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Erste Group Bank AG

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Erste Group Bank AG

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A+/Stable/A-1
Resolution Counterparty Rating
AA-/--/A-1+

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

Overview

Key strengths	Key risks
Solid franchise in Austria and Central and Eastern European (CEE) countries.	Asset quality tail risks, particularly in foreign markets, stemming from secondary effects from the war in Ukraine and a generally weaker economic environment with high inflation.
Strong liquidity and funding profile dominated by granular and sticky retail deposits.	Relatively high reliance on interest income and moderate margins in the highly competitive Austrian banking sector.
Well-defined resolution framework across the group's entities and solid additional loss-absorbing buffer.	

Erste Group Bank AG (Erste) has 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 bank is not directly affected by the war in Ukraine because it does not have subsidiaries in Ukraine, Belarus, or Russia. That said, we expect Erste to see some knock-on effects on credit losses because of the Russia-Ukraine conflict amid potential stress for borrowers in certain sectors like energy, metals, and chemicals, for which it already has precautionary provisioned loan losses. Elevated inflation is also a strain for borrowers' debt repayment capacities, particularly in the bank's retail segment. At the same time, higher interest rates across Erste's core operating regions will act as strong boost to its operating income in 2022 and 2023, offsetting the negative impact stemming from a potential asset quality deterioration, in our view.

We project that our main capital indicator, the risk-adjusted capital (RAC) ratio, will remain slightly below 10% for Erste in the next 12-24 months. We expect the group to remain adequately capitalized for the risk it faces. Our capital ratio forecast factors in moderate growth of the bank's retail and corporate lending, mainly in lower-risk countries such as Austria, Czechia, and Slovakia, sufficiently supported by internal capital generation over the medium term. Also, our forecast considers higher net interest margins, particularly given rapidly increasing interest rates in CEE countries and the catch up in the eurozone. In addition, our projections reflect the burden of temporary windfall taxes in Czechia, Hungary, and Croatia.

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 the 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 considering the bank's issuance and growth plans. The corresponding 'A+' long-term issuer credit rating on Erste is among the highest of rated commercial banks globally.

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, despite macroeconomic uncertainties from the current war in Ukraine and other external risk factors. It also reflects our assumption that Erste will maintain solid profitability and capital build-up capacity.

Downside scenario

We could lower our rating 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 rating if Erste's ALAC ratio decreases sustainably below the relevant 3% threshold within our forecast horizon, if for example the bank deviates from its planned debt issuances or it shows an aggressive acquisitions strategy in some of its CEE markets.

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 ended Dec. 31--				
(%)	**2020a**	**2021a**	**2022e**	**2023f**	**2024f**
Growth in operating revenue	(1.6)	8.0	8.9-10.9	9.2-11.2	6.2-7.6
Growth in customer loans	4.1	7.9	9.9-12.1	4.5-5.5	6.3-7.7
Growth in total assets	12.9	10.8	7.0-8.5	1.1-1.3	2.8-3.4
Net interest income/average earning assets (NIM)	2.1	2.0	2.1-2.3	2.2-2.4	2.2-2.5
Cost to income ratio	61.2	58.7	55.3-58.1	52.6-55.3	51.7-54.4
Return on average common equity	5.5	12.7	11.7-12.9	10.7-11.9	13.5-14.9
Return on assets	0.4	0.8	0.7-0.8	0.6-0.8	0.8-1.0
New loan loss provisions/average customer loans	0.8	0.1	0.1-0.2	0.4-0.5	0.2-0.2
Gross nonperforming assets/customer loans	2.9	2.5	2.0-2.2	2.7-3.0	2.1-2.3
Net charge-offs/average customer loans	(0.1)	(0.0)	0.0-0.0	0.0-0.0	0.0-0.0
Risk-adjusted capital ratio	10.2	9.8	9.2-9.7	9.2-9.6	9.2-9.6

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

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 geographical 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 geographical 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, Czechia, 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 we see rising risks to Austria's economic performance emanating from further potential stress in energy supply, in particular in relation to gas supply from Russia, we still expect its real GDP growth path to remain relatively robust in the European peer context, at 3.6% in 2022 and 0% in 2023, before recovering to 3.0% in 2024. We remain mindful that nonperforming loans are likely to rise throughout 2023 because of tail risks from the current war in Ukraine, but we believe that the second-round effects on the banking system will be manageable.

We consider that Austria's prudential regulatory standards are in line with the EU's and that banks' funding conditions remain comfortable, reflecting a large share of customer deposits. Austrian banks are among the largest beneficiaries of rising interest rates, also reflecting a still-material share of variable interest rate lending, which allows quick repricing on the asset side. That said, the sector's elevated cost base still needs to be addressed more decisively to ensure decent profitability through the cycle. We think that risks to banking system stability could increase from the current comparably low level unless Austrian banks speed up their efforts to improve efficiency.

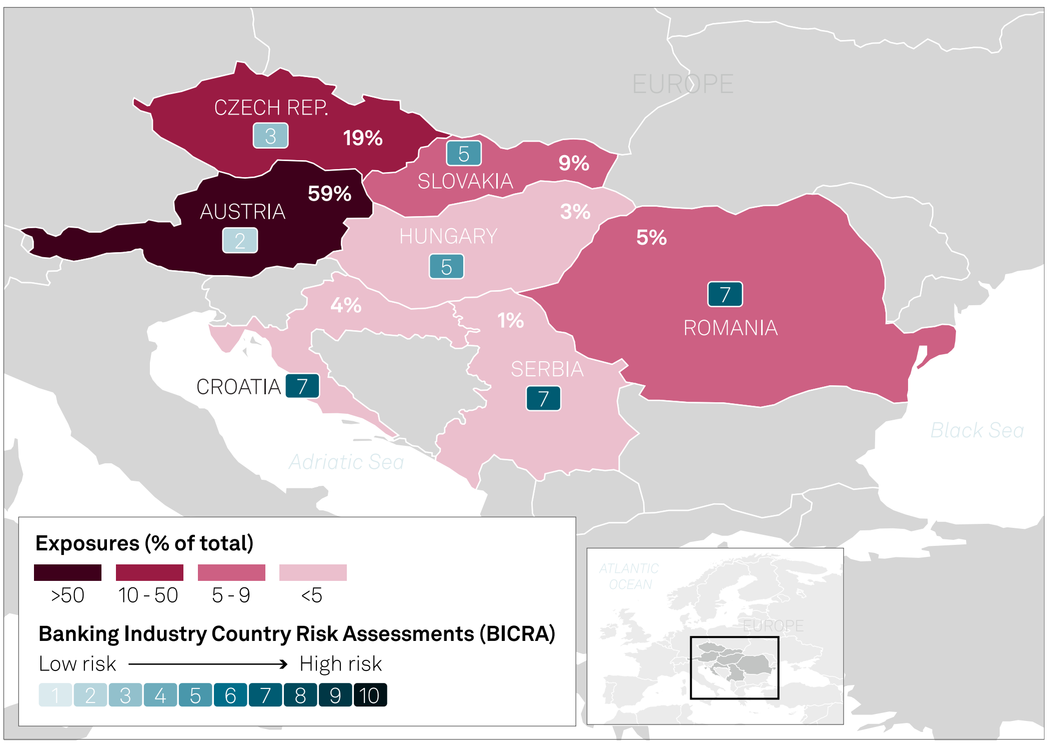
Business Position: Erste Has A Strong Retail And Corporate Franchise In Austria And Some CEE Countries

