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Erste Group Bank AG

Primary Credit Analyst:

Cihan Duran, CFA, Frankfurt (49) 69-33-999-177; cihan.duran@spglobal.com

Secondary Contact:

Anna Lozmann, Frankfurt (49) 69-33-999-166; anna.lozmann@spglobal.com

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Related Research

Erste Group Bank AG

SACP	a		+	Support	0	+	Additional Factors	0
Anchor	bbb+			ALAC Support	0		Issuer Credit Rating	A/Stable/A-1
Business Position	Strong	+1		GRE Support	0		Resolution Counterparty Rating	A+/--/A-1
Capital and Earnings	Adequate	0		Group Support	0			
Risk Position	Adequate	0		Sovereign Support	0			
Funding	Above Average	+1						
Liquidity	Strong							

Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • Strong franchise in Austria and Central and Eastern European (CEE) countries. • Stable operating revenues from traditional customer-led retail and commercial banking operations. • Strong liquidity and funding profile dominated by granular and sticky retail deposits. 	<ul style="list-style-type: none"> • Challenging operating environment expected because of the COVID-19 pandemic. • Uncertainties in the build-up of higher additional loss-absorbing capital (ALAC) buffers amid stressed capital markets.

Outlook: Stable

The stable outlook on Austria-based Erste Group Bank AG (Erste) reflects S&P Global Ratings' view that Erste will manage the downside risks it faces in the coming 12-24 months. This includes our opinion that economic risk for the Austrian banking system could increase over the medium term as a result of the economic slowdown related to the pandemic, and weakening operating conditions in Erste's core strategic CEE markets.

Downside scenario

We could lower our ratings on Erste if we see a further deterioration in the operating environment, leading to a more material setback to profitability and asset quality, particularly if the bank became loss-making. This would challenge our current view that Erste should demonstrate superior resilience in difficult markets.

Upside scenario

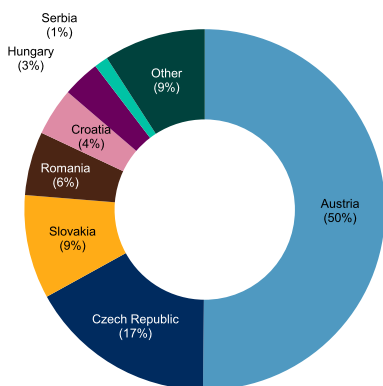
We could raise our ratings over the next 24 months if we saw sustainable improvements in global economic conditions including stable economic and industry risk trends for the Austrian banking industry and the main markets where Erste operates. At the same time, Erste would need to strengthen materially its RAC ratio, or we would need greater insight into the pace and size of its build-up of bail-inable capital buffers.

Rationale

Our ratings reflect Erste's well-managed business model in its leading market position with sustainable franchises in retail, small and midsize enterprises (SMEs), and corporate banking in Austria and six core strategic countries in CEE markets (see charts 1 and 2). With total assets of €263 billion at March 31, 2020, Erste is one of the top three banks in Austria and a leader in some domestic segments. Thanks to its widespread operations, Erste will continue to benefit from good geographic diversification of revenues, although we acknowledge some correlation among CEE countries and between CEE and Austria. Also, the group has a higher reliance on net interest income sources than most similarly rated peers.

Chart 1

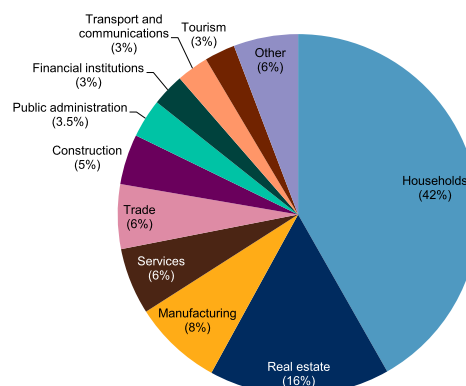
Erste Benefits From Geographical Diversification..
Erste's exposures as of Q1-2020 by geography



Note: Exposures defined as net customer loans. Source: S&P Global Ratings. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 2

