



## **Erste Group Bank AG**

Resolution Plan

Reduced Plan

Public Section

December 2016

## Resolution Plan (Reduced 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”).

Pursuant to the Regulations, Erste Group Bank AG (“EGB”), as a Covered Company, filed a Tailored Resolution Plan with the FRB and FDIC in December of 2015. Subsequent to the review by the FRB and FDIC of EGB’s Tailored Resolution Plan, the FRB and the FDIC, in their letter dated June 10, 2016, informed EGB that they have jointly determined to reduce the informational content that EGB will be required to provide in its resolution plan submissions due by December 31, 2016, 2017 and 2018 (“Reduced Plans”), subject to “Conditions for Reduced Plans”.

Subject to the Conditions for Reduced Plans, EGB’s Reduced Plan that must be submitted by December 31, 2016 is required to contain only information concerning the following three issues:

- (1) Material changes, if any, the Covered Company has made to its resolution plan, including changes resulting from the material events specified in 3(b)(2);
- (2) Any actions taken by the Covered Company since its prior resolution plan to improve the effectiveness of its resolution plan; and
- (3) If applicable, the Covered Company’s strategy for ensuring that any insured depository institution subsidiary will be adequately protected from the risks arising from the Activities of any nonbank subsidiaries of the Covered Company (other than those that are subsidiaries of an insured depository institution).

### 2. EGB’s 2016 Reduced Plan Informational Content Requirements

- (1) Material changes, if any, the Covered Company has made to its resolution plan, including changes resulting from the material events specified in 3(b)(2):

**No responsive information due to the fact that it has not been necessary for EGB to make material changes to its December 2015 Tailored Resolution Plan.**

- (2) Any actions taken by the Covered Company since its prior resolution plan to improve the effectiveness of its resolution plan:

**No responsive information due to the belief by EGB that EGB has already taken adequate steps for the European Resolution Authorities to draw up an effective resolution plan.**

Note: as detailed below under the applicable laws in the European Union, the resolution authority is drawing up a resolution plan for credit institutions in its remit. Resolution authorities may require institutions to assist them in the drawing up and updating of the plans. EGB has responded to all respective requests addressed to it by resolution authorities.

- (3) If applicable, the Covered Company's strategy for ensuring that any insured depository institution subsidiary will be adequately protected from the risks arising from the Activities of any nonbank subsidiaries of the Covered Company (other than those that are subsidiaries of an insured depository institution).

**No responsive information due to the fact that EGB does not maintain an insured depository institution in the U.S.**

## **Business of EGB (Public Section)**

### **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 15.8 million customers across Austria and its core CEE markets.

As of December 31, 2015, EGB had EUR 199.7 billion in total assets and EUR 17.3 billion in total capital and generated EUR 2.9 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 profit of EUR 968.2 million for the year attributable to shareholders for the year ended December 31, 2015.

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 46,467 employees (full-time equivalents) worldwide as of December 31, 2015.

## **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 98.4% (loans and advances to customers of EUR 125.9 billion as a percentage of customer deposits of EUR 127.9 billion) as of December 31, 2015.

### *U.S. Operations*

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

EGB’s U.S. operations consist of its New York Branch (“NYB”), a federally-licensed branch of a foreign bank supervised by the Office of the Comptroller of the Currency (“OCC”), and its wholly owned nonbanking subsidiary, Erste Finance (Delaware) LLC (“EFD”). NYB and EFD are collectively referred to as “U.S. Operations.” As of December 31, 2015, EGB had consolidated assets of \$199.7 billion, of which \$2.0 billion were in NYB and \$63.2 million were in EFD. The U.S. Operations’ assets were approximately 1% of EGB’s consolidated assets.

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.

## **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 exchange, 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 the 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. Corporate Governance and Processes related to Resolution Planning**

In response to the initiative from the G20 and EU level to foster crisis prevention and establish recovery and resolution plans for systemically important financial institutions, the FMA and Austrian National Bank (“OeNB”) issued supervisory guidance requiring recovery plans from systemically important Austrian banks in 2012 which were further detailed during 2013. In January 2013, the European Banking Authority (“EBA”) identified EGB as one of 39 European cross-border institutions that had to submit recovery plans to their local regulators by end 2013.

In addition, the Austrian bank intervention and restructuring law in force in 2014 set out requirements for recovery and resolution planning for Austrian Banks, including EGB, defining the requirements to develop recovery and resolution plans for the parent institutions, the banking group and significant subsidiaries until July 2014 (for recovery plans) and year end 2014 (for resolution plans).

In order to comply with these regulatory and legal requirements, in 2013 EGB established the “Group Crisis Management Office” which is responsible for developing and coordinating the group wide roll out of recovery and resolution plans. EGB has filed a first Group Resolution Plan with the FMA in December 2014. FMA acting as Austrian resolution authority has acknowledged the first Group Resolution Plan submitted in December 2014.

As of January 1, 2015 the Austrian Banking Recovery and Resolution Law (“BaSAG”) has entered into force transposing the EU Bank Recovery and Restructuring Directive (“BRRD”) and replacing the earlier Austrian bank intervention and restructuring law. Under BaSAG, the resolution authority shall draw up a resolution plan providing for the resolution actions which the resolution authority may take where the institution meets the conditions for resolution. The resolution authority may require EGB to assist it in the drawing up and updating of the plans. A dedicated unit within FMA has been designated as the Austrian resolution authority.

Ultimate decision power in resolution matters for EGB resides with the Single Resolution Board (SRB). Under the EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation), centralized power of resolution for banks directly supervised by the ECB has been entrusted to the SRB. EGB collaborates with the resolution authorities SRB and FMA for the purpose of drawing up of resolution plans and EGB has responded to all respective requests addressed to it. In the latest meeting of EGB with representatives of the SRB and FMA on November 28, 2016, the representatives of the SRB have indicated that elements of the Group Resolution Plan will be shared with EGB in January 2017.

## 11. Material Management Information Systems

The U.S. Operations rely upon the following key EGB Applications/Systems:

<b>MIS</b>	<b>PURPOSE</b>	<b>MAINTENANCE</b>	<b>OWNERSHIP</b>
RICOS Limit Check	Application to check limits and produce reports from limit checking system.	System housed and maintained in Head Office.	EGB
Kondor+	Funding Desk position keeping system.	System housed and maintained in Head Office.	EGB from Misys

Midas	General Ledger.	System housed in the U.S.; global contract managed in Head Office.	EGB from Misys
SWIFT	Payments system.	System housed and maintained in Head Office.	EGB from SWIFT
BONY/ BofA Clearing Platforms	Payments system.	Local from Vendor.	Leased
Email	Email.	System housed and maintained in Head Office.	EGB from sIT Solutions

A mapping of the key management information systems and applications to the material entities, critical operations and core business lines of the Covered Company that use or rely on such systems and applications;

<b>Application</b>	<b>NYB</b>	<b>EFD</b>
RICOS Limit Check	x	
Kondor	x	x
Midas	x	x
SWIFT	x	x
BONY/BofA/ Clearing Platforms	x	x
Email	x	x