credit performance across our businesses.

In terms of our balance sheet and capital, average customer loans and average customer funding were flat quarter-over-quarter. We have a fortress balance sheet with €14.5 billion in cash, equal to approximately 20% of our balance sheet, and LCR of 217%, an overall strong asset quality.

During the first half of the year, we worked diligently to ensure we positioned ourselves to fully self-fund the PTSB transaction. For the first half of the year, we landed on a CET1 ratio of 17.4%, translating into over €1 billion of excess capital and 40 basis points above the target CET1 ratio of 17% required to self-fund the deal.

We remain incredibly excited about the opportunity to acquire PTSB, which represents a pivotal step in our commitment to the Irish market. We started this process in November 2025 when we made a strategic decision to enter the announced public auction. We spent six months performing due diligence as part of a highly competitive and public auction process that required thorough analysis, planning and coordination to put our best foot forward.

Post the announcement of the transaction, we have been working hard to prepare ourselves and have spent significant amount of time with regulators, the PTSB Board and other stakeholders to introduce ourselves, our business and outlining our plans in Ireland.

We look forward to the next milestone with the PTSB shareholder vote scheduled at the end of the month, and subject to the satisfaction of the remaining conditions expect closing of the transaction in the fourth quarter of this year or the first quarter of 2027.

If the PTSB transaction is approved, this will represent our 15th acquisition since 2015 as M&A is a key plank of our strategy. In that time, we have always prided ourselves on being a serious, committed and disciplined buyer. PTSB would represent our first public company acquisition with different dynamics but never changing our approach. We hope to capture all the learnings over the past decade to ensure a successful integration, leveraging best practices as we continue to adapt and improve our approach.

The trust and confidence placed in us by the PTSB Board, the Minister for Finance of Ireland as the bank's majority shareholder and long-term shareholders who supported PTSB over the years, is something we take very seriously and are keen to demonstrate our capabilities and contributions.

Ireland is a very attractive market with all the ingredients for successful banking, pro-growth economic policies, rich in human capital, and a bridge to the EU, the UK and the US.

We aim to drive competition through significant investment in innovation, supporting PTSB's customers, and more broadly, the Irish economy, while delivering long-term sustainable growth. We plan to provide an updated mid-term outlook with full-year earnings, assuming a successful closing of the PTSB transaction, which is subject to shareholder and regulatory approvals. Excluding any potential PTSB impact, we reconfirm all of our 2026 targets with net profit over €960 million, return on tangible common equity over 20% and a cost-income ratio under 33%.

With that, I'll hand it over to Enver.

Enver Siručić:

Thank you, Anas. I will continue on slide four.

Capital development of reported CET1 ratio landed at 17.4%, equal to €1.05 billion of excess capital above our CET1 target of 12.5%. This factors in the sale of a minority investment that closed in the second quarter of this year. We generated 112 basis points of capital from earnings, and we also completed one credit card SRT transaction. We have not made any dividend accruals in the first half, and this puts us in a position to fully self-fund the planned acquisition, subject to shareholder, High Court and regulatory approvals.

On slide five, as of today, we anticipate that the transaction will cost us approximately 450 basis points of CET1 capital, which means that we need to be above 17% to meet our management target of 12.5% post transaction. Our starting point as of year-end was 14.6%, and we generated 285 basis points in the first half of 2026 through earnings, RWA measures and a temporary change in dividend policy, and landed at 17.4% CET1 ratio. And with that, we are fully funded for the transaction.

In terms of timeline, the next relevant milestone is the PTSB shareholder scheme vote that will take place on July. And in terms of CET1 targets, these remain unchanged at 12.5% or above 13% for access capital distributions.

Moving now to slide seven, our P&L and balance sheet overview. We delivered a strong quarter with net profit of €255 million and a return on tangible common equity of 28.7%. Core revenues increased by 2% quarter-on-quarter, with net interest income up 2% and net commission income up 3%.