...And From A Diversified Client Portfolio
Erste's exposures as of Q1-2020 by customer groups



Note: Exposures defined as gross customer loans. Source: S&P Global Ratings. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Overall, we think the group is well-positioned to weather the COVID-19-induced cyclical downturn and is able to maintain a strong balance sheet (see "Austria-Based Erste Group Bank Ratings Affirmed On Solid Buffers, Outlook To Stable On Deepening COVID-19 Risks," published on April 29, 2020). Beyond the temporary implications of the effects of COVID-19 on the economic environment, we acknowledge management's continuing efforts to digitalize the bank, which will help safeguard the customer base against changing consumer preferences. The management team is stable and has, in our view, followed a generally consistent strategy.

Our 'a' stand-alone credit profile (SACP) on Erste is based on its 'bbb+' anchor, the starting point for our ratings on the bank. The anchor reflects our view of weighted economic risks in the countries where Erste operates and our industry risk assessment for Austria, as well as our understanding that growth of Erste's retail and corporate lending will mainly be in lower-risk countries such as Austria, the Czech Republic, and Slovakia.

We believe that the cyclical downturn arising from the COVID-19 pandemic has led to a weakened economic and operating environment for Erste's main markets. More specifically, we have assigned a negative economic risk trend to our Banking Industry Country Risk Assessment (BICRA) for Austria because we believe the economic environment in Austria could eventually meaningfully deteriorate, particularly if the economic recovery is slower than we currently expect.

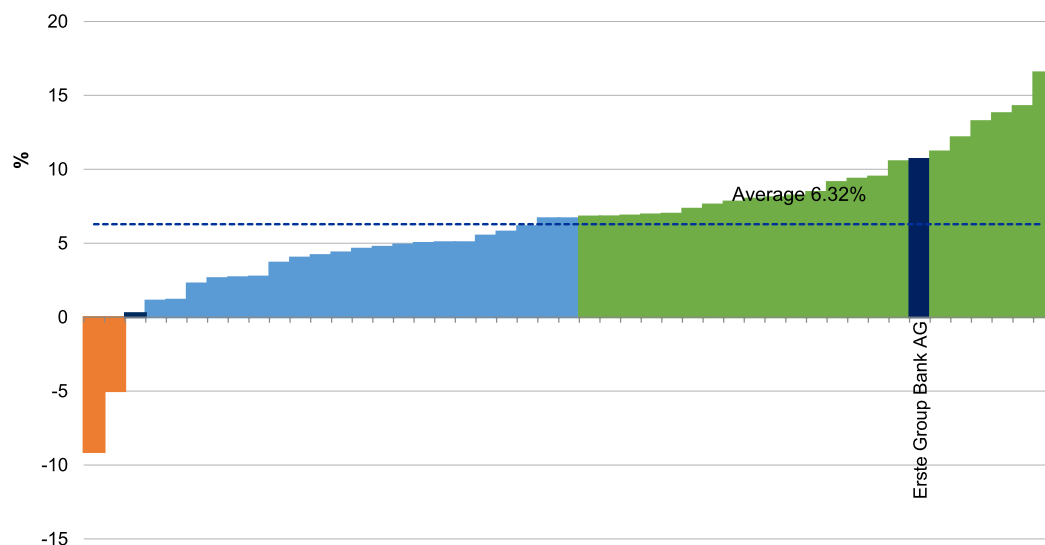
Similar to its broader European bank peer group, we expect a material, but manageable increase in Erste's loan loss provisions and nonperforming assets in the group's core retail and corporate portfolio in second-quarter 2020 and the remainder of the year. That said, we think Erste will still demonstrate superior resilience, in large part due to its well-managed business model, its sound risk management, and its well-diversified business mix from its retail and SME focus. We expect the group's return on equity (RoE) to remain in the higher range compared with its top-50 peer banks in Europe at year-end 2020, as the bank managed in 2019 (see chart 3). Erste has demonstrated visibly resilient earnings generation over the past five years, showing double-digit RoEs. The sound earnings also offer a significant

buffer to the spike in credit losses, indeed more so than for many leading European peers.