With assets of €335 billion at Sept. 30, 2022, Erste is one of the leading banks in Austria. It continues to have a dominant market share of 20% in domestic retail loans and retail deposits. Thanks to its widespread operations in Europe, we expect Erste will continue to benefit from good geographical diversification of revenue, although we acknowledge some correlation among CEE countries and between CEE and Austria (see chart 1).

Chart 1

Erste Benefits From Geographical Diversification, But Risks Are Higher In CEE Countries

Erste's exposures as of Q3-2022 by geography



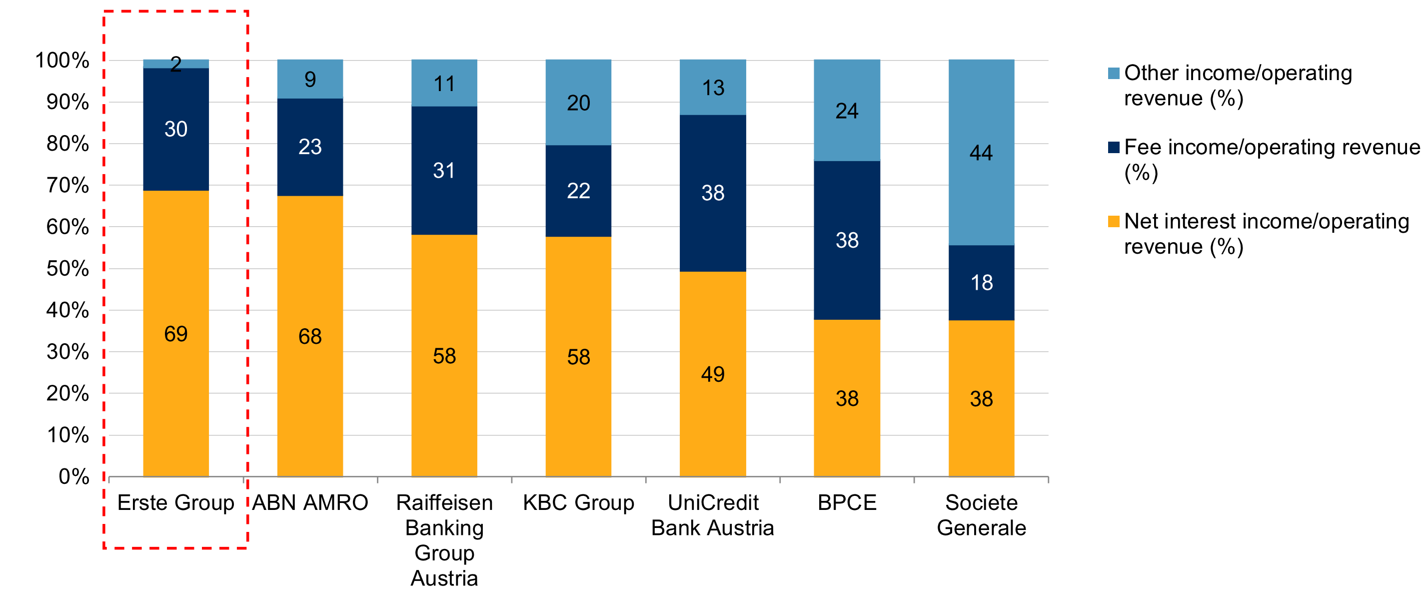
Note: Exposures defined as net customer loans. Source: S&P Global Ratings.

Erste's savings bank brand is strong in terms of image and customer loyalty, notably in Austria, but also in Czechia, Slovakia, Hungary, and Croatia. Austrian retail operations are concentrated in 47 savings banks, including Erste Bank Oesterreich, 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.

Both margins and credit losses are typically higher in economically riskier CEE countries 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 than most similarly rated peers (see chart 2).

Chart 2

Erste Relies More On Net Interest Income For Its Revenue Generation Than Other Banks
Breakdown of operating revenue as of June 2022



Data for Raiffeisen Banking Group Austria is as of Dec. 31, 2021. Source: S&P Global Ratings.

We view positively Erste's strategic focus on strengthening and diversifying its operating revenue, improving cost efficiency, and furthering its digital transformation. Management has continued its efforts to digitalize the bank, thereby helping to safeguard the customer base against changing consumer preferences and contributing to its target to build a more service-oriented group. Despite the surprising departure of former CEO Bernd Spalt in May 2022 amid diverging views on the timeline and approach of the group's transformation, we think the group has a sound governance structure with robust checks and balances. There is no critical dependence on individuals, and we therefore see key-person risk as low.

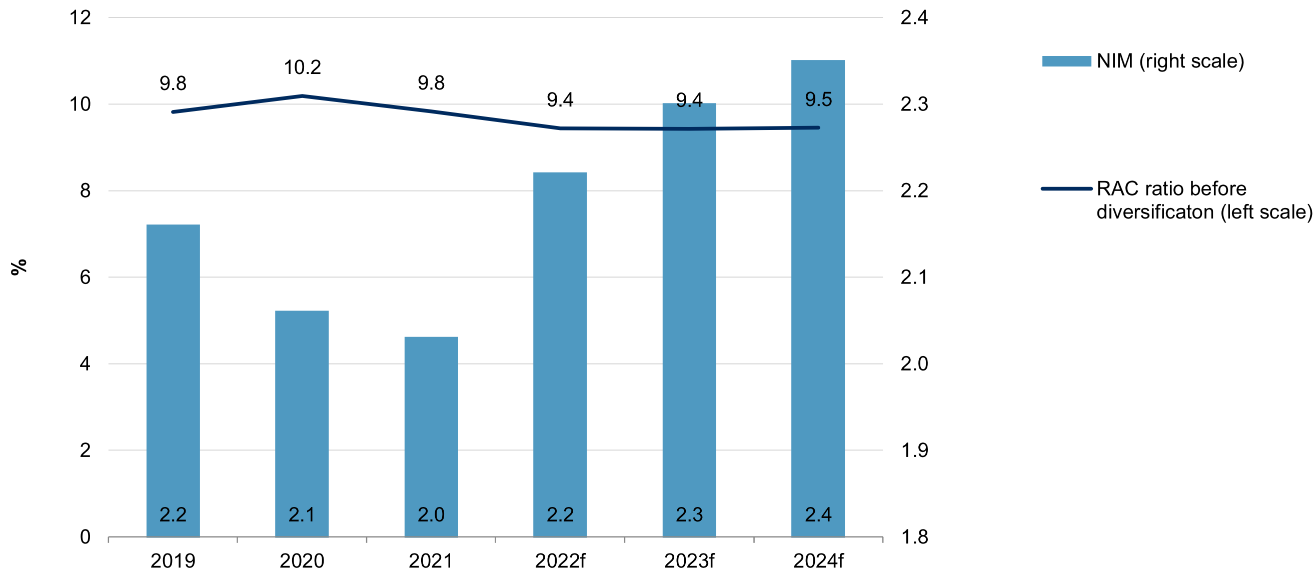
Erste's digital platform, known as George, also rolled out to its subsidiaries in the CEE, complements traditional retail sales channels in six of its seven core markets. The pandemic accelerated the groupwide use of digital banking, with 8.6 million (more than 50%) of clients using George as of Sept. 30, 2022. We understand that further digitalization of products, services, and back-office operations is an important pillar of the digital strategy. While we expect project expenses and IT investments to be a short-term drag on group profits, we think the bank is adapting prudently to clients' rapidly changing expectations via its digitalization initiatives.

Capital And Earnings: Sound Capitalization Thanks To Profit Retention

We assess Erste's capital and earnings as neutral to the ratings, which mainly reflects our projection that our main capital indicator, the RAC ratio, will be slightly below 10.0% in the next 12-24 months, having reached 9.8% at year-end 2021 (chart 3). While the group's RAC ratio remains sound, mainly thanks to its capital buildup capacity, it is weaker than for many European banks, for which we see capital as a ratings strength (chart 4).

Chart 3

We Expect Erste's RAC Ratio To Decline Slightly As Internal Capital Buildup Is Being Consumed By Robust Growth
Risk-adjusted capital (RAC) ratio and net interest margin (NIM)

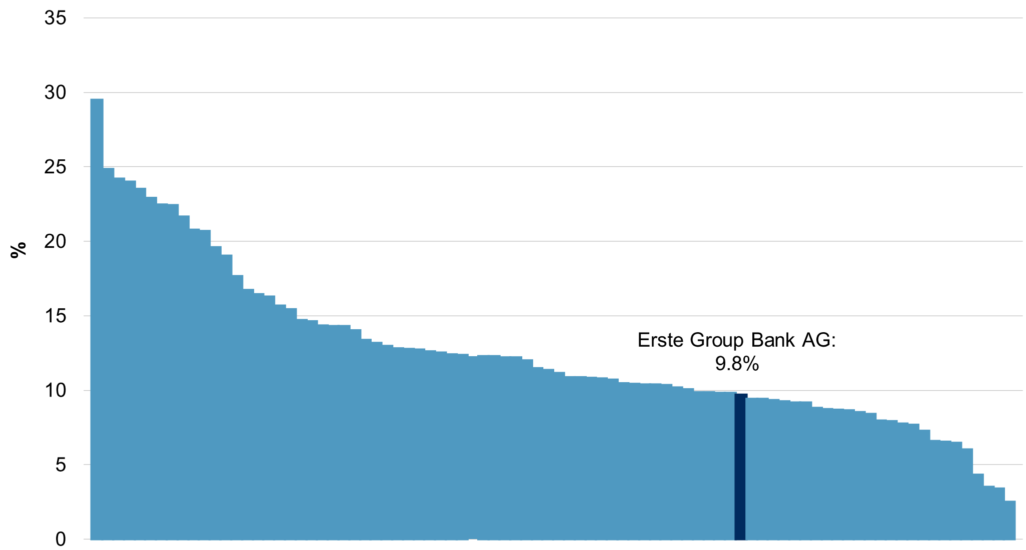


f--Forecast. Note: NIM--Net interest income-to-average earning assets. Source: S&P Global Ratings.

Chart 4

Erste's Risk-Adjusted Capital Ratio Is Sound, But Remains Slightly Lower Than That Of Many Peers

Risk-adjusted capital ratio for the European Top 100 banks as of December 2021



RAC--Risk-adjusted capital. Source: S&P Global Ratings.

Similar to other European banks, Erste's RAC ratio had been on a steady upward path in previous years, but we expect a pause in the long running improvement to capitalization. Our forecast for the next two years includes the following assumptions:

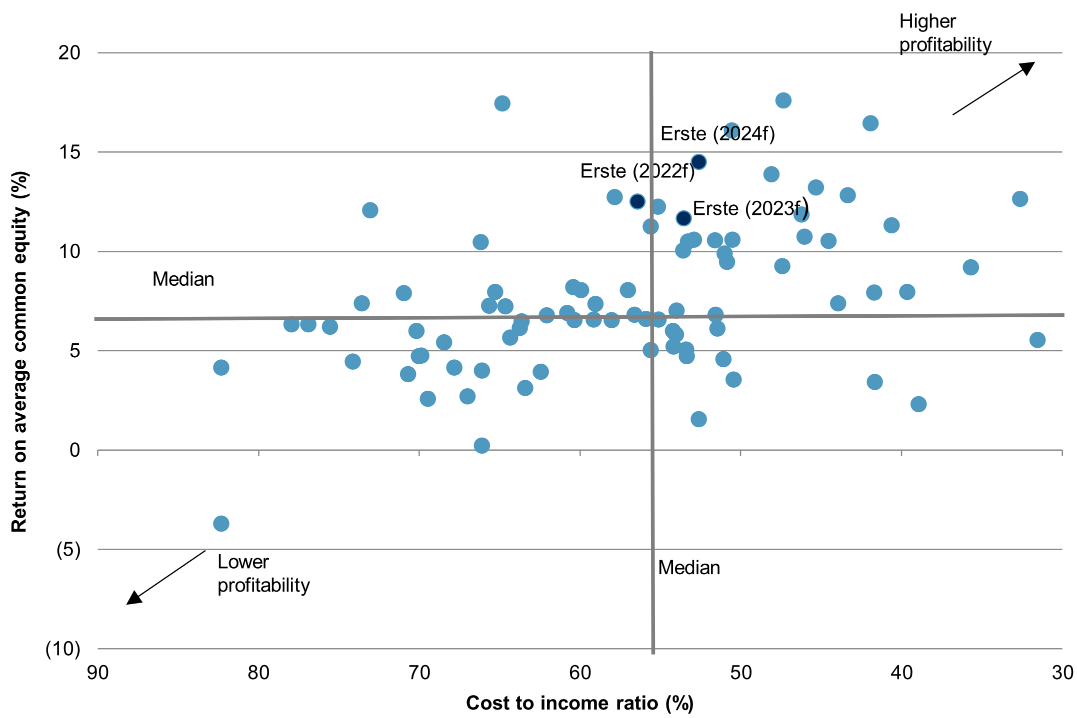
- Operating revenue increasing strongly by close to 10% in 2022 and 2023, and a moderate deceleration afterward toward 5%-7%;
- Operating expenses increasing 5%-6% each year until 2024, because of project costs and higher wages amid elevated inflation;
- Moderate credit losses of about 15 basis points (bps) in 2022 and an uptick toward 45 bps-50 bps in 2023, with a recovery afterward, reflecting mounting risks in core operating regions, particularly CEE;
- Growth of S&P Global Ratings risk-weighted assets (RWAs) of about 10% in 2022 and 5% afterward, broadly in line with the loan book growth and considering some one-offs in 2023 (for example the intended acquisition of Sberbank Czechia's loan portfolio, and potentially lower loan generation because of elevated interest rates during the first half of 2023 at least); and
- Dividends of €1.90-€2.00 per share until 2024 as a result of accumulated reserves and a strong boost to profits, particularly thanks to net interest income.

Erste called one of its €500 million additional Tier 1 (AT1) instruments in October 2021, which has formed part of its 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 will remain higher than at other European banks, at 12%-14% in the next two years (see chart 5). Erste has demonstrated resilient earnings generation over the past five years. Its cost efficiency has also compared well to that of key peer banks in Europe, a trend we expect will persist, bringing its cost-to-income ratio closer to 50%.

Chart 5

Erste's Profitability Is Stronger Than The Median Of European Banks
2022F cost-to-income ratio and return on average common equity for European top 100 banks



f--Forecast. Source: S&P Global Ratings.

Risk Position: Manageable Impact On Asset Quality From Fragilities In Core Markets

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 similar industry risk (such as Belgium, 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.

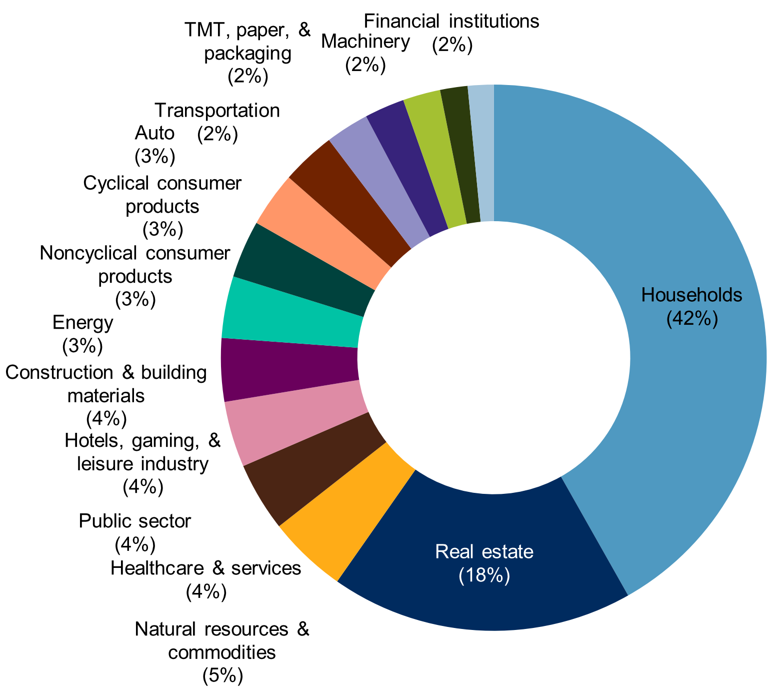
The group has significantly improved its asset quality in recent years. It has benefitted from relatively lower growth in higher-risk countries, while the loan book shows minor single-name and sector concentrations. Erste's diversification of loan book by geographies and sectors is demonstrated by its RAC ratio after diversification adjustments (10.5% at Dec. 31, 2021), which is higher than its standard RAC ratio of 9.8%--this is unusual and reflects the diversification and correlation strengths of the bank. Risks not fully covered by our capital framework, such as credit spreads or interest rate risk in the banking book, are limited, in our view.

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. Real estate (residential and commercial real estate) constituted about 18% of the total portfolio on Sept. 30, 2022 (see chart 6), 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, sectors more vulnerable to the current energy crisis in Europe, like energy, metals, and chemicals, cover roughly 10% of gross exposures and have not been heavily affected so far. That said, Erste has taken the precautionary step of booking €147 million of management overlays (about 7 bps of gross loans) for these exposures while stage 2 loans have increased to 18.5% as of Sept. 30, 2022 from 13.9% since mid-year 2022.

Chart 6

Erste Has A Diversified Loan Book By Sectors And Customers

Erste's exposures as of third-quarter 2022 by customer groups



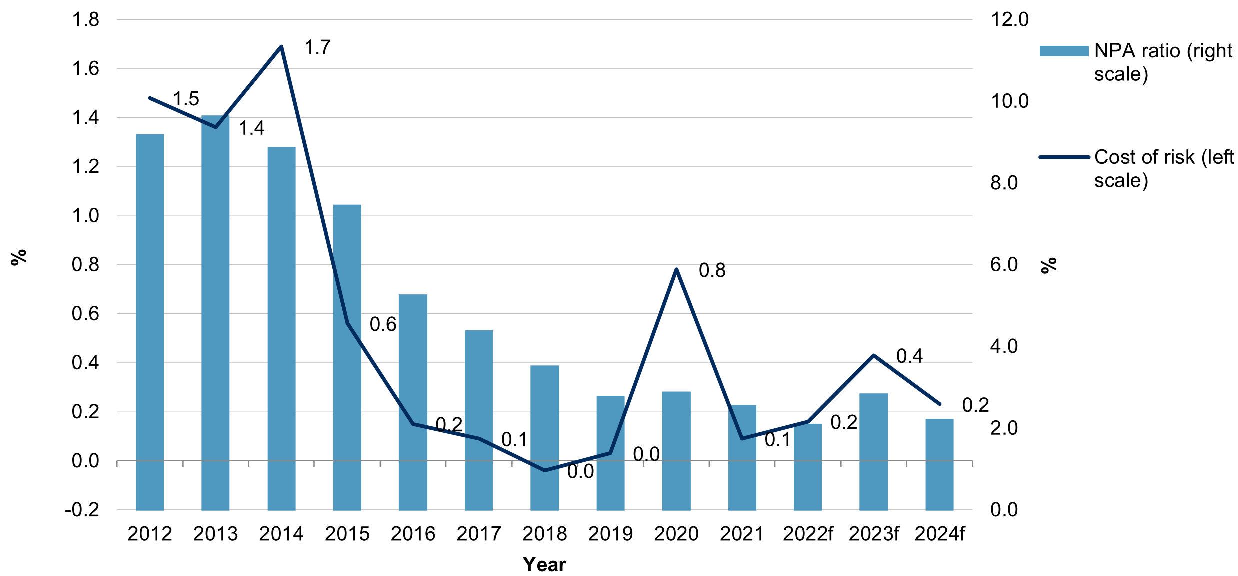
Note: Exposures defined as gross customer loans. Source: S&P Global Ratings.

We expect Erste's nonperforming assets (NPAs) and cost of risk to increase in 2023 mainly because of growth risks in

CEE countries (see chart 7). We believe recovery in these economies will be positive for NPAs and risk costs after 2023. Our measure of gross NPAs reached 2.1% of the group's gross customer loans as of Sept. 30, 2022, while cost of risk remained low at 11 bps.

Chart 7

Erste's Cost Of Risk Expected To Increase In 2023 And To Recover Afterwards
NPA ratio and cost of risk between 2012 and 2024f



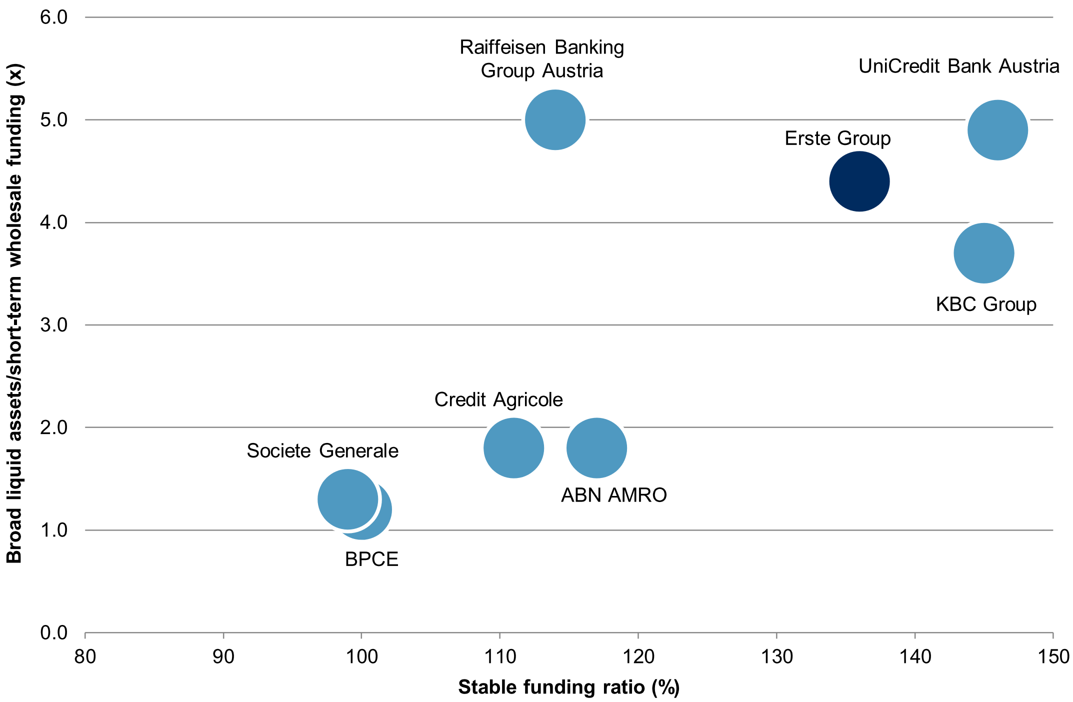
Cost of risk defined as new loan loss provisions as % of average customer loans. NPA ratio defined as gross nonperforming assets as % of customer loans + other real estate owned. f--forecast. Source: S&P Global Ratings.

Funding And Liquidity: Stable And Granular Customer Deposits And Ample Liquidity Buffers

We continue to view Erste's funding profile as stronger than many of its peers in Europe and we also view its liquidity as a rating strength (see chart 8). This reflects the stability of the group's large retail funding base in its core markets and its moderate reliance on wholesale funding. We assume that the main risk indicators of strong consolidated funding and liquidity ratios at the group level will also remain evident at the main operating subsidiaries. We believe Erste could cope with extended market or idiosyncratic stress as it has done during multiple recent capital markets shocks.