Operating expenses declined by 2% in the quarter, resulting in a cost-to-income ratio of 31%, in line with our through-the-cycle target of below 33%. Risk cost of €75 million, €10 million higher versus prior quarter, largely driven by macro and asset mix.

The tax rate was unusually low this quarter at 23.1%, including a positive one-off effect from the sale of a minority investment, while we expect it to return to prior levels for the remaining quarters.

In terms of balance sheet, customer loans and customer deposits were flat quarter-over-quarter. Tangible common equity increased by 8%, not including any dividend accrual for 2026. We continue to maintain a fortress balance sheet with €15 billion in cash, representing approximately 20% of total assets and LCR of 217%, and a strong asset quality reflected in a low NPL ratio of 90 basis points.

Moving to slide eight. Net interest income increased by 2% in the quarter, with customer loans flat in Q2 '26 and supported by continued positive trend in unsecured consumer lending, including credit cards. Mortgage volumes remained subdued. Net interest margin at 348 basis points, reflecting an ongoing change in asset mix, while the deposit beta decreased to 31%.

NII rate sensitivity is unchanged. Every 25 basis points increase, delivers €25 million per year after 12 months and €50 million per year after 24 months.

Net commission income increased to €102 million, with continued strong results across business lines of Retail & SME, particularly in credit cards and payments. For the rest of the year, we expect net interest income to grow gradually and a stable development in net commission income.

On slide nine, operating expenses amounted to €185 million, representing a 2% quarterly decline, with a cost-income ratio of 31%. We continued to deliver on synergy and efficiency measures across the larger Group, while the second quarter also includes the new collective bargaining agreement in Austria of plus 3%.

We are well on track to achieve our full-year outlook of an annual decrease of 5%. Risk cost for the quarter came in at €75 million, up €10 million versus prior quarter. The increase reflects continued growth in higher-yielding unsecured lending, including credit cards, together with updated macroeconomic assumptions. Importantly, underlying credit performance remains strong, with stable delinquency trends and an NPL ratio of just 90 basis points. Given the expected continuation of these dynamics, we now expect a full-year risk cost ratio of around 50 basis points.

Slide ten, Retail & SME. The segment delivered net profit of €215 million, a return on tangible common equity of 36.5%. Pre-provision profits amounted to €364 million, 7% higher than the previous quarter. Risk cost amounted to €75 million, corresponding to 77 basis points driven by the asset mix change and macro update, while credit quality remained solid with an NPL ratio of 1.4%. We expect continued growth across the franchise.

On Corporates, Real Estate and Public Sector, the segment delivered net profit of €40 million, with a return on tangible common equity of 27.8%. Our focus remains unchanged on disciplined underwriting and risk-adjusted returns.

Finally, slide 11. We are entering the second half of the year from a position of strength. Profitability remains robust. Capital generation continues to be strong, asset quality is resilient, and we remain on track to deliver our 2026 net profit target of more than €960 million, while preparing for the next phase of growth through the planned acquisition of PTSB.

And with that, operator, let's open the call for Q&A. Thank you.

Operator:

Thank you. To ask a question, you will need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. We will now go to your first question. One moment, please. And your first question today comes from the line of Gulnara Saitkulova from Morgan Stanley. Please go ahead.

Gulnara Saitkulova (Morgan Stanley):

Good morning. Thank you for taking my questions. So my first question is on risk-weighted assets. You reported almost €1.4 billion reduction in risk-weighted assets this quarter. Could you walk us through the key drivers behind that reduction? Should we assume that the majority of it was attributable to the credit card SRT executed in Q2, or were there any other meaningful factors that contributed?

And looking ahead, is it fair to assume that risk-weighted assets have now bottomed out and will begin to grow from here? Have you largely completed your capital management initiatives, SRTs, or do you think there will be still further scope for RWA optimisation?

And finally, could you help us understand the P&L impact of the executed SRTs, and how should we think about the earnings implications of those deals going forward?

Anas Abuzaakouk:

Enver?

