

Erste Group Bank AG

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Erste Group Bank AG

SACP: a



Support: +1



Additional factors: 0

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Strong	+1
Liquidity	Strong	
CRA adjustment	0	

ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Global Scale Ratings

Issuer Credit Rating

A+ / Stable / A-1

Resolution Counterparty Rating

AA- / -- / A-1+

Overview

Key strengths

Strong franchise in Austria and Central and Eastern European (CEE) countries.

Sound liquidity and funding profile dominated by granular and sticky retail deposits.

Well-defined resolution framework across the group's entities and solid additional loss-absorbing buffer.

Key risks

Challenging operating environment amid credit quality tail risks stemming from pandemic-related uncertainties, particularly in higher-risk foreign markets.

Tight margins within the highly competitive Austrian banking sector that, alongside a focus on interest revenues, results in high sensitivity to the persistent low interest rate environment.

Erste Group Bank enjoys a well-managed business model with strong franchise in retail, small and midsize enterprises (SMEs), and corporate banking across Austria and six core strategic countries in CEE. The pandemic has caused weaker economic and operating conditions for Erste's main markets. Nevertheless, we think the group is well-positioned and has effectively managed the biggest COVID-19-related challenges. Aside from temporary setbacks during the pandemic, management has advanced its efforts to digitalize the bank, thereby helping to safeguard the customer base against changing consumer preferences. The management team is stable and has, in our view, followed a generally consistent strategy.

We project that our main capital indicator, the risk-adjusted capital (RAC) ratio, on Erste will remain close to 10% in the next 12-24 months. This includes our understanding that growth of the bank's retail and corporate lending will mainly be in lower-risk countries such as Austria, the Czech Republic, and Slovakia. Also, our forecast considers higher net interest margins, particularly due to higher interest rates in CEE countries. Erste has a solid asset quality, with

nonperforming assets (NPAs) decreasing to a decade-low of 2.6% by our measures as of Sept. 30, 2021. We expect NPAs to decline further and reach 2% by 2023.

Erste is effectively operating under a multiple point of entry (MPE) strategy, implying that each of the six resolution groups would enter a separate resolution path from its parent, in the unlikely scenario of nonviability. The bank has strengthened its additional loss-absorbing capacity (ALAC) buffers, which provide protection to senior creditors in a resolution scenario. We expect Erste's ALAC ratio to remain above 3% in the next 12-24 months.

Outlook

The stable outlook on Erste reflects our view that, over the next 18-24 months, it will preserve a solid balance sheet--in particular sound asset quality metrics and strong liquidity buffers--in what would likely be a supportive economic environment. It also reflects our assumption that Erste will maintain solid profitability and capital build-up capacity.

Downside scenario

We could lower our ratings on Erste if we see a more material or prolonged setback for profitability and asset quality, particularly if the bank becomes loss-making. This would challenge our current view that Erste demonstrates superior resilience in difficult markets. We could also lower the ratings if Erste's ALAC ratio decreases sustainably below the relevant 3% threshold within our forecast horizon.

Upside scenario

Although unlikely, we could raise our ratings if Erste materially strengthened its RAC ratio, while maintaining solid asset quality and sound cost efficiency. For an upgrade to happen, sustainable economic improvements in its main markets of operation, as well as easing pressure on profitability and the level of competition in the Austrian banking market, would also have to occur.

Key Metrics

Erste Group Bank AG--Key Ratios And Forecasts*

	--Fiscal year ends Dec. 31--				
	2019a	2020a	2021f	2022f	2023f
Growth in operating revenue (%)	8.2	(1.6)	(1.3)-(1.6)	6.2-7.6	7.3-9.0
Growth in customer loans (%)	6.9	4.1	6.3-7.7	4.5-5.5	4.5-5.5
Growth in total assets (%)	3.8	12.9	11.9-14.5	3.7-4.6	3.8-4.6
Net interest income/average earning assets (NIM) (%)	2.2	2.1	1.9-2.0	1.9-2.1	2.0-2.2
Cost to income ratio (%)	58.5	61.2	61.7-64.9	59.4-62.5	56.6-59.5
Return on equity (%)	10.7	5.5	8.7-9.6	9.5-10.5	10.6-11.7
Return on assets (%)	0.8	0.4	0.5-0.7	0.6-0.7	0.6-0.8
New loan loss provisions/average customer loans (%)	0.0	0.8	0.1-0.1	0.1-0.1	0.1-0.2
Gross nonperforming assets/customer loans (%)	2.8	2.9	2.4-2.6	2.1-2.4	1.9-2.1

Erste Group Bank AG--Key Ratios And Forecasts* (cont.)

	--Fiscal year ends Dec. 31--				
	2019a	2020a	2021f	2022f	2023f
Net charge-offs/average customer loans (%)	(0.1)	(0.1)	(0.1)-(0.1)	(0.0)-(0.0)	0.0-0.0
Risk-adjusted capital ratio (%)	9.8	10.2	10.0-10.5	9.8-10.3	9.7-10.2

*All figures adjusted by S&P Global Ratings. a--Actual. f--Forecast.

Anchor: 'bbb+', Reflecting Erste's Economic Risks In Austria And CEE Countries, And Industry Risk In Austria

We use our Banking Industry Country Risk Assessment to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our economic risk score for Austria is '2' on a scale of '1' to '10' ('1' being the lowest risk). However, the weighted average of economic risks of countries in which Erste operates, based on the geographic distribution of its exposures at default, is '3'. We believe the group will retain its higher-risk profile compared with purely domestic banks, because of its strong presence in CEE. We anticipate no material shift in the geographic split of the bank's exposure in the next two years, and expect growth of Erste's retail and corporate lending will mainly be in lower-risk countries such as Austria, the Czech Republic, and Slovakia.

Our economic risk assessment is based on Austria's highly competitive and diverse economy, with strong economic fundamentals, high integration in Western European economies, and strong ties to Eastern and Southeastern Europe. While there are risks to our baseline scenario due to the economic effects of the pandemic, we expect that the slow pace to phase out government support to the private sector amid the recovery over 2021-2022 will support households' and corporates' financial health. We remain mindful that nonperforming loans (NPLs) could rise throughout as fiscal support measures are gradually withdrawn, but we believe that the residual impact on the banking system will likely be manageable.

