

EARNINGS CALL TRANSCRIPTION

Q3 2026 RESULTS

19 October 2026 at 10:00 CEST

SPEAKERS:

ANAS ABUZAAKOUK

ENVER SIRUCIC



Introduction

Jutta Wimmer

Head of Investor Relations & Communications, BAWAG Group

Good morning, everyone. Before we start with the call, let me remind you of the following. In regards of the planned transaction of Permanent TSB, be reminded that the transaction is regulated by the Irish takeover rules, and therefore are restricted in information we can provide on this call. As a result, we will not take Q&A in relation to the PTSB transaction, and any updates will be communicated for regulatory announcements.

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

Q3 '26 Highlights

Anas Abuzaakouk

CEO, BAWAG Group

Highlights Q3 '26

Thanks, Jutta. I hope everyone is doing well this morning. I am joined by Enver, our CFO. Let us start with the summary of third quarter results on slide three.

We delivered net profit of €248 million, EPS of €3.18, and a return on tangible common equity of 27% during the third quarter. The operating performance of our business was very strong, with core revenues of €599 million, up 8% versus prior year, pre-provision profits of €425 million, and a cost-to-income ratio of 30%.

We continue to realise the benefits of investments over the years as we build out a pan-European and U.S. banking group.

Total risk costs were €79 million, translating into a risk cost ratio of 56 basis points. We have a low NPL ratio of 1% and continue to see solid credit performance across our businesses. In terms of our balance sheet and capital, average customer loans were flat, and average customer funding was down 1% quarter-over-quarter.

We have a fortress balance sheet with €13 billion of cash, equal to approximately 19% of our balance sheet, an LCR of 197%, and overall strong asset quality. During the first three quarters of the year, we worked diligently to ensure we positioned ourselves to fully self-fund the PTSB transaction. As of the third quarter, we landed on a CET1 ratio of 17.1%, translating into over €1 billion of excess capital required to self-fund the deal.

We have invested considerable time and resources in the PTSB transaction, and we look forward to the upcoming High Court decision at the end of the month in receipt of the remaining regulatory approval. We started this process in November of 2025 when we made a strategic decision to enter the announced public auction. We spent six months of due diligence as part of a competitive auction process that required thorough analysis, planning, and coordination, and we were pleased to emerge from that process as the successful bidder.

After the signing of the transaction and subsequent shareholder approval in July, we have spent a significant amount of time communicating with regulators, the PTSB Board and leadership team, and many other stakeholders introducing ourselves and our business. Our goal has been

to listen, learn, and prepare for a smooth and seamless integration. We are confident in having put our best foot forward, being patient, staying disciplined, working constructively and transparently at every stage of the process, all while rising above the noise.

If the PTSB transaction is approved, this will be our 15th acquisition since 2015. Acquisitions are a key plank of our strategy as we continue to build a pan-European and U.S. banking group with the capabilities and scale to effectively compete and deliver sustainable results long into the future. PTSB would be our first public company acquisition with different dynamics, but always staying consistent to our principles.

We focus on delivering results through our actions and avoiding empty slogans and self-promotion, as our actions speak louder than our words.

We have been consistent about our views of the Irish market and key focus. Ireland is one of the most attractive markets across Europe, 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 U.S.

We aim to drive competition through significant investment and innovation, supporting PTSB's customers, and more broadly, the Irish economy while delivering long-term sustainable growth. We are excited to get to work and embrace the journey ahead.

We will provide an updated mid-term outlook with full-year earnings, assuming a successful close of the PTSB transaction. 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-to-income ratio under 33%.

Capital development

Moving to slide four. As far as capital development, our reported CET1 ratio landed at 17.1%, equal to over €1 billion of excess capital above our CET1 target of 12.5%. This puts us in the position to fully self-fund the PTSB acquisition, which requires approximately 450 basis points of capital, subject to High Court and regulatory approvals.

We generated 116 basis points of gross capital from earnings during the third quarter. RWA growth accounted for approximately 30 basis points of capital, reflecting the changing asset mix and growth in our Consumer & SME business, which has been on a positive trajectory the past few quarters.

We also restarted our dividend accrual, accruing 100% of earnings in the third quarter, equal to €248 million of net profit or €3.21 per share, and plan to do the same for the fourth quarter as well.

With that, I will hand it over to Enver.