Chart 3

Erste's Profitability Is Better Than Many Other Peer Banks In Europe

European Top-50 banks: Return on equity as of year-end 2019



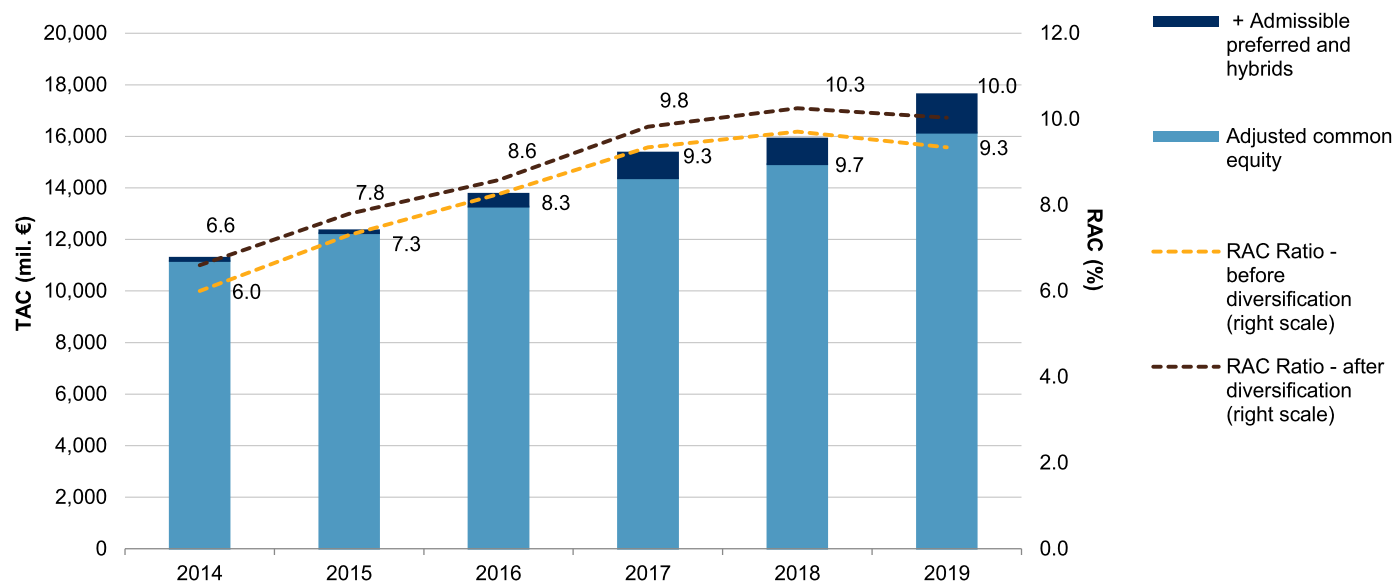
Data as of June 16, 2020. Data for Cooperative Banking Sector Germany, Nordea Bank AB, Raiffeisen Banking Group Austria, and S-Finanzgruppe Hessen-Thuringen is NA. Source: S&P Global Ratings. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Following a reduction of the group's common equity Tier 1 (CET1) ratio to 13.1% in first-quarter 2020 (excluding first-quarter profits), from 13.7% at year-end 2019, we expect the CET1 ratio to move back to the bank's medium-term target of 13.5% by 2021. The reduction of the CET1 ratio is partially explained by a material negative foreign currency impact on Erste's Tier 1 capital as a result of the central bank's policy measures in CEE during March 2020. In January 2020, before the COVID-19 outbreak became a pandemic, Erste issued a €500 million additional Tier 1 (AT1), which we fully classify as part of S&P Global Ratings total adjusted capital (TAC) and which supports our view of Erste's capitalization. However, the effect of the recession in Europe will weigh on Erste's revenues and raise risk costs in 2020 and 2021, while risk-weighted assets are likely to increase over this period. We project that our main capital indicator, the risk-adjusted capital (RAC) ratio, will remain in the 9.0%-9.5% range in the next 12-24 months, having reached 9.3% at year-end 2019. In previous years the ratio had been on a steady upward path (see chart 4); however, the trajectory is likely to slow down amid the pandemic.

