

Erste Group Bank AG

Full Rating Report

Ratings

Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Support Rating	5
Support Rating Floor	NF
Sovereign Risk	
Foreign-Currency Long-Term IDR	AA+
Local-Currency Long-Term IDR	AA+

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency	Stable
Long-Term IDR	
Sovereign Local-Currency	Stable
Long-Term IDR	

Financial Data

Erste Group Bank AG

	30 Sep 2015	31 Dec 2014
Total assets (USDm)	225,377	238,300
Total assets (EURm)	201,172	196,287
Total equity (EURm)	14,437	13,444
Operating profit (EURm)	1,508	466
Net income (EURm)	1,039	-1,313
LIC/pre-impairment profit (%)	25	81
Operating ROAA (%)	1.0	0.2
Operating ROAE (%)	14.4	3.3
Impaired loans ratio(%)	7.4	8.5
Fitch core capital ratio (%)	12.8	11.8
CET1 ratio (fully loaded) (%)	11.2	10.6
Tangible equity/tangible asset ratio (%)	6.5	6.1

Related Research

[2016 Outlook: Austrian Banks](#)
(December 2015)

[Peer Review: Major Austrian Banks](#)
(November 2015)

[Erste Group Bank AG - Ratings Navigator](#)
(October 2015)

[Fitch Downgrades Large Austrian Banks on Support Revision](#) (May 2015)

[Fitch Affirms Austria at 'AA+'; Outlook Stable](#) (August 2015)

[Peer Review: Hungarian Banks](#)
(November 2015)

[Fitch Affirms Hungarian K&H, ERSTE and CIB at 'BBB-'](#) (October 2015)

[Fitch Affirms 4 Romanian Banks, Upgrades Banca Comerciala Romana's VR](#) (October 2015)

[Fitch Downgrades Erste's Czech and Slovak Subs; Affirms Komerční Banka](#) (May 2015)

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Key Rating Drivers

IDRs Driven by VR: Erste Group Bank AG's (Erste) IDRs are based on its stand-alone profile reflected by its Viability Rating (VR) and factor in its strong and diversified franchise in its core Austrian, Czech, Slovakian and Romanian markets, generally adequate asset quality (although this varies across markets) and solid capitalisation, funding and liquidity profiles. They also reflect improving profitability, still burdened by regulatory charges and persistently low interest rates, but less affected by one-off events than in previous years.

Improving Asset Quality: Erste's NPL ratio improved to 7.4% at end-3Q15 from 9.6% at end-2013, due to intensive workout and NPL sales, especially in Romania, and recovering loan growth (up 2.3% in 9M15), and NPL coverage at 69% is adequate. The NPL ratio remains weak in Romania (20%) and Hungary (22%), but Fitch Ratings believes the risk of large NPL inflows has fallen in both countries, unlike in Croatia, where economic prospects are weaker.

Recovering Earnings on Fewer One-Offs: In 9M15, profit contributions from the individual central and eastern European (CEE) markets were far more balanced than in previous years as Romania and Hungary stabilised. Accordingly, the Czech unit's share of the group's profit before tax (PBT) declined to 19% from 34% in 2013. Net profit from Austria doubled yoy, largely driven by exceptionally low risk costs, which we deem unsustainable through the cycle. We expect moderate loan growth to mitigate pressure on net interest income (NII) in 2016.

Cost pressure is likely to remain high in the medium term due to high recurring regulatory costs (bank levies and contributions to the new resolution and deposit protection funds) and investments in adapting to the changing regulatory and competitive landscapes. Mid-term profits will depend heavily on the pace of recovery in Hungary and Romania, structurally high margin pressure in Austria and the risk of new harsher regulation for banks in CEE countries.

Recovering Internal Capital Generation: Internal capital generation turned positive in 9M15 after two negative years. Erste's fully-loaded Basel III common equity Tier 1 (CET1) ratio including its 1H15 profit was an adequate 11.2% at end-9M15 and non-risk-weighted leverage is solid. We expect capitalisation to improve gradually on the back of adequate retained earnings supported by modest growth, manageable risk costs and resilient operating profit.

Sound Funding and Liquidity: Erste's funding profile compares favourably with its peers' and benefits strongly from its leading retail deposit franchises in Austria, the Czech Republic and Slovakia. Wholesale funding needs are limited and maturities are well spread. Intragroup funding needs in Croatia and Romania have declined substantially in recent years but remain material. Erste's sound liquidity benefits from a large portfolio of high-quality liquid assets.

Rating Sensitivities

LICs Stabilisation: Any changes to Erste's standalone creditworthiness would be reflected in its IDRs. A downgrade of the VR would most probably result from an unexpected deterioration in Hungary or Croatia or a failure to bolster recovery in Romania or improve its core capitalisation by maintaining moderate loan impairment charges (LICs) in these markets.

More Balanced CEE Profits: A VR upgrade would require a better risk/return profile across CEE resulting from normalised regulatory, political and risk costs leading to sustainably higher profits in these three countries (even though their mid-term contribution to group profits is likely to remain modest). Continued efforts to further raise the Austrian savings banks segment's cost efficiency would also be important to reduce Erste's reliance on CEE for capital generation.

- Universal bank with leading retail and SME franchises in Austria and EU CEE, particularly strong in the robust Czech and Slovakian markets
- Central institution of the Austrian savings banks sector
- Resilient major markets but difficult operating conditions in Croatia and Hungary; Serbia is immaterial
- Well-balanced risks but currently earnings diversification weak in CEE
- We use UniCredit Bank Austria AG (BBB+/Stable) and Raiffeisen Bank International AG (RBI, BBB/Negative) as Erste's direct peer group in light of their comparable business profiles focusing on Austria and CEE

Operating Environment

Robust and Stable Austrian Economy, Heterogeneous but Improving CEE

Austria has a stable, diversified, high value-added economy with strong political institutions and social cohesion. Private sector debt is low and the household saving rate is high. The unemployment rate, although rising (5.7% at end-4M15), is well below the EU average (9.6%). Insolvencies remained very low in 2015, supporting Erste's solid domestic performance in 9M15. The savings banks segment, which consists of the Austrian savings banks in which Erste has no or only a minority ownership, had the biggest performance recovery, although from a very modest level.

Costly Legislation and Regulatory Costs

The bank levy introduced in Austria in 2011 depresses the Austrian banking sector's performance. This compounds the margin pressure arising from overcapacity and high fixed costs, which are key features of the domestic banking sector. Estimated at EUR360m per year, sector payments into the new EU resolution and deposit insurance funds will increase the annual burden to EUR1bn at the expense of the banks' competitiveness compared with foreign peers. We expect the contributions to the new funds to be partly deducted from the Austrian bank levy, but timing is uncertain.

Erste is also subject to high bank levies in Slovakia, which lowered its rate in 2014, and Hungary, which is set to follow suit in 2016 and 2017. Regulatory and political costs in CEE also relate to burden sharing on Swiss franc (CHF) retail loans, following local currencies' depreciation against the franc and subsequent government initiatives (e.g. Hungary's Settlement Act in 2014 and Croatia's FX conversion programme in 2015). Although these are one-off costs, the risk of further additional regulatory burden across CEE has risen significantly in recent years.

Company Profile

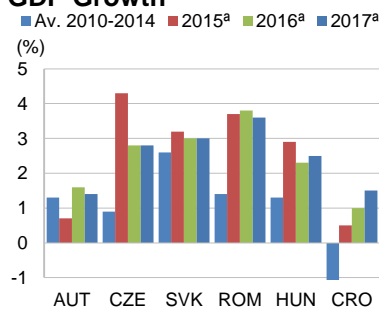
Dual Franchise: Savings Banks in Austria and Retail/SME Banking in EU CEE

Erste is the Austrian savings banks' central institution and Austria's largest consolidated banking group by assets – although the unconsolidated cooperative Raiffeisen Banken Group (RBG, not rated) is larger. It is also one of the largest in CEE, where its expansion dates from the late 1990s and two-thirds of its staff and branches are located. It has leading franchises in the Czech Republic, Slovakia, Romania, Hungary and Croatia and a small presence in Serbia.

The parent entity Erste Group Bank AG is the group's listed operating bank holding company. In charge of group management, it also owns the local subsidiaries in Austria and CEE. In Austria, Erste's retail and SME franchises are split into Erste Bank der Oesterreichischen Sparkassen AG (EBOe), which consolidates three large majority-owned savings banks, and 43 small savings banks (EUR1.3bn assets on average), with no or only minority holdings by Erste, but which are managed under a mutual support mechanism (Haftungsverbund). Erste's legal structure is more straightforward in CEE, where it is the local units' dominant or sole owner.

