Erste Group Bank AG

Full Rating Report

Ratings

Long-Term IDR	A-
Short-Term IDR	F1
Viability Rating	a-
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+

Outlooks

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

Financial Data

Erste Group Bank AG

	9M17	2016
Total assets (USDm)	261,672	219,487
Total assets (EURm)	221,715	208,227
Total equity (EURm)	16,976	16,105
Operating profit (EURm)	1,625	1,855
Net income (EURm)	1,260	1,537
LIC/pre-impairment profit (%)	4.2	9.5
Operating RoRWA (%)	2.0	1.8
Operating RoAE (%)	13.2	11.9
Impaired loan ratio (%)	4.4	4.9
CET1 ratio (transitional; %)	12.8	13.4
Fitch Core Capital ratio (%)	14.0	14.3
Tangible equity/tangible assets (%)	7.0	7.1
Loans/deposits (%)	96.4	98.1

Related Research

Ceska Sporitelna (August 2017)

Slovenska Sporitelna (July 2017)

Erste Bank Hungary Zrt. (September 2017)

Fitch 2018 Outlook: Western European Banks (December 2017)

Fitch 2018 Outlook: CEE Banks (November 2017)

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Key Rating Drivers

Improved Risk/Return Profile: Erste Group Bank AG's Issuer Default Ratings (IDRs) and Viability Rating (VR) reflect the bank's strong and diversified franchise in its core Austrian, Czech, Romanian and Slovakian markets. They also reflect its much improved asset quality, solid funding and liquidity, and adequate capitalisation driven by reduced loan impairments and one-off charges. The ratings reflect weaker operating environments in Erste's central and eastern European (CEE) markets than in Austria, and margin pressure in the Austrian business.

Improved Asset Quality: Erste has more than halved its non-performing loan (NPL) ratio since 2013 to a robust 4.3% at end-3Q17 as a result of intensive NPL sales and workout amid low NPL inflows helped by benign economic conditions and tightened underwriting. Loan quality remains much stronger in Austria, the Czech Republic and Slovakia than in Croatia and Romania, but is converging. NPL reserve coverage is adequate across all markets and the reduced stock of unreserved NPLs represents a moderate proportion of the bank's equity.

Diversified Business Model: Erste's company profile benefits from its retail and corporate banking focus across several jurisdictions. However, its large presence in CEE leaves it vulnerable to government measures affecting the region's banking sector. This risk has receded in the past two years but is inherent in Erste's business model.

Risk Costs Drive Solid Profits: Performance has improved in the past two years thanks to exceptionally low one-off and loan impairment charges (LICs). We believe LICs are close to their cyclical low and will rise towards normalised levels over the medium term. After several years of risk reduction and muted demand, moderate loan growth has returned in CEE since 2016 and partly mitigates the pressure from low interest rates. Erste is working to improve cost-efficiency.

Capitalisation Nears Management Target: Three years of strong internal capital generation and moderate loan growth have strengthened Erste's capital ratios closer to those of peers. We expect slower improvements in the next couple of years as profit distribution is likely to prevent the common equity Tier 1 (CET1) ratio to materially exceed management's guidance of about 13%. High regulatory risk weights in CEE result in a solid leverage ratio of 6.3% at end-3Q17.

Sound Funding and Liquidity: Erste's liquidity benefits from its large portfolio of high-quality liquid assets and leading retail deposit franchises in Austria, the Czech Republic and Slovakia. Cross-border intragroup funding needs have declined substantially as the CEE units are now largely self-funded. The group has limited wholesale funding needs and well spread maturities.

Rating Sensitivities

Deteriorating Environment in CEE: Erste's ratings are most likely to come under pressure if earnings and asset quality deteriorate due to changes in market or economic conditions, if capital deteriorates from insufficient earnings retention or losses, or if we have indications that Erste's risk appetite is increasing in a way that exceeds its ability to build up capital.

More Balanced, Predictable CEE Profits: A rating upgrade would require a solid economic outlook in Erste's core markets and sustained improvement in the outlook for higher-risk markets. Continued efforts to raise the cost-efficiency of the Austrian savings banks segment, while maintaining price discipline, would also be important to reduce Erste's reliance on what we view as its more volatile capital generation from CEE.

Operating Environment

Robust Austrian Economy but High Competitive Pressure

Austria's diversified and open economy, high GDP per capita, strong institutional framework, one of the EU's lowest unemployment rates and moderately leveraged private sector underpin its 'AA+'/Stable sovereign rating. A persistent current account surplus reflects the country's strong competitiveness. Prudent economic management and the absence of significant domestic private-sector or external imbalances should enable continued GDP growth in line with or above the eurozone average. Fitch forecasts a moderate slowdown in GDP growth to 2.0% in 2018 as higher inflation erodes consumer spending and investment decelerates.

Financial Market Indicators in Core Countries

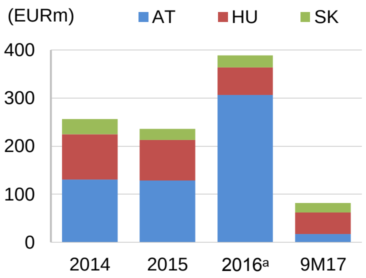
	% of total assets[a]	FC IDR	GDP (USDbn)	Real GDP growth (%)				BSI/ MPI[d]	Bank system assets (in % of GDP)		Political stability score[c]
	End-3Q17	Dec 17	2017	12-16 av.	2017	2018	2019	Aug 17	12-16 av.	2016	2016
Austria	66	AA+	410	0.8	2.8	2.5	2.4	bbb/1	196.1	184.8	72.9
Czech Republic	23	A+[b]	214	1.9	4.2	3.0	2.7	a/2	109.2	113.6	83.3
Slovakia	7	A+	94	2.6	3.3	3.6	3.6	-/2	79.5	85.2	66.7
Hungary	3	BBB-[b]	136	1.2	3.7	3.5	3.0	bb/1	92.0	86.4	69.0
Romania	7	BBB-	190	3.2	6.1	3.7	3.6	bb/1	55.0	44.8	55.7
Croatia	4	BB+	53	0.3	3.0	2.8	3.0	-/1	124.9	120.7	68.1
Serbia	1	BB	40	0.7	1.9	3.0	3.3	-/1	79.6	80.5	48.1

[a] Erste's total assets excluding consolidation and other adjustments
[b] Rating Outlook Positive
[c] Source: World Bank
[d] Fitch's Bank Systemic Risk Indicator and Macro-Prudential Indicator
Source: Fitch Sovereign Data Comparator September 2017

The Austrian banking sector is highly developed and fairly concentrated. Competitive pressure is strong given the relatively small size of the domestic market. The regulatory environment and the supervisory framework are developed and transparent. The Austrian law (BaSAG) transposing the EU's Bank Recovery and Resolution Directive (BRRD), in force since 1Q15, notably includes the BRRD's bail-in tool and defines the hierarchy of creditors in a resolution. We expect that the legal framework to establish senior non-preferred notes in the creditor hierarchy in Austria will come into force in 2018.

Erste is Austria's largest consolidated banking group. Similar the other large domestic banks, it is supervised by the national authorities (Austrian National Bank and Financial Market Authority) and the ECB. Its CEE subsidiaries are also subject to local supervision. The Austrian regulatory environment and supervisory framework are developed and transparent.

Banking and Financial Transaction Taxes



[a] Includes one-off payment under new Austrian bank levy
Source: Erste, Fitch

Declining Regulatory Costs

Austrian banks benefit from the government's decision to reduce the domestic levy on the sector to about EUR100 million from 2017 from EUR640 million in 2016, thus reducing the burden on banks. Cuts to the banking tax in Hungary from 2016 also indicate an improving operating environment for banks in the country. As a result, Erste's regulatory cost pressure should now be broadly comparable to those of its western European peers.

Improved Economic Outlook in CEE

The economic outlook for most of Erste's CEE markets is solid and supportive of banks. Serbia and Croatia remain the most vulnerable but are improving (Fitch upgraded both sovereign ratings by one notch in 4Q17 and 1Q18, respectively) and Erste's exposure there is moderate.

Household consumption supports the region's GDP growth, which should continue to drive loan growth. This is tempered by local regulators imposing countercyclical buffers, measures to tighten underwriting and, in the Czech Republic, a recent rise in the central bank's base rate to 0.25% from 0.05%. The immediate risk of adverse political measures has declined following

Related Criteria

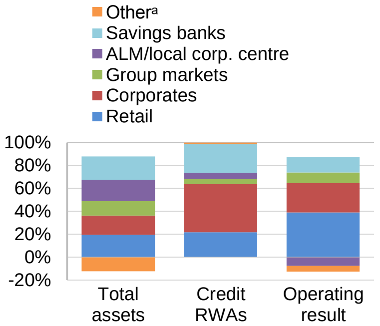
Global Bank Rating Criteria (November 2016) several years of government initiatives to protect banks' retail customers in several countries, including forced conversions of foreign currency-denominated loans in Hungary and Croatia in 2014 and 2015, and comparable attempts by the Romanian government.

Company Profile

Universal Bank with Leading Franchise in Austria and CEE

Erste's company profile benefits from its strong franchise and geographic diversification across its core Austrian and CEE markets. Erste is the Austrian savings banks' central institution and one of the largest banks in CEE, with leading market shares in the Czech Republic, Romania and Slovakia as well as smaller retail and corporate operations in Croatia, Hungary and Serbia, and some small cross-border business in the Balkans region.

Segment Breakdown (9M17)

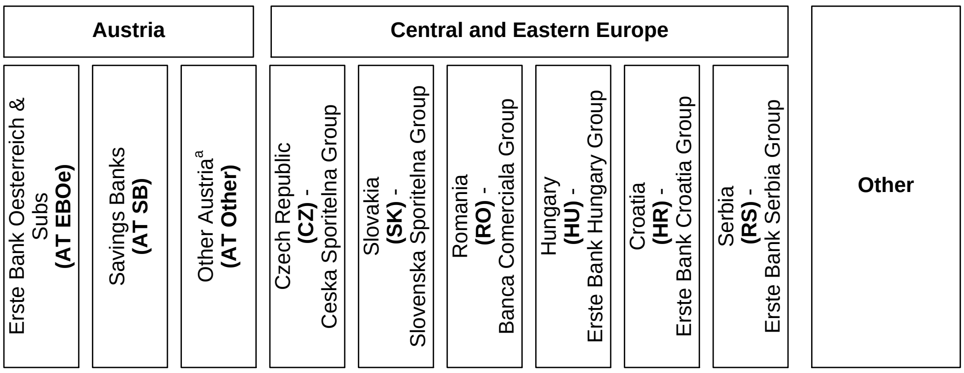


[a] Group corp. centre, intragroup elimination
Source: Erste, Fitch

Large Austrian and CEE Player

The parent entity, Erste Group Bank AG, is the group's listed operating bank holding company. It manages the group and owns the local subsidiaries in Austria and CEE. In Austria, Erste's retail and SME franchise is split into Erste Bank der Oesterreichischen Sparkassen AG (EBOe), which consolidates three large majority-owned savings banks, and 43 smaller savings banks (SB) that are not, or only minority, owned by Erste, but are managed under a mutual support scheme controlled by Erste. Cross-guarantee provisions allow Erste to consolidate all members of the scheme. The legal structure is more straightforward in CEE, where the parent is the local units' dominant or sole owner. Even though the support scheme does not include the CEE subsidiaries, we view Erste's willingness to support them as very high.