We consider that Austria's prudential regulatory standards are in line with EU's and that banks' funding conditions remain comfortable, reflecting a high share of customer deposits. However, moderate overcapacity and structural impediments in the banking sector result in ultra-low lending margins and cost inefficiencies, which remains the weakest spot in our assessment. These factors pose a risk to long-term stability, as reflected in the negative trend on banking industry risk.

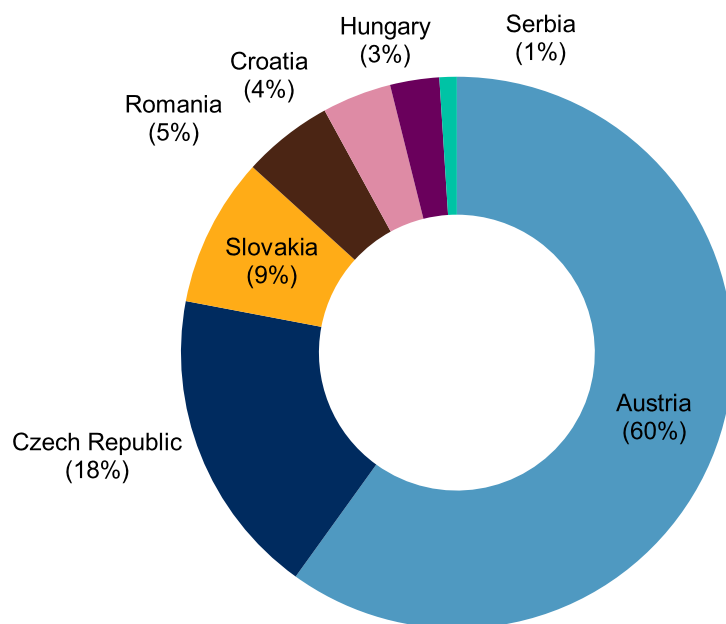
Business Position: Leading Retail And Corporate Franchise In Austria And Some CEE Countries

With assets of €309 billion at Sept. 30, 2021, Erste is one of the leading banks in Austria. The bank has a 20% market share in domestic retail loans and retail deposits. Thanks to its widespread operations, Erste will continue to benefit from good geographic diversification of revenue, in our view, although we acknowledge some correlation among CEE countries and between CEE and Austria.

Chart 1

Erste Benefits From Geographical Diversification

Erste's exposures as of Q3-2021 by geography

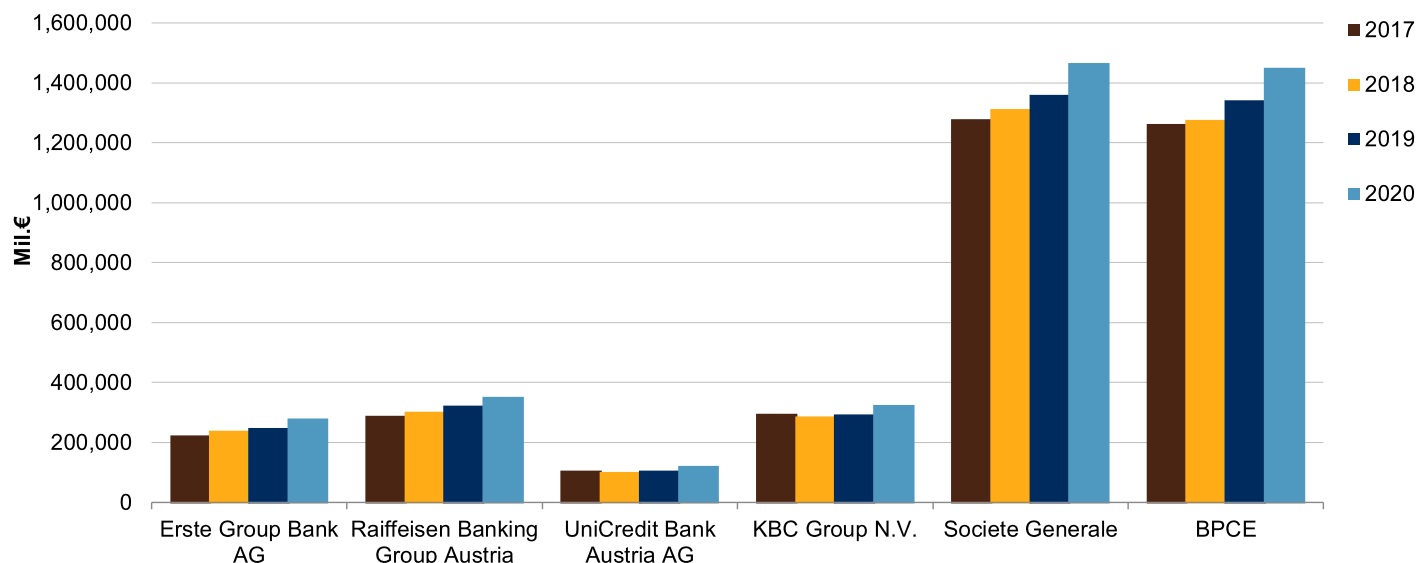


Q--Quarter. Source: S&P Global Ratings. Note: Exposures defined as net customer loans. Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 2

Growth In Last Years, With 2021 Expected To Be A Record Year For Balance Sheet Growth

Total assets of Erste and peer banks



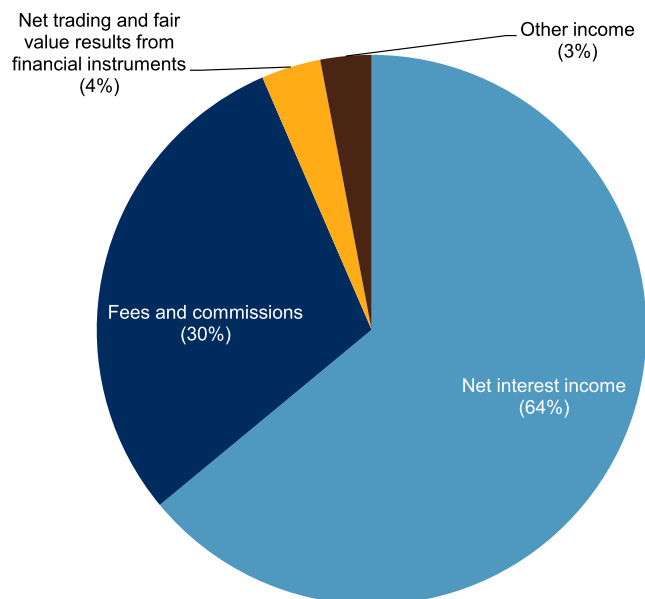
Source: Company filings.