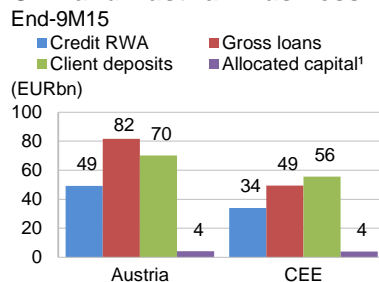
Erste's 63.5% stake in the Austrian savings bank sector's steering company (Haftungsverbund GmbH) gives it significant control over the sector, in particular with regard to the appointment of the individual banks' boards, budgeting and pricing. The steering company implements and monitors common risk policies and would support troubled member banks through a limited fund if the need arose. No such support has been required in recent years. This partly reflects the solid economic situation in Austria but also results from the early warning system managed by the steering company, which has so far ensured timely corrective action.

Figure 1
GDP Growth



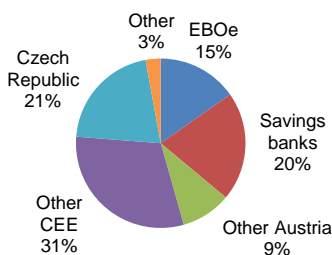
^a Fitch forecast
Source: Fitch

Figure 2
CEE and Austrian Business
End-9M15



¹The difference to consolidated equity is allocated to group/consolidation items
Source: Erste, Fitch

Figure 3
Operating Revenue Split
9M15



Source: Erste, Fitch

Related Criteria

Global Bank Rating Criteria (March 2015)

However, the performance of the savings banks which are not part of EBOe is materially weaker than (and converging only slowly toward) that of EBOe despite a similar retail focus. In our view, this not only results from their smaller size, which constrains efficiency, but also from less stringent adherence to the profit-maximisation principles of a listed group.

Strong Market Shares in Austria and CEE

Erste's market shares in Austrian retail and corporate banking are high (19% at end-9M15). It is also the market leader in the Czech Republic, Slovakia and Romania and number three in Croatia. However, its market share in corporate lending in Hungary and Romania has declined in the last few years. This has resulted from very low new business in Hungary on the back of the adverse legislative environment and muted demand and large NPL sales in Romania.

Management and Strategy

Instrumental Long-Standing CEO but Limited Succession Risk

In 3Q15, the contract of Erste's CEO was extended until mid-2020 and a successor has yet to be selected. As a board member for more than 20 years, he has been instrumental in restructuring the savings bank sector from a domestically focused, relatively inefficient, decentralised organisation into a consolidated, more cohesive, integrated and listed group with a leading CEE franchise and corporate governance in line with market standards.

However, we do not view the prospect of the CEO's succession as a major challenge despite his long tenure. We believe that Erste's management resources, governance and organisation will allow a reasonably smooth transition. The recent management board reshuffle (three of the six current members joined in 2014) highlights management's ability to address the bank's recent challenges in CEE and the Austrian retail market.

Committed to EU CEE Despite Challenges

Erste aims to become the leading retail and SME lender in the eastern EU, including Austria. Its focus on improving efficiency and organic growth makes large acquisitions unlikely until 2017, in our view, although small opportunistic acquisitions such as Citigroup's Hungarian retail assets in 3Q15 remain possible. In the long term, we believe the bank could expand its small Serbian presence if the country converges sufficiently toward EU standards. Its strong long-term interest in the Polish market is unlikely to materialise until Polish bank assets become more affordable and regulatory and market pressure to improve capitalisation abates.

Risk Appetite

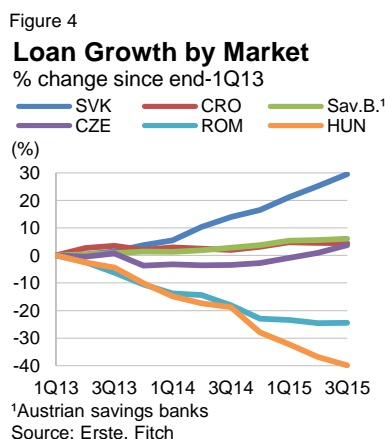
Prudent Lending Criteria Strengthened in Recent Years

Erste manages credit risk in its retail portfolios at group level and locally in CEE. Its debt-to-income and loan-to-value (LTV) ratios indicate reasonable risk appetite. Like peers, Erste has become more cautious since 2008, for example by terminating FX lending to retail clients without revenues in matching currencies.

Secured lending in CEE is generally in local currency. The only exceptions are euro-denominated loans to clients with matching euro income or where a state guarantee mitigates the risk involved. Unsecured loans are generally allowed only in local currency. The share of unsecured loans in the retail portfolios varies by country, although retail mortgage loans dominate in most of CEE and Austria.

Manageable Market Risk

Fitch views Erste's market risk as generally acceptable. It relates to interest rate risk in the company's banking book and some equity and fixed-income securities. To a lesser extent, it also relates to translation risk arising from non-eurozone subsidiaries' equity positions and FX risk from open foreign currency positions.



Erste uses a value-at-risk approach (VaR, historical simulation, 99% confidence interval, one-day holding and two-year simulation period) to measure market risk in its banking and trading books complemented with stressed VaR. Sensitivity and economic capital analyses are used to control banking book interest rate risk and back tests are performed regularly.

At end-2014, Erste's total VaR was around EUR18m (based on a one-day holding period). Based on a 10-day holding period, the VaR would be about EUR57m (or around 0.5% of end-2014 Fitch Core Capital (FCC)). It mostly relates to structural interest rate risk, largely in the savings banks, the holding company and a group's building society (Bausparkasse). While overall interest rate risk is acceptable, at some subsidiaries it is high. This is specifically the case at the Bausparkasse (business model driven) and Croatia (partly driven by local regulation).

Group Risk Management Framework Replicated in All Main CEE Subsidiaries

Control over CEE subsidiaries is tight, with modest local loan approval limits. Interest rate risk is manageable at group level. Currency and equity risks are more modest and relate mostly to FX treasury positions and moderate strategic equity positions at the capital market unit.

Erste's response to the challenges in CEE and the recurring earning pressure in Austria has so far largely consisted of continuous optimisation, despite the strong reduction of its exposure in Hungary and Romania and large NPL sales in Romania. It has therefore been more moderate than its peers' broad restructuring programmes. RBI's ongoing deleveraging in CEE is triggered by capital constraints, and Bank Austria is scaling back retail lending in Austria to cut costs. In our view, Erste's need to optimise its cost structure is less pressing than its peers'. However, unless the Austrian banking sector as a whole steps up its efforts to reduce excess capacity, improve price discipline and address high fixed costs in its home retail market, we believe that earning pressure will remain high.

In 9M15, Erste's loan portfolio grew primarily in its lower-risk markets (Austria, the Czech Republic and Slovakia) while it stabilised in Romania and contracted further in Hungary. We expect the group to maintain moderate loan growth in 2016 while its peers will shrink as they restructure. Management expects the low single-digit growth to continue. This would mitigate earning pressure arising from planned investments and increasingly demanding regulation.

Asset Quality

Credit Risk Dominates

Figure 6

Continued Growth of Performing Loans

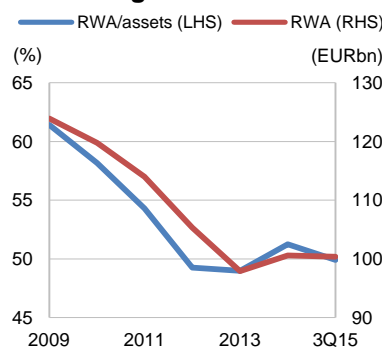
(%)	9M15	2014	2013	2012
Growth of gross loans	2.3	0.5	-3.2	-2.1
Growth of performing loans	3.5	1.8	-3.7	-2.9
Impaired loans /gross loans	7.4	8.5	9.6	9.2
Reserves for impaired loans/impaired loans	69	69	63	63
Unreserved NPLs/Fitch core capital	23	29	37	39
Loan impairment charges/average gross loans	0.5	1.7	1.4	1.5

Source: Erste, Fitch

Like peers, credit risk from its loan book is Erste's dominant source of risk, accounting for 85% of total risk-weighted assets (RWAs) at end-9M15, followed by operational (11%) and market risk (3%). Credit risk exposures increased in line with client loans to EUR213bn from EUR211bn at end-2014 and are well diversified by product, counterparty and region. Construction, real estate and housing loans (excluding residential mortgages, but including loans to housing cooperatives) were a sizeable but reasonable 16% of total credit exposure.

The roll-out of the internal ratings-based (IRB) approach across the group has generally lowered RWAs in subsidiaries with sound asset quality. In 9M15, RWAs remained flat at group level, although total assets and gross loans increased by 2.5% and 2.3%, respectively.