Enver Siručić:

Yes. Good question. On the risk-weighted assets decline, it is mostly driven by the SRT. You see this also reflected in the segmental numbers. So it's really in the Retail and SME segment. It's roughly €1 billion decline that was coming from that transaction.

In terms of outlook, I think consistent with what we said in the past. Obviously, we'll look at more measures to do in the future.

But at this point in time, we can't really share any more details on that.

Gulnara Saitkulova:

And the P&L impact from the measures that you have concluded?

Enver Siručić:

That is the €1 billion that I mentioned of the credit card SRT in the second quarter.

Anas Abuzaakouk:

P&L impact. She's saying the P&L.

Gulnara Saitkulova:

And from this €1 billion reduction, do we – should we expect any P&L impact from that going forward?

Enver Siručić:

Yes. There is an ongoing P&L impact that we have in the NII line and the risk cost line. In this specific one, it would be reflected in the NII line, and that's already fully reflected in our guidance.

Gulnara Saitkulova:

Okay. And another question on the capital. So without asking you to provide a formal target today, can you help us understand the framework that you're using to determine the capital level for the Irish Bank? Because looking at the peers, they're operating on 14%, 14.5% CET1. Should investors think of that as the right starting point for your subsidiary, or do you believe the business can operate efficiently with a lower capital requirement over time? Any early thoughts on how you're thinking about it would be helpful.

Anas Abuzaakouk:

It's really hard to – the line is really, I think, difficult to make out the question, but I think it was a question around the capital levels of PTSB. Unfortunately, we can't comment on anything specific to PTSB. So you're going to have to be patient on that one. But appreciate the questions for now. Thank you.

Gulnara Saitkulova:

Thank you.

Operator:

Thank you. Your next question today comes from the line of Gabor Kemeny from Autonomous Research. Please go ahead.

Gabor Kemeny (Autonomous Research):

Morning. Thank you. One on deposits. I noticed that your deposit levels were flattish in Q2. Can you comment on the competitive situation on deposits in your markets, including in Austria, please? And my other question would be PTSB. Are you aware of any processes which may have the potential to delay the deal completion? Thanks.

Anas Abuzaakouk:

Gabor, I'll take the PTSB. Unfortunately, we can't answer anything specific to PTSB or the transaction. I think our statements speak for themselves. And for the deposit?

Enver Siručić:

Yeah. So Gabor, on the deposit levels, very similar to what we have seen in Q1 and also in the prior year. So actually across the different markets and different franchises that we have, our core deposits are flat or actually up a bit.

There are two elements. If you look at the German online deposit market, that is something that we decided actually to let run off, given the nature of it and also the higher cost. So that's the one offset to it. And the other one, we see a bit of an increased competition in the non-retail part, especially in the money market, deposit market, as well as the competition that we see from the government in Austria with the Bundesschatz offer.

Gabor Kemeny:

Did this have a meaningful impact on your pricing yet?

Enver Siručić:

No. No real impact on the pricing. Again, it's just an offset of the growth that we have seen in the core franchise. So that's why you see an overall flat development, but no change to pricing.

Gabor Kemeny:

Understood. Thank you.

Anas Abuzaakouk:

Thanks, Gabor.

Operator:

Thank you. We'll now go to the next question. And your next question today comes from the line of Hugo Cruz from KBW. Please go ahead.

Hugo Cruz (KBW):

Hi. Thank you for the time. I have a couple of questions. So first on core revenues. I was wondering if you could give more granularity on the targets. For example, it seems to me that on the current run rate, you could deliver an NII of around €1970 or even above, fees of around €400 million. Is that something you agree with?

And then related to that, did you slow down – so you've done the SRT. But I was wondering, did you slow down your loan growth this quarter to support the capital creation for the PTSB deal? And where, if that happened?

And then a final question on the cost of risk. If you could give more detail on the macro assumptions that you took for the top-up. I'm wondering if oil price stays at this level by year-end, if you have to do another top-up by – with the Q4 results. Thank you.

Anas Abuzaakouk:

So thank you, Hugo. Good questions. Let me start with the RWA development. We have been very diligent in managing RWAs in the first half, obviously with the pending transaction. I think we've been pretty transparent about that.

Has it impacted our business in terms of pursuing business? No, we never – the reality is markets are pretty frothy. We actually got redeemed out of a number of positions in the second quarter on some of the transactional lending, in particular in real estate, and a few corporate positions. But no, it wasn't an active deflection of volume.

We do have a good pipeline that hopefully materialises, but I feel like I'm a broken record, always saying we have a good pipeline. People continue to do, I think, really aggressive and at times irrational things on the lending side. So – but we'll be patient and disciplined. And we communicated where we are as far as our targets and being able to deliver that. So we feel good. And for revenue?

Enver Siručić:

Yeah. I'll take it before I take the macro assumptions. Currently is – yeah, I would agree with you, Hugo. I think it's quite realistic, the numbers that you said with €1970 million for full-year NII, and €400 million for the NCI. It probably becomes – if you extrapolate the numbers and the trends, that's where it probably will get at for the full year. So yeah, very realistic.

Macro assumptions, just a regular prudent update that we do on macro reflecting also the stagnation that we are seeing across the markets, especially in the lower GDP growth in Austria and the adjacent markets.

Hugo Cruz:

Okay. Thank you.

Anas Abuzaakouk:

Thanks, Hugo.

Operator:

Thank you. Your next question today comes from the line of Mate Nemes from UBS. Please go ahead.

Mate Nemes (UBS):

Yes. Good morning. Thank you for the presentation. I have a few questions. The first one would be on the risk cost guidance revision to 50 basis points. I just wanted to confirm this is simply the reflection of the additional macro provisions you put in place in Q2, or is there an element of perhaps some mix shift towards credit card and broadly consumer lending?

The second question is on loan growth. And I hear you about the promising pipeline on the corporate side. Can you talk a little bit about the volume trends and product trends in retail and also perhaps on a country-by-country basis? That would be helpful.

And lastly on deposits or deposit betas. You were down 4 percentage points sequentially. Could you talk about your expectations going into H2? Should we assume a broadly stable development here? Thank you.

Anas Abuzaakouk:

I guess we've got risk cost guidance, volume trends, betas. You want me to do the volume trends and then you can…

Enver Siručić:

Yeah.

Anas Abuzaakouk:

Thanks, Mate. I'll take the volume trends. If we could kind of again just go around the world or just around the horn as far as in different products. Corporates and real estate, I think in public sector, for that matter, it's a continuous trend and theme over the past few quarters. And I think that's going to probably be reflected in the second half. We do have a pretty decent pipeline, but you do see periods of – I think there's periods of opportunities, but in large part, I think it's a pretty frothy market and we're going to just continue to be disciplined.

And I know you asked about the Retail & SME. I'd say there's a tale of two worlds there. On the mortgage side, the volumes have been pretty muted. And that's actually not even country-specific. Some countries are, I think, more aggressive than others, but the general theme is as we look at the world right through just credit spreads, they're pretty thin across the different jurisdictions. And there's pockets of opportunity, but I think you'll see the first half development of mortgages, I think that will continue in the second half.

On the consumer & SME side, which is really the credit cards, consumer loans and speciality finance, which is leasing and factoring, that's actually gone quite well, probably better than expected, and that's probably offsetting the muted nature of mortgages. And that in large part is the credit card business in Germany, easybank Germany, that's going great.

And consumer loans, we're seeing pockets of opportunity as well as in the speciality finance in the DACH region. So I think all in all, that's pretty much the overall trend which is no different than what we saw in the first quarter. And I think that you'll continue to see that in the second half of the year as well.

Enver Siručić:

So Mate, the risk cost guidance of 50 basis points. This is less a reflection of the macro update. It's more a reflection of the changing asset mix that we have seen the last, I think, probably three or four quarters. So what happens there is we see muted mortgage demand and also development, while we see an increase of higher yielding consumer unsecured and especially credit card business. And that comes obviously with a stronger top line. But there's a front-loading of the ECL effect which drives the risk cost ratio higher. That's really mainly the driver behind the updated guidance of the 50 basis points.

On the second one on deposit trends and betas, so I would expect that deposits will probably remain quite stable in the second half of the year. I would expect technically deposit betas to come down more as a function of higher rates and the rate hikes. Long term, we always said we see stable deposit betas more around 35%. So it might be unnaturally low in the second half given the recent rate hikes and the ones to come.

Operator:

Thank you. We will now go to the next question. And your next question comes from the line of Amit Ranjan from JP Morgan. Please go ahead.

Amit Ranjan (JP Morgan):

Yes. Hi. Good morning, and thank you for taking my question. I have one, please, on costs. How should we think about the second half? Should we still expect a declining trajectory? Are there any particular moving parts there that we need to keep in mind here, please? Thank you.

Anas Abuzaakouk:

Thanks, Amit. The trend will continue. We made the comment, Amit, that these are not investments in any particular quarter. These are investments over the years. And obviously, the integrations are bearing fruit in terms of a number of actions that were taken over the past year and a half. So these are things that you – there's such a long lead time that you should be able to accurately forecast kind of your cost development and have a good grip on it. So this – the trend will continue in the coming quarters.

Amit Ranjan:

Thank you.

Anas Abuzaakouk:

Thanks, Amit.

Operator:

Thank you. Your next question today comes from the line of Chris Hallam from Goldman Sachs. Please go ahead.

Chris Hallam (Goldman Sachs):

Yeah. Morning, everybody. Two quick ones. Just the first on asset productivity. If I look at revenues to RWAs in the second quarter, that was probably the biggest jump in terms of the percentage there in the past two to three years. Is that a reflection of mix changes, or is that probably just the timing of the SRT when, in fact, the RWA number came down in the quarter? Because obviously looking at a quarter number there versus end quarter number for revenues. So just RWA productivity on the first question.

Second, it's a bit of a mechanical one around the dividend guidance. So I'm just trying to figure out for the full year, should we be prioritising the greater than €960 million guidance or the H2 guide of around €500 million? Because obviously that would get us closer to €990 million. Thank you.

Anas Abuzaakouk:

Yeah, I've got to be honest, I've never looked at revenues to RWAs, so that's – maybe I should start looking at that metric. But I think you answered the question because I think you said it's at a point in time. I think, Chris, is probably more a reflection of that. But in all honesty and transparency, we don't really look at that metric in terms of how we manage our business.

Enver Siručić:

Yeah, it's more cyclical I think. As Anas said, we don't look at it, but it's – I'm quite sure it's driven by the SRT that we have done.

Anas Abuzaakouk:

It's just point in time.

Enver Siručić:

Just point in time. The second one, I think there was about dividend and the guidance for the second half. Yeah, we gave a guidance of around €500 million net profit for the second half. And how to think about it, it's the same as we announced in Q1. So we can go up to the €500 million in terms of net profit, as long as we stay above 12.5% in terms of CET1 ratio. These are the two guardrails that we will follow.

Chris Hallam:

Okay. Thank you.

Operator:

Thank you. Your next question today comes from the line of Jordan Bartlam from Mediobanca. Please go ahead.

Jordan Bartlam (Mediobanca):

Good morning, and thanks for taking my questions. The first one on fees, if possible. The fee income in Retail & SME continues to show really attractive growth profile, just running around 15% year-on-year currently. I just wonder if you could a little bit of an update on the drivers of that strong growth progression, and whether that's in line or better than you had anticipated, and whether it's feasible to maintain that rate of growth going forwards.

And then maybe a quick one on litigation risk as well. So last year there was the adverse Supreme Court ruling on processing fees.

And we had the refund programme, I think expired at the end of first quarter. There seems to be a little bit more noise now on trailing commissions with regards to investment accounts. I just wonder if you could give a little bit of an update on litigation risks where you see it, whether that trailing commissions piece is a material risk for the bank. And any other colour you could give would be super helpful. Thank you so much.

