

# RatingsDirect®

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## Erste Group Bank AG

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# Erste Group Bank AG

## Ratings Score Snapshot

Global Scale Ratings
<b>Issuer Credit Rating</b>
A+/Stable/A-1
<b>Resolution Counterparty Rating</b>
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

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

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

Strong franchise in Austria and Central and Eastern European (CEE) countries, making good progress in digitizing the product landscape.

High liquid buffers and a solid funding profile dominated by granular and sticky retail deposits across the group.

Well-defined multiple-point-of-entry resolution framework and sound additional loss-absorbing capital.

#### Key risks

Asset quality tail risks, particularly in foreign markets, stemming from secondary effects from the war in Ukraine and a generally weaker economic environment in core operating countries.

Pressure on funding and operating costs amid high inflation and competitive banking markets in Austria and CEE.

*Erste Group Bank has a well-managed business model with a strong franchise in retail, small and midsize enterprises (SMEs), and corporate banking across Austria and six core strategic countries in CEE.* The group benefits from higher interest income across its operating regions because of substantially higher interest rates in the euro area and CEE countries. While this contributed to Erste's operating income in 2022 and throughout 2023, we expect more pressure through higher funding costs on its net interest margins. Remuneration for depositors has recently picked up and we believe this will persist and bring down net interest margins.

*The group has not yet seen a relevant asset quality deterioration, despite a generally weaker economic environment in Europe and elevated uncertainties from the war in Ukraine.* These macro risks, as well as parameter updates to the bank's internal credit risk models, led Erste to book additional forward-looking loan loss provisions of €156 million in the third quarter of 2023. However, we expect cost of risk will remain moderate in full-year 2023 at an estimated 12 basis points (bps). We believe risk costs will increase between 2024 and 2025 toward 20 bps considering tighter financial conditions for borrowers and lagged effects of higher interest rates on the credit portfolio.

*We project that our main capital indicator, our risk-adjusted capital (RAC) ratio, will remain slightly below 10% in the next 12-24 months.* Erste's RAC ratio was at 9.4% at year-end 2022. While the group's RAC ratio remains sound, mainly thanks to its capital buildup capacity, it is weaker than that of many European banks, for which we see capital as a rating strength. The group's presence in CEE countries, where economic risks are generally higher, weighs on the bank's S&P Global Ratings risk-weighted assets (RWA).

*Erste is effectively operating under a multiple point of entry (MPE) strategy, implying that each of its six resolution subgroups would enter a separate resolution path from its parent, in the unlikely scenario of nonviability.* We anticipate Erste will maintain additional loss-absorbing capacity (ALAC) buffers high enough for a one-notch rating uplift above its 'a' SACP. Our forecast for Erste's ALAC ratio is close to 5.0% by year-end 2026, close to the current ratio at year-end 2022. The corresponding 'A+' long-term issuer credit rating on Erste is among the highest of rated commercial banks globally.

## Outlook

The stable outlook reflects our view that, over the next 18-24 months, Erste will preserve a solid balance sheet—namely sound asset quality metrics and strong liquidity buffers—despite challenges stemming from spillover effects on European economies from the war in Ukraine, and the only-moderate economic recovery in the bank's key operating regions. It also reflects our assumption that Erste will maintain its solid profitability and capital-building capacity.

### Downside scenario

We could lower our rating on Erste if we see a more material or prolonged setback to profitability and asset quality, particularly if the bank becomes loss-making, however this is a remote scenario. 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 3% threshold within our forecast horizon, if for example the bank deviates from its planned bail-in-able debt issuances or it shows an aggressive acquisition strategy in some of its CEE markets.

### Upside scenario

Although unlikely in the next 12-24 months, we could raise our ratings if Erste materially strengthened its RAC ratio, while maintaining solid asset quality and sound cost efficiency. For an upgrade, we would see 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.

## Key Metrics

Erste Group Bank AG--Key ratios and forecasts					
--Fiscal year ended Dec. 31 --					
(%)	2021a	2022a	2023e	2024f	2025f
Growth in operating revenue	8.0	10.1	14.9-18.2	0.1-0.1	1.1-1.3
Growth in customer loans	7.9	11.9	2.7-3.3	4.5-5.5	4.5-5.5
Growth in total assets	10.8	5.3	4.6-5.6	2.1-2.6	3.6-4.4
Net interest income/average earning assets (NIM)	2.0	2.2	2.3-2.5	2.2-2.4	2.1-2.3
Cost to income ratio	58.7	56.2	50.8-53.4	53.3-56.0	54.8-57.6
Return on average common equity	12.7	13.2	14.9-16.4	12.6-14.0	11.3-12.5
Return on assets	0.8	0.8	0.9-1.1	0.8-0.9	0.7-0.9
New loan loss provisions/average customer loans	0.1	0.2	0.1-0.1	0.2-0.2	0.2-0.2
Gross nonperforming assets/customer loans	2.5	2.2	1.9-2.1	1.9-2.1	1.8-2.0
Risk-adjusted capital ratio	9.8	9.4	9.6-10.1	9.7-10.2	9.5-10.0

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. 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), while our industry risk score is '3'. 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 anticipate no material shift in the geographical split of the bank's exposure in the next two years, and expect growth in Erste's retail and corporate lending will mainly be in lower-risk countries such as Austria and Czechia.

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. After the strong rebound of 4.9% in 2022, we anticipate Austria's economic growth will stagnate in real terms in 2023. The adverse effects of the Russia-Ukraine war continue to weigh on the open and export-oriented economy. Consumption and investments of households and corporates are being depressed by the decline in global demand, elevated inflation, and higher borrowing costs. We think that nonperforming loans are likely to rise moderately in the next 12-24 months because of current economic fragilities. However, in our view, the second-round effects on the banking system from the war in Ukraine will be manageable.

Austria's prudential regulatory standards are in line with the EU's and therefore 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. However, the average cost-to-income ratio of domestic banks remains mediocre in a broader international context. To remain competitive throughout the cycle we think that it is crucial that banks continue to tackle

inefficiencies.

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

We expect Erste will remain one of the leading banks in Austria. With €337 billion in assets as of Sept. 30, 2023 it continues to benefit from its dominant market share in domestic retail loans (21%) and retail deposits (24%). 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).

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 greatly in size. Owing to the cross-guarantee contract (Haftungsverbund), Erste also consolidates those savings banks in which it does not hold a majority stake.

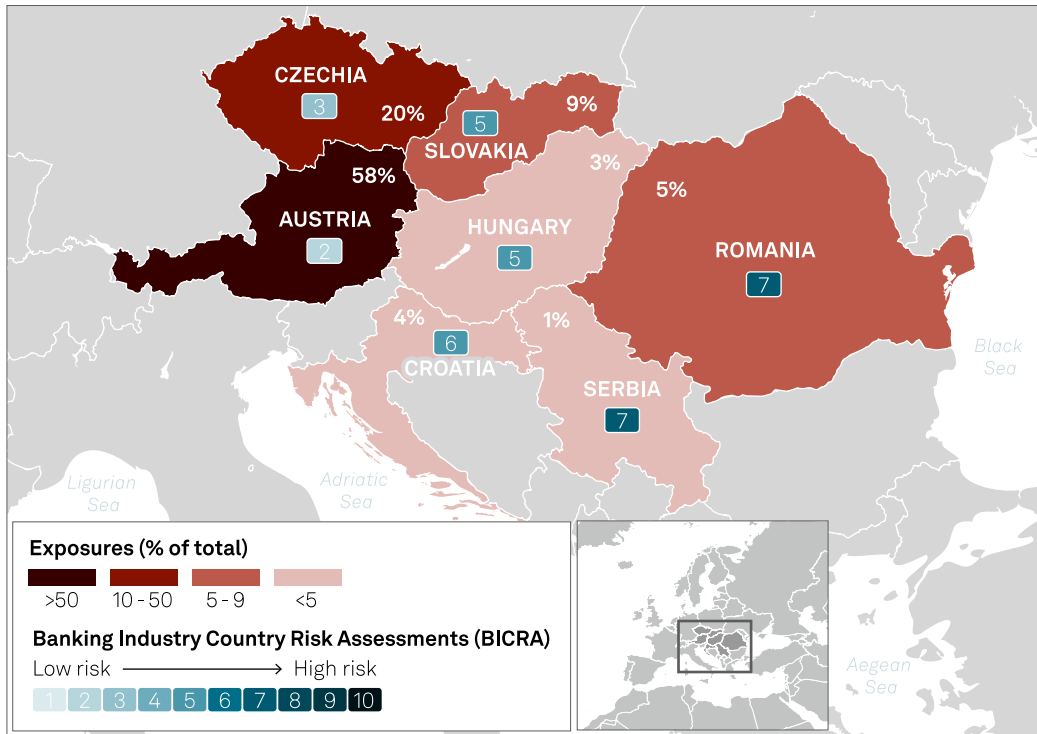
Both margins and credit losses are typically higher in economically riskier CEE countries than in Austria; this generally translates into higher but more volatile risk-adjusted returns through the cycle. Furthermore, the group relies somewhat more on net interest income than most similarly rated peers, which is a weakness from a diversification perspective (see chart 2).

We expect Erste will remain well on track with its focus on offering innovative digital banking solutions to its clients and we understand that further digitalization of products, services, and back-office operations is an important pillar of the strategy. 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.

**Chart 1**

**Erste benefits from geographical diversification, but risks are higher in CEE countries**

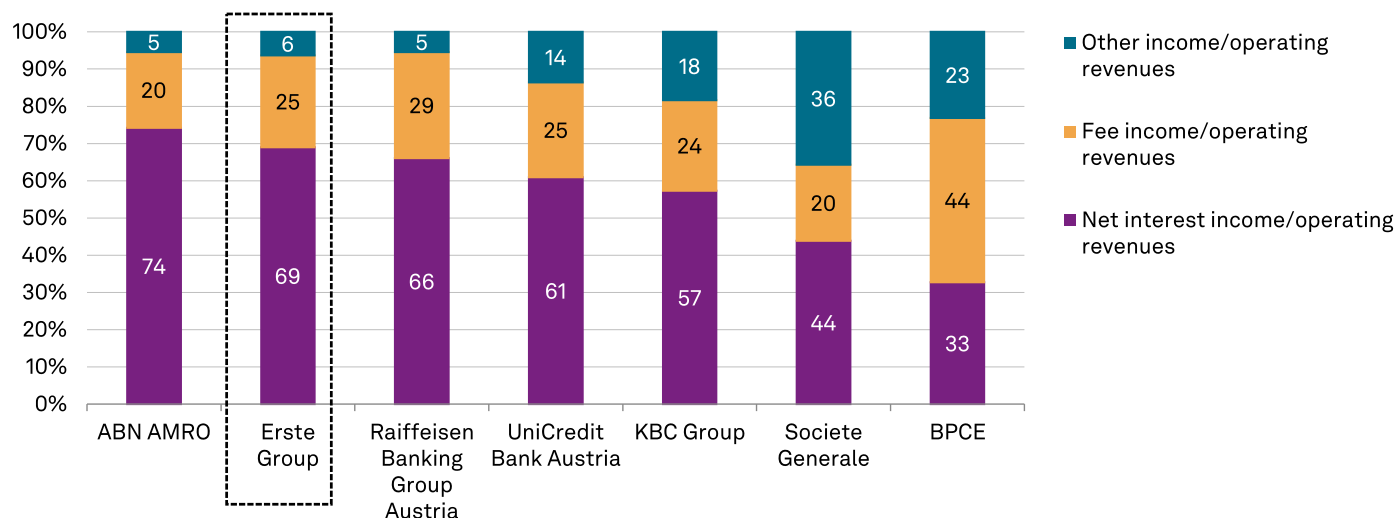
Erste's exposures as of Q3-2023 by geography



Note: Exposures defined as net customer loans. Source: S&P Global Ratings.  
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**Chart 2****Erste relies more on net interest income for its operating revenues than other banks**

Breakdown of operating revenues as of June-2023



Data as of June-2023. Source: S&amp;P Global Ratings.

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**Capital And Earnings: Sound Capitalization Thanks To Profit Retention**

We expect Erste's capital and earnings will remain a neutral ratings factor, 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 9.4% at year-end 2022. While we expect the group's RAC ratio to remain 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 3).

Erste's RAC ratio has been on a steady upward path in recent 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 16.5% in 2023, and a significant deceleration afterward to annual growth of 1% because of higher funding costs (see chart 4);
- Operating expenses increasing 4%-8% each year until 2025;
- Moderate credit losses of about 12 bps in 2023 and an uptick toward 20 bps thereafter;
- Growth of S&P Global Ratings risk-weighted assets (RWAs) of about 3%-5%;
- Higher dividend payout of €2.70-€2.90 per stock. We also deduct the share buyback of €300 million from the 2023 capital base.

