



Erste Group Bank AG

Tailored Resolution Plan
Public Section

December 2015



Summary of Resolution Plan

1. Introduction

Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) requires systemically important financial institutions that conduct business in the United States (“U.S.”) to file resolution plans with U.S. regulators. Section 165(d) has been implemented through regulations of the Board of Governors of the Federal Reserve System (“FRB”) and the Federal Deposit Insurance Corporation (“FDIC”) that require a foreign-based covered company to provide detailed information about its entities and activities in the U.S., including the process by which those entities and activities would be resolved in the event of the company’s material distress or failure (“Regulations”).¹

Pursuant to the Regulations, Erste Group Bank AG (“EGB”), as a covered company, is required to develop a resolution plan and has been approved to file a tailored resolution plan (the “Plan”). The following discussion provides interested members of the public with an overview of the key elements of EGB’s Plan.

2. EGB and its U.S. Operations

EGB

Business activities and overall structure of the institution

EGB is a banking group focused on retail and corporate customers in Austria and Central and Eastern Europe (“CEE”). EGB offers its customers a broad range of services that, depending on the particular market, includes deposit and current account products, mortgage and consumer finance, investment and working capital finance, private banking, investment banking, asset management, project finance, international trade finance, trading, leasing and factoring.

EGB is among the leading banking groups in Austria, the Czech Republic, Romania and Slovakia by assets, total loans and total deposits, and has significant operations in Hungary, Croatia and Serbia. It serves approximately 16.2 million customers across Austria and its core CEE markets.

As of December 31, 2014, EGB had EUR 196.3 billion in total assets and EUR 15.8 billion in total capital and generated EUR 3.09 billion in operating result (operating income (the sum of net interest income, net fee and commission income and net trading result) minus general administrative expenses) and recorded a net loss of EUR 1.44 billion for the year attributable to shareholders for the year ended December 31, 2014.

¹ See generally 12 C.F.R. pt. 243.



EGB operates as the parent company and is the sole company of EGB listed on a stock exchange in the European Economic Area (EEA).

EGB consists of Erste Group Bank, together with its subsidiaries and participations, including Česká spořitelna in the Czech Republic, Banca Comercială Română in Romania, Slovenská sporiteľňa in Slovakia, Erste Bank Hungary in Hungary, Erste Bank Croatia in Croatia, Erste Bank Serbia in Serbia and, in Austria, Erste Bank Oesterreich, Salzburger Sparkasse, Tiroler Sparkasse, s-Bausparkasse, other savings banks of the Haftungsverbund, Immorent, and others.

EGB had 46,067 employees (full-time equivalents) worldwide as of December 31, 2014, of which 1,930 were employed by Erste Group Bank.

Business Model

EGB pursues a proven and balanced business model focused on providing banking services on a sustainable basis to private individuals, businesses and the public sector in Austria and the Eastern part of the European Union (“E.U.”), including countries expected to join the European Union.

EGB believes that the sustainability of its business model is further reflected in its ability to fund customer loans almost entirely by customer deposits, with most of the customer deposits being retail deposits. EGB’s loan-to-deposit-ratio (loans and advances to customers as a percentage of customer deposits) amounted to 98.6% (loans and advances to customers of EUR 120.8 billion as a percentage of customer deposits of EUR 122.6 billion) as of December 31, 2014.

U.S. Operations

EGB has no material entities or critical operations located in the U.S.²

EGB’s U.S. operations consist of its federally-licensed New York Branch (“NYB”) and its wholly owned nonbanking subsidiary, Erste Finance (Delaware) LLC (“EFD”). The NYB and EFD are collectively referred to as “U.S. Operations”.

² The Regulations define “critical operations” to mean those operations of a covered company, the failure of which would pose a threat to the financial stability of the United States. The Regulations define “material entity” to mean those operations that are significant to the activities of a critical operation or core business line. Given the size of EGB’s U.S. Operations, and the lack of any major counterparty exposure, it is reasonable to conclude that EGB conducts no critical operations nor has any material entities in the United States.

The NYB engages in wholesale banking via a narrow spectrum of commercial banking and funding activities with wholesale customers as well as EGB and EGB's subsidiaries.

EFD was established for the purpose of issuing commercial paper under section 4(a)(2) of the Securities Act of 1933. EFD provides U.S. Dollar funding to EGB and EGB's subsidiaries through the issuance of short-term commercial paper ("CP") which is guaranteed by EGB.

This Plan focuses primarily on EFD as EGB's sole U.S. nonbanking entity.

