

## CREDIT OPINION

13 January 2023

Update

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### RATINGS

#### Erste Group Bank AG

Domicile	Vienna, Austria
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A2
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A2
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

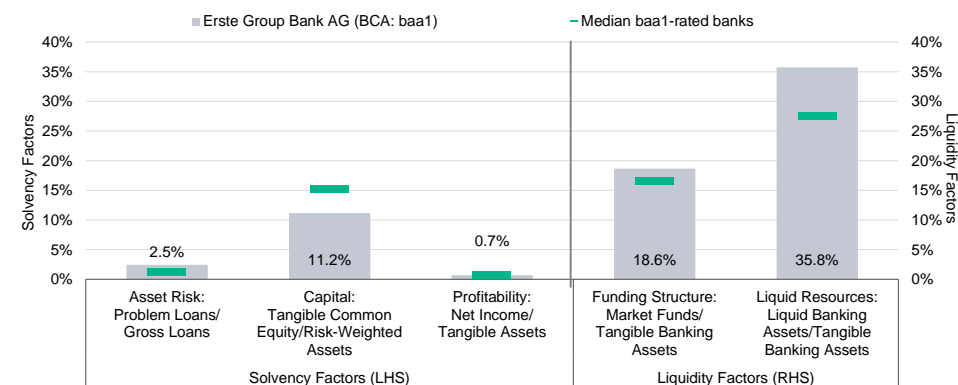
[Erste Group Bank AG's](#) (Erste) A2 senior unsecured debt and deposit ratings reflect the bank's baa1 Baseline Credit Assessment (BCA) and adjusted BCA, and two notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class. While we consider Erste a domestic systemically relevant bank, we do not incorporate any rating uplift from government support because of the wider scope of BRRD application in Austria (Aa1 stable) and the illustrated willingness of its government to apply burden-sharing to creditors.

Erste's baa1 BCA reflects the bank's low dependence on confidence-sensitive wholesale market funding and its strong deposit franchise, with leading market shares in most countries it operates in. It also reflects the bank's solid capitalisation, which provides a good buffer in an adverse economic environment; 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, and provides Erste with growth opportunities, while its capital ratios remain stable.

Exhibit 1

#### Rating Scorecard - Key financial ratios

##### Erste Group Bank AG



Our definition of tangible common equity (TCE) excludes the domestic minority shares that are recognised as part of the regulatory capital. Data is as of Q3 2022. Asset risk shows the three-year averages for Erste. Liquidity factors data is as of year-end 2021.

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 strong buffer of liquid assets
- » Solid capitalisation 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 Europe (CEE) economies
- » Retain capital buffers amid rising regulatory requirements and sustained business growth

## Outlook

The stable rating outlook reflects our expectation that Erste's liability structure will continue to result in a very low loss given failure from our Advanced LGF analysis and lead to two notches of rating uplift, and that the bank will maintain a stable fundamental credit profile.

## Factors that could lead to an upgrade

- » Erste's ratings could be upgraded if its BCA is upgraded, which could be prompted by a strong and sustained improvement in at least several solvency and liquidity factors.
- » Upward rating pressure could also materialise if the bank, on a sustained basis, increased the amount of instruments designated to absorb losses in resolution relative to its total balance sheet, which could result in 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 baa1 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 asset quality beyond our current expectations, in particular if it also affects the bank's capitalisation or profitability on a sustained basis. Furthermore, a sustainable reduction in its liquid resources in combination with a marked increase in market funding reliance could strain the bank's BCA.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Erste Group Bank AG (Consolidated Financials) [1]