Q3 '26 Detailed Financials

Enver Sirucic

CFO, BAWAG Group

Financial Performance & Balance Sheet Overview

Thank you, Anas. Moving to slide six, our P&L and balance sheet overview.

We delivered a strong third quarter with net profit of €248 million and a profit before tax of €335 million. Net profit was down 3% versus prior quarter due to a positive tax effect in the second quarter, following a participation sale, while profit before tax was up 1%.

Return on tangible common equity was 27%, based on a current CET1 ratio of 17.1%. Core revenues amounted to €599 million, up 8% versus the prior year and 2% versus prior quarter, while pre-provision profits reached €425 million.

The cost-income ratio was below 30%, with synergy gains materialising faster than anticipated. Risk costs amounted to €79 million, translating into a risk cost ratio of 56 basis points, reflecting the changing asset mix. Underlying credit performance remained solid, with an NPL ratio of 1%.

Earnings generated 116 basis points of gross capital during the third quarter, supporting a reported CET1 ratio of 17.1%. We also resumed the dividend accrual at 100% of third quarter earnings, which is already deducted in the CET1 ratio.

In terms of balance sheet, average customer loans were flat and average customer funding declined by 1% quarter-over-quarter. We continue to maintain a fortress balance sheet with €13 billion in cash, representing 19% of total assets and an LCR of 197% and a strong asset quality.

Core revenues

Moving to slide seven, core revenues. Net interest income increased by 2% in the quarter, with customer loans flat in Q3 '26 and supported by continued positive trend in consumer and SME, including credit cards. Mortgage volumes remain subdued. Net interest margin at 350 basis points reflects the ongoing changing asset mix, while the deposit beta decreased to 28%.

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 with a stable development at €102 million, results across business lines of Retail & SME continue to perform well. For the fourth quarter, we expect net interest income to grow gradually at a stable development in net commission income.

Operational expenses & risk cost

On slide eight, operating expenses amounted to €181 million, representing a 2% quarterly decline with a cost-income ratio of below 30%. Our initiatives across the Group developed better than anticipated, therefore expect to outperform our outlook.

Risk costs for the quarter came in at €79 million, up €3 million versus prior quarter. The increase reflects continued shift in asset mix toward higher margin consumer and unsecured lending. Importantly, underlying credit performance remained strong with an NPL ratio of just 1%.

Segment financials

On slide nine, the Retail & SME segment delivered net profit of €280 million, a return on tangible common equity of 35.8%. Pre-provision profits amounted to €379 million, 4% higher than the previous quarter.

Risk costs amounted to €75 million or 77 basis points, driven by the asset mix change, while credit quality remained solid with an NPL ratio of 1.6%. We expect continued growth across the franchise.

On Corporates, Real Estate & Public Sector, the segment delivered net profit of €35 million, with a return on tangible common equity of 23.2%. We saw more redemptions in the quarter, but our focus remains unchanged on disciplined underwriting and risk-adjusted returns.

2026 outlook & targets

Finally, on slide 10, we are entering the last quarter of the year. Profitability remains robust, capital generation continues to be strong, asset quality is resilient, and we remain on track to deliver our 2026 targets while preparing for the next phase of growth through the planned acquisition of PTSB.

As mentioned earlier, we will provide updated mid-term targets with our full-year results in February.

With that operator, let us open the call for Q&A. Thank you.

Q&A

Gulnara Saitkulova (Morgan Stanley): The first question on the deposit momentum and NII. Can you please unpack the key drivers behind the deposit outflows with the Corporates, Real Estate & Public Sector down 26% year-on-year and Retail & SME down 2%? Where are you seeing the most intense competition across products and geographies for the deposits? Looking ahead, where do you expect the deposit volumes to stabilise by segment, and how should we think about the pricing trends across key products?

Related to that, to what extent can the shift towards high yielding lending offset funding pressures and support NII growth? And when should we expect the benefits from this asset mix shift to become visible in NII?

The second question on risk-weighted assets. How should we think about the risk-weighted assets growth relative to organic growth going forward, particularly as the portfolio shifts towards high risk assets? Do you expect the resulting capital headwinds to persist going forward? What levers could you pull to mitigate the impact on capital generation?

Anas Abuzaakouk: Okay, great. Hi, Gulnara. That was a lot to digest. Enver?

Enver Sirucic: Yes, let me take the first question. I think you asked about the deposits momentum, the outflows. So more of the same that we have seen in the past. It is mainly two products. One is the online German deposit business. We decided a few quarters ago not to compete in the market because we think it is overpriced, and we are still seeing outflows in that segment.

