# Erste Group Bank AG

*(Incorporated as a stock corporation in the Republic of Austria under registered number FN 33209 m)*

# Asset Linked Notes Programme

Under this Programme (the "**Programme**"), Erste Group Bank AG (the "**Issuer**" or "**Erste Group Bank"**) may, subject to compliance with all relevant laws, regulations and directives, from time to time issue asset linked notes with a denomination as specified in the relevant Final Terms (as defined herein) of at least EUR 100,000 (or its foreign currency equivalent), in the English language under Austrian law (the "**Notes**").

This Prospectus (the "**Prospectus**") has been drawn up in accordance with Annexes XI and XII of the Prospectus Regulation and has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*, the "**FMA**") in its capacity as competent authority under the Austrian Capital Market Act (*Kapitalmarktgesetz*) (the "**KMG**") for approval of this Prospectus. **The accuracy of the information contained in this Prospectus does not fall within the scope of examination by the FMA under applicable Austrian law and the Prospectus Directive 2003/71/EC, as amended. The FMA examines the Prospectus only in respect of its completeness, coherence and comprehensibility pursuant to section 8a of the KMG.**

Application may be made for the Programme and/or the Notes to be admitted to the "*Amtlicher Handel*" (Official Market) and the "*Geregelter Freiverkehr*" (Second Regulated Market) (together, the "**Markets**") of the Wiener Börse (the "**Vienna Stock Exchange**"). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the Markets each of which is a regulated market for the purposes of the Directive 2004/39/EC on markets in financial instruments, as amended ("**MiFID**"). Unlisted Notes may be issued pursuant to this Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be admitted to trading on the Markets (or any other market and/or stock exchange).

Each series (a "**Series**") and, if applicable, each tranche (a "**Tranche**") of Notes will be represented by a global note in bearer form (each a "**Global Note**"). Global Notes may (or in the case of Notes listed on the Vienna Stock Exchange will) be deposited on the issue date with a common depository with or on behalf of Oesterreichische Kontrollbank Aktiengesellschaft, Vienna ("**OeKB**") and/or the Issuer and/or any other agreed depository for any other clearing system, if any, all as specified in the Final Terms.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes, but the Issuer believes that all material risks relating to an investment in the Notes have been described.

Prospectus dated 31 January 2014

*This Prospectus comprises a base prospectus for the purposes of Article 5(4)* of *Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003* (the "**Prospectus Directive**")*, as amended (which includes the amendments made by the Directive 2010/73/EU* (the "**2010 PD Amending Directive**") *to the extent implemented in the relevant Member State) and the KMG, and for the purpose of giving information with regard to the Issuer and its subsidiaries and affiliates taken as a whole* (the "**Erste Group**") *and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.*

*This document is a base prospectus relating to non-equity securities according to Art. 22(6) No. 4 of the Commission Regulation (EC) No. 809/2004 dated 29 April 2004, as lastly amended by Commission Regulation (EU) No. 759/2013 dated 30 April 2013* (the "**Prospectus Regulation**")*. Competent authority for the approval of the Prospectus pursuant to Section 8a of KMG, that implements Prospectus Directive into Austrian law, is the* FMA*. In respect of the individual series of Notes final terms* (the "**Final Terms**") *will be filed with the FMA. Any decision to purchase the Notes should be made on a consideration of the Prospectus as a whole and including the respective Final Terms.*

*This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). Such documents shall be deemed to be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.*

*No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Erste Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Erste Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Any material new circumstances or any material incorrectness or inaccuracy as to the statements contained in this Prospectus that could influence the assessment of the Notes issued under the Programme and that occur or are determined between the approval of the Prospectus by the FMA and the final end of the public offer, or if earlier, the admission to trading on a regulated market of Notes under the Programme will be included and published in a supplement to this Prospectus in accordance with the KMG.*

*The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended* (the "**Securities Act**")*, and may include Notes in bearer form that are subject to US tax law requirements. The Notes may not be offered, sold or delivered within the United States or to US persons except in certain transactions permitted by US tax regulations and the Securities Act. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "11. Subscription and Sale".*

*This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer to subscribe for, or purchase, any Notes.*

*Neither this Prospectus nor any financial statements supplied in connection with the Programme or any Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer that any recipient of this Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus or any financial statements and its purchase of Notes should be based upon any such investigation as it deems necessary.*

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will only be made pursuant to the rules for public offers under the Prospectus Directive, as implemented in that Relevant Member State, or according to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer or (ii) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Except to the extent sub-paragraph (i) above may apply, the Issuer has not authorised, and will not authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer to publish or supplement a prospectus for such offer.

# TABLE OF CONTENTS

# DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following parts of the following documents which are incorporated by reference into this Prospectus and which have been filed with the FMA:

| Document/Heading | Page reference in the relevant financial report |
|---|---|
| **English translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2011** – Annual Report 2011 (the "**Audited Consolidated Financial Statements 2011**") | |
| Consolidated Income Statement | 82 - 83 |
| Consolidated Balance Sheet | 84 |
| Consolidated Statement of Changes in Total Equity | 85 - 86 |
| Cash Flow Statement | 87 |
| Notes to the Consolidated Financial Statements | 88 - 198 |
| Auditors' Report | 199 - 200 |
| **English translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2012** – Annual Report 2012 (the "**Audited Consolidated Financial Statements 2012**") | |
| Consolidated Income Statement | 86 – 87 |
| Consolidated Balance Sheet | 88 |
| Consolidated Statement of Changes in Total Equity | 89 - 90 |
| Cash Flow Statement | 91 |
| Notes to the Consolidated Financial Statements | 92 – 207 |
| Auditors' Report | 208 - 209 |
| **English translation of the Unaudited Interim Condensed Consolidated Financial Statements of the Issuer for the third quarter year ended 30 September 2013** – Interim Report Third Quarter 2013 (the "**Unaudited Interim Condensed Consolidated Financial Statements 30 September 2013**") | |
| Statement of Comprehensive Income | 13 – 15 |
| Balance Sheet | 16 |
| Statement of Changes in Equity | 17 |
| Cash Flow Statement | 18 |
| Condensed notes to the Financial Statements of Erste Group for the period from 1 January to 30 September | 19 - 48 |

2013

For the avoidance of doubt, such parts of the annual reports of the Issuer for the financial years 2012 and 2011 respectively as well as of the interim report for the third quarter year in 2013 which are not explicitly listed in the table above, are not incorporated by reference into this Prospectus as these parts are either not relevant for the investor or covered elsewhere in this Prospectus.

Any information not listed above but included in the documents incorporated by reference is given for information purposes only.

Such parts of the documents which are explicitly listed above shall be deemed to be incorporated in, and form part of this Prospectus, save that any statement contained in such a document shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

## SUPPLEMENT TO THE PROSPECTUS

The Issuer is obliged by the provisions of the Prospectus Directive and the KMG, that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and which arises or is noted between the time when the Prospectus is approved and the final closing of an offer of such Notes to the public or, as the case may be, the time when trading on a regulated market begins, whichever occurs later, the Issuer shall prepare a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to the FMA and the stock exchange operating the Markets such number of copies of such supplement or replacement hereto as relevant applicable legislation require.

## SOURCES OF INFORMATION

Unless otherwise stated, statistical and other data provided in this Prospectus has been extracted from the Audited Consolidated Financial Statements 2012 and the Annual Report thereon and the Unaudited Interim Condensed Consolidated Financial Statements 30 September 2013. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Furthermore, certain statistical and other data provided in this Prospectus has been extracted from reports and other documents of certain statistical offices and/or national banks in countries where the Issuer operates and the sources of any such information are included in the relevant section of this Prospectus. The Issuer confirms that such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by the sources of such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## DOCUMENTS AVAILABLE FOR INSPECTION

For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer and the specified offices of the Paying Agents:

(i) the articles of association of the Issuer;

(ii) the Audited Consolidated Financial Statements 2012 and 2011 and the Unaudited Interim Condensed Consolidated Financial Statements 30 September 2013;

(iii) each set of Final Terms for Notes that are admitted to trading on a Market or on any other market or stock exchange; and

(iv) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus.

The documents mentioned above under (ii) to (iv) can be obtained from investors free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer.

Electronic versions of the following documents will be available on the website of the Issuer under "www.erstegroup.com":

(i) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;

(ii) each set of Final Terms for Notes that are admitted to trading on a Market or on any other market or stock exchange; and

(iii) the Audited Consolidated Financial Statements 2012 and 2011 and the Unaudited Interim Condensed Consolidated Financial Statements 30 September 2013 incorporated by reference into this Prospectus.

## SIGNIFICANT CHANGES AND MATERIAL ADVERSE CHANGES

Except as disclosed under "Current Regulatory Topics" on page 104, "Historical Financial Information" on pages 118 to 121 and "Recent Developments" on page 108 of this Prospectus, there has been no significant change in the financial or trading position of the Erste Group since 30 September 2013 and no material adverse change in the prospects of the Issuer since 31 December 2012.

# 1. RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has described only those risks relating to its business, operations, financial condition or prospects that it considers to be material and of which it is currently aware. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and should consult with their own professional advisers (including their financial, accounting, legal and tax advisers) and reach their own views prior to making any investment decision.*

*Words and expressions defined in the sections entitled "Terms and Conditions of the Notes " shall have the same meanings in this section "Risk Factors".*

## Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

*Each of the Issuer related risks highlighted below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the Issuer related risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes to be issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purposes of assessing the market risks associated with Notes to be issued under the Programme are described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes to be issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.*

## Risks related to the business of Erste Group

**Difficult macroeconomic and financial market conditions may have a material adverse effect on Erste Group's business, financial condition, results of operations and prospects.**

From the second half of 2007 through 2009, disruptions in global capital and credit markets, coupled with the re-pricing of credit risk, created difficult conditions in financial markets and continue to have considerable effects on these markets. These conditions resulted in historically high levels of volatility across many markets (including capital markets), volatile commodity prices, decreased or no liquidity, widening of credit spreads and lack of price transparency in certain markets. These conditions also significantly reduced the availability of private financing for both financial institutions and their customers, compelling many financial institutions and industrial companies to turn to governments and central banks to provide liquidity. Among other factors, significant write-downs of asset values by financial institutions on mortgage-backed securities and other financial instruments, combined with the imposition of higher capital and other regulatory requirements, have led many financial institutions to seek additional capital, to merge or be merged with larger and stronger institutions, to be nationalised and, in some cases, to fail. Although the global economy recovered slightly throughout 2011 and 2012, widespread concerns with levels of public sector debt around the world, and with the stability of numerous banks in certain European countries, including, in particular Spain, Greece, Portugal, Italy and Ireland and more recently Cyprus and Slovenia, had a negative impact on macroeconomic conditions.

In response to the global financial crisis, the government of the United States, a number of European governments, the European Central Bank ("**ECB**") and international monetary organisations have taken unprecedented steps to help stabilise the financial system and increase the flow of credit in the global economy. There can be no assurances as to the actual impact that these measures and related actions will have on the financial markets, on consumer and corporate confidence generally and on Erste Group specifically. Since the second half of 2010, the indebtedness of certain Eurozone countries has raised concerns about the stability of the European financial sector and has contributed and may continue to contribute to a slowdown in economic growth in many countries across the region. Additionally, restructuring programmes adopted by some highly indebted EU countries, which include cuts in governmental spending, may result in lower growth rates in these countries as well as the Eurozone in the short and medium term. In 2011, the anxieties about the Eurozone situation increased and the ratings of Eurozone countries and banks were lowered at the end of 2011 and the beginning of 2012. In 2012, such anxieties continued due to the requirement to recapitalize the Spanish banking sector and growing concerns about the effectiveness and consequences of the restructuring programmes adopted by certain Eurozone countries, as well as due to the uncertainty as to the necessity for further financial aid for certain Eurozone countries or the Eurozone banking sector.

Since September 2012, there has been an increase in the scale of global central bank intervention in an attempt to prevent further deterioration of economic growth and to respond to concerns about the effects of the European sovereign debt crisis. The ECB announced a plan to buy unlimited amounts of government bonds of distressed countries, such as Spain and Italy, partially in exchange for their request for and acceptance of a formal programme including certain austerity reforms. The impact of the ECB's or any other entity’s actions in the future is currently unknown and these actions may or may not result in the expected benefits for the relevant economies.

Erste Group’s performance will continue to be influenced by conditions in the global, and especially European, economy. The outlook for the European and global economy over the near to medium term remains challenging, which also impacts prospects for stabilisation and improvement of economic and financial conditions in Central and Eastern Europe.

**Erste Group has been and may continue to be affected by the ongoing European sovereign debt crisis, and it may be required to take impairments on its exposures to the sovereign debt of certain countries.**

In recent years, the sovereign debt markets in the Eurozone have experienced substantial stress as the financial markets have begun to perceive a number of countries as presenting an increased credit risk. These concerns have been particularly prominent with respect to Greece, Ireland, Italy, Portugal and Spain, and more recently Cyprus and Slovenia, and were threatening the recovery from the global financial and economic crisis. These concerns have persisted in light of increasing public debt loads and stagnating economic growth in these and other European countries both within and outside the Eurozone, including countries in Central and Eastern Europe. Despite a number of measures taken by European governments, the ECB and European regulators to control and mitigate the negative effects of the crisis, the business environment in general, and the financial markets in particular, weakened as the uncertainty surrounding the sovereign debt crisis and EU efforts to resolve the crisis continued to intensify.

The effects of the sovereign debt crisis have especially impacted the financial sector as a large portion of the sovereign debt of Eurozone countries is held by financial institutions, including Erste Group. Concerns over the ability of highly indebted Eurozone sovereigns to manage their debt levels could continue to intensify, debt restructuring negotiations similar to those with Greece could take place with respect to the sovereign debt of other affected countries, and the outcome of any negotiation regarding changed terms (including reduced principal amounts or extended maturities) of such sovereign debt may result in Erste Group suffering additional impairments. Any such negotiations are highly likely to be subject to political and economic pressures beyond Erste Group's control.

Erste Group is also exposed to the credit risk of financial institutions which may be dependent on governmental support to continue their operations. The availability of government funds or the willingness of governments for such support is unclear given current levels of public debt in several Eurozone countries. In addition, hedging instruments, including credit default swaps, could provide ineffective if restructurings of outstanding sovereign debt avoid credit events that would trigger payment under such instruments or if the amounts ultimately paid under such instruments do not correspond to the full amount of net exposure after hedging. Any restructuring of outstanding sovereign debt may result in potential losses for Erste Group and other participants in transactions that are not covered by payouts on hedging instruments that Erste Group has entered or may enter into to protect against the risk of default.

**Erste Group has experienced and may in the future continue to experience a deterioration in credit quality, particularly as a result of financial crises or economic downturns.**

Erste Group is, and may in the future continue to be, exposed to the risk that borrowers may not repay their loans according to their contractual terms, that the collateral or income stream securing the payment of these loans may be insufficient, or that legislation is imposed setting fixed exchange rates for loans in foreign currencies. In 2011, an increasing percentage of these exposures deteriorated in quality as a result of the unfavourable economic environment, and a considerable number of these exposures, particularly in Romania and Hungary, continued to deteriorate in 2012. This is particularly true for customer loans in currencies other than the local currency of the customer's jurisdiction. As the value of the local currency declines versus the foreign currencies of such loans, as occurred in certain CEE countries during the economic downturn, the effective cost of the foreign currency denominated loan to the local customer may increase substantially, which can lead to delinquent payments on customer loans, migration of previously highly-rated loans into lower-rated categories and, ultimately, increases in non-performing loans and impairment charges. The effects of the global economic and financial crisis, such as stagnating or declining growth rates or negative gross domestic product ("**GDP**") development, significantly reduced private consumption and corporate investment, rising unemployment rates and decreasing private and commercial property values in certain regions, have had in recent years a particularly negative effect on the credit quality of Erste Group's loan portfolio in certain countries in which it operates.

Many of such loans are bullet repayment loans (*endfällige Verbraucherkredite*) which are secured by a repayment vehicle (*Tilgungsträger*). Adverse movements in the market value of such instruments for accumulating capital for bullet repayment and foreign currency risk applicable to repayment vehicles denominated in currencies other than the currency of the customer's jurisdiction may negatively affect the position of the loan secured by such repayment vehicle. This may increase the risk of a debtor defaulting under the loan.

Deterioration in Erste Group's credit quality and increases in non-performing loans may result in increased risk costs for Erste Group. Erste Group's risk costs are based on, among other things, its analysis of current and historical probabilities of default and loan management methods and the valuation of underlying assets and expected available income of clients, as well as other management assumptions. Erste Group's analyses and assumptions may prove to be inadequate and might result in inaccurate predictions of credit performance.

Erste Group maintains provisions on its balance sheet to cover estimated probable incurred credit losses inherent in its loan portfolio. In accordance with IFRS, Erste Group accounts for defaults of customers by making risk provisions, which include both specific risk provisions for loans (for which objective evidence of impairment exists) and portfolio risk provisions for loans (for which no objective evidence of impairment exists (incurred but not detected)). These provisions reflect Erste Group's estimates of losses in its loan portfolio. If a higher than expected proportion of Erste Group's customers default or if the average amount lost as a result of defaults is higher than expected or if individual corporate customers unexpectedly default, actual losses due to customer defaults will exceed the amount of provisions already taken and Erste Group's operating result will be adversely affected.

Despite an overall increase in risk costs at the group level in 2011, in certain CEE countries the increase in non-performing loans and the increase in required loan write-offs has led to decreasing non-performing loans ("**NPL**") coverage ratios (ratio of risk provisions for loans and advances to customers on Erste Group's balance sheet as a percentage of non-performing loans and advances to customers). While risk costs in 2012 generally decreased at the group level, risk provisions for loans and advances to customers in Romania and Croatia and, as a result of a higher NPL ratio (ratio of non-performing loans and advances to customers as a percentage of total loans and advances to customers) in lending to large corporate customers and real estate loans, in Erste Group Bank increased. Erste Group seeks to maintain an NPL coverage ratio that, in management's judgement, is appropriate to cover potential credit losses. However, there can be no assurances that the current NPL coverage ratio will not decline in the future, that annual risk costs will not rise or that the NPL coverage ratio will prove to be sufficient.

A deterioration in credit quality may continue in certain countries where Erste Group operates and could even intensify if economic conditions remain difficult or if improving business climates are temporary. In addition, unanticipated political events or a continued lack of liquidity in certain CEE economies could result in credit losses which exceed the amount of Erste Group's loan loss provisions.

Each of the above factors has had in the past and could have in future periods a material adverse effect on Erste Group's results of operations, financial condition and capital base.

**Erste Group is subject to significant counterparty risk, and defaults by counterparties may lead to losses that exceed Erste Group's provisions.**

In the ordinary course of its business, Erste Group is exposed to the risk that third parties who owe it money, securities or other assets will not perform their obligations. This exposes Erste Group to the risk of counterparty defaults, which have historically been higher during periods of economic downturn.

In the ordinary course of its business, Erste Group is exposed to a risk of non-performance by counterparties in the financial services industry. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, custodians, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose Erste Group to credit risk in the event of default of a counterparty. In addition, Erste Group's credit risk may be exacerbated when the collateral it holds cannot be realised upon or is liquidated at prices below the level necessary to recover the full amount of the loan or cover the full amount of derivative exposure. Many of the hedging and other risk management strategies utilised by Erste Group also involve transactions with financial services counterparties. A weakness or insolvency of these counterparties may impair the effectiveness of Erste Group's hedging and other risk management strategies. Erste Group will incur losses if its counterparties default on their obligations. If a higher than expected proportion of Erste Group's counterparties default, or if the average amount lost as a result of defaults is higher than expected, actual losses due to counterparty defaults will exceed the amount of provisions already taken and results of operation will be adversely affected. If losses due to counterparty defaults significantly exceed the amounts of Erste Group's provisions or require an increase in provisions, this could have a material adverse effect on Erste Group's business, financial condition and results of operations.

Counterparty risk between financial institutions has increased from time to time in recent years as a result of volatility in the financial markets. Concerns about potential defaults by one financial institution can lead to significant liquidity problems, losses or defaults by other financial institutions as the commercial and financial soundness of many financial institutions is interrelated due to credit, trading and other relationships. Even a perceived lack of creditworthiness may lead to market-wide liquidity problems. This risk is often referred to as "systemic risk", and it affects banks and all different types of intermediaries in the financial services industry. Systemic risk could lead to a need for Erste Group as well as other banks in the markets in which Erste Group operates to raise additional capital while at the same time making it more difficult to do so. Systemic risk could therefore have a material adverse effect on Erste Group's business, financial condition, results of operations, liquidity or prospects.

**Erste Group's hedging strategies may prove to be ineffective.**

Erste Group utilises a range of instruments and strategies to hedge risks. Unforeseen market developments may have a significant impact on the effectiveness of hedging measures. Instruments used to hedge interest and currency risks can result in losses if the underlying financial instruments are sold or if valuation adjustments must be undertaken. Gains and losses from ineffective risk-hedging measures can increase the volatility of the results generated by Erste Group, which could have a material adverse effect on Erste Group's business, financial condition and results of operations.

**Erste Group is exposed to declining values of the collateral supporting commercial and residential real estate loans.**

Erste Group has significant exposure to commercial and residential real estate loans. Commercial and residential real property prices in many of the countries where Erste Group operates declined in recent years, reflecting economic uncertainty. Commercial and residential property developers were forced to cease or delay construction of planned projects due to a lack of customers or, as a result of declining values of the collateral supporting the projects, their inability to finance construction. This led to reductions in prices of residential and commercial real estate and contractions in the residential mortgage and commercial lending markets in many countries. Erste Group's commercial property and residential real estate loan portfolios may suffer additional impairment losses if property values decline further in the future, collateral cannot be enforced or, as a result of weaknesses in Erste Group's collateral management or work-out processes, collateral values prove to be insufficient. Increasing unemployment rates could also lead to higher default rates and impairment losses on non-property commercial and consumer loans. If either of these risks were to materialise, it could have a material adverse effect on Erste Group's financial condition and results of operations.

**Market fluctuations and volatility may adversely affect the value of Erste Group's assets, reduce profitability and make it more difficult to assess the fair value of certain of its assets.**

Financial markets have been subject to significant stress conditions since mid-2007, where steep falls in perceived or actual values of assets held by banks and other financial institutions have been accompanied by a severe reduction in market liquidity. These events have negatively affected the value of the financial assets available for sale and the financial assets held-to-maturity particularly in 2011, adversely affecting Erste Group's results of operations for that period. Future deteriorations in economic and financial market conditions could lead to additional impairment charges or revaluation losses in future periods. Despite a recovery in economic and financial market conditions during 2012 in most of the markets in which Erste Group is active, the value of financial assets may continue to fluctuate significantly or materially impact Erste Group's capital and comprehensive income if the fair value of financial assets declines.

Market volatility and illiquidity may make revaluation of certain exposures difficult, and the value ultimately realised by Erste Group may be materially different from the current or estimated fair value. In addition, Erste Group's estimates of fair value may differ materially both from similar estimates made by other financial institutions and from the values that would have been used if a market for these assets had been readily available. Any of these factors could require Erste Group to recognise further revaluation losses or realise impairment charges, any of which may adversely affect its business, financial condition, results of operations, liquidity or prospects.

**Erste Group is subject to the risk that liquidity may not be readily available.**

Erste Group, like many other banks, relies on customer deposits to meet a substantial portion of its funding requirements. The majority of Erste Group's deposits are retail deposits, a significant proportion of which are demand deposits. Such deposits are subject to fluctuation due to factors outside Erste Group's control, and Erste Group can provide no assurances that it will not experience a significant outflow of deposits within a short period of time. Because a significant portion of Erste Group's funding comes from its deposit base, any material decrease in deposits could have a negative impact on Erste Group's liquidity unless corresponding actions were taken to improve the liquidity profile of other deposits or to reduce liquid assets, which may not be possible on economically beneficial terms, if at all.

As credit providers, group companies of Erste Group are exposed to market liquidity risk, which arises from an inability to easily sell an asset because there is inadequate market liquidity or market disruption. They are also exposed to funding liquidity risk, which is an exposure to losses arising out of a change in the cost of refinancing, or from a spread over a certain horizon and confidence level, or from insolvency of counterparties, which may result in difficulties in meeting future payment obligations, either in full, on time or on economically beneficial terms.

Credit and money markets worldwide have experienced and continue to experience a reluctance of banks to lend to each other because of uncertainty as to the creditworthiness of the borrowing bank. Even a perception among market participants that a financial institution is experiencing greater liquidity risk may cause significant damage to the institution, since potential lenders may require additional collateral or other measures that further reduce the financial institution's ability to secure funding. This increase in perceived counterparty risk has led to further reductions in the access of Erste Group, along with other banks, to traditional sources of liquidity, and may be compounded by further regulatory restrictions on capital structures and calculation of regulatory capital ratios.

If Erste Group has difficulty in securing adequate sources of short- and long-term liquidity or if there were material deposit outflows this would have a material adverse effect on its business, financial condition and results of operations.

**Rating agencies may suspend, downgrade or withdraw a rating of Erste Group Bank or of a country where Erste Group is active, and such action might negatively affect the refinancing conditions for Erste Group Bank, in particular its access to debt capital markets.**

Erste Group Bank's credit ratings are important to its business. A rating is the opinion of a rating agency on the credit standing of an issuer, i.e., a forecast or an indicator of a possible credit loss due to insolvency, delay in payment or incomplete payment to the investors. It is not a recommendation to buy, sell or hold securities. Such credit ratings have been issued by credit rating agencies established in the European Community and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009. Erste Group Bank's long-term credit ratings are: Standard & Poor's, A (outlook negative); Moody's, A3 (outlook negative); and Fitch, A (outlook stable).

A rating agency may in particular suspend, downgrade or withdraw a rating. A rating may also be suspended or withdrawn if Erste Group were to terminate the agreement with the relevant rating agency or to determine that it would not be in its interest to continue to supply financial data to a rating agency. A downgrading of the rating may lead to a restriction of access to funds and, consequently, to higher refinancing costs. A rating could also be negatively affected by the soundness or perceived soundness of other financial institutions.

A rating agency may also suspend, downgrade or withdraw a rating concerning one or more countries where Erste Group operates or may publish unfavourable reports or outlooks for a region or country where Erste Group operates. Moreover, if a rating agency suspends, downgrades or withdraws a rating or publishes unfavourable reports or outlooks on Austria, such as S&P's downgrade of Austria in January 2012 (which has been changed to a stable outlook), this could increase the funding costs of Erste Group.

Any downgrade of the credit rating of Erste Group Bank or any member of Erste Group, or of the Republic of Austria or any other country in which Erste Group has significant operations, could have a material adverse effect on its liquidity and competitive position, undermine confidence in Erste Group, increase its borrowing costs, limit its access to funding and capital markets or limit the range of counterparties willing to enter into transactions with Erste Group and would as a consequence have a material adverse effect on its business, financial condition and results of operations.

**New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could subject Erste Group to increased capital requirements or standards and require it to obtain additional capital or liquidity in the future.**

In response to the recent global financial crisis and the on-going European sovereign debt crisis, a number of initiatives relating to the regulatory requirements applicable to European banks, including Erste Group, have been adopted or are in the process of being developed. These include the following:

- *Basel 2.5.* In the wake of the global economic and financial crisis, in mid-2010, the Basel Committee on Banking Supervision ("**BCBS**") finalized new rules regarding the capital requirements applicable to trading activities. These rules, commonly referred to as Basel 2.5, have significantly increased applicable capital requirements by introducing new risk measures and by mandating specified capital treatment for certain identified asset classes. They also include a stressed value-at-risk requirement (VaR) that is intended to mitigate the cyclicality of the minimum regulatory capital framework. On a European level the Basel 2.5 framework has been adopted by Directive 2010/76/EU of 24 November 2010 ("**CRD III**"), together with a remuneration framework for bank managers.

- *Basel III and CRD IV/CRR.* In December 2010, the BCBS published its final standards on the revised capital adequacy framework, known as Basel III, which also tighten the definition of capital and require banks to maintain capital buffers on top of minimum capital requirements. On 27 June 2013, the Capital Requirements Directive IV (Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC) ("**CRD IV**") and the Capital Requirements Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012) ("**CRR**") transposing Basel III into EU-law, have been published.

  Basel III and CRD IV/CRR are further increasing the quality and quantity of required capital, increase capital required to be held against derivative positions and introduce a new liquidity framework as well as a leverage ratio.

  The CRR (an EU-regulation which directly applies in all EU-Member States without any national implementation) as well as the Austrian federal law implementing the CRD IV into Austrian law, which in particular includes amendments to the Austrian Banking Act, entered into force on 1 January 2014.

- *European Banking Authority's Capital Exercise.* On 26 October 2011, in response to on-going market concerns over the ability of banks to absorb potential losses associated with sovereign debt, brought into focus by the on-going European sovereign debt crisis, the Council of the European Union agreed to require a group of 70 large banks in the European Economic Area to reach an exceptional and temporary level of 9% core tier-1 ratio. This exceptional and temporary regulatory capital ratio was calculated in accordance with the Basel 2.5 rules (specifically using certain European Banking Authority ("**EBA**") definitions), taking into account banks' credit, operational and market risks, after accounting for certain criteria including the valuation of sovereign debt. The EBA, together with national banking regulators, completed the process of calculating individual capital buffers for the relevant banks.

- *European Central Bank's comprehensive assessment in advance of supervisory role.* In a press release dated 23 October 2013, the ECB announced details of the comprehensive assessment to be conducted in preparation of assuming full responsibility for supervision as part of the single supervisory mechanism. The list of banks subject to the assessment was also published. The ECB deems the assessment as an important step in the preparation of the single supervisory mechanism and, more generally, towards greater transparency of the banks' balance sheets and consistency of supervisory practices in Europe. The assessment which has been started in November 2013 be completed within 12 months. Therefore, results are expected in Q4 of 2014 at the earliest. It will be carried out in collaboration with the national competent authorities of the Member States that participate in the single supervisory mechanism, and will be supported by independent third parties at all levels at the ECB and at the national competent authorities. The exercise has three main goals: (i) transparency – to enhance the quality of information available on the condition of banks; (ii) repair – to identify and implement necessary corrective actions, if and where needed; and (iii) confidence building – to assure all stakeholders that banks are fundamentally sound and trustworthy. The assessment will consist of three elements: (i) a supervisory risk assessment to review, quantitatively and qualitatively, key risks, including liquidity, leverage and funding; (ii) an asset quality review to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions; and (iii) a stress test to examine the resilience of banks' balance sheet to stress scenarios. These three elements are closely interlinked. The assessment will be based on a capital benchmark of 8% common equity tier 1 ("**CET 1**"), drawing on the definition of the CRD IV/CRR, including transitional arrangements, for both the asset quality review and the baseline stress test scenario. The details concerning the stress test will be announced at a later stage, in coordination with the EBA. The comprehensive assessment will conclude with an aggregate disclosure of the outcomes, at country and bank level, together with any recommendations for supervisory measures. This comprehensive outcome will be published prior to the ECB assuming its supervisory role in November 2014, and will include the findings of the three pillars of the comprehensive assessment.

- *Changes in Recognition of Own Funds*. Due to regulatory changes, certain existing capital instruments (which have been issued in the past) will be subject to (gradual) exclusion from own funds (phasing out) or reclassification as a lower quality form of own funds. For example, existing hybrid capital instruments will, over time, be phased out as additional tier-1 capital ("**AT 1**").

- *Stricter and Changing Accounting Standards*. Prospective changes in accounting standards as well as those imposing stricter or more extensive requirements to carry assets at fair value, could also impact Erste Group's capital needs.

- *EU Bank Recovery and Resolution Directive*. On 18 December 2013, the EU-Council published a final compromise text for a Proposal for a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive) ("**BRRD**"). According to the draft, the BRRD would establish a framework for the recovery and resolution of credit institutions and , *inter alia*, require EEA credit institutions to draw up "recovery and resolution plans" which set out certain arrangements and measures that may be taken to restore the long-term viability of the financial institution in the event of a material deterioration of its financial position. Measures undertaken under the draft BRRD may also have an impact on debt instruments (in particular subordinated notes, but under certain circumstances also senior notes and thus, perhaps also the Notes) by potentially allowing authorities to write-down such instruments or convert them into shares.

- *Austrian Bank Intervention and Restructuring Act.* Aiming at the stabilisation of the Austrian financial market and at preventing the use of public funds for rescuing credit institutions, the Austrian Parliament adopted the Austrian Bank Intervention and Restructuring Act (*Bankeninterventions- und –restrukturierungsgesetz*) ("**BIRG**") which entered into force on 1 January 2014. The BIRG anticipates parts of the draft BRRD, in particular by obliging credit institutions to take precautions for crisis scenarios by preparing recovery and resolution plans and providing for a legal basis for an intervention of the regulator prior to manifest infringements of law or endangerments of creditors' interests (early intervention measures) to be applied in case of a significant deterioration of the assets, earnings, liquidity or funding position of a bank.

- *Austrian FMA Supervisory Guidance*. In March 2012, the FMA and the Austrian National Bank (*Oesterreichische Nationalbank*; "**OeNB**") published supervisory guidance on the strengthening of the sustainability of the business models of large, internationally active Austrian banks, which included the requirement for Austrian parent financial institutions to submit recovery and resolution plans before the end of 2012. The supervisory guidance foresees increased capitalisation requirements for banking groups reflected in the full implementation of the quantitative and qualitative

Basel III rules with respect to CET 1. In this respect, the FMA and the OeNB indicated that they will implement an additional CET 1 requirement to banking groups at a consolidated level of up to 3% beginning in 2016, while the level of such an additional CET 1 requirement will depend on the systemic relevance of the particular banking group. In addition, strengthened local stable funding bases of subsidiaries through so-called "loan-to-local stable funding ratios", i.e., the funding of loans through the local deposit base will be required. The above mentioned amendment to the Austrian Banking Act will allow the FMA to issue a regulation, thereby formally enacting the above mentioned guidance.

- *Financial Transaction Tax*. The European Commission has recently adopted a proposal for a "Council Directive implementing enhanced cooperation in the area of financial transaction tax". Pursuant to this proposal eleven EU Member States, *i.e.* Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (**"Participating Member States"**) shall charge a financial transaction tax (**"FTT"**) on financial transactions as defined if at least one party to the transaction is established in the territory of a Participating Member State and a financial institution established in the territory of a Participating Member State is party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction (residency principle). In addition, the proposal contains rules pursuant to which a financial institution and, respectively, a person which is not a financial institution are deemed to be established in the territory of a Participating Member State if they are parties to a financial transaction in certain instruments issued within the territory of that Participating Member State (issuance principle). Financial transactions related to derivatives contracts shall be taxed at a minimum rate of 0.01% on the notional amount referred to in the derivatives contract; all other financial transactions (*e.g*. the purchase and sale of shares, bonds and equivalent securities, money market instruments or fund units) shall be taxed at a minimum rate of 0.1% with the taxable amount being everything which constitutes consideration paid or owed from the counterparty or a third party in return for the transfer. The current proposal provides for the FTT to apply as of 1 January 2014 (which deadline, however, has obviously not been met). At the moment it seems unclear whether the FTT will be introduced in the proposed form at all. If the FTT is introduced, due to higher costs for investors there is a risk that it would result in fewer transactions taking place, thereby negatively affecting the earnings of the Issuer.

Additional and new regulatory requirements may be adopted in the future, and the regulatory environment in many markets in which Erste Group operates continues to develop and change, including, for example, the recent proposal of a single supervisory mechanism and more integrated banking union within the EU. The substance and scope of any such new laws and regulations as well as the manner in which they will be adopted, enforced or interpreted may increase Erste Group’s financing costs and could have an adverse effect on Erste Group’s business, financial condition, results of operations and prospects.

In addition to complying with minimum regulatory capital requirements on a consolidated level, Erste Group Bank itself is also subject to minimum regulatory capital requirements on an unconsolidated basis. In addition, members of Erste Group which are subject to local supervision in their country of incorporation may, on a single-entity and on a consolidated level, be required to comply with applicable local regulatory capital requirements. It is therefore possible that individual entities within Erste Group or sub-groups require more regulatory capital, even though the regulatory capital of Erste Group on a consolidated basis is sufficient.

In the course of the global financial crisis, the rules on regulatory capital for credit institutions have come under scrutiny by legislators, regulators and advisory bodies (e.g., the BCBS). Legislative or regulatory changes in the current definitions of what is deemed to qualify as CET 1 (such as minority interests) could reduce Erste Group’s CET 1-ratio or otherwise reduce the regulatory capital of Erste Group Bank or Erste Group both on a single or consolidated level. There can be no assurance that, in the event of a change of the applicable rules, adequate grandfathering or transition periods will be implemented to allow Erste Group to repay or replace such derecognised CET 1 or other regulatory capital instruments in a timely fashion or on favourable terms.

Erste Group may therefore need to obtain additional capital in the future. Such capital, whether in the form of ordinary shares or other capital recognised as regulatory capital, may not be available on attractive terms or at all. Further, any such regulatory development may expose Erste Group to additional costs and liabilities, may require it to change how it conducts its business or otherwise have a negative impact on its business, the products and services it offers and the value of its assets. There can be no assurance that Erste Group would be able to increase its regulatory capital ratios sufficiently or on time. If Erste Group is unable to increase its regulatory capital ratios sufficiently, its ratings may drop and its cost of funding may increase, the occurrence of which could have a material adverse effect on its business, financial condition and results of operations.

**Erste Group's risk management strategies and internal control procedures may leave it exposed to unidentified or unanticipated risks.**

Erste Group's risk management techniques and strategies have not been, and may in the future not be, fully effective in mitigating Erste Group's risk exposure in all economic market environments or against all types of risks, including risks that it fails to identify or anticipate. Furthermore, regulatory audits or other regular reviews of the risk management procedures and methods have in the past detected, and may in the future detect, weaknesses or deficiencies in Erste Group's risk management systems. Some of Erste Group's quantitative tools and metrics for managing risks are based upon its use of observed historical market behavior. Erste Group applies statistical and other tools to these observations to arrive at quantifications of risk exposures. During the recent financial crisis, the financial markets experienced unprecedented levels of volatility (rapid changes in price direction) and the breakdown of historically observed correlations (the extent to which prices move in tandem) across asset classes, compounded by extremely limited liquidity. In this volatile market environment, Erste Group's risk management tools and metrics failed to predict some of the losses it experienced and may in the future under similar conditions of market disruption fail to predict future important risk exposures. In addition, Erste Group's quantitative modeling does not take all risks into account and makes numerous assumptions regarding the overall environment, which may or may not materialise. As a result, risk exposures have arisen and could continue to arise from factors not anticipated or correctly evaluated in Erste Group's statistical models. This has limited and could continue to limit Erste Group's ability to manage its risks, especially in light of the ongoing European sovereign debt crisis, many of the outcomes of which are currently unforeseeable. If circumstances arise that Erste Group did not identify, anticipate or correctly evaluate in developing its statistical models, losses could be greater than the maximum losses envisaged under its risk management system. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risks prove insufficient, Erste Group may experience material unanticipated losses, which could have a material adverse effect on its business, financial condition and results of operations.

**Erste Group's business entails operational risks.**

Erste Group is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal processes, people, or systems or from external events. Erste Group is susceptible to, among other things, fraud by employees or outsiders, including unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Given Erste Group's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. Consequently, any inadequacy of Erste Group's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on Erste Group's business, financial condition, results of operations and prospects. Erste Group may also suffer service interruptions from time to time due to failures by third-party service providers and natural disasters, which are beyond its control. Such interruptions may result in interruptions in services to Erste Group's subsidiaries and branches and may impact customer service.

**Erste Group may have difficulty recruiting or retaining qualified employees.**

Erste Group's existing operations and ability to enter new markets depend on its ability to retain existing employees and to identify and recruit additional individuals who are not only familiar with the local language, customs and market conditions, but also have the necessary qualifications and level of experience in banking. In many of the CEE markets in which Erste Group currently operates, the pool of individuals with the required set of skills is smaller than in most Western European countries. Increasing competition for labour in Erste Group's core markets from other international financial institutions may also make it more difficult for Erste Group to attract and retain qualified employees and may lead to rising labour costs in the future. Moreover, if caps or further restrictions under CRD III or CRD IV were to be imposed on salaries or bonuses paid to executives of Erste Group Bank or its subsidiaries (including caps imposed by governments in connection with extending support to Erste Group), Erste Group's ability to attract and retain high-quality personnel could be limited and could result in losses of qualified personnel. If Erste Group is unable to attract and retain new talent in key strategic markets or if competition for qualified employees increases its labour costs, this could have a material adverse effect on Erste Group's business, financial condition and results of operations.

**Any failure or interruption in or breach of Erste Group's information systems, and any failure to update such systems, may result in lost business and other losses.**

Erste Group relies heavily on information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing or loan origination systems. If Erste Group's information systems, including its back-up systems, were to fail, even for a short period of time, or its business continuity plans for cases of emergency would prove ineffective, it could be unable to serve some customers' needs on a timely basis and could thus lose their business

Likewise, a temporary shutdown of Erste Group's information systems could result in costs that are required for information retrieval and verification. There can be no assurances that such failures or interruptions will not occur or that Erste Group can adequately address them if they do occur. Accordingly, the occurrence of such failures or interruptions could have a material adverse effect on Erste Group's business, financial condition, results of operations and prospects. In addition, there can be no assurances that the rollout or implementation of any new systems or processes will provide the desired benefit to Erste Group's business, or will not involve failures or business interruptions that could have a material adverse effect on its business, financial condition, results of operations and prospects. To a limited extent, Erste Group has outsourced certain IT services and operations to external service providers and may in the future expand the scope of outsourcing arrangements in order to optimise its costs structure and increase flexibility. Unsatisfactory quality of the external providers' services could heighten or exacerbate risks associated with the failure or interruption of its information systems as well as result in additional operational deficiencies or reputational risk.

**Erste Group Bank may be required to provide financial support to troubled banks in the *Haftungsverbund*, which could result in significant costs and a diversion of resources from other activities.**

In 2002, the *Haftungsverbund* was formed pursuant to the *Grundsatzvereinbarung* among the majority of Austrian savings banks. The purpose of the *Haftungsverbund* was to establish a joint early-warning system as well as a cross-guarantee for certain liabilities of the member savings banks and to strengthen the cooperation of the Savings Banks sector (except UniCredit Austria AG) in the Austrian market.

In 2013 the cooperation between the savings banks was intensified. The aim of the new agreement which entered into force on 1 January 2014, is the intensification of the group steering, the setting up of an institutional protection scheme (Art 113 (7) CRR) and a cross-guarantee scheme (Art 4 (1) (127) CRR) in order to fulfil the requirements of Art 84 (6) CRR to recognize any minority interest arising within the cross-guarantee scheme in full and in light of IFRS 10 to strengthen Erste Group Bank´s power in the provisions of the agreement governing the Haftungsverbund.

Under the *Haftungsverbund*, Erste Group Bank and all other member savings banks are obliged to provide financially troubled members with specified forms of financial and management support and, in the event of a member's insolvency, to contribute to the repayment of certain protected deposits. Under the Haftungsverbund, member savings banks are also required to follow specific credit and risk management guidelines for providing and managing loans and for identifying, measuring, managing and limiting risks. This is effectively set and monitored indirectly by Erste Group Bank although Erste Group Bank does not exercise direct operational control over the management of the member savings banks. These requirements are often more detailed and strict than those previously in place at certain of the individual savings banks. Erste Group Bank may be required to provide support and repay certain protected deposits even where there has been non-compliance by one or more members of the *Haftungsverbund* with the risk management requirements, although Erste Group Bank may exercise little direct control over the management of the member savings bank. Consequently, Erste Group Bank's ability to manage the risk associated with the financial obligations it has assumed under the Haftungsverbund will depend on its ability to enforce the risk management requirements of the system. Erste Group Bank may be obliged to provide liquidity, take other measures and incur significant costs in the event that another savings bank in the *Haftungsverbund* experiences financial difficulties or becomes insolvent or in order to prevent one of the savings banks from experiencing financial difficulties. This could require Erste Group Bank to utilise resources in a manner that could have a material adverse effect on Erste Group Bank's business, financial condition and results of operations.

**Changes in interest rates are caused by many factors beyond Erste Group's control, and such changes can have significant adverse effects on its financial results, including net interest income.**

Erste Group derives the majority of its operating income from net interest income. Interest rates are sensitive to many factors beyond Erste Group's control, such as inflation, monetary policies set by central banks and national governments, the liberalisation of financial services and increased competition in the markets in which Erste Group operates, domestic and international economic and political conditions, as well as other factors. Changes in interest rates can affect the spread between the rate of interest that a bank pays to borrow funds from its depositors and other lenders and the rate of interest that it charges on loans it extends to its customers. If the interest margin decreases, net interest income will also decrease unless Erste Group is able to compensate such decrease by increasing the total amount of funds it lends to its customers. A decrease in rates charged to customers will often have a negative effect on margins, particularly when interest rates on deposit accounts are already very low, since a bank may have little ability to make a corresponding reduction in the interest it pays to lenders. An increase in rates charged to customers can also negatively impact interest income if it reduces the amount of customer borrowings. For competitive reasons, Erste Group may also choose to raise rates of interest it pays on deposits without being able to make a corresponding increase in the interest rates it charges to its customers. Finally, a mismatch in the structure of interest-bearing assets and interest-bearing liabilities in any given period could, in the event of changes in interest rates, reduce Erste Group's net interest margin and have a material adverse effect on its net interest income and, thereby, its business, results of operation and financial condition.

**Since a large part of Erste Group's operations, assets and customers are located in CEE countries that are not part of the Eurozone, Erste Group and its customers are exposed to currency risks.**

A large part of Erste Group Bank's and Erste Group's operations, assets and customers are located in CEE countries that are not part of the Eurozone (i.e., that do not use the Euro as their legal tender), and financial transactions in currencies other than the Euro give rise to foreign currency risks. In addition to loans denominated in local CEE currencies, many of Erste Group's retail and corporate customers in Hungary, Romania, the Ukraine, Croatia, Serbia and Austria have taken out loans which are denominated in currencies other than their relevant local currencies (primarily in EUR, USD and CHF). To the extent that the local currencies decline in value, or in the future will decline in value, relative to the currency in which such loans were made, borrowers will need to convert a larger amount of local currency into the currency in which the loan is denominated in order to make payments of principal and interest on the loan. In this scenario, Erste Group anticipates a higher number of loan defaults in these countries. Alternatively, local governments may undertake measures that affect currency levels and exchange rates and impact Erste Group's credit exposure to such currencies, such as the Swiss National Bank's setting of a minimum exchange rate against the Euro in September 2011 or Hungary's introduction of a law allowing consumers to repay foreign currency loans at fixed exchange rates below market exchange rates. Moreover, there can be no assurances that similar measures will not be introduced or imposed on other customer segments or countries as well.

In addition, the equity investments that Erste Group Bank has in its non-Eurozone subsidiaries, and the income and assets, liabilities and equity of non-Eurozone subsidiaries, when translated into Euro, may also be lower due to devaluation of their local currencies vis-à-vis the Euro. Erste Group hedges its foreign currency exposure related to capital investments in its foreign subsidiaries only to a limited extent. These and other effects of currency devaluation could have a material adverse effect on Erste Group Bank's and Erste Group's business, financial condition, regulatory capital ratios, results of operations and prospects.

**Erste Group may be unable to achieve the return to profitability of BCR or may be required to recognize further impairment charges resulting from previous acquisitions.**

Erste Group's results of operations in the current financial year and in the future will depend in part on the return to profitability of BCR. BCR has sustained significant losses in the past and may not achieve to significantly decrease its risk provisions for loans and advances and improve its overall risk situation in Romania. Erste Group may be unable to achieve the return to profitability of BCR, which could have a material adverse effect on the Notes.

Erste Group may be required to recognize further impairment charges resulting from previous acquisitions.

The carrying amount of goodwill on Erste Group's consolidated balance sheet would be reduced in the event that the effects of an economic downturn, persistent stagnation or slower return to projected economic growth, increased competition or any other adverse event caused Erste Group's estimate of the businesses' future cash flows to be revised downwards or if the rate used to discount the cash flows is increased. Depending on the size of the reduction in goodwill, such a reduction could have a material adverse effect on Erste Group's results of operations in that period, on the reported amount of its assets and on its equity, and on Erste Group's ability to make payments on the Notes.

**A change of the ECB's collateral standards could have an adverse effect on the funding of Erste Group and access to liquidity.**

As a result of the funding pressures arising from the European sovereign debt crisis, there has been increased intervention by a number of central banks, in particular the ECB. Among other measures, the ECB has agreed to provide low-interest secured loans to European financial institutions for up to three years and lowered the requirements for collateral. As of the date of this Prospectus, the ECB accepts certain instruments, including Pfandbriefe, issued by Erste Group Bank as collateral for its tenders. If the ECB were to restrict its collateral standards or if it would increase the rating requirements for collateral securities, this could increase Erste Group's funding costs and limit Erste Group's access to liquidity, especially where deposits or other sources of liquidity are inadequate in the short term, and accordingly have an adverse effect on Erste Group's business, financial condition and results of operations.

**Erste Group operates in highly competitive markets and competes against large international financial institutions as well as established local competitors.**

Erste Group faces significant competition in all aspects of its business, both in Austria and Central and Eastern Europe. Erste Group competes with a number of large international financial institutions and local competitors. If Erste Group is unable to respond to the competitive environment in these markets with product and service offerings that are profitable, it may lose market shares in important parts of its business or incur losses on some or all of its activities.

The trend towards consolidation in the global financial services industry, which has increased due to the recent financial and economic crisis, is creating competitors with extensive ranges of product and service offerings, increased access to capital and greater efficiency and pricing power. These global financial institutions may be more appealing to customers, especially large corporate customers, because of their larger international presence or financial resources. In addition, in some markets, in particular Austria and Hungary, Erste Group faces competition from established local banks which operate a larger number of branches, offer customers a broader range of banking and financial products and services, and benefit from relationships with a large number of existing customers.

Erste Group faces strong competition in Austria not only from UniCredit Bank Austria AG ("**Bank Austria**") and the Raiffeisen banks, but also from large international banks and new entrants from neighbouring countries. As a result of this competition, in particular in the retail segment, net interest margins have historically been very low. Failure to maintain net interest margins at current levels may have a significant negative impact on the Group's financial condition and results of operations.

As banking markets in CEE mature, Erste Group expects increased competition from global financial institutions and local competitors, with the level of increased competition likely to vary from country to country. Erste Group's ability to compete effectively will depend on the ability of its businesses to adapt quickly to market and industry trends. If Erste Group fails to compete effectively, or if governmental action in response to financial crises or economic downturns results in it being placed at a competitive disadvantage, Erste Group's business, financial condition and results of operations may be adversely affected.

**Erste Group Bank's major shareholder may be able to control shareholder actions.**

As of 31 December 2013, 20.6% of the shares in Erste Group Bank were attributed to Erste Stiftung. Erste Stiftung has the right to appoint one third of the members of the Supervisory Board of Erste Group Bank who were not delegated by the employees' council, however, Erste Stiftung has not exercised its appointment right, so that all of the Supervisory Board members who were not delegated by the employees' council have been elected by the shareholders' meeting.

In addition, because voting is based on the number of shares present or represented at a shareholders' meeting rather than the total number of shares outstanding, the ability of major shareholders to influence a shareholder vote on subjects which require a majority vote will often be greater than the percentage of outstanding shares owned by them. Under Austrian corporate law and the articles of association of the Issuer, a shareholder that holds more than 25% of Erste Group Bank's shares is able to block a variety of corporate actions requiring shareholder approval, such as the creation of authorised or conditional capital, changes in the purpose of Erste Group Bank's business, mergers, spin-offs and other business combinations. As a result, Erste Stiftung will be able to exert significant influence on the outcome of any shareholder vote and may, depending on the level of attendance at a shareholders' meeting, be able to control the outcome of most decisions requiring shareholder approval. Therefore, it is possible that in pursuing these objectives Erste Stiftung may exercise or be expected to exercise influence over Erste Group in ways that may not be in the interest of other shareholders.

**Compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules involve significant costs and efforts and non-compliance may have severe legal and reputational consequences.**

Erste Group is subject to rules and regulations regarding money laundering, corruption and the financing of terrorism. These rules and regulations have been tightened in recent years and will be further tightened and more strictly enforced in the future, in particular by implementing the $4^{th}$ anti-money laundering directive. Monitoring compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules can result in a significant financial burden on banks and other financial institutions and can pose significant technical problems. Erste Group cannot guarantee that it is in compliance with all applicable anti-money laundering, anti-corruption and anti-terrorism financing rules at all times or that its Group-wide anti-money laundering, anti-corruption and anti-terrorism financing standards are being consistently applied by its employees in all circumstances. Any violation of anti-money laundering, anti-corruption or anti-terrorism financing rules, or even alleged violations, may have severe legal, monetary and reputational consequences and could have a material adverse effect on Erste Group's business, financial condition and results of operations.

**Changes in consumer protection laws as well as the application or interpretation of such laws might limit the fees and other pricing terms that Erste Group may charge for certain banking transactions and might allow consumers to claim back certain of those fees already paid in the past.**

Changes in consumer protection laws or the interpretation of consumer protection laws by courts or governmental authorities could limit the fees that Erste Group may charge for certain of its products and services and thereby result in lower commission income. Moreover, as new laws and amendments to existing laws are adopted in order to keep pace with the continuing transition to market economies in some of the CEE countries in which Erste Group operates, existing laws and regulations as well as amendments to such laws and regulations may be applied inconsistently or interpreted in a manner that is more restrictive. Several subsidiaries of Erste Group in CEE countries have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. Moreover, any such changes in consumer protection laws or the interpretation of such laws by courts or governmental authorities could impair Erste Group’s ability to offer certain products and services or to enforce certain clauses and reduce Erste Group’s net commission income and have an adverse effect on its results of operations.

**The integration of potential future acquisitions may create additional challenges.**

Erste Group may in the future seek to make acquisitions to support its business objectives and complement the development of its business in its existing and new geographic markets. Such strategic transactions demand significant management attention and require Erste Group to divert financial and other resources that would otherwise be available for its existing business, and the benefits of potential future acquisitions may take longer to realise than expected and may not be realised fully or at all. There can be no assurance that Erste Group will be able to successfully pursue, complete and integrate any future acquisition targets. In addition, there can be no assurance that it will be able to identify all actual and potential liabilities to which an acquired business is exposed prior to its acquisition. Any of these factors could lead to unexpected losses following the acquisition, which may have a material adverse effect on Erste Group’s business, financial condition and results of operations.

## Risks related to the markets in which Erste Group operates

**The departure of any one or more countries from the Eurozone could have unpredictable consequences for the financial system and the greater economy, potentially leading to declines in business levels, write-downs of assets and losses across Erste Group’s business.**

Should a Eurozone country conclude that it must exit the common currency, the resulting need to reintroduce a national currency and restate existing contractual obligations could have unpredictable financial, legal, political and social consequences. Given the highly interconnected nature of the financial system within the Eurozone and the levels of exposure Erste Group has to public and private counterparties across Europe, its ability to plan for such a contingency in a manner that would reduce its exposure to non-material levels is limited. If the overall economic climate deteriorates as a result of one or more departures from the Eurozone, nearly all of Erste Group's segments could be materially adversely affected.

If European policymakers are unable to contain the European sovereign debt crisis, Erste Group's results of operations and financial position would likely be materially adversely affected as Erste Group may be required to take further write-downs on its sovereign debt exposures and other assets as the macroeconomic environment deteriorates. In addition, the possibility exists that one or more members of the Eurozone may leave the common currency, resulting in the reintroduction of one or more national currencies in such countries. The effects of such an event are difficult to anticipate and may have a substantial negative effect on Erste Group's business and outlook, including as a consequence of adverse impacts on economic activity both within and outside the Eurozone.

The deterioration of the sovereign debt market in the Eurozone and Central and Eastern Europe, particularly the increasing costs of borrowing affecting many Eurozone states late in 2011 and downgrades in credit rating of most Eurozone countries in 2011 and 2012, indicate that the sovereign debt crisis can affect even the financially most stable countries in the Eurozone. While the costs of borrowing declined again throughout 2012, considerable doubt remains whether actions taken by European policymakers will be sufficient to contain or overcome the crisis over the medium to longer term. In particular, further credit rating downgrades of EU Member States, such as France and Austria, may threaten the effectiveness of the European Financial Stability Facility ("**EFSF**") or the European Stability Mechanism ("**ESM**"). Since the EFSF's and ESM's credit ratings are based on the ratings of its financing members, the reduction of these members' ratings may increase the borrowing costs of the EFSF or ESM such that its ability to raise funds to assist Eurozone governments would be reduced. In addition, the austerity programmes introduced by a number of countries across the Eurozone in response to the sovereign debt crisis may have the effect of dampening economic growth over the short, medium or long term. Declining rates of economic growth in Eurozone countries could exacerbate their difficulties in refinancing their sovereign debt as it comes due, further increasing pressure on other Eurozone governments.

**Erste Group operates in emerging markets that may experience rapid economic or political changes, either of which may adversely impact its financial performance and results of operations.**

Erste Group operates in emerging markets throughout Central and Eastern Europe. In recent years, certain of these countries have undergone substantial political, economic and social change. As is typical for emerging markets, they do not have in place the full business, legal and regulatory structures that would commonly exist in more mature free market economies. As a result, Erste Group's operations are exposed to risks common to regions undergoing rapid political, economic and social change, including currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation, economic recession, local market disruption and labour unrest. Macroeconomic events, such as recession, deflation or hyper-inflation, may lead to an increase in defaults by Erste Group's customers, which would adversely impact Erste Group's results of operations and financial condition. Political or economic instability resulting from, or causing, the occurence of any of these risks would also adversely affect the market for Erste Group's products and services. The level of risk that Erste Group faces differs significantly by country.

**Committed EU funds may not be released or further aid programmes may not be adopted by the EU.**

In addition to Greece, Ireland and Portugal, some of the CEE countries in which Erste Group operates, including Serbia and Romania, have been promised funds for infrastructure and other projects in substantial amounts by the EU and international credit institutions, including the European Bank for Reconstruction and Development ("**EBRD**"), the International Monetary Fund ("**IMF**") and the European Investment Bank ("**EIB**"). If these funds are not released, are released only in part or with delay, or if no further aid will be made available by the EU and the international credit institutions, the relevant national economies could be adversely affected, which would, in turn, negatively affect Erste Group's business in the respective countries.

**Loss of customer confidence in Erste Group's business or in banking businesses generally could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's results, financial condition and liquidity.**

The availability of Erste Group's customer deposits to fund its loan portfolio is subject to potential changes in certain factors outside Erste Group's control, such as a loss of confidence of depositors in either the economy in general, the financial services industry or Erste Group specifically, ratings downgrades and significant further deterioration in economic conditions. These factors could lead to a reduction in Erste Group's ability to access customer deposit funding on appropriate terms in the future and to sustained deposit outflows, both of which would adversely impact Erste Group's ability to fund its operations. Any loss in customer confidence in Erste Group’s banking businesses, or in banking businesses generally, could significantly increase the amount of deposit withdrawals in a short period of time. Should Erste Group experience an unusually high level of withdrawals, this may have an adverse effect on Erste Group's results, financial condition and prospects and could, in extreme circumstances, prevent Erste Group from funding its operations. In such extreme circumstances Erste Group may not be in a position to continue to operate without additional funding support, which it may be unable to access.

**Liquidity problems experienced by certain CEE countries may adversely affect the broader CEE region and could negatively impact Erste Group's business results and financial condition.**

Certain countries where Erste Group has operations may encounter severe liquidity problems. In the past, Romania, Serbia and the Ukraine have all turned to international institutions for assistance, and other countries in the CEE may be forced to do the same. If such liquidity problems should occur, this could have significant consequences throughout the region, including foreign banks withdrawing funds from their CEE subsidiaries, thereby weakening local economies and affecting customers of Erste Group who borrow from a number of different banks. This could also lead to an increase of defaults throughout the economy or by Erste Group customers and, accordingly, could have a material adverse effect on Erste Group's business, financial condition and results of operation.

**Governments in countries in which Erste Group operates may react to financial and economic crises with increased protectionism, nationalisations or similar measures.**

Governments in CEE countries in which Erste Group operates could take various protectionist measures to protect their national economies, currencies or fiscal income in response to financial and economic crises, including among other things:

- allow for loans denominated in foreign currencies like €, USD or CHF to be converted into local currencies at below market rates, such as occurred in Hungary in 2011, or allow loans to be assumed by government entities, potentially resulting in a reduction in value for such loans;
- set limitations on the repatriation of profits (either through payment of dividends to their parent companies or otherwise) or export of foreign currency;
- set out regulations limiting interest rates and fees for services that can be charged and other terms and conditions;
- prohibit money transfers abroad by banks receiving state support measures (e.g., loans granted to banks from sovereigns or covered by sovereign deposit guarantees);
- introduce or increase banking taxes or legislation imposing levies on financial transactions or income generated through banking services or extend such measures previously introduced on a temporary basis; and
- nationalisation of local banks, with or without compensation, in order to stabilise the banking sector and the economy.

Any of these or similar state actions could have a material adverse effect on Erste Group’s business, financial condition and results of operations.

**Erste Group may be adversely affected by slower growth or recession in the banking sector in which it operates as well as slower expansion of the Eurozone and the EU.**

Banking sector growth in the countries in which Erste Group operates has significantly declined compared to years prior to 2008. As the economies in Central and Eastern Europe mature, particularly in the Czech Republic and Slovakia, growth in the banking sector can be expected to slow further in these regions. Of the countries in which Erste Group has significant operations, the Czech Republic, Hungary and Slovakia joined the EU in 2004; Romania joined the EU in 2007, and Croatia in July 2013. Economic growth in the region may be further constrained in coming years by continuing effects of the recent credit crisis and recession, as well as a slowing expansion of the Eurozone and the EU and increasing constraints on the EU budget, which may reduce various subsidies to CEE countries. In addition, EU legal, fiscal and monetary regulations may limit a country's ability to respond to local economic conditions. Moreover, some of these countries are expected to raise tax rates and levies to EU standards or introduce new taxes in order to provide social protection for unemployed workers and others affected by the economic downturn and to put public sector finance on a more sustainable basis, which could also limit their growth rates.

**The legal systems and procedural safeguards in many CEE countries and, in particular, in the Eastern European countries are not yet fully developed.**

The legal and judicial systems in some of the markets where Erste Group operates are less developed than those of other European countries. Commercial law, competition law, securities law, company law, bankruptcy law and other areas of law in these countries have been and continue to be subject to constant changes as new laws are being adopted in order to keep pace with the transition to market economies. In this regard, the laws of some of the jurisdictions where Erste Group operates may not be as favourable to investors' interests as the laws of Western European countries or other jurisdictions with which prospective investors may be familiar. Existing laws and regulations in some countries in which Erste Group operates may be applied inconsistently or may be interpreted in a manner that is restrictive and non-commercial. It may not be possible, in certain circumstances, to obtain legal remedies in a timely manner in these countries. The relatively limited experience of a significant number of judges and magistrates practising in these markets, particularly with regard to securities laws issues, and the existence of a number of issues relating to the independence of the judiciary may lead to unfounded decisions or to decisions based on considerations that are not founded in the law. In addition, resolving cases in the judicial systems of some of the markets where Erste Group operates may at times involve very considerable delays. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect Erste Group's business.

**Applicable bankruptcy laws and other laws and regulations governing creditors' rights in various CEE countries may limit Erste Group's ability to obtain payments on defaulted loans and advances.**

Bankruptcy laws and other laws and regulations governing creditors' rights vary significantly among countries in the CEE. In some countries, the laws offer significantly less protection for creditors than the bankruptcy regimes in Western Europe. In addition, it is often difficult to locate all of the assets of an insolvent debtor in CEE countries. Erste Group's local subsidiaries have at times had substantial difficulties receiving payouts on claims related to, or foreclosing on collateral that secures, extensions of credit that they have made to entities that have subsequently filed for bankruptcy protection. In the event of further economic downturns, these problems could intensify, including as a result of changes in law or regulations intended to limit the impact of economic downturns on corporate and retail borrowers. These problems, if they were to persist or intensify, may have an adverse effect on Erste Group's business, results of operations and financial condition.

**Erste Group may be required to participate in or finance governmental support programs for credit institutions or finance governmental budget consolidation programmes, including through the introduction of banking taxes and other levies.**

If a major bank or other financial institution in Austria or the CEE markets where Erste Group has significant operations were to suffer significant liquidity problems, risk defaulting on its obligations or otherwise potentially risk declaring bankruptcy, the local government might require Erste Group Bank or a member of Erste Group to provide funding or other guarantees to ensure the continued existence of such institution. This might require Erste Group Bank or one of its affiliates to allocate resources to such assistance rather than using such resources to promote other business activities that may be financially more productive, which could have an adverse effect on Erste Group's business, financial condition or results of operations.

## Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

## Risk Factors in respect of the Asset Linked Nature of the Notes

**Redemption and/or interest of the Notes are dependent on the non-occurrence of acceleration events relating to the Reference Entity and the Reference Obligation. The Holders are exposed to the risk following the occurrence of an Acceleration Event that they lose all of their investment which they have used for purchasing the Notes and they do not receive interest payments.**

The payment of capital and, in case of Notes with a fixed interest rate, interest is dependent on the non-occurrence of certain acceleration events in respect of the obligor to whose credit risk the Notes are linked (the "**Reference Entity**") and/or the relevant notes issued by the Reference Entity (the "**Reference Obligation**"). Such acceleration event (an "**Acceleration Event**") is deemed to have occurred if between the issue date (inclusive) and the Scheduled Last Credit Event Observation Date (inclusive) in relation to the Reference Entity and/or the Reference Obligation either a Reference Obligation Event (as defined below) and/or a Credit Event (as defined below) has been determined by the Calculation Agent.

A "**Reference Obligation Event**" shall be deemed to have occurred if a Reference Obligation Scheduled Payment Deficiency or an Unscheduled Redemption of the Reference Obligation or, in case of a Note where the Reference Obligation is denominated in another currency as the currency of the Note (a "**Cross Currency Note**") a Value Deterioration Trigger Event, occurs, all as determined by the Calculation Agent and where a:

- "**Reference Obligation Scheduled Payment Deficiency**" means the occurrence of a deficiency or a discrepancy, for whatever reason, of any scheduled payments on the Reference Obligation, an
- "**Unscheduled Redemption of the Reference Obligation**" means the occurrence s of a) the redemption or cancellation of the Reference Obligation, or any event which has substantially the same effect, or b) the exchange or partial exchange of the Reference Obligation for a replacement entitlement on or prior to the Reference Obligation's scheduled redemption date and a
- "**Value Deterioration Trigger Event**" (which is only relevant in case of Cross Currency Notes) means that as a result of a daily valuation of the Calculation Agent the market value of the Reference Obligation adjusted for the value of a swap, which the Issuer may enter into to hedge its position under the Notes, is at or below a percentage of the Reference Obligation Nominal Amount which will be determined in the Final Terms).

A "**Credit Event**" is deemed to have occurred if one of the following events in relation to the Reference Entity has occurred:

| **Reference Entity:** | **the following events present a credit event:** |
|---|---|
| is an European Corporate or a North American Corporate | failure to pay<br><br>restructuring<br><br>bankruptcy |
| is an Emerging European Corporate | failure to pay<br><br>restructuring |

| | |
|---|---|
| | bankruptcy<br><br>repudiation/moratorium<br><br>obligation acceleration |
| is a Western European Sovereign | failure to pay<br><br>restructuring<br><br>repudiation/moratorium |
| is an Emerging European or a Middle Eastern Sovereign | failure to pay<br><br>restructuring<br><br>repudiation/moratorium<br><br>obligation acceleration |

If an Acceleration Event occurs in relation to Notes with a fixed interest rate interest is not paid as scheduled in respect of the interest period in which the Acceleration Event occurs and in respect of all following interest periods.

If an Acceleration Event occurs the claim to redemption at the final redemption amount, as determined in the Final Terms, upon maturity furthermore does not apply and is replaced by a claim to a cash settlement. The amount of payments which an investor receives for the Notes following the occurrence of an Acceleration Event, is dependent in particular on the market value of the Reference Obligation (and the swap value in case of Cross Currency Notes) following the occurrence of an Acceleration Event and therefore the cash settlement amount is likely to be very low in comparison to the invested capital (see also hereinafter "The cash settlement amount to be paid following the occurrence of an Acceleration Event is typically considerably lower than the nominal amount of the Notes and may also be zero").

**The cash settlement amount to be paid following the occurrence of an Acceleration Event is typically considerably lower than the nominal amount of the Notes and may also be zero**

Following the occurrence of an Acceleration Event instead of the redemption of the nominal amount of the Notes an amount in cash is paid (the **"Acceleration Event Redemption Amount")**. Such amount equals the amount which a potential seller would have received from a selected dealer in respect of the potential sale of the Reference Obligation through a sales procedure as further described in the Terms and Conditions of the Notes and which is converted into the specified currency of the Notes at the prevailing exchange rate and adjusted for the value of the swap which the Issuer may enter into to hedge its position under the Note.

**If particular events occur, the maturity date and the interest payment dates (in case of Notes with a fixed interest rate) are postponed without the Holders of securities receiving compensation; in addition the period in which an Acceleration Event can occur is extended**

If an application is made in relation to the existence of a credit event of a Reference Entity to a decision committee established by ISDA (International Swaps and Derivatives Association, Inc.) before the Scheduled Last Credit Event Observation Date and the decision committee has not published a decision by the last business day before the Scheduled Last Credit Event Observation Date, the maturity date and the date of interest payments (in case of Notes with a fixed interest rate) may be considerably postponed.

In the case of Notes, the Reference Entity of which is a

- Emerging European Corporate,
- Western European Sovereign,
- Emerging European Sovereign or
- Middle Eastern Sovereign*,*

the Last Credit Event Observation Date and the maturity date as well as the date of interest payments (in case of Notes with a fixed interest rate) may be considerably postponed, if a Reference Entity does not recognise an obligation on or before the Scheduled Last Credit Event Observation Date or imposes a moratorium.

In the case of Notes, the Reference Entity of which is a

- Emerging European Corporate,
- Emerging European Sovereign or
- Middle Eastern Sovereign*,*

the Last Credit Event Observation Date and maturity date as well as the date of interest payments (in case of Notes with a fixed interest rate) may also be considerably postponed if a Reference Entity has not paid an obligation when due, however the applicable grace period for this obligation has not yet expired by the Scheduled Last Credit Event Observation Date.

Overall this can result in considerable postponements to the Last Credit Event Observation Date and the maturity date as well as the date of interest payments (in case of Notes with a fixed interest rate). In this respect, a postponement means a loss of interest for the investor as well as an extension of the period in which an Acceleration Event may occur.

**The Holders do not have any rights of recourse in relation to the Reference Entity**

Even if the amount of the payments to be made on the Notes is entirely dependent on the Reference Entity and the Reference Obligation, the Notes do not establish a legal relationship between the Holders and the Reference Entity. In the event of loss, the Holders have no recourse against the Reference Entity or access to the Reference Obligation.

**The volatility of the price of the Notes is dependent, amongst others, on the creditworthiness of the Reference Entity and the general credit derivatives market**

Since the payments on the Notes are dependent on the non-occurrence of an Acceleration Event in relation to the Reference Entity and/or the Reference Obligation, the price of the Notes, amongst others, is dependent on the creditworthiness of the Reference Entity, on the evaluation of this creditworthiness by rating agencies or the financial market participants as well as on the price development of other financial instruments which relate to the creditworthiness of the Reference Entity such as, for example, credit derivatives (Credit Default Swaps) in relation to the Reference Entity, notes of the Reference Entity, notes which relate to the Reference Entity such as any existing credit-linked notes and other capital market instruments which relate to the Reference Entity and/or the Reference Obligation. The price development of these other financial instruments is, in addition, not only dependent on the expected creditworthiness of the Reference Entity, but also for example in the case of credit derivatives on the market expectation in relation to the general default rates of debtors. This can for example result in the price of the Notes being negatively affected, due to price changes in the entire credit derivatives market, even if no change has occurred to the expected creditworthiness of the Reference Entity.

**Conflicts of interest of the Issuer, the Paying Agent and the Calculation Agent in relation to the Reference Entity may have a negative effect on the price development of the Notes**

The Issuer, Paying Agent, Calculation Agent and their associated companies are entitled for their own account or for third parties to purchase and sell Notes, to issue further Notes and to enter into transactions (including hedging transactions) which affect the Reference Entity or obligations of the Reference Entity. The Issuer, Paying Agent, Calculation Agent and their associated companies are furthermore entitled to exercise another function instead of the current one in relation to the Notes and are also entitled to issue further financial instruments in relation to the Reference Entity. These transactions may have a negative influence on the price development of the Notes. The introduction of further competing products on the market may impair the value of the Notes. The Issuer, Paying Agent, Calculation Agent and their associated companies are entitled to act as a consortium bank, a financial advisor or as a commercial bank for the Reference Entity in connection with future issuances. Conflicts of interest may arise from these activities.

The Issuer, Paying Agent, Calculation Agent and their associated companies possibly have information on the Reference Entity on the issue date or thereafter which can be material for the Holders and are not publicly accessible or known to the Holders. The Issuer, Paying Agent, Calculation Agent and their associated companies are not obliged to disclose such information to the Holders.

**A change in respect the Reference Entity e.g. in the form of a merger with another company, may considerably increase the probability of an acceleration event occurring and thereby a total loss of the capital invested by the Holders**

Events in the sphere of the Reference Entity, such as for example a merger with another company, may lead to the fact that the Reference Entity is no longer comparable with its economic situation prior to this change and it can then lead to a material change in the creditworthiness of the Reference Entity which may considerably increase the probability of an acceleration event occurring. The risk resulting from such changes in the sphere of the Reference Entities is borne by the Holders.

***In relation to certain determinations under the Terms and Conditions investors are dependent on the decisions of the "ISDA Credit Derivatives Determination Committee"***

The International Swaps and Derivatives Association, Inc. ("**ISDA**") established "Credit Derivatives Determination Committees" (each a "**Committee**") for the purpose of making decisions on subjects and questions in connection with credit derivatives and auctions organised by ISDA and these Committees consist of participants in the credit derivatives market and the calculation agent and the Issuer do not have any influence on the decisions of the Committee.

In relation to the Notes the decision of the Committee on the occurrence (or non-occurrence) of certain potential credit events and a succession event in respect of a Reference Entity, the time of these occurrences and the identity of a successor will have a binding effect on the Holders.

## Risks related to the pricing of the Notes

**The issue price of the Notes may include a margin on the mathematical (fair) value of the Notes**

The sales price of the Notes may include a margin on the mathematical ("**fair**") value of the Notes, which cannot be identified by an investor ("**Margin**"). The Margin will be determined at the reasonable discretion of the Issuer and may differ from margins charged by other issuers for comparable notes. This Margin may be used e.g. for commission payments made by the Issuer to its distributors as remuneration.

**Since the Issuer will, when determining the price of the securities on the secondary market, also take into account, in particular, the subscription fee (agio), the spread between bid and ask prices as well as commission and other fees in addition to the mathematical (fair) value of the Notes, the prices quoted by the Issuer may considerably deviate from the fair market value of the Notes**

Prices quoted by the Issuer are determined by the Issuer itself based on internal pricing models. The Issuer is generally the only person quoting a price for the Notes.

The Issuer determines the prices based on factors such as, in particular, the fair value of the Notes, which inter alia depends on the credit risk of the Reference Entity, and, if the Issuer provides bid and ask prices, the spread between the bid and ask prices desired by the Issuer. In addition to this, a subscription fee (agio) initially charged for the Notes is regularly included as well as any fees or costs (inter alia, administrative, transaction or comparable fees according to the Final Terms) which are to be deducted upon maturity or settlement of the Notes from any payments to be made. The quotation of prices on the secondary market is also dependent e.g. on costs associated with the initial issue of the Notes on the primary market, such as distribution fees paid to third parties. Furthermore, the Issuer will include its own profit margin.

The bid-ask spread will be fixed by the Issuer based on supply and demand for the Notes and certain revenue considerations.

Certain costs, which were associated with the initial issue of the Notes on the primary market, such as the agio or distribution fees paid to third parties and/or trailer fees will first be added to the fair value of the Notes and increase their price, but will then often not be divided equally over the term of the Notes and deducted from the price when prices are quoted, instead they are deducted entirely from the fair value of the Notes at an earlier date at the reasonable discretion of the Issuer.

The prices quoted by the Issuer can, therefore, substantially differ from the fair value of the Notes, or the value of the Notes to be expected economically on the basis of the factors mentioned above, at the relevant time.

## Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

**A wide range of Notes may be issued under this Prospectus. A number of these Notes may have features which contain particular risks for prospective investors. Set out below is a description of the most common such features.**

**In the event that any Notes are redeemed prior to their maturity, a Holder of such is exposed to risks that the Notes will be redeemed at the fair market value and the risk that he may only be able to reinvest the redemption proceeds in notes with a lower yield (Risk of Early Redemption).**

The Issuer will always have the right to redeem the Notes if the Issuer is required to make additional (gross-up) payments for reasons of taxation. If the Issuer redeems the Notes prior to maturity or the Notes are subject to early redemption due to an early redemption event, a holder of such Notes will only receive the fair market value of the Notes adjusted to account fully for any reasonable expenses and costs of the Issuer and/or its affiliates of unwinding any underlying and/or related hedging and funding arrangements. In addition, such Holder may only be able to reinvest the redemption proceeds in notes with a lower yield or with a similar yield of a higher risk.

**Under the European Union Savings Directive, if a payment were to be made or collected through a paying agent in a state which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax (No gross-up).**

Under EC Council Directive 2003/48/EC (as amended) (the European Union Savings Directive) on the taxation of savings income, Member States have been required, since 1st July, 2005, to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a paying agent within its jurisdiction to an individual resident in that other member state. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system to withhold tax at a rate of 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). In conformity with the prerequisites for the application of the European Union Savings Directive, a number of non-EU countries and territories including Switzerland have agreed to apply measures equivalent to those contained in the European Union Savings Directive (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. The final form of the measure is still unknown.

If a payment were to be made or collected through a paying agent in a state which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a paying agent following implementation of the Directive, the Issuer will be required, to the extent this is possible, to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the Directive (if possible).

A paying agent in a member state that is not obliged to withhold or deduct tax from payments under the Notes pursuant to the Directive will have to provide details of payments of interest (or similar income) under the Notes to the member state in which the receiving individual is resident. The reporting obligation relates to, inter alia, information on the amount of interest paid as well as name, address and account details of the receiving individual in accordance with Article 8 of the Directive.

The Directive is currently under review and may be amended. The amendments currently under discussion pertain (amongst others) to the extension of the scope of the Directive to include interest income derived by natural persons through certain entities and a broadening of the scope of interest income subject to the Directive.

**The Notes are governed by Austrian law, and changes in applicable laws, regulations or regulatory policies may have an adverse effect on the Issuer, the Notes and the Holders.**

The Terms and Conditions of the Notes will be governed by Austrian law. Holders should thus note that the governing law may not be the law of their own home jurisdiction and that the law applicable to the Notes may not provide them with similar protection as their own law. Furthermore, no assurance can be given as to the impact of any possible judicial decision or change to Austrian law, or administrative practice after the date of this Prospectus.

## Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

**Holders are exposed to the risk of partial or total failure of the Issuer to make interest and/or redemption payments under the Notes.**

Holders are subject to the risk of a partial or total failure of the Issuer to make interest (in case of Notes with a fixed interest rate) and/or redemption payments that the Issuer is obliged to make under the Notes. The worse the creditworthiness of the Issuer, the higher the risk of loss (see also "Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Prospectus" above). A materialisation of the credit risk may result in partial or total failure of the Issuer to make interest and/or redemption payments.

**Holders assume the risk that the credit spread of the Issuer widens resulting in a decrease in the price of the Notes.**

A credit spread is the margin payable by the Issuer to the holder of an instrument as a premium for the assumed credit risk. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of the Notes and obligations under any collateralisation or guarantee and declarations as to any preferred payment or subordination. The liquidity situation of the market, the general level of interest rates, overall economic developments, and the currency, in which the relevant obligation is denominated may also have a negative effect.

Holders are exposed to the risk that the credit spread of the Issuer widens resulting in a decrease in the price of the Notes.

**The Holder may be exposed to the risk that due to future money depreciation (inflation), the real yield of an investment may be reduced.**

Inflation risk describes the possibility that the value of assets such as the Notes or income therefrom will decrease as inflation reduces the purchasing power of a currency. Inflation causes the rate of return to decrease in value. If the inflation rate exceeds the interest paid on any Notes the yield on such Notes will become negative.

**There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, a Holder may not be able to sell his Notes at fair market prices.**

Application has been made to admit the Programme to the Markets, each of which appears on the list of regulated markets issued by the European Commission. In addition, the Programme provides that Notes may be listed on an alternative market or stock exchange or may not be listed at all.

Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. If the Notes are not listed on any stock exchange, pricing information for such Notes may, however, be more difficult to obtain, which may adversely affect the liquidity of the Notes. In an illiquid market, a Holder might not be able to sell its Notes at any time at fair market prices or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of Notes. The possibility to sell the Notes might additionally be restricted by country-specific reasons.

**There is a risk that trading in the Notes or the Reference Obligation will be suspended, interrupted or terminated, which may have an adverse effect on the price of such Notes.**

If the Notes are listed on one (or more) markets (which may be regulated or unregulated), the listing of such Notes may – depending on the rules applicable to such stock exchange - be suspended or interrupted by the respective stock exchange or a competent regulatory authority upon the occurrence of a number of reasons, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of Holders. Furthermore, trading in the Notes may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer. Where trading in the Reference Obligation of the Notes is suspended, interrupted or terminated, trading in the respective Notes may also be suspended, interrupted or terminated and existing orders for the sale or purchase of such Notes may be cancelled. Holders should note that the Issuer has no influence on trading suspension or interruptions (other than where trading in the Notes is terminated upon the Issuer's decision) and that Holders in any event must bear the risks connected therewith. In particular, Holders may not be able to sell their Notes where trading is suspended, interrupted or terminated, and the stock exchange quotations of such Notes may not adequately reflect the price of such Notes. Furthermore, a trading suspension, interruption or termination of Reference Obligation may cause a suspension, interruption or termination of trading in the Notes and may as well result in an artificial or wrong valuation of the Notes. Finally, even if trading in Notes or the Reference Obligation is suspended, interrupted or terminated, Holders should note that such measures may neither be sufficient nor adequate nor in time to prevent price disruptions or to safeguard the Holders' interests; for example, where trading in Notes is suspended after price-sensitive information relating to such Notes has been published, the price of such Notes may already have been adversely affected. All these risks would, if they materialise, have a material adverse effect on the Holders.

**Holders are exposed to the risk of an unfavourable development of market prices of their Notes which materialises if the Holder sells the Notes prior to the final maturity of such Notes.**

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Instrument. The Holder is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the Holder sells the Notes prior to the final maturity of such Notes. Holders should also be aware that Notes may be issued at a price higher than the market price at issue and/or the redemption amount. This will increase the impact that unfavourable market price developments may have on the Notes. If the Holder decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the relevant Final Terms.

**Exchange rate risks may occur, if a Holder's financial activities are denominated in a currency or currency unit other than the Specified Currency in which the Issuer will make principal and interest payments. Furthermore, government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate.**

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if a Holder's financial activities are denominated principally in a currency or currency unit (the Holder's Currency) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Holder's Currency) and the risk that authorities with jurisdiction over the Holder's Currency may impose or modify exchange controls. An appreciation in the value of the Holder's Currency relative to the Specified Currency would decrease (i) the Holder's Currency-equivalent yield on the Notes, (ii) the Holder's Currency-equivalent value of the principal payable on the Notes, and (iii) the Holder's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Holders may receive less interest or principal than expected, or no interest or principal.

**If a loan or credit is used to finance the acquisition of the Notes, the loan or credit may significantly increase the amount of a loss.**

If a loan is used to finance the acquisition of the Notes by a Holder and the Issuer is subsequently unable to repay any or all of the principal and interest otherwise payable under the Notes, or if the trading price diminishes significantly, the Holder may not only have to face a potential loss on its investment, but it will also have to repay the loan and pay interest thereon. A loan may therefore significantly increase the amount of a potential loss. Holders should not assume that they will be able to repay the loan or pay interest thereon from the profits of a transaction. Instead, Holders should assess their financial situation prior to an investment, as to whether they are able to pay interest on the loan, repay the loan on demand, and that they may suffer losses instead of realising gains.

**Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes.**

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

Potential investors should note that the purchase price applicable to the Notes on a given day will often include a bid-ask spread so that the purchase price will be higher than the price at which Holders are able to sell any such Notes on that given day.

**Holders have to rely on the functionality of the relevant clearing system.**

The Notes are purchased and sold through different clearing systems, such as Oesterreichische Kontrollbank Aktiengesellschaft. The Issuer does not assume any responsibility as to whether the Notes are actually transferred to the securities portfolio of the relevant investor. Holders have to rely on the functionality of the relevant clearing system.

**Holders should note that the applicable tax regime may change to the disadvantage of the Holders and therefore, the tax impact of an investment in the Notes should be carefully considered.**

Interest payments on Notes, or profits realised by a Holder upon the sale or repayment of Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. Prospective investors should contact their own tax advisors for advice on the tax impact of an investment in the Notes. Furthermore, the applicable tax regime may change to the disadvantage of the investors in the future.

**Legal investment considerations may restrict certain investments**

The investment activities of certain Holders are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Furthermore, the Terms and Conditions of the Notes may contain certain exclusions or restrictions of the Issuer's or other parties' (e.g. the Calculation Agent, the Paying Agent etc.) liability for negligent acts or omissions in connection with the Notes, which could result in the Holders not being able to claim (or only to claim partial) indemnification for damage that has been caused to them. Holders should therefore inform themselves about such exclusions or restrictions of liability and consider whether these are acceptable for them.

## Risks related to FATCA

**Payments, including principal, on the Notes to Holders and beneficial owners of interests in the Notes that (i) fail to comply with tax certifications or identification requirements (including providing a waiver of any laws prohibiting the disclosure of such information to a taxing authority) or (ii) are financial institutions that fail to comply with the U.S. Foreign Account Tax Compliance Act or any analogous provisions of non-U.S. laws, including any voluntary agreements entered into with a taxing authority pursuant thereto, may be subject to a withholding tax of 30 per cent. The Issuer will not be obligated to make any additional payments in respect of any such amounts withheld by the Issuer or an intermediary paying agent.**

Pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, an agreement entered into by the Issuer, a paying agent or an intermediary with the U.S. Internal Revenue Service pursuant to such U.S. law, an intergovernmental agreement concluded by the United States with another country (such as the country of residence of the Issuer, a paying agent or an intermediary) or any non-U.S. laws enacted in furtherance of such an intergovernmental agreement (collectively referred to as "**FATCA**"), the Issuer, a paying agent or an intermediary may, under certain circumstances, be required to withhold at a rate of 30.00 per cent. on all or a portion of payments of principal and interest or proceeds of sale made to Holders or payee or intermediary financial institutions unless such Holder or payee or intermediary financial institution is FATCA compliant or exempt.

In order to be FATCA compliant, Holders generally will be required to provide tax certifications and identifying information about themselves and certain of their beneficial owners, and, if applicable, a waiver of any laws prohibiting the disclosure of such information to a taxing authority. A payee financial institution generally would be required to enter into an agreement with the U.S. Internal Revenue Service and agree, among other things, to disclose the tax status of the account holders at the institution (or the institution's affiliates) and to annually report certain information about such accounts. Payee financial institutions that are resident in a country that has entered into an intergovernmental agreement with the United States in connection with FATCA may be required to comply with such country's FATCA implementing laws, which may not require the financial institution to enter into an agreement with the U.S. Internal Revenue Service. A grandfathering rule provides that certain non-U.S. source obligations that are outstanding on the date that is six months after the adoption of final U.S. Treasury regulations addressing "foreign passthru payments" (the "**Grandfathering Date**") and that are not modified and treated as reissued, for U.S. federal income tax purposes, after such date will not be subject to withholding. Obligations that are treated as equity and certain other obligations lacking a definitive term (such as saving and demand deposits), however, are not eligible for grandfathering. Certain Notes that are treated, for U.S. federal income tax purposes, as non-U.S. source obligations and that are issued on or prior to the Grandfathering Date may qualify for grandfathering. However, there can be no assurance that any Notes will qualify for grandfathering.

If withholding on payments on Notes or the proceeds of sale is required, such withholding is not expected to begin prior to 1st January, 2017. If the Issuer is required to withhold under FATCA, such amount will be deducted from any interest, principal or other payments on the Notes. In such an event neither the Issuer nor any paying agent or any other person is required to compensate such a deduction so that such a potential tax withholding would be to the expense of a Holder.

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN; AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

# 2. THE NOTES

## 2.1. General Information about the Notes

### 2.1.1 Listing and trading

Application may be made to admit the Programme and/or Notes to the Markets or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series may, but need not be, listed on the Markets or any other market or stock exchange. At the date of this Prospectus, notes of the Issuer are admitted to trading on the Market of the Luxembourg Stock Exchange, Euronext Amsterdam, Baden-Württembergische Wertpapierbörse, SIX Swiss Exchange, Frankfurter Wertpapierbörse and on the Austrian Markets.

### 2.1.2 Currency of the Notes

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency.

### 2.1.3 Terms and conditions of the offer, offer period

The offer of Notes under this Prospectus is not subject to any conditions. The Final Terms must be read in conjunction with the Prospectus and its supplement(s) (if any).

The Notes are offered on the value date in one or several Tranches, with different features (as described in this Prospectus), at a fixed price (plus an issuing premium if applicable). Thereafter the Notes may be sold over-the-counter.

The invitation to prospective investors to make offers for the subscription of Notes is carried out by the Issuer, if any. An offer to subscribe for Notes may be made by an investor to the Issuer or distribution partners, if any, on the value date. The Issuer retains the right to accept or reject subscription offers, in whole or in part.

In general, no maximum subscription amount will be set by the Issuer.

### 2.1.4 Issue Price

Notes may be issued at their principal amount or at a discount or premium to their principal amount (as specified in the relevant Final Terms). The issue price and the amount of the relevant Notes will be determined before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions.

### 2.1.5 Delivery of the Notes

On or before the issue date for each Tranche the Global Note representing bearer notes will be deposited with OeKB.

### 2.1.6 Clearing Systems and form and delivery

The Notes will in all cases be cleared through OeKB (and may be settled through Euroclear and Clearstream, Luxembourg). The International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

### 2.1.7 Restrictions on the free transferability of the securities

The Notes are freely transferable.

### 2.1.8 Ranking of the Notes

The Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* among themselves and (subject to any applicable statutory exceptions and without prejudice to the aforesaid) the payment obligations of the Issuer under the Notes rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future.

### 2.1.9 Consents and approvals, resolutions in respect of the issue of the Notes

The Issuer has obtained all necessary consents, approvals and authorisations in Austria in connection with the issue and performance of Notes. Tranches of Notes will be issued under the Programme in accordance with internal approvals, as in force from time to time, provided that, unless otherwise specified in the Final Terms, issues of Notes from 1 January 2014 until 31 December 2014 will be made in accordance with a resolution of the Management Board of the Issuer passed on 26 November 2013, a resolution of the Risk Management Committee of the Supervisory Board dated 17 December 2013 and by a resolution of the Supervisory Board of the Issuer passed on 19 December 2013, and issues of Notes in 2015 will be made in accordance with resolutions of the Management Board, the Risk Management Committee of the Supervisory Board (if any) and the Supervisory Board of the Issuer which are expected to be adopted in December 2014.

### 2.1.10 Reasons for the offer and use of proceeds from the sale of the Notes

The net proceeds from the issue of any Notes will be used by the Issuer for its general funding purposes and for making profit.

### 2.1.11 Applicable law, place of performance and place of jurisdiction

The Notes will be governed by Austrian law.

The competent Austrian courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes (including any legal action or proceedings relating to any non-contractual obligations arising out of or in connection with Notes), to the extent permissible according to applicable mandatory consumer protection legislation.

### 2.1.12 Interest of individuals or legal entities involved in the issue

Concerning interests of individuals or legal entities involved in the issue as well as potential conflicts of interests resulting from this, please see "Risk factors relating to conflicts of interest" in the Prospectus and under "Interest of Natural and Legal Persons involved in the Issue or the Offering" under "Other information" in the relevant Final Terms.

### 2.1.13 Fees

The Final Terms will specify, if applicable, the kind and amount of fees charged to the subscriber or purchaser.

# 3. TERMS AND CONDITIONS OF THE NOTES

*The following terms and conditions contain in the general conditions (the "**General Conditions**") the conditions which apply to all issues and in the issue specific conditions (the "**Issue Specific Conditions**") all variable or optional conditions which may apply for a specific issue. The Issue Specific Conditions and the General Conditions collectively form the "**Terms and Conditions**" of the respective issue. The Issuer shall determine in the Final Terms which options or variables of the Issue Specific Conditions (including all sub-options) apply to the respective issue in which all applicable provisions of the Issue Specific Conditions are repeated and all relevant gaps of the Issue Specific Conditions are completed. The General Conditions are not repeated or supplemented in the Final Terms.*

## A. GENERAL CONDITIONS

### § 1
### FORM

(1) *Form*. The Notes are being issued in bearer form.

(2) *Permanent Global Note*. The Notes are represented by a permanent global note (the "**Permanent Global Note**" or the "**Global Note**") without coupons; the claim for interest payments under the Notes (if any) is represented by the Permanent Global Note. The Permanent Global Note shall be signed by authorised signatories of the Issuer. Definitive Notes and coupons will not be issued.

### § 2
### CERTAIN DEFINITIONS

(1) *Clearing System*. The Global Note will be kept in custody by or on behalf of a Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, 1010 Vienna, Austria ("**OeKB**") and any successor in such capacity.

(2) *Holder of Notes*. "**Holder**" means any holder of a proportionate co-ownership or other comparable right in the Global Note which may be transferred to a new Holder in accordance with the provisions of the Clearing System.

### § 3
### STATUS

The Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* among themselves and (subject to any applicable statutory exceptions and without prejudice to the aforesaid) the payment obligations of the Issuer under the Notes rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future.

### § 4
### PAYMENTS

(1) *Payments.* Payment on the Notes shall be made to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System.

(2) *Default Interest*. If the Issuer fails to make payments on the Notes when due, interest shall accrue on the outstanding amount from, and including, the due date to, but excluding, the date of actual payment at the statutory default interest rate[1]. This does not restrict any additional rights that might be available to the Holders.

## § 5

## REDEMPTION FOR REASONS OF TAXATION

(1) *Early Redemption for Reasons of Taxation*. The Notes will be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 Business Days' nor more than 90 Business Days' prior notice of redemption to the Paying Agent and, in accordance with § 11, to the Holders (which notice shall be irrevocable), if on the next succeeding Interest Payment Date (if any) or Maturity Date, the Issuer will become obliged to pay Additional Amounts pursuant to § 7 (1) as a result of any change in, or amendment to, the laws or regulations of the Republic Austria or of any political subdivision or taxing authority thereof or therein, or as a result of any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes is issued, and such amendment or change has been evidenced by the delivery by the Issuer to the Paying Agent (who shall accept such certificate and opinion as sufficient evidence thereof) of (i) a certificate signed by two authorised signatories of the Issuer on behalf of the Issuer stating that such amendment or change has occurred (irrespective of whether such amendment or change is then effective), describing the facts leading thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised reputation to the effect that such amendment or change has occurred (irrespective of whether such amendment or change is then effective), provided that no such notice of redemption shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes would then be due. No such notice of redemption shall be given if at the time such notice is given, the obligation to pay such Additional Amounts does not remain in effect.

(2) *Early Redemption Amount*. For purposes of this § 5 and § 9, the early redemption amount of a Note shall be the amount determined in good faith and in a commercially reasonable manner by the Calculation Agent to be the fair market value of the Notes immediately prior to (and ignoring the circumstances leading to) such early redemption, adjusted to account fully for any reasonable expenses and costs of the Issuer and/or its affiliates of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any equity options, equity swaps or other securities of any type whatsoever hedging the Issuer's obligations under the Notes).

## § 6
## PAYING AGENT AND CALCULATION AGENT

(1) *Appointment; Specified Offices*. The initial Principal Paying Agent and the initial Calculation Agent and their respective initial specified offices are:

Principal Paying Agent and Calculation Agent:

Erste Group Bank AG
Graben 21
1010 Vienna

[1] The statutory default interest rate amounts to 4% (§ 1000 Sec 1 of the Austrian General Civil Code (ABGB). The same percentage shall apply to Holders which are entrepreneurs within the meaning of the Austrian Commercial Code (UGB).

Austria

Where these Terms and Conditions refer to the term "Paying Agent(s)", such term shall include the Principal Paying Agent.

The Paying Agent(s) and the Calculation Agent reserve the right at any time to change their respective specified office to some other specified office in the same city.

(2) *Variation or Termination of Appointment*. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent or the Calculation Agent and to appoint another Calculation Agent or additional or other Paying Agents. The Issuer shall at all times maintain (i) a Calculation Agent and (ii) so long as the Notes are listed on a stock exchange, a Paying Agent with a specified office in such place as may be required by the rules of such stock exchange or its supervisory authority. The Issuer will give notice to the Holders of any variation, termination, appointment or any other change as soon as possible upon the effectiveness of such change.

The Issuer undertakes, to the extent this is possible, to maintain a Paying Agent in a member state of the European Union in which it shall not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

(3) *Agents of the Issuer*. The Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Holder.

(4) *Determinations Binding*. All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Terms and Conditions by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and the Holders and, in the absence of the aforesaid, no liability to the Issuer, the Paying Agents or the Holders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## § 7
## TAXATION

(1) General Taxation. All amounts of principal and interest payable to the Holder (or a third party on behalf of the Holder) in respect of the Notes shall be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever (the "**Taxes**") imposed or levied by way of deduction or withholding by or on behalf of the Republic of Austria or any political subdivision or any authority thereof having power to tax, unless such deduction or withholding is required by law. In such event, the Issuer shall, to the extent permitted by law, pay such additional amounts of principal and interest (the "**Additional Amounts**") as shall be necessary in order that the net amounts of principal and interest received by the Holder (or a third party on behalf of the Holder), after such deduction or withholding, shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such deduction or withholding; except that no such Additional Amounts shall be payable on account of Taxes which

(a) are deducted or withheld by reason of the Holder (or a third party on behalf of the Holder) (i) for tax purposes having, or having had at the time of acquisition of the Notes, another nexus to the Republic of Austria than merely being, or having been, the bearer of the Notes, or (ii) receiving an amount payable in respect of the Notes by, or involving an Austrian paying agent (auszahlende Stelle) or an Austrian custodian agent (*depotführende Stelle*; both terms as defined in sec. 95(2) of the Austrian Income Tax Act 1988 (*Einkommensteuergesetz 1988*) as amended or a subsequent legal provision, if any); Austrian withholding tax on investment income (*Kapitalertragsteuer*) shall thus not qualify as a tax for which the Issuer would be obliged to pay Additional Amounts; or

(b) are deducted or withheld pursuant to (i) any European Union directive or regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation to which the Republic of Austria and/or the European Union is a party/are parties, or (iii) any provision of law implementing, or introduced in connection with, such directive, regulation, treaty or understanding; Austrian EU-withholding tax (*EU-Quellensteuer*) pursuant to the Austrian EU-Withholding Tax Act (*EU-Quellensteuergesetz*) shall thus not qualify as a tax for which the Issuer would be obliged to pay Additional Amounts; or

(c) are deducted or withheld pursuant to an international treaty or a civil law agreement concluded by a state and/or one of its political subdivisions and/or one of its authorities and/or a group of states on the one hand and the Republic of Austria and/or one of its political subdivisions and/or the European Union and/or the Issuer and/or an intermediary on the other hand; or

(d) are refundable or for which a relief at source is available pursuant to the laws of the Republic of Austria, a European Union directive or regulation or an international treaty or understanding to which the Republic of Austria and/or the European Union is a party/are parties; or

(e) would not have had to be deducted or withheld if the Holder (or a third party on behalf of the Holder) had duly submitted documentation or evidence to qualify for a tax exemption; or

(f) are payable in a different way than by being deducted or withheld from payments of principal or interest on the Notes; or

(g) are deducted or withheld after payment by the Issuer during the transfer to the Holder; or

(h) would not have been deducted or withheld if the Holder had duly submitted a claim for the respective payment of principal or interest within 30 days after the due date; or

(i) are deducted or withheld although such deduction or withholding could have been avoided by effecting a payment via another paying agent in an EU member state, which would not have been obliged to such deduction or withholding; or

(j) are deducted or withheld by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 11, whichever occurs later; or

(k) are deducted or withheld pursuant to a combination of the circumstances listed in (a) to (j).

(2) *U.S. Foreign Account Tax Compliance Act (FATCA)*. The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes sufficient funds for the payment of any tax that it is required by law to withhold or deduct pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**") (including under a voluntary agreement entered into with a taxing authority as described in Section 1471(b) of the U.S. Internal Revenue Code (the "**FATCA Agreement**")). The Issuer will not be required to make any payment of additional amounts for or on account of any withholding tax deducted by the Issuer or an intermediary in compliance with FATCA. For the avoidance of doubt, the withholding or deduction of any amounts which are withheld or deducted pursuant to a FATCA Agreement shall be treated as being required by law.

## § 8
## PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within thirty years (in the case of principal) and three years (in the case of interest, if any) upon the relevant due date.

## § 9
## ACCELERATION

(1) *Events of Default*. Each Holder shall be entitled to declare its Notes due in accordance with paragraph (2) and demand immediate redemption thereof at the early redemption amount (as defined in § 5), together with accrued interest (if any) to (but excluding) the date of repayment, in the event that:

(a) default is made on the payment of interest (if any) or principal in respect of the Notes for a period of 15 calendar days (in the case of interest) or seven calendar days (in the case of principal) from (and including) the relevant Interest Payment Date or Maturity Date; or

(b) the Issuer fails to perform or observe any covenant, condition or provision contained in the Terms and Conditions (other than any obligation for the payment of principal or interest (if any) in respect of the Notes) which it is obliged to perform and observe, which default is incapable of remedy or is not remedied within 45 calendar days after notice of such default shall have been given to the Paying Agent at its specified office by any Holder; or

(c) insolvency (bankruptcy) proceedings or special receivership proceedings (*Geschäftsaufsichtsverfahren*) pursuant to the Austrian Banking Act (or any other applicable future regulation) are commenced against assets of the Issuer, or if the Austrian Financial Markets Authority (or any other authority competent for such matters in the future) institutes regulatory measures (*aufsichtsbehördliche Maßnahmen*) with the effect of a temporary moratorium or if the Issuer shall be wound up or dissolved, otherwise than for the purposes of reconstruction, merger or amalgamation in which the successor entity assumes all the obligations of the Issuer with respect to the Notes.

(2) *Notice*. Any notice, including any notice declaring Notes due in accordance with paragraph (1), shall be made in accordance with § 11 (3).

## § 10
## FURTHER ISSUES OF NOTES, PURCHASES AND CANCELLATION

(1) *Further Issues of Notes*. The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms as the Notes in all respects (or in all respects except for the issue date, Interest Commencement Date and/or issue price) so as to form a single series with the Notes.

(2) *Purchases*. The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. Notes purchased by the Issuer or the Subsidiary may, at the option of the Issuer or such Subsidiary, be held, resold or surrendered to the Paying Agent for cancellation.

"**Subsidiary**" means either:

(i) any company which is then, directly or indirectly, controlled, or at least 50 *per cent*. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its Subsidiaries. For a company to be controlled by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the management board or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company; or

(ii) any company regarded as a subsidiary of the Issuer in accordance with International Financial Reporting Standards.

(3) *Cancellation*. All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

## § 11
## NOTICES

(1) *Publication*. All notices of facts concerning the Notes shall be published on the website of the Issuer (www.erstegroup.com). Any notice so given will be deemed to have been validly given on the fifth calendar day following the date of such publication (or, if published more than once, on the fifth calendar day following the date of the first such publication). This does not affect any applicable stock exchange law publication requirements. Legally material notices shall be given to the Holders via the respective institutions which maintain the Holders' security accounts.

(2) *Notification to Clearing System*. If the publication of notices pursuant to paragraph (1) is no longer required by law, the Issuer may, in lieu of publication in the media set forth in paragraph (1), deliver the

relevant notices to the Clearing System, for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the calendar day on which said notice was given to the Clearing System.

(3) *Form of Notice to Be Given by any Holder*. Notices regarding the Notes which are to be given by any Holder to the Issuer shall be validly given if delivered in writing in the German or English language to the Issuer or the Paying Agent (for onward delivery to the Issuer) by hand or mail. The Holder shall provide evidence satisfactory to the Issuer of its holding of the Notes. Such evidence may be (i) in the form of a certification from the Clearing System or the Custodian with which the Holder maintains a securities account in respect of the Notes that such Holder is, at the time such notice is given, the Holder of the relevant Notes, or (ii) in any other appropriate manner. "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System.

## § 12
## APPLICABLE LAW
## AND PLACE OF JURISDICTION

(1) *Applicable Law*. The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, Austrian law.

(2) *Place of Jurisdiction*. The competent Austrian courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes (including any legal action or proceedings relating to any non-contractual obligations arising out of or in connection with Notes), to the extent permissible according to applicable mandatory consumer protection legislation.

# B. ISSUE SPECIFIC CONDITIONS

## [OPTION I – TERMS AND CONDITIONS FOR ASSET LINKED SINGLE CURRENCY NOTES:

### § 1
### CURRENCY, AGGREGATE PRINCIPAL AMOUNT, DENOMINATION, ISSUE DATE AND BUSINESS DAY

(1) *Currency, Aggregate Principal Amount and Denomination*. This tranche (the "**Tranche**") of notes (the "**Notes**") is being issued by Erste Group Bank AG (the "**Issuer**") in **[*insert specified currency*]** (the "**Specified Currency**") in the aggregate principal amount of **[*insert specified currency and aggregate principal amount*]** (in words: **[*insert aggregate principal amount in words*]**) (the "**Aggregate Principal Amount**") in the denomination of **[*insert specified currency and specified denomination*]** (the "**Specified Denomination**" or the "**Principal Amount per Note**") on **[*insert issue date*]** (the "**Issue Date**").

(2) *Business Day*. "**Business Day**" means a calendar day (other than a Saturday or a Sunday) on which **[**commercial banks and foreign exchange markets in **[**Vienna**]** **[*insert other financial centre(s)*]** settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) and**]** the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") is open.

**[*In case of Notes without any periodic payments of interest, insert:***

### § 2
### INTEREST

No periodic payments of interest will be made on the Notes.**]**

**[*In case of Notes with periodic payments of interest, insert:***

### § 2
### INTEREST

**[*In case of Notes without any change in the rate of interest until Maturity, insert:***

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their outstanding aggregate principal amount at the rate of **[*insert the rate of interest*]** per cent. *per annum* from, and including, **[*insert Interest Commencement Date*]** (the "**Interest Commencement Date**") to, but excluding, the Maturity Date (as defined in § 3 (1)).**]**

**[*In* case *of Step-up or Step-down Notes insert*:**

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their outstanding aggregate principal amount from, and including, **[*insert Interest Commencement Date*]** (the "**Interest Commencement Date**") to, but excluding, the Maturity Date (as defined in § 3 (1)) as follows:

| from, and including, | to, but excluding, | at the rate of |
|---|---|---|
| | | |

| | | |
|---|---|---|
| [*insert date*] | [*insert date*] | [*insert Rate of Interest*] per cent. *per annum* |

]

**[*In case of a short or long first or last interest period insert:*** With the exception of the **[**first**] [**last**]** payment of interest, interest**] [*In case of Notes which have only regular interest payments insert:*** Interest**]** shall be payable **[*in case of quarterly interest payments insert:*** quarterly**] [*in case of semi-annual interest payments insert:*** semi-annually**] [*in case of annual interest payments insert:*** annually**]** in arrear on **[*insert Interest Payment Dates*]** in each year (each such date, an "**Interest Payment Date**"), commencing on **[*insert first Interest Payment Date*]** and ending on **[*insert last Interest Payment Date*]**. Interest Payment Dates are subject to adjustment in accordance with the following provisions of this § 2 and the provisions set out in § 5 of the Issue Specific Conditions.

(2) *Cancellation of interest upon the occurrence of an Acceleration Event.* If, pursuant to the determination of the Calculation Agent between the Issue Date (including) and the Last Credit Event Observation Date (as defined in § 4) (including), an Acceleration Event (as defined in § 4) occurs with respect to the Reference Entity and/or the Reference Obligation and the Issuer publishes an Acceleration Event Notice between the Issue Date (including) and the Maturity Date of the Notes (including), interest on the Notes shall neither be paid for the Interest Period in which the Acceleration Event has occurred nor for any of the subsequent Interest Periods. The cancelled claim to interest will not revive due to the fact that the circumstances that triggered an Acceleration Event are remedied subsequently or cease to exist.

(3) *Postponement of the Interest Payment Date*. If an application has been filed with the Determinations Committee for a resolution in relation to the existence of a Credit Event (as defined in § 4) in respect of the Reference Entity prior to the Scheduled Last Credit Event Observation Date and if the Determinations Committee has not made a resolution on this application by the last ISDA-Business Day prior to the Scheduled Last Credit Event Observation Date, the Issuer can postpone the Interest Payment Date by up to **[**70**] [*insert other number of calendar days]*** calendar days.

**[*In addition, the following condition is applicable to a Reference Entity which is a Western European Sovereign or an Emerging European or Middle Eastern Sovereign or Emerging European Corporate:***

If a Potential Repudiation/Moratorium (as defined in § 4) occurs on or prior to the Scheduled Last Credit Event Observation Date and the Issuer has published a Repudiation/Moratorium-Extension Notice (as defined in § 4) on or prior to the Scheduled Last Credit Event Observation Date, then the respective Interest Payment Date(s) shall be postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the Repudiation/Moratorium Evaluation Date (as defined in § 4).**]**

**[*In addition, the following condition is applicable to a Reference Entity which is an Emerging European or Middle Eastern Sovereign or Emerging European Corporate:***

If a Potential Failure to Pay (as defined in § 4) occurs with respect to the Obligation of the Reference Entity, to which a Grace Period applies (as defined in § 4), on or prior to the Scheduled Last Credit Event Observation Date and if this Grace Period does not end on or prior to the Scheduled Last Credit Event Observation Date, then the respective Interest Payment Date(s) is or are postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the day on which the Grace Period expires.**]**

If the Interest Payment Date is postponed and the Issuer does not publish an Acceleration Event Notice, the Issuer is only obliged to pay the respective amount of interest which would have been payable on the originally scheduled Interest Payment Date without such a postponement. The Issuer is not obliged to pay additional amounts with respect to the postponement of the Interest Payment Date or the Maturity Date.

Whereby:

"**Acceleration Event Notice**" means a written notice from the Issuer to the Holders that an Acceleration Event has occurred. An Acceleration Event Notice must contain a description in reasonable detail of the facts relevant to the determination that an Acceleration Event has occurred. The Acceleration Event that is the subject of the Acceleration Event Notice does not need to continue on the date the Acceleration Event Notice becomes effective.

"**Determinations Committee**" is a committee established by the International Swaps and Derivatives Association, Inc. (or any successor organisation) ("**ISDA**") which comprises representatives of participants in the capital market and makes certain resolutions in connection with credit derivatives, as more fully described in the Credit Derivatives Determinations Committees Rules, as amended from time to time.

"**Interest Period**" is each period from the Interest Commencement Date (including) to the first Interest Payment Date (excluding) or each period from an Interest Payment Date (including) to the next following Interest Payment Date (excluding).

"**ISDA Business Day**" means a day (except for Saturday or Sunday) on which (a) the banks in London are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

"**Reference Entity**" means **[*insert Reference Entity*]** or its respective Successor. The Reference Entity is a**[**n**]** **[*insert type of reference entity*]**.

"**Successor**" is, provided the Determinations Committee has made a resolution on a Successor of the Reference Entity, the Successor named by the Determinations Committee. If the Determinations Committee has not made a resolution with respect to a Successor of the Reference Entity, the Successor is one or all direct or indirect Successor(s) of the Reference Entity, as determined by the Calculation Agent at its reasonable discretion and on the basis of the determinations of the Successor, in accordance with the Credit Derivatives Definitions published by ISDA, regardless of whether it or they assume(s) any obligation of the Reference Entity.

(4) *Calculation of Amount of Interest.* The Calculation Agent will calculate the amount of interest payable under the Notes (the "**Amount of Interest**") in respect of the Specified Denomination for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined below) and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency, with half of such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

(5) *Day Count Fraction.* "**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (the "**Calculation Period**"):

**[*in case Actual/Actual (ICMA) applies, insert:***

1. if the Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified

below) that would occur in one calendar year; or

2. if the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of

(i) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

"**Determination Period**" means the period from, and including, a Determination Date to, but excluding, the next Determination Date (including, where the Interest Commencement Date is not a Determination Date, the period commencing on the first Determination Date prior to the Interest Commencement Date, and where the final Interest Payment Date is not a Determination Date, the first Determination Date falling after the final Interest Payment Date, as the case may be.

The number of interest determination dates per calendar year (each a "**Determination Date**") is **[*insert number of regular interest payment dates per calendar year*].]**

**[*in case Actual/Actual (ISDA) or Actual/365 applies, insert:*** the actual number of days in the Calculation Period divided by 365 (or, if any calculation portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).**]**

**[*in case Actual/365 (Fixed) applies, insert:*** the actual number of days in the Calculation Period divided by 365.**]**

**[*in case Actual/360 applies, insert:*** the actual number of days in the Calculation Period divided by 360.**]**

**[*in case 30/360, 360/360 or Bond Basis applies, insert:*** the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).**]**

**[*in case 30E/360 or Eurobond Basis applies, insert*:** the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).**]]**

## § 3
## REDEMPTION

(1) *Redemption at Maturity.* Unless previously redeemed in whole or in part or purchased and cancelled, and subject to adjustment in accordance with the following provisions (in particular subject to the occurrence of an Acceleration Event (as defined in § 4)), the Notes shall be redeemed at their Final

Redemption Amount on **[*insert Maturity Date*]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Note shall be the product of the Redemption Price and the Principal Amount per Note. The "**Redemption Price**" is **[*insert redemption price as a percentage*]** per cent.

If an application has been filed with the Determinations Committee for a resolution in relation to the existence of a Credit Event in respect of the Reference Entity prior to the Scheduled Last Credit Event Observation Date and if the Determinations Committee has not reached a resolution on this application by the last ISDA Business Day prior to the Scheduled Last Credit Event Observation Date (as defined in § 4), the Issuer can postpone the Maturity Date by up to **[**70**] [*insert other number of calendar days*]** calendar days.

**[*In addition, the following condition is applicable to a Reference Entity which is a Western European Sovereign or Emerging European or Middle Eastern Sovereign or Emerging European Corporate:***

If a Potential Repudiation/Moratorium (as defined in § 4) occurs between the Issue Date (including) and the Scheduled Last Credit Event Observation Date (including) and the Issuer has published a Repudiation/Moratorium-Extension Notice (as defined in § 4) on or prior to the Scheduled Last Credit Event Observation Date, then the Maturity Date shall be postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the Repudiation/Moratorium Evaluation Date.**]**

**[*In addition, the following condition is applicable to a Reference Entity which is a Emerging European or Middle Eastern Sovereign or Emerging European Corporate*:**

If a Potential Failure to Pay (as defined in § 4) with respect to an Obligation, to which a Grace Period applies, occurs between the Issue Date (including) and the Scheduled Last Credit Event Observation Date (including) and this Grace Period does not end on or prior to the Scheduled Last Credit Event Observation Date, then the Maturity Date is postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the day on which the Grace Period expires.**]**

(2) *Consequence of the occurrence of an Acceleration Event.* If, pursuant to the determination of the Calculation Agent an Acceleration Event occurs between the Issue Date (including) and the Last Credit Event Observation Date (including) with respect to the Reference Entity and/or the Reference Obligation and the Issuer publishes an Acceleration Event Notice between the Issue Date (including) and the Maturity Date (including), the Issuer is released from its obligation to redeem the Notes on the Maturity Date at the Final Redemption Amount. The claim to redemption of the Final Redemption Amount will not revive due to the fact that the circumstances that triggered an Acceleration Event are remedied subsequently or cease to exist.

If the Issuer is released, according to the preceding paragraph, from its obligation to redeem the Notes, it must pay the Holders the Acceleration Event Redemption Amount per Note on the Cash Settlement Date at the latest.

Whereby:

"**Cash Settlement Date**" is the **[**30**]**th **[*insert other calendar day*]** calendar day following the calendar day on which the Issuer has published the Acceleration Event Notice, in accordance with § 11 of the General Conditions.

**"Acceleration Event Redemption Amount"** means the Reference Obligation Liquidation Proceeds, adjusted for the cost or profit of an unwind of any hedging Interest Rate Swaps, if any, and subject to a minimum of zero, to be determined in good faith and in a commercially reasonable manner of the Calculation Agent.

**[*In case of Notes without any periodic payments of interest, insert:***

"**Acceleration Event Notice**" means a written notice from the Issuer to the Holders that an Acceleration Event has occurred. An Acceleration Event Notice must contain a description in reasonable detail of the facts relevant to the determination that an Acceleration Event has occurred. The Acceleration Event that is the subject of the Acceleration Event Notice does not need to continue on the date the Acceleration Event Notice becomes effective.

"**Determinations Committee**" is a committee established by the International Swaps and Derivatives Association, Inc. (or any successor organisation) ("**ISDA**") which comprises representatives of participants in the capital market and makes certain resolutions in connection with credit derivatives, as more fully described in the Credit Derivatives Determinations Committees Rules, as amended from time to time.

"**ISDA Business Day**" means a day (except for Saturday or Sunday) on which (a) the banks in London are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

"**Reference Entity**" means **[*insert Reference Entity*]** or its respective Successor. The Reference Entity is a**[**n**]** **[*insert type of reference entity*]**.

"**Successor**" is, provided the Determinations Committee has made a resolution on a Successor of the Reference Entity, the Successor named by the Determinations Committee. If the Determinations Committee has not made a resolution with respect to a Successor of the Reference Entity, the Successor is one or all direct or indirect Successor(s) of the Reference Entity, as determined by the Calculation Agent at its reasonable discretion and on the basis of the determinations of the Successor, in accordance with the Credit Derivatives Definitions published by ISDA, regardless of whether it or they assume(s) any obligation of the Reference Entity.**]**

"**Interest Rate Swaps**" means all internal or external derivative transactions or agreements entered into by the Issuer or any of its affiliates in relation to the Reference Obligation underlying the Notes.

"**Reference Obligation Liquidation Proceeds**" means, with respect to the Reference Obligation Nominal Amount, the amount denominated in the Specified Currency which a potential seller would have received from the Selected Dealer (as defined below) in respect of the sale of the Reference Obligation (including any Replacement Entitlement (if applicable)) as determined by the Calculation Agent through the following procedure:

(a) on a Business Day selected by the Calculation Agent within 5 Business Days from (but excluding) the day on which an Acceleration Event has occurred in the opinion of the Calculation Agent (such date, the "**Liquidation Date**"), the Calculation Agent shall attempt to obtain firm bid quotations from at least 3 Dealers in accordance with prevailing market practice for the Reference Obligation (including any Replacement Entitlement (if applicable)) for a nominal amount equal to the Reference Obligation Nominal Amount and with a settlement date for the sale in accordance with prevailing market practice;

(b) the Calculation Agent shall determine the Reference Obligation Liquidation Proceeds based on the quote from the Dealer who has submitted the highest firm bid quotation in respect of all (and not part) of the Reference Obligation Nominal Amount (including any Replacement Entitlement (if applicable)) as the best quotation provider (the "**Selected Dealer**");

(c) if the Calculation Agent receives less than 3 bid quotations from any Dealers in respect of all (and not part) of the Reference Obligation (or any Replacement Entitlement (if applicable)) for an amount equal to the Reference Obligation Nominal Amount, the Reference Obligation Liquidation Proceeds will be determined by the Calculation Agent in good faith and in a commercially reasonable manner, and may be zero.

"**Dealers**" means a dealer in obligations of the type similar to those of the Reference Obligation (including any Replacement Entitlement (if applicable)) as of the Liquidation Date as selected by the Calculation Agent in good faith and in a commercially reasonable manner.

"**Reference Obligation**" means **[*insert Reference Obligation Screenpage and ISIN*]**.

"**Reference Obligation Nominal Amount**" means an amount in the Specified Currency equal to the Aggregate Principal Amount of the Notes.

"**Replacement Entitlement**" means cash, securities, rights and/or any other asset or entitlement (whether tangible or otherwise) (in each case, whether of the relevant Reference Entity or of a third party) that the Issuer would have received or would have become entitled to receive in relation to an Unscheduled Redemption of the Reference Obligation.

## § 4
## ACCELERATION EVENT LINKED PROVISIONS

(1) *Definition of an Acceleration Event.* An "**Acceleration Event**" means a Reference Obligation Event or a Credit Event.

(2) *Reference Obligation Event.* The following shall apply in relation to a Reference Obligation Event:

A "**Reference Obligation Event**" shall be deemed to have occurred if a Reference Obligation Scheduled Payment Deficiency or an Unscheduled Redemption of the Reference Obligation occurs, as determined by the Calculation Agent.

A "**Reference Obligation Scheduled Payment Deficiency**" means with respect to the Reference Obligation and as determined by the Calculation Agent during the term of the Notes, the occurrence of a deficiency or a discrepancy, for whatever reason, of any scheduled payments on the Reference Obligation.

An "**Unscheduled Redemption of the Reference Obligation**" means with respect to the Reference Obligation, the occurrence during the term of the Notes of a) the redemption or cancellation (in whole or in part) of the Reference Obligation, or any event which has substantially the same effect, but not including a redemption of the Reference Obligation in full on its scheduled redemption date, or b) the exchange or partial exchange of the Reference Obligation for a Replacement Entitlement on or prior to the Reference Obligation's scheduled redemption date.

(3) *Credit Event.* The following shall apply in relation to a Credit Event:

**[*The following definitions shall apply to a Reference Entity which is a European Corporate or North American Corporate:***

"**Scheduled Last Credit Event Observation Date**" and the "**Last Credit Event Observation Date**" is **[*insert date*]**.

"**Credit Event**" shall be deemed to have occurred if a Failure to Pay, Bankruptcy or Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Failure to Pay**" means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations which is or are to be qualified, respectively, as an Obligation the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated).

"**Bankruptcy**" means if

(a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;

(c) the Reference Entity makes a general assignment, arrangement or composition with or for the benefit of its holders;

(d) a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;

(e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

(f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or

(g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f) (inclusive).

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or the amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Restructuring Obligation**" is an Obligation which

(a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and

(b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a **[*in the case of a European Corporate, insert:*** a Qualifying Guarantee**] [*in the case of a North American Corporate, insert*:** a Qualifying Affiliate Guarantee**]**) to pay or repay amounts of borrowed money.

**[*in the case of a North American Corporate, insert*:** "**Qualifying Affiliate Guarantee**" means a Qualifying Guarantee of the Reference Entity which the Reference Entity shall issue in respect of an affiliate of the Reference Entity, of which the Reference Entity owns at least 50 per cent. of the voting shares.**]**

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money.**]**

**[*The following definitions shall apply to a Reference Entity which is a Western European Sovereign:***

A "**Credit Event**" shall be deemed to have occurred if a Failure to Pay, Repudiation/Moratorium or Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Failure to Pay**" means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations, the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated) (the "**Payment Requirement**").

"**Repudiation/Moratorium**" means if both of the following events have occurred:

(a) an authorized officer of the Reference Entity or a governmental authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and

(b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"**Repudiation/Moratorium Evaluation Date**" is, if a Potential Repudiation/Moratorium occurs on or prior to the Last Credit Event Observation Date,

(a) if the Obligations to which such Potential Repudiation/Moratorium relates include bonds, the date that is the later of (A) the **[**60**]**th **[*insert another number of calendar days*]** calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or

(b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include bonds, the date that is **[**60**]** **[*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium;

provided that, in either case, (a) or (b), the Repudiation/Moratorium Evaluation Date occurs no later than the Scheduled Last Credit Event Observation Date, unless the Issuer published a Repudiation/Moratorium-Extension Notice prior to the Last Credit Event Observation Date.

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Restructuring Obligation**" is an Obligation which

(a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and

(b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

"**Last Credit Event Observation Date**" shall be the later of the following days:

(a) the **[*insert date*]** (the "**Scheduled Last Credit Event Observation Date**"); or

(b) the Repudiation/Moratorium Evaluation Date, if:

(i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and

(ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date.

"**Repudiation/Moratorium-Extension Notice**" is an irrevocable notice from the Issuer to the Holders, which is published in accordance with § 11 of the General Conditions, that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Last Credit Event Observation Date. A Repudiation/Moratorium-Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium-Extension Notice need not be continuing until the date the Repudiation/Moratorium-Extension Notice becomes effective.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money.

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money.**]**

**[*The following definitions shall apply to a Reference Entity which is an Emerging European or Middle Eastern Sovereign:***

A "**Credit Event**" shall be deemed to have occurred if an Obligation Acceleration, Failure to Pay, Repudiation/Moratorium or Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Obligation Acceleration**" means that one or more Obligations of the Reference Entity in an aggregate amount corresponding to not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of the occurrence of an event of default or other similar condition (however described), other than a payment default.

"**Failure to Pay**" means if, pursuant to the reasonable discretion of the Calculation Agent, the Reference Entity fails to make, after the expiration of any applicable Grace Period, when and where due, any payments under one or more Obligations the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated).

"**Grace Period**" means:

(a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;

(b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than **[**30**] [*insert another number of calendar days*]** calendar days;

(c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments on this Obligation or a grace period with respect to payments of less than three Business Days is applicable, a grace period of three Grace Period Business Days shall be deemed to apply to such Obligation; however, such deemed Grace Period shall expire no later than on the Scheduled Last Credit Event Observation Date.

"**Potential Failure to Pay**" means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than USD 1,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) under one or more Obligations, without regard to any Grace Period or any conditions precedent to the commencement of any Grace Period applicable to such Obligations.

"**Grace Period Business Day**" is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places valid for the payment of the relevant Obligation.

"**Repudiation/Moratorium**" exists if both of the following events have occurred:

(a) an authorized officer of the Reference Entity or a governmental authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and

(b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"**Repudiation/Moratorium Evaluation Date**" is, if a Potential Repudiation/Moratorium occurs on or prior to the Last Credit Event Observation Date,

(a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or

(b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium;

provided that, in either case,

(a) or (b), the Repudiation/Moratorium Evaluation Date occurs no later than the Scheduled Last Credit Event Observation Date, unless the Issuer published a Repudiation/Moratorium-Extension Notice prior to the Last Credit Event Observation Date.

"**Restructuring**" means that, with respect to one or more Obligations ("**Restructuring Obligation**") and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Last Credit Event Observation Date**" shall be the later of the following days:

(a) the **[*insert date*]** (the "**Scheduled Last Credit Event Observation Date**"); or

(b) the Repudiation/Moratorium Evaluation Date, if:

  (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and

  (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or

(c) the day on which the relevant Grace Period expires, if:

  (i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that occurred after the Scheduled Last Credit Event Observation Date; and

  (ii) the Potential Failure to Pay in connection with this Failure to Pay occurs prior to the Scheduled Last Credit Event Observation Date.

"**Repudiation/Moratorium-Extension Notice**" is an irrevocable notice from the Issuer to the Holders, which is published in accordance with § 11 of the General Conditions, that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Last

Credit Event Observation Date. A Repudiation/Moratorium-Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium-Extension Notice need not be continuing until the date the Repudiation/Moratorium-Extension Notice becomes effective.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money in the form of, or represented by, a bond, note, certificated debt security or other debt security ("**Bond**")

(a) which is not subordinated ("**Not Subordinated**"),

(b) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the "**Domestic Currency**"). In no event shall the Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),

(c) that is not governed by the laws of the Reference Entity ("**Not Domestic Law**") and

(d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money in form of a Bond or a loan with a fixed term, a revolving loan or a similar loan and for which the definitions of Obligations respectively apply.**]**

**[*The following definitions shall apply to a Reference Entity which is an Emerging European Corporate:***

A "**Credit Event**" shall be deemed to have occurred if an Obligation Acceleration, Failure to Pay, Bankruptcy, Repudiation/Moratorium or Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Obligation Acceleration**" means that one or more Obligations of the Reference Entity in an aggregate amount corresponding to not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of the occurrence of an event of default or other similar condition (however described), other than a payment default.

"**Failure to Pay**" means if, pursuant to the reasonable discretion of the Calculation Agent, the Reference Entity fails to make, after the expiration of any applicable Grace Period, when and where due, any payments under one or more Obligations the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated).

"**Bankruptcy**" exists if

(a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;

(c) the Reference Entity makes a general assignment, arrangement or composition with or for the benefit of its Holders;

(d) a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;

(e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

(f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or

(g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f) (inclusive).

"**Grace Period**" means:

(a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;

(b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than **[**30**] [*insert another number of calendar days*]** calendar days;

(c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments on this Obligation or a grace period with respect to payments of less than three Business Days is applicable, a grace period of three Grace Period Business Days shall be deemed to apply to such Obligation; however, such deemed Grace Period shall expire no later than on the Scheduled Last Credit Event Observation Date.

"**Potential Failure to Pay**" means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than USD 1,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) under one or more Obligations, without regard to any Grace Period or any conditions precedent to the commencement of any Grace Period applicable to such Obligations.

"**Grace Period Business Day**" is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places valid for the payment of the relevant Obligation.

"**Repudiation/Moratorium**" exists if both of the following events have occurred:

(a) an authorized officer of the Reference Entity or a governmental authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and

(b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"**Repudiation/Moratorium Evaluation Date**" is, if a Potential Repudiation/Moratorium occurs on or prior to the Last Credit Event Observation Date,

(a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or

(b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium;

provided that, in either case,

(a) or (b), the Repudiation/Moratorium Evaluation Date occurs no later than the Scheduled Last Credit Event Observation Date, unless the Issuer published a Repudiation/Moratorium-Extension Notice prior to the Last Credit Event Observation Date.

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Restructuring Obligation**" means an Obligation which, in case of a Loan,

(a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and

(b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

"**Last Credit Event Observation Date**" shall be the later of the following days:

(a) the **[*insert date*]** (the "**Scheduled Last Credit Event Observation Date**"); or

(b) the Repudiation/Moratorium Evaluation Date, if:

(i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and

(ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or

(c) the day on which the relevant Grace Period expires, if:

(i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that occurred after the Scheduled Last Credit Event Observation Date; and

(ii) the Potential Failure to Pay in connection with this Failure to Pay occurs prior to the Scheduled Last Credit Event Observation Date.

"**Repudiation/Moratorium-Extension Notice**" is an irrevocable notice from the Issuer to the Holders, which is published in accordance with § 11 of the General Conditions, that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Last Credit Event Observation Date. A Repudiation/Moratorium-Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium-Extension Notice need not be continuing until the date the Repudiation/Moratorium-Extension Notice becomes effective.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money in the form (i) of a bond ("**Bond**") or (ii) a loan with a fixed term, a revolving loan or a similar loan ("**Loan**")

(a) which is not subordinated ("**Not Subordinated**"),

(b) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the "**Domestic Currency**"). In no event shall the Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),

(c) that is not governed by the laws of the Reference Entity ("**Not Domestic Law**") and

(d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money in form (i) of a Bond or (ii) a Loan and for which the definitions of Obligations respectively apply.**]**

## § 5
## MANNER OF PAYMENT AND PAYMENT BUSINESS DAY

(1) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

**[*In case of Notes whose Specified Currency is not Euro, insert:*** If the Issuer determines that it is impossible to make payments of amounts due on the Notes in freely negotiable and convertible funds on the relevant due date for reasons beyond its control or that the Specified Currency or any successor currency provided for by law (the "**Successor Currency**") is no longer used for the settlement of international financial transactions, the Issuer may fulfill its payment obligations by making such payments in Euro on the relevant due date on the basis of the Applicable Exchange Rate. Holders shall not be entitled to interest or any additional amounts as a result of such payment. The "**Applicable Exchange Rate**" shall be (i) (if such exchange rate is available) the exchange rate of Euro against the Specified Currency or the Successor Currency (if applicable) determined and published by the European Central Bank for the most recent calendar day falling within a reasonable period of time prior to the relevant due date, or (ii) (if such exchange rate is not available) the exchange rate of Euro against the Specified Currency or the Successor Currency (if applicable) which the Fiscal Agent has calculated as the arithmetic mean of offered rates concerning the Specified Currency or the Successor Currency (if applicable) quoted to the Fiscal Agent by four leading banks operating in the international foreign exchange market for the most recent calendar day falling within a reasonable (as determined by the Fiscal Agent in its reasonable discretion) period of time prior to the relevant due date, or (iii) (if such exchange rate is not available) the exchange rate of Euro against the Specified Currency or the Successor Currency (if applicable) as determined by the Fiscal Agent in its reasonable discretion.**]**

(2) *Payment Business Day*. If the due date for any payment in respect of the Notes would otherwise fall on a day which is not a Payment Business Day (as defined below), the due date for such payment shall be:

**[*in case Modified Following Business Day Convention applies, insert:*** postponed to the next day which is a Payment Business Day unless the due date for such payment would thereby fall into the next calendar month, in which event the due date for such payment shall be the immediately preceding day which is a Payment Business Day.**]**

**[*in case Following Business Day Convention applies, insert:*** postponed to the next calendar day which is a Payment Business Day.**]**

**[*in case Preceding Business Day Convention applies, insert:*** moved forward to the immediately preceding calendar day which is a Payment Business Day.**]**

"**Payment Business Day**" means a calendar day (other than a Saturday or a Sunday) on which (i) the Clearing System is open, and (ii) **[*in case (a) relevant financial centre(s) shall be open, insert:*** commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in **[*insert all relevant financial centres*]]** **[*in case TARGET shall be open, insert:*** **[**and**]** **[**the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 (**TARGET**)**]** is open**]**.

**[*if the Interest Amount shall be adjusted, insert:*** If the due date for a payment of interest is **[*in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:*** brought forward**]** **[**or**]** **[*in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:*** **[**postponed**]** (as described above), the Interest Amount shall be adjusted accordingly.**]**

**[*if the Interest Amount shall not be adjusted, insert:*** If the due date for a payment of interest is **[*in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:*** brought forward**]** **[**or**]** **[*in case Modified Following Business Day Convention, or Following Business Day Convention applies, insert:*** postponed**]** (as described above), the Interest Amount shall not be adjusted accordingly.**]**

If the due date for the redemption of the Principal Amount of the Notes is adjusted the Holder shall not be entitled to payments in respect of such adjustment.**]**

**[OPTION II – TERMS AND CONDITIONS FOR ASSET LINKED CROSS CURRENCY NOTES:**

**§ 1**
**CURRENCY, AGGREGATE PRINCIPAL AMOUNT, DENOMINATION, ISSUE DATE AND BUSINESS DAY**

(1) *Currency, Aggregate Principal Amount and Denomination*. This tranche (the "**Tranche**") of notes (the "**Notes**") is being issued by Erste Group Bank AG (the "**Issuer**") in **[*insert specified currency*]** (the "**Specified Currency**") in the aggregate principal amount of **[*insert specified currency and aggregate principal amount*]** (in words: **[*insert aggregate principal amount in words*]**) (the "**Aggregate Principal Amount**") in the denomination of **[*insert specified currency and specified denomination*]** (the "**Specified Denomination**" or the "**Principal Amount per Note**") on **[*insert issue date*]** (the "**Issue Date**").

(2) *Business Day*. "**Business Day**" means a calendar day (other than a Saturday or a Sunday) on which **[**commercial banks and foreign exchange markets in **[**Vienna**]** **[*insert other financial centre(s)*]** settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) and**]** the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") is open.

**[*In case of Notes without any periodic payments of interest, insert:***

**§ 2**
**INTEREST**

No periodic payments of interest will be made on the Notes.**]**

**[*In case of Notes with periodic payments of interest, insert:***

**§ 2**
**INTEREST**

**[*In case of Notes without any change in the rate of interest until Maturity, insert:***

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their outstanding aggregate principal amount at the rate of **[*insert the rate of interest*]** per cent. *per annum* from, and including, **[*insert Interest Commencement Date*]** (the "**Interest Commencement Date**") to, but excluding, the Maturity Date (as defined in § 3 (1)).**]**

**[In case of *Step-up or Step-down Notes* insert:**

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their outstanding aggregate principal amount from, and including, **[*insert Interest Commencement Date*]** (the "**Interest Commencement Date**") to, but excluding, the Maturity Date (as defined in § 3 (1)) as follows:

| from, and including | to, but excluding | at the rate of |
|---|---|---|
| **[*insert date*]** | **[*insert date*]** | **[*insert Rate of Interest*]** per cent. *per* |

| | | |
|---|---|---|
| | | *annum* |

**]**

**[*In case of a short or long first or last interest period insert:*** With the exception of the **[**first**] [**last**]** payment of interest, interest**] [*In case of Notes which have only regular interest payments insert:*** Interest**]** shall be payable **[*in case of quarterly interest payments insert:*** quarterly**] [*in case of semi-annual interest payments insert:*** semi-annually**] [*in case of annual interest payments insert:*** annually**]** in arrear on **[*insert Interest Payment Dates*]** in each year (each such date, an "**Interest Payment Date**"), commencing on **[*insert first Interest Payment Date*]** and ending on **[*insert last Interest Payment Date*]**. Interest Payment Dates are subject to adjustment in accordance with the following provisions of this § 2 and the provisions set out in § 5 of the Issue Specific Conditions.

(2) *Cancellation of interest upon the occurrence of an Acceleration Event.* If, pursuant to the determination of the Calculation Agent between the Issue Date (including) and the Last Credit Event Observation Date (as defined in § 4) (including), an Acceleration Event (as defined in § 4) occurs with respect to the Reference Entity and/or the Reference Obligation and the Issuer publishes an Acceleration Event Notice between the Issue Date (including) and the Maturity Date of the Notes (including), interest on the Notes shall neither be paid for the Interest Period in which the Acceleration Event has occurred nor for any of the subsequent Interest Periods. The cancelled claim to interest will not revive due to the fact that the circumstances that triggered an Acceleration Event are remedied subsequently or cease to exist.

(3) *Postponement of the Interest Payment Date*. If an application has been filed with the Determinations Committee for a resolution in relation to the existence of a Credit Event (as defined in § 4) in respect of the Reference Entity prior to the Scheduled Last Credit Event Observation Date and if the Determinations Committee has not made a resolution on this application by the last ISDA-Business Day prior to the Scheduled Last Credit Event Observation Date, the Issuer can postpone the Interest Payment Date by up to **[**70**] [*insert other number of calendar days]*** calendar days.

**[*In addition, the following condition is applicable to a Reference Entity which is a Western European Sovereign or an Emerging European or Middle Eastern Sovereign or Emerging European Corporate*:**

If a Potential Repudiation/Moratorium (as defined in § 4) occurs on or prior to the Scheduled Last Credit Event Observation Date and the Issuer has published a Repudiation/Moratorium-Extension Notice (as defined in § 4) on or prior to the Scheduled Last Credit Event Observation Date, then the respective Interest Payment Date(s) shall be postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the Repudiation/Moratorium Evaluation Date (as defined in § 4).**]**

**[*In addition, the following condition is applicable to a Reference Entities which is an Emerging European or Middle Eastern Sovereign or Emerging European Corporate*:**

If a Potential Failure to Pay (as defined in § 4) occurs with respect to the Obligation of the Reference Entity, to which a Grace Period applies (as defined in § 4), on or prior to the Scheduled Last Credit Event Observation Date and if this Grace Period does not end on or prior to the Scheduled Last Credit Event Observation Date, then the respective Interest Payment Date(s) is or are postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the day on which the Grace Period expires.**]**

If the Interest Payment Date is postponed and the Issuer does not publish an Acceleration Event Notice, the Issuer is only obliged to pay the respective amount of interest which would have been payable on the originally scheduled Interest Payment Date without such a postponement. The Issuer is not obliged to pay additional amounts with respect to the postponement of the Interest Payment Date or the Maturity

Date.

Whereby:

"**Acceleration Event Notice**" means a written notice from the Issuer to the Holders that an Acceleration Event has occurred. An Acceleration Event Notice must contain a description in reasonable detail of the facts relevant to the determination that an Acceleration Event has occurred. The Acceleration Event that is the subject of the Acceleration Event Notice does not need to continue on the date the Acceleration Event Notice becomes effective.

"**Determinations Committee**" is a committee established by the International Swaps and Derivatives Association, Inc. (or any successor organisation) ("**ISDA**") which comprises representatives of participants in the capital market and makes certain resolutions in connection with credit derivatives, as more fully described in the Credit Derivatives Determinations Committees Rules, as amended from time to time.

"**Interest Period**" is each period from the Interest Commencement Date (including) to the first Interest Payment Date (excluding) or each period from an Interest Payment Date (including) to the next following Interest Payment Date (excluding).

"**ISDA Business Day**" means a day (except for Saturday or Sunday) on which (a) the banks in London are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

"**Reference Entity**" means **[*insert Reference Entity*]** or its respective Successor. The Reference Entity is a**[**n**]** **[*insert type of reference entity*]**.

"**Successor**" is, provided the Determinations Committee has made a resolution on a Successor of the Reference Entity, the Successor named by the Determinations Committee. If the Determinations Committee has not made a resolution with respect to a Successor of the Reference Entity, the Successor is one or all direct or indirect Successor(s) of the Reference Entity, as determined by the Calculation Agent at its reasonable discretion and on the basis of the determinations of the Successor, in accordance with the Credit Derivatives Definitions published by ISDA, regardless of whether it or they assume(s) any obligation of the Reference Entity.

(4) *Calculation of Amount of Interest.* The Calculation Agent will calculate the amount of interest payable under the Notes (the "**Amount of Interest**") in respect of the Specified Denomination for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined below) and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency, with half of such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

(5) *Day Count Fraction.* "**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (the "**Calculation Period**"):

**[*in case Actual/Actual (ICMA) applies, insert:***

1. if the Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified below) that would occur in one calendar year; or

2. if the Calculation Period is longer than the Determination Period during which the Calculation Period

ends, the sum of

(i) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

"**Determination Period**" means the period from, and including, a Determination Date to, but excluding, the next Determination Date (including, where the Interest Commencement Date is not a Determination Date, the period commencing on the first Determination Date prior to the Interest Commencement Date, and where the final Interest Payment Date is not a Determination Date, the first Determination Date falling after the final Interest Payment Date, as the case may be.

The number of interest determination dates per calendar year (each a "**Determination Date")** is **[*insert number of regular interest payment dates per calendar year*]**.**]**

**[*in case Actual/Actual (ISDA) or Actual/365 applies, insert:*** the actual number of days in the Calculation Period divided by 365 (or, if any calculation portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).**]**

**[*in case Actual/365 (Fixed) applies, insert:*** the actual number of days in the Calculation Period divided by 365.**]**

**[*in case Actual/360 applies, insert:*** the actual number of days in the Calculation Period divided by 360.**]**

**[*in case 30/360, 360/360 or Bond Basis applies, insert:*** the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).**]**

**[*in case 30E/360 or Eurobond Basis applies, insert:*** the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).**]]**

## § 3
## REDEMPTION

(1) *Redemption at Maturity.* Unless previously redeemed in whole or in part or purchased and cancelled, and subject to adjustment in accordance with the following provisions (in particular subject to the occurrence of an Acceleration Event (as defined in § 4)), the Notes shall be redeemed at their Final Redemption Amount on **[*insert Maturity Date*]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Note shall be the product of the Redemption Price and the Principal Amount per Note.

The "**Redemption Price**" is **[*insert redemption price as a percentage*]** per cent.

If an application has been filed with the Determinations Committee for a resolution in relation to the existence of a Credit Event in respect of the Reference Entity prior to the Scheduled Last Credit Event Observation Date and if the Determinations Committee has not reached a resolution on this application by the last ISDA Business Day prior to the Scheduled Last Credit Event Observation Date (as defined in § 4), the Issuer can postpone the Maturity Date by up to **[**70**]** **[*insert other number of calendar days*]** calendar days.

**[*In addition, the following condition is applicable to a Reference Entity which is a Western European Sovereign or Emerging European or Middle Eastern Sovereign or Emerging European Corporate:***

If a Potential Repudiation/Moratorium (as defined in § 4) occurs between the Issue Date (including) and the Scheduled Last Credit Event Observation Date (including) and the Issuer has published a Repudiation/Moratorium-Extension Notice (as defined in § 4) on or prior to the Scheduled Last Credit Event Observation Date, then the Maturity Date shall be postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the Repudiation/Moratorium Evaluation Date.**]**

**[*In addition, the following condition is applicable to a Reference Entity which is a Emerging European or Middle Eastern Sovereign or Emerging European Corporate:***

If a Potential Failure to Pay (as defined in § 4) with respect to an Obligation, to which a Grace Period applies, occurs between the Issue Date (including) and the Scheduled Last Credit Event Observation Date (including) and this Grace Period does not end on or prior to the Scheduled Last Credit Event Observation Date, then the Maturity Date is postponed to the **[**70**]**th **[*insert other number of calendar days*]** calendar day following the day on which the Grace Period expires.**]**

(2) *Consequence of the occurrence of an Acceleration Event.* If, pursuant to the determination of the Calculation Agent an Acceleration Event occurs between the Issue Date (including) and the Last Credit Event Observation Date (including) with respect to the Reference Entity and/or the Reference Obligation and the Issuer publishes an Acceleration Event Notice between the Issue Date (including) and the Maturity Date (including), the Issuer is released from its obligation to redeem the Notes on the Maturity Date at the Final Redemption Amount. The claim to redemption of the Final Redemption Amount will not revive due to the fact that the circumstances that triggered an Acceleration Event are remedied subsequently or cease to exist.

If the Issuer is released, according to the preceding paragraph, from its obligation to redeem the Notes, it must pay the Holders the Acceleration Event Redemption Amount per Note on the Cash Settlement Date at the latest.

Whereby:

"**Cash Settlement Date**" is the **[**30**]**th **[*insert other calendar day*]** calendar day following the calendar day on which the Issuer has published the Acceleration Event Notice, in accordance with § 11 of the General Conditions.

**"Acceleration Event Redemption Amount"** means the Reference Obligation Liquidation Proceeds converted into the Specified Currency at the prevailing exchange rate, adjusted for the Swap Value (as defined in §4 (2)), subject to a minimum of zero.

**[*In case of Notes without any periodic payments of interest, insert:***

"**Acceleration Event Notice**" means a written notice from the Issuer to the Holders that an Acceleration Event has occurred. An Acceleration Event Notice must contain a description in reasonable detail of the facts relevant to the determination that an Acceleration Event has occurred. The Acceleration Event that is the subject of the Acceleration Event Notice does not need to continue on the date the Acceleration Event Notice becomes effective.

"**Determinations Committee**" is a committee established by the International Swaps and Derivatives Association, Inc. (or any successor organisation) ("**ISDA**") which comprises representatives of participants in the capital market and makes certain resolutions in connection with credit derivatives, as more fully described in the Credit Derivatives Determinations Committees Rules, as amended from time to time.

"**ISDA Business Day**" means a day (except for Saturday or Sunday) on which (a) the banks in London are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

"**Reference Entity**" means **[*insert Reference Entity*]** or its respective Successor. The Reference Entity is a**[**n**] [*insert type of reference entity*]**.

"**Successor**" is, provided the Determinations Committee has made a resolution on a Successor of the Reference Entity, the Successor named by the Determinations Committee. If the Determinations Committee has not made a resolution with respect to a Successor of the Reference Entity, the Successor is one or all direct or indirect Successor(s) of the Reference Entity, as determined by the Calculation Agent at its reasonable discretion and on the basis of the determinations of the Successor, in accordance with the Credit Derivatives Definitions published by ISDA, regardless of whether it or they assume(s) any obligation of the Reference Entity.**]**

"**Reference Obligation Liquidation Proceeds**" means, with respect to the Reference Obligation Nominal Amount, the amount denominated in the currency of the Reference Obligation which a potential seller would have received from the Selected Dealer (as defined below) in respect of the sale of the Reference Obligation (including any Replacement Entitlement (if applicable)) as determined by the Calculation Agent through the following procedure:

(a) on a Business Day selected by the Calculation Agent within 5 Business Days from (but excluding) the day on which an Acceleration Event has occurred in the opinion of the Calculation Agent (such date, the "**Liquidation Date**"), the Calculation Agent shall attempt to obtain firm bid quotations from at least 3 Dealers in accordance with prevailing market practice for the Reference Obligation (including any Replacement Entitlement (if applicable)) for a nominal amount equal to the Reference Obligation Nominal Amount and with a settlement date for the sale in accordance with prevailing market practice;

(b) the Calculation Agent shall determine the Reference Obligation Liquidation Proceeds based on the quote from the Dealer who has submitted the highest firm bid quotation in respect of all (and not part) of the Reference Obligation Notional Amount (including any Replacement Entitlement (if applicable)) as the best quotation provider (the "**Selected Dealer**");

(c) if the Calculation Agent receives less than 3 bid quotations from any Dealers in respect of all (and not part) of the Reference Obligation (or any Replacement Entitlement (if applicable)) for an amount equal to the Reference Obligation Nominal Amount, the Reference Obligation Liquidation Proceeds will be determined by the Calculation Agent in good faith and in a commercially reasonable manner, and may be zero.

"**Dealers**" means a dealer in obligations of the type similar to those of the Reference Obligation (including any Replacement Entitlement (if applicable)) as of the Liquidation Date as selected by the Calculation Agent in good faith and in a commercially reasonable manner.

"**Reference Obligation**" means **[*insert Reference Obligation Screenpage and ISIN*]**.

"**Reference Obligation Nominal Amount**" means **[*insert Reference Obligation Currency and Reference Obligation Nominal Amount*]**.

"**Replacement Entitlement**" means cash, securities, rights and/or any other asset or entitlement (whether tangible or otherwise) (in each case, whether of the relevant Reference Entity or of a third party) that the Issuer would have received or would have become entitled to receive in relation to an Unscheduled Redemption of the Reference Obligation.

"**Swap Agreement**" means all internal or external derivative transactions or agreements entered into by the Issuer or any of its affiliates in relation to the Reference Obligation underlying the Notes in an amount equal to the Reference Obligation Nominal Amount.

## § 4
## ACCELERATION EVENT LINKED PROVISIONS

(1) *Definition of an Acceleration Event.* An "**Acceleration Event**" means a Reference Obligation Event or a Credit Event.

(2) *Reference Obligation Event.* The following shall apply in relation to a Reference Obligation Event:

A "**Reference Obligation Event**" shall be deemed to have occurred if a Reference Obligation Scheduled Payment Deficiency, an Unscheduled Redemption of the Reference Obligation or a Value Deterioration Trigger Event occurs, as determined by the Calculation Agent.

A "**Reference Obligation Scheduled Payment Deficiency**" means with respect to the Reference Obligation and as determined by the Calculation Agent during the term of the Notes, the occurrence of a deficiency or a discrepancy, for whatever reason, of any scheduled payments on the Reference Obligation.

An "**Unscheduled Redemption of the Reference Obligation**" means with respect to the Reference Obligation, the occurrence during the term of the Notes of a) the redemption or cancellation (in whole or in part) of the Reference Obligation, or any event which has substantially the same effect, but not including a redemption of the Reference Obligation in full on its scheduled redemption date, or b) the exchange or partial exchange of the Reference Obligation for a Replacement Entitlement on or prior to the Reference Obligation's scheduled redemption date.

A "**Value Deterioration Trigger Event**" means with respect to the Reference Obligation and as determined by the Calculation Agent, that as a result of regular valuation of the Calculation Agent (each calendar day between the Issue Date and the Scheduled Last Credit Event Determination Date being a **"Valuation Date"**) the Reference Obligation Value adjusted for the Swap Value is at or below **[*insert per cent*]** of the Reference Obligation Nominal Amount. "**Reference Obligation Value**" means the value determined by the Calculation Agent at any time the market value (bid) of the Reference Obligation (including accrued interest) for a nominal amount equal to the Reference Obligation Nominal Amount and "**Swap Value**" means the unwind costs or profit for the Issuer of a Swap Agreement with a start date being the Issue Date and a final date being the Maturity Date and which provides for (i) a receiver leg (payments to be received by the Issuer if it were the counterparty to the Swap Agreement) that has identical cash flows and payment and calculation conventions as the Note and (ii) a payer leg (payments to be made by the Issuer if it were the counterparty to the Swap Agreement) which has identical cash flows and payment and calculation conventions as the Reference Obligation. For the purpose of determining the Swap Value, all market inputs necessary for determining the valuation will be taken on the relevant Valuation Date with all specifications as determined by the Calculation Agent at any time.

(3) *Credit Event.* The following shall apply in relation to a Credit Event:

**[*The following definitions shall apply to a Reference Entity which is a European Corporate or North American Corporate:***

"**Scheduled Last Credit Event Observation Date**" and the "**Last Credit Event Observation Date**" is **[*insert date*]**.

"**Credit Event**" shall be deemed to have occurred if a Failure to Pay, Bankruptcy or Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Failure to Pay**" means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations which is or are to be qualified, respectively, as an Obligation the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated).

"**Bankruptcy**" means if

(a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;

(c) the Reference Entity makes a general assignment, arrangement or composition with or for the benefit of its holders;

(d) a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;

(e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

(f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or

(g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f) (inclusive).

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or the amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Restructuring Obligation**" is an Obligation which

(a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and

(b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a **[*in the case of a European Corporate, insert:*** a Qualifying Guarantee**] [*in the case of a North American Corporate, insert*:** a Qualifying Affiliate Guarantee**]**) to pay or repay amounts of borrowed money.

**[*in the case of a North American Corporate, insert*:** "**Qualifying Affiliate Guarantee**" means a Qualifying Guarantee of the Reference Entity which the Reference Entity shall issue in respect of an affiliate of the Reference Entity, of which the Reference Entity owns at least 50 per cent. of the voting shares.**]**

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money.**]**

**[*The following definitions shall apply to a Reference Entity which is a Western European Sovereign:***

A "**Credit Event**" shall be deemed to have occurred if a Failure to Pay, Repudiation/Moratorium or

Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Failure to Pay**" means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations, the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated) (the "**Payment Requirement**").

"**Repudiation/Moratorium**" means if both of the following events have occurred:

(a) an authorized officer of the Reference Entity or a governmental authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and

(b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"**Repudiation/Moratorium Evaluation Date**" is, if a Potential Repudiation/Moratorium occurs on or prior to the Last Credit Event Observation Date,

(a) if the Obligations to which such Potential Repudiation/Moratorium relates include bonds, the date that is the later of (A) the **[**60**]**th **[*insert another number of calendar days*]** calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or

(b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include bonds, the date that is **[**60**]** **[*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium;

provided that, in either case, (a) or (b), the Repudiation/Moratorium Evaluation Date occurs no later than the Scheduled Last Credit Event Observation Date, unless the Issuer published a Repudiation/Moratorium-Extension Notice prior to the Last Credit Event Observation Date.

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Restructuring Obligation**" is an Obligation which

(a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and

(b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

"**Last Credit Event Observation Date**" shall be the later of the following days:

(a) the **[*insert date*]** (the "**Scheduled Last Credit Event Observation Date**"); or

(b) the Repudiation/Moratorium Evaluation Date, if:

   (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and

   (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date.

"**Repudiation/Moratorium-Extension Notice**" is an irrevocable notice from the Issuer to the Holders, which is published in accordance with § 11 of the General Conditions, that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Last Credit Event Observation Date. A Repudiation/Moratorium-Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium-Extension Notice need not be continuing until the date the Repudiation/Moratorium-Extension Notice becomes effective.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money.

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money.**]**

**[*The following definitions shall apply to a Reference Entity which is an Emerging European or Middle Eastern Sovereign:***

A "**Credit Event**" shall be deemed to have occurred if an Obligation Acceleration, Failure to Pay, Repudiation/Moratorium or Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Obligation Acceleration**" means that one or more Obligations of the Reference Entity in an aggregate amount corresponding to not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of the occurrence of an event of default or other similar condition (however described), other than a payment default.

"**Failure to Pay**" means if, pursuant to the reasonable discretion of the Calculation Agent, the Reference Entity fails to make, after the expiration of any applicable Grace Period, when and where due, any payments under one or more Obligations the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated).

"**Grace Period**" means:

(a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;

(b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than **[**30**] [*insert another number of calendar days*]** calendar days;

(c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments on this Obligation or a grace period with respect to payments of less than three Business Days is applicable, a grace period of three Grace Period Business Days shall be deemed to apply to such Obligation; however, such deemed Grace Period shall expire no later than on the Scheduled Last Credit Event Observation Date.

"**Potential Failure to Pay**" means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than USD 1,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) under one or more Obligations, without regard to any Grace Period or any conditions precedent to the commencement of any Grace Period applicable to such Obligations.

"**Grace Period Business Day**" is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places valid for the payment of the relevant Obligation.

"**Repudiation/Moratorium**" exists if both of the following events have occurred:

(a) an authorized officer of the Reference Entity or a governmental authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and

(b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"**Repudiation/Moratorium Evaluation Date**" is, if a Potential Repudiation/Moratorium occurs on or prior to the Last Credit Event Observation Date,

(a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or

(b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium;

provided that, in either case,

(a) or (b), the Repudiation/Moratorium Evaluation Date occurs no later than the Scheduled Last Credit Event Observation Date, unless the Issuer published a Repudiation/Moratorium-Extension Notice prior to the Last Credit Event Observation Date.

"**Restructuring**" means that, with respect to one or more Obligations ("**Restructuring Obligation**") and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Last Credit Event Observation Date**" shall be the later of the following days:

(a) the **[*insert date*]** (the "**Scheduled Last Credit Event Observation Date**"); or

(b) the Repudiation/Moratorium Evaluation Date, if:

  (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and

(ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or

(c) the day on which the relevant Grace Period expires, if:

(i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that occurred after the Scheduled Last Credit Event Observation Date; and

(ii) the Potential Failure to Pay in connection with this Failure to Pay occurs prior to the Scheduled Last Credit Event Observation Date.

"**Repudiation/Moratorium-Extension Notice**" is an irrevocable notice from the Issuer to the Holders, which is published in accordance with § 11 of the General Conditions, that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Last Credit Event Observation Date. A Repudiation/Moratorium-Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium-Extension Notice need not be continuing until the date the Repudiation/Moratorium-Extension Notice becomes effective.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money in the form of, or represented by, a bond, note, certificated debt security or other debt security ("**Bond**")

(a) which is not subordinated ("**Not Subordinated**"),

(b) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the "**Domestic Currency**"). In no event shall the Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),

(c) that is not governed by the laws of the Reference Entity ("**Not Domestic Law**") and

(d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money in form of a Bond or a loan with a fixed term, a revolving loan or a similar loan and for which the definitions of Obligations respectively apply.**]**

**[*The following definitions shall apply to a Reference Entity which is an Emerging European Corporate:***

A "**Credit Event**" shall be deemed to have occurred if an Obligation Acceleration, Failure to Pay, Bankruptcy, Repudiation/Moratorium or Restructuring with respect to the Reference Entity occurs, as determined by the Calculation Agent.

"**Obligation Acceleration**" means that one or more Obligations of the Reference Entity in an aggregate amount corresponding to not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of the occurrence of an event of default or other similar condition (however described), other than a payment default.

"**Failure to Pay**" means if, pursuant to the reasonable discretion of the Calculation Agent, the Reference Entity fails to make, after the expiration of any applicable Grace Period, when and where due, any payments under one or more Obligations the aggregate amount of which is not less than USD 1,000,000 (or the equivalent in the currency in which the respective Obligation is denominated).

"**Bankruptcy**" exists if

a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;

c) the Reference Entity makes a general assignment, arrangement or composition with or for the benefit of its Holders;

d) a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;

e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or

g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f) (inclusive).

"**Grace Period**" means:

(a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;

(b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than **[**30**] [*insert another number of***

***calendar days*]** calendar days;

(c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments on this Obligation or a grace period with respect to payments of less than three Business Days is applicable, a grace period of three Grace Period Business Days shall be deemed to apply to such Obligation; however, such deemed Grace Period shall expire no later than on the Scheduled Last Credit Event Observation Date.

"**Potential Failure to Pay**" means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than USD 1,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) under one or more Obligations, without regard to any Grace Period or any conditions precedent to the commencement of any Grace Period applicable to such Obligations.

**"Grace Period Business Day**" is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places valid for the payment of the relevant Obligation.

"**Repudiation/Moratorium**" exists if both of the following events have occurred:

(a) an authorized officer of the Reference Entity or a governmental authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and

(b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"**Repudiation/Moratorium Evaluation Date**" is, if a Potential Repudiation/Moratorium occurs on or prior to the Last Credit Event Observation Date,

(a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or

(b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is **[**60**] [*insert another number of calendar days*]** days after the date of such Potential Repudiation/Moratorium;

provided that, in either case,

(a) or (b), the Repudiation/Moratorium Evaluation Date occurs no later than the Scheduled Last Credit Event Observation Date, unless the Issuer published a Repudiation/Moratorium-Extension Notice prior to the Last Credit Event Observation Date.

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated), any one or more of the following events occurs in a form (including an agreement with or an order by a governmental authority) that binds all holders of such Restructuring Obligation:

(a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals;

(b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the subordination of such Restructuring Obligation to any other Obligation; or

(e) a change of the currency or the composition of the payment of interest or principal to a currency which is not either (1) the legal tender of Germany, the United States of America, Japan, the United Kingdom, Canada, France or Italy; or (2) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of (x) AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, (y) Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or (z) AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"**Restructuring Obligation**" means an Obligation which, in case of a Loan,

(a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and

(b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

"**Last Credit Event Observation Date**" shall be the later of the following days:

(a) the **[*insert date*]** (the "**Scheduled Last Credit Event Observation Date**"); or

(b) the Repudiation/Moratorium Evaluation Date, if:

   (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and

   (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or

(c) the day on which the relevant Grace Period expires, if:

   (i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that occurred after the Scheduled Last Credit Event Observation Date; and

   (ii) the Potential Failure to Pay in connection with this Failure to Pay occurs prior to the Scheduled Last Credit Event Observation Date.

"**Repudiation/Moratorium-Extension Notice**" is an irrevocable notice from the Issuer to the Holders, which is published in accordance with § 11 of the General Conditions, that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Last Credit Event Observation Date. A Repudiation/Moratorium-Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium-Extension Notice need not be continuing until the date the Repudiation/Moratorium-Extension Notice becomes effective.

"**Obligation**" means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money in the form (i) of a bond ("**Bond**") or (ii) a loan with a fixed term, a revolving loan or a similar loan ("**Loan**")

(a) which is not subordinated ("**Not Subordinated**"),

(b) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the "**Domestic Currency**"). In no event shall the Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),

(c) that is not governed by the laws of the Reference Entity ("**Not Domestic Law**") and

(d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") and which is unsubordinated at the time of the Credit Event in relation to unsubordinated obligations of the Underlying Obligor from borrowed money in form (i) of a Bond or (ii) a Loan and for which the definitions of Obligations respectively apply.**]**

## § 5
## MANNER OF PAYMENT AND PAYMENT BUSINESS DAY

(1) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

**[*In case of Notes whose Specified Currency is not Euro, insert:*** If the Issuer determines that it is impossible to make payments of amounts due on the Notes in freely negotiable and convertible funds on the relevant due date for reasons beyond its control or that the Specified Currency or any successor currency provided for by law (the "**Successor Currency**") is no longer used for the settlement of international financial transactions, the Issuer may fulfill its payment obligations by making such payments in Euro on the relevant due date on the basis of the Applicable Exchange Rate. Holders shall not be entitled to interest or any additional amounts as a result of such payment. The "**Applicable Exchange Rate**" shall be (i) (if such exchange rate is available) the exchange rate of Euro against the Specified Currency or the Successor Currency (if applicable) determined and published by the European Central Bank for the most recent calendar day falling within a reasonable period of time prior to the relevant due date, or (ii) (if such exchange rate is not available) the exchange rate of Euro against the Specified Currency or the Successor Currency (if applicable) which the Fiscal Agent has calculated as the arithmetic mean of offered rates concerning the Specified Currency or the Successor Currency (if applicable) quoted to the Fiscal Agent by four leading banks operating in the international foreign exchange market for the most recent calendar day falling within a reasonable (as determined by the Fiscal Agent in its reasonable discretion) period of time prior to the relevant due date, or (iii) (if such exchange rate is not available) the exchange rate of Euro against the Specified Currency or the Successor Currency (if applicable) as determined by the Fiscal Agent in its reasonable discretion.**]**

(2) *Payment Business Day*. If the due date for any payment in respect of the Notes would otherwise fall on a day which is not a Payment Business Day (as defined below), the due date for such payment shall be:

**[*in case Modified Following Business Day Convention applies, insert:*** postponed to the next day which is a Payment Business Day unless the due date for such payment would thereby fall into the next calendar month, in which event the due date for such payment shall be the immediately preceding day which is a Payment Business Day.**]**

**[*in case Following Business Day Convention applies, insert:*** postponed to the next calendar day which is a Payment Business Day.**]**

**[*in case Preceding Business Day Convention applies, insert*:** moved forward to the immediately preceding calendar day which is a Payment Business Day.**]**

"**Payment Business Day**" means a calendar day (other than a Saturday or a Sunday) on which (i) the Clearing System is open, and (ii) **[*in case (a) relevant financial centre(s) shall be open, insert:*** commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in **[*insert all relevant financial centres*]] [*in case TARGET shall be open, insert:*** **[**and**]** **[**the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 (**TARGET**)**]** is open**]**.

**[*if the Interest Amount shall be adjusted, insert:*** If the due date for a payment of interest is **[*in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:*** brought forward**]** **[**or**]** **[*in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:*** **[**postponed**]** (as described above), the Interest Amount shall be adjusted accordingly.**]**

**[*if the Interest Amount shall not be adjusted, insert:*** If the due date for a payment of interest is **[*in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:*** brought forward**]** **[**or**]** **[*in case Modified Following Business Day Convention, or Following Business Day Convention applies, insert:*** postponed**]** (as described above), the Interest Amount shall not be adjusted accordingly.**]**

If the due date for the redemption of the Principal Amount of the Notes is adjusted the Holder shall not be entitled to payments in respect of such adjustment.**]**

# 4. FORM OF FINAL TERMS

**[*Set out below is the form of Final Terms which will be completed for each Tranche of Notes to be issued under the Asset Linked Notes Programme*]**

**[*insert date*]**

**Final Terms**

**[*insert title of relevant Tranche of Notes*]** (the "**Notes**")

issued pursuant to the

**Asset Linked Notes Programme**

**of**

**Erste Group Bank AG**

Issue Price: **[ ]** per cent. **[**plus the issue charge mentioned in Part B**]**

Issue Date: **[ ]** [2]

Series No.: **[ ]**

Tranche No.: **[ ]**

---

[2] The Issue Date is the date of issue and payment of the Notes. In the case of free delivery, the Issue Date is the delivery date.

## IMPORTANT NOTICE

These Final Terms have been prepared for the purpose of Article 5 (4) of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 and must be read in conjunction with the Base Prospectus pertaining to the Asset Linked Notes Programme (the "**Programme**") of Erste Group Bank AG (the "**Issuer**"), dated 31 January 2014 (the "**Prospectus**") **[**and the supplement**[s]** to the Prospectus dated **[*insert relevant date(s)*]]**. The Prospectus and any supplements thereto are available for viewing in electronic form on the website of the Issuer (www.erstegroup.com) and copies of the Prospectus and any supplement thereto may be obtained free of charge during normal business hours at the registered office of the Issuer (Erste Group Bank AG, Graben 21, A 1010, Vienna, Austria). Full information on the Issuer and the Notes is only available on the basis of the combination of the Prospectus, any supplements thereto and these Final Terms.

## PART A – TERMS AND CONDITIONS

The Conditions applicable to the Notes (the "**Conditions**") are the General Conditions contained in the Prospectus and the Issue Specific Conditions set out below.

**[*In the case of Asset Linked Single Currency Notes the relevant provisions of Option I (including relevant further options set out therein) shall be replicated and relevant placeholders shall be completed.*]**

**[*In the case of Asset Linked Cross Currency Notes the relevant provisions of Option II (including relevant further options set out therein) shall be replicated and relevant placeholders shall be completed.*]**

## PART B – OTHER INFORMATION

### ESSENTIAL INFORMATION

**Interests of Natural and Legal Persons Involved in the Issue or the Offering**

☐ Save for **[**the fees payable to the Manager**]** **[**the commercial interests of the Manager**[**s**]]** **[**the **[**swap**]** **[**derivatives**]** agreement ● and the Issuer have entered into with regard to the Notes**]** **[**if any**]**, so far as the Issuer is aware, no person involved in the issue or offering of the Notes has an interest material to the issue or the offering.

☐ Other Interests **[*specify details*]**

### INFORMATION CONCERNING THE SECURITIES TO BE OFFERED OR ADMITTED TO TRADING

**Security Codes**

☐ ISIN **[ ]**

☐ German Security Code **[ ]**

☐ Any Other Security Code **[ ]**

**Information about the past and future credit-worthiness of the underlying and its volatility**

*Detailed information about the past and future credit-worthiness and volatilities of the Reference Entity can be obtained from the following Screen Page.*

| ***Reference Entity*** | ***Screen Page*** |
|---|---|
| ***[insert Reference Entity]*** | ***[specify relevant Screen Page or other information source]*** |

**Issue Yield** **[**Not applicable**]** **[[ ]** per cent. per annum in case no acceleration event will occur**]**

Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of where the public may have access to the contracts relating to these forms of representation — Not applicable

Resolutions, authorisations and approvals by virtue of which the Notes will be created and/or issued — **[*specify details*]**

**Method of Distribution**

☐ Non-Syndicated

☐ Syndicated

**Subscription Agreement**

| | |
|---|---|
| Date of Subscription Agreement | **[ ]** |
| General Features of the Subscription Agreement | **[*specify details*]** |

**Details with Regard to the Manager[s]**

| | |
|---|---|
| Manager**[**s**]** | **[*specify name(s) and address(es) of Manager(s)*]** |
| ☐ Firm Commitment | |
| ☐ Without Firm Commitment | |
| Stabilising Manager | **[*specify details*] [**None**]** |

**Commissions, Concessions and Estimated Total Expenses**

| | |
|---|---|
| ☐ Management and Underwriting Commission | **[ ]** per cent. of the Aggregate Principal Amount |
| ☐ Selling Concession | **[ ]** per cent. of the Aggregate Principal Amount |
| ☐ Other | **[ ]** per cent. of the Aggregate Principal Amount |
| Total Commission and Concession | **[ ]** per cent. of the Aggregate Principal Amount |

**LISTING[S] ADMISSION[S] TO TRADING AND DEALING ARRANGEMENTS**

| | |
|---|---|
| **Listing[s]** | **[**Yes**] [**No**]** |
| ☐ Vienna Stock Exchange | |
| ☐ Official Market | |
| ☐ Second Regulated Market | |
| ☐ Other Stock Exchange | **[ ]** |
| **Date of Admission[s]** | **[ ]** |

**ADDITIONAL INFORMATION**

**Rating**

The Notes have not been rated.

**Selling Restrictions**

**TEFRA**

☐ TEFRA C

| | |
|---|---|
| ☐ Additional Selling Restrictions | **[**Not applicable**]** **[*specify detail*]** |

**[Listing**

These Final Terms comprise the details required to list the issue of Notes described in these Final Terms pursuant to the Programme (as from **[*specify issue date of the Notes*]**).**]**

**[Third Party Information**

**[*specify relevant information*]** has been extracted from **[*specify relevant source of information*]**. The Issuer confirms that such information has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by **[*specify relevant source of information*]**, no facts have been omitted which would render the reproduced information inaccurate or misleading.**]**

Signed on behalf of the Issuer

| | |
|---|---|
| By: | By: |
| Duly authorised | Duly authorised |

# 5. ERSTE GROUP BANK AG

## 5.1 INTRODUCTION

Erste Group Bank AG ("**Erste Group Bank**") is registered as a joint-stock corporation (*Aktiengesellschaft*) in the Austrian Companies Register (*Firmenbuch*) (the "Companies Register") at the Vienna Commercial Court (*Handelsgericht Wien*) and has the registration number 33209 m. The registered office of Erste Group Bank is Graben 21, 1010 Vienna, Austria, and its telephone number is +43-50100-0.

The legal predecessor of Erste Group Bank was established in 1819 as an association savings bank (*Vereinssparkasse*) under the name "Verein der Ersten österreichischen Spar-Casse" and, as the name suggests, was the first savings bank in Austria. It was subsequently renamed "DIE ERSTE österreichische Spar-Casse—Bank" and transferred its banking business into a stock corporation with the name "DIE ERSTE österreichische Spar-Casse Bank Aktiengesellschaft" ("Die Erste") in 1993. Die Erste changed its name to "Erste Bank der oesterreichischen Sparkassen AG" in October 1997, following the merger of GiroCredit Bank Aktiengesellschaft der Sparkassen ("**GiroCredit**") and Die Erste, which resulted in the creation of the then second largest banking group in Austria. In August 2008, the Austrian retail and SME banking activities of Erste Group Bank were de-merged and continued to operate under the name Erste Bank der oesterreichischen Sparkassen AG ("**Erste Bank Oesterreich**"), while the parent company changed its name to Erste Group Bank AG. Erste Group Bank operates as the parent company and remains the sole company of Erste Group listed on a stock exchange in the EEA.

## 5.2 BACKGROUND

Erste Group is a leading 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 through a region-wide network of approximately 3,100 branches. As of 31 December 2012, Erste Group had 49,381 employees (full-time equivalents) worldwide (of which 1,476 (full-time equivalents) were employed by Erste Group Bank). Erste Group Bank is also the lead bank of the Austrian Savings Banks Sector. As of 31 December 2012, Erste Group had €213.8 billion in total assets.

"**Erste Group**" consists of Erste Group Bank, together with its subsidiaries and participations, including Erste Bank Oesterreich in Austria, 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 Salzburger Sparkasse, Tiroler Sparkasse, s-Bausparkasse, other savings banks of the Haftungsverbund (see "—Haftungsverbund"), Immorent, and others. On 29 April 2013, Erste Group completed the sale of Erste Bank Ukraine to the shareholders of Fidobank.

## 5.3 SHARE CAPITAL OF ERSTE GROUP BANK

As of 31 December 2012, the nominal share capital of Erste Group Bank amounted to €789,137,294 and was divided into 394,568,647 no-par value voting bearer shares (ordinary shares), each of which represents a notional value of €2.00 per share in the nominal share capital. Following a capital increase in July 2013 in the amount of €70,462,706 (as compared to 31 December 2012) the total nominal share capital of Erste Group Bank amounted to €859,600,000, divided into 429,800,000 no-par value voting bearer shares (ordinary shares) as of 30 September 2013. For more information on the recent capital increase of Erste Group Bank, please see "Recent Developments - Capital Increase by way of an Offering of New Shares".

Erste Group Bank's shares are listed and officially traded (*Amtlicher Handel*) on the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange.

## 5.4 BUSINESS OVERVIEW

### Strategy

Erste Group's aims are to strengthen its market position in its core markets through the following strategies while maintaining its focus on strict cost management:

**Sharpen geographic focus on Austria and the Eastern part of the European Union**. Erste Group's geographic focus in its retail and corporate banking business is aimed at its core markets located in Austria and the Eastern part of the European Union and countries expected to join the European Union. Erste Group intends to continue to strengthen its focus on this region, including in potential new markets in the Eastern part of the European Union, such as Poland. In particular, Erste Group intends to focus on the following elements:

- *Local customer lending funded by local deposits*. Together with a broader offering of local savings and pension products, Erste Group is working to promote self-funding from local deposits in order to achieve a balance between deposits and loans across currencies and geographies in those core markets where such self-funding from local deposits not already occurs. Erste Group's focus on sustainability means that going forward, among other things, it will limit foreign currency loans to customers who have corresponding foreign currency income or who are appropriately hedged against currency volatility by other instruments.
- *Strengthening corporate banking relationships*. Erste Group strives to strengthen its relationships with its large local and international corporate and SME banking customers. Erste Group's aim is for its corporate customers to choose it as their principal bank and regard Erste Group as their first and primary point of contact for all of their banking needs. To cater to their different requirements, SMEs and local corporate customers are served locally in branches or separate commercial centres while large corporate customers are serviced by Group Corporate and Investment Banking. Erste Group plans to expand its transaction banking business. In addition, it wants to further pursue its advisory services, with a focus on supporting its corporate customers in capital markets transactions and complementing the financing activities in the real estate business.

**Continue to focus on customer business in core region**. The basis of Erste Group's banking operations is its customer business in Central and Eastern Europe, and while its geographic focus is on Austria and the Eastern part of the European Union and countries expected to join the European Union, Erste Group aims to expand its capital markets and interbank activities as well as its public sector business to be able to meet its customers' needs as effectively as possible.

- *Capital markets' activities tailored to customers' needs*. Erste Group intends to tailor its capital markets business to the specific needs of its retail and corporate customers as well as government entities and financial institutions to which it provides capital markets services. This includes providing customers with professional access to capital markets and support for their trading activities. Erste Group's capital market activities for retail and corporate customers are intended to concentrate on key markets such as Austria, the Czech Republic, Germany, Slovakia, Romania, Hungary and Croatia. For its institutional clients, Erste Group intends to offer further support by designated teams of specialists in Germany, Poland, Turkey, Hong Kong and London for a selected range of products. Helping to develop more efficient capital markets in certain of the countries where Erste Group operates is an important strategic objective, particularly against the background of new regulatory guidelines which require local funding of the banking business.
- *Balanced approach to growth of public sector business*. Transport and energy infrastructure and municipal services remain prerequisites for sustainable economic growth in the regions in which Erste Group is active. Therefore, Erste Group intends to further support its municipal, regional and sovereign public sector customers in their infrastructure, development and project financing as well as capital markets transactions. In the future, Erste Group aims to bundle its resources in its core markets and to continue to focus on investments in sovereign bonds issued by Austria and countries in Central and Eastern Europe. In that way, Erste Group intends to follow a balanced approach to growing its public sector business while focusing on infrastructure development and job creation in its core markets.
- *Interbank business focussed on banks in core markets*. Erste Group's interbank business aims to play an integral role in meeting the liquidity needs of Erste Group’s customers. With its focus on banks that operate in Erste Group’s core markets, bank exposures are intended in the future to be held for liquidity or balance sheet management purposes or to directly support Erste Group’s customer business.

## Relationship with Austrian Savings Banks

The Savings Banks Sector comprises all savings banks in Austria except for Unicredit Bank Austria AG ("**Bank Austria**"), which is legally organised as a savings bank and participates in the savings banks deposit insurance system. The Sparkassen-Prüfungsverband, Vienna, is the statutory auditor of the savings banks.

The Banking Act requires savings banks to maintain with Erste Group Bank, as the central financial institution of the savings bank group, a specified amount of their savings deposits and other Euro deposits ("**Liquidity Reserve**"). Despite a legal change by the European Commission that permits the savings banks to keep their Liquidity Reserves with banks other than the relevant central financial institution, as of 31 December 2012, Erste Group Bank was a net liquidity provider to the savings banks on a consolidated basis.

Erste Group Bank provides a wide range of services and products to the savings banks and their customers. These services and products include syndication services, risk management advice, support in legal matters, retail mortgage, investment fund products, portfolio and asset management services, as well as securities-related services and a common IT platform and a common management reporting system.

## Haftungsverbund

In 2002, the Haftungsverbund was formed pursuant to the *Grundsatzvereinbarung* among the majority of the member banks in the Austrian Savings Banks Sector ("**Haftungsverbund 1**"). The Haftungsverbund 1, as an integral part of the joint marketing strategy and co-operation of the Savings Banks Sector, is based on three pillars:

- A uniform business and market policy, including, inter alia, joint product development and centralisation of processing functions, a uniform risk policy (including standardised credit risk classification), coordinated liquidity management and common standards of control;
- a joint early-warning system designed to identify financial difficulties at member savings banks at an early stage, which also provides support mechanisms, including intervention in management to prevent such member savings banks from becoming insolvent; and
- a cross-guarantee for certain liabilities of member savings banks.

In 2007 and 2008, Erste Group Bank entered into further agreements, including a (first) supplementary agreement (*Zusatzvereinbarung*), with all members of the Savings Banks Sector (except for Allgemeine Sparkasse Oberösterreich) ("**Haftungsverbund 2**"). These agreements confer on Erste Group Bank, on a contractual basis, the possibility to exercise a controlling influence over these savings banks. They were approved by the Austrian competition authority as mergers (*Zusammenschluss*) within the meaning of the EU Merger Regulation and the Austrian Cartel Act (*Kartellgesetz*). These mergers are designed to further strengthen the group's unity and performance, in particular by taking a joint approach in the development of common management information and control systems and integration of central functions. The Steering Company participates, inter alia, in appointing members of the management board, approves the annual budget and investment plans and approves the general business policy principles of the shareholders.

In 2013, Erste Group Bank entered into a further (second) agreement (*Zweite Zusatzvereinbarung*) with all members of the Savings Banks Sector (including Allgemeine Sparkasse Oberösterreich) ("**Haftungsverbund 3**"). The focus of this agreement is the fulfilment of the new regulatory requirements and the strengthening of the group steering: especially concerning risk management, liquidity management, capital management.

Pursuant to the agreements for the Haftungsverbund 3 (i.e. the *Grundsatzvereinbarung*, the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung*), Haftungsverbund GmbH ("**Steering Company**") is vested with the power to set the common risk policies of its members and to monitor and enforce adherence to these policies. The 48 Austrian savings banks (including Erste Group Bank and Erste Bank Oesterreich but excluding Allgemeine Sparkasse Oberösterreich) hold the entire share capital of the Steering Company. Erste Group Bank effectively controls the Steering Company through its 63.5% interest (held directly or indirectly through its wholly-owned subsidiary Erste Bank Oesterreich and several Austrian savings banks in which Erste Bank Oesterreich holds majority interests) in the share capital and nomination rights for the board of managing directors (*Geschäftsführung*). The Steering Company is responsible for resolving on measures to support member savings banks in financial difficulties, to make, as a trustee of the Haftungsverbund 3, compensation payments to customers, and to enforce certain information and control rights vis-à-vis member savings banks. In addition to the provisions of the agreements for the Haftungsverbund 3, activities of the Haftungsverbund 3 are also governed by several rule books setting forth detailed provisions in the fields of risk management, treasury, internal control and audit.

The Steering Company has five corporate bodies: the board of managing directors (*Geschäftsführung*), the executive committee (*s-Steuerungsvorstand*), the advisory board (*Beirat*), the shareholders' committee (*Gesellschafterausschuss*), and the shareholders' meeting (*Gesellschafterversammlung*). The board of managing directors comprises four managing directors, two of whom are nominated by Erste Bank Oesterreich and two of whom are nominated by the other member savings banks. The chairman of the board of managing directors, who is nominated by Erste Bank Oesterreich, casts the deciding vote in the event of a deadlock. The s-Steuerungsvorstand consists of 14 members, 7 members are nominated by Erste Group and Erste Bank Oesterreich and 7 members are nominated by shareholders in which Erste Group does not hold a direct interest and/or an indirect interest of more than 50%. The chairperson, who is nominated by Erste Group casts the deciding vote in the event of a deadlock. The s-Steuerungsvorstand is primarily responsible for the validity, the amendment and the supplementation of the Rulebooks. The shareholders' committee consists of fifteen members, eight of whom are nominated by Erste Bank Oesterreich and seven of whom are nominated by the member savings banks. The shareholders' committee is primarily responsible for advising and assisting the savings banks with regard to questions concerning the application of the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung* and for providing mediation in the event of disputes concerning the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung* that arise between the Steering Company and the shareholders or among the shareholders. In order to implement joint business and marketing strategies, working committees for various fields have been established, such as internal audits, accounting, infrastructure and risk management. The chairperson of each working committee is an employee of Erste Group Bank or Erste Bank Oesterreich.

The Haftungsverbund 3 is designed to enable a common risk management approach and implementation across the Savings Banks Sector. This includes establishing general principles of business conduct, the determination of risk capacity for each member savings bank and the setting of risk limits. The Steering Company's governance rights include the following: prior approval by the Steering Company of appointments to the management boards of member savings banks; prior approval by the Steering Company of annual budgets and capital expenditure plans; prior approval of significant changes of a member savings bank's business; and, in the event of continuing non-compliance with material provisions of the agreements and policies of the Haftungsverbund 3, imposition of sanctions and ultimately expulsion from the Haftungsverbund 3.

The member savings banks share an IT platform and a common management reporting system. This allows the Steering Company to generate comprehensive reports regarding the operations and financial condition of each member savings bank, data regarding key performance indicators as well as risk profiles on both an individual savings bank and an aggregate basis. Depending on the information being collected, these analyses are performed on a quarterly, monthly and even daily basis.

A key focus of the Haftungsverbund 3 is the early warning system. If the risk monitoring systems indicate that a member savings bank could experience financial difficulties, the Steering Company will alert this member savings bank and discuss remedial measures. To date, the Haftungsverbund 3 has been able to deal with situations of concern through the early warning system.

If a member encounters financial difficulties, the Steering Company has the power to intervene in the management of the affected member savings bank and to require other member savings banks to provide such support and assistance as the Steering Company determines. Support measures shall be taken if, from the Steering Company's point of view, it is reasonable to expect that without such support, a need for early intervention (*Frühinterventionsbedarf*) pursuant to sec 71a Austrian Banking Act exists requiring the FMA to impose early intervention measures. Such need for early intervention exists if a credit institution (which is subject to the BIRG) does not meet or is likely to violate ("likely breach") the capital and liquidity requirements under the CRR. Such support measures include, *inter alia*, the implementation of certain restructuring measures, the engagement of outside advisors, injections of liquidity, the granting of subordinated loans, the assumption of guarantees, the contribution of equity, the review of the credit portfolio, and the restructuring of the risk management. In providing any such support measures, the Steering Company may require that the management board of a member savings bank in financial difficulties is supplemented by additional members until the financial difficulties have been resolved or that individual members of the management board of such member savings bank be removed and substituted.

In case of any need for financial contributions in the context of support measures, each of the member savings banks has made a commitment to contribute funds on the basis of the maximum amount pursuant to the regulatory requirements set forth by Art 84(6) CRR based on a contractually defined key. In the event of assistance, any individual member of the Haftungsverbund 3 is only obliged to contribute to the extent that such contribution does not result in a violation of the regulatory requirements applicable to that member of the Haftungsverbund 3. Furthermore, in order to secure the financial support that is to be provided to member savings banks facing economic difficulties at the request of the Steering Company, the member savings banks agreed that a part of the funds has to be ex-ante financed in the form of special funds, whereas the Steering Company alone has access to these special funds and is obliged to use all other options available before availing itself of the special funds.

In the event that a member savings bank becomes insolvent, the other members guarantee, through the Steering Company, the payment of all amounts owed to customers by the insolvent member, including:

- all deposits (as defined in sec 1 (1)(1) of the Austrian Banking Act);
- all monetary claims based on credit balances resulting from funds left in an account or from temporary positions in the course of banking transactions and repayable according to the applicable legal and contractual provisions; and
- all monetary claims from the issuance of securities,

unless the relevant amounts are owed to a credit institution. This guarantee is also subject to the cumulative limit on members' obligations.

Each of the member savings bank has made a commitment to contribute funds of 1.5% of the member's risk-weighted assets, determined on a non-consolidated basis and based on the most recently approved financial statements of the member, plus 75% of the member's anticipated pre-tax profits for the current financial year in the event of insolvency of a member savings bank. In the event of assistance, any individual member of the Haftungsverbund 3 is only obliged to contribute to the extent that such contribution does not result in a violation of the regulatory requirements applicable to that member of the Haftungsverbund 3.

Each member savings bank has a right to terminate the *Grundsatzvereinbarung* and the supplementary agreements if it notifies Erste Group Bank within a period of twelve weeks after the occurrence of a change of control at Erste Group Bank. A change of control at Erste Group Bank is defined as any acquisition of more than 25% of the voting rights in outstanding shares of Erste Group Bank by a non-member of the Savings Bank Sector. If a termination of the *Grundsatzvereinbarung,* the *Zusatzvereinbarung* and/or the *Zweite Zusatzvereinbarung* becomes effective, the relevant member savings bank would cease to be a member of the Haftungsverbund 3.

Erste Group's consolidated financial statements as of and for the fiscal years ended 31 December 2012 comprise all members of the Savings Banks Sector. In May 2010, Erste Bank Oesterreich and Allgemeine Sparkasse Oberösterreich entered into a separate cross-guarantee agreement. In 2013 the Allgemeine Sparkasse Oberösterreich entered with all other Savings Banks into the *Zweite Zusatzvereinbarung*.

## Erste Group's Business Segments

Following the reporting structure of Erste Group, the segment report is divided into four segments: (i) Retail & SME, (ii) Group Corporate & Investment Banking, (iii) Group Markets, and (iv) Corporate Center.

**Retail & SME**. The Retail & SME segment is divided into two regions – Austria and CEE – each of which is split into subsegments. The Austrian region is subdivided into the Erste Bank Oesterreich subsegment (including its subsidiaries and majority-owned savings banks) and the Austrian savings banks subsegment (comprised of the other savings banks consolidated under the Haftungsverbund agreement). The CEE region is subdivided into subsegments according to the major subsidiaries operating in the respective CEE country. These subsegments include: Banca Comercială Română (Romania), Česká spořitelna (Czech Republic), Slovenská spořitel'ňa (Slovakia), Erste Bank Hungary (Hungary), Erste Bank Croatia (Croatia), and Erste Bank Serbia (Serbia). In December 2012, Erste Group entered into an agreement to sell Erste Bank Ukraine to the shareholders of Fidobank, which

Erste Group Bank on 30 April 2013 announced as having been completed. These subsegments comprise the local corporate (SME) and retail and private banking business activities in the respective countries.

**Group Corporate & Investment Banking (GCIB)**. The Group Corporate & Investment Banking (GCIB) segment includes all large corporate customers in Erste Group's markets with annual revenues in excess of €175 million. This threshold is adjusted for Erste Group's CEE markets to reflect lower GDP per capita levels in the CEE countries. It also includes the International Business (excluding treasury operations), the real estate business (including the leasing subsidiary Immorent) and the investment banking activities (including equity capital markets).

**Group Markets**. The Group Markets segment includes Erste Group's Group Treasury business and the Capital Markets business (which includes all capital markets activities except for equity capital markets).

**Corporate Center**. The Corporate Center segment includes group functions and services such as marketing, organisation and information technology, as well as other departments supporting the execution of Erste Group's strategy. Consolidation effects and certain non-operating items are also recorded under this segment. In addition, the balance sheet management unit of Erste Group Bank is included in the Corporate Center segment. The results of the local asset/liability management units, however, remain with the respective local businesses.

## *Retail & SME*

The Retail & SME segment includes business with private individuals and SME in the Austria and CEE regions. The Austria region is further subdivided into the Erste Bank Oesterreich subsegment and the savings banks subsegment. The CEE region is sub-divided into the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia subsegments.

### Erste Group's Retail and SME Business in Austria

Erste Bank Oesterreich, together with the Savings Banks, forms one of the largest banking groups in Austria. In the core business areas, i.e., deposits and lending, emphasis is on private and local corporate customers and public authorities. 3.3 million customers are served through a network of approximately 1,000 branches, 33 commercial customer centers, eight branches particularly designed for company founders, and twenty private banking advisory centers.

The product range comprises mainly consumer and corporate loans, mortgages, personal accounts, payment cards, direct banking services, investment and savings products, consulting and sale of financial market products, and private banking services. In addition, tailor-made financial solutions (including special financing for infrastructure products for municipalities) are offered to local authorities and clients in the non-profit sector.

#### *Erste Bank Oesterreich*

In addition to Erste Bank Oesterreich itself, the Erste Bank Oesterreich subsegment includes the Austrian savings banks in which Erste Bank Oesterreich holds majority interests (Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl) as well as Erste Bank Oesterreich's real estate and mortgage business. s-Bausparkasse, which focuses on financing for retail customers and non-profit and commercial developers, is a key contributor to the real estate and mortgage business.

Erste Bank Oesterreich's business is focused on retail and corporate customers as well as the public sector. In addition, Erste Bank Oesterreich maintains a private banking unit that is among the market leaders in Austria.

In its business with retail customers, the most important products are housing loans and micro loans as well as current accounts, term deposits, savings accounts and a variety of asset management products. By volume, housing loans are predominantly granted by s-Bausparkasse. For its various deposit products, Erste Bank Oesterreich offers a variety of service innovations, such as smart-phone apps for savings accounts and internet banking. Moreover, Erste Bank Oesterreich offers insurance products in cooperation with Vienna Insurance Group and leasing products in cooperation with Erste Group's subsidiary EBV Leasing.

The following table sets out summary financial information for the Erste Bank Oesterreich subsegment for the years ended 31 December 2012 and 2011:

| | **Year ended 31 December** | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | 255.1 | 232.2 |
| Net profit/loss for the year attributable to owners of the parent | 192.4 | 177.6 |
| Cost/income ratio(1) in % | 64.5 | 60.5 |
| Return on equity(2) in % | 15.0 | 16.3 |

Source: Audited Consolidated Financial Statements 2012 and 2011

(1) The term *cost/income ratio* included in this section means the ratio of operating expenses (general administrative expenses) as a percentage of operating income (the sum of net interest income, net fee and commission income and net trading result).

(2) The term *return on equity* (ROE) included in this section is calculated as net profit/loss attributable to owners of the parent divided by the average attributed shareholders' equity allocated to the subsegment. The average attributed equity of each subsegment represents the economic capital of the subsegment, which is assigned on the basis of credit risk, market risk and operational risk.

### *Savings Banks/Haftungsverbund*

The Savings Banks subsegment includes 43 Austrian savings banks (excluding Erste Group Bank, Erste Bank Oesterreich, Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl but including Allgemeine Sparkasse Oberösterreich) with 736 branch offices across the country. The Savings Banks are universal banks serving retail customers, self-employed professionals and SMEs as well as corporate customers, the public sector and non-profit organisations. The Savings Banks' close cooperation in certain key business areas is reflected in their common corporate identity and harmonised business and market practices.

Erste Group Oesterreich holds no or only minor shareholdings in these Savings Banks, but these banks are consolidated due to their membership in the *Haftungsverbund*. As described above, savings banks that are majority-owned by Erste Bank Oesterreich (Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl) are included in the Erste Bank Oesterreich subsegment.

The following table sets out Erste Group's direct and indirect ownership in savings banks that are consolidiated due to their membership in the *Haftungsverbund* and included in the Savings Banks subsegment as of 31 December 2013:

| | **Ownership in %** |
|---|---|
| Sparkasse Mühlviertel-West | 40.0 |
| Allgemeine Sparkasse Oberösterreich | 29.8 |
| Steiermärkische Bank und Sparkasse | 25.0 |
| Kärntner Sparkasse | 25.0 |
| Sparkasse Voitsberg-Köflach | 5.0 |

Source: Internal information of the Issuer

The following table sets out summary financial information for the Savings Banks subsegment (consisting of those savings banks which as a result of their membership in the *Haftungsverbund* are consolidated) for the years ended 31 December 2012 and 2011:

| | Year ended 31 December | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | 202.3 | 154.7 |
| Net profit/loss for the year attributable to owners of the parent | 21.5 | 5.9 |
| Cost/income ratio in % | 68.7 | 65.6 |
| Return on equity in % | 5.8 | 1.9 |

Source: Audited Consolidated Financial Statements 2012 and 2011

## Erste Group's Retail and SME Business in CEE

### *Czech Republic*

The Czech Republic subsegment primarily includes the retail and SME business of Česká spořitelna and its subsidiary operations. Česká spořitelna is a universal bank serving approximately 5.3 million retail and SME clients. As of 30 September 2013, it operated a network of 651 branches and 1,509 ATMs and transactional terminals. The network also includes 22 mortgage centers, 13 regional corporate centers for SME clients, and a total of 22 centers for private banking clients (including Erste premier). Česká spořitelna is a leading retail bank in the Czech Republic and the largest among Erste Group's operations in Central and Eastern Europe. In addition to its universal and private banking services, it is also active in fund management, securities trading, factoring and foreign exchange dealing.

Česká spořitelna maintained its leading position in the third quarter 2013 in retail banking and continued to rank among the three largest banks in terms of total assets. As of 30 September 2013, the bank's market share by total assets remained stable and represented 20.0% (source: CNB).

The following table sets out summary financial information for the retail and SME portion of the Czech Republic business, of which Česká spořitelna represents a major part, for the years ended 31 December 2012 and 2011:

| | Year ended 31 December | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | 656.2 | 587.8 |
| Net profit/loss for the year attributable to owners of the parent | 518.0 | 456.2 |
| Cost/income ratio in % | 43.8 | 43.7 |
| Return on equity in % | 40.9 | 42.8 |

Source: Audited Consolidated Financial Statements 2012 and 2011

### *Romania*

The Romania subsegment primarily includes the retail and SME business of Banca Comercială Română (BCR) and its subsidiaries. BCR is the leading financial services group in Romania. As of 30 September 2013, the bank served approximately 3.2 million retail and corporate customers through its network of 562 branches and 21 commercial centers, online and phone banking. BCR also operates the largest national network of ATMs and POS terminals, numbering approximately 2,200 and approximately 13,600 units, respectively, as of the end of September 2013. In addition to its full array of retail and corporate banking services, BCR is also active in the leasing, pension fund and brokerage business and maintains a private banking unit.

In 2012, BCR incurred a pre-tax loss of €378.6 million which was primarily attributable to a higher level of risk provisions for loans and advances and a decrease in the operating result (operating income (the sum of net interest income, net fee and commission income and net trading result) minus general administrative expenses).

As of September 2013, BCR was the market leader in terms of total assets (18.5%), retail loans (17.9%) retail deposits (18.7%) and in corporate loans (21.5%), while ranking second in corporate deposits (13.9%) (source: Romanian Banking Association). BCR's retail business concentrated on secured lending and on resuming the sales of consumer loans in local currency. BCR's corporate business focused on the selective lending to large corporate customers in the energy industry, manufacturing businesses, infrastructure projects as well as export and other sectors driven by foreign direct investments and SME customers. In addition, financing of the public sector and municipalities and co-financing EU-funded projects remained a priority of BCR throughout 2013.

The following table sets out summary financial information for the retail and SME portion of the Romania business, of which BCR represents a major part, for the years ended 31 December 2012 and 2011:

| | **Year ended 31 December** | |
|---|---|---|
| **in € million (unless otherwise indicated)** | **2012 audited** | **2011 audited** |
| Pre-tax profit/loss | (378.6) | (54.8) |
| Net profit/loss for the year attributable to owners of the parent | (294.3) | (22.5) |
| Cost/income ratio in % | 46.6 | 44.2 |
| Return on equity in % | — | — |

Source: Audited Consolidated Financial Statements 2012 and 2011

### *Slovakia*

The Slovakia subsegment primarily includes the retail and SME business of Slovenská sporiteľňa and its subsidiaries. Slovenská sporiteľňa has the longest tradition of providing services as a savings bank in Slovakia. By the end of September 2013, the bank served approximately 2.4 million clients, equaling roughly 50% of the Slovak population, through a network of 296 branches and 776 ATMs. Slovenská sporiteľňa also maintains a private banking unit.

Slovenská sporiteľňa's product range comprises mainly consumer and corporate loans, mortgages, personal accounts, payment cards, direct banking services, savings and investment products, consulting and sale of financial market products, and private banking services. At the end of September 2013, Slovenská sporiteľňa had a market share of 19.9% by total assets. (Source: National Bank of Slovakia)

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Slovakia, of which Slovenská sporiteľňa represents a major part, for the years ended 31 December 2012 and 2011:

| | Year ended 31 December | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | 210.6 | 215.5 |
| Net profit/loss for the year attributable to owners of the parent | 169.3 | 173.2 |
| Cost/income ratio in % | 43.9 | 40.5 |
| Return on equity in % | 39.4 | 43.2 |

Source: Audited Consolidated Financial Statements 2012 and 2011

### *Hungary*

Erste Group's Hungary subsegment primarily comprises the retail and SME business of Erste Bank Hungary. Erste Bank Hungary operates a network of 136 branches and commercial centers and 424 ATMs. Additional sales channels include approximately 350 post offices. Erste Bank Hungary also maintains a private banking unit. As of 30 September 2013, Erste Bank Hungary served approximately 900,000 customers. At the end of September 2013, Erste Bank Hungary had a market share of 8.1% by total assets. (Source: National Bank of Hungary)

The product range comprises mainly housing finance, consumer and corporate loans, personal accounts, payment cards, direct banking services, investment and savings products, consulting and sale of financial market products, and private banking services. In addition, specialised programmes and consulting is offered for entrepreneurs and local corporate customers, as well as tailor-made financial services for municipalities and the non-profit sector.

In 2011, the Hungarian government enacted legislation that allowed for loans denominated in foreign currencies, such as Euro, U.S. dollar and Swiss francs to be converted to Hungarian forint at below market rates, which contributed to the significant pre-tax loss in the year 2011. During 2012, Erste Bank Hungary continued to operate in an environment of unstable regulatory and legal conditions, while customer demand for loans and banking services in the Hungarian market continued to decline. In addition to the disproportionate banking tax introduced in 2010 (more than 0.5% of adjusted total assets) initially intended as a temporary measure, now labelled as a permanent element of the tax system, the Government imposed a levy on financial transactions on the banking sector in 2012. This levy is effective from 2013 on, followed by a substantial increase of the respective tax rates in June 2013 in order to contain the fiscal deficit. Governmental measures relating to the regulation of foreign exchange mortgage lending combined with a stagnant economy led to a decrease in new lending volumes in the market by 80% compared to pre-crisis levels. As a consequence, Erste Bank Hungary adjusted the size of its operations and improved the efficiency of its processes. Erste Bank Hungary continued to reduce its portfolio of loans denominated in Swiss francs.

In 2012, Erste Bank Hungary acquired the wealth management unit of BNP Paribas with approximately 400 clients and assets under management in an aggregate amount of HUF60 billion. With this transaction, Erste Bank Hungary significantly strengthened its position in the area of private banking services.

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Hungary, of which Erste Bank Hungary represents a major part, for the years ended 31 December 2012 and 2011:

| in € million (unless otherwise indicated) | Year ended 31 December 2012 audited | 2011 audited |
|---|---|---|
| Pre-tax profit/loss | (46.2) | (549.8) |
| Net profit/loss for the year attributable to owners of the parent | (55.1) | (566.6) |
| Cost/income ratio in % | 41.2 | 38.6 |
| Return on equity in % | — | — |

Source: Audited Consolidated Financial Statements 2012 and 2011

### *Croatia*

Erste Group's Croatia subsegment primarily comprises the retail and SME business of Erste Bank Croatia and its subsidiaries. Erste Bank Croatia is among the country's largest universal banks and serves approximately one million customers through its nationwide network of 150 branches and distribution channels, such as internet, mobile communications and ATMs. In addition, Erste Bank Croatia distributes a broad range of related financial products in the areas of asset management, life insurance, securities brokerage, leasing and pension funds, and operates a private banking unit.

The product range comprises mainly consumer and corporate loans, mortgages, personal accounts, payment cards, direct banking services, investment and savings products, consulting and sale of financial market products, and private banking services. In addition, tailor-made financial solutions (including special financing for infrastructure products for municipalities) are offered to local authorities and clients in the non-profit sector. As of 30 September 2013, the market shares in total assets, retail loans and retail deposits amounted to 14.6%, 13.7%, and 12.7%, respectively (source: CrNB).

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Croatia, of which Erste Bank Croatia represents a major part, for the years ended 31 December 2012 and 2011:

| in € million (unless otherwise indicated) | Year ended 31 December 2012 audited | 2011 audited |
|---|---|---|
| Pre-tax profit/loss | 55.5 | 89.0 |
| Net profit/loss for the year attributable to owners of the parent | 23.7 | 43.4 |
| Cost/income ratio in % | 40.4 | 40.4 |
| Return on equity in % | 8.2 | 17.3 |

Source: Audited Consolidated Financial Statements 2012 and 2011

### *Serbia*

Erste Bank Serbia's subsegment primarily comprises the retail and SME business of Erste Bank Serbia. Erste Bank Serbia has approximately 300,000 customers and a network of 68 branches and commercial centers for corporate customers. Erste Bank Serbia focuses primarily on catering to the traditional banking needs of a broad retail and mid-market corporate customer base, which has allowed it to establish a strong presence in Serbia's major business centers.

The product range comprises mainly mortgages, cash and consumer loans, personal accounts, credit and debit cards, direct banking services, investment and savings products, and consulting and sale of financial market products. In addition, local corporate customers are also offered short- and long-term financing, domestic and international payment operations, project financing, and letters of credits and guarantees. As of 30 September 2013, the market shares in total assets, retail loans and retail deposits amounted to 3.0%, 3.3%, and 2.7%, respectively (source: NBSE). In June 2013, Erste Bank Serbia submitted a non-binding bid for the Serbian subsidiary of HYPO ALPE-ADRIA-BANK INTERNATIONAL AG. The acquisition of the shares in Hypo Alpe Adria Serbia is not expected to have a material impact on Erste Group's CET ratio.

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Serbia, of which Erste Bank Serbia forms a major part, for the years ended 31 December 2012 and 2011:

| | **Year ended 31 December** | |
|---|---|---|
| **in € million (unless otherwise indicated)** | **2012 audited** | **2011 audited** |
| Pre-tax profit/loss | 8.5 | 5.0 |
| Net profit/loss for the year attributable to owners of the parent | 7.8 | 3.6 |
| Cost/income ratio in % | 63.6 | 68.1 |
| Return on equity in % | 18.8 | 8.7 |

Source: Audited Consolidated Financial Statements 2012 and 2011

## Ukraine

As the Ukraine is not seeking membership in the European Union in the medium term, Erste Group does not consider it to be a core market. Consequently, in December 2012 an agreement to sell Erste Bank Ukraine to the shareholders of Fidobank was concluded. The closing of this transaction was subject to several conditions, including regulatory approvals, and occurred on 29 April 2013.

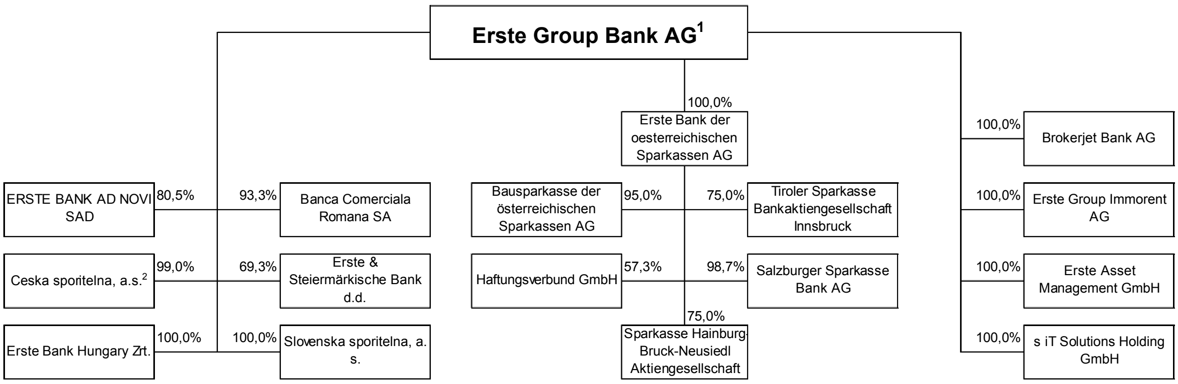
The following table sets out summary information for the retail and SME portion of Erste Group's business in Ukraine, of which Erste Bank Ukraine represents a major part, for the years ended 31 December 2012 and 2011:

| | **Year ended 31 December** | |
|---|---|---|
| **in € million (unless otherwise indicated)** | **2012 audited** | **2011 audited** |
| Pre-tax profit/loss | (44.1) | (23.6) |
| Net profit/loss for the year attributable to owners of the parent | (44.3) | (23.2) |
| Cost/income ratio in % | 215.0 | 142.4 |
| Return on equity in % | — | — |

Source: Audited Consolidated Financial Statements 2012 and 2011

### Subsidiaries

Erste Group Bank is the parent company of Erste Group. The following chart gives a simplified overview of the structure of Erste Group, showing the material direct and indirect subsidiaries of Erste Group Bank. For the purpose of this chart, "Erste Group" does not include the Austrian savings banks that are required to be consolidated under IFRS into Erste Group's results as a result of their membership in the *Haftungsverbund* and in which Erste Group Bank holds either a minority interest or no equity stake at all:




as of November 21 2013

1 Unless indicated otherwise, all direct and indirect shareholdings are 100%.
2 Voting rights amount to 99.5%.

Source: Internal information. The information is presented as of the date of the Prospectus.

## *Group Corporate and Investment Banking*

The Group Corporate and Investment Banking (GCIB) segment comprises Erste Group's large corporate business including the real estate business focusing on large corporate customers, equity capital markets, the investment banking business and the International Business (excluding treasury activities) which covers lending and investment activities outside Erste Group's core markets. The leasing subsidiary Erste Group Immorent is also included in this segment.

Erste Group aims at deepening relationships with core clients by combining an industry sector coverage approach and broadening the product range to match its customers' needs. Overall, a staff of approximately 1,150 product specialists offers services in debt financing, equity capital markets, mergers and acquisitions, debt advisory, acquisition finance, infrastructure finance, project finance, syndication, real estate development, lending and leasing, as well as transaction banking.

The following table sets out summary financial information for the Group Corporate and Investment Banking segment for the years ended 31 December 2012 and 2011:

| | **Year ended 31 December** | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | (58.3) | 116.4 |
| Net profit/loss for the year attributable to owners of the parent | (55.6) | 73.8 |
| Cost/income ratio in % | 33.5 | 35.9 |

| | | |
|---|---|---|
| Return on equity in % | — | 3.8 |

Source: Audited Consolidated Financial Statements 2012 and 2011

## 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 and its CEE subsidiaries as well as of the foreign branch offices in Hong Kong, New York, Berlin and Stuttgart. The asset management subsidiary Erste Asset Management is also included in this segment.

Group Capital Markets is focused on debt capital market products for retail and corporate clients as well as government entities and financial institutions. Group Capital Markets is 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. In addition, institutional sales teams have been established in Germany, Poland and the United Kingdom.

In line with one of Erste Group's core strategies, treasury products complete the product range offered to and demanded by retail customers. The retail business is adaptive to market developments and its prime focus is to address customers' needs, while ensuring a product range, which is tangible and offers security to retail customers.

The following table sets out summary financial information for the Group Markets segment for the years ended 31 December 2012 and 2011:

| | **Year ended 31 December** | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | 297.4 | 232.7 |
| Net profit/loss for the year attributable to owners of the parent | 227.6 | 166.6 |
| Cost/income ratio in % | 42.2 | 51.1 |
| Return on equity in % | 65.0 | 53.4 |

Source: Audited Consolidated Financial Statements 2012 and 2011

## Corporate Center

The Corporate Center segment is split into two parts: (1) Effects from intra-group eliminations between segments and subsegments are reported separately as "intra-group eliminations". Intra-group eliminations consist of internal revenues and expenses charged between subsegments and eliminated at group level. The underlying transactions mainly relate to internal services from IT, procurement, facility management services to banking subsidiaries, rental income from operating lease and investment properties and derivative businesses. Intra-group elimination between businesses within the same subsegment is allocated to the respective subsegment. (2) Furthermore, the Corporate Center segment comprises balance sheet management, dividends (elimination of dividends at group level) and refinancing costs of fully-consolidated subsidiaries, general administrative expenses for group center functions that cannot be directly allocated to another segment or a particular subsegment and the Austrian banking tax payable by Erste Group Bank. In addition, the Corporate Center segment includes the results of non-profit companies (particularly service businesses) and subsidiaries that cannot be directly allocated to another segment or a particular subsegment, straight-line amortisation of customer relationships (particularly, BCR, Erste Card Club, and Ringturm KAG, as well as one-off effects which, in order to ensure comparability, are not allocated to another segment or a particular subsegment. Moreover, the Corporate Center segment includes the equity which is not allocated to any other segment or subsegment.

The following tables set out summary financial information for the Corporate Center segment for the years ended 31 December 2012 and 2011. The distribution of the Corporate Center segment into "Corporate Center excluding intra-group eliminations" and "Intra-group eliminations" is available only for the financial year ended 31 December 2012 with comparative financial information for the financial year ended 31 December 2011. Therefore, the respective financial information for the financial years ended 31 December 2012 and 2011 are included as follows.

| **Corporate Center excluding intra-group eliminations** | **Year ended 31 December** | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | (357.2) | (1,327.2) |
| Net profit/loss for the year attributable to owners of the parent | (227.5) | (1,207.0) |
| Cost/income ratio in % | — | — |
| Return on equity in % | — | — |

Source: Audited Consolidated Financial Statements 2012 and 2011

| **Intra-group eliminations**[(1)] | **Year ended 31 December** | |
|---|---|---|
| | **2012 audited** | **2011 audited** |
| **in € million (unless otherwise indicated)** | | |
| Pre-tax profit/loss | 0.0 | 0.0 |
| Net profit/loss for the year attributable to owners of the parent | 0.0 | 0.0 |
| Cost/income ratio in % | — | — |
| Return on equity in % | — | — |

Source: Audited Consolidated Financial Statements 2012 with comparative financial information for the financial year ended 31 December 2011.

(1) The distribution of the Corporate Center segment into "Corporate Center excluding intra-group eliminations" and "Intra-group eliminations" is available only for the financial year ended 31 December 2012 with comparative financial information for the financial year ended 31 December 2011.

## 5.5 CURRENT REGULATORY TOPICS

### Activities in the context of changes in regulatory requirements

EU and national laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions have come under increased scrutiny by legislators, regulators and advisory bodies and are continuously evolving and changing, especially in levels of adequate capitalisation and leverage. Many of these changes or anticipated developments, including the recent proposal of a single supervisory mechanism and more integrated banking union within the EU, have affected and will continue to affect the regulatory environment of Erste Group's business significantly. Erste Group's business is characterized by regulatory requirements to maintain certain capital and liquidity ratios, which may require Erste Group to reduce its risk-weighted assets, may limit the further growth of Erste Group's business or may require Erste Group to obtain additional capital or liquid funds in the future. Further, regulatory developments frequently expose Erste Group to additional costs and liabilities, require it to change how it conducts its business or may otherwise have a negative impact on its business, the products and services it offers and the value of its assets. If Erste Group is unable to increase its regulatory capital ratios sufficiently, its ratings may drop and its cost of funding may increase.

Since 2010, Erste Group has been scrutinising the impacts of the planned regulatory changes commonly known as Basel III (or, respectively, CRD IV/CRR on an EU level). The Group has established a group-wide Basel III programme, which ensures that all requirements arising from the CRD IV and from related national and international regulations are implemented in complete and timely manner across the entire Group. The programme includes a stream covering capital requirements, changes in risk-weighted asset (RWA) calculations, counterparty credit risk (CCR), and the new capital charge for credit value adjustments (CVA). Further streams focus on new legal requirements for regulatory capital, new disclosure requirements, the new liquidity rules, the introduction of a leverage ratio as well as transitional provisions for phasing out capital instruments, based on definitions within the CRD IV/CRR.

Due to the established programme structure, Erste Group has an integrated view on all requirements arising from CRD IV/CRR. Furthermore, a close alignment is being undertaken with programmes focusing on other internal or regulatory requirements in the areas of risk and accounting, such as the IFRS 9 project.

Regarding changes in risk-weighted assets according to CRD IV/CRR, Erste Group has actively participated since 2010 in the semi-annual Quantitative Impact Study ("**QIS**") which is co-ordinated by Austrian and European regulatory authorities. In future, Erste Group will also participate in the quarterly exercises. Erste Group has completed several calculations to evaluate the impact of the new accord on its risk-weighted assets, both within and beyond the scope of the QIS exercises.

Erste Group calculated as well the CRD IV/CRR compliant liquidity ratios which also will be collected within the scope of the planned exercises. The Group has made several calculations to assess the status of the entities with regards to these ratios, and the necessary preparation for the future regulatory reporting is currently underway.

Regulatory changes for the internal model approach to market risk according to CRD III became effective for Erste Group at year-end 2011. The inclusion of stressed value-at-risk (VaR) and event risk (for equity-related risks) into the internal model was developed and received approval from regulators after a successful audit by the Austrian regulator in the fourth quarter of 2011.

The CRD IV/CRR entered into force 1 January 2014.

**Capital requirements for systemically relevant European banking groups**

In the context of the on-going sovereign debt crisis the EBA evaluated the capital requirements of systemically relevant banking groups across the European Union. EBA then defined a minimum core tier-1 ratio of 9% (according to EBA definition) to be fulfilled by 30 June 2012. Based on the calculation methodology defined by EBA, Erste Group had achieved a 9.9% core tier-1 ratio as of 30 June 2012. On 16 December 2013, EBA recently published the results of a transparency exercise across European banks. Based on this transparency exercise, Erste Group had achieved a 11.3% core tier-1 ratio as of 30 June 2013.

EBA and ECB will continue its monitoring of the regulatory capital situation of European banking groups. From 1 January 2014 on (i.e. after final implementation of CRD IV, and the entering into force of the CRR), European banking groups will need to comply with further requirements, notably in respect of additional minimum requirements for CET 1. Future EBA/ECB exercises will then be adopted in light of the new and stricter capital and risk specifications.

**Changes in the calculation of regulatory capital ratios in the first quarter 2013**

In September 2012 Erste Group officially informed the Austrian regulatory authorities concerning the change of the valuation method that is used as the basis for calculating regulatory capital ratios. Since the first quarter 2013, Erste Group calculates consolidated regulatory capital and consolidated regulatory capital requirements for the very first time based on International Financial Reporting Standards (IFRS), this change has no significant impact on regulatory core capital from the first-time application of IFRS.

**Banking/Financial transaction taxes**

In addition, several countries in which Erste Group operates have introduced special banking taxes. In Austria, the banking tax was introduced in 2011 and, following a 25% increase in 2012, Erste Group's Austrian banking tax amounted to €165.2 million in 2012 after €132.1 million in 2011. In Slovakia, a banking tax was newly introduced in 2012 and resulted in a charge of €31.5 million for 2012. In Hungary, the banking tax amounted to €47.3 million in 2012, while in 2011 it was offset against losses resulting from legislation allowing the early repayment of foreign currency loans at a fixed exchange rate below then prevailing exchange rates in the market. Furthermore, the European Commission has proposed to introduce an EU financial transaction tax within the EU by 2014, and EU Member States have agreed that a financial transaction tax may be introduced only by certain EU Member States, including Austria, Slovakia and Hungary, rather than throughout the EU in a uniform manner. These banking taxes and potential financial transaction taxes directly impact Erste Group's other operating result, and increases in banking taxes or the imposition of new banking and financial transaction taxes on Erste Group's subsidiaries negatively affect its results of operations.

## 5.6 CREDIT RATINGS

Standard & Poors, Moody's and Fitch (each as defined below) have assigned the below credit ratings to the Issuer.

Standard & Poors assigned the following ratings:

| Long term deposits | Short Term deposits | Subordinated notes | Outlook |
|---|---|---|---|
| A | A-1 | BBB | negative |

According to the Ratings Definitions as published by Standard & Poors (www.standardandpoors.com) as of the date of this Prospectus, the above ratings have the following meanings:

'**A**' — An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

'**A-1**' — A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

'**BBB**' — An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

'**Negative Outlook**' — A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. Negative means that a rating may be lowered.

Moody's assigned the following ratings:

| | Long term deposits | Short Term deposits | Outlook |
|---|---|---|---|
| Erste Group Bank AG | A3 | P-2 | negative |
| Public Sec. Cov. Bonds | Aaa | - | - |
| Mortgage Cov. Bonds | Aaa | - | - |
| Subordinated | Ba1 | | |

According to the Rating Symbols and Definitions as published by Moody's (www.moodys.com) as of the date of this Prospectus, the above ratings have the following meanings:

'**A**' — Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

'**Aaa**' — Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

'**Ba**' — Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

'**P-2**' — Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

**Note:** Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

'**Negative Outlook**' — A Moody's rating outlook is an opinion regarding the likely rating direction over the medium term. Rating outlooks fall into four categories: Positive, negative, stable, and developing. A negative, positive or developing outlook indicates a higher likelihood of a rating change over the medium term. A rating committee that assigns an outlook of stable, negative, positive, or developing to an issuer's rating is also indicating its belief that the issuer's credit profile is consistent with the relevant rating level at that point in time.

Fitch assigned the following ratings:

| Long term deposits | Short Term deposits | Outlook |
|---|---|---|
| A | F1 | stable |

According to the Rating Definitions as published by Fitch (www.fitchratings.com) as of the date of this Prospectus, the above ratings have the following meanings:

'**A**' — High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

'**F1**' — Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

'**Stable Outlook**' — Rating Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Outlooks are generally Stable, which is consistent with the historical migration experience of ratings over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as Evolving.

More detailed information on the ratings can be retrieved on the Issuer's website (http://www.erstegroup.com/en/Investors/Ratings). General information regarding the meaning of the rating and the qualifications which have to be observed in connection therewith can be found on the websites of Standard & Poors (www.standardandpoors.com), Moody's (www.moodys.com) and Fitch Ratings Ltd (www.fitchratings.com).

Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland) ("**Standard & Poors**") has its registered office at Neue Mainzer Str. 52, 60311 Frankfurt am Main in Germany. Moody's Deutschland GmbH ("**Moody's**") has its registered office at An der Welle 5, 60322 Frankfurt. Fitch Ratings Ltd ("**Fitch**") with its seat in 30 North Colonnade, London E14 5GN, United Kingdom is registered at Companies House in England.

Standard & Poors, Moody's and Fitch are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (credit rating agency regulation, the "**CRA Regulation**") as registered rating agencies. The European Securities and Markets Authority publishes on its website (www.esma.europa.eu) a list of credit rating agencies registered in accordance with the CRA Regulation. That list shall be updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation. The European Commission publishes that updated list in the Official Journal of the European Union within 30 days following the updates.

## 5.7 RECENT DEVELOPMENTS

**Sale of Erste Bank Ukraine**

As the Ukraine is not seeking membership in the European Union in the medium term, Erste Group does not consider it to be a core market. On 29 April 2013, Erste Group completed the sale of Erste Bank Ukraine to the shareholders of Fidobank.

**Changes to the Management Board**

As of 1 September 2013, personnel changes in the Management Board of Erste Group Bank AG have occurred: Mr Manfred Wimmer has left the Management Board at his own request to retire. Mr Gernot Mittendorfer, Chief Risk Officer until now, has succeeded him as Chief Financial Officer. Mr Andreas Gottschling, Head of Risk Analytics and Operational Risk Management at Deutsche Bank until just recently, has assumed the position as Chief Risk Officer in the Management Board of Erste Group Bank and has joined the management team led by Mr Andreas Treichl.

**Redemption of Participation Capital**

On 24 June 2013, the Management and supervisory boards of Erste Group Bank have resolved to fully redeem the outstanding participation capital of EUR 1.76 billion (EUR 1.205 billion held by the Republic of Austria) in the third quarter 2013. This decision was based on the fact that the cost of the participation capital will increase annually from 2014, while the participation capital will only be eligible as CET 1 instrument under new regulatory requirements until 31 December 2017. On 6 August 2013, the Management Board and Supervisory Board of Erste Group Bank have finally resolved to fully redeem the total outstanding participation capital of EUR 1.76 billion. Upon publication of such decision on 6 August 2013, the participation capital was redeemed. Payment of the redemption proceeds was effected on 8 August 2013.

**Capital Increase by way of an Offering of New Shares**

In 2013, Erste Group Bank has implemented a capital increase against cash contributions with gross proceeds of approximately EUR 660 million. The capital increase was carried out by offering qualified institutional investors new shares (the "**New Shares**") by way of an accelerated bookbuilding offer ("**pre-placement to institutional investors**") followed by a subscription offering to existing shareholders of Erste Group Bank.

On 2 July 2013, the Management Board of Erste Group Bank with the consent of the Supervisory Board of Erste Group Bank, set the offer price for the accelerated bookbuilding offering and the subscription price for the subsequent subscription offering at EUR 18.75 per share and resolved to issue 35,231,353 New Shares, to increase the share capital from EUR 789,137,294 by EUR 70,462,706 to EUR 859,600,000 and to offer existing shareholders subscription rights in the ratio of 4 New Shares for each 45 shares held. The capital increase and the amendments to the articles of association of Erste Group Bank were entered into the Companies Register on 4 July 2013.

**Write-down requirement on goodwill**

On 17 December 2013, Erste Group Bank announced that the regular annual impairment tests for goodwill carried on Erste Group Bank's balance sheet have resulted in a write-down requirement on goodwill of approximately EUR 350 million (pre-tax), associated primarily with its Romanian subsidiary Banca Comercială Română S.A. (BCR). This is mainly due to higher capital requirements applied in these impairment tests. The write-down will be booked in the fourth quarter year in 2013 and will have no impact on regulatory capital ratios.

**Recent changes in the Haftungsverbund ("Haftungsverbund 3")**

In 2013 the cooperation between the savings banks was further intensified. The aim of the amendments of the existing Haftungsverbund ("**Haftungsverbund 3**"), which entered into force on 1 January 2014, is the intensification of the group steering, the setting up of an institutional protection scheme (Art 113 (7) CRR) and a cross-guarantee scheme (Art 4 (1)(127) CRR) in order to fulfil the requirements of Art 84 (6) CRR for being exempted from the deduction of any minority interest and thus, being entitled to recognize any minority interest arising within the cross-guarantee scheme in full and in light of IFRS 10 to strengthen Erste Group Bank´s power in the provisions of the agreement governing the Haftungsverbund 3.

# 6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

## MANAGEMENT BOARD

### Members of the Management Board

Currently, the Management Board consists of five members who have extensive experience in the Austrian banking market and the savings banks sector. The current members of the Management Board are listed below. All current members of the Management Board have positions in various companies.

| Name | Name of relevant company | Position held |
|---|---|---|
| **Andreas Treichl** | | |
| *Chairman* | Banca Comercială Română S.A. | SB[3] deputy chairman |
| | Česká spořitelna, a.s. | SB deputy chairman |
| | DONAU Versicherung AG Vienna Insurance Group | SB deputy chairman |
| | Erste Bank der oesterreichischen Sparkassen AG | SB chairman |
| | Haftungsverbund GmbH | AB[4] deputy chairman |
| | MAK – Österreichisches Museum für Angewandte Kunst | SB chairman |
| | Sparkassen Versicherung AG Vienna Insurance Group | SB chairman |
| **Franz Hochstrasser** | | |

[3] "SB" means Supervisory Board.

[4] "AB" means Advisory Board.

| Name | Name of relevant company | Position held |
|---|---|---|
| *Deputy Chairman* | CEESEG Aktiengesellschaft | SB member |
| | Erste Group Immorent AG | SB chairman |
| | Oesterreichische Kontrollbank Aktiengesellschaft | SB deputy chairman |
| | Steiermärkische Bank und Sparkassen Aktiengesellschaft | SB member |
| | Slovenska sporitelna, a. s. | SB deputy chairman |
| | Wiener Börse AG | SB member |
| **Andreas Gottschling** | | |
| