

Erste Group Bank AG
Tailored Resolution Plan
Public Section
December 2013

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 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 United States, 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

Erste Group is a banking group focused on retail and corporate customers in Austria and Central and Eastern Europe (“CEE”). Erste Group 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.

Erste Group 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 16.6 million customers across Austria and its core CEE markets.

As of December 31, 2012, Erste Group had EUR 213.8 billion in total assets and EUR 16.3 billion in total equity and generated EUR 3.47 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 EUR 483.5 million in net profit for the year attributable to shareholders for the year ended December 31, 2012.

¹ See generally 12 C.F.R. pt. 243.

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

“Erste Group” 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.

Erste Group had 49,381 employees (full-time equivalents) worldwide as of December 31, 2012, of which 1,476 were employed by Erste Group Bank.

Business Model

Erste Group 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, including countries expected to join the European Union.

Erste Group 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. Erste Group’s loan-to-deposit-ratio (loans and advances to customers as a percentage of customer deposits) amounted to 107.2% (loans and advances to customers of EUR 131.9 million as a percentage of customer deposits of EUR 123.1 million) as of December 31, 2012.

U.S. Operations

EGB has no material entities or critical operations located in the United States.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 and treasury banking activities with wholesale customers as well as EGB and EGB's subsidiaries.

Erste Finance (Delaware) LLC was established for the purpose of issuing commercial paper under section 4(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 Erste Group's local customer business and encompasses Austria and CEE as regions.

Group Corporate & Investment Banking

The Group Corporate and Investment Banking ("GCIB") segment includes the large corporate business, the real estate business of Erste Group with large corporate customers, equity capital markets (from the second quarter of 2012) as well as the investment banking subsidiaries in Central and Eastern Europe and the International Business (excluding treasury activities). The leasing subsidiary, Erste Group Immorent, is also included in this segment. GCIB offers a wide range of services, including debt financing, equity capital markets, merger and acquisition financing and advisory services, debt advisory, infrastructure finance, project finance, syndication, real estate development, lending and leasing and transaction banking.

The International Business of GCIB is designed as the opportunistic portfolio that covers lending and investment activities outside of Erste Group's core markets and is responsible for business development with banks and non-bank financial institutions. In accordance with Erste Group's strategic objective to discontinue non-core activities, the International Business portfolio will continue to be reduced over time.

Group Markets

The Group Markets (“GM”) segment comprises the Group Treasury and Group Capital Markets businesses and includes the treasury activities of Erste Group Bank, the CEE subsidiaries, the foreign branch offices in Hong Kong, New York, Berlin and Stuttgart as well as the result of Erste Asset Management. Group Capital Markets has a focus on key markets of Erste Group’s retail and corporate business.

In the case of institutional clients, Group Capital Markets covers the full customer relationship and all interactions with the clients. Institutional sales teams have been established in Germany, Poland and the United Kingdom. In addition, Group Capital Markets is the internal trading unit for all standard treasury products, such as foreign exchange, commodity 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 Corporate & Investment Banking and Group Markets Divisions have extended authorization for its U.S. Operations to engage in revenue-generating activity via two business lines: lending and treasury. Within this division, the Steering and Operating Office Corporates supervises lending business via its International Business Department. Group Capital Markets oversees treasury business via its Group Money Markets and Government Bonds Department.

International Business - Steering and Operating Office 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 Markets and Government Bonds Department - Group Capital Markets

Treasury 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 on excess reserves. Funding is also sourced through the issuance of CP through EFD, which is managed by NYB personnel.

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

While the NYB may execute and book derivative transactions subject to internal policies, such transactions are not a significant part of the NYB business. EFD does not engage 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's.]

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 Austrian Financial Market Authority ("FMA"). 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”).