

CREDIT OPINION

21 July 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 after rating upgrade

Summary

On 11 July 2023 we upgraded [Erste Group Bank AG's](#) (Erste) deposit, senior unsecured and issuer ratings to A1 after changing the government support probability to moderate for banks and banking groups in Austria that we consider as systemically relevant, including Erste. We further affirmed the baa1 Baseline Credit Assessment (BCA) and Adjusted BCA, among others.

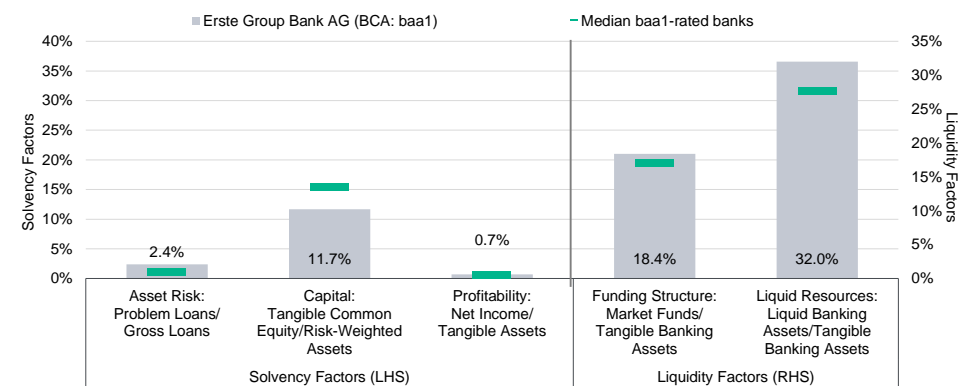
The ratings reflect the bank's baa1 BCA and Adjusted BCA, two notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class; and one-notch rating uplift stemming from government support because we consider Erste to be of domestic relevance for financial system stability because it being one of largest banks in Austria by total assets.

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 it operates in. It also reflects the bank's solid capitalisation, 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



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 Q1 2023. Asset risk shows the three-year averages for Erste. Liquidity factors data is 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 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
- » Unrealized losses in the securities portfolios above of European peers, though unlikely to crystallize

Outlook

The outlook on Erste's long-term deposit, issuer and senior unsecured ratings is stable, reflecting our expectation of an unchanged fundamental credit profile, with solid asset quality, good capital and profitability buffers, providing substantial downside protection. Further, the stable outlook considers the bank to retain its leading and diversified deposit franchise, while retaining good liquidity buffers.

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 the bank's deposit franchise, increasing the risk that unrealized losses in its securities portfolios are realized, in particular if it also affects the bank's capitalisation or profitability on a sustained basis. Further a deterioration in asset quality beyond our current expectations, or 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]

	03-23 ²	12-22 ²	12-21 ²	12-20 ²	12-19 ²	CAGR/Avg. ³
Total Assets (EUR Billion)	341.0	321.8	305.2	274.3	243.0	11.0 ⁴
Total Assets (USD Billion)	370.5	343.4	345.8	335.6	272.7	9.9 ⁴
Tangible Common Equity (EUR Billion)	17.1	16.3	14.8	13.4	13.0	8.7 ⁴
Tangible Common Equity (USD Billion)	18.6	17.4	16.8	16.3	14.6	7.6 ⁴
Problem Loans / Gross Loans (%)	2.1	2.1	2.4	2.7	2.6	2.4 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	11.7	11.3	11.4	11.1	11.0	11.3 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	20.8	21.4	23.7	26.6	25.9	23.7 ⁵
Net Interest Margin (%)	2.2	1.8	1.6	1.8	2.0	1.9 ⁵
PPI / Average RWA (%)	2.7	2.4	2.4	2.1	2.3	2.4 ⁶
Net Income / Tangible Assets (%)	1.0	0.8	0.7	0.3	0.9	0.7 ⁵
Cost / Income Ratio (%)	61.1	60.0	59.9	63.7	62.6	61.5 ⁵
Market Funds / Tangible Banking Assets (%)	19.0	18.4	18.3	16.3	13.2	17.0 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	35.4	32.0	36.0	34.6	28.3	33.3 ⁵
Gross Loans / Due to Customers (%)	87.4	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 2,013 branches in Austria and the core markets in the eastern parts of the European Union (EU), with 45,562 employees as of 31 March 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 March 2022, Erste reported a consolidated asset base of €343 billion. In 2022, the bank's market share in Austria in terms of loans and deposits (retail and corporate) was around 25%.