Figure 5
Stabilising RWAs



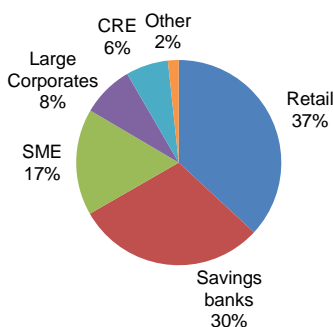
Source: Erste, Fitch

- Clean-up efforts in CEE are costly (e.g. triggering EUR0.4bn of additional LICs in Romania in 2014) but pay off
- Downside to LICs in Romania and Hungary is limited
- Currently very low risk costs in Austria and Romania are unsustainable in our view

Figure 7

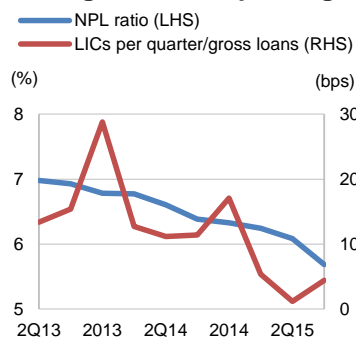
Loans by Client Categories

As % of total loans at end-3Q15



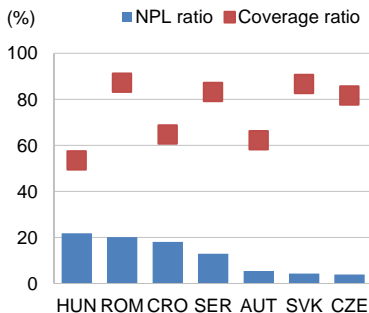
Source: Erste, Fitch

Figure 8
Savings Banks Improving



Source: Erste, Fitch

Figure 10
NPL and Coverage Ratios
End-3Q15



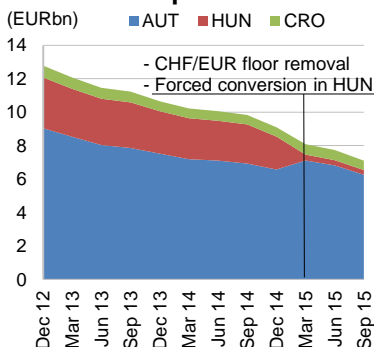
Source: Erste, Fitch adjustments

Figure 11
CHF Loans at End-9M15

Total exposure (EURbn)	7.1
In % of loans	5
In % of FCC	55
In % of FCC at end-3Q14	83

Source: Erste, Fitch

Figure 12
CHF Loan Exposure



Source: Bank reports, Fitch

Figure 9
Asset Quality

End-3Q15	Austria	EBOe Savings & Subs	Other Banks	Austria	CEE	CZE	ROM	SLK	HUN	CRO	SER	Total
Gross loans (EURbn)	82	30	39	13	49	20	9	9	4	7	1	131
- Retail (%)	45	50	55	1	60	60	55	75	68	41	57	50
- Corporates (%)	55	50	45	99	40	40	45	25	32	59	43	50
- FX-denominated (%)	12	9	12	20	27	10	56	0	23	75	1	18
- NPL ratio (%)	5.5	3.0	5.7	11.1	10.4	4.0	20.2	4.3	21.9	18.1	13.0	7.4
- NPL coverage (%)	62	63	61	64	76	82	87	87	53	65	83	69

Source: Erste, Fitch

Clean-up Efforts Pay off, NPL Ratio Improves with Adequate Coverage

Erste's asset quality is less vulnerable than peers' to contracting economies (in particular Russia and Ukraine), where its exposure is very low. Fitch expects 3.8% and 2.3% GDP growth in Romania and Hungary, respectively, in 2016, which is likely to support lower NPL inflows. In Hungary, this is also due to a recent law reducing monthly instalments on consumer loans.

Erste's NPL ratio is improving rapidly on the back of sustained NPL sales (EUR306m in 9M15 and EUR1.1bn in 2014, mostly in Romania) and low NPL inflows. The retail, SME and large corporate segments have improved most and commercial real estate to a lesser extent. We expect NPL sales to further improve CEE asset quality, but probably more slowly than since 2013. Romania and Croatia should benefit most, while in Hungary the recovering operating environment should limit the need to sell NPLs. In 9M15, the Austrian savings banks' LICs declined significantly as very low insolvency rates contained the NPL inflow while recoveries improved. However, we do not view these very low LICs as sustainable across the cycle.

Erste's NPL coverage ratio of 69% at end-3Q15 remained well above its self-imposed target of 60% (applicable at group level and locally in CEE), despite accelerated NPL sales since 2014. All local markets are compliant except for Hungary due to the recent CHF loan conversion.

Substantial but Declining Legacy FX Loans

Like its peers, Erste's FX loans in Swiss francs (in Austria) and euros (predominantly in Croatia and Romania, although in the latter they are partly guaranteed by the Romanian state) are significant but manageable and declining. The forced conversion in 1Q15 reduced the stock of Hungarian Swiss franc loans considerably. While NPL ratios in CEE result from various drivers, FX loans have been a major NPL contributor as local currency devaluation impairs the debt service capacity of households as these lack revenues in matching currencies.

The phasing-out of CHF loans (which have suffered most among FX loans in CEE) was fairly slow until end-2014. In Hungary, the forced conversion into forint at 4Q14 market rates has protected asset quality from the deterioration that would otherwise have resulted from the removal of the Swiss franc/euro floor by the Swiss central bank in 1Q15. In Croatia, however, a forced conversion of Swiss franc loans into euros below market rates prompted Erste to provision EUR145m in 3Q15. Similar government initiatives in Romania or Serbia (with regard to euro-denominated loans) are not on the agenda but cannot be excluded, in our view.

We view the risk from legacy Swiss franc retail mortgage loans in Austria (EUR6.3bn at end-3Q15) as manageable as these generally pertain to affluent borrowers with adequate financial flexibility. The fact that the remaining borrowers have not accepted Erste's offers to convert the loans into euros suggests adequate debt service capacity. Moreover, these loans are generally endowment loans collateralised with life insurance contracts or investment funds and with very long tenors and bullet maturities. The strong increase in property prices in Austria in recent years has created an additional buffer by reducing the portfolio's LTVs despite the Swiss franc's appreciation.

Large Securities Portfolio Ensures Ample Liquidity

Erste maintains a large securities portfolio (EUR42bn or 21% of total assets at end-3Q15), mainly to optimise liquidity locally and at group level. The significant liquidity buffers in CEE demanded by local regulators pressure profitability due to their low interest rates as the bulk of the portfolio relates to sovereign securities (e.g. Czech sovereign bonds with maturities of up to six years currently have negative yields). The geographic split mirrors Erste's operational presence. Interbank assets have declined substantially since the beginning of the financial crisis and were less than 4% of total assets at end-3Q15.

Earnings and Profitability

9M15 Turnaround on the Back of Lower Provisions and Fewer One-Offs

Erste's net income was EUR1bn in 9M15 after a loss of EUR1.3bn in 2014, which was mainly driven by intangibles write-down, accelerated loan loss provisions (LLPs) in Romania and the Hungarian Settlement Act. Excluding these one-off items, operating profit declined slightly mostly due to pressure on NII, subdued credit demand and low interest rates.

The low interest rates continue to depress NII as maturing liquid assets are continuously reinvested in low-risk but poorly yielding government bonds. The net interest margin (NIM, defined by Fitch as net interest income/average earning assets) decreased slightly to 2.44% in 9M15 from 2.49% in 2014 and remains much lower in the mature and highly competitive Austrian market than in CEE. The high share of overnight deposits, which (as for peers) results from the low-interest-rate environment, limits the potential for liability repricing at the savings banks and, therefore, the ability to pass on to depositors the increasingly low yields from the liquidity portfolio. This compounds the pressure from typically variable rate mortgage loans. The NIM declined significantly in Romania due to lower unwinding effects (i.e. time value of LLPs released through NII) and in Hungary due to revised consumer protection legislation capping margins on consumer loans.

Net fee income was stable yoy. CEE typically accounts for almost half of total net fee income and is primarily linked to lending products. About two-thirds of fee income relates to lending and transaction fees while brokerage and asset management fees account for much of the remainder. The trading result improved slightly, driven by FX transactions and valuation gains on own debt, but is generally small, accounting for about 5% of operating revenue.

LICs Down but Regulatory Charges Up

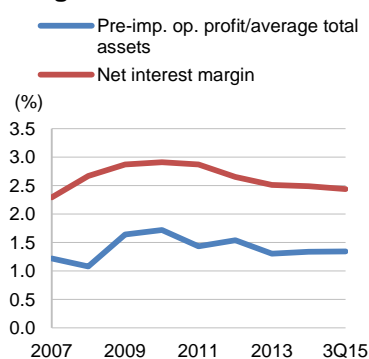
In 9M15, lower provisioning needs in Romania (helped by some frontloading in 2014) and very low risk costs in Austria cut LICs by 68% yoy to EUR0.5bn. This mitigated the EUR145m one-off provision for the forced Swiss franc loan conversion in Croatia and higher regulatory costs.

