CREDIT OPINION
31 October 2023

Update

Send Your Feedback

RATINGS

Erste Group Bank AG

Domicile	Vienna, Austria
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Erste Group Bank AG

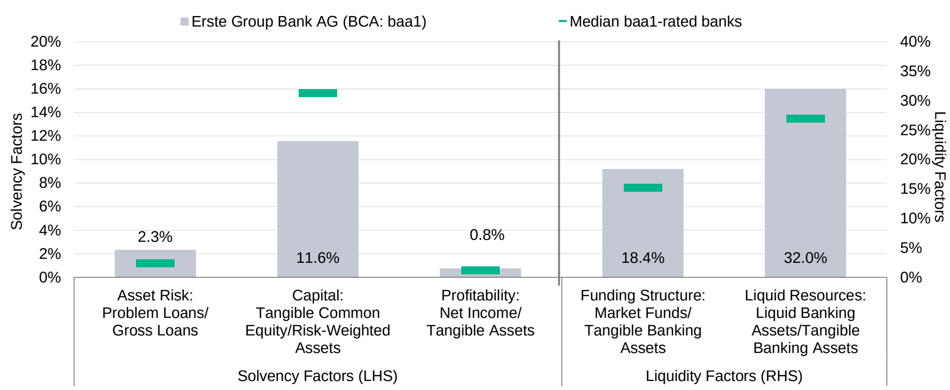
Update to credit analysis

Summary

Erste Group Bank AG's (Erste) A1 senior unsecured and deposit ratings reflect the bank's baa1 Baseline Credit Assessment (BCA) and Adjusted BCA; two notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a given liability class; and one notch of rating uplift stemming from government support because we consider Erste to be of significant relevance for domestic financial system stability.

Erste's baa1 BCA reflects the bank's low dependence on confidence-sensitive wholesale market funding, and its leading and strong deposit franchise in most countries in which it operates. It also reflects the bank's solid capitalization, which provides a good buffer in an adverse economic environment despite a relatively higher share of unrealized losses in its securities portfolio; its strong asset quality and liquidity metrics; and our view on its medium-term profitability, which enables the bank to absorb substantial loss provisions without impairing its capital position.

Exhibit 1
Rating Scorecard - Key financial ratios
Erste Group Bank AG



Data are as of H1 2023. Asset risk shows the three-year averages for Erste. Liquidity factors data are as of year-end 2022.
Sources: Company reports and Moody's Investors Service

Credit strengths

» Deposit-rich funding profile, with only a moderate reliance on wholesale funding, combined with a good buffer of liquid assets

» Solid capitalization levels

» Sound earnings generation capacity, which allows the bank to absorb credit losses without impairing its capital position

» Track record of defending its asset quality in a more adverse market environment

Credit challenges

» Erste's strong asset quality is challenged by geopolitical risks and the impact of the military conflict in Ukraine on Central and Eastern European (CEE) economies

» Retaining capital buffers amid rising regulatory requirements and sustained business growth

» Higher unrealized losses in the securities portfolios than those of European peers, although these are unlikely to crystallize

Outlook

The stable outlook reflects our expectation of an unchanged fundamental credit profile, with solid asset quality and good capital and profitability buffers providing substantial downside protection. Furthermore, the outlook factors in our assumption that the bank will retain its leading and diversified deposit franchise while maintaining good liquidity buffers.

Factors that could lead to an upgrade

» We could upgrade Erste's ratings if its BCA is upgraded, which could be prompted by a strong and sustained improvement in at least several of its solvency and liquidity factors.

» Upward rating pressure could also materialize if the bank, on a sustained basis, increases the amount of instruments designated to absorb losses in resolution relative to its total balance sheet, which could result in an additional rating uplift from our Advanced LGF analysis.

Factors that could lead to a downgrade

» Downward pressure could be exerted on Erste's ratings as a result of a downgrade of its BCA or a decrease in its bail-in-able debt volume outstanding, possibly leading to fewer notches of rating uplift as a result of our Advanced LGF analysis.

» Downward pressure on Erste's baa1 BCA could be triggered by an erosion of the bank's deposit franchise, which increases the risk of unrealized losses in its securities portfolios being realized. This risk is particularly significant if it also hurts the bank's capitalization or profitability on a sustained basis. Furthermore, a deterioration in asset quality beyond our current expectations, or a sustained reduction in its liquid resources, in combination with a marked increase in market funding reliance, could strain the bank's BCA.