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 Q1 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

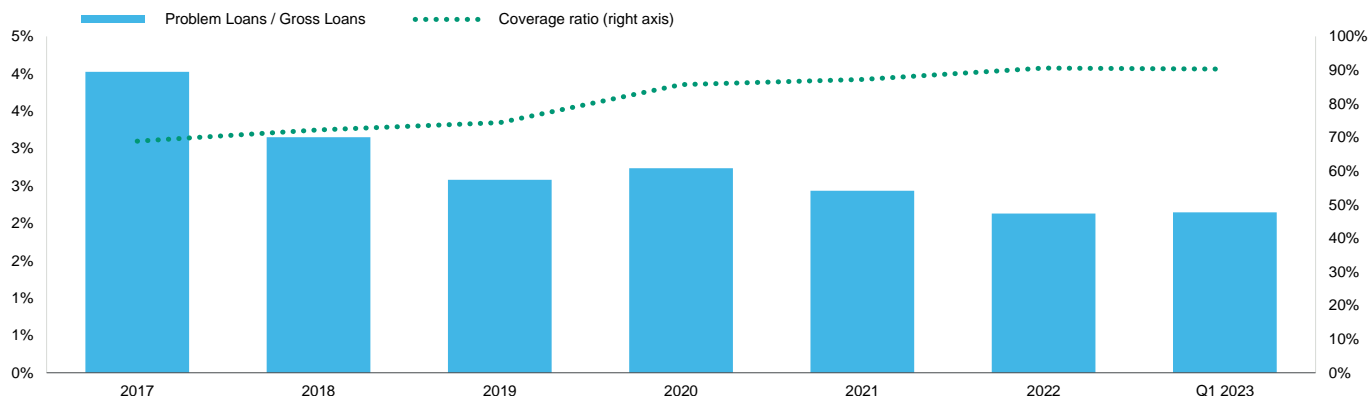
Asset quality to deteriorate slightly

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 (Q4 2022: 2.1%¹) 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 94.3% as of the end of March 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 Q1 2023



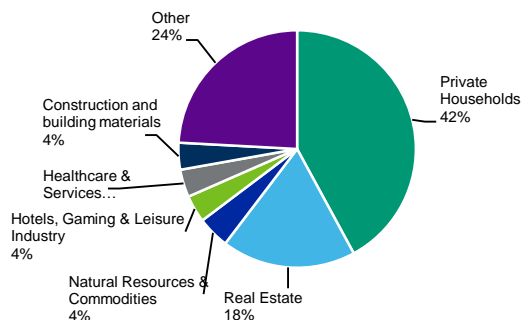
Sources: Company reports and Moody's Investors Service

Erste's exposure is focused on its home market of Austria (around 48% of customer loans as of March 2023) 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 42% of its loan book and commercial real estate, accounting for 18% of it loans. The remainder of the bank's loan book largely consists of corporate loans in Austria and CEE.