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Erste's savings bank brand is strong in terms of image and customer loyalty, notably in Austria, but also in the Czech Republic, Slovakia, Hungary, and Croatia. Domestic retail operations are concentrated in 47 savings Banks, including Erste Bank Austria, that differ widely in size. Owing to the cross-guarantee contract (Haftungsverbund), Erste also consolidates those savings banks in which it does not hold a majority stake. We consider the group's exposure to some economically riskier countries in CEE. Both margins and credit losses are typically higher in CEE than in Austria; this generally translates into higher but more volatile risk-adjusted returns through the cycle. Furthermore, the group relies somewhat more on net interest income sources than most similarly rated peers.

Chart 3**Reliance On Net Interest Income Is Not Unusual For A Commercial And Retail Bank Like Erste**

Income composition of Erste as of Sept. 2021



Sources: Company filings, S&P Global Ratings.

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We view positively the stability and consistency of Erste's management, as well as its strategic focus on strengthening and diversifying operating revenue, improving cost efficiency, and furthering the bank's digital transformation. We expect the group strategy to continue focusing on its domestic market and growth in a few CEE markets where Erste holds a strong footprint. We also believe the group could make acquisitions in its core markets to strengthen business areas.

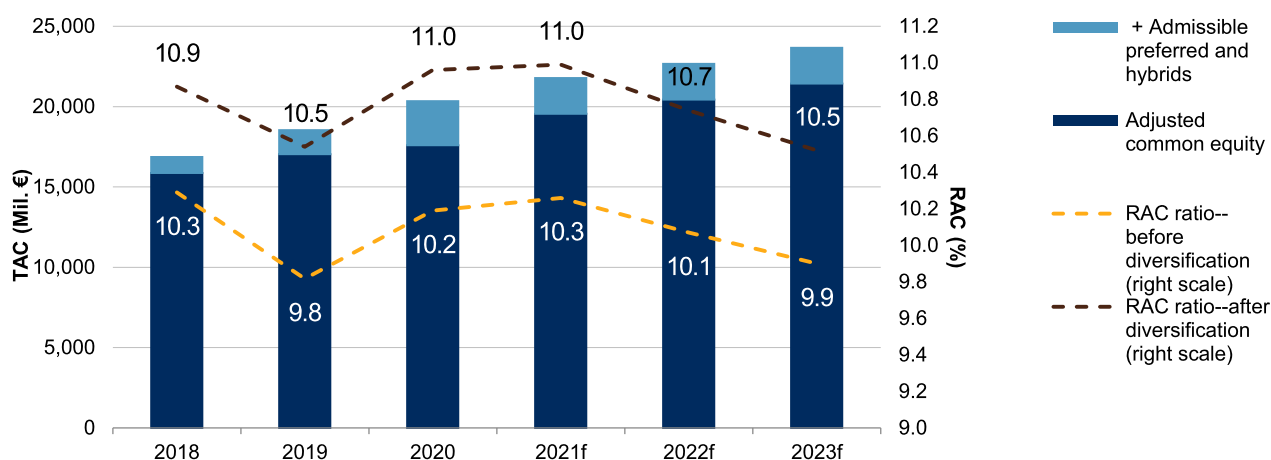
Erste's digital platform, known as George, also rolled out to its subsidiaries in the CEE, complements traditional retail sales channels. The pandemic has accelerated the groupwide use of digital banking, with more than 7.5 million (close to 50%) of clients using George as of Sept. 30, 2021. We understand that a further digitalization of products, services and back-office operations is an important pillar of the digital strategy. We also note Erste's increasing efforts to digitize its corporate banking offerings.

Capital And Earnings: Solid Capital Build-up Capacities

We assess Erste's capital and earnings as a neutral ratings factor, which mainly reflects our projection that our main capital indicator, the RAC ratio, will be just below 10.0% in the next 12-24 months, having reached 10.2% at year-end 2020. The ratio had been on a steady upward path in previous years, but the trajectory is likely to slow.

Chart 4

Erste's Risk-Adjusted Capital Ratio Close To 10% In The Next 12-24 Months



TAC--Total adjusted capital. RAC--Risk-adjusted capital. Source: S&P Global Ratings. Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Our forecast for the next two years includes the following assumptions:

- Operating revenue strongly increasing by 6%-8% in 2022 and 2023;
- Increase of operating expense by 2%-3% each year until 2023, because of project investments and wage inflation;
- Moderate amount of credit losses of about 10-15 basis points (bps) in 2022-2023, reflecting ongoing economic recovery in operating regions;
- Growth of S&P Global Ratings' risk-weighted assets (RWAs) of 6%-7% in 2022 and 2023, broadly in line with the loan book growth; and
- Dividends of €1.50-€2.0 per share in the next years as a result of accumulated reserves and strong rebound of earnings.

Erste has called one of its €500 million additional Tier 1 (AT1) instrument in October 2021, which has formed a part of S&P Global Ratings total adjusted capital (TAC)--our main measure of capital. We expect hybrids included in TAC to remain close to 10%, contributing to the overall adequate quality of capital.

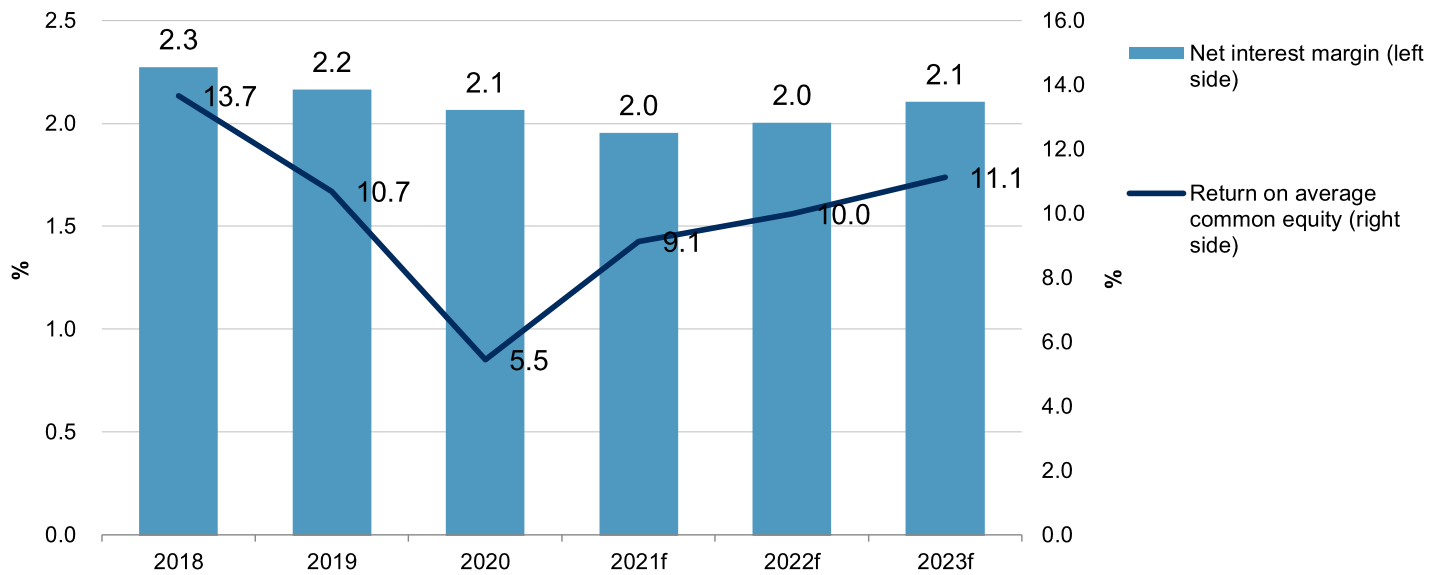
We think that the group's return on average common equity should recover to 10%-12% in the next years considering

sound operating revenues and support from higher interest margins. Erste has demonstrated resilient earnings generation over the past five years. Its cost efficiency has compared well to that of key peer banks in Europe, a trend we expect will continue.

Chart 5

We Expect Double-Digit RoE In The Next Two Years Supported By Higher NIMs In CEE

Return on average common equity (RoE) and net interest margin (NIM)

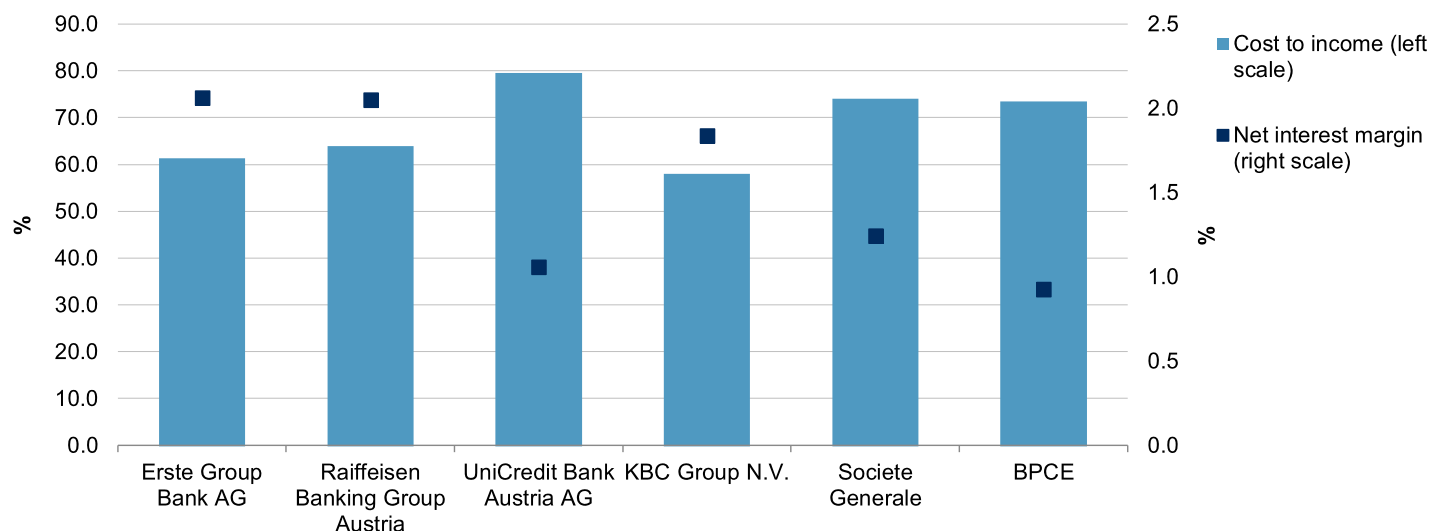


f--Forecast. Note: NIM--Net interest income-to-average earning assets. Source: S&P Global Ratings. Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 6

Cost Efficiency And Interest Margins Broadly In Line With Rated Peers Banks

2020 cost to income and net interest margin in peer comparison



Note: Net interest income to average earning assets. Source: S&P Global Ratings.
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Risk Position: Manageable Impact On Asset Quality From Pandemic And Moderate Cost Of Risk

Erste's risk profile compares well to its domestic peer banks with a strong focus on retail banking or with international peers in markets with a similar industry risk (such as Belgium, Germany, Finland, and Sweden). In our view, Erste is appropriately capitalized for the risks it faces. Nonfinancial risks, like money laundering, sanctions, and cyber risks, are adequately covered by headcounts and tools used in the risk and compliance department. There are no particularly complex businesses or products.