We think that the group's return on average common equity will remain higher than at other European banks, at

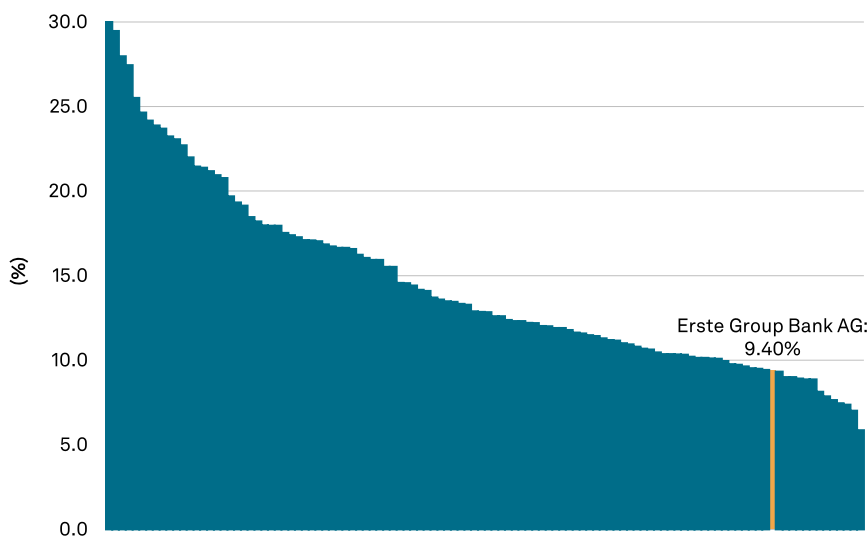


12%-15% in the next two years (see chart 5). The material contribution from its CEE franchise is an important reason why Erste's profitability is higher than that of other European banks. The bank has demonstrated resilient earnings generation over the past five years despite the higher-risk nature of CEE markets. Its cost basis, as measured by a cost-to-income ratio of 49% as of September 2023 according to our definition, is well managed, but we expect a moderate deterioration in the next two years because of higher wage pressures in core regions and expenses related to digitalization.

**Chart 3**

**Erste's risk-adjusted capital ratio is sound, but remains lower than European peers'**

Risk-adjusted capital ratio for the European peers as of Dec-2022

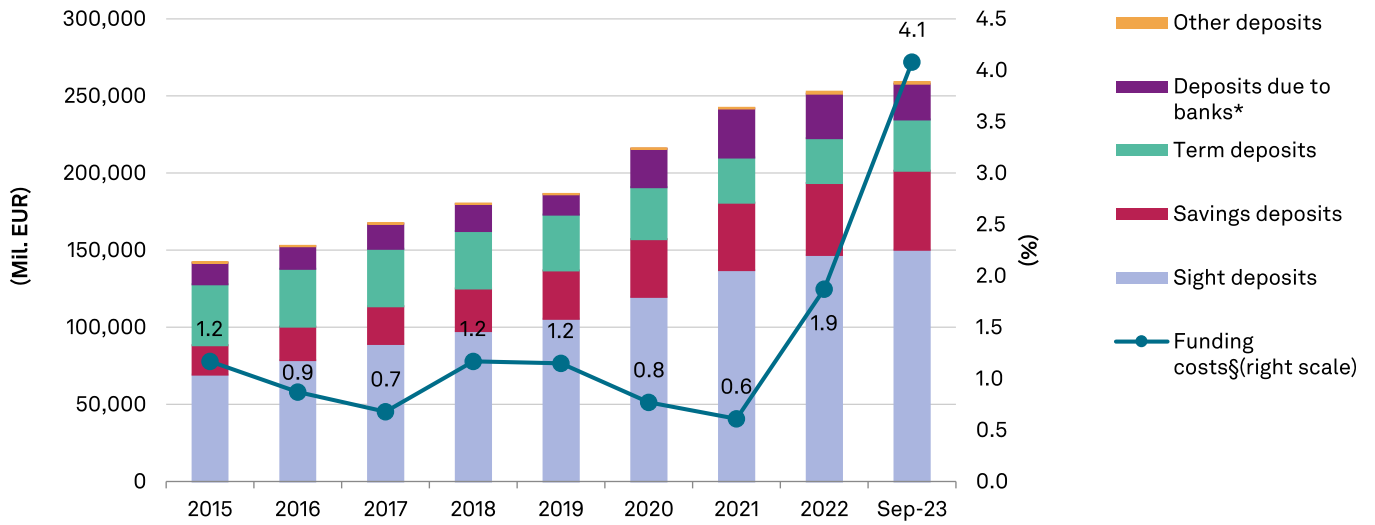


RAC--Risk-adjusted capital. Peers include banks with SACP in countries with similar economic and industry risk (BICRA Groups 2-4). Source: S&P Global Ratings.  
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**Chart 4**

**Erste's funding costs have increased because of higher interest rates for depositors**

Composition of customer deposits and total funding costs between 2015 and Sept-2023



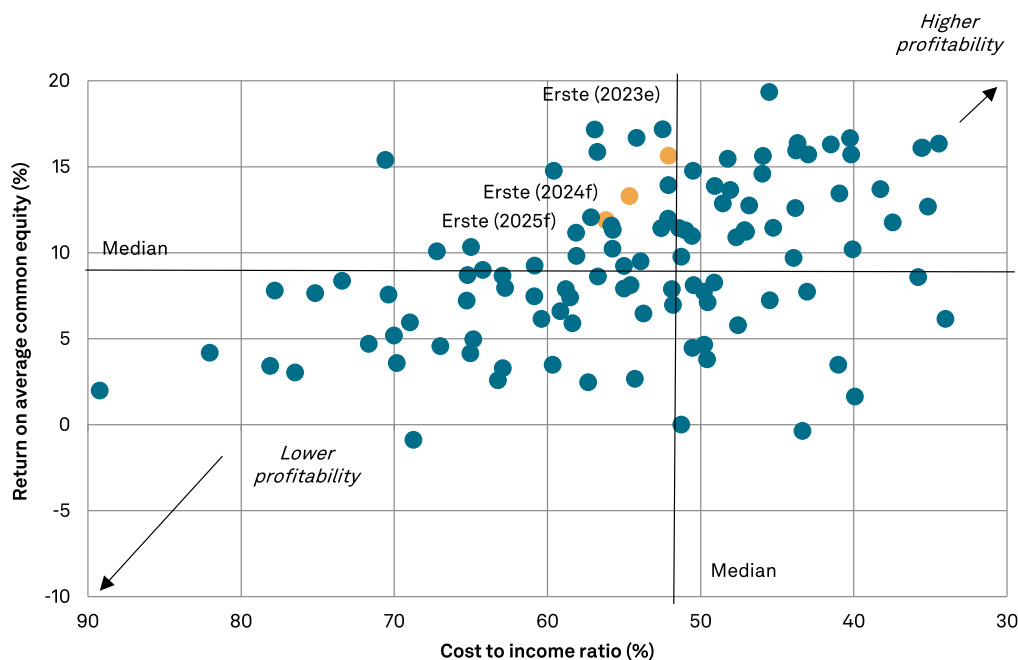
\*Includes repurchase agreements with banks. §Calculated as Interest expense as % of average funding base.