Exhibit 4

Erste's loan book by sector

As of Q1 2023

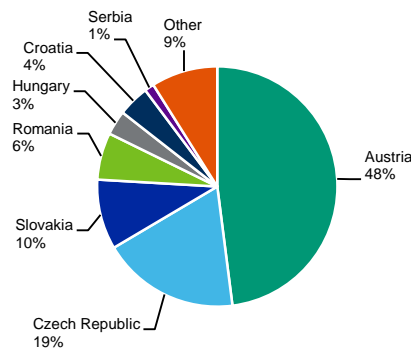


Sources: Company reports and Moody's Investors Service

Exhibit 5

Erste's regional loan exposures

As of Q1 2023



Sources: Company reports and Moody's Investors Service

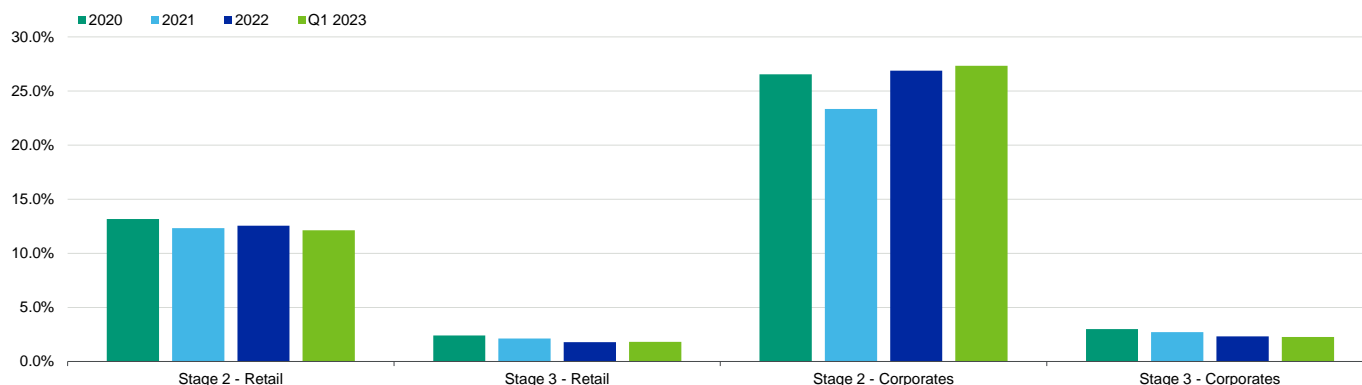
Erste reported a problem loan ratio of 2.1% as of 31 March 2023. The bank's coverage ratio, which excludes all non-cash collateral, improved to 94.3% as of 31 March 2023 from 91.9% as of 31 March 2022 (2021: 90.9%). These levels are very sound and appropriate to shield Erste from undue losses resulting 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

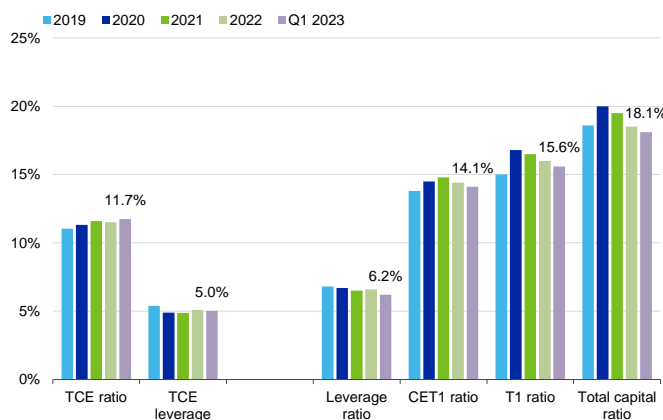
Business growth, regulatory tightening and the economic downturn make it difficult for Erste to retain its capital buffers

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 March 2023 (11.7%). The additional loss-absorbing capital stems from Erste's joint liability and institutional protection scheme with the Austrian savings banks². 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 14.0% as of 31 March 2023³, 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 6.2% as of Q1 2023 and a TCE leverage ratio of around 5.0% (see Exhibit 7).

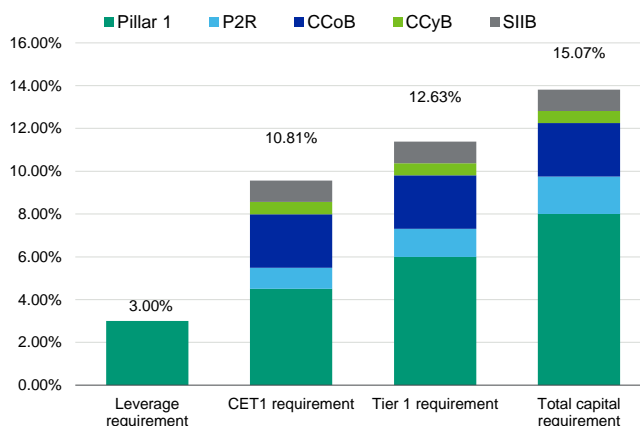
At our expected capital and profitability levels, the bank remains sufficiently prepared to comply with regulatory requirements despite a continued appetite for smaller takeovers, as illustrated by the recent acquisition of portfolios in the Czech Republic. The bank's minimum CET1 ratio requirement was slightly above 10% in March 2023 (10.81%, excluding the Pillar 2 guidance), set by the ECB as part of the bank's Supervisory Review and Evaluation Process (SREP) requirements (see Exhibit 8).

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: 10.81% excluding P2 guidance, 15.07% for total capital on a fully loaded basis.
 Sources: Company reports and Moody's Investors Service

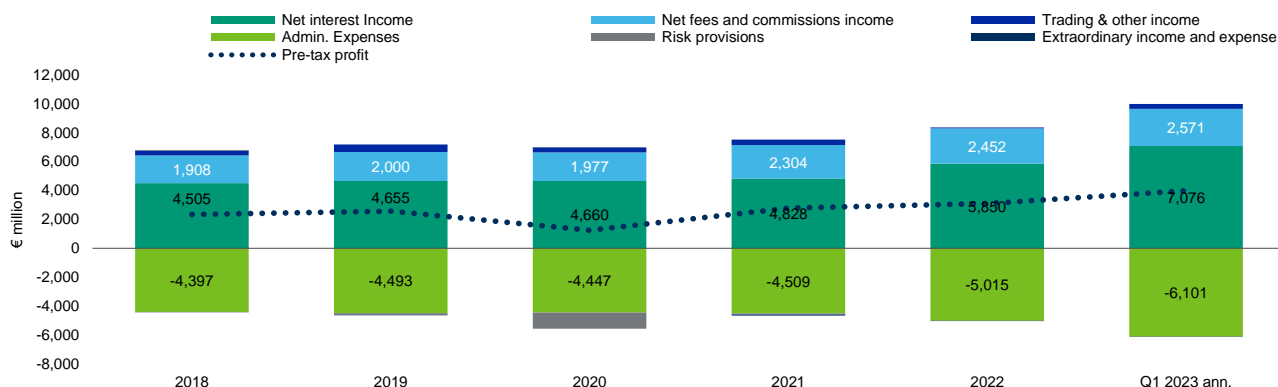
Solid operational earnings through the cycle

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, 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.

While credit costs because of the economic downturn, driven by the impacts of geopolitical risks, supply shortages and rising inflation, will rise, the positive impact from higher interest margins will more than balance the impact in 2023. However, we expect a lower profit contribution from CEE subsidiaries where the rates cycle is more enhanced, reflecting declining interest margins as deposits rates are rising, but also 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 high current inflation rates.

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 over the next two to three years (net income/tangible banking assets [TBA] of 0.5%-0.75%, 2018-21: average 0.70%).

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 the Euro area, while rising deposit rates are starting to pressure interest margins in countries like the Czech, where the rates cycle is further enhanced. However, the rapid rise in rates and the economic slowdown will 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.

By 31 March 2023, Erste reported a net profit of €593.6 million, up from €448.8 million for the same period in 2022. The increase was mainly driven by a 271% growth in net interest income to €1,769 million and an 4% growth in net fee and commission income to €643 million and a gain of €47.3 million for trading and the fair value of instruments (loss of €16.9 million as of March 2022). Further, the bank benefits from the release of loan loss provisions. Operating costs, were flat versus the first quarter 2022, however, are expected to rise significantly by 9% in 2023, because of high wage settlements.

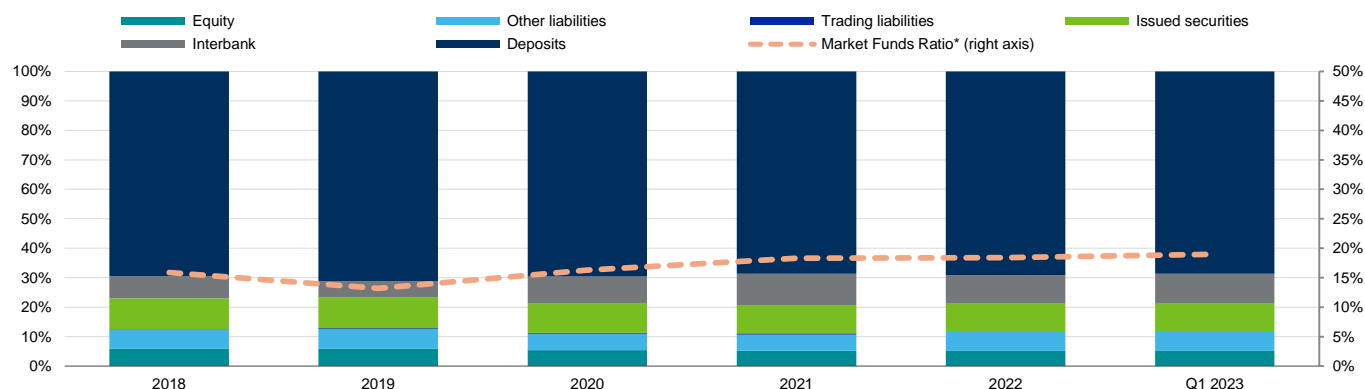
Deposit-rich funding profile, with only a moderate and declining reliance on wholesale funding

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 March 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 sustained loan-to-deposit ratios below 100% over the past few years (2022: 90.2%, 2021: 85.6%, 2020: 86.9%), underpinned by the inflow of institutional deposits during market turbulences in Q1 2023. Deposits increased by €14.1 billion (or 7.1%) in Q1 2023, to €238.7 billion, largely driven 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 €14.4 billion senior unsecured, €1.7 billion junior senior and €5.0 billion subordinated debt securities, with the remainder largely consisting of covered bonds (€12.3 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 €343 billion as of March 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%, and there has been a significant improvement to fund locally generated loans with local funding over time, mostly deposits, more recently also minimum requirement for own funds

and eligible liabilities (MREL) related issuances. This has reduced the group's vulnerability to funding imbalances among its various entities.

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 6 different resolution groups. For the Austrian resolution group, the risk exposure amount (TREA), a 9.34% leverage ratio exposure (LRE) and a 8.43% subordination requirement stood at 31.0% of the total subordination requirement as for Q1 2023, covered by the currently available stock of 35.5% eligible and 23.9% eligible subordinated liabilities.

Liquidity mitigates potential funding market dislocations

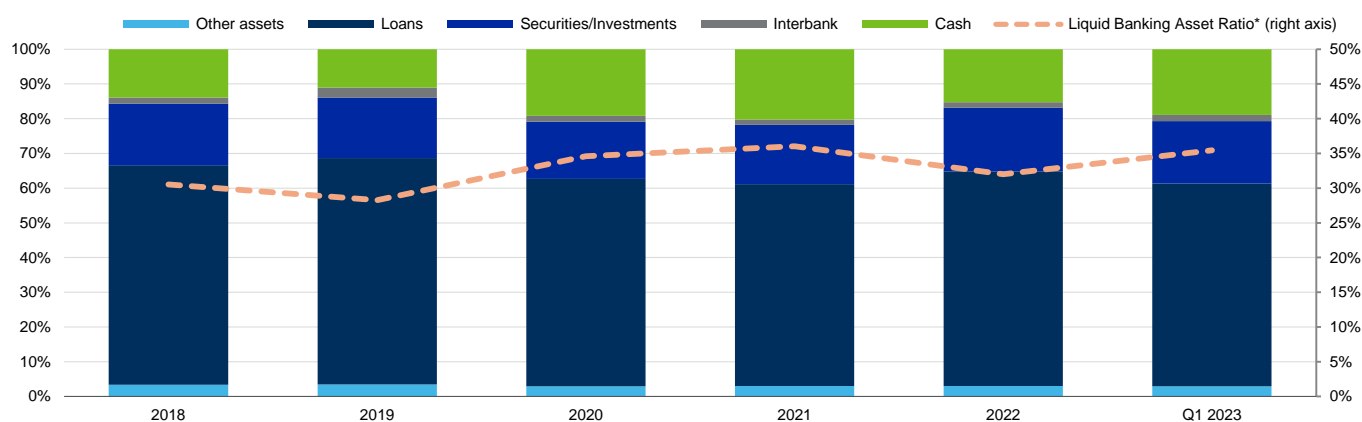
We assign a baa1 Liquid Resources score to Erste, one notches below the a3 initial score, reflecting the bank's reported liquid asset volumes and our expectation that liquidity will return to historical levels after the ECB measures end. Currently, liquid resources include cash deposits at the ECB, from the TLTRO takeover, with liquid banking assets — such as cash and trading and financial assets — equivalent to around 35% of its total balance sheet as of 31 March 2023 (see Exhibit 11).