The second one is the Austrian public sector deposit base, where the competition comes from the Austrian Bundesschatz, so the government offer, which is, again, above and that is why we decided not to compete. But all the other franchises, all the other deposits are quite stable or growing.

You ask about stabilisation. Well, I think once that normalises, but we see already lower outflows compared to the prior quarters in that segment.

The second block of questions was about asset growth, I guess, and also RWAs. Yes. Is that right, Gulnara?

Gulnara Saitkulova: Yes, correct. If you look about the moving parts of NII, to what extent the shift towards high-yielding lending to unsecured lending can offset these funding pressures and support the growth.

Enver Sirucic: Yes. On the Consumer & SME side, we will see that trend continuing. It was quite stable over the last couple of quarters. What is harder to predict is mortgages. We did expect more growth this year, but competition was really very intense in terms of pricing levels. That is why we stayed very patient, and that is why you see a small decline there.

Also in Q3, we had more redemptions in the non-retail segment, especially on the real estate. Again, it depends on the overall market. For us, nothing changes. We will be disciplined and will not chase volumes in a particular quarter, but more have a look at it from a long-term perspective.

Gulnara Saitkulova: And when it comes to risk-weighted assets?

Enver Sirucic: Well, it will grow in line with the asset development. The only thing that we have not disclosed is obviously that we are working on different measures, including SRTs, to potentially offset these.

Gulnara Saitkulova: So you do not expect these headwinds to persist going forward, that you had the 30 basis points headwind that we saw from the mix shift. So you expect this to phase out, essentially, to not persist going forward?

Enver Sirucic: No, it is the same. As long as we have that asset mix change, you will see high front-book RWA density, obviously, given the mix of the assets. The only thing I said is we will work on different measures to offset that RWA growth, and that is not reflected in Q3 and might be different in the coming quarters.

Amit Ranjan (JP Morgan): I have two, please. The first one is on risk costs. How should we think about the 50 bps outlook for 2026? You have 56 bps during the quarter, 52 bps year-to-date. Can you talk about the drivers here? I think you mentioned solid underlying trends. Anything that you can give as split between asset growth and Stage 3 coverage provision-based.

The second one is on cost. You are running well ahead. Should we expect this trend to continue? Anything seasonal that we should keep in mind for Q4 that could drive the number higher, please?

Enver Sirucic: Thanks, Amit. On the risk cost outlook, it is pretty much the same answer as I gave to Gulnara, as long as we see that asset mix change going on, you will see higher risk cost ratio.

What is hard to predict then is the redemption profile. If you see earlier redemptions than expected, as well as the mortgage growth, which was more muted than what we expected, which then becomes a technical thing of a denominator.

If you then look at the risk cost ratio, it might be a bit elevated. We are still confident that we will be around the 50 basis points for the full year.

On OPEX, yes, I think trend is very obvious, Q3 lower than Q2. It should be quite stable for Q4, I would assume. We do not expect any one-offs or any seasonal effects for Q4.

Mate Nemes (UBS): Two of these, please. The first one would be on your cash balances. I was just wondering if you could update us on potential deployment of cash into higher yielding securities. I think you have been feeling uncomfortable with the spread environment. Now they have seen some spread widening, clearly. Any updated thoughts on that? What is holding you back? What can hold you back from larger deployment going forward?

The second would be just a quick update on your lending pipeline on non-retail. I hear you, it is hard to predict redemptions or repayments. But if you could just talk a little bit about opportunities, particularly in corporate lending and also perhaps in real estate, what you are seeing in the market at the moment?

Anas Abuzaakouk: Thanks, Mate. Cash deployment. We are seeing the spreads starting to widen across certain asset classes. Obviously, sovereign is first and foremost, which we have almost no exposure. It is pretty de minimis, under 1%. But that has been the case for a number of years.

We will be patient. There is a lot going on. We see some areas that we think could be attractive, but we are going to be disciplined and patient and just assess the overall market as we think risk is repricing generally across the board. That is something, hopefully, we will be able to be the beneficiaries of as we have been patient for a number of years now.

Then on the non-retail, that is a good question. The reality is you see a pipeline build up. In those times, you see pretty fast redemptions that are unexpected, and that is one that we just got to be patient. We are not going to manage it by quarter in terms of volume growth. We feel pretty good about the pipeline that we have going into the end of the year. But that is just cyclical. To be quite frank, it is hard to pinpoint in any given quarter, let alone, I guess, across the whole year or so. But we will be patient. We see some good opportunities, but we are never going to chase anything for the sake of volume growth. Thanks, Mate.

Gabor Kemeny (Autonomous Research): Firstly on the NII outlook, please. I know you commented on the deposit flows. How much competitive pressure do you see on deposit spreads? Looking at your NII sensitivity guidance, I guess, how much offset can we possibly assume from deposit spreads drifting a bit from the current levels, limiting the upside from higher rates? That is the first one.

Then secondly, coming back to costs. You keep beating on consensus and on expectations. Can you comment on what levers have you found to improve the cost efficiency? Is this fully in line with your budget, or are there any trends which have been more supportive than you assumed initially?

Enver Sirucic: Yes. Gabor, on deposit competition, I mentioned the two examples. We have seen quite an intense market in Germany, especially for the online deposits as well as the Bundesschatz offer in Austria. Overall, we would assume that the competition will pick up.

If you look at it differently, what we have seen early days is not so much the deposit pricing that has picked up, other than few offers that we see in the market. But it translated into much higher mortgage pricing intensity. So the mortgage spreads dropped significantly over the last couple of months, which we think is a reflection of the higher deposit margins that we see on the other side.

Going forward, yes, we would expect more intense competition in the market overall.

Anas Abuzaakouk: On the cost side, Gabor, I would say, it is no different than how we have approached it over the past decade now that we have been a public company. It is every quarter, you try to strive for just getting a little bit better, and we talk about continuous improvement. There is no silver bullets. It is not AI, which is a bit of a cliché. AI is an enabler, just like every other technological improvement that has happened that we have seen. So I think the key is being disciplined.

The approach in terms of taking an absolute cost focus as opposed to just looking at cost-income ratio. There is a lot of things that impact the denominator and the cost-income ratio. So yes, just more of the same and being very disciplined. We are starting to see more broadly the benefits of a scalable platform.

When you really understand your technology stack, what we call technology operations or Tech/Ops, I think that makes a real difference in being able to control that technology when you insource as opposed to relying on third parties. That is something that has been consistent over the years.

Jordan Bartlam (Mediobanca): One firstly on other income or fees specifically. The fees and commissions was flat on the last quarter, and you are continuing to guide for a stable development for the rest of the year. Just curious what is causing that line not to grow more from here. The advisory type revenues seem like they should be growing a bit quicker, and the track record there has been pretty stellar. Why is this not really translating to more growth? That would be my first question.

Secondly, on the cost side again. You flagged a few of the drivers. I just wonder how much more we could expect in terms of cost synergies from the Knab and Barclays deals. Are they largely done at this stage? Those are my two questions.

Anas Abuzaakouk: Yes. Let me just take the cost, and then Enver will address your other question.

Jordan, it is not so much any one particular acquisition. We look at it at a Group level. That is how we manage things centrally. It is hard to pinpoint to any particular entity or acquisition. It is just part of your continuous improvement cycle. That is a competitive advantage that we look at things centrally, and we try to manage in terms of the overall platform. I mentioned the technology operations, but it also is in the central functions. Commercially, obviously, that is more local in terms of customer-facing roles, but there is still quite a bit to do on this front. Technology is the greatest enabler, right, coupled with having a centrally steered business is a competitive advantage. Enver?

Enver Sirucic: Yes. Jordan, on the fee income question. In reality, we were ahead of plan in the first three quarters, especially Q3 and Q2 were stronger than what we expected. So keeping it stable is actually above what we initially forecasted for the fee income. That is the main reason. The second reason is just given the seasonality of it, certain fee lines are cut off basically before Christmas if you think about advisory and the likes. There is that seasonal effect, and again, we are ahead of plan on the overall line. That is why we think being stable in Q4 is actually a strong outcome.

Jovan Sikimic (ODDO BHF): Maybe at this stage, if you could provide, what is your rate outlook for the next quarters? Of course, in kind of, let us say, combination with organic loan

growth outlook, where would you see actually NII trajectory going into 2027? Of course, I am now talking a bit including Permanent TSB. It is also, I think somebody asked in the call about what is the likelihood of deploying cash into high-yielding security. Overall, where would you see, let us say, on current run rate of NII improving next year or not?

Enver Sirucic: Yes. Thanks, Jovan. I do not want to start talking about next year's forecast, but I can provide some guidance how we think about it.