Source: S&P Global Ratings

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**Chart 5****Erste's profitability is stronger than the median of European banks**

Estimated 2023 cost-to-income ratio and return on average common equity for European peers



e-- Estimate, f--Forecast. Peers include banks with SACP in countries with similar economic and industry risk (BICRA Groups 2-4). Source: S&P Global Ratings.  
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## Risk Position: Manageable Impact On Asset Quality From Economic Headwinds 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 economic risks (such as Belgium, Finland, and Sweden).

The bank 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 19% of the total portfolio on Sept. 30, 2023 (see chart 6). We understand that both are mainly income-producing real estate properties (more than 80%) with a solid average loan-to-value ratio (about 52% retail, 55% office properties) and a diversified client base mainly in Austria and Czechia. Exposures to riskier real estate development loans were at 4% of corporate exposures, which is comparable to other European banks.

The group has sound asset quality thanks to its granular and well diversified retail and SME portfolio, with prudent coverage of NPAs relative to European peers (chart 7). Erste has minor single-name and sector concentrations with the top 20 loan exposures making 5% of total loans as of Dec-2022 (0.5x of TAC), a relatively low ratio compared to other banks. Its diversity of loan book by geographies and sectors is also demonstrated by its RAC ratio after diversification

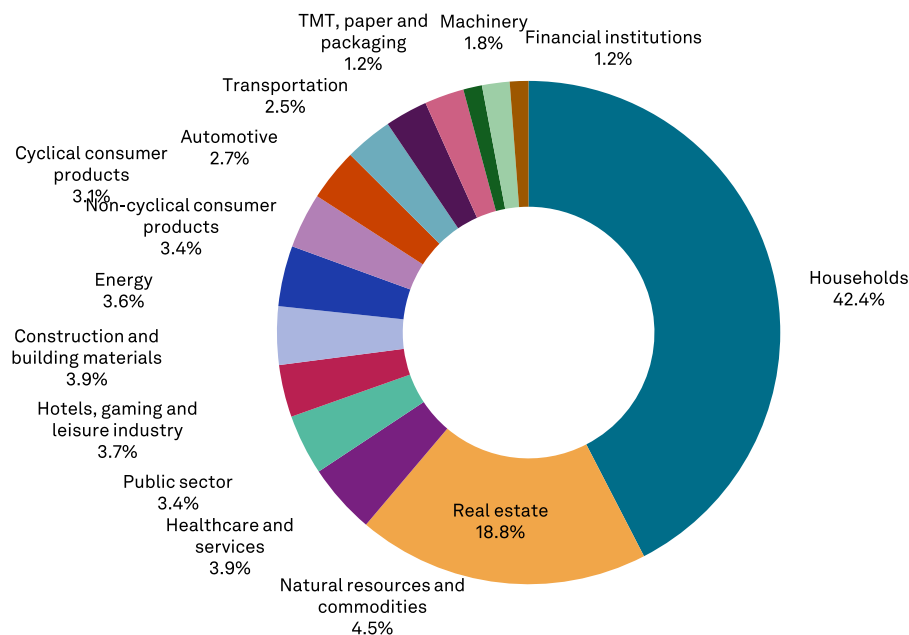
adjustments (9.9% at Dec. 31, 2022), which is higher than its standard RAC ratio of 9.4%--this is unusual and reflects the diversification and correlation strengths of the bank. Nonfinancial risks, like money laundering, sanctions, and cyber risks, are adequately covered by headcounts and tools used in the risk and compliance department, in our view.

We expect Erste's nonperforming assets (NPAs) to remain stable while cost of risk will increase moderately in 2024 (chart 8). Our measure of gross NPAs reached 2.2% of the group's gross customer loans as of Sept. 30, 2023. Cost of risk was still well below standard risk costs, at 8 bps. While we believe that economic recovery in its core markets will be positive for NPAs and risk costs, higher interest rates and tighter financial conditions might be pressure points for vulnerable clients in more cyclical business segments like construction and building, consumer products, and transportation.

**Chart 6**

**Erste has a diversified loan book by sectors and customers**

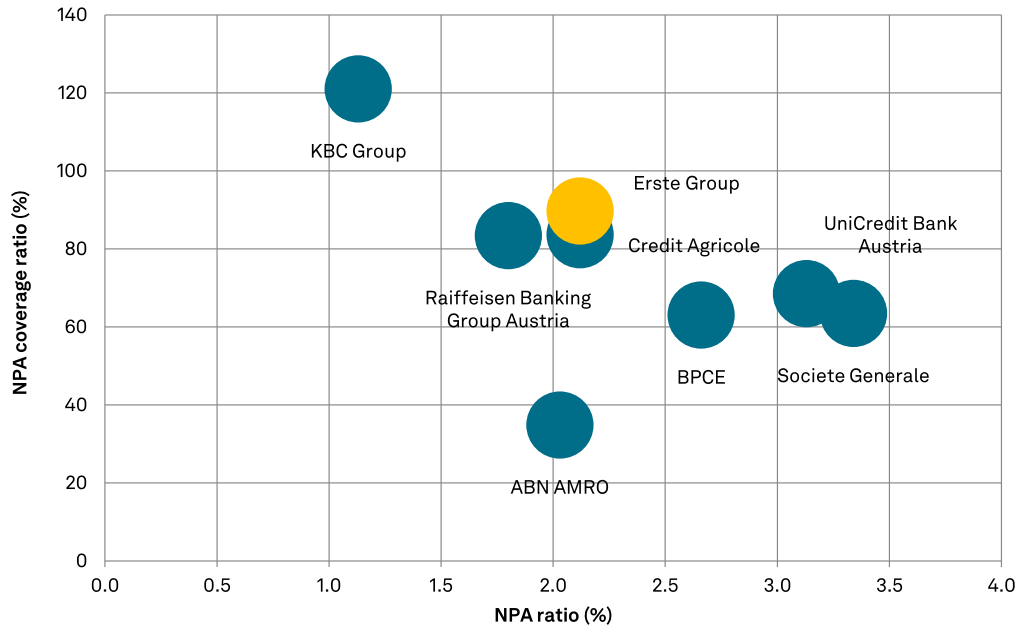
Erste's exposures as of Q3-2023 by customer groups