Key indicators

Exhibit 2
Erste Group Bank AG (Consolidated Financials) [1]

	06-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	342.4	321.8	305.2	274.3	243.0	10.3[4]
Total Assets (USD Billion)	373.5	343.4	345.8	335.6	272.7	9.4[4]
Tangible Common Equity (EUR Billion)	17.1	16.3	14.8	13.4	13.0	8.0[4]
Tangible Common Equity (USD Billion)	18.6	17.4	16.8	16.3	14.6	7.2[4]
Problem Loans / Gross Loans (%)	2.1	2.1	2.4	2.7	2.6	2.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	11.6	11.3	11.4	11.1	11.0	11.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	20.2	21.4	23.7	26.6	25.9	23.5[5]
Net Interest Margin (%)	2.1	1.8	1.6	1.8	2.0	1.9[5]
PPI / Average RWA (%)	3.2	2.4	2.4	2.1	2.3	2.5[6]
Net Income / Tangible Assets (%)	1.1	0.8	0.7	0.3	0.9	0.8[5]
Cost / Income Ratio (%)	54.5	60.0	59.9	63.7	62.6	60.2[5]
Market Funds / Tangible Banking Assets (%)	18.6	18.4	18.3	16.3	13.2	17.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	35.0	32.0	36.0	34.6	28.3	33.2[5]
Gross Loans / Due to Customers (%)	87.5	91.7	86.5	88.0	93.3	89.4[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Erste Group Bank AG (Erste) is the largest bank in Austria by total assets and one of the largest financial service providers in the CEE region in terms of clients and total assets. The group serves 16 million customers through 2,005 branches in Austria and the core markets in the eastern parts of the EU, with 45,667 employees as of 30 June 2023.

The group focuses on private individuals, and small and medium-sized enterprises (SMEs); offers advisory services and support to corporate clients for financing and investment; and gives its customers access to international capital markets, public-sector funding and interbank market operations. As of June 2023, Erste reported a consolidated asset base of €344 billion. As of the second quarter of 2023, the bank's market share in Austria in terms of loans and deposits (retail and corporate) was around 25%.

Recent developments

On 30 of September 2023, Erste reported strong results again The bank's net profit of stood at €2.3 billion for the first nine months 2023, up from €1.7 billion a year earlier. The increase was mainly driven by a 23.6% growth in net interest income to 5.4 billion and 5.8% growth in net fee and commission income to €1.9 billion, plus a stronger fair value result. Furthermore, the bank benefits from ongoing contained risk costs, visible in the €127.5 in risk provisions year to date. Operating costs increased by 8.7% year over year in the first nine months of 2023, reflecting higher wage settlements.

Erste's strong asset quality, as reflecting in the bank's non-performing loans remained stable at a low 2%, with capitalisation of 14.5% for the Common Equity Tier 1 ratio underpinning the bank's good capital position. Deposits declined slightly, to €235.8 billion compared with the half-year, supporting a strong loan to deposit ratio of 87.4%, as loan growth remained contained.

Erste's Strong macro profile supports its credit profile

Erste benefits from operating in a diverse range of countries, with its home market of Austria accounting for around 50% of the bank's exposures as of H1 2023. However, because of its exposures to jurisdictions with lower macro profiles (primarily the CEE economies) through its foreign subsidiaries, the overall asset-weighted macro profile of the bank is Strong, one notch below Austria's Strong+ macro profile.

Detailed credit considerations

Asset quality to deteriorate slightly

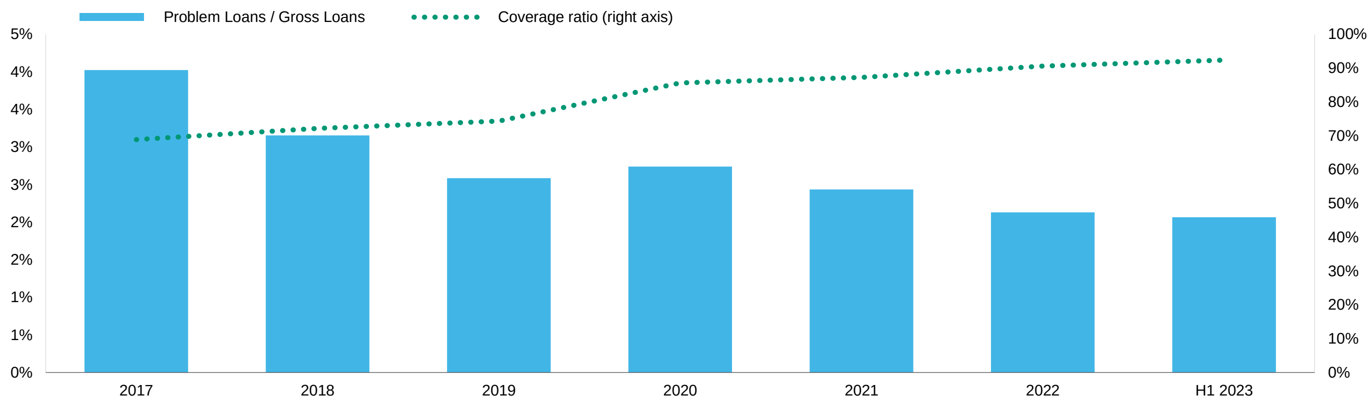
The baa1 Asset Risk score assigned to Erste is one notch below the a3 initial score, reflecting our expectation of a mild deterioration in Erste's problem loan ratio from its low levels (H1 2023: 2.1%[1]), the relative high share of stage 2 loans and the bank's high unrealized losses in the securities book.

The deterioration will be triggered by the impact of the geopolitical tensions on the economy, with more subdued economic growth leading to slightly higher nonperforming loans. The bank's substantial level of loan loss provisions of around 96.7% as of the end of June 2023 provides a good buffer against potential credit losses, even for the economically more volatile exposures in the CEE countries.

Exhibit 3

Erste's problem loan ratios improved, while the bank increased provisioning to mitigate the impact of the crisis

Nonperforming loan stock development and coverage, from 2017 to H1 2023



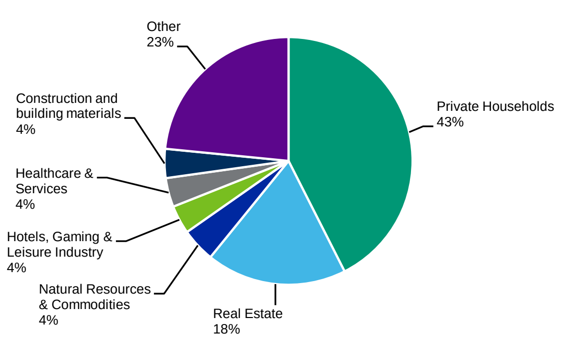
Sources: Company reports and Moody's Investors Service

Erste's exposure is focused on its home market of Austria (around 48% of customer loans as of June 2023), and the bank continues to have high exposure to CEE economies, a clear differentiating factor compared with most universal banks domiciled in other European countries. The bank benefits from holding market-leading positions in many countries in which it operates, and holds larger loan books in the Czech Republic (Aa3 negative) and Slovakia (A2 negative). The group's loan book is well diversified, with a clear focus on retail lending (predominantly mortgages), amounting to around 43% of its loan book, and commercial real estate, accounting for 18% of its loans. The remainder of the bank's loan book mainly consists of corporate loans in Austria and CEE.

Exhibit 4

Erste's loan book by sector

As of H1 2023

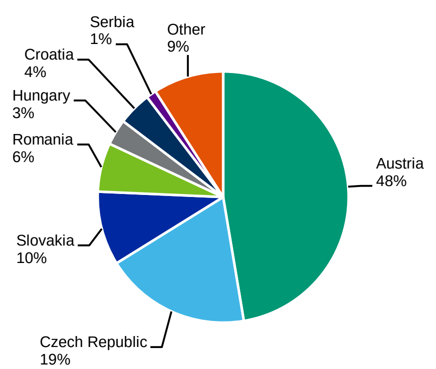


Sources: Company reports and Moody's Investors Service

Exhibit 5

Erste's regional loan exposures

As of H1 2023



Sources: Company reports and Moody's Investors Service

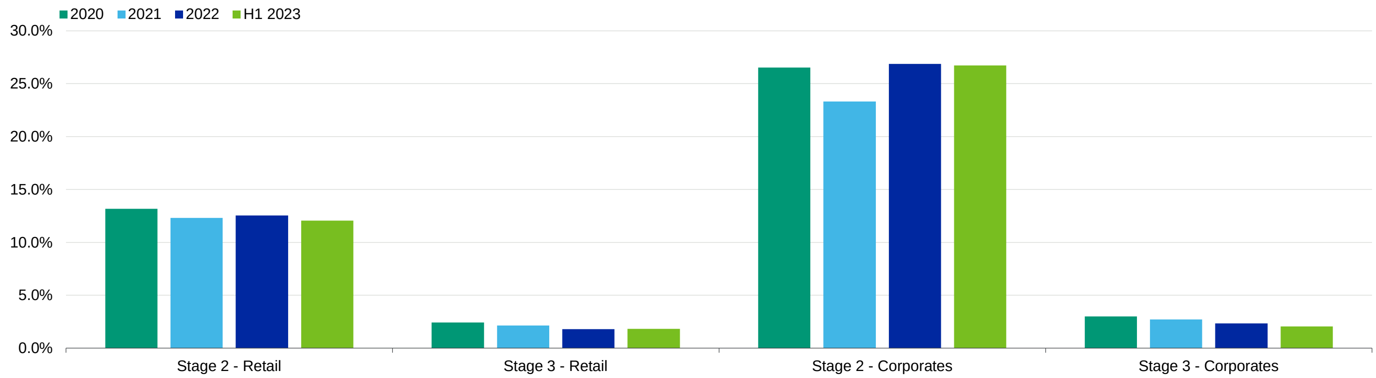
Erste reported a problem loan ratio of 2.1% as of 30 June 2023. The bank's coverage ratio, which excludes all non-cash collateral, improved to 96.7% as of 30 June 2023 from 91.8% as of 30 June 2022 (2022: 94.6%). These levels are sound and appropriate to shield Erste from undue losses resulting from its problem loans, subject to the bank maintaining tight control over its geographical concentration and lending criteria.

Erste's overall stable asset quality is also demonstrated by only moderate movements in its retail and corporate loans in accordance with IFRS 9, particularly for Stage 3 exposures. The increase in Stage 2 and Stage 3 loans for corporate and Stage 2 for retail lending was the most pronounced during 2020 because of the coronavirus pandemic. During 2021, Stage 2 and Stage 3 exposures declined moderately. The renewed increase in Stage 2 loans for corporate lending in 2022 reflects the re-classification of sectors. These sectors, particularly those exposed to the volatile energy markets (energy, metals and chemicals), have been subject to a management overlay of €147 million introduced by Erste. This, combined with a decline in nonperforming loans, drove the increase in the coverage ratio. In 2023, the distribution remained almost stable.

Exhibit 6

Erste's IFRS 9 movements

Stages of customer loans, in percentage terms



Sources: Company reports and Moody's Investors Service

Business growth, regulatory tightening and economic downturn make it difficult for Erste to retain its capital buffers

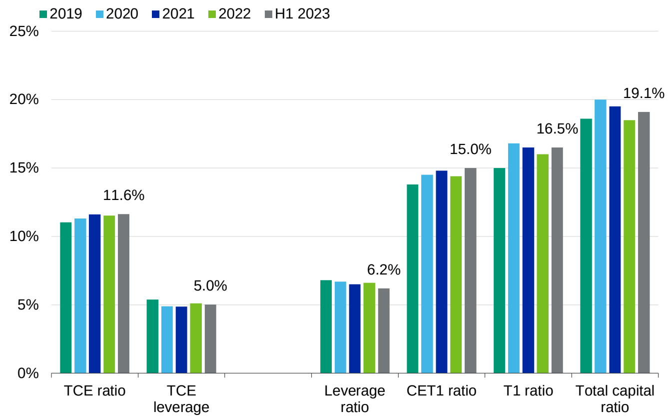
Erste's baa1 Capital score is positioned one notch above its baa2 initial score. This positive adjustment captures additional capital resources not reflected in our initial calculation of the bank's tangible common equity (TCE) ratio as of the end of June 2023 (11.6%). The additional loss-absorbing capital stems from Erste's joint liability and institutional protection scheme with the Austrian savings banks[2]. Because this additional loss-absorbing capital at the level of the savings banks would be available to Erste before failure, we take into account these additional capital elements by adding them to our TCE calculation.

With a reported Basel III fully loaded Common Equity Tier 1 (CET1) capital ratio of 14.9% as of 30 June 2023[3], Erste's capital is sufficient to cover the intrinsic risks of the bank's operating model, which is geared toward CEE. In addition, balance-sheet leverage is not a constraint for the bank, which had a Basel III leverage ratio of 6.2% as of H1 2023 and a TCE leverage ratio of around 5.0% (see Exhibit 7).

At our expected capital and profitability levels, the bank remains sufficiently prepared to comply with regulatory requirements despite a continued appetite for smaller takeovers, as illustrated by the recent acquisition of portfolios in the Czech Republic. The bank's minimum CET1 ratio requirement was slightly above 10% in June 2023 (10.93%, excluding the Pillar 2 guidance), set by the European Central Bank (ECB) as part of the bank's Supervisory Review and Evaluation Process (SREP) requirements (see Exhibit 8).

Exhibit 7

Erste's capitalization sufficiently absorbs the inherent risks of its CEE-exposed business model

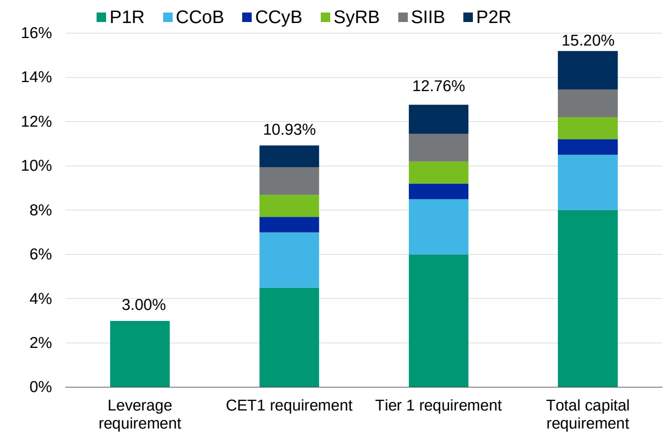


The chart displays the TCE ratios as computed by us. TCE = Tangible common equity. CET1 = Common Equity Tier 1.

Sources: Company reports and Moody's Investors Service

Exhibit 8

Erste's SREP CET1 requirements in detail



Shows the fully loaded SREP requirements. Excludes the Pillar 2 CET1 guidance. Requirements including pandemic-related measures: 10.93%, excluding P2 guidance; 15.20% for total capital on a fully loaded basis.

Sources: Company reports and Moody's Investors Service

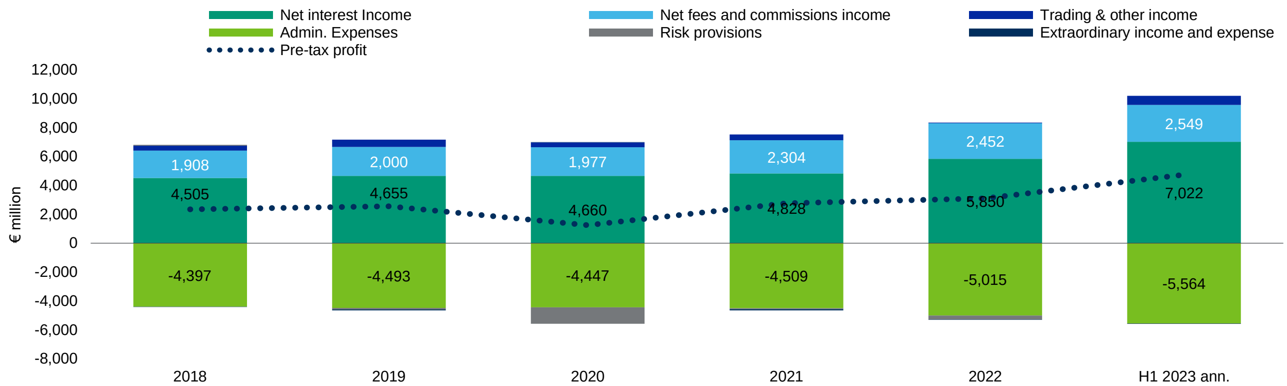
Solid operational earnings through the cycle

The baa2 Profitability score assigned to Erste, in line with the initial score, reflects our expectation that the bank's profitability will remain within the relevant range of 0.75%-1.0% of tangible assets, on a through-the-cycle basis. Rising interest rates will support revenue growth despite slower lending growth, as well as the expected continued moderate growth in fee and commission income.

Erste's solid operational profitability provides a good buffer to deal with higher risk costs, without impairing its capital position. While credit costs will rise because of the economic downturn, driven by geopolitical risks, rising inflation and higher rates, the positive impact from higher interest margins will more than compensate the impact in 2023. However, we expect a lower profit contribution from CEE subsidiaries, for which the rates cycle is more enhanced, reflecting declining interest margins as deposit rates rise, as well as government measures, such as windfall bank taxes in several countries. Significantly higher operating costs are a further pressure point in the medium term, reflecting second-round effects of the current high inflation rates.

Exhibit 9

Solid profitability through the cycle provides capital protection during economic downturns



Sources: Company reports and Moody's Investors Service

Erste's revenue is primarily generated from net interest income (around two-thirds of total revenue). The current positive dynamics are being supported by rising rates, particularly in the euro area. However, rising deposit rates are starting to strain interest margins in countries such as the Czech Republic, where the rates cycle is further enhanced. However, the rapid rise in rates and the economic slowdown will start eroding the debt-servicing capacities of clients, together with the effects of inflation on the disposable income of households and on corporate profitability.

As of 30 June 2023, Erste reported a net profit of €1489.9 million, up from €1137.0 million a year earlier. The increase was driven mainly by a 25.5% growth in net interest income to €3,3561.1 million and 5% growth in net fee and commission income to €1275 million, and a gain of €206.6 million for trading and the fair value of instruments (loss of €15.7 million as of June 2022). Furthermore, the bank benefits from the release of loan loss provisions. Operating costs increased by 8.2% year over year in the first six months of 2023, reflecting higher wage settlements.

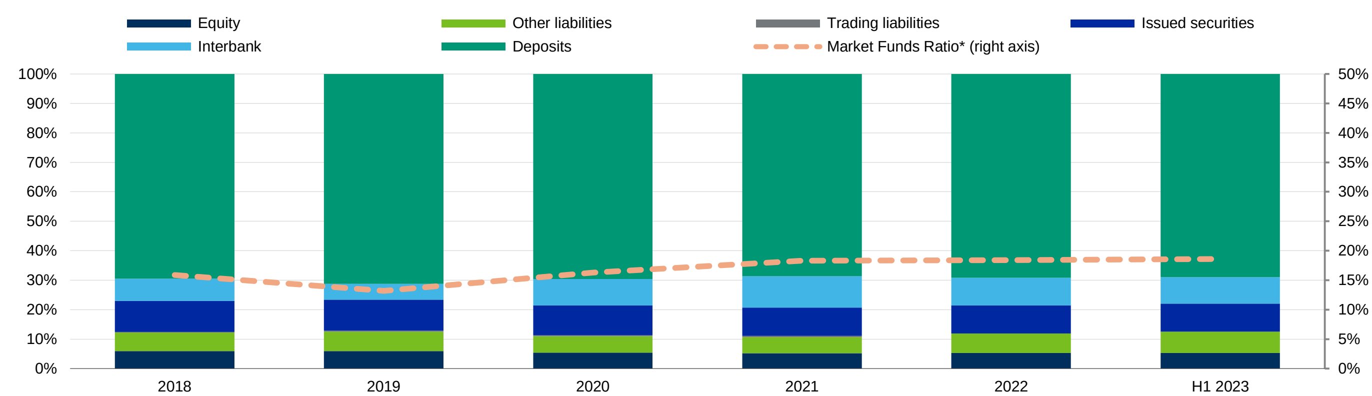
Deposit-rich funding profile, with only moderate and declining reliance on wholesale funding

Erste's a2 Funding Structure score, two notches above the initial baa1 score, reflects the bank's balanced funding profile. Its funding profile is characterized by its limited wholesale funding dependence and the high granularity of its deposit base, with a leading market share in many jurisdictions. The assigned score further reflects the bank's temporary recourse to the ECB's targeted longer-term refinancing operations (TLTRO) scheme, reflecting the deduction of a portion of the TLTRO III borrowed funds (that are used to take advantage of the favorable terms offered by the ECB and are deposited back at the central bank rather than being used for lending or investment purposes), thereby temporarily inflating Erste's balance sheet.

Erste benefits from its access to a broad and diversified base of customer deposits. These customer deposits are mainly obtained from retail and SMEs, which contributed around 72% of the bank's total deposits as of the end of June 2023. Around 53% of the bank's customer deposits are generated from its domestic Austrian operations, with the remainder being CEE-related deposits. The group's market-leading positions in its domestic and many of its local CEE markets (with deposit market shares above 20%) support the gathering of additional low-cost deposits. Therefore, the bank's funding structure remains a relative strength, with loan-to-deposit ratios sustained below 100% over the past few years (2022: 90.2%, 2021: 85.6% and 2020: 86.9%). The bank's funding structure was underpinned by the inflow of institutional deposits during market turbulences in H1 2023. Deposits increased by €17.1 billion (a 7.6% increase from the level as of year-end 2022) to €241.1 billion in H1 2023, driven mainly by corporate and public-sector inflows.

Exhibit 10

Sustained lower market funding reliance is a credit strength



*Market funds ratio = Market funds/TBA.

Sources: Company reports and Moody's Investors Service

Market funding increased in 2020 and 2021, driven by Erste's recourse to the ECB's TLTRO, a temporary and opportunistic use of the provided option. A stable proportion of Erste's funding was raised through €15.3 billion senior unsecured, €3.6 billion junior senior and €4.5 billion subordinated debt securities. The remaining mainly consists of covered bonds (€13.0 billion). We estimate that the bank's annual wholesale refinancing needs will be below €6 billion for the next two years, a low figure compared with the bank's balance-sheet size of €344 billion as of June 2023. In addition, the bank's market funding benefits from an even maturity profile.

Within Erste's larger CEE franchises, the bank's loan-to-deposit ratio is below 100%. Over time, there has been a significant improvement in funding locally generated loans with local funding, mostly through deposits. More recently, this has been achieved through minimum requirement for own funds and eligible liabilities (MREL)-related issuances.

Depending on the relevant MREL requirements, the market funding ratio may somewhat increase because of additional funding needs within Erste's CEE franchises until 2024. Erste is a multiple-point-of-entry (MPE) MREL group, with six different resolution groups. For the Austrian resolution group, the risk exposure amount (TREA), a 9.49% leverage ratio exposure (LRE) and an 8.81% subordination requirement represented 28.7% of the total subordination requirement as of H1 2023, covered by the currently available stock of 37.7% eligible and 26.0% eligible subordinated liabilities.

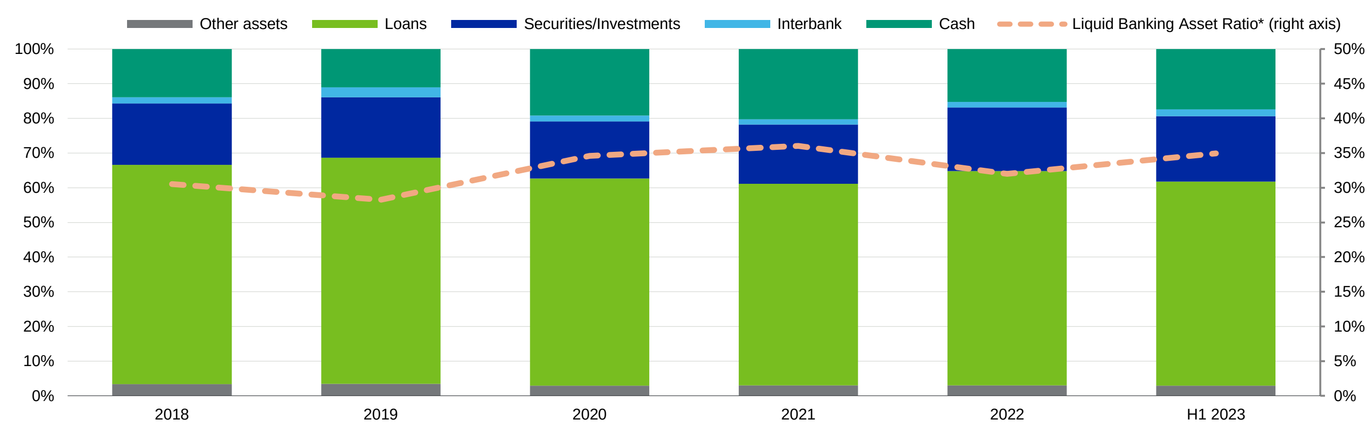
Liquidity mitigates potential funding market dislocations

We assign a baa1 Liquid Resources score to Erste, one notch below the a3 initial score. The score reflect the bank's reported liquid asset volumes and our expectation that its liquidity will return to historical levels after the ECB's measures end. Currently, liquid resources include cash deposits at the ECB, from the TLTRO takeup, with liquid banking assets — such as cash and trading and financial assets — equivalent to around 35% of its total balance sheet as of 30 June 2023 (see Exhibit 11).

We further regard the quality of the group's liquid assets as high because they mainly consist of central bank cash (€59.6 billion) and highly rated government securities (€43.4 billion). Unrealized losses of €4.0 billion in its held-to-maturity book are unlikely to be realized because of the high quality of the securities and the bank's strong deposit franchises[4].

The bank's liquidity is underpinned by its regulatory liquidity coverage ratio of 149% as of June 2023. Moreover, additional liquidity could be generated through the issuance of covered bonds. Erste has a significant additional leeway of more than €5 billion for using its existing cover pool to generate fresh liquidity through the issuance of covered bonds, mainly stemming from its mortgage covered bond pool.

Exhibit 11
Erste has sound balance-sheet liquidity

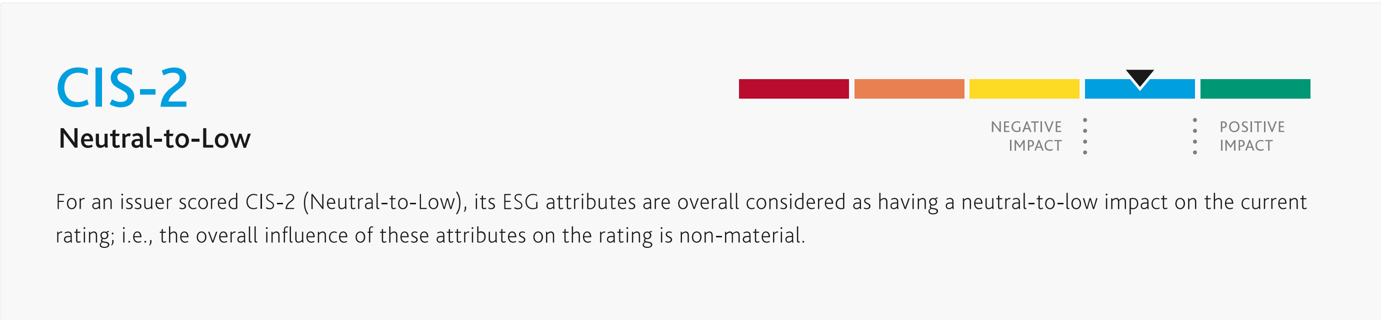


*Liquid banking asset ratio = Liquid banking assets/TBA.
Sources: Company reports and Moody's Investors Service

ESG considerations

Erste Group Bank AG's ESG Credit Impact Score is Neutral-to-Low CIS-2

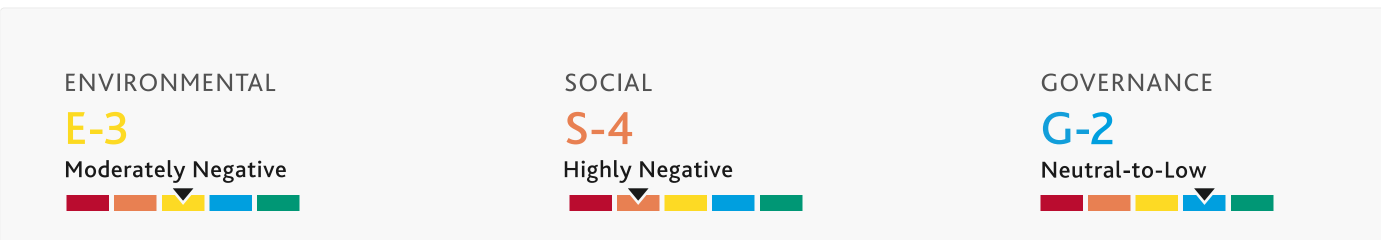
Exhibit 12
ESG Credit Impact Score



Source: Moody's Investors Service

Erste's **CIS-2** reflects that ESG considerations do not have a material impact on the rating to date. This reflects the limited credit impact from environmental and social risk factors on the ratings to date, as well as neutral-to-low governance risks.

Exhibit 13
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Erste faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risks as adiversified universal banking group, operating in several countries. In line with its peers, Erste is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. Carbon transition risks relate mostly to its corporate loan book. In response, Erste is actively engaging in optimising its loan portfolio towards less carbon-intensive assets.

Social

Erste has exposure to social risks, particular customer relation risks. Data security and customer privacy are critical for banks because they access large amounts of personal data, particularly in the retail segment. The bank is required to meet high compliance standards. High cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches.

Governance

Erste faces neutral-to-low governance risks, and its risk management, policies and procedures are in line with industry practices and commensurate with its universal banking model and multi-country operations. Erste Stiftung, a trust and the largest ownership group, controls more than 20% of votes. However, Austria's developed institutional framework mitigates associated governance risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support considerations

Based on the strong national market shares and systemic importance of Erste to the country's banking system, we now apply a moderate government support assumption, leading to a one-notch rating uplift, in line with the support assumptions for other systemically relevant banking groups in Europe.

Loss Given Failure (LGF) analysis

Erste is subject to the EU BRRD, which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, considering the risks faced by the different debt and deposit classes across the liability structure, should the bank enter resolution. In line with our standard assumptions, we assume a residual TCE of 3% and post-failure losses of 8% of TBA, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt.

For Erste's senior unsecured debt and deposits, our Advanced LGF analysis continues to indicate a very low loss given failure, leading to two notches of rating uplift from the bank's baa1 Adjusted BCA. This reflects our expectation that Erste will continue to issue debt volumes subordinated to senior unsecured (preferred) debt and (junior) deposit holders in line with its medium-term funding plan and will be able to maintain access to the capital markets.

Furthermore, we have deducted from Erste's tangible banking assets a portion of the funds that the group has borrowed from and redeposited at the ECB, because we expect those to run off over the medium term. This adjustment results in no change to the outcome of our Advanced LGF analysis.

For Erste's junior senior unsecured and subordinated debt, our Advanced LGF analysis indicates a moderate loss given failure, positioning the ratings in line with its baa1 Adjusted BCA.

Additional Tier 1 (AT1) instruments

We assign a (P)Ba1 rating to Erste's AT1 note program and a Ba1(hyb) rating to the AT1 notes issued under the program, three notches below the bank's baa1 Adjusted BCA. The ratings reflect our assessment of the instruments' deeply subordinated claim in liquidation and their non-cumulative coupon deferral features. In addition, the securities' principals are subject to a partial or full write-down on a contractual basis if Erste's CET1 ratio falls below 5.125%, the issuer receives public support, or the Austrian Financial Market Authority determines that the conditions for a full write-down of the instrument are fulfilled and orders such a write-down as a precautionary measure to prevent insolvency.

Counterparty Risk Rating (CRRs)

Erste's CRRs are Aa3/P-1

The CRR is four notches above the baa1 Adjusted BCA, reflecting the extremely low loss given failure from the high volume of instruments, primarily senior unsecured and subordinated debt instruments, which are subordinated to the CRR liabilities in our Advanced LGF analysis; and a one-notch rating uplift from government support.

Counterparty Risk (CR) Assessment

Erste's CR Assessment is Aa3(cr)/P-1(cr)

The bank's CR Assessment is four notches above its baa1 Adjusted BCA. The assessment is based on the substantial buffer against default provided to the senior counterparty obligations by more junior instruments, such as senior unsecured debt and dated subordinated debt, and one notch of rating uplift from government support. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than the expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology used in rating Erste is our Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form in our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 14

Erste Group Bank AG

Macro Factors						
Weighted Macro Profile	**Strong**	**100%**				

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.3%	a3	↔	baa1	Quality of assets	Expected trend
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	11.6%	baa2	↔	baa1	Risk-weighted capitalisation	Capital fungibility
Profitability						
Net Income / Tangible Assets	0.8%	baa2	↔	baa2	Return on assets	Expected trend
Combined Solvency Score		baa1		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	18.4%	baa1	↔	a2	Extent of market funding reliance	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	32.0%	a3	↔	baa1	Stock of liquid assets	Asset encumbrance
Combined Liquidity Score		baa1		a3		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa1		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	a1
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	a1 (cr)
Deposits	-	-	-	-	-	-	-	2	0	a2
Senior unsecured bank debt	-	-	-	-	-	-	-	2	0	a2
Junior senior unsecured bank debt	-	-	-	-	-	-	-	0	0	baa1
Dated subordinated bank debt	-	-	-	-	-	-	-	0	0	baa1
Non-cumulative bank preference shares	-	-	-	-	-	-	-	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	1	Aa3	Aa3
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3(cr)	
Deposits	2	0	a2	1	A1	A1
Senior unsecured bank debt	2	0	a2	1	A1	A1
Junior senior unsecured bank debt	0	0	baa1	0	Baa1	
Dated subordinated bank debt	0	0	baa1	0	Baa1	Baa1
Non-cumulative bank preference shares	-1	-2	ba1	0	Ba1 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 15

Category	Moody's Rating
ERSTE GROUP BANK AG	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
Junior Senior Unsecured -Dom Curr	Baa1
Junior Senior Unsecured MTN -Dom Curr	(P)Baa1
Subordinate	Baa1
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1
ERSTE BANK, NEW YORK	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/--
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
ERSTE FINANCE (DELAWARE) LLC	
Bkd Commercial Paper	P-1

Source: Moody's Investors Service

Endnotes

1 Moody's-adjusted number.

2 The transfer of the amount of own funds is limited to capital elements exceeding the respective member bank's minimum capital requirement. Any individual member of the institutional protection scheme is only obliged to contribute to the extent that such a contribution does not result in a violation of the regulatory requirements applicable to that member. The Austrian regulator has taken into account the value of these capital contributions to Erste by allowing the bank to report its CET1 capital on a consolidated basis, without any reduction in its domestic minority shares, that is, the capital held by the savings banks.

3 The Q2 capital ratios exclude retained earnings.

4 See also Modest unrecognized losses, strong deposit protection support European banks.

REPORT NUMBER 1380314

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