We further regard the quality of the group's liquid assets as high because they largely consist of central bank cash (€64.4bn) and highly rated government securities (€43.4 billion). Unrealized losses of €4.5 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 franchises⁴.

The bank's liquidity is underpinned by its regulatory LCR, which was 146% as of March 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, largely stemming from its [mortgage covered bond pool](#).

Exhibit 11

Erste has sound balance-sheet liquidity



*Liquid banking asset ratio = Liquid banking assets/TBA.

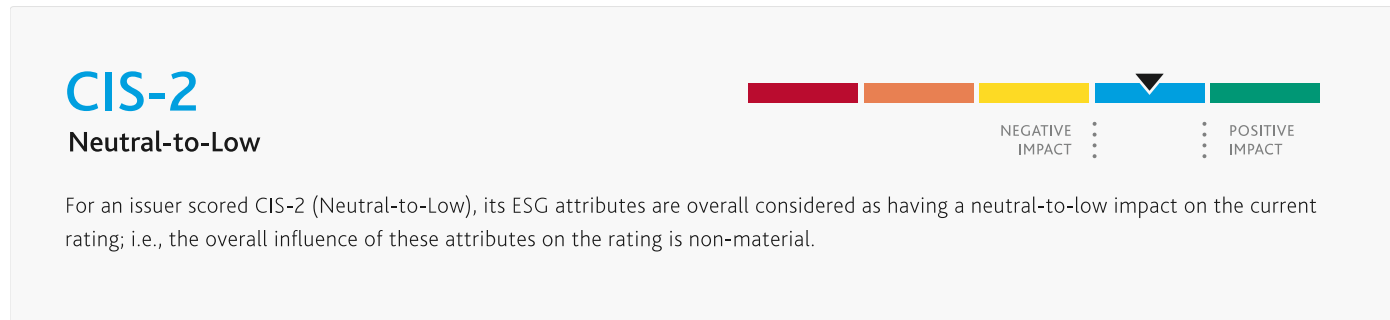
Sources: Company reports and Moody's Investors Service

ESG considerations

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

Exhibit 12

ESG Credit Impact Score

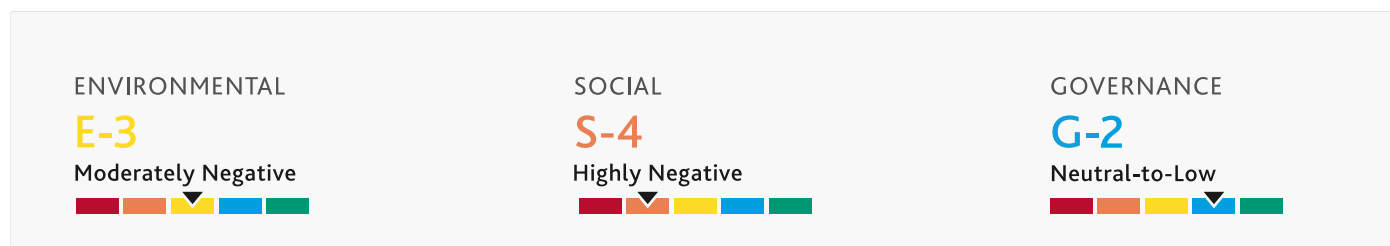


Source: Moody's Investors Service

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 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 has exposure to customer relations risks. Data security and customer privacy are critical for banks because they access large amounts of personal data, particularly in the retail segment. Fines and reputational damage as a result of product mis-selling, misrepresentation and other types of misconduct are also key social risks. Sizeable investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance and compliance functions that ensure adherence to regulatory standards, help to manage the associated credit risk.

Governance

Erste has 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 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

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 one notch of ratings uplift, in line with 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 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 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 CRR liabilities in our Advanced LGF analysis and one notch of 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, 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 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

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	2.4%	a3	↔	baa1	Quality of assets	Expected trend	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	11.7%	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	18.4%	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 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 Q3 capital ratios exclude retained earnings.
- [4](#) see also [Modest unrecognized losses, strong deposit protection support European banks](#)

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