Enver Siručić:

I'll cover the NCI part. So the trend line was very strong versus last year as you said. But also to be fair, that was largely driven by the acquisitions that we made in Knab and Barclays Consumer Bank, now easybank in Germany. That is a big driver of that. We do see a strong underlying trend, not as strong as you would compare year-over-year, but in general, payments, cards and advisory and brokerage business has been strong. We would expect that trend to continue, but not at the same pace as of last year.

The second question was more about general litigation risk. My view on that, I think it's the new normal. I think you will see more of these consumer protection litigation topics coming up. How we look at it and probably from a financial perspective, it's in the numbers. So it's reflected in the numbers. We don't really point it out, but it's all in the underlying financial performance, and probably you would expect that to happen in the future as well.

Jordan Bartlam:

Thanks a lot.

Enver Siručić:

Thanks, Jordan.

Operator:

Thank you. Your next question comes from the line of Jovan Sikimic from Oddo BHF. Please go ahead.

Jovan Sikimic (ODDO BHF):

Yeah. Thanks a lot, and good morning. Thanks for the presentation. Just a minor question on asset quality. I think you mentioned in the morning this single case in the corporate segment I think. But maybe, overall, if you can give a bit of a colour about the asset quality development overall, particularly on the commercial real estate side, if there was any change, either positive or negative.

And the second question would be on – there was a temporarily, I think, lower tax rate in Q2. And so I think this should reverse back to normal levels going forward, right?

Enver Siručić:

Yeah, that is correct. It was exceptionally low because we had the sale of the minority investment in the second quarter that was tax-free. That's why the overall tax rate came down. We would expect the tax rate to go up to the prior levels for the rest of the year.

And the second on asset quality, not really much to add. So underlying trends are really robust and metrics look really good. Especially on real estate, I don't think we have seen any negative surprises over the last, probably 12 to 24 months. So things are good.

Jovan Sikimic:

Great. Thank you.

Operator:

Thank you.

Anas Abuzaakouk:

Thanks.

Operator:

We will now take our final question for today. And the final question comes from Tobias Lukesch from Kepler Cheuvreux. Please go ahead.

Tobias Lukesch (Kepler Cheuvreux):

Good morning. Quickly touching back on the risk cost development. So you're guiding for 50 bps. So you were a bit higher this quarter. How much basis points was there for a kind of one-off booking? And understanding the SRTs, you just mentioned that, so the premium is booked in the NII and part of the outlook. Earlier, I thought I remembered that you were booking part of that in the risk cost. So could you please remind me of your SRT exposure and how this is now split between these P&L lines, or if you have made any changes to that? Thank you.

Enver Siručić:

Yeah. On the first one, on the risk cost line. So we had an increase of €10 million in this quarter in terms of risk costs. And they're actually half driven by macro, which is non-recurring in nature. And probably half of the effect was coming from the asset exchange that is recurring in nature. And as long as the trend continues, which is a good trend that we're doing more high-yielding consumer business, that trend will continue. That's why we updated the overall guidance of 50 basis points.

On the SRT, yeah, that is a bit confusing, unfortunately. So the unsecured SRTs, i.e., consumer credit cards and the likes, they are booked in NII given the CLN structure of the deal, and everything else, so mostly the mortgage part is under the risk cost line. And then the risk cost line I believe it's around €5 million of the €75 million that is tied to SRT cost.

Tobias Lukesch:

Thank you. And how much would it be in the NII line as a premium?

Enver Siručić:

I don't have it on top of my head, Tobias. We will come back to you on that.

Tobias Lukesch:

Okay. Thank you very much.

Operator:

Thank you. I will now hand the call back to Anas for closing remarks.

Anas Abuzaakouk:

Thank you, operator. Thank you, everyone, for joining our Q2 earnings call. We look forward to catching up with you in the weeks and months ahead and hopefully for third quarter results. Take care. Have a nice day.

Operator:

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