We expect performance to benefit from moderate credit growth in 2016 as the economic outlook is favourable, except for Croatia. Low interest rates, the greatly reduced Hungarian loan book and lower unwinding in Romania will remain sizeable, but manageable challenges. This highlights the importance of cost containment, in particular LICs (which we expect to be manageable in 2016), bank levies and other regulatory costs, to accommodate the investments needed in IT, risk and reporting systems driven by rising regulatory requirements.

Decreasing Reliance on Profits From the Strong Czech Subsidiary

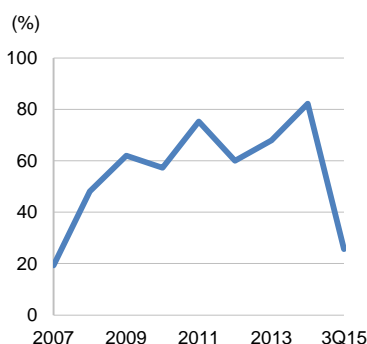
Erste's reliance on its Czech unit's profits decreased substantially in 9M15, helped by improved performance in Austria (savings banks), Romania and lower losses in Hungary. With 15% of total loans at end-3Q15, the Czech unit accounted for 19% of Erste's PBT in 9M15, down from 35% in 2013. We expect the profit breakdown in CEE to improve in the medium term despite the uncertain pace of recovery in Hungary and Romania. The low LICs in Austria support domestic performance, but also reduce the incentive to address strong margin pressure.

Figure 13
Margin Pressure



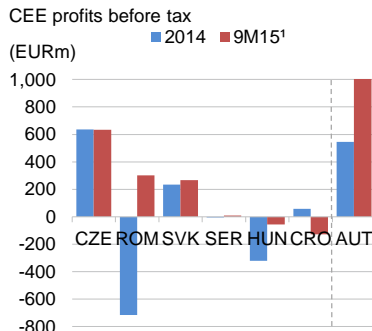
Source: Fitch

Figure 14
LICs/Pre-Impairment Profits



Source: Fitch

Figure 15
Less Reliant on Czech Unit



¹ Annualised
Source: Erste, Fitch

Hungarian Turnaround Increasingly Likely but Will Take Some Time

The Hungarian operations have been loss-making for several years due to poor asset quality driven by the weak economy and recurring adverse government initiatives.

2015 may have marked a turning point in the government's negative stance to the banking sector. As highlighted in the memorandum of understanding (MoU) signed between the EBRD and the Hungarian government in 2Q15, the bank levy is to be reduced gradually and unconditionally from 2016. The government has also pledged not to impose further disadvantageous regulations, but has yet to establish a more bank-friendly track record (e.g., the authorities seem tempted to condition the reduction of the bank levy to pledges from the banks to increase lending. This could prove difficult to fulfil as long as demand is muted).

Erste expects to break even in Hungary in 2016 after losses of EUR331m in 2014 and EUR47m in 9M15. Profitability in the country suffers from the recently imposed margin cap and decreasing loan volumes. To strengthen its position, Erste has agreed to the EBRD and the Hungarian government becoming shareholders of its Hungarian subsidiary. Each may acquire a 15% stake in 2016, assuming the government honours its obligations under the MoU.

Romania's Nascent Recovery

Erste's Romanian subsidiary Banca Comerciala Romana S.A. (BBB/bb-) benefitted from lower NPL inflows and better recoveries in 9M15 and recorded a net profit of EUR193m after a EUR505m loss in 2014. We expect pre-impairment operating profit to remain adequate despite falling NII and a high share of low-yielding liquid assets.

We expect asset quality to improve further in Romania as NPL sales should continue in the medium term and the improving Romanian economy and a better collection process should support NPL recoveries as intensive workout continues. Accelerated NPL workout, sales and write-offs reduced the stock of NPLs by almost EUR1bn in 2014 and EUR352m in 9M15, cutting the NPL ratio to 20% (down from about 30% at mid-2014), which is broadly in line with the rest of the Romanian banking sector. Further EUR1.2bn of NPLs were sold in 4Q15, of which however a material part related to off balance sheet exposure, already written off. NPL coverage at end-3Q15 remained at comfortable 87%.

However, loan quality remains weak, partly due to the bank's concentration on local clients and lower exposure to more resilient export-oriented sectors than some of its competitors. About half of the Romanian loan book is euro denominated but a significant share of euro loans consists of mortgage loans to first-time buyers for owner-occupied properties and partly guaranteed by the Romanian government.

Capitalisation and Leverage

Adequate Capital Base, Improved Internal Capital Generation

Erste's solid 9M15 profit improved its capitalisation materially after two years of negative internal capital generation. Its fully-loaded CET1 ratio compares well with those of peers and is close to general market expectations. Like peers, its solid fully-loaded Basel III leverage ratio results from the CEE assets' high regulatory risk weights, which require a large capital base. This makes the expected minimum leverage ratio requirement of 3% easily achievable.

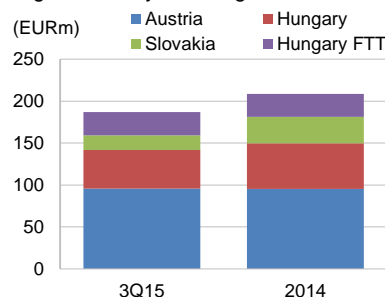
We expect capitalisation to remain reasonable in the short term, supported by adequate retained earnings. Erste did not pay any dividends (and cancelled coupon payments on some legacy hybrid capital instruments for the first time) for the loss-making FY14. However, in light of its solid performance in 9M15, we expect management to propose dividend payments of EUR0.40-EUR0.50 per share for 2015, which would be the highest level in the past four years.

Like peers, Erste has written down a large share of its intangible assets since 2011, mostly in 2014, when a EUR1.4bn intangible write-down triggered the group's net loss. These assets remain material relative to FCC, but are largely driven by the strong Czech and Slovak units.

Figure 16

Bank Levies

High but slowly declining



Most levies are fully paid in the first quarter

FTT: Financial Transaction Tax

Source: Erste, Fitch

Figure 17

Capitalisation

(%)	End-3Q15 ^a	End-2014
CET1 ratio (transitional)	11.5	10.6
CET1 ratio (fully-loaded)	11.2	10.6
Total capital ratio (fully-loaded)	16.3	15.6
Tangible common equity/ tangible assets	6.5	6.1
Basel III fully-loaded leverage ratio	5.4	5.3

^a Including 1H15 profit

Source: Erste, Fitch

New Pillar II Requirements Likely to be Manageable

Similar to most major banks directly supervised by the ECB, Erste was assigned a new (but undisclosed) Pillar II CET1 ratio requirement (Supervisory Review and Evaluation Process; SREP ratio) in 4Q15, to be applied from January 2016. The EU's minimum requirement for own funds and eligible liabilities (MREL) regulations have not yet been finalised in any of Erste's markets. In anticipation of the final requirements and further regulatory clarifications next year, Erste could issue additional Tier 1 (AT1) or Basel III-compliant Tier 2 debt.

Erste has not yet issued AT1 under its EUR2bn AT1 issuance programme in place since 2Q14. The programme offers some flexibility to seize market opportunities as these arise, notably to compensate the regulatory phasing-out of legacy hybrids. In addition, in 3Q15 the Austrian Financial Market Stability Board recommended activating a systemic risk buffer requirement for the largest Austrian banks (including Erste) on top of the individual SREP ratios, to be phased in from 25bp of RWAs in 2016 to 200bp in 2019.

Institution Protection Scheme Enables Beneficial Minorities Treatment

In 2014, Erste updated the statutes of the institutional protection scheme it shares with the Austrian savings banks. The resulting stronger group cohesion enables the scheme to comply with the EU's Capital Requirement Directive (CRR). As a result, Erste remains exempt from deducting EUR3.3bn minority interests in savings bank members of the scheme from its regulatory CET1 capital.

Funding and Liquidity

Solid Funding Profile

Erste's funding profile compares favourably with those of peers due to the savings banks' strong retail deposit franchises in Austria (over half of total deposits), and the Czech Republic and Slovakia (together about 30% of total deposits).

Moderate Wholesale Funding Needs

The bank cut its short-term market funding and increased its local currency deposits during the financial crisis, and modest deleveraging since 2012 has improved its funding position. Despite its moderate wholesale funding needs, Erste is developing its CEE subsidiaries' local debt issuance, with the Czech and Slovak units being the most advanced. Annual debt maturities, which Erste aims to limit to EUR4bn, are declining thanks to its more balanced loan/deposit profile, to a moderate EUR4.2bn in 2016 and EUR2.6bn in 2017. Longer-term debt issuance (mostly under the EUR30bn issuance programme) is well-diversified by instrument and maturity.

Client deposits account for more than two-thirds of total funding, having risen by EUR7.8bn since 2010 while gross loans contracted by EUR1.5bn, resulting in a more balanced funding structure and reducing Erste's loan/deposit ratio to 105% at end-3Q15 from 113% at end-2010..

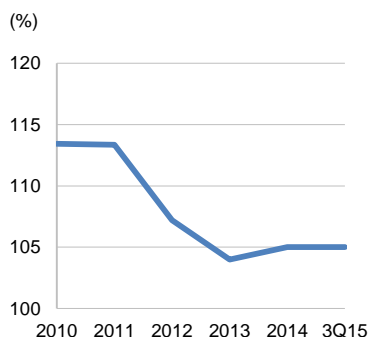
Reduced Intragroup Funding Needs in CEE

During the mid-2000s, Erste experienced strong demand for FX-denominated mortgage loans in CEE, especially in high-interest-rate countries (Croatia, Hungary and Romania). Erste Holding provided the local subsidiaries with the necessary funding in euros and Swiss francs, which led to a build-up of intra-group funding to these subsidiaries. However, the phasing-out of retail FX loans and the development of local deposit franchises has significantly reduced downstream funding since then. Croatia remains a negative outlier but its loan/deposit ratio is manageable.

Despite generally improving loan/deposit profiles in CEE, only the Czech and Slovak units (relatively large savings banks with leading retail deposit franchises in some of the most advanced and resilient CEE economies) are material net deposit contributors to the group.

Figure 18

Loan/Deposit Ratio

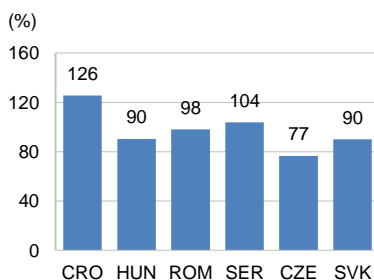


Source: Fitch

Figure 19

CEE Loan/Deposit Ratios

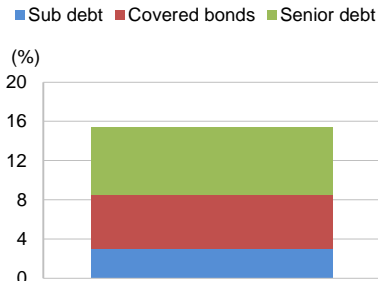
Gross; at end-3Q15



CEE total: 89%

Source: Erste, Fitch adjustments

Figure 20
Debt Instruments
 As % of total funding at end-3Q15



Source: Erste, Fitch

Solid Liquidity Buffer

As far as allowed by local regulations, Erste manages its liquidity centrally and applies group standards to all major units. This means that local units keep their liquidity buffer mainly in local currency while Erste Holding maintains a sufficient FX buffer to cover additional group needs.

All group entities must comply with a liquidity traffic-light system and a survival period analysis (SPA), taking into account currency requirements and potential cross-border restrictions. The SPA assumes the continuation of normal lending activities under an idiosyncratic and a market crisis. In addition, Erste targets liquidity coverage (LCR) and net stable funding (NSFR) ratios of at least 100% at single entity level, in line with the group’s regulatory requirements. The group’s LCR ratio was 120% at end-3Q15.

The savings banks members of the cross-guarantee scheme must place a share of their deposits at Erste. At end-3Q15, Erste’s liquidity buffer (unencumbered collateral plus cash) was a high EUR46bn or 26% of total funding excluding derivatives. In 4Q14, it took up EUR1.8bn of the ECB’s targeted long-term refinancing operations (TLTRO) with maturities of up to four years, which fits well into its 2018 maturity profile and allows cheap funding of loan growth.

Support

New Resolution Regime Constrains Extraordinary Sovereign Support

Since May 2015, Erste’s IDRs and senior debt ratings have been driven by the bank’s standalone creditworthiness as reflected in its VR. The IDRs, Support Rating of ‘5’ and Support Rating Floor of ‘No Floor’ reflect Fitch’s view that senior creditors could no longer rely on full extraordinary support from the sovereign if the bank were no longer viable.

Figure 21

Peer Analysis

	Erste Group Bank AG			UniCredit Bank Austria AG			Raiffeisen Bank International AG		
		BBB+ Stable	F2		BBB+ Stable	F2		BBB+ Negative	F3
Long-Term Issuer Default Rating									
Outlook									
Short-Term Issuer Default Rating									
Support Rating									
Support Rating Floor									
Viability Rating									
Statement dates	Sep 15	Dec 14	Dec 13	Sep 15	Dec 14	Dec 13	Sep 15	Dec 14	Dec 13
Income statement (EURm)									
Net interest income	3,368	4,569	4,775	2,876	3,440	3,424	2,495	3,789	3,729
Net fees and commissions	1,373	1,870	1,807	1,064	1,367	1,374	1,129	1,586	1,626
Total non-interest op income	1,768	1,827	1,712	1,435	1,847	2,008	1,174	1,540	1,620
Total non-interest expenses	3,124	3,787	3,896	2,562	3,400	3,545	2,101	3,024	3,340
Pre-imp operating profit	2,026	2,625	2,612	1,749	2,341	2,109	1,568	2,305	2,009
LICs	515	2,159	1,774	552	675	1,271	783	1,716	1,149
Operating profit	1,508	466	838	1,197	1,636	763	785	589	860
Pre-tax profit	1,402	-1,000	506	987	1,778	-826	624	-174	835
Net income	1,039	-1,313	200	651	1,360	-1,631	432	-463	603
Balance sheet (EURbn)									
Gross loans	131.2	128.3	127.7	123.6	120.1	120	73.3	77.9	80.6
Reserves for impaired loans	6.7	7.5	7.8	7.0	6.8	6.5	6.0	6.0	5.5
Impaired loans	9.7	10.9	12.3	11.1	11.1	10.8	8.9	8.8	8.7
Loans&advances to banks	8.4	7.4	8.4	32.4	26.6	20.5	12.2	15.5	22.1
Total securities	50.4	53.2	53.4	35.8	39.2	33.5	23	24	22.1
Total earning assets	184	182.4	182.7	185.6	180	168.3	102.9	111.7	119.5
Total assets	201.2	196.3	200.1	194	189.1	177.5	117.2	121.6	130.6
Total customer deposits	124.8	122	121.5	111	101.9	95.8	68	66.1	66.4
Total long term funding	28.6	30.8	32.8	28.8	30	27.3	11.9	10.9	11.1
Total funding	181.1	177.9	180.3	169.1	163.5	152.9	105.2	110.5	117.3
Total liabilities	186.4	182.5	185	178.8	174.2	162.5	108.2	112.9	119.8
Total equity	14.4	13.4	14.8	15.2	14.9	15.1	8.6	8.3	7.9
Fitch Core Capital	12.9	11.8	12.1	15.0	14.7	14.8	7.9	7.5	6.4
Asset quality (%)									
Growth of gross loans	2.3	0.5	-3.2	2.9	0.1	-13.5	-6.0	-3.4	-3.3
Growth of total assets	2.5	-1.9	-6.4	2.6	6.5	-14.5	-3.6	-6.9	-4.0
Impaired loans/gross loans	7.4	8.5	9.6	9.0	9.2	9.0	12.1	11.3	10.7
NPL coverage ratio	69.2	68.9	63.1	63.6	61.5	60.2	67.9	67.4	63.4
Unres imp loans/FCC	23.3	28.6	37.4	26.8	28.9	29.1	35.9	38.4	49.6
Imp loans res/gross loans	5.1	5.8	6.1	5.7	5.7	5.4	8.3	7.6	6.8
RWA/total assets (%)	49.9	51.2	48.9	67.4	68.9	66.8	57.3	56.5	61.2
LICs/av. gross loans	0.5	1.7	1.4	0.6	0.6	0.9	1.4	2.2	1.4
Net charge-offs/gross loans	1.3	1.7	1.0	n.a.	n.a.	n.a.	1.6	1.4	1.3
Earnings & profitability (%)									
NII/earning assets	2.4	2.5	2.5	2.1	2.0	1.8	3.1	3.2	3.1
NII/ gross revenues	34.4	28.6	26.4	33.3	34.9	37.0	32.0	28.9	30.3
Cost income ratio	60.8	59.2	60.1	59.4	64.3	65.3	57.3	56.7	62.4
Pre-impOpRoE	19.4	18.5	17.7	15.2	15.2	12.0	24.4	24.8	24.8
Pre-impOpRoA	1.4	1.3	1.3	1.2	1.3	1.1	1.7	1.8	1.5
LICs/pre-imp op.profit	25.6	82.3	67.9	31.6	30.1	63.8	49.9	74.4	57.2
OpRoE	14.4	3.3	5.7	10.4	10.6	4.3	12.2	6.4	10.6
OpRoA	1.0	0.2	0.4	0.8	0.9	0.4	0.9	0.5	0.7
OpRoRWA	2.0	0.5	0.9	1.2	1.3	0.6	1.6	0.9	1.1
Net RoE	10.0	-9.2	1.4	5.7	8.8	-9.3	6.7	-5.0	7.4
Net RoRWA	1.4	-1.3	0.2	0.7	1.0	-1.4	0.9	-0.7	0.8
Capitalisation & leverage (%)									
TCE/TA	6.5	6.1	6.2	7.6	7.6	8.2	6.8	6.1	5.0
Tier 1 ratio	11.5	10.6	11.8	10.6	10.3	11.6	11.4	10.9	11.2
Total capital ratio	16.8	15.7	16.3	14.2	13.4	13.5	16.7	16.0	15.9
Core Tier 1 ratio	11.5	10.6	11.4	10.6	n.a.	n.a.	11.4	10.9	10.7
Equity/total assets	7.2	6.9	7.4	7.9	7.9	8.5	7.4	6.8	6.0
FCC/RWA	12.8	11.8	12.4	11.5	11.3	12.5	11.8	10.9	8.0
Internal capital generation	9.6	-11.9	-1.0	5.7	9.0	-11.0	6.7	-5.6	0.8
Funding & liquidity (%)									
Loans/customer deposits	105	105	105	111	118	125	108	118	121
Interbank assets/interbank liab	53	54	57	139	113	87	66	69	73
Client deposits/total funding	72	72	70	67	65	64	68	64	59

Source: Fitch

Appendix

Figure 22

Ratings and Latest Research on Erste's CEE Subsidiaries

Subsidiary	Country	IDRs	VR	Support Rating	Sovereign Rating
Ceska Sporitelna	Czech Republic	A-/Stable/F2	a-	2	A+/Stable
Slovenska Sporitelna	Slovakia	BBB+/Stable/F2	bbb+	2	A+/Stable
Banca Comerciala Romana SA	Romania	BBB/Stable/F2	bb-	2	BBB-/Stable
Erste Bank Hungary Zrt	Hungary	BBB-/Positive/F3	b	2	BB+/Positive

Bank names are linked to the latest published Ratings Navigators
 Viability Ratings upgraded since mid-2014 are highlighted in bold
 Source: Fitch

The VR of the Czech subsidiary, Ceska Sporitelna, is higher than that of Erste. This highlights the high importance of this strong subsidiary for Erste's profits, capital and funding. None of the rated CEE subsidiaries' IDRs is constrained by the respective country ceiling. This reflects Erste's focus on EU CEE countries with relatively high ratings.

**Erste Group Bank AG
Income Statement**

	30 Sep 2015 9 Months - 3rd Quarter EURm Unaudited	31 Dec 2014 Year End EURm Unqualified	31 Dec 2013 Year End EURm Unqualified	31 Dec 2012 Year End EURm Unqualified	31 Dec 2011 Year End EURm Unqualified
1. Interest Income on Loans	3,359.7	4,875.7	5,269.3	5,957.8	6,426.5
2. Other Interest Income	1,274.4	1,425.4	1,715.0	2,837.3	2,924.1
3. Dividend Income	43.3	74.2	89.7	n.a.	n.a.
4. Gross Interest and Dividend Income	4,677.4	6,375.3	7,074.0	8,795.1	9,350.6
5. Interest Expense on Customer Deposits	0.0	0.0	0.0	1,741.1	1,831.8
6. Other Interest Expense	1,309.8	1,805.9	2,299.3	1,835.1	1,957.8
7. Total Interest Expense	1,309.8	1,805.9	2,299.3	3,576.2	3,789.6
8. Net Interest Income	3,367.6	4,569.4	4,774.7	5,218.9	5,561.0
9. Net Gains (Losses) on Trading and Derivatives	168.8	282.4	231.9	273.4	122.3
10. Net Gains (Losses) on Other Securities	58.8	(63.0)	38.8	36.3	(93.3)
11. Net Gains (Losses) on Assets at FV through Income Statement	24.2	8.7	10.5	(3.6)	0.3
12. Net Insurance Income	0.0	0.0	0.0	n.a.	n.a.
13. Net Fees and Commissions	1,372.6	1,869.8	1,806.5	1,720.8	1,787.2
14. Other Operating Income	143.5	(270.7)	(375.7)	(209.4)	(525.3)
15. Total Non-Interest Operating Income	1,767.9	1,827.2	1,712.0	1,817.5	1,291.2
16. Personnel Expenses	1,667.5	2,184.2	2,232.4	2,284.1	2,323.7
17. Other Operating Expenses	1,456.4	1,603.0	1,663.7	1,472.6	1,527.2
18. Total Non-Interest Expenses	3,123.9	3,787.2	3,896.1	3,756.7	3,850.9
19. Equity-accounted Profit/ Loss - Operating	14.4	15.8	21.8	16.4	8.0
20. Pre-Impairment Operating Profit	2,026.0	2,625.2	2,612.4	3,296.1	3,009.3
21. Loan Impairment Charge	514.9	2,159.2	1,774.4	1,980.0	2,266.9
22. Securities and Other Credit Impairment Charges	3.5	0.0	0.0	n.a.	n.a.
23. Operating Profit	1,507.6	466.0	838.0	1,316.1	742.4
24. Equity-accounted Profit/ Loss - Non-operating	0.0	0.0	0.0	n.a.	n.a.
25. Non-recurring Income	38.8	0.0	127.7	n.a.	n.a.
26. Non-recurring Expense	144.9	1,466.2	459.6	514.9	1,064.6
27. Change in Fair Value of Own Debt	0.0	0.0	0.0	n.a.	n.a.
28. Other Non-operating Income and Expenses	0.0	0.0	0.0	n.a.	n.a.
29. Pre-tax Profit	1,401.5	(1,000.2)	506.1	801.2	(322.2)
30. Tax expense	362.3	312.4	306.2	170.2	240.4
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.0	0.0	0.0
32. Net Income	1,039.2	(1,312.6)	199.9	631.0	(562.6)
33. Change in Value of AFS Investments	(156.1)	581.2	(113.2)	975.9	(64.6)
34. Revaluation of Fixed Assets	0.0	0.0	0.0	n.a.	n.a.
35. Currency Translation Differences	99.4	(63.1)	(241.4)	16.2	(232.9)
36. Remaining OCI Gains/(losses)	60.6	(159.0)	(31.5)	(233.2)	10.9
37. Fitch Comprehensive Income	1,043.1	(953.5)	(186.2)	1,389.9	(849.2)
38. Memo: Profit Allocation to Non-controlling Interests	275.0	129.4	139.6	147.5	156.3
39. Memo: Net Income after Allocation to Non-controlling Interests	764.2	(1,442.0)	60.3	483.5	(718.9)
40. Memo: Common Dividends Relating to the Period	0.0	292.0	343.0	157.8	n.a.
41. Memo: Preferred Dividends Related to the Period	0.0	0.0	0.0	n.a.	n.a.

Exchange rate

USD1 = EUR0.892SD1 = EUR0.8237 USD1 = EUR0.72510 ;D1 = EUR0.757D1 = EUR0.77290

Erste Group Bank AG
Balance Sheet

	30 Sep 2015 9 Months - 3rd Quarter EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm	31 Dec 2012 Year End EURm	31 Dec 2011 Year End EURm
Assets					
A. Loans					
1. Residential Mortgage Loans	0.0	0.0	0.0	n.a.	n.a.
2. Other Mortgage Loans	0.0	0.0	0.0	n.a.	n.a.
3. Other Consumer/ Retail Loans	0.0	0.0	0.0	n.a.	n.a.
4. Corporate & Commercial Loans	0.0	0.0	0.0	69,855.0	n.a.
5. Other Loans	131,242.2	128,325.0	127,697.5	62,072.5	134,749.5
6. Less: Reserves for Impaired Loans	6,721.0	7,491.0	7,753.0	7,573.7	6,940.3
7. Net Loans	124,521.2	120,834.0	119,944.5	124,353.8	127,809.2
8. Gross Loans	131,242.2	128,325.0	127,697.5	131,927.5	134,749.5
9. Memo: Impaired Loans included above	9,717.0	10,878.0	12,296.0	12,098.0	11,388.0
10. Memo: Loans at Fair Value included above	0.0	0.0	0.0	n.a.	n.a.
B. Other Earning Assets					
1. Loans and Advances to Banks	8,384.5	7,442.3	8,376.7	9,004.1	7,490.7
2. Reverse Repos and Cash Collateral	0.0	0.0	0.0	n.a.	n.a.
3. Trading Securities and at FV through Income	3,503.7	3,707.1	6,469.8	5,893.8	7,689.0
4. Derivatives	7,917.6	10,045.0	8,285.9	13,289.4	10,931.0
5. Available for Sale Securities	21,187.4	22,373.4	20,677.6	22,417.7	20,245.0
6. Held to Maturity Securities	17,585.0	16,877.2	17,779.0	18,974.7	16,074.0
7. Equity Investments in Associates	164.1	195.0	207.6	174.1	173.0
8. Other Securities	0.0	0.0	0.0	n.a.	n.a.
9. Total Securities	50,357.8	53,197.7	53,419.9	60,749.7	55,112.0
10. Memo: Government Securities included Above	31,532.0	31,220.0	28,093.0	n.a.	n.a.
11. Memo: Total Securities Pledged	0.0	0.0	0.0	n.a.	n.a.
12. Investments in Property	751.5	950.2	950.6	1,022.9	n.a.
13. Insurance Assets	0.0	0.0	0.0	n.a.	n.a.
14. Other Earning Assets	0.0	0.0	0.0	n.a.	n.a.
15. Total Earning Assets	184,015.0	182,424.2	182,691.7	195,130.5	190,411.9
C. Non-Earning Assets					
1. Cash and Due From Banks	11,097.0	7,835.4	9,300.7	9,740.5	9,412.8
2. Memo: Mandatory Reserves included above	0.0	4,509.0	6,343.0	n.a.	n.a.
3. Foreclosed Real Estate	0.0	0.0	0.0	n.a.	n.a.
4. Fixed Assets	2,368.1	2,264.0	2,319.5	2,227.9	2,360.8
5. Goodwill	0.0	771.0	1,239.0	1,626.0	n.a.
6. Other Intangibles	1,392.6	669.9	1,201.8	1,267.9	3,532.0
7. Current Tax Assets	166.3	107.3	100.4	127.6	115.6
8. Deferred Tax Assets	234.4	301.5	719.0	657.5	701.8
9. Discontinued Operations	487.0	291.3	74.8	708.1	n.a.
10. Other Assets	1,411.1	1,622.7	2,470.9	2,338.0	3,471.4
11. Total Assets	201,171.5	196,287.3	200,117.8	213,824.0	210,006.3
Liabilities and Equity					
D. Interest-Bearing Liabilities					
1. Customer Deposits - Current	52,276.3	48,109.6	77,606.8	66,763.9	118,880.2
2. Customer Deposits - Savings	53,106.0	53,039.0	21,225.3	56,289.0	n.a.
3. Customer Deposits - Term	19,426.0	20,884.0	22,707.0	n.a.	n.a.
4. Total Customer Deposits	124,808.3	122,032.6	121,539.1	123,052.9	118,880.2
5. Deposits from Banks	15,913.1	13,888.6	14,575.5	21,822.1	23,785.3
6. Repos and Cash Collateral	2,132.0	1,464.0	3,600.0	n.a.	n.a.
7. Commercial Paper and Short-term Borrowings	1,649.0	0.0	0.0	2,593.0	n.a.
8. Total Money Market and Short-term Funding	144,502.4	137,385.2	139,714.6	147,468.0	142,665.5
9. Senior Unsecured Debt (original maturity > 1 year)	22,754.1	25,381.5	27,964.9	26,834.3	30,781.6
10. Subordinated Borrowing	5,859.0	5,400.9	4,796.0	4,945.4	4,543.6
11. Covered Bonds	n.a.	0.0	0.0	n.a.	n.a.
12. Other Long-term Funding	0.0	0.0	0.0	n.a.	n.a.
13. Total LT Funding (original maturity > 1 year)	28,613.1	30,782.4	32,760.9	31,779.7	35,325.2
14. Derivatives	7,287.5	9,139.8	7,465.0	12,098.4	9,336.6
15. Trading Liabilities	710.6	558.0	387.8	481.0	535.5
16. Total Funding	181,113.6	177,865.4	180,328.3	191,827.1	187,862.8
E. Non-Interest Bearing Liabilities					
1. Fair Value Portion of Debt	0.0	0.0	0.0	n.a.	n.a.
2. Credit impairment reserves	0.0	0.0	0.0	n.a.	n.a.
3. Reserves for Pensions and Other	1,751.6	1,652.7	1,447.6	1,487.7	1,580.1
4. Current Tax Liabilities	119.9	91.1	84.5	53.0	33.7
5. Deferred Tax Liabilities	91.9	98.8	169.4	323.5	344.7
6. Other Deferred Liabilities	237.0	233.0	304.0	326.0	n.a.
7. Discontinued Operations	0.0	0.0	0.0	338.9	n.a.
8. Insurance Liabilities	0.0	0.0	0.0	n.a.	n.a.
9. Other Liabilities	3,062.4	2,545.8	2,636.0	2,751.3	3,766.0
10. Total Liabilities	186,376.4	182,486.8	184,969.8	197,107.5	193,587.3
F. Hybrid Capital					
1. Pref. Shares and Hybrid Capital accounted for as Debt	358.0	357.0	363.0	378.0	1,239.0
2. Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0.0	0.0	1,757.0	1,757.0
G. Equity					
1. Common Equity	11,114.9	10,361.1	12,155.0	11,653.3	11,102.1
2. Non-controlling Interest	3,746.2	3,605.4	3,466.0	3,483.2	3,142.9
3. Securities Revaluation Reserves	572.0	580.0	259.0	227.0	(316.0)
4. Foreign Exchange Revaluation Reserves	(752.0)	(849.0)	(785.0)	(555.0)	(541.0)
5. Fixed Asset Revaluations and Other Accumulated OCI	(244.0)	(254.0)	(310.0)	(227.0)	35.0
6. Total Equity	14,437.1	13,443.5	14,785.0	14,581.5	13,423.0
7. Total Liabilities and Equity	201,171.5	196,287.3	200,117.8	213,824.0	210,006.3
8. Memo: Fitch Core Capital	12,876.5	11,828.6	12,142.2	11,479.6	9,533.9
9. Memo: Fitch Eligible Capital	12,876.5	11,828.6	12,142.2	12,703.6	10,757.9

Exchange rate

USD1 = EUR0.892D1 = EUR0.823D1 = EUR0.725D1 = EUR0.757D1 = EUR0.77290

Erste Group Bank AG Summary Analytics

	30 Sep 2015 9 Months - 3rd Quarter	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios					
1. Interest Income on Loans/ Average Gross Loans	3.44	3.81	4.06	4.45	4.80
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	1.43	1.53
3. Interest Income/ Average Earning Assets	3.38	3.47	3.72	4.46	4.83
4. Interest Expense/ Average Interest-bearing Liabilities	0.97	1.01	1.23	1.87	2.02
5. Net Interest Income/ Average Earning Assets	2.44	2.49	2.51	2.65	2.87
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.06	1.31	1.58	1.64	1.70
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.44	2.49	2.51	2.65	2.87
B. Other Operating Profitability Ratios					
1. Non-Interest Income/ Gross Revenues	34.43	28.57	26.39	25.83	18.84
2. Non-Interest Expense/ Gross Revenues	60.83	59.21	60.06	53.39	56.20
3. Non-Interest Expense/ Average Assets	2.09	1.90	1.86	1.75	1.82
4. Pre-impairment Op. Profit/ Average Equity	19.40	18.48	17.70	23.21	20.31
5. Pre-impairment Op. Profit/ Average Total Assets	1.36	1.32	1.25	1.54	1.42
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	25.59	82.25	67.92	60.07	75.33
7. Operating Profit/ Average Equity	14.44	3.28	5.68	9.27	5.01
8. Operating Profit/ Average Total Assets	1.01	0.23	0.40	0.61	0.35
9. Operating Profit / Risk Weighted Assets	2.01	0.46	0.86	1.25	0.65
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	9.95	(9.24)	1.35	4.44	(3.80)
2. Net Income/ Average Total Assets	0.70	(0.66)	0.10	0.29	(0.27)
3. Fitch Comprehensive Income/ Average Total Equity	9.99	(6.71)	(1.26)	9.79	(5.73)
4. Fitch Comprehensive Income/ Average Total Assets	0.70	(0.48)	(0.09)	0.65	(0.40)
5. Taxes/ Pre-tax Profit	25.85	(31.23)	60.50	21.24	(74.61)
6. Net Income/ Risk Weighted Assets	1.38	(1.30)	0.20	0.60	(0.49)
D. Capitalization					
1. Fitch Core Capital/ Risk Weighted Assets	12.83	11.76	12.40	10.90	8.36
2. Fitch Eligible Capital/ Risk Weighted Assets	12.83	11.76	12.40	12.06	9.44
3. Tangible Common Equity/ Tangible Assets	6.46	6.11	6.15	5.45	4.79
4. Tier 1 Regulatory Capital Ratio	11.50	10.60	11.80	11.60	10.40
5. Total Regulatory Capital Ratio	16.80	15.70	16.30	15.50	14.40
6. Core Tier 1 Regulatory Capital Ratio	11.50	10.60	11.40	11.20	9.40
7. Equity/ Total Assets	7.18	6.85	7.39	6.82	6.39
8. Cash Dividends Paid & Declared/ Net Income	n.a.	(22.25)	171.59	25.01	n.a.
9. Internal Capital Generation	9.62	(11.94)	(0.97)	3.25	(4.19)
E. Loan Quality					
1. Growth of Total Assets	2.49	(1.91)	(6.41)	1.82	1.98
2. Growth of Gross Loans	2.27	0.49	(3.21)	(2.09)	1.52
3. Impaired Loans/ Gross Loans	7.40	8.48	9.63	9.17	8.45
4. Reserves for Impaired Loans/ Gross Loans	5.12	5.84	6.07	5.74	5.15
5. Reserves for Impaired Loans/ Impaired Loans	69.17	68.86	63.05	62.60	60.94
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	23.27	28.63	37.41	39.41	46.65
7. Impaired Loans less Reserves for Impaired Loans/ Equity	20.75	25.19	30.73	31.03	33.13
8. Loan Impairment Charges/ Average Gross Loans	0.53	1.69	1.37	1.48	1.69
9. Net Charge-offs/ Average Gross Loans	1.30	1.66	1.00	n.a.	n.a.
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	7.40	8.48	9.63	9.17	8.45
F. Funding and Liquidity					
1. Loans/ Customer Deposits	105.16	105.16	105.07	107.21	113.35
2. Interbank Assets/ Interbank Liabilities	52.69	53.59	57.47	41.26	31.49
3. Customer Deposits/ Total Funding (excluding derivatives)	71.80	72.33	70.31	68.47	66.59
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.	n.a.