Source: S&P Global Ratings. Note: Exposures defined as gross customer loans.  
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**Erste's asset quality indicators are comparable to its European peers**

Nonperforming asset (NPA) and NPA coverage ratio as of June 30-2023



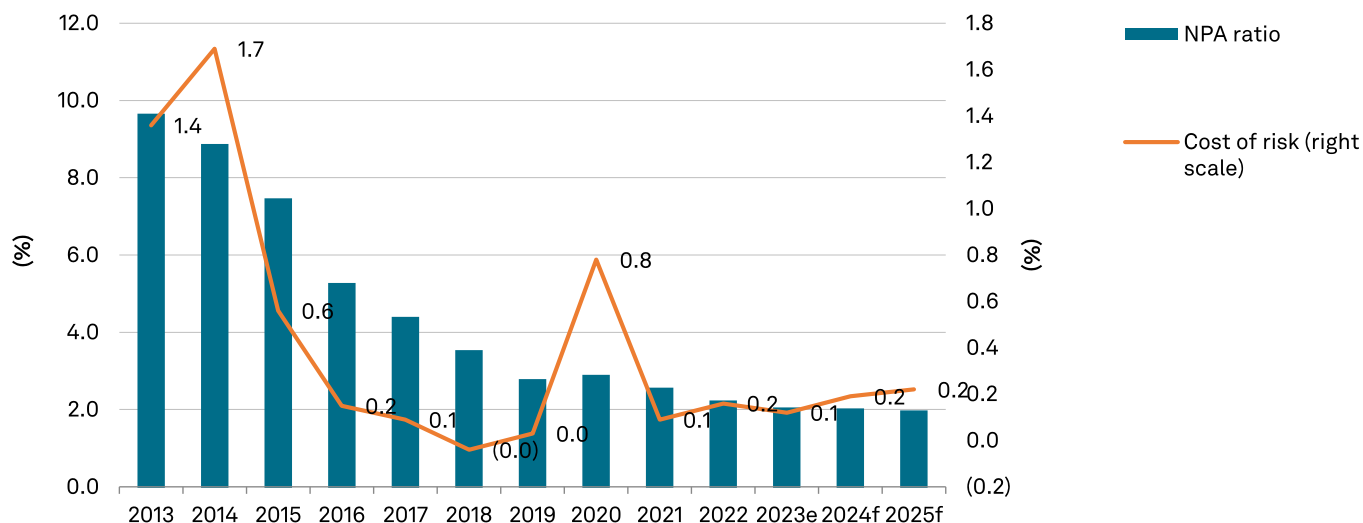
Data as of June-2023. NPA ratio -- Gross nonperforming assets/customer loans + OREO. Coverage ratio -- Loan loss reserves/gross non performing assets. Source: S&P Global Ratings.

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Chart 8

**We expect Erste's cost of risk will increase slightly in the next 12-24 months**

NPA ratio and cost of risk between 2013 and 2025f



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

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

We anticipate that Erste's funding and liquidity profile, which is stronger than many of its peers in Europe (chart 9), will remain a rating strength. This reflects the stability of the group's well-managed large and diversified 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 expect the group's large retail branch network in Austria and CEE, along with its strong franchise with domestic corporate clients, will continue to provide it with a stable and granular core deposit base (77% of the funding base at Sept. 30, 2023), and 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 (chart 10). At the same time, our stable funding ratio for Erste reached 130% (comfortably above the 100%-115% range that we see for most European peers), supporting our view of the bank's funding strength.

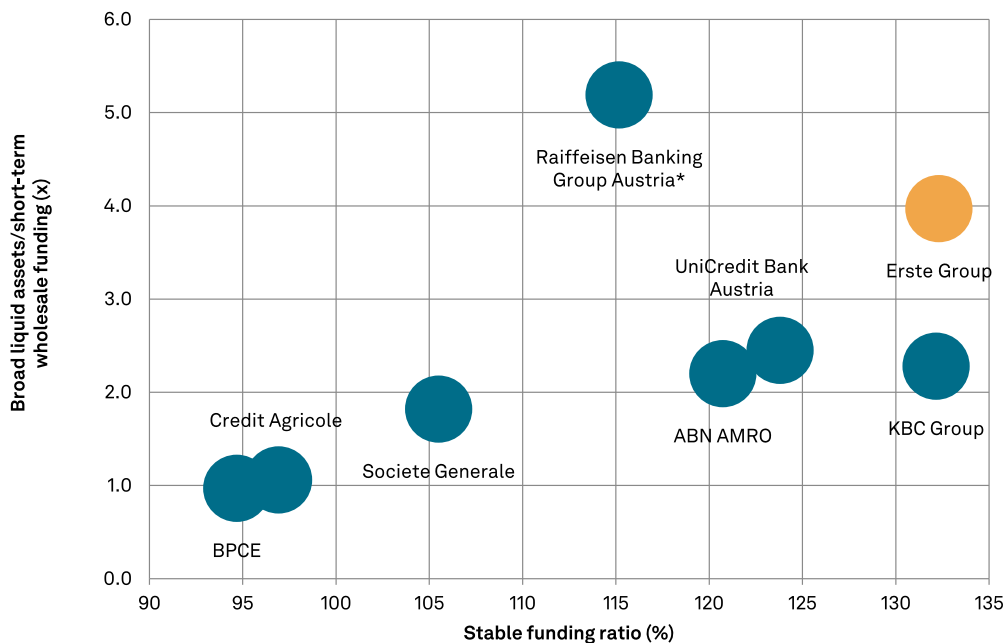
We expect Erste's liquidity position to remain strong, reflecting prudent liquidity management and high liquidity reserves. Short-term wholesale funding by broad liquid assets (BLAST) coverage has remained a high 4.2x as of Sept. 30, 2023. Our BLAST multiples at the group level and main subsidiaries are stronger than the 1x-2x average at an

overwhelming majority of domestic and large European peers. As part of its risk management, Erste employs 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, which compares well compared to many peers, in our view.

The group benefits from the mutual support mechanism between Austrian savings banks and Erste. Thanks to the joint liability and the institutional protection scheme, which is binding and recognized by European law, its franchise benefits from an additional layer of client trust. The joint liability scheme between Austrian member banks protects customer deposits beyond the statutory deposit insurance in the country. What's more, the scheme comes with an early warning system to monitor risks at member banks and to impose remedial actions at individual institutions, if needed. We believe that this collective support mechanism across members of Erste Group in Austria continues to provide funding stability.