The group has significantly improved its asset quality in recent years and diversified its loan portfolio. Its asset quality has benefitted from relatively lower growth in higher-risk countries, and relatively low single-name and sector concentration in the loan book. The group lowered potential credit risk for the bank from lending in foreign currencies to what we consider manageable. Furthermore, we regard risks not fully covered by our capital framework, such as credit spread or interest rate risk in the banking book, as limited.

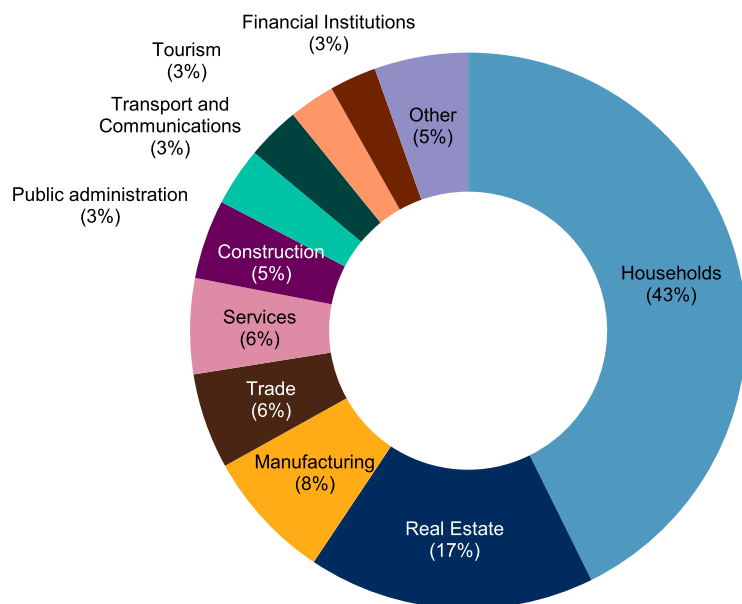
Positively, Erste continues to concentrate on lower-risk retail lending, mortgage loans, and SME and corporate lending, while placing only a moderate emphasis on market-sensitive business. Single-name and sector concentration in the loan book are low, in our view. Real estate (residential and commercial real estate) constituted about 17% of the total portfolio on Sept. 30 2021, but we understand that it is mainly income-producing real estate (more than 80%) with

a solid average loan-to-value ratio of about 60%. Positively, highly cyclical exposures, like lending to office and shopping center projects, were not heavily affected by the sudden stop of activities and economic shutdowns in the operating markets because of the pandemic.

Chart 7

Erste Has A Diversified Loan Book By Sectors And Customers

Erste's exposures as of Q3-2021 by customer groups



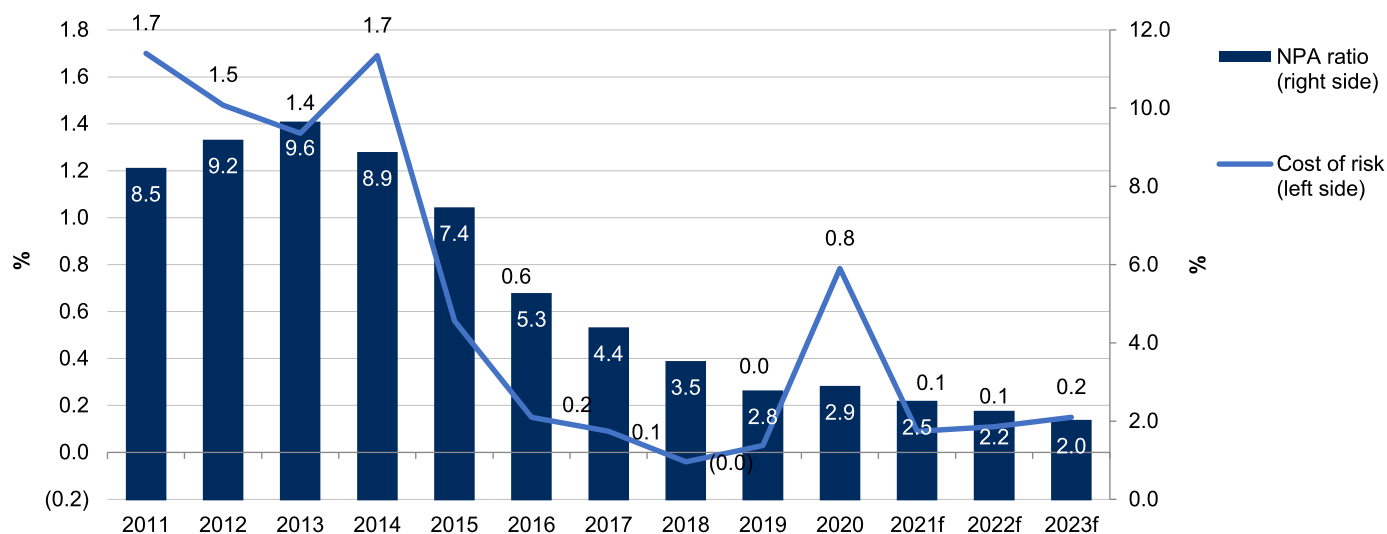
Note: Exposures defined as gross customer loans. Q--Quarter. Source: S&P Global Ratings. Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

We expect Erste's NPA and cost of risk to decline over our two-year forecast because of the recovery in the operating regions. Fiscal mitigation measures like debt moratoria and guarantee programs have helped to offset some of the damage in its core markets. Our measure of gross nonperforming assets reached 2.6% of the group's gross customer loans as of Sept. 30 2021, while cost of risks were almost non-existent at the same time.

Chart 8

Erste's Cost Of Risk Likely To Trend Downward From 2020 Peak

NPA ratio and cost of risk between 2011 and 2023f



f--Forecast. Source: S&P Global Ratings. Cost of risk defined as new loan loss provisions as % of average customer loans. NPA ratio defined as gross nonperforming assets as % of customer loans + other real estate owned.

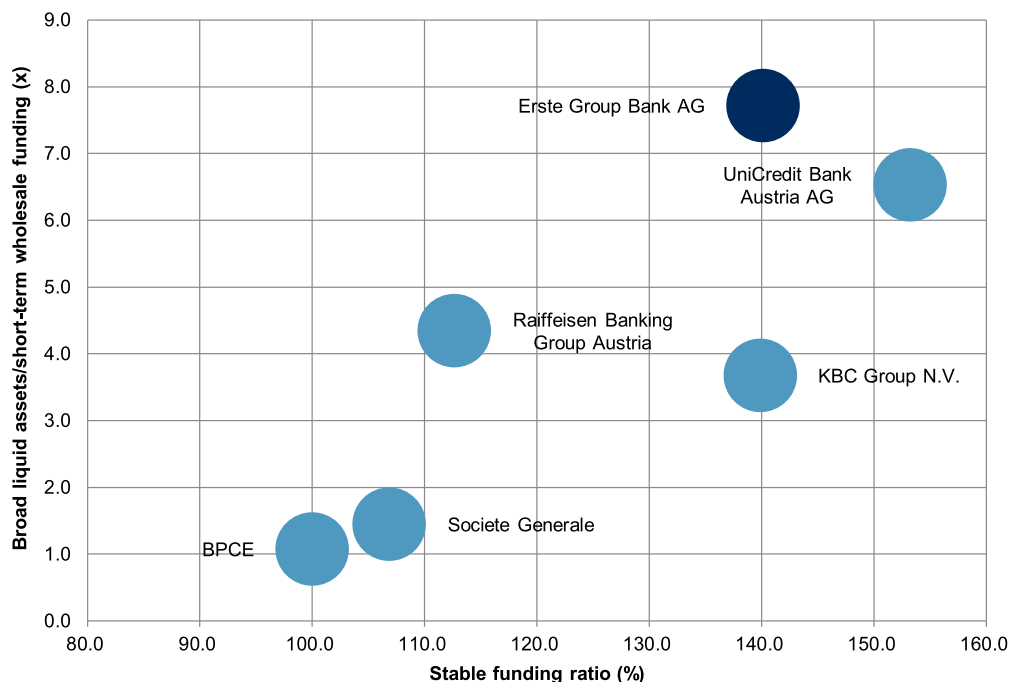
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Funding And Liquidity: Stable And Granular Customer Deposits And Ample Liquidity At The Group And Main Operating Subsidiaries

We continue to view Erste's funding profile as stronger than many of its peers in Europe and view its liquidity as a rating strength. This reflects the stability of the group's large retail funding base in its core markets and its moderate reliance on wholesale funding. We expect that the group's main risk indicators of strong consolidated funding and liquidity ratios at the group level also remain evident at the main operating subsidiaries. We believe Erste can cope with extended market or idiosyncratic stress, as demonstrated during the pandemic.

Chart 9**Erste Has A Stronger Funding And Liquidity Profile Than Its Peers**

Funding and liquidity profile as of Dec. 31, 2020



Source: S&P Global Ratings.

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We expect the group's large retail branch network in Austria and CEE, along with its strong franchise with domestic corporate clients, will continue providing it with a stable and granular core deposit base (almost 75% of the funding base at Sept. 30, 2021), and with low single-name concentrations. S&P Global Ratings' stable funding ratio for Erste fluctuates around 140% (comfortably above the 95%-115% range that we see for most European peers), supporting our view of the bank's funding strength.

In addition, our assessment of Erste's liquidity is strong, reflecting the bank's ongoing prudent liquidity management and high liquidity reserves. Wholesale funding (which we define as interbank, unsecured, and secured issues) accounted for about 20% of the group's total funding as of Sept. 30, 2021. The coverage of short-term wholesale funding by broad liquid assets (BLAST), was high, at 7x on the same date. Our BLAST multiple at the group level and main subsidiaries are stronger than the 1x-2x average at an overwhelming majority of domestic and large European peers. These metrics reflect the structural strengths of Erste's deposit-heavy funding profile, which rests on a solid 55% of net broad liquid assets-to-short-term customer deposits (which measures liquid asset coverage of deposits even after a run-off of short-term wholesale funding) as of end-September 2021.

We believe Erste's liquidity stress testing and results from its survival period analysis means the bank would withstand an extended period of market or idiosyncratic stress. Existing liquidity coverage shield against a lack of access to

wholesale funding for more than 12 months, in our view.

Support: Well-Defined MPE Resolution Framework And Solid ALAC Buffers

Erste and its subsidiaries have shown good progress on the resolution strategy and build-up of bail-in-able buffers in recent years. We see the group as effectively operating under a well-defined MPE resolution framework, including plans and their execution, in case of need. Under this framework, the group would fragment into multiple resolution subgroups if parts of it become nonviable. We understand that this is in full agreement with the Single Resolution Board (SRB) and local regulators in CEE.

Erste has built a sound ALAC buffer, and we expect this to hold. We include all of the Austrian subgroup's junior instruments in our ALAC measure because, over our projection period, we believe they have capacity to absorb losses without triggering a default on senior obligations. At the same time, we deduct from its ALAC buffer any intragroup capital investments in the CEE subsidiaries because these holdings could have minimal residual value if those subgroups fail, in our view. Based on mid-year 2020 data, the ALAC ratio was 4.6%.

We project that the Austrian subgroup's ALAC over S&P Global Ratings' RWAs will be at 3.5% by year-end 2023. RWAs correspond only to the businesses falling within the Erste's resolution Austrian perimeter. We compare Erste's ALAC buffers against standard thresholds for banks with investment-grade anchors: 300 bps for a one-notch uplift and 600 bps for a two-notch uplift.

Environmental, Social, And Governance (ESG)

ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of Erste. We understand that ESG efforts of subsidiaries in CEE are aligned with Erste's.

In our view, risk roles and responsibilities are adequately defined across the group while risk monitoring and control practices, including know-your-customer processes, and sanction controls in its operating markets are well advanced. We think this has prevented major incidents and significant litigation. Nevertheless, as a large and international bank, we consider the bank exposed to tail governance risks with its business activities in higher risk countries in CEE.

Social and environmental factors are also in line with peers in Europe and not a rating differentiator. Lending to the coal industry is immaterial, at less than 1% of total loans. We expect Erste will implement more measures to transition into a greener bank. The management team deems cooperation with environmental nongovernment organizations also

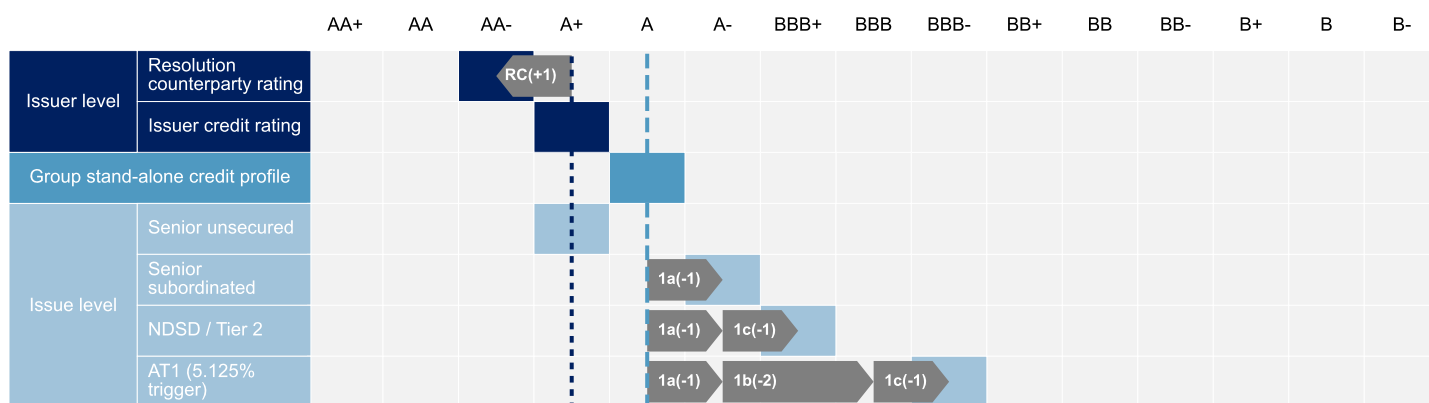
an important pillar to foster the sustainability efforts of the group. To that end, it has established a Group Sustainability Office and a department for Social Banking Development in its organization.

Hybrids

We rate the group's nondeferrable subordinated debt instruments 'BBB+', two notches below our assessment of the bank's stand-alone credit profile (SACP), reflecting the debt's contractual subordination as Tier 2 instruments and our view that BRRD creates the equivalent of a contractual write-down clause. We rate Erste's additional Tier 1 instruments 'BBB-', four notches lower than the SACP, reflecting the following deductions:

- One notch for contractual subordination;
- Two notches for the notes' status as Tier 1 regulatory capital; and
- One notch because the instruments allow for the full or partial temporary write-down of the principal amount.

Erste Group Bank AG: Notching



Key to notching

----- Group stand-alone credit profile

----- Issuer credit rating

RC Resolution counterparty liabilities (senior secured debt)

1a Contractual subordination

1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital

1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 3 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on July 1, 2019.

AT1--Additional Tier 1. NDS--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

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Resolution Counterparty Ratings (RCRs)

We set the RCRs on Erste at 'AA-/A-1+', one notch above the 'A+/A-1' long- and short-term issuer credit ratings, reflecting the typical approach under our framework when the issuer credit rating ranges from 'BBB-' to 'A+'. It also reflects our jurisdiction assessment for Austria. An RCR is a forward-looking opinion of the relative default risk of

certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Key Statistics

Table 1

Erste Group Bank AG--Key Figures					
--Year-ended Dec. 31--					
(Mil. €)	2021*	2020	2019	2018	2017
Adjusted assets	307,914.1	276,034.8	244,324.5	235,284.8	219,135.9
Customer loans (gross)	178,003.0	168,648.4	161,964.6	151,443.8	143,509.3
Adjusted common equity	20,003.6	17,596.7	17,036.9	15,870.9	14,705.0
Operating revenues	5,718.1	7,161.9	7,280.3	6,730.0	6,511.9
Noninterest expenses	3,312.8	4,381.1	4,262.3	3,997.1	3,990.4
Core earnings	1,906.5	1,113.9	2,494.2	2,443.8	1,951.1

*Data as of Sept. 30.

Table 2

Erste Group Bank AG--Business Position					
--Year-ended Dec. 31--					
(%)	2021*	2020	2019	2018	2017
Loan market share in country of domicile	N/A	20.8	20.8	20.4	20.2
Deposit market share in country of domicile	N/A	20.6	20.6	20.0	19.5
Total revenues from business line (currency in mil.)	5,718.1	7,161.9	7,280.3	6,730.0	6,511.9
Commercial banking/total revenues from business line	22.1	21.8	22.0	22.6	22.6
Retail banking/total revenues from business line	44.7	45.4	48.5	51.5	50.7
Commercial and retail banking/total revenues from business line	66.7	67.2	70.5	74.2	73.3
Trading and sales income/total revenues from business line	7.7	7.4	7.4	7.9	8.5
Other revenues/total revenues from business line	25.6	25.4	22.1	17.9	18.2
Investment banking/total revenues from business line	7.7	7.4	7.4	7.9	8.5
Return on average common equity	12.7	5.5	10.7	13.7	10.6

*Data as of Sept. 30. N/A--Not applicable.