3. Core Business Lines

EGB

EGB is engaged in the following core business lines:

Retail & SME

The Retail & SME segment includes business with all retail customers and small and medium enterprises ("SME"). It is subdivided into the sub-segments focusing on EGB's local customer business and encompasses Austria and CEE as regions.

Group Corporates & Markets

The Group Corporates & Markets segment is further divided into the following three sub-segments:

1. **Group Corporates**, which focuses on serving large multinational customers with headquarters in CEE as well as Germany, Poland and Spain and which are active across the region. It also has a steering role for the domestic Local Corporate business. The New York and London branches report to Group Corporates.
2. **Group Commercial Real Estate**, which focuses on financing the development and modernization of the commercial and residential infrastructure of the core region. Financing products are also offered to the clients of other Group segments. Further included in this segment is the leasing subsidiary, Erste Group Immorent.
3. **Group Markets**, which is responsible for capital market products for retail, corporate and instructional customers. This segment is structured into three sales units and two product units and also integrates Equity Brokerage and Sales, Equity Capital Markets, subsidiaries and the Hong Kong Branch.

Group Markets will focus on developing the financial institutions segment as well as further strengthening the servicing of retail and corporate clients. Group Markets is also the internal trading unit for all standard treasury products, such as foreign exchanges, commodities and money market transactions, and capital market products, such as bonds, interest rate derivatives, and credit and equity products.

Please see the following link for financial information on EGB:

<http://www.erstegroup.com/en/Press/ErsteGroup-at-a-glance/Figures>

U.S. Core Business Lines

EGB's Group Corporates and Group Markets Division have extended authorization for the U.S. Operations to engage in revenue-generating activity via two business lines: lending and funding activities. Group Markets oversees treasury and funding business via its Group Money Markets Trading Department, while Group Corporates oversees the lending business.

Group Corporates

Commercial lending activities are conducted by the NYB and primarily include syndicated lending to U.S. borrowers and management of a portfolio of collateralized loan obligation securities. EFD does not engage in commercial lending.

Group Money Market Trading - Group Markets

Funding activities within the NYB are comprised of liquidity and interest rate risk management with funding sourced from wholesale liquidity providers. The NYB also maintains an account with the Federal Reserve Bank of New York ("FRBNY") which permits it to borrow U.S. dollar funding against pledged collateral. The NYB is also permitted to deposit excess reserves at the FRBNY to earn the prevailing interest rate on excess reserves. Funding is also sourced through the issuance of CP through EFD, which is managed by NYB personnel. The Funding Desk also manages a portfolio of highly rated floating rate securities consisting of Small Business Administration certificates, collateralized mortgage obligations and asset backed securities collateralized with student loans.

4. Summary of Assets, Liabilities, Capital and Major Funding Sources

For information regarding about EGB's assets, liabilities, capital and major funding sources, please refer to EGB's Investor Relations Website at:

<http://www.erstegroup.com/en/Investors>.

5. Derivatives and Hedging Activities

Neither the NYB nor EFD engages in derivative or hedging activities.

6. Financial Market Utilities

EGB relies on the services of Financial Market Utilities (“FMU”) in the execution of activities within its U.S. and Foreign Operations. (SWIFT is the only FMU that the NYB is a member of; EGB is not a member of any U.S. FMU.)

7. Foreign Operations

In addition to its U.S. Operations, EGB maintains commercial and retail operations in several E.U. countries. EGB also maintains branches in London and Hong Kong which engage in wholesale banking activities. For additional information about non-U.S. Operations, please refer to EGB’s annual report available at:

<http://www.erstegroup.com/en/Investors/Reports>.

8. Material Supervisory Authorities

EGB is supervised by the European Central Bank. The NYB is supervised by the Office of the Comptroller of the Currency (“OCC”) and the FRBNY. EFD is not registered as an entity subject to direct supervision by any U.S. federal or state regulator but is subject to supervision and regulations as part of EGB’s U.S. Operations by the FRB.

9. Executives and Management

The U.S. Operations are run according to the policies and procedures approved by EGB’s Managing Board.

The Managing Board of EGB may be found at the following link:

<http://www.erstegroup.com/en/Press/ErsteGroup-at-a-glance/Management>

10. Resolution Summary

In the event of material distress or failure of the U.S. Operations and/or EGB, the U.S. Operations would be resolved according to the Plan.



Namely, the OCC would take possession of assets of the NYB in accordance with U.S. law and would then either commence with the liquidation proceeding or appoint a receiver.

EFD would be dissolved under Delaware law or in an orderly liquidation under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").