Chart 8

Erste Has A Stronger Funding And Liquidity Profile Than Most Of Its Peers
Funding and liquidity profile as of June 30, 2022

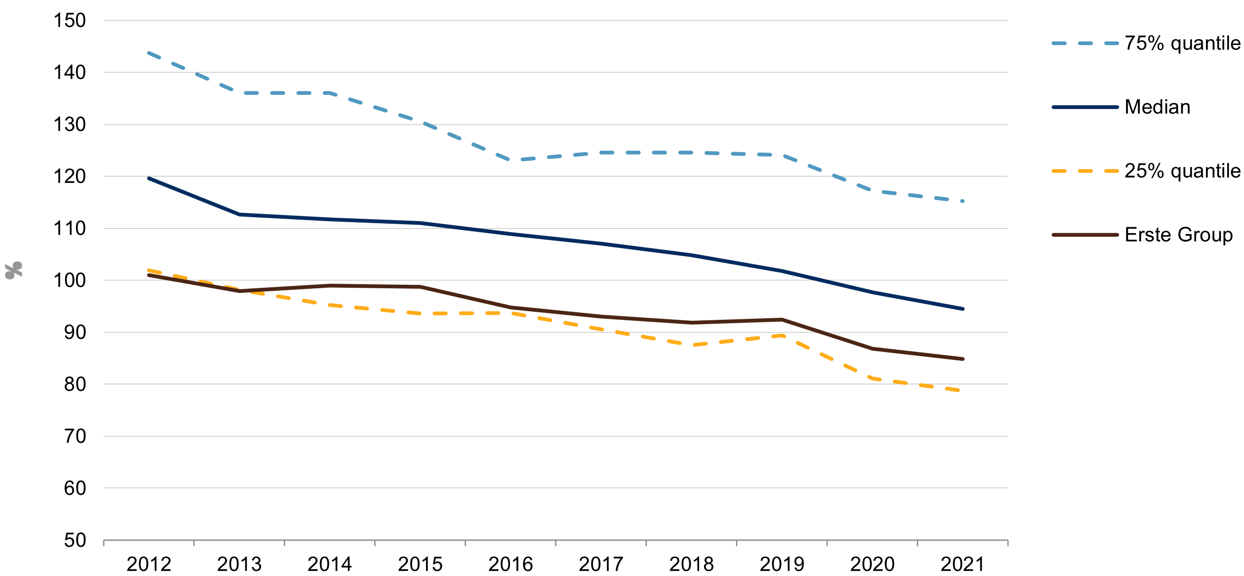


Data for Raiffeisen Banking Group Austria is as of Dec. 31, 2021. Source: S&P Global Ratings.

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 (75% of the funding base at Sept. 30, 2022), and with low single-name concentrations. The loan-to—deposit ratio, which is among the lowest across European banks, indicates that the strength of the deposit base is sufficient to fund daily lending business (see chart 9). At the same time, our stable funding ratio for Erste reached 135% (comfortably above the 100%-115% range that we see for most European peers), supporting our view of the bank's funding strength.

Chart 9

Erste's Loan-To-Deposit-Ratio Remains Among The Lowest In Europe
Customer loans (net)/customer deposits (%) for European Top 100 banks between 2012-2021



Source: S&P Global Ratings.

We assess Erste's liquidity as strong, reflecting its ongoing prudent liquidity management and high liquidity reserves. The coverage of short-term wholesale funding by broad liquid assets (BLAST), has remained sound at 4.5x. Our BLAST multiples 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 sound 47% 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 Sept. 30, 2022.

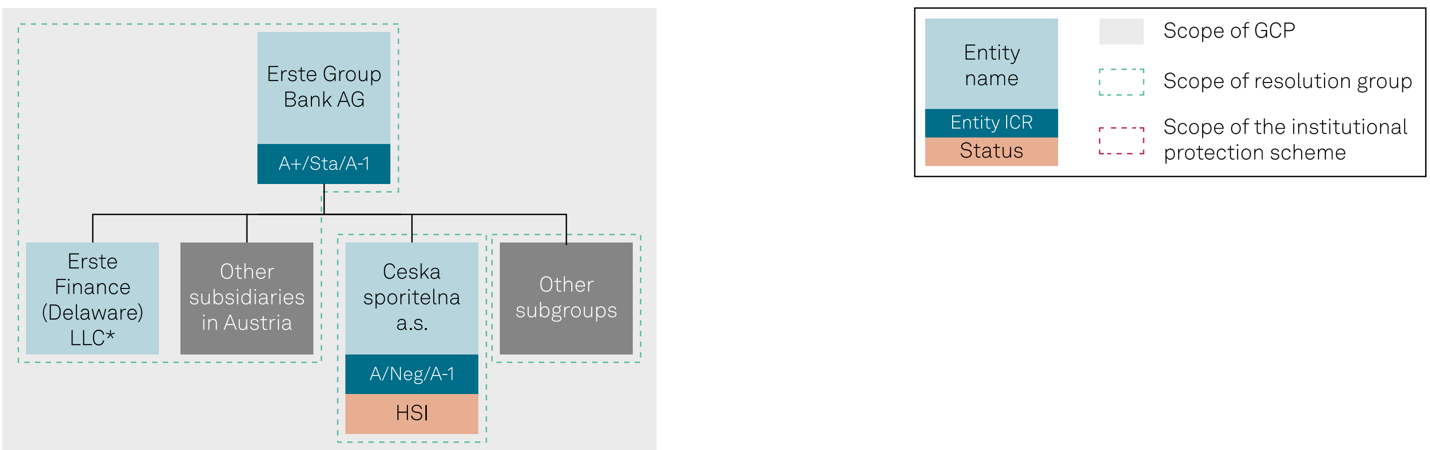
We believe Erste's liquidity stress testing, and the results from its survival period analysis, show it would withstand an extended period of market or idiosyncratic stress. Its existing liquidity coverage shields it against a lack of access to wholesale funding for more than 12 months, in our view. The bank started repaying some of the €21.3 billion (roughly 6% of total assets as of Sept. 30, 2022) funding lines from the European Central Bank's Targeted Long-Term Refinancing Operations III in November 2022. We understand that the bank will distribute the rest of the lines gradually over 2023 and 2024 in the usual manner with ample cash buffers available.

Support: Well-Defined MPE Resolution Framework And Sufficiently High 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 (see chart 10). 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.