Erste Group Bank AG
Reference Data

	30 Sep 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
	9 Months - 3rd Quarter	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm	EURm
A. Off-Balance Sheet Items					
1. Managed Securitized Assets Reported Off-Balance Sheet	0.0	0.0	0.0	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	0.0	0.0	0.0	n.a.	n.a.
3. Guarantees	0.0	6,862.0	6,887.0	6,363.0	6,920.0
4. Acceptances and documentary credits reported off-balance sheet	0.0	0.0	0.0	n.a.	n.a.
5. Committed Credit Lines	0.0	16,101.0	15,146.0	14,415.0	18,579.0
6. Other Contingent Liabilities	0.0	0.0	0.0	n.a.	n.a.
7. Total Assets under Management	0.0	219,250.3	222,150.8	n.a.	n.a.
B. Average Balance Sheet					
Average Loans	130,142.1	127,896.2	129,841.6	133,784.2	133,918.6
Average Earning Assets	184,765.4	183,543.5	189,928.3	197,166.5	193,612.9
Average Assets	199,390.1	199,135.8	208,996.9	214,551.5	211,939.9
Average Managed Securitized Assets (OBS)	0.0	0.0	0.0	n.a.	n.a.
Average Interest-Bearing Liabilities	179,932.3	179,532.3	186,910.9	191,716.0	187,996.5
Average Common equity	10,727.2	11,145.7	11,796.2	11,426.7	11,867.5
Average Equity	13,962.7	14,205.8	14,761.3	14,199.7	14,818.9
Average Customer Deposits	123,725.6	120,300.4	122,457.8	121,756.6	119,501.1
C. Maturities					
Asset Maturities:					
Loans & Advances < 3 months	0.0	0.0	0.0	n.a.	n.a.
Loans & Advances 3 - 12 Months	0.0	0.0	0.0	n.a.	n.a.
Loans and Advances 1 - 5 Years	0.0	0.0	0.0	n.a.	n.a.
Loans & Advances > 5 years	0.0	0.0	0.0	n.a.	n.a.
Debt Securities < 3 Months	0.0	0.0	0.0	n.a.	n.a.
Debt Securities 3 - 12 Months	0.0	0.0	0.0	n.a.	n.a.
Debt Securities 1 - 5 Years	0.0	0.0	0.0	n.a.	n.a.
Debt Securities > 5 Years	0.0	0.0	0.0	n.a.	n.a.
Loans & Advances to Banks < 3 Months	0.0	0.0	0.0	n.a.	n.a.
Loans & Advances to Banks 3 - 12 Months	0.0	0.0	0.0	n.a.	n.a.
Loans & Advances to Banks 1 - 5 Years	0.0	0.0	0.0	n.a.	n.a.
Loans & Advances to Banks > 5 Years	0.0	0.0	0.0	n.a.	n.a.
Liability Maturities:					
Retail Deposits < 3 months	0.0	0.0	0.0	n.a.	n.a.
Retail Deposits 3 - 12 Months	0.0	0.0	0.0	n.a.	n.a.
Retail Deposits 1 - 5 Years	0.0	0.0	0.0	n.a.	n.a.
Retail Deposits > 5 Years	0.0	0.0	0.0	n.a.	n.a.
Other Deposits < 3 Months	0.0	0.0	0.0	n.a.	n.a.
Other Deposits 3 - 12 Months	0.0	0.0	0.0	n.a.	n.a.
Other Deposits 1 - 5 Years	0.0	0.0	0.0	n.a.	n.a.
Other Deposits > 5 Years	0.0	0.0	0.0	n.a.	n.a.
Deposits from Banks < 3 Months	0.0	0.0	0.0	n.a.	n.a.
Deposits from Banks 3 - 12 Months	0.0	0.0	0.0	n.a.	n.a.
Deposits from Banks 1 - 5 Years	0.0	0.0	0.0	n.a.	n.a.
Deposits from Banks > 5 Years	0.0	0.0	0.0	n.a.	n.a.
Senior Debt Maturing < 3 months	0.0	0.0	0.0	n.a.	n.a.
Senior Debt Maturing 3-12 Months	0.0	0.0	0.0	n.a.	n.a.
Senior Debt Maturing 1- 5 Years	0.0	0.0	0.0	n.a.	n.a.
Senior Debt Maturing > 5 Years	0.0	0.0	0.0	n.a.	n.a.
Total Senior Debt on Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
Fair Value Portion of Senior Debt	0.0	0.0	0.0	n.a.	n.a.
Subordinated Debt Maturing < 3 months	0.0	0.0	0.0	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	0.0	0.0	0.0	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	0.0	0.0	0.0	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	0.0	0.0	0.0	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	5,859.0	5,400.9	4,796.0	4,945.4	4,543.6
Fair Value Portion of Subordinated Debt	0.0	0.0	0.0	n.a.	n.a.
D. Risk Weighted Assets					
1. Risk Weighted Assets	100,394.0	100,590.0	97,901.0	105,325.0	114,019.0
2. Fitch Adjustments to Risk Weighted Assets	0.0	0.0	0.0	n.a.	n.a.
3. Fitch Adjusted Risk Weighted Assets	100,394.0	100,590.0	97,901.0	105,325.0	114,019.0
E. Equity Reconciliation					
1. Equity	14,437.1	13,443.5	14,785.0	14,581.5	13,423.0
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	n.a.	1,757.0	1,757.0
3. Add: Other Adjustments	0.0	0.0	0.0	n.a.	n.a.
4. Published Equity	14,437.1	13,443.5	14,785.0	16,338.5	15,180.0
F. Fitch Eligible Capital Reconciliation					
1. Total Equity as reported (including non-controlling interests)	14,437.1	13,443.5	14,785.0	14,581.5	13,423.0
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	(64.0)	(70.0)	0.0	0.0	0.0
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.0	0.0	0.0
4. Goodwill	0.0	771.0	1,239.0	1,626.0	0.0
5. Other intangibles	1,392.6	669.9	1,201.8	1,267.9	3,532.0
6. Deferred tax assets deduction	104.0	104.0	202.0	208.0	357.1
7. Net asset value of insurance subsidiaries	0.0	0.0	0.0	0.0	0.0
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.0	0.0	0.0
9. Fitch Core Capital	12,876.5	11,828.6	12,142.2	11,479.6	9,533.9
10. Eligible weighted Hybrid capital	0.0	0.0	0.0	0.0	0.0
11. Government held Hybrid Capital	0.0	0.0	0.0	1,224.0	1,224.0
12. Fitch Eligible Capital	12,876.5	11,828.6	12,142.2	12,703.6	10,757.9

Exchange Rate

USD1 = EUR0.892D1 = EUR0.823D1 = EUR0.725D1 = EUR0.757D1 = EUR0.77290

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