	09-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	12-18 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Billion)	335.3	307.3	274.3	243.0	233.7	10.1 <sup>4</sup>
Total Assets (USD Billion)	328.5	348.3	335.6	272.7	267.1	5.7 <sup>4</sup>
Tangible Common Equity (EUR Billion)	15.7	14.8	13.4	13.0	12.2	7.1 <sup>4</sup>
Tangible Common Equity (USD Billion)	15.4	16.8	16.3	14.6	13.9	2.8 <sup>4</sup>
Problem Loans / Gross Loans (%)	2.1	2.4	2.7	2.6	3.2	2.6 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	11.2	11.4	11.1	11.0	10.5	11.0 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	21.1	23.7	26.6	25.9	30.6	25.6 <sup>5</sup>
Net Interest Margin (%)	1.8	1.6	1.8	2.0	2.0	1.8 <sup>5</sup>
PPI / Average RWA (%)	2.4	2.4	2.1	2.3	2.0	2.3 <sup>6</sup>
Net Income / Tangible Assets (%)	0.8	0.7	0.3	0.9	0.9	0.7 <sup>5</sup>
Cost / Income Ratio (%)	60.1	59.9	63.7	62.6	65.1	62.3 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	20.0	18.6	16.3	13.2	15.9	16.8 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	35.2	35.8	34.6	28.3	30.5	32.9 <sup>5</sup>
Gross Loans / Due to Customers (%)	88.0	86.5	88.0	93.3	93.1	89.8 <sup>5</sup>

[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 2,038 branches in Austria and the core markets in the eastern parts of the European Union (EU), with 45,078 employees as of 30 September 2022.

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 September 2022, Erste reported a consolidated asset base of €335 billion. In 2022, the bank's market share in Austria in terms of loans and deposits (retail and corporate) was around 22%.

### 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 Q3 2022. 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](#).

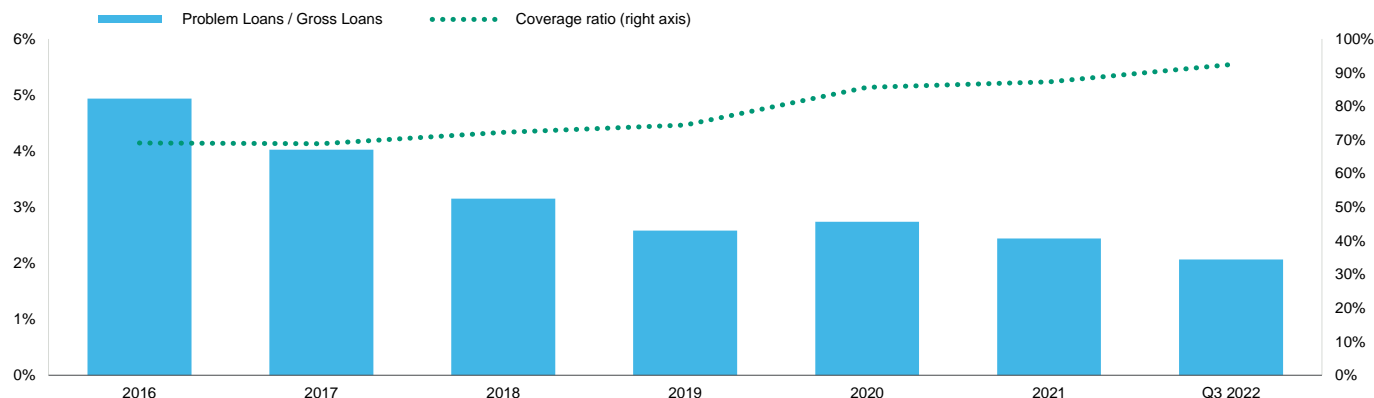
## Detailed credit considerations

### 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 (Q3 2022: 2.1%<sup>1</sup>) because of the impact of the geopolitical tensions on the economy, with more subdued economic growth expected, which should lead to slightly higher nonperforming loans. The bank's substantial level of loan loss provisions of around 96.8% as of the end of September 2022 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 2016 to Q3 2022

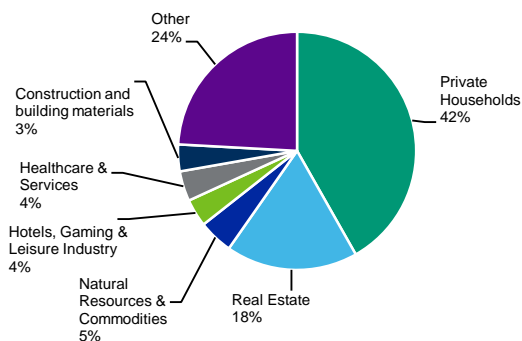


Sources: Company reports and Moody's Investors Service

Erste's exposure is focused on its home market of Austria (around 49% of customer loans as of Q3 2022) and the bank continues to have a 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 48% of its loan book. The remainder of the bank's loan book largely consists of corporate loans focused on SMEs in Austria and CEE.

Exhibit 4

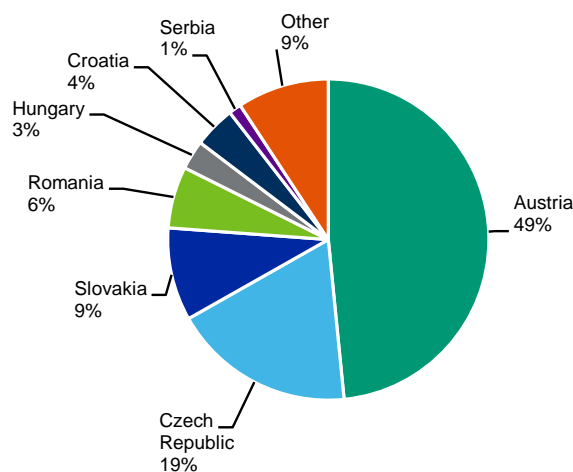
**Erste's loan book by sector**  
 As of Q3 2022



Sources: Company reports and Moody's Investors Service

Exhibit 5

**Erste's regional loan exposures**  
 As of Q3 2022



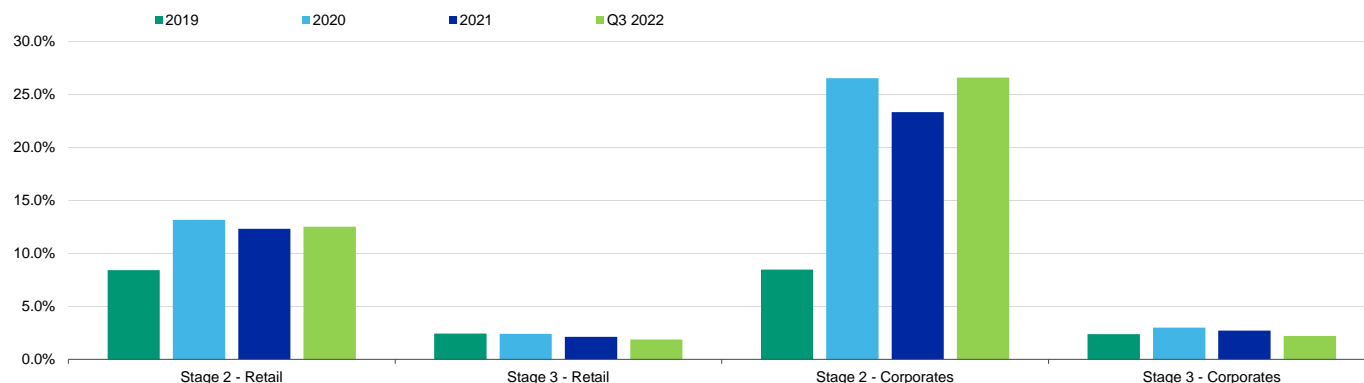
Sources: Company reports and Moody's Investors Service

Erste reported a problem loan ratio of 2.0% as of 30 September 2022. The bank's coverage ratio, which excludes all non-cash collateral, improved to 96.8% as of 30 September 2022 from 90.9% as of 31 December 2021 (2020: 88.6%). These levels are very sound and appropriate to shield Erste from undue losses resulting from its problem loans, subject to the bank maintaining a tight control over its geographical concentrations 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 in Stage 2 for retail lending was most pronounced during 2020 because of the pandemic. During 2021, Stage 2 and Stage 3 exposures declined moderately. The renewed increase in Stage 2 for corporate lending as of the third quarter 2022 reflects the re-classification of sectors particularly exposed to the volatile energy markets (energy, metals and chemicals), for which Erste introduced a management overlay of €147 million, combined with decline in non-performing loans the driver for the increase in the coverage ratio.

Exhibit 6

### Erste's IFRS 9 movements Stages in % of respective customer loans



Source: Company reports, Moody's Investor Service

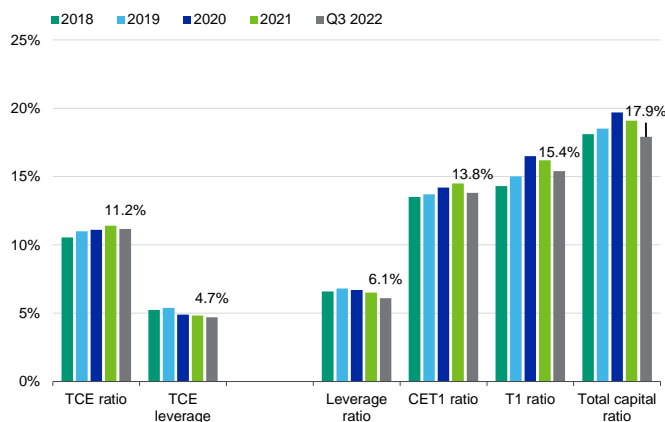
### Business growth, regulatory tightening and the economic downturn make it difficult for Erste to retain its capital buffers

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 September 2022 (11.2%). The additional loss-absorbing capital stems from Erste's joint liability and institutional protection scheme with the Austrian savings banks<sup>2</sup>. 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 13.8% as of 30 September 2022<sup>3</sup>, Erste's capital is sufficient to cover the intrinsic risks of the bank's operating model, which is geared towards CEE. In addition, balance-sheet leverage is not a constraint for the bank, which had a Basel III leverage ratio of 6.1% as of Q3 2022 and a TCE leverage ratio of around 4.7% (see Exhibit 4).

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 takeover of [Commerzbank AG](#)'s (A1/A2 stable, baa2<sup>4</sup>) Hungarian subsidiary. The bank's minimum CET1 ratio requirement was slightly above 10% in Q3 2022 (10.26%, excluding the Pillar 2 guidance), set by the ECB as part of the bank's Supervisory Review and Evaluation Process (SREP) requirements (see Exhibit 6).

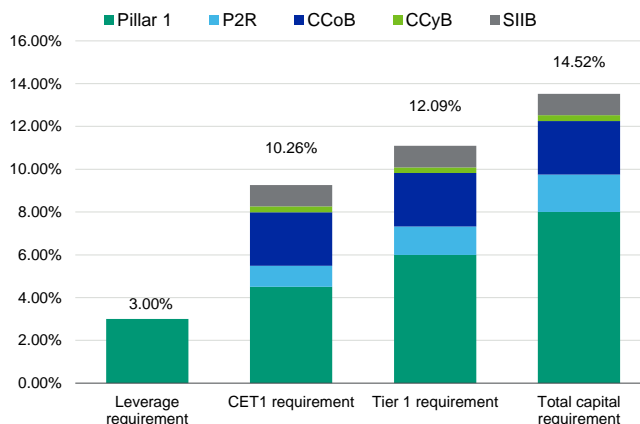
Exhibit 7  
**Erste's capitalisation sufficiently absorbs the inherent risks of its CEE-exposed business model**



The chart displays 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**



The exhibit shows the fully loaded SREP requirements. Excludes the Pillar 2 CET1 guidance. Requirements including pandemic-related measures: 10.26% excluding P2 guidance, 14.52% for total capital on a fully loaded basis.

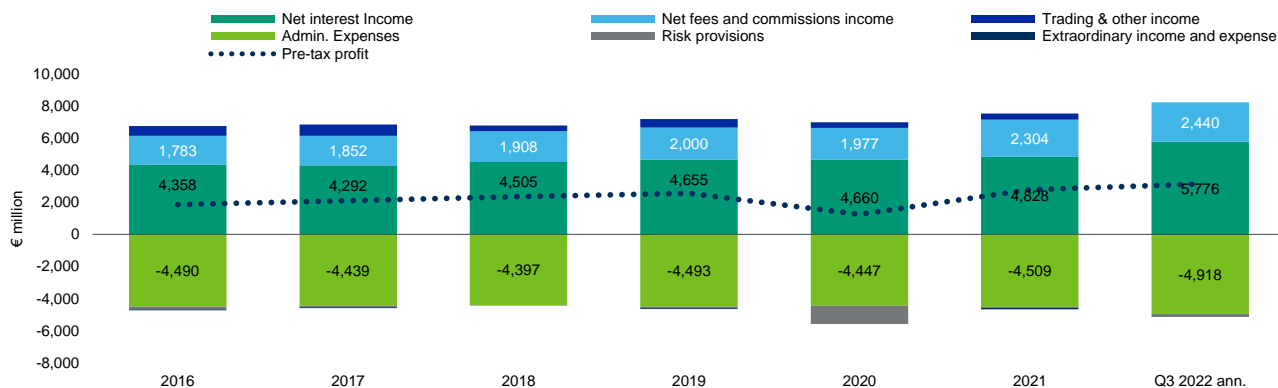
Sources: Company reports and Moody's Investors Service

### Solid operational earnings through the cycle

The baa3 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 0.5%–0.75% of tangible assets, despite headwinds. Rising interest rates will support revenue growth despite slower lending growth, as well as the expected continued moderate growth in fee and commission income. However, the positive effect will be balanced by higher credit costs because of the economic downturn, driven by the impacts of geopolitical risks, supply shortages and rising inflation. Further, we expect a lower profit contribution from Eastern European subsidiaries, reflecting a combination of several factors, including government measures such as moratoria in Hungary and windfall bank taxes in several countries.

Erste's solid operational profitability provides a good buffer to deal with higher risk costs, without impairing its capital position. We expect it to remain within the baa3 Profitability score range for the group's Strong Macro Profile (net income/tangible banking assets [TBA] of 0.5%–0.75%, 2018–21: average 0.70%), despite volatility and uncertainty in the operating environment.

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), with the current positive dynamics being supported by rising rates, particularly in CEE countries like the Czech Republic. However, the rapid rise in rates may start to have

some impact on the debt servicing capacities of clients, together with the effects of inflation on disposable income of households and on corporate profitability, where the supply chain issues imply further challenges. Additionally, slower economic growth may imply that the rise in rates is not sustainable, particularly for CEE countries.

For the first nine months of 2022, Erste reported a net profit of €1,647 million, up from €1,451 million during the same period in 2021. The increase was mainly driven by a 19.5% growth in net interest income to €4,385 million and an 8% growth in net fee and commission income to €1,830 million, partially offset by a loss of €105.2 million for trading and the fair value of instruments (profit of €201.0 million as of September 2021).

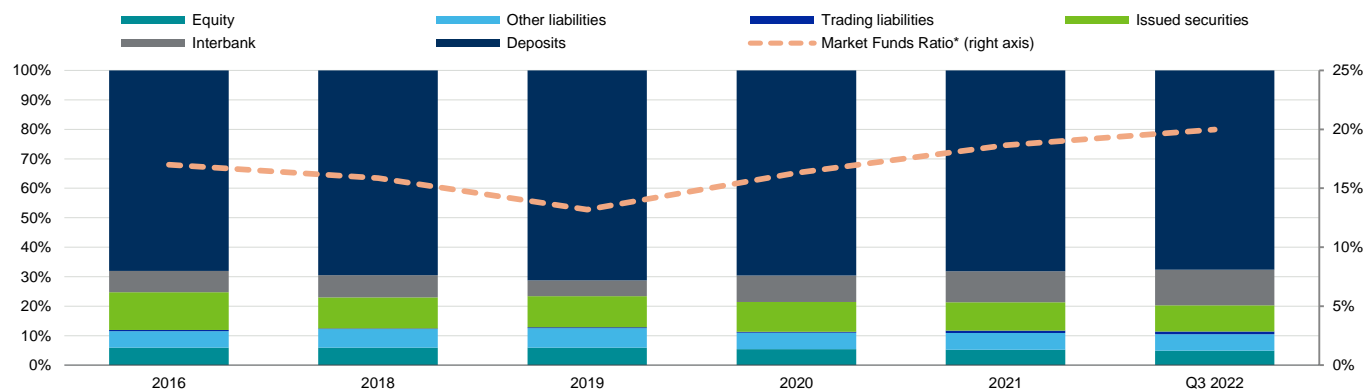
### Deposit-rich funding profile, with only a moderate and declining reliance on wholesale funding

Erste's a2 Funding Structure score, two notches above the initial baa1 score, reflects the bank's balanced funding profile, characterised 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 TLTRO, reflecting the deduction of a portion of the TLTRO III borrowed funds that are used to take advantage of favourable terms offered by the ECB and depositing back at the central bank rather than being used for lending and/or investment purposes, thereby temporarily inflating Erste's balance sheet.