Table 3

Erste Group Bank AG--Capital And Earnings					
--Year-ended Dec. 31--					
(%)	2021*	2020	2019	2018	2017
Tier 1 capital ratio	16.0	16.5	15.0	14.3	13.8
S&P Global Ratings' RAC ratio before diversification	N/A	10.2	9.8	10.3	9.5
S&P Global Ratings' RAC ratio after diversification	N/A	11.0	10.5	10.9	10.0
Adjusted common equity/total adjusted capital	88.0	86.6	92.0	94.1	93.7
Net interest income/operating revenues	64.2	66.7	65.2	68.1	66.8

Table 3

Erste Group Bank AG--Capital And Earnings (cont.)					
	--Year-ended Dec. 31--				
(%)	2021*	2020	2019	2018	2017
Fee income/operating revenues	29.6	27.6	27.5	28.4	28.4
Market-sensitive income/operating revenues	3.2	2.9	4.8	3.0	5.6
Cost to income ratio	57.9	61.2	58.5	59.4	61.3
Preprovision operating income/average assets	1.1	1.1	1.3	1.2	1.2
Core earnings/average managed assets	0.9	0.4	1.0	1.1	0.9

*Data as of Sept. 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Erste Group Bank AG--Risk-Adjusted Capital Framework Data					
	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government and central banks	85,436,827,876.7	3,330,856,666.1	3.9	7,886,197,214.1	9.2
Of which regional governments and local authorities	5,502,309,871.2	427,239,935.8	7.8	1,076,812,580.0	19.6
Institutions and CCPs	15,498,966,696.2	3,067,354,513.7	19.8	2,517,131,422.7	16.2
Corporate	114,066,984,658.7	59,939,970,891.1	52.5	91,822,629,911.9	80.5
Retail	96,679,436,922.0	20,316,264,667.0	21.0	52,337,393,180.5	54.1
Of which mortgage	50,023,093,634.5	6,588,084,982.9	13.2	15,472,593,518.5	30.9
Securitization§	1,436,677,731.9	544,318,794.2	37.9	603,757,258.4	42.0
Other assets†	13,966,236,182.2	3,485,789,338.4	25.0	18,430,925,490.2	132.0
Total credit risk	327,085,130,067.6	90,684,554,870.6	27.7	173,598,034,477.8	53.1
Credit valuation adjustment					
Total credit valuation adjustment	--	396,857,900.0	--	0.0	--
Market Risk					
Equity in the banking book	1,295,811,466.2	2,337,163,858.2	180.4	5,562,224,508.8	429.2
Trading book market risk	--	3,630,310,738.6	--	6,161,757,219.0	--
Total market risk	--	5,967,474,596.8	--	11,723,981,727.8	--
Operational risk					
Total operational risk	--	14,812,500,000.0	--	14,232,234,384.6	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
Diversification adjustments					
RWA before diversification	--	118,005,000,002.3	--	199,554,250,590.2	100.0
Total Diversification/ Concentration Adjustments	--	--	--	(13,991,020,028.7)	(7.0)

Table 4

Erste Group Bank AG--Risk-Adjusted Capital Framework Data (cont.)					
RWA after diversification	--	118,005,000,002.3	--	185,563,230,561.5	93.0
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)	
Capital ratio					
Capital ratio before adjustments	19,795,000,000.0	16.8	20,329,700,000.0	10.2	
Capital ratio after adjustments†	19,795,000,000.0	16.8	20,329,700,000.0	11.0	

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2020, S&P Global Ratings.

Table 5

Erste Group Bank AG--Risk Position	--Year-ended Dec. 31--				
	2021*	2020	2019	2018	2017
(%)					
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(7.0)	(6.8)	(5.3)	(4.9)
Total managed assets/adjusted common equity (x)	15.5	15.8	14.4	14.9	15.0
New loan loss provisions/average customer loans	0.0	0.8	0.0	(0.0)	0.1
Net charge-offs/average customer loans	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Gross nonperforming assets/customer loans + other real estate owned	2.6	2.9	2.8	3.5	4.4
Loan loss reserves/gross nonperforming assets	85.1	81.4	69.5	64.7	63.4

*Data as of Sept. 30. N/A--Not applicable. RWA--Risk-weighted assets.

Table 6

Erste Group Bank AG--Funding And Liquidity					
	--Year-ended Dec. 31--				
	2021*	2020	2019	2018	2017
(%)					
Core deposits/funding base	73.7	76.6	78.9	76.5	77.7
Customer loans (net)/customer deposits	85.0	86.8	92.5	91.8	93.1
Long-term funding ratio	94.6	95.6	94.4	91.5	92.6
Stable funding ratio	145.8	140.2	125.8	126.1	127.9
Short-term wholesale funding/funding base	5.9	4.8	6.1	9.2	8.1
Broad liquid assets/short-term wholesale funding (x)	7.0	7.7	4.9	3.5	4.1
Broad liquid assets/total assets	36.6	33.2	26.8	29.1	29.3
Broad liquid assets/customer deposits	55.3	48.5	38.3	42.7	43.1
Net broad liquid assets/short-term customer deposits	57.4	51.5	38.7	37.3	44.6
Short-term wholesale funding/total wholesale funding	21.5	19.7	28.2	38.5	35.4

*Data as of Sept. 30.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Six European Banks Upgraded On ALAC Or Group Support Uplift; Off UCO On Implementation Of Revised FI Criteria, Dec. 16, 2021
- Research Update: Erste Group Outlook Revised To Positive On Effective Resolution Strategy And Loss-Absorption Buffers; 'A/A-1' Affirmed, Sept. 29, 2021
- Banking Industry Country Risk Assessment: Austria, July 13, 2021

Ratings Detail (As Of January 26, 2022)*

Erste Group Bank AG

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
<i>Local Currency</i>	A-1
Junior Subordinated	BBB-
Senior Subordinated	A-
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB+

Issuer Credit Ratings History

16-Dec-2021	A+/Stable/A-1
29-Sep-2021	A/Positive/A-1
29-Apr-2020	A/Stable/A-1
30-Oct-2017	A/Positive/A-1
14-Mar-2017	A-/Positive/A-2

Sovereign Rating

Austria	AA+/Stable/A-1+
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Ratings Detail (As Of January 26, 2022)*(cont.)

Related Entities

Erste Group Bank AG (Hong Kong Branch)

Commercial Paper

A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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