Erste Group – Overview of Geographical Segmentation



[a] Includes Holding, Corporates and Group Markets, Erste Group Immorent and Erste Asset Management
Source: Erste; Fitch

Management and Strategy

Experienced Management Board

The management team has a high degree of depth, credibility and experience, and has ample internal resources. Senior managers are regularly transferred between the parent and the CEE units to share best practices and maintain the group's cohesion. The chief executive has decisively shaped the group's structure in more than 20 years as a board member, but we view succession risk as manageable. Corporate governance is effective, benefitting from the group's listing and extensive scrutiny from international capital markets.

Clearly Defined Strategic Commitment to CEE

Bottoming credit cycles and a series of adverse political, legislative and regulatory measures culminating from 2013 to 2015 have tested the resilience of Erste's Austrian and CEE business. Management's clearly formulated targets and moderate turnover has permitted high strategic stability, even during the global financial crisis and at the height of the tensions with CEE legislators in 2014-2015, which notably prompted a review of the strategic importance of the Hungarian operations. Despite some difficult readjustments, this has not fundamentally affected the bank's strong strategic commitment to its core region.

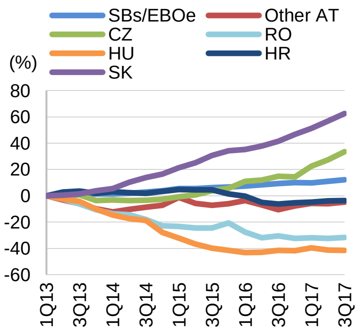
Risk Appetite

Adequate Risk Control Environment

Erste's moderate risk appetite is broadly consistent across the group. Limits are set at group level, including the non-majority owned savings banks. The CEE units' risk appetite is aligned with the group's and control over these units is tight, with modest local loan approval limits.

Investments in digitisation and integrated data management, notably a project to standardise data across the group by 2019, should strengthen risk controls. These investments are largely driven by regulatory demands, but Erste is also proactive in digitising its client-facing business by rolling out its digital banking platform (George) in several countries.

Strong Markets Drive Growth
Loan growth since End-1Q13



Source: Erste, Fitch

We expect loan growth to remain moderate, in line with Erste's prudent underwriting. Growth has mainly focused on the bank's most developed markets since 2013, while NPL sales and deleveraging have strongly reduced its Romanian and Hungarian loan books.

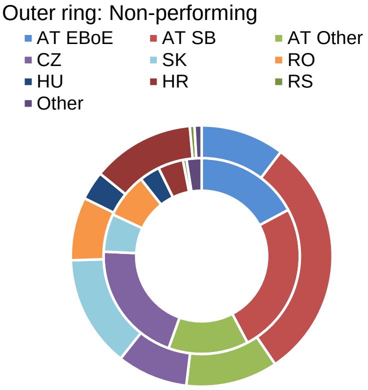
Mutual Support Scheme Underpins Cohesive Risk Controls in Austria

Erste's 63.5% stake in Haftungsverbund GmbH, the steering company of the Austrian savings bank sector, gives the bank extensive control over the appointment of the individual savings banks' boards, budgeting and pricing. The mutual support scheme is empowered to set, monitor and enforce common risk policies across member banks. In exchange, it supports troubled members by guaranteeing certain liabilities. No such support has been required in recent years thanks to Austria's solid economy and to the early-warning system managed by the steering company, which has ensured timely corrective action.

Prudent Lending Criteria Strengthened in Recent Years

Erste manages credit risk in its retail portfolios at group level and locally in CEE. Its borrowers' debt-to-income and loan-to-value (LTV) ratios indicate reasonable risk appetite. The bank has been more cautious since 2008, notably by terminating foreign-currency lending to retail clients without revenues in matching currencies and by limiting high-LTV lending in certain markets. Unsecured lending in CEE is generally allowed only in local currency (and so is secured lending, although euro-denominated loans with a state guarantee or to clients with matching euro income are permitted). The share of unsecured loans in the retail portfolios varies by country, but mortgages make up the majority of retail loans in all of CEE and Austria. Erste's approach to commercial real estate (CRE) lending has also become more restrictive in recent years.

Gross Exposure at End-3Q17
Inner ring: Total
Outer ring: Non-performing



Source: Erste, Fitch

Material but Manageable Market Risk

Erste's market risk consists mainly of structural interest-rate risk in its banking book, which is managed by the bank's asset and liability management function. The majority of the retail book carries floating interest rates although demand for fixed-rate loans has increased in recent years. The bank is exposed to a lesser extent to equity and fixed-income valuation risk in its securities portfolios, translation risk from its equity stakes in non-eurozone subsidiaries and foreign-exchange risk from open positions, although the latter has been reduced by the increased local-currency funding in CEE.

Erste uses a value-at-risk (VaR) approach (99% confidence interval, one-day holding and two-year historical simulation period) complemented with stressed VaR to measure market risk in its banking and trading books. It uses sensitivity and economic capital analyses to control the interest rate risk of its banking book and performs back-tests regularly. The average VaR for 1H17 was EUR104 million for the banking book and EUR10 million for the trading book based on a 10-day holding period, which we view as manageable in light of the bank's capital base.

Asset Quality

Considerably Strengthened Asset Quality

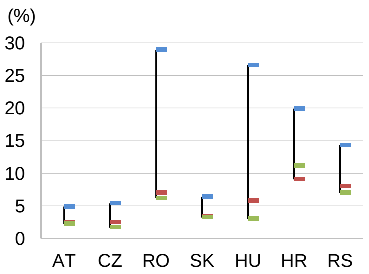
Asset Quality by Segment

End-3Q17	Austria	AT EBOe	AT SB	AT other	CEE	CZ	RO	SK	HU	HR	RS	Total
Gross loans (EURbn)	86	31	42	13	56	26	8	12	3	6	1	142
- Retail (%)	45	50	54	0	60	57	114	39	63	43	54	51
- Corporates (%)	55	50	46	100	40	43	33	29	37	57	46	49
- FX loans (%)	9	6	8	22	25	17	48	0	20	70	78	16
- NPL ratio (%)	4	2	5	6	5	2	11	4	7	13	4	4
- NPL coverage (%)	58	60	58	57	82	88	94	78	78	68	110	70

Source: Erste; Fitch

Erste has halved its stock of NPLs and more than halved its NPL ratio from its peak in 2013 to 4.3% at end-3Q17 (a level last achieved in 2007) through aggressive sales and work-out in CEE, most significantly in Romania and Hungary, amid rapidly improved economic conditions. NPL disposals continued in 9M17, with EUR239 million sold across the region, but are likely to have peaked in 2016 as higher recoveries have since become achievable. We believe the NPL ratio is close to its cyclical low, but Erste's moderate risk appetite should help manage the next cyclical downturn.

NPL Ratios Near Record Lows



Source: Fitch; Erste's segment reporting

Declining Stock of Legacy Foreign-Currency Loans

Foreign-currency loans have been a major NPL contributor in the CEE segment until 2015, driven by local currency devaluation which impaired the debt service capacity of households that lack revenues in matching currencies. Erste's loans denominated in Swiss francs (in Austria and CEE) and in euros (predominantly in Romania, partly guaranteed by the Romanian state, and in Croatia) have declined since 2014, driven by forced conversion measures in several countries and stricter lending criteria.

Risks from legacy, carry-trade driven Swiss franc retail mortgages in Austria (EUR4.2 billion at end-3Q17) are mitigated by the borrowers' typically adequate financial flexibility. Most are endowment loans with very long tenors, bullet maturities and collateralised with investment funds or life insurance contracts. Years of strong increase in Austrian property prices have created additional buffer by reducing LTVs. The borrowers also benefit from the Swiss franc's 15% decline against the euro in the past three years, reversing most of its appreciation in 2015, when the Swiss central bank suddenly repealed its ceiling against the single currency.

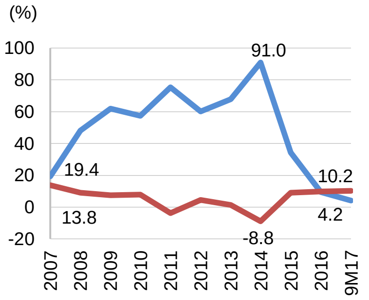
Real Estate Exposure Quality Improved

Erste's loan book is roughly evenly split between retail (of which 58% mortgages at end-3Q17) and corporate clients adequately diversified across sectors. Loans to real estate, housing and construction companies totalled EUR35 billion at end-3Q17, with an NPL ratio down to 4% following a clean-up process. Development loans formed 16% of CRE loans at end-2H17. The exposure to these sectors appears manageable in light of moderate LTVs (of 70% or less for over 80% of the portfolio at end-1H17) and adequate diversification by asset type and country. The NPL coverage of 64% appears adequate given rising property prices in CEE and Austria.

Large Securities Portfolio

Erste held EUR38 billion of (mainly sovereign) debt securities at end-3Q17 to manage liquidity locally and at group level, with a geographic issuer split roughly mirroring Erste's operations.

Low LICs Drive Strong Profits



Source: Erste, Fitch

Earnings and Profitability

Profitability Boosted by Extremely Low Impairment Charges

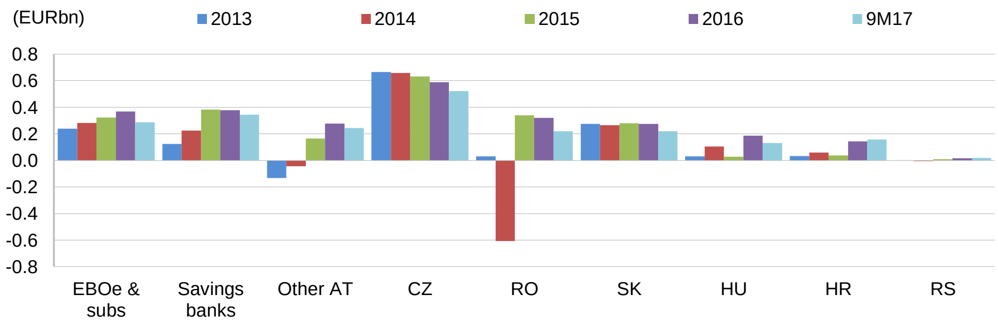
Erste's solid performance since 2015 has been largely driven by a strong and rapid decline in LICs to extremely low levels and the non-recurrence of (mostly regulatory) one-off charges. We believe LICs are close to their cyclical lows as NPL write-backs cannot remain as large for much longer given the bank's moderate NPL ratio. However, we expect LICs to normalise at a lower level than in 2009-2014 (when they reached EUR2 billion a year) due to the bank's structurally improved risk characteristics.

The Czech and Slovakian units have provided strong and stable profits, accounting for about a fifth and a tenth of Erste's operating results, respectively. Given its larger size, the Czech unit in particular has reliably cushioned weaker and highly volatile earnings in other CEE countries. Performance has become more balanced across the region since 2015 thanks to rapid recovery in Romania and Hungary. Very low LICs in Austria support domestic performance, partially offsetting strong margin pressure in the Austrian market.

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

Net interest income forms around two thirds of operating revenue and, in line with peers, is under pressure from low interest rates. Erste's 9M17 net interest income was EUR3.3 billion, roughly stable yoy as loan growth partially offset declining income from the government bond portfolio and lower unwinding effects. The Fitch-calculated net interest margin decreased further to 2.31% in 9M17 from 2.39% in 2016. Increased interest rates in the Czech Republic in 2017 will provide some relief but sustained low interest rates elsewhere, particularly in the lower-margin Austrian market, remain a medium-term challenge.

Greater Volatility But Higher Returns in CEE Segment
Operating result by segment incl. impairments and risk provisions



Source: Fitch; Erste

Net fee income typically represents a quarter of Erste's operating income. In 9M17, increased income from the asset management and securities business offset a decline in lending fees (most notably in the Czech Republic and Slovakia). CEE typically accounts for about half of net fee income, which is primarily linked to lending products. Trading is only ancillary and client-driven, resulting in immaterial trading income typically below 5% of operating revenue.

Erste's programme to raise cost-efficiency includes the reduction of branches in Austria, data centralisation and increased digitisation of internal processes. The ability of these measures to sustainably enhance profitability will rely on Erste's ability not to let these cost savings feed through its asset pricing. This could be challenging in the Austrian market, where competitors that have embarked on comparable rationalisation projects might be tempted to use the cost savings thus achieved to undermine the already moderate asset pricing discipline.

Management expects it could cut its cost-income ratio to less than 50% in the longer term from 61% in 9M17 per Erste's own calculations (66% based on Fitch's definition). Successful execution of the cost-efficiency programme and disciplined pricing will be decisive to achieve what we view as a feasible but ambitious target, especially given the high cost inertia in Austria. Reduced banking and financial transaction taxes will also help shrink the cost base.

2017 CET1 Requirements

Phased-in (%)	
Pillar 1	4.50
Combined buffer requirement	1.90
Pillar 2 requirement	1.75
Total CET1 requirement	**8.10**
Reported (transitional) end-3Q17	12.80

Source: Fitch; Erste

Capitalisation and Leverage

Sound Capitalisation Benefits from Improved Capital Generation

Erste's fully loaded CET1 ratio of 12.4% at end-3Q17 comfortably exceeds its regulatory requirements. The decline from end-2016 reflects loan growth, as well as risk-weighted asset (RWA) add-ons related to specialised lending credit risk models (EUR1.7 billion) and from the Romanian subsidiary's switch to internal rating-based models (EUR2.4 billion). Despite the bank's solid performance outlook, its capital ratios are likely to strengthen only moderately in light of management's CET1 ratio target of about 13% and shareholder pressure to achieve adequate returns and maintain relatively high dividend payments after several years of low profit distribution. High risk-weights from the bank's CEE exposures result in a solid leverage ratio of 6.3%. Capitalisation at Erste's subsidiaries remains above local requirements, and excess capital above these requirements (plus a buffer) is typically distributed as dividend payments.

The full consolidation of the savings banks reflects the group's institutional protection scheme. Under EU regulations, the group is exempt from deducting EUR3.8 billion minority interests in savings bank members of the scheme from its regulatory CET1 capital, benefiting Erste's capital ratios.

Following a second additional Tier 1 (AT1) issue of EUR500 million in 2Q17, Erste had EUR993 million AT1 outstanding at end-3Q17. Further AT1 issuance is possible under the bank's EUR2 billion AT1 issuance programme.

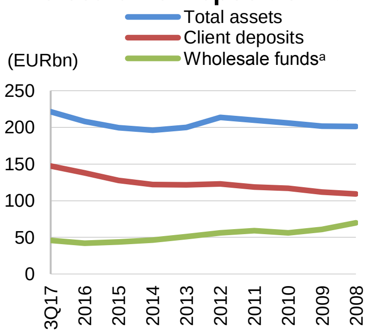
IFRS 9 and MREL Manageable

Erste expects the implementation of IFRS 9 to reduce its CET1 ratio on day one by a maximum of 40bp, a level generally expected on average from eurozone peers. The bank's individual minimum requirements for own funds and eligible liabilities (MREL) have not been confirmed by the regulator.

Funding and Liquidity

Erste's funding is primarily underpinned by leading deposit franchises in its core markets, particularly in Austria, where the bank sources over half of its client deposits. Most of the group's wholesale issuance is via the parent entity and is well-diversified by instrument and maturity. However, the larger CEE units are also developing local debt issuance. The group has reduced its wholesale funding needs over the past decade as it developed the local deposit franchises of its CEE units, which are now largely deposit-funded and have excess liquidity in local currencies. Combined with the phasing-out of retail foreign-currency loans, the local deposits in CEE have significantly reduced the Austrian parent's downstream funding of the CEE subsidiaries.

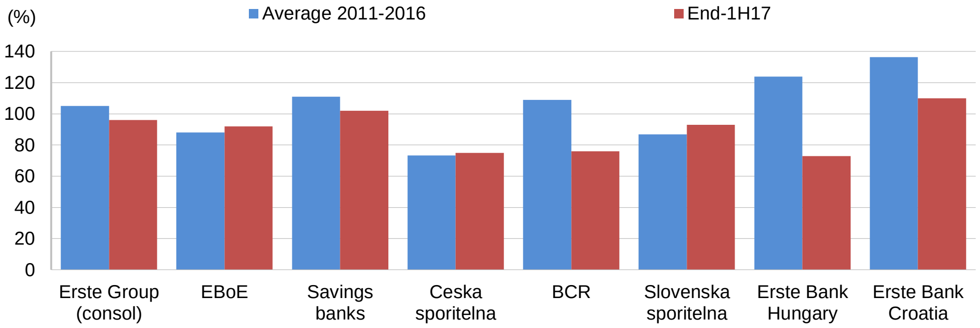
Wholesale-To-Deposit Shift



[a] Interbank, repo, CP, senior, sub, covered
Source: Fitch

Improved Local Loan-Deposit Ratios

Based on gross loans



Source: Fitch; Erste

Solid Liquidity Buffer

As far as allowed by local regulations, Erste manages its liquidity centrally and applies group standards to all its main units. This means that local units keep liquidity buffers mainly in local currency while Erste Holding maintains a sufficient foreign-currency buffer to cover additional group needs. The group's liquidity coverage ratio was a solid 145% at end-3Q17.

Derivative Counterparty and Debt Ratings

Erste's senior debt ratings are equalised with (and sensitive to changes to) its IDRs. Its Tier 2 debt is rated one notch below the VR to reflect the instruments' below-average recovery prospects, and is primarily sensitive to changes in the bank's VR.

The DCR is equalised with Erste's Long-Term IDRs because in Austria derivative counterparties have no definitive preferential status over other senior obligations in a resolution scenario. The DCR is primarily sensitive to changes in Erste's Long-Term IDR. It could also be upgraded to one notch above the IDR if changes in legislation create legal preference for derivatives over certain other senior obligations and if, in Fitch's view, the volume of all legally subordinated and non-preferred senior obligations provides a substantial enough buffer to protect derivative counterparties from default in a resolution scenario.

Erste Group Bank AG
Income Statement

	30 Sep 2017 9 Months EURm Unaudited	31 Dec 2016 Year End EURm Audited -	31 Dec 2015 Year End EURm Audited -	31 Dec 2014 Year End EURm Audited -	31 Dec 2013 Year End EURm Audited -
1. Interest Income on Loans	3,024	4,177	4,448	4,876	5,269
2. Other Interest Income	1,201	1,733	2,009	1,425	1,715
3. Dividend Income	38	45	50	74	90
4. Gross Interest and Dividend Income	**4,262**	**5,955**	**6,506**	**6,375**	**7,074**
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	995	1,536	2,012	1,806	2,299
7. Total Interest Expense	**995**	**1,536**	**2,012**	**1,806**	**2,299**
8. Net Interest Income	**3,267**	**4,420**	**4,495**	**4,569**	**4,775**
9. Net Gains (Losses) on Trading and Derivatives	139	266	186	282	232
10. Net Gains (Losses) on Other Securities	71	9	133	(63)	39
11. Net Gains (Losses) on Assets at FV through Income Statement	12	(12)	0	9	11
12. Net Insurance Income	n.a.	n.a.	n.a.	n.a.	n.a.
13. Net Fees and Commissions	1,362	1,783	1,862	1,870	1,807
14. Other Operating Income	147	207	188	181	(376)
15. Total Non-Interest Operating Income	**1,731**	**2,254**	**2,369**	**2,279**	**1,712**
16. Personnel Expenses	1,747	2,339	2,245	2,184	2,232
17. Other Operating Expenses	1,564	2,293	2,131	2,054	1,664
18. Total Non-Interest Expenses	**3,311**	**4,632**	**4,375**	**4,239**	**3,896**
19. Equity-accounted Profit/ Loss - Operating	10	9	18	16	22
20. Pre-Impairment Operating Profit	**1,696**	**2,051**	**2,506**	**2,625**	**2,612**
21. Loan Impairment Charge	57	184	796	2,349	1,774
22. Securities and Other Credit Impairment Charges	15	12	63	39	n.a.
23. Operating Profit	**1,625**	**1,855**	**1,647**	**237**	**838**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.	n.a.
25. Non-recurring Income	1	139	0	0	128
26. Non-recurring Expense	n.a.	61	0	1,162	460
27. Change in Fair Value of Own Debt	n.a.	18	(8)	n.a.	n.a.
28. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.	n.a.
29. Pre-tax Profit	**1,626**	**1,950**	**1,639**	**(925)**	**506**
30. Tax expense	366	414	364	325	306
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.	0
32. Net Income	**1,260**	**1,537**	**1,275**	**(1,249)**	**200**
33. Change in Value of AFS Investments	(100)	(5)	(32)	581	(113)
34. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
35. Currency Translation Differences	170	29	91	(63)	(241)
36. Remaining OCI Gains/(losses)	(26)	(50)	76	(159)	(32)
37. Fitch Comprehensive Income	**1,305**	**1,511**	**1,410**	**(890)**	**(186)**
38. Memo: Profit Allocation to Non-controlling Interests	273	272	307	133	140
39. Memo: Net Income after Allocation to Non-controlling Interests	988	1,265	968	(1,383)	60
40. Memo: Common Dividends Relating to the Period	n.a.	430	n.a.	292	343
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	n.a.	n.a.	n.a.

Erste Group Bank AG
Balance Sheet

	30 Sep 2017 9 Months EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm
Assets					
A. Loans					
1. Residential Mortgage Loans	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other Mortgage Loans	n.a.	n.a.	n.a.	n.a.	n.a.
3. Other Consumer/ Retail Loans	51,512	48,480	48,769	47,044	n.a.
4. Corporate & Commercial Loans	49,123	46,176	43,812	42,713	n.a.
5. Other Loans	41,673	40,611	39,325	38,568	127,698
6. Less: Reserves for Impaired Loans	4,302	4,613	6,009	7,491	7,753
7. Net Loans	**138,006**	**130,654**	**125,897**	**120,834**	**119,945**
8. Gross Loans	**142,308**	**135,267**	**131,906**	**128,325**	**127,698**
9. Memo: Impaired Loans included above	6,189	6,678	9,314	10,878	12,296
10. Memo: Loans at Fair Value included above	n.a.	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets					
1. Loans and Advances to Banks	10,358	3,469	4,805	7,442	8,377
2. Reverse Repos and Cash Collateral	n.a.	n.a.	n.a.	n.a.	n.a.
3. Trading Securities and at FV through Income	3,759	3,955	3,775	3,707	6,470
4. Derivatives	4,645	5,899	7,494	10,045	8,286
5. Available for Sale Securities	16,743	19,886	20,763	22,373	20,678
6. Held to Maturity Securities	19,398	19,270	17,701	16,877	17,779
7. Equity Investments in Associates	196	193	167	195	208
8. Other Securities	n.a.	n.a.	n.a.	n.a.	n.a.
9. Total Securities	**44,742**	**49,203**	**49,900**	**53,198**	**53,420**
10. Memo: Government Securities included Above	30,768	31,180	31,616	31,220	28,093
11. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.	n.a.
12. Investments in Property	1,033	1,023	753	950	951
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.	n.a.
15. Total Earning Assets	**194,138**	**184,349**	**181,355**	**182,424**	**182,692**
C. Non-Earning Assets					
1. Cash and Due From Banks	22,104	18,353	12,350	7,835	9,301
2. Memo: Mandatory Reserves included above	n.a.	2,553	n.a.	n.a.	6,343
3. Foreclosed Real Estate	n.a.	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	2,414	2,477	2,402	2,264	2,320
5. Goodwill	n.a.	710	771	771	1,239
6. Other Intangibles	1,474	680	694	670	1,202
7. Current Tax Assets	123	124	119	107	100
8. Deferred Tax Assets	209	234	310	302	719
9. Discontinued Operations	217	279	527	291	75
10. Other Assets	1,036	1,021	1,217	1,623	2,471
11. Total Assets	**221,715**	**208,227**	**199,743**	**196,287**	**200,118**
Liabilities and Equity					
D. Interest-Bearing Liabilities					
1. Customer Deposits - Current	72,460	63,908	54,799	48,110	77,607
2. Customer Deposits - Savings	54,669	53,964	53,208	53,039	21,225
3. Customer Deposits - Term	20,441	19,985	19,529	20,884	22,707
4. Total Customer Deposits	**147,570**	**137,857**	**127,536**	**122,033**	**121,539**
5. Deposits from Banks	16,305	13,097	12,937	13,889	14,576
6. Repos and Cash Collateral	3,714	1,690	1,685	1,464	3,600
7. Commercial Paper and Short-term Borrowings	1,012	1,357	1,332	949	n.a.
8. Total Money Market and Short-term Funding	**168,601**	**154,001**	**143,490**	**138,334**	**139,715**
9. Senior Unsecured Debt (original maturity > 1 year)	18,755	19,737	22,084	24,433	27,965
10. Subordinated Borrowing	5,894	6,098	5,884	5,401	4,796
11. Covered Bonds	n.a.	n.a.	n.a.	n.a.	n.a.
12. Other Long-term Funding	n.a.	n.a.	n.a.	n.a.	n.a.
13. Total LT Funding (original maturity > 1 year)	**24,649**	**25,835**	**27,968**	**29,833**	**32,761**
14. Derivatives	4,361	5,599	6,992	9,140	7,465
15. Trading Liabilities	344	577	434	558	388
16. Total Funding	**197,955**	**186,012**	**178,884**	**177,865**	**180,328**
E. Non-Interest Bearing Liabilities					
1. Fair Value Portion of Debt	n.a.	n.a.	n.a.	n.a.	n.a.
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	1,645	1,702	1,736	1,653	1,448
4. Current Tax Liabilities	77	66	90	91	85
5. Deferred Tax Liabilities	110	68	96	99	169
6. Other Deferred Liabilities	n.a.	n.a.	n.a.	233	304
7. Discontinued Operations	0	5	578	n.a.	n.a.
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	3,959	3,772	3,198	2,546	2,636
10. Total Liabilities	**203,746**	**191,625**	**184,582**	**182,487**	**184,970**
F. Hybrid Capital					
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	0	354	357	363
2. Pref. Shares and Hybrid Capital accounted for as Equity	993	497	n.a.	n.a.	n.a.
G. Equity					
1. Common Equity	12,881	12,315	11,295	10,361	12,155
2. Non-controlling Interest	4,367	4,142	3,802	3,605	3,466
3. Securities Revaluation Reserves	606	632	688	580	259
4. Foreign Exchange Revaluation Reserves	(568)	(734)	(759)	(849)	(785)
5. Fixed Asset Revaluations and Other Accumulated OCI	(310)	(250)	(219)	(254)	(310)
6. Total Equity	**16,976**	**16,105**	**14,807**	**13,444**	**14,785**
7. Total Liabilities and Equity	**221,715**	**208,227**	**199,743**	**196,287**	**200,118**
8. Memo: Fitch Core Capital	15,494	14,581	13,194	11,829	12,142

Erste Group Bank AG
Summary Analytics

	30 Sep 2017 9 Months	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End	31 Dec 2013 Year End
A. Interest Ratios					
1. Interest Income on Loans/ Average Gross Loans	2.9	3.1	3.4	3.8	4.1
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	3.0	3.2	3.5	3.5	3.7
4. Interest Expense/ Average Interest-bearing Liabilities	0.7	0.8	1.1	1.0	1.2
5. Net Interest Income/ Average Earning Assets	2.3	2.4	2.4	2.5	2.5
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.3	2.3	2.0	1.2	1.6
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.3	2.4	2.4	2.5	2.5
B. Other Operating Profitability Ratios					
1. Non-Interest Income/ Gross Revenues	34.6	33.8	34.5	33.3	26.4
2. Non-Interest Expense/ Gross Revenues	66.3	69.4	63.8	61.9	60.1
3. Non-Interest Expense/ Average Assets	2.0	2.3	2.2	2.1	1.9
4. Pre-impairment Op. Profit/ Average Equity	13.8	13.2	17.7	18.5	17.7
5. Pre-impairment Op. Profit/ Average Total Assets	1.0	1.0	1.3	1.3	1.3
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	4.2	9.5	34.3	91.0	67.9
7. Operating Profit/ Average Equity	13.2	11.9	11.7	1.7	5.7
8. Operating Profit/ Average Total Assets	1.0	0.9	0.8	0.1	0.4
9. Operating Profit / Risk Weighted Assets	**2.0**	**1.8**	**1.7**	**0.2**	**0.9**
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	10.2	9.9	9.0	(8.8)	1.4
2. Net Income/ Average Total Assets	0.8	0.8	0.6	(0.6)	0.1
3. Fitch Comprehensive Income/ Average Total Equity	10.6	9.7	10.0	(6.3)	(1.3)
4. Fitch Comprehensive Income/ Average Total Assets	0.8	0.7	0.7	(0.5)	(0.1)
5. Taxes/ Pre-tax Profit	22.5	21.2	22.2	(35.1)	60.5
6. Net Income/ Risk Weighted Assets	1.5	1.5	1.3	(1.2)	0.2
D. Capitalization					
1. FCC/FCC-Adjusted Risk Weighted Assets	**14.0**	**14.3**	**13.4**	**11.8**	**12.4**
2. Tangible Common Equity/ Tangible Assets	7.0	7.1	6.7	6.1	6.2
3. Tier 1 Regulatory Capital Ratio	13.4	13.4	12.3	10.6	11.8
4. Total Regulatory Capital Ratio	18.0	18.5	17.9	15.7	16.3
5. Common Equity Tier 1 Capital Ratio	12.8	13.4	12.3	10.6	11.4
6. Equity/ Total Assets	7.7	7.7	7.4	6.9	7.4
7. Cash Dividends Paid & Declared/ Net Income	n.a.	28.0	n.a.	(23.4)	171.6
8. Internal Capital Generation	9.9	6.9	8.6	(11.5)	(1.0)
E. Loan Quality					
1. Growth of Total Assets	6.5	4.3	1.8	(1.9)	(6.4)
2. Growth of Gross Loans	5.2	2.6	2.8	0.5	(3.2)
3. Impaired Loans/ Gross Loans	**4.4**	**4.9**	**7.1**	**8.5**	**9.6**
4. Reserves for Impaired Loans/ Gross Loans	3.0	3.4	4.6	5.8	6.1
5. Reserves for Impaired Loans/ Impaired Loans	69.5	69.1	64.5	68.9	63.1
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	12.2	14.2	25.1	28.6	37.4
7. Impaired Loans less Reserves for Impaired Loans/ Equity	11.1	12.8	22.3	25.2	30.7
8. Loan Impairment Charges/ Average Gross Loans	0.1	0.1	0.6	1.8	1.4
9. Net Charge-offs/ Average Gross Loans	(0.1)	(0.1)	1.6	1.7	1.0
10. Impaired Loans+Foreclosed Assets/Gross Loans+Foreclosed Assets	4.4	4.9	7.1	8.5	9.6
F. Funding and Liquidity					
1. Loans/ Customer Deposits	**96.4**	**98.1**	**103.4**	**105.2**	**105.1**
2. Interbank Assets/ Interbank Liabilities	63.5	26.5	37.1	53.6	57.5
3. Customer Deposits/ Total Funding (excluding derivatives)	75.8	76.2	74.0	72.2	70.2
4. Liquidity Coverage Ratio	n.a.	142.6	122.3	106.6	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 2017 9 Months EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm
A. Off-Balance Sheet Items					
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.	n.a.
3. Guarantees	n.a.	6,577	6,288	6,862	6,887
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	n.a.	20,907	19,127	16,101	15,146
7. Other Off-Balance Sheet items	n.a.	n.a.	n.a.	n.a.	n.a.
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.	222,151
B. Average Balance Sheet					
Average Loans	138,667	133,245	130,495	127,896	129,842
Average Earning Assets	189,308	184,607	184,083	183,544	189,928
Average Assets	217,724	205,131	199,461	199,136	208,997
Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.	n.a.
Average Interest-Bearing Liabilities	194,889	183,184	179,723	179,532	186,911
Average Common equity	12,575	11,876	10,841	11,146	11,796
Average Equity	16,500	15,528	14,132	14,206	14,761
Average Customer Deposits	143,260	131,411	124,488	120,300	122,458
C. Maturities					
Asset Maturities:					
Loans & Advances < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans and Advances 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances > 5 years	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Liability Maturities:					
Retail Deposits < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing > 5 Years	n.a.	n.a.	n.a.	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	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	5,894	6,098	5,884	5,401	4,796
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets					
1. Risk Weighted Assets	110,767	101,809	98,300	100,590	97,901
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk V	n.a.	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	110,767	101,809	98,300	100,590	97,901
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	110,767	101,809	98,300	100,590	97,901
E. Equity Reconciliation					
1. Equity	16,976	16,105	14,807	13,444	14,785
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	993	497	n.a.	n.a.	n.a.
3. Add: Other Adjustments	n.a.	n.a.	n.a.	n.a.	n.a.
4. Published Equity	17,969	16,602	14,807	13,444	14,785
F. Fitch Core Capital Reconciliation					
1. Total Equity as reported (including non-controlling interests)	16,976	16,105	14,807	13,444	14,785
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	91	(57)	(48)	(70)	0
3. Non-loss-absorbing non-controlling interests	0	0	0	0	0
4. Goodwill	0	771	771	771	1,239
5. Other intangibles	1,474	619	694	670	1,202
6. Deferred tax assets deduction	99	77	101	104	202
7. Net asset value of insurance subsidiaries	0	0	0	0	0
8. First loss tranches of off-balance sheet securitizations	0	0	0	0	0
9. Fitch Core Capital	**15,494**	**14,581**	**13,194**	**11,829**	**12,142**

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.