Erste benefits from its access to a broad and diversified base of customer deposits, largely obtained from retail and SMEs, contributing around 72% of the bank's total deposits as of the end of September 2022. Around 54% of the bank's customer deposits are generated from its domestic Austrian operations, with the remainder being CEE-related deposits (although concentrated in the Czech Republic and Slovakia). The group's market-leading positions in its domestic and many of its local CEE markets (with deposit market shares of around 20%) support the gathering of additional low-cost deposits. Therefore, the bank's funding structure remains a relative strength, and the sustained loan-to-deposit ratio below 100% over the past few years benefited from continued strong deposit inflow (Q3 2022: 85.5%, 2021: 85.6%, 2020: 86.9%, 2019: 92.2% and 2018: 91.8%).

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 €11.1 billion senior unsecured, € 1.2 billion junior senior and €5.5 billion subordinated debt securities, with the remainder largely consisting of covered bonds (€11.2 billion). We estimate that the bank's annual wholesale refinancing needs will be below €3 billion for the next two years, a very low figure compared with the bank's balance-sheet size of €335 billion as of September 2022. 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%, and there is a significant improvement to fund locally generated loans with local funding (mostly deposits). This has reduced the group's vulnerability to funding imbalances among its various entities<sup>5</sup>. However, depending on the details of the final minimum requirement for own funds and eligible liabilities requirements, the market funding ratio may somewhat increase because of additional funding needs within Erste's CEE franchises until 2024, given that Erste is a multiple point of entry (MPE) MREL group, with 6 different resolution groups. For the Austrian resolution

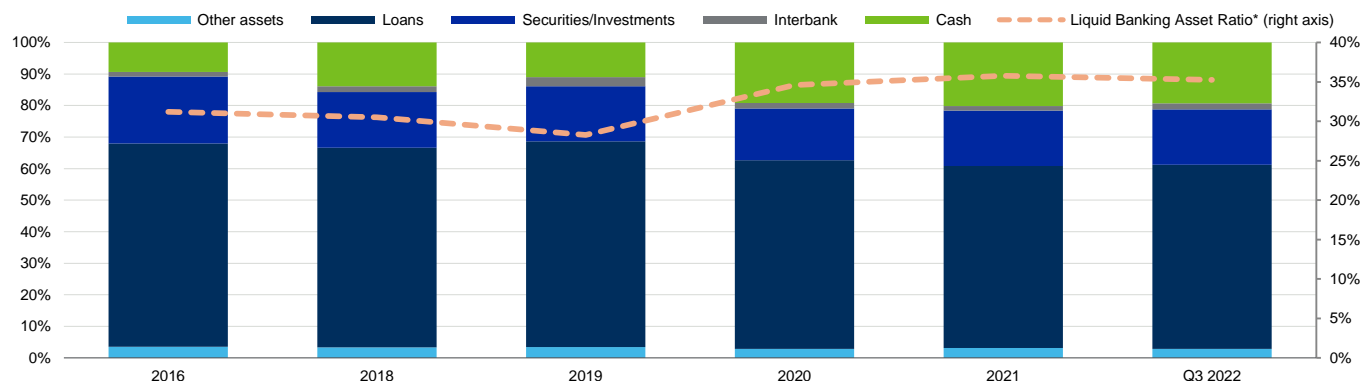
group, the requirement stood at 30.6% of the total risk exposure amount (TREA), a 9.34% leverage ratio exposure (LRE) and a 8.43% subordination requirement as fo Q3 2022, covered by the currently available stock of 33.6% eligible and 24.5% eligible subordinated liabilities.

**Highly liquid balance sheet mitigates potential funding market dislocations**

We assign a baa1 Liquid Resources score to Erste, two notches below the a2 initial score, reflecting the bank's reported liquid asset volumes and our expectation that liquidity will return to historical levels after the ECB measures end. Currently, liquid resources include cash deposits at the ECB, from the TLTRO takeover, with liquid banking assets — such as cash and trading and financial assets — equivalent to around 37% of its total balance sheet as of 30 September 2022 (see Exhibit 10).