Chart 4

Erste's Risk-Adjusted Capital Ratio Will Likely Remain In The Range Of 9.0%-9.5% Amid Stress From The COVID-19 Pandemic

Erste's risk-adjusted capital developments 2014-2019



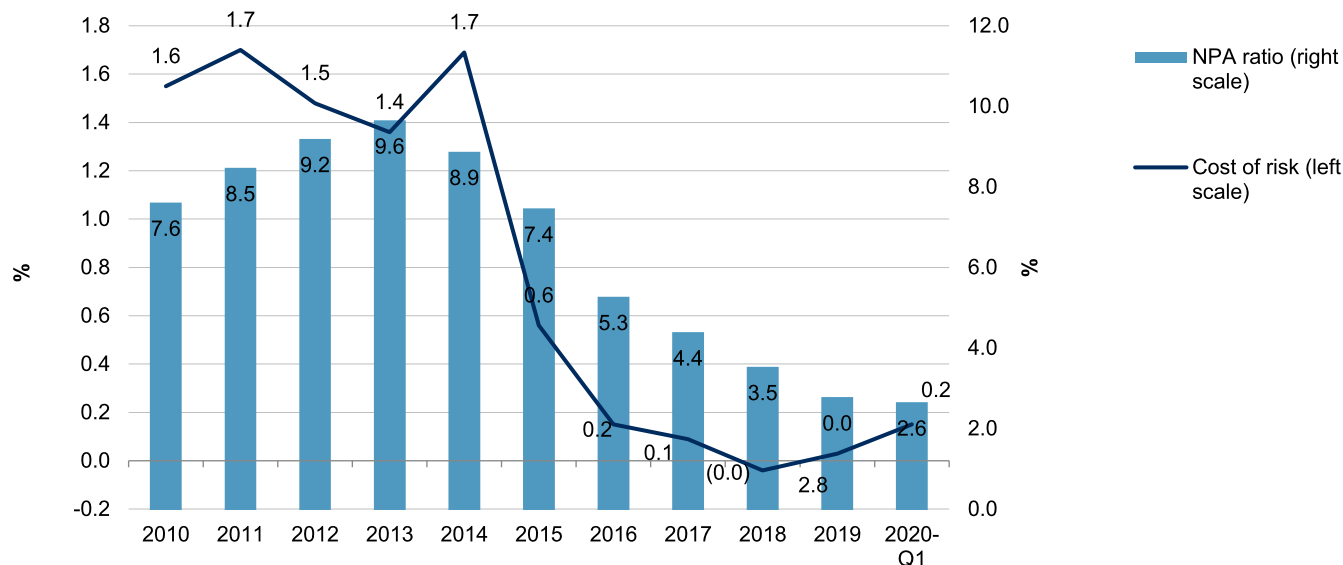
TAC--Total adjusted capital. RAC--Risk-adjusted capital. Source: S&P Global Ratings. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

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 to the Austrian banking industry (e.g. Belgium, Germany, Finland, and Sweden). We continue to anticipate that the group's risk position, in combination with our capital assessment, will remain a neutral rating factor over the next two years. In our view, Erste is appropriately capitalized for the risks it faces. This is on the back of the group's improved asset quality metrics in its diversified loan portfolio, supported by growth mainly in lower-risk countries, and relatively low single-name and sector concentrations in the loan book.

That said, we expect Erste's asset quality metrics to deteriorate over our two-year projection period as a result of the COVID-19 pandemic, but anticipate that fiscal mitigation measures will help 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 March 31, 2020, an adequate level to enter the recession, in our view (chart 5). In addition, we believe our capital model adequately captures Erste's risks of operating in more vulnerable countries than Austria by applying higher risk weights in calculating our RAC ratio. Erste's risk management is comprehensive and efficient, which is crucial given the bank's wide geographic reach, in our view. There are no particularly complex businesses or products, and the bank's governance does not present unusual risk. All the CEE operations are run as stand-alone banks, applying the bank's strategy locally and using groupwide risk tools, risk management standards, and frameworks.