We do not have a rate opinion, so we try to be very neutral in terms of our positioning. But the underlying franchise obviously has a rate sensitivity as we have disclosed it, especially on the deposit side. So if you go through the main drivers, obviously the positives are higher rates, higher sensitivity, higher deposit margin. That is something that we will expect to see in Q4 but also going into 2027.

The asset mix change on unsecured Consumer & SME is a positive driver. That is also reflected in the prior quarters. I would say on the more cautious side, competition for deposits will pick up. So that will add, obviously, to the deposit beta, it should go up. The other thing is, not so much, it does not matter so much in the short term, but we see obviously very intense pricing on the mortgage side, and that is why loans have been low. So there is a mix. Overall it is a positive trend that will continue, but there are a couple of things that we need to look out for.

Domenico Maggio (Jefferies): One on credit, if I may. So you have this very useful slide on MREL, where you basically mentioned that you intend to have a single point of entry with PTSB, and that you expect existing MREL resources to still count during a transitional period. I just wanted to check with you, is the transitional period basically 2027? Then from end of the year 2027, you will basically get a requirement for the combined entity, and therefore the existing MREL from PTSB will not count in 2028?

Enver Sirucic: Thank you, Domenico. We are not in a position to disclose that yet. We will disclose it as soon as we have it, and we will make it public.

Domenico Maggio: Okay. Capital is AT1 and Tier 2 are still expected to count. Is that correct? Because on the slide you just touch on MREL. Just wanted to make sure that there are no nuances between the two.

Enver Sirucic: No.

Domenico Maggio: Is there a transitional period also for capital?

Enver Sirucic: No. Previously we already did capital on a Group level. MREL was done at the OpCo level, and that is going to migrate to Group level. That is the reason why.

Domenico Maggio: Okay. So no transitional period for AT1 and Tier 2?

Enver Sirucic: No, I would not assume that.

Domenico Maggio: That would still count. Okay.

Jeremy Sigeo (Exane BNP Paribas): Could you just come back onto any areas of organic growth where you see attractive opportunities? Could you just talk a little bit more about that? Perhaps linked to that or perhaps not, I do not know. What opportunities do you see in the U.S. market at the moment? You emphasise your identity now as a pan-European and U.S. banking group. I just wonder what that second part of it means at this point in time, where you see opportunities to do good business in the U.S.?

Anas Abuzaakouk: Thanks, Jeremy. We have been in the U.S. market for 15 years, so this was not a recent development. But just more broadly to your question, or specifically to your question around opportunities. I think Enver touched on it. The one area that is the most challenged is mortgage volumes. And not so much from a volume standpoint, right? People are lending out there. It is just from a spread standpoint, it is pretty anemic. We will be patient. We will stick to our credit box.

Consumer & SME, whether it is credit cards, consumer loans, specialty finance, that has actually gone pretty well, I think better than expected this year. So that has been an interesting dynamic or interplay between mortgages and kind of non-mortgages in the Retail & SME.

Then on the Corporates, Real Estate & Public Sector, real estate has been the one that has been the most volatile. We have had, I would say, unusually high redemptions this particular year. But we have a good pipeline. Not to front run, but we think hopefully that should materialise in the fourth quarter.

Then in the Corporates, it is a tough slog in terms of just where corporate lending is at. That is a lot of volume that we do not see really attractive spreads at the moment. In public sector, we will see how things reprice, given just the developments more broadly. But AI has been a big area of focus for a lot of banks and private credit platforms. We do not have any exposure there. That is something that we have just never been able to get our hands around, to be quite honest. So we will be patient. We see some good opportunities.

Jeremy Sigee: Thanks. The U.S. bit. Obviously, I am aware you've been there for a while. It is just whether there is any growth opportunities, whether that is a better place to deploy capital at this point.

Anas Abuzaakouk: On the commercial real estate front, particularly when you think about resi, industrial, even some idiosyncratic office opportunities, I think the U.S. is pretty attractive. But also the U.S. is where we have seen the highest redemptions, Jeremy. So it is interesting in the market. We will be patient, but we see pretty good opportunities. Question is, will they materialise?

Jeremy Sigee: Okay. Understood.

Anas Abuzaakouk: Thank you, everyone, for joining this morning. We look forward to being in touch in the coming weeks, in the coming months, and at year-end, if we do not speak before. Take care. Have a nice day.