We further regard the quality of the group's liquid assets as high because they largely consist of central bank cash and highly rated government securities. The bank's liquidity is underpinned by its regulatory LCR, which was 145% as of September 2022. 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, largely 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**

**CIS-2**  
**Neutral-to-Low**

NEGATIVE IMPACT : : POSITIVE IMPACT

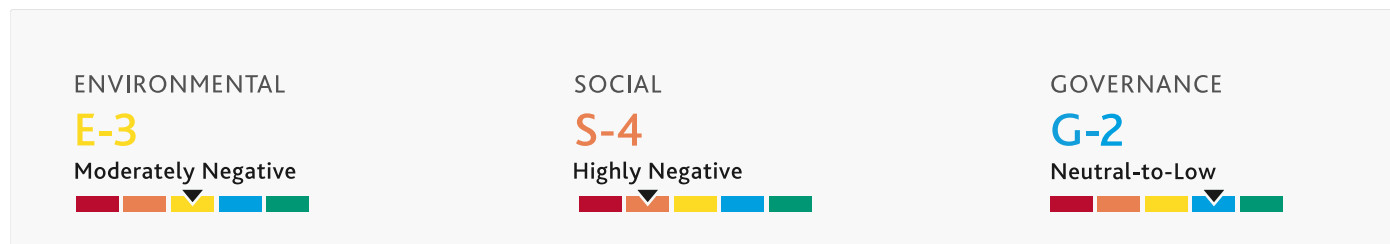
For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

Erste's ESG Credit Impact Score is neutral-to-low (**CIS-2**). 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 a diversified 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 faces high industrywide customer relations risks related to regulatory risk, litigation exposure and high compliance standards in its regionally diversified operations. High cyber and personal data risks are mitigated by technology solutions and organisational 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 foundation 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 Moody's.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**

We do not include government support in Austrian banks' ratings, assuming a low probability of Erste receiving support from the Austrian government. We base our assumption on the wider scope of the EU BRRD implementation in Austria and its application, illustrating the Austrian government's willingness to apply burden-sharing to bondholders<sup>6</sup>.

**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 continued access to the capital markets.

Furthermore, we have deducted from Erste's tangible banking assets a portion of the funds 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, leading to a positioning of 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 programme and a Ba1(hyb) rating to the AT1 notes issued under the programme, 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 A1/P-1**

The CRR is three 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 CRR liabilities in our Advanced LGF analysis.

#### **Counterparty Risk (CR) Assessment**

##### **Erste's CR Assessment is A1(cr)/P-1(cr)**

The bank's CR Assessment is three notches above its baa1 Adjusted BCA, 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. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than 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 judgement. When read in conjunction with our research, a fulsome presentation of our judgement 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

<b>Macro Factors</b>							
<b>Weighted Macro Profile</b>		<b>Strong</b>	<b>100%</b>				
<b>Factor</b>	<b>Historic Ratio</b>	<b>Initial Score</b>	<b>Expected Trend</b>	<b>Assigned Score</b>	<b>Key driver #1</b>	<b>Key driver #2</b>	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	2.5%	a3	↔	baa1	Quality of assets	Expected trend	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	11.2%	baa2	↔	baa1	Risk-weighted capitalisation	Capital fungibility	
Profitability							
Net Income / Tangible Assets	0.7%	baa3	↔	baa3	Return on assets	Expected trend	
Combined Solvency Score		baa1		baa1			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	18.6%	baa1	↔	a2	Extent of market funding reliance	Deposit quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	35.8%	a2	↔	baa1	Stock of liquid assets	Asset encumbrance	
Combined Liquidity Score		a3		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 Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	2	0	a2	0	A2	A2
Senior unsecured bank debt	2	0	a2	0	A2	A2
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
<b>ERSTE GROUP BANK AG</b>	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured	A2
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
<b>ERSTE BANK, NEW YORK</b>	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/--
Counterparty Risk Assessment	A1(cr)/P-1(cr)
<b>ERSTE FINANCE (DELAWARE) LLC</b>	
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 Q3 capital ratios exclude retained earnings.
- [4](#) The ratings shown are the bank's deposit and senior unsecured ratings and outlook, and its BCA.
- [5](#) This improvement takes into account the Austrian regulator's recommendation that the country's three major banks limit their new lending in CEE subsidiaries to 110% of local deposits, plus funding from local capital markets and funding from supranational institutions.
- [6](#) This application has triggered the resolution of [Heta Asset Resolution AG](#).

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