Chart 5

Erste's Asset Quality And Cost Of Risk Performance..will be tested in 2020 and 2021



NPA--Nonperforming assets. 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.

Source: S&P Global Ratings.

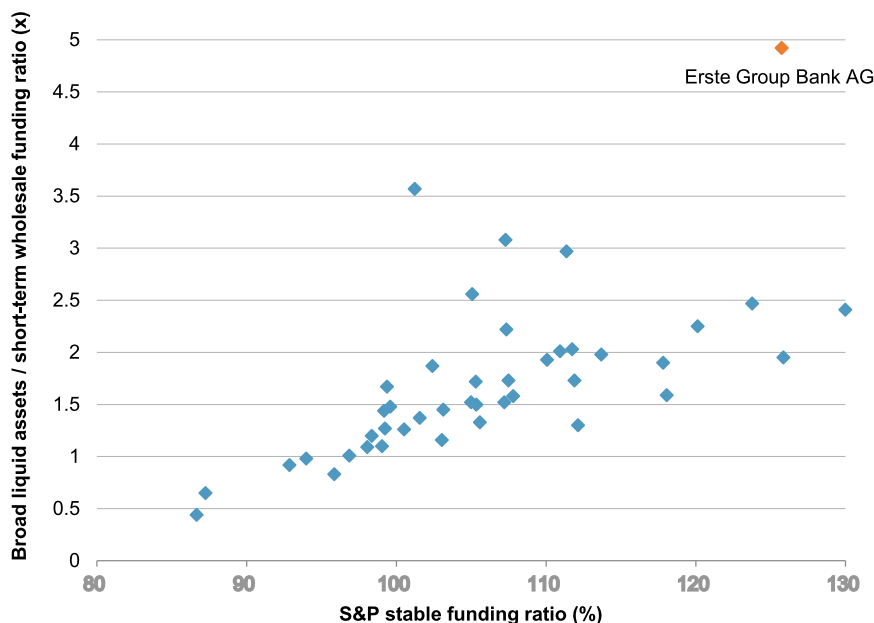
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We continue to view Erste's funding and liquidity profile as stronger than many of its peers in Europe (see chart 6). This reflects the stability of Erste's large retail funding base, especially in its core markets in Austria, the Czech Republic, and Slovakia, and its moderate reliance on wholesale funding. We think this supports a superior liquidity assessment, based qualitatively and quantitatively on Erste's actively well-managed and sizable surplus liquidity in its core regions. Accordingly, we expect that the group's main risk indicators of strong consolidated funding and liquidity ratios we observe at the group level also remain evident at the main operating subsidiaries. This is also an absolute view on how well placed Erste is on a regional level to withstand an extended period of market or idiosyncratic stress. We saw this, for example, with the impact of the recent COVID-19 pandemic, which had no significant effect on the group's funding and liquidity situation.

Chart 6

Erste Has A Stronger Funding And Liquidity Profile Than Its Peers

European top 50 banks, key funding and liquidity metrics at end-2019



Source: S&P Global Ratings.

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We view Erste as having high systemic importance in Austria, but we assess Austria's tendency to support private sector commercial banks as uncertain. As a result, for a systemic bank like Erste we do not include any uplift for extraordinary government support in the long-term rating. Our view of uncertain extraordinary government support for the Austrian banking sector follows the country's full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers, in January 2015.

We view the Austrian resolution regime as effective because, among other factors, we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

Our assessment of Erste's ALAC does not currently lead us to add any uplift to the ratings. We understand that Erste, in the unlikely scenario of nonviability, would enter a resolution with a multiple point of entry (MPE) strategy, implying that each of the six resolution groups would enter a separate resolution path from its parent with own MREL requirements and own bail-inable instruments. At end-April 2020, Erste Bank AG, the resolution entity of the Austrian resolution group, received its minimum requirement for own funds and eligible liabilities (MREL) target by the Single Resolution Board, which is set at 14.9% of total liabilities and own funds or 27.49% of regulatory RWAs based on year-end 2017 data. Erste estimates for its Austrian resolution entity that it already complies with the MREL targets

with its existing eligible instruments. The Slovak and Romanian subsidiaries have also received their MREL requirements, while the rest of the group will receive it over the course of 2020 and 2021.

While we understand that over the longer term, Erste Group Bank AG is targeting an MPE approach, we believe that over the medium term at least, the group will effectively operate as a single point of entry, reflecting the transition time needed for subsidiaries to accumulate sufficient bail-inable buffers. As of end-2019, the group's ALAC buffer as a share of S&P Global Ratings' RWAs was close to 4.5%. As such, we include all of the consolidated group's junior instruments in our ALAC assessment because, over our projection period, we believe they have capacity to absorb losses without triggering a default on Erste's senior obligations. On this basis, we calculate the ALAC proportion of risk-weighted assets in the next two years to remain near its current level of 4.5%. This is below our 5.5% our adjusted threshold of risk-weighted assets for a one-notch uplift. We use an adjusted threshold for the group, as opposed to the usual 5.0%, because we anticipate that Erste will have to deploy substantial ALAC--primarily consisting of excess core capital--in its CEE subsidiaries and we see a flexible deployment of these resources as constrained by capital restrictions set by host regulators.

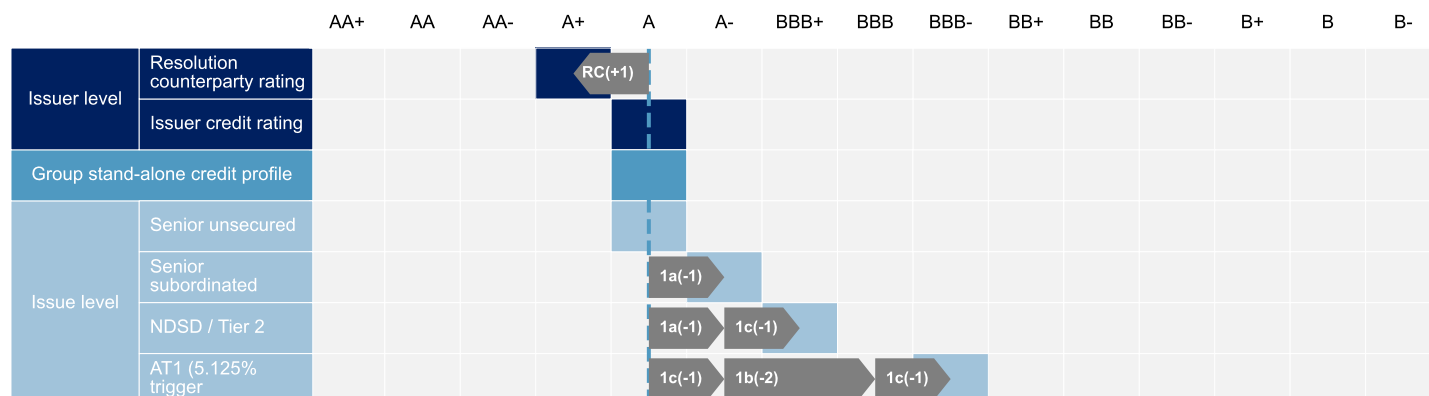
Chart 7 shows Erste's notching from its issuer credit rating. We rate the group's nondeferrable subordinated debt instruments at 'BBB+', two notches below the bank's SACP, reflecting the debt's contractual subordination as Tier 2 instruments and our view that BRRD creates the equivalent of a contractual write-down clause. We rate Erste's additional Tier 1 instruments at 'BBB-', four notches lower than the SACP, reflecting our deduction of:

- 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.

We set the RCRs on Erste at 'A+', one notch above the 'A' long-term issuer credit rating, 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.

Chart 7

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.