**Erste has a stronger funding and liquidity profile than most of its peers'**

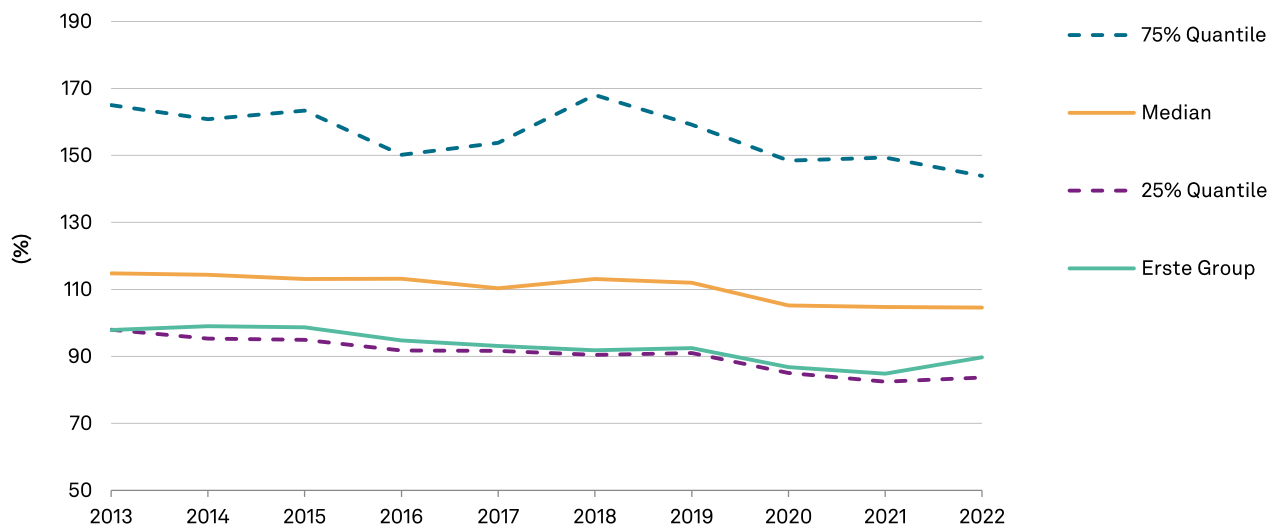
Selected funding and liquidity ratios as of June-2023



Data as of June-2023. \*Data for Raiffeisen Banking Group Austria as of Dec-2022. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

**Chart 10****Erste's loan-to-deposit-ratio is among the lowest compared to peer banks'**

Customer loans (net)/customer deposits (%) for European peers between 2013 - 2022



Peers include banks with SACP in countries with similar economic and industry risk (BICRA Groups 2-4). Source: S&P Global Ratings.

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## Support: Well-Defined MPE Resolution Framework And Sufficiently High ALAC Buffers

We project that the Austrian subgroup's ALAC over S&P Global Ratings' RWAs will move close to 5.0% by 2026 (chart 12). Based on year-end 2022 data, the ALAC ratio was 4.6%. 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.

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 (chart 11). We understand that this is in full agreement with the Single Resolution Board (SRB) and local regulators in CEE.

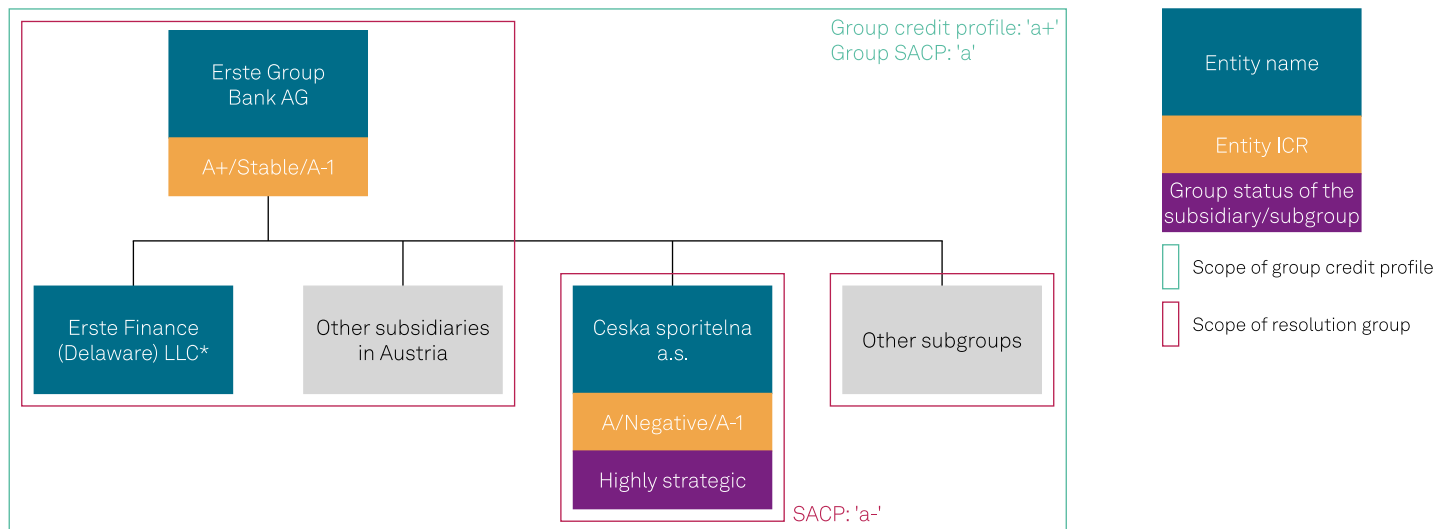
Erste has built a sound ALAC buffer and we expect this to hold. We include all of the Austrian subgroup's Tier 2 and senior nonpreferred instruments in our ALAC measure because, over our projection period, we believe they have capacity to absorb losses without triggering a default on senior obligations. 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.

**Chart 11**

**Our analytical approach for Erste Group Bank and its rated subsidiaries**

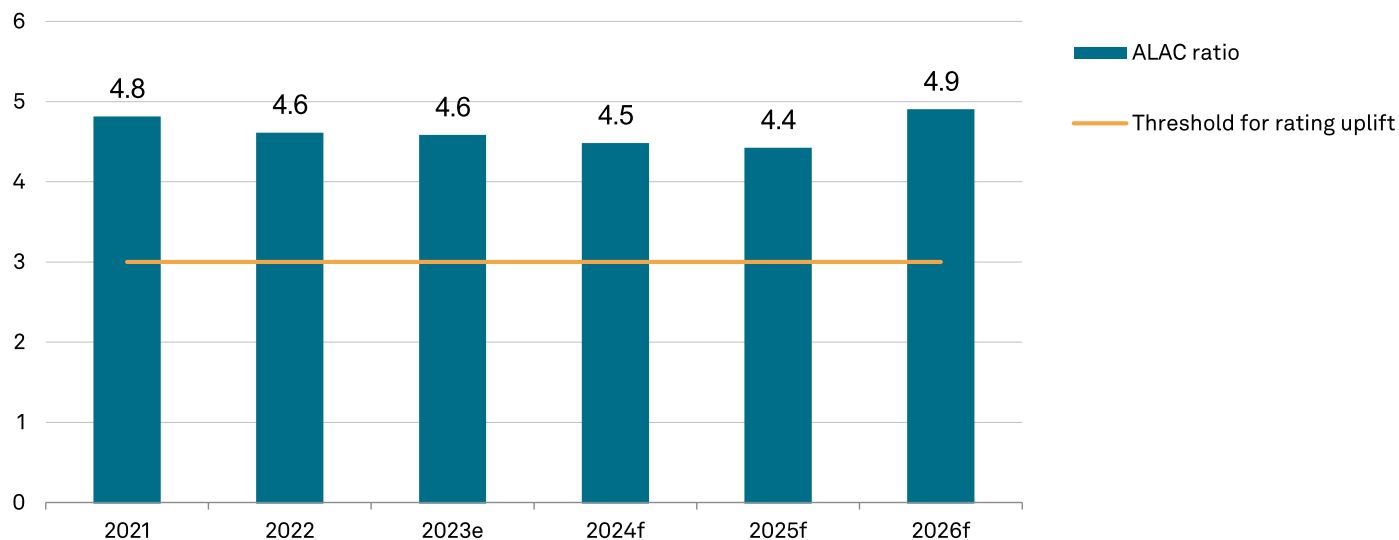


Notes:

- 1) Erste's multiple point of entry strategy sees the group split into six resolution subgroups - one in Austria and the others for its major markets in Central and Eastern Europe, notably Czechia.
  - 2) The Austrian subgroup comprises about 40%-45% of consolidated group RWAs.
  - 3) We take a bottom-up approach to calculating Erste's ALAC, basing it on our estimate of the parental subgroup's S&P Global Ratings RWAs.
  - 4) Erste currently has one ALAC notch in the GCP, and so its ICR.
  - 5) Our ICR on Ceska does not benefit from extraordinary group support due to its group status with Erste Group.
  - 6) Ceska has built up material amounts of subordinated minimum requirement for own funds and eligible liabilities buffers since 2021. We currently assign one ALAC notch in its ICR.
- \*Entity has no ICR. It issues debt, guaranteed by its parent.  
 ALAC--Additional loss-absorbing capacity. ICR--Issuer credit rating. RWA--Risk-weighted asset. SACP--Stand-alone credit profile. Source: S&P Global Ratings.  
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**Chart 12**

**We expect Erste's ALAC ratio will remain well above the relevant 3% threshold**  
ALAC-eligible debt-to-S&P Global Rating's RWAs (%)



Calculation only considers Erste's Austrian Resolution Group, the entry-point of the legal entity in Austria.

RWA--Risk-weighted assets. e--Estimate. f--Forecast. Source: S&P Global Ratings.

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## Environmental, Social, And Governance

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-related 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 governance tail-risks related to its business activities in higher-risk CEE countries, 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 minimal and the bank aims to reduce it to zero by 2030. The bank has communicated ambitious targets to transition into a greener bank.

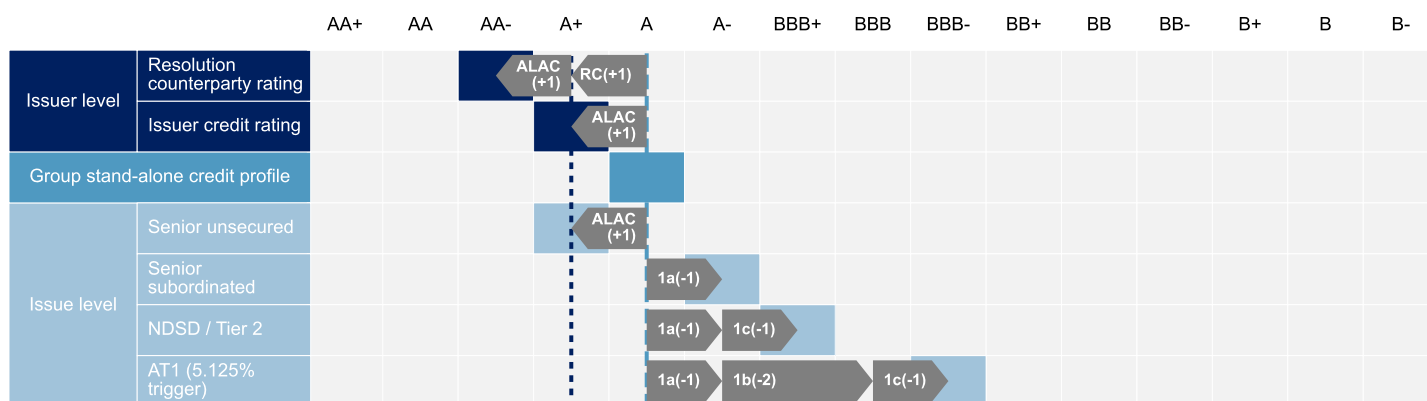
## Resolution Counterparty Ratings (RCRs)

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+'. 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.

## Hybrids

### Erste Group Bank AG: Notching



#### Key to notching

- Group stand-alone credit profile
- Issuer credit rating
- ALAC Additional loss-absorbing capacity buffer
- 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. NDS--Non-deferrable subordinated debt.

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## Key Statistics

Table 1

Erste Group Bank AG--Key figures					
--Year-ended Dec. 31--					
(Mil. €)	2023*	2022	2021	2020	2019
Adjusted assets	335,848	322,518	306,066	276,035	244,325
Customer loans (gross)	207,684	203,621	181,967	168,648	161,965
Adjusted common equity	22,850	21,147	19,298	17,597	17,037
Operating revenues	7,849	8,519	7,735	7,162	7,280
Noninterest expenses	3,854	4,786	4,544	4,381	4,262
Core earnings	3,172	2,840	2,489	1,114	2,494

\*Data as of Sept. 30.

Table 2

Erste Group Bank AG--Business position					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Loan market share in country of domicile	21.4	20.1	20.8	20.8	20.8
Deposit market share in country of domicile	24.2	23.9	23.2	20.6	20.6
Total revenues from business line (currency in millions)	7,849.2	8,518.6	7,734.5	7,161.9	7,280.3
Commercial banking/total revenues from business line	24.8	25.6	22.4	21.8	22.0
Retail banking/total revenues from business line	46.9	47.2	44.4	45.4	48.5
Commercial and retail banking/total revenues from business line	71.7	72.8	66.8	67.2	70.5
Trading and sales income/total revenues from business line	8.2	9.9	7.8	7.4	7.4
Other revenues/total revenues from business line	20.1	17.3	25.4	25.4	22.1
Investment banking/total revenues from business line	8.2	9.9	7.8	7.4	7.4
Return on average common equity	17.2	13.2	12.7	5.5	10.7

\*Data as of Sept. 30.

Table 3

Erste Group Bank AG--Capital and earnings					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Tier 1 capital ratio	16.1	15.8	16.2	16.5	15.0
S&P Global Ratings' RAC ratio before diversification	N/A	9.4	9.8	10.2	9.8
S&P Global Ratings' RAC ratio after diversification	N/A	9.9	10.5	11.0	10.5
Adjusted common equity/total adjusted capital	90.5	90.4	89.6	86.6	92.0
Net interest income/operating revenues	69.1	69.9	64.3	66.7	65.2
Fee income/operating revenues	24.7	28.8	29.8	27.6	27.5
Market-sensitive income/operating revenues	4.0	(1.1)	2.9	2.9	4.8
Cost to income ratio	49.1	56.2	58.7	61.2	58.5
Provision operating income/average assets	1.6	1.2	1.1	1.1	1.3
Core earnings/average managed assets	1.3	0.9	0.9	0.4	1.0

\*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 (%)
<b>Credit risk</b>					
Government and central banks	85,472,434,457	3,175,462,432	4	12,293,618,340	14
Of which regional governments and local authorities	5,774,573,827	434,872,651	8	1,147,984,326	20
Institutions and CCPs	17,777,792,728	3,528,015,587	20	3,558,174,966	20
Corporate	149,001,615,879	74,139,786,447	50	125,084,965,468	84
Retail	112,466,948,289	26,944,205,430	24	61,896,826,443	55

Table 4

Erste Group Bank AG--Risk-adjusted capital framework data (cont.)					
Of which mortgage	64,105,067,186	10,315,119,774	16	20,646,634,468	32
Securitization§	1,088,814,794	159,584,355	15	599,661,744	55
Other assets†	6,384,910,122	5,857,637,302	92	8,674,015,550	136
Total credit risk	372,192,516,269	113,804,691,553	31	212,107,262,512	57
<b>Credit valuation adjustment</b>					
Total credit valuation adjustment	--	418,377,232	--	0	--
<b>Market risk</b>					
Equity in the banking book	1,088,648,556	2,728,719,851	251	8,322,908,400	765
Trading book market risk	--	7,027,252,817	--	11,604,995,064	--
Total market risk	--	9,755,972,667	--	19,927,903,464	--
<b>Operational risk</b>					
Total operational risk	--	14,831,366,455	--	16,840,892,987	--
	<b>Exposure</b>	<b>Basel III RWA</b>	<b>Average Basel II RW (%)</b>	<b>S&amp;P Global Ratings RWA</b>	<b>% of S&amp;P Global Ratings RWA</b>
<b>Diversification adjustments</b>					
RWA before diversification	--	141,792,995,407	--	248,876,058,962	100
Total diversification/ Concentration adjustments	--	--	--	(13,307,873,508)	(5)
RWA after diversification	--	141,792,995,407	--	235,568,185,455	95
		<b>Tier 1 capital</b>	<b>Tier 1 ratio (%)</b>	<b>Total adjusted capital</b>	<b>S&amp;P Global Ratings RAC ratio (%)</b>
<b>Capital ratio</b>					
Capital ratio before adjustments		22,683,917,344	16.0	23,383,580,000	9.4
Capital ratio after adjustments‡		22,683,917,344	16.0	23,383,580,000	9.9

\*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, 2022, S&P Global Ratings.

Table 5

Erste Group Bank AG--Risk position	--Year-ended Dec. 31--					
	(%)	2023*	2022	2021	2020	2019
Growth in customer loans		2.7	11.9	7.9	4.1	6.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification		N/A	(5.3)	(6.2)	(7.0)	(6.8)
Total managed assets/adjusted common equity (x)		14.8	15.3	15.9	15.8	14.4
New loan loss provisions/average customer loans		0.1	0.2	0.1	0.8	0.0
Net charge-offs/average customer loans		(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Gross nonperforming assets/customer loans + other real estate owned		2.2	2.2	2.5	2.9	2.8

**Table 5**

<b>Erste Group Bank AG--Risk position (cont.)</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2023*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Loan loss reserves/gross nonperforming assets	89.4	86.9	83.2	81.4	69.5

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

**Table 6**

<b>Erste Group Bank AG--Funding and liquidity</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2023*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Core deposits/funding base	77.2	76.8	76.1	76.6	78.9
Customer loans (net)/customer deposits	87.6	89.7	84.9	86.8	92.5
Long-term funding ratio	92.3	91.8	93.2	95.6	94.4
Stable funding ratio	130.8	128.6	138.9	140.2	125.8
Short-term wholesale funding/funding base	8.4	8.9	7.4	4.8	6.1
Regulatory net stable funding ratio	142.7	139.1	150.2	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	4.2	3.9	5.2	7.7	4.9
Broad liquid assets/total assets	31.6	30.8	34.6	33.2	26.8
Broad liquid assets/customer deposits	45.8	44.8	50.7	48.5	38.3
Net broad liquid assets/short-term customer deposits	41.6	39.9	51.1	51.5	38.7
Regulatory liquidity coverage ratio (LCR) (x)	142.1	138.0	177.3	189.3	N/A
Short-term wholesale funding/total wholesale funding	35.5	37.0	29.8	19.7	28.2

\*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, 201

## Related Research

- CEE Sovereign Outlook 2024: Five Risks To Watch, Dec. 14, 2023
- Credit Conditions Europe Q1 2024: Adapting To New Realities, Nov. 28, 2023
- Central And Eastern Europe Banking 2024: Solid Performance Buffers Mounting Risks, Nov. 21, 2023
- Ceska Sporitelna 'A/A-1' Ratings Affirmed; Outlook Negative; Senior Non-Preferred Ratings Lowered To 'BBB+', Oct. 17, 2023
- Banking Industry Country Risk Assessment: Austria, Aug. 1, 2023

### Ratings Detail (As Of January 9, 2024)\*

#### 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

#### Sovereign Rating

Austria	AA+/Stable/A-1+
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#### Related Entities

##### Erste Group Bank AG (Hong Kong Branch)

Commercial Paper	A-1
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\*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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