Chart 10

Our Analytical Approach For Erste Bank Group And Its Rated Subsidiaries



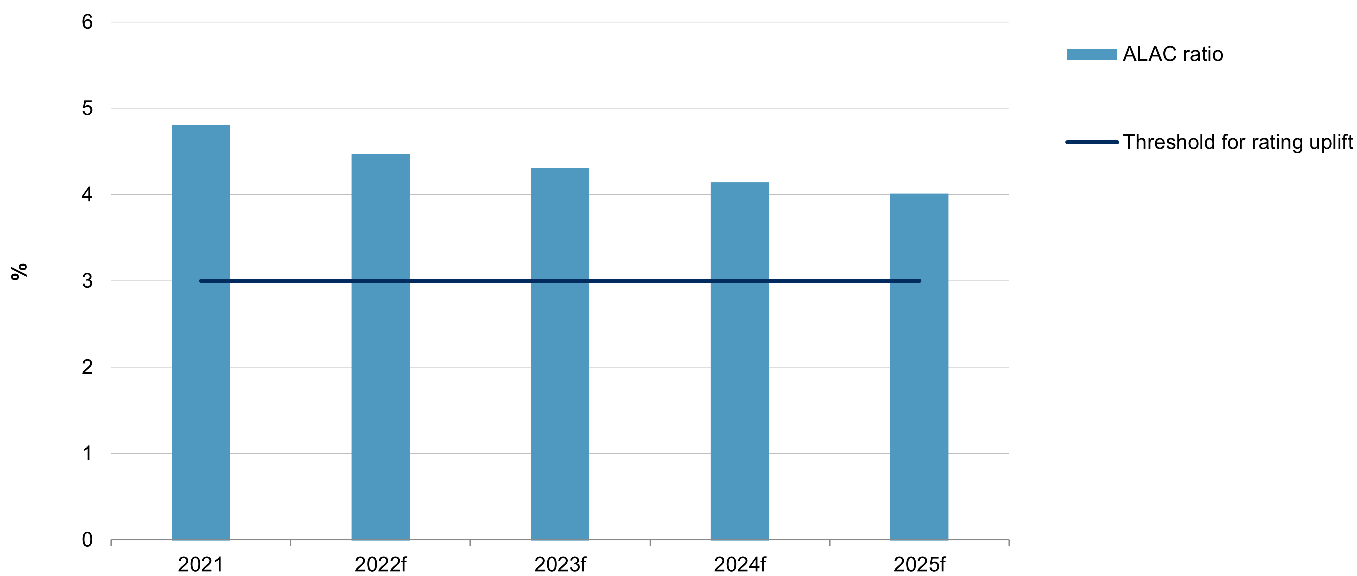
*Entity has no ICR. It issues debt, guaranteed by its parent. §Group status reflects the relationship to its subgroup parent. ICR--Issuer credit rating. HSI--Highly strategic. SI--Strategically important. MSI--Moderately strategic. Source: S&P Global Ratings.

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 2021 data, the ALAC ratio was 4.8%. We project that the Austrian subgroup's ALAC over S&P Global Ratings' RWAs will be at 4.0% by year-end 2024 (see chart 11). RWAs correspond only to the businesses falling within Erste's Austrian resolution 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.

Chart 11

We Expect Erste's ALAC Ratio To Remain Above The Relevant 3% Threshold
ALAC-eligible debt-to-S&P Global Rating's RWAs



ALAC--Additional loss-absorbing capacity. f--forecast. RWA--Risk-weighted assets.
Calculation only considers Erste's Austrian Resolution Group, the entry-point of the legal entity in Austria. Source: S&P Global Ratings.

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

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 alphanumerical 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, similar to most rated banks globally. We understand that the 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 multinational, the bank is exposed to tail governance risks related to its business activities in higher-risk countries in CEE, in our view.

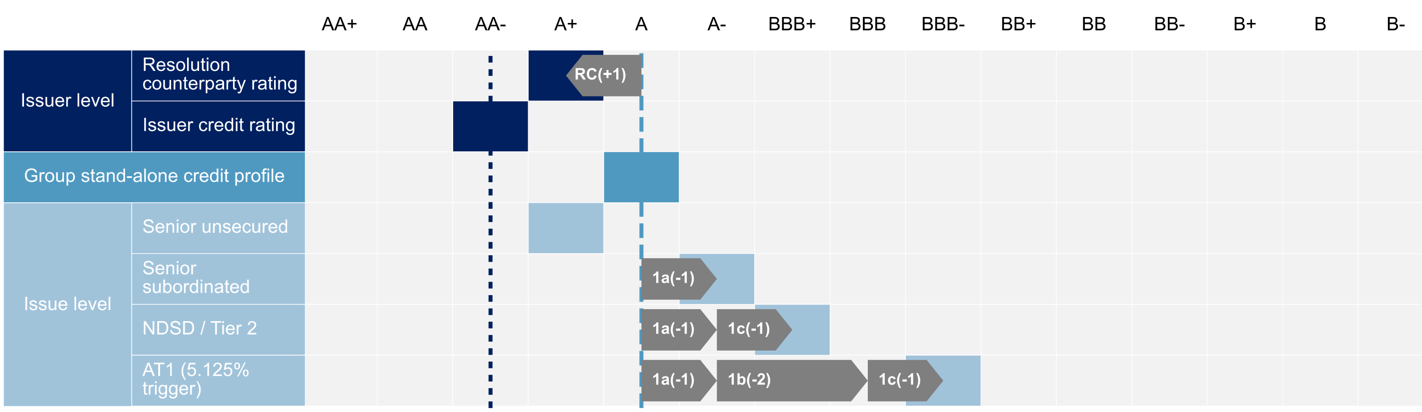
Social and environmental factors are also in line with peers in Europe and not a rating differentiator. Lending to the coal industry is immaterial, at less than 1% of total loans. We expect Erste will implement more measures to transition into a greener bank. The management team also deems cooperation with environmental nongovernment organizations to be an important pillar to foster the group's sustainability efforts. To that end, it has established a Group Sustainability Office and a department for Social Banking Development in its organization. The group is also actively promoting affordable housing and is increasing its efforts in certain countries, for example at its Czech-subsidiary Ceska Sporitelna, a.s.

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 AT1 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 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

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. €)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	333,996.6	306,065.9	276,034.8	244,324.5	235,284.8
Customer loans (gross)	200,249.3	181,966.6	168,648.4	161,964.6	151,443.8
Adjusted common equity	21,312.8	19,297.5	17,596.7	17,036.9	15,870.9
Operating revenues	6,200.2	7,734.5	7,161.9	7,280.3	6,730.0
Noninterest expenses	3,494.6	4,543.6	4,381.1	4,262.3	3,997.1
Core earnings	2,088.8	2,489.2	1,113.9	2,494.2	2,443.8

*Data as of Sept. 30.