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Table 1

Erste Group Bank AG--Key Figures					
--Year ended Dec. 31--					
(Mil. €)	2020*	2019	2018	2017	2016
Adjusted assets	261,577	244,325	235,285	219,136	206,837
Customer loans (gross)	162,831	161,965	151,444	143,509	135,267
Adjusted common equity	16,878	16,147	14,920	14,379	13,270
Operating revenues	1,663	7,280	6,730	6,512	6,505
Noninterest expenses	1,142	4,262	3,997	3,990	3,862
Core earnings	341	2,494	2,444	1,951	1,977

*Data as of March 31.

Table 2

Erste Group Bank AG--Business Position					
--Year ended Dec. 31--					
%	2020*	2019	2018	2017	2016
Loan market share in country of domicile	20.8	20.7	20.3	20.0	19.6
Deposit market share in country of domicile	20.6	20.5	19.8	19.2	18.8
Total revenues from business line (currency in millions)	1663.4	7280.3	6730.0	6511.9	6644.1
Commercial banking/total revenues from business line	22.2	22.0	22.6	22.6	22.6

Table 2

Erste Group Bank AG--Business Position (cont.)					
%	--Year ended Dec. 31--				
	2020*	2019	2018	2017	2016
Retail banking/total revenues from business line	51.6	48.5	51.5	50.7	49.5
Commercial & retail banking/total revenues from business line	73.7	70.5	74.2	73.3	72.1
Other revenues/total revenues from business line	23.8	22.1	17.9	18.2	20.1
Investment banking/total revenues from business line	2.5	7.4	7.9	8.5	7.8
Return on average common equity	6.6	10.7	13.7	10.6	11.0

*Data as of March 31.

Table 3

Erste Group Bank AG--Capital And Earnings					
%	--Year ended Dec. 31--				
	2020*	2019	2018	2017	2016
Tier 1 capital ratio	14.8	15.0	14.3	13.8	13.3
S&P Global Ratings' RAC ratio before diversification	N/A	9.3	9.7	9.3	8.3
S&P Global Ratings' RAC ratio after diversification	N/A	10.0	10.3	9.8	8.6
Adjusted common equity/total adjusted capital	89.5	91.5	93.8	93.5	96.4
Net interest income/operating revenues	73.9	65.2	68.1	66.8	67.2
Fee income/operating revenues	30.3	27.5	28.4	28.4	27.4
Market-sensitive income/operating revenues	-7.1	4.8	3.0	5.6	4.3
Noninterest expenses/operating revenues	68.7	58.5	59.4	61.3	59.4
Preprovision operating income/average assets	0.8	1.3	1.2	1.2	1.3
Core earnings/average managed assets	0.5	1.0	1.1	0.9	1.0

*Data as of March 31. N/A--Not applicable.

Table 4

Erste Group Bank AG RACF [Risk-Adjusted Capital Framework] Data					
	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	43,399,639,247	3,940,621,781	9	7,160,238,115	16
Of which regional governments and local authorities	5,378,692,700	376,229,367	7	932,503,667	17
Institutions and CCPs	19,814,776,652	3,455,084,348	17	2,793,472,962	14
Corporate	105,976,233,322	59,212,214,766	56	85,984,007,637	81
Retail	93,901,418,101	20,670,174,432	22	52,047,554,636	55
Of which mortgage	47,574,223,261	6,596,493,288	14	14,903,618,871	31
Securitization§	1,866,337,070	930,715,713	50	933,108,454	50
Other assets†	10,754,722,299	3,613,861,123	34	14,974,243,336	139
Total credit risk	275,713,126,693	91,822,672,163	33	163,892,625,140	59

Table 4

Erste Group Bank AG RACF [Risk-Adjusted Capital Framework] Data (cont.)					
Credit valuation adjustment					
Total credit valuation adjustment	--	568,883,913	--	0	--
Market Risk					
Equity in the banking book	1,254,179,324	2,913,202,063	232	5,960,786,892	475
Trading book market risk	--	2,794,534,162	--	4,735,417,139	--
Total market risk	--	5,707,736,225	--	10,696,204,032	--
Operational risk					
Total operational risk	--	14,937,500,000	--	14,129,936,278	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	--	118,336,792,301	--	188,718,765,449	100
Total Diversification/ Concentration Adjustments	--	--	--	-12,896,203,945	-7
RWA after diversification	--	118,336,792,301	--	175,822,561,505	93
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio					
Capital ratio before adjustments		17,749,000,000	15.0	17,637,303,000	9.3
Capital ratio after adjustments†		17,749,000,000	15.0	17,637,303,000	10.0

*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 2019', S&P Global Ratings.

Table 5

%	--Year ended Dec. 31--				
	2020*	2019	2018	2017	2016
Growth in customer loans	2.1	6.9	5.5	6.1	2.5
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	-6.8	-5.3	-4.9	-3.8
Total managed assets/adjusted common equity (x)	15.6	15.2	15.9	15.3	15.7
New loan loss provisions/average customer loans	0.2	0.0	0.0	0.1	0.1
Net charge-offs/average customer loans	-0.2	-0.1	-0.1	-0.1	-0.1
Gross nonperforming assets/customer loans + other real estate owned	2.6	2.8	3.5	4.4	5.3
Loan loss reserves/gross nonperforming assets	72.5	69.5	64.7	63.4	65.0

*Data as of March 31. N/A--Not applicable.

Table 6

Erste Group Bank AG--Funding And Liquidity					
%	--Year ended Dec. 31--				
	2020*	2019	2018	2017	2016
Core deposits/funding base	76.5	78.9	76.5	77.7	76.4
Customer loans (net)/customer deposits	89.7	92.5	91.8	93.1	94.8
Long-term funding ratio	92.3	94.4	91.5	92.6	92.4
Stable funding ratio	130.2	125.8	126.1	127.9	125.2
Short-term wholesale funding/funding base	8.4	6.1	9.2	8.1	8.3
Broad liquid assets/short-term wholesale funding (x)	4.1	4.9	3.5	4.1	3.9
Net broad liquid assets/short-term customer deposits	43.5	38.7	37.3	44.6	41.8
Short-term wholesale funding/total wholesale funding	34.3	28.2	38.5	35.4	34.7

*Data as of March 31.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- 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
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
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- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011

Related Research

- Banking Industry Country Risk Assessment: Austria, June 17, 2020
- Austria-Based Erste Group Bank Ratings Affirmed On Solid Buffers, Outlook To Stable On Deepening COVID-19 Risks, April 29, 2020
- Outlook Revisions On Several Austrian Banks On Deepening COVID-19 Downside Risks, April 29, 2020
- Deepening COVID-19 Risks Cause Economic Risk Trends To Shift In Several CEE Countries, April 29, 2020
- How COVID-19 Risks Prompted European Bank Rating Actions, April 29, 2020

- How COVID-19 Is Affecting Bank Ratings, April 22, 2020
- Europe's AT1 Market Faces The COVID-19 Test: Bend, Not Break, April 22, 2020
- Europe Braces For A Deeper Recession In 2020, April 20, 2020
- European Banks' First-Quarter Results: Many COVID-19 Questions, Few Conclusive Answers, April 1, 2020
- COVID-19: The Steepening Cost To The Eurozone And U.K. Economies, March 26, 2020
- The Coronavirus Will Shave 50 Basis Points Off Eurozone Growth, March 4, 2020

Anchor Matrix										
Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of June 26, 2020)*

Erste Group Bank AG

Issuer Credit Rating A/Stable/A-1

Resolution Counterparty Rating A+/-/A-1

Commercial Paper

Local Currency A-1

Junior Subordinated BBB-

Senior Subordinated A-

Senior Unsecured A

Short-Term Debt A-1

Subordinated BBB+

Issuer Credit Ratings History

29-Apr-2020 A/Stable/A-1

30-Oct-2017 A/Positive/A-1

14-Mar-2017 A-/Positive/A-2

17-May-2016 BBB+/Stable/A-2

Sovereign Rating

Austria AA+/Stable/A-1+

Ratings Detail (As Of June 26, 2020)*(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.

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@spglobal.com

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