Table 2

Erste Group Bank AG--Business Position

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Loan market share in country of domicile	20.8	20.8	20.8	20.8	20.4
Deposit market share in country of domicile	23.2	23.2	20.6	20.6	20.0
Total revenues from business line (currency in millions)	6,200.2	7,734.5	7,161.9	7,280.3	6,730.0
Commercial banking/total revenues from business line	25.5	22.4	21.8	22.0	22.6
Retail banking/total revenues from business line	46.6	44.4	45.4	48.5	51.5
Commercial & retail banking/total revenues from business line	72.0	66.8	67.2	70.5	74.2
Trading and sales income/total revenues from business line	9.9	7.8	7.4	7.4	7.9
Other revenues/total revenues from business line	18.1	25.4	25.4	22.1	17.9
Investment banking/total revenues from business line	9.9	7.8	7.4	7.4	7.9
Return on average common equity	13.6	12.7	5.5	10.7	13.7

*Data as of Sept. 30.

Table 3

Erste Group Bank AG--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	15.4	16.2	16.5	15.0	14.3
S&P Global Ratings' RAC ratio before diversification	N/A	9.8	10.2	9.8	10.3
S&P Global Ratings' RAC ratio after diversification	N/A	10.5	11.0	10.5	10.9
Adjusted common equity/total adjusted capital	90.5	89.6	86.6	92.0	94.1
Net interest income/operating revenues	70.7	64.3	66.7	65.2	68.1
Fee income/operating revenues	29.5	29.8	27.6	27.5	28.4
Market-sensitive income/operating revenues	(2.1)	2.9	2.9	4.8	3.0
Cost to income ratio	56.4	58.7	61.2	58.5	59.4
Preprovision operating income/average assets	1.1	1.1	1.1	1.3	1.2
Core earnings/average managed assets	0.9	0.9	0.4	1.0	1.1

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

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 & central banks	97,270,932,021.3	2,946,355,401.4	3.0	8,622,019,568.2	8.9
Of which regional governments and local authorities	6,671,647,084.1	593,813,831.9	8.9	1,898,390,339.1	28.5
Institutions and CCPs	14,336,569,843.7	2,654,382,467.6	18.5	2,723,889,625.4	19.0
Corporate	126,699,009,151.5	64,468,966,344.3	50.9	101,861,410,110.5	80.4
Retail	108,136,321,619.8	26,030,515,106.4	24.1	56,504,208,014.0	52.3
Of which mortgage	62,817,034,448.6	11,404,454,579.0	18.2	20,244,274,925.8	32.2
Securitization§	1,366,208,367.9	186,730,707.4	13.7	642,018,478.2	47.0
Other assets†	13,616,479,090.8	3,275,078,589.1	24.1	17,919,252,612.3	131.6
Total credit risk	361,425,520,095.0	99,562,028,616.1	27.5	188,272,798,408.7	52.1
Credit valuation adjustment					
Total credit valuation adjustment	--	390,465,708.1	--	0.0	--
Market Risk					
Equity in the banking book	1,025,053,057.8	2,711,698,393.0	264.5	9,014,520,318.9	879.4
Trading book market risk	--	3,671,480,206.2	--	6,202,581,982.6	--
Total market risk	--	6,383,178,599.2	--	15,217,102,301.5	--
Operational risk					
Total operational risk	--	14,786,250,000.0	--	15,474,504,962.5	--

Table 4

Erste Group Bank AG--Risk-Adjusted Capital Framework Data (cont.)

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	127,448,000,023.5	--	218,964,405,672.6	100.0
Total diversification/ concentration adjustments	--	--	--	(13,507,569,486.1)	(6.2)
RWA after diversification	--	127,448,000,023.5	--	205,456,836,186.5	93.8

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	21,045,000,000.0	16.5	21,533,720,000.0	9.8
Capital ratio after adjustments‡	21,045,000,000.0	16.5	21,533,720,000.0	10.5

*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. CCPS--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5

Erste Group Bank AG--Risk Position

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	13.4	7.9	4.1	6.9	5.5
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(6.2)	(7.0)	(6.8)	(5.3)
Total managed assets/adjusted common equity (x)	15.7	15.9	15.8	14.4	14.9
New loan loss provisions/average customer loans	0.1	0.1	0.8	0.0	(0.0)
Net charge-offs/average customer loans	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)
Gross nonperforming assets/customer loans + other real estate owned	2.1	2.5	2.9	2.8	3.5
Loan loss reserves/gross nonperforming assets	88.8	83.2	81.4	69.5	64.7

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

Table 6

Erste Group Bank AG--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	75.5	76.1	76.6	78.9	76.5
Customer loans (net)/customer deposits	86.1	84.9	86.8	92.5	91.8
Long-term funding ratio	92.1	93.2	95.6	94.4	91.5
Stable funding ratio	135.5	138.9	140.2	125.8	126.1
Short-term wholesale funding/funding base	8.5	7.4	4.8	6.1	9.2
Regulatory net stable funding ratio	N/A	150.2	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	4.4	5.2	7.7	4.9	3.5

Table 6

Erste Group Bank AG--Funding And Liquidity (cont.)

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Broad liquid assets/total assets	33.9	34.6	33.2	26.8	29.1
Broad liquid assets/customer deposits	49.9	50.7	48.5	38.3	42.7
Net broad liquid assets/short-term customer deposits	47.5	51.1	51.5	38.7	37.3
Regulatory liquidity coverage ratio (LCR) (x)	145.4	177.3	189.3	N/A	N/A
Short-term wholesale funding/total wholesale funding	33.5	29.8	19.7	28.2	38.5

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

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2022
- 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
- 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

- Central And Eastern Europe: Growth Freezes, Risks Mount, Nov. 10, 2022
- Rising Recession Risks Cloud Eurozone Banks' Earnings Prospects, Sept. 30, 2022
- Banking Industry Country Risk Assessment: Austria, July 13, 2022
- Erste Group Can Manage The CEO's Unexpected Departure, May 13, 2022
- Six European Banks Upgraded On ALAC Or Group Support Uplift; Off UCO On Implementation Of Revised FI Criteria, Dec. 16, 2021

Ratings Detail (As Of January 10, 2023)*

Erste Group Bank AG	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
Local Currency	A-1
Junior Subordinated	BBB-

Ratings Detail (As Of January 10, 2023)*(cont.)	
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
Sovereign Rating	
Austria	AA+/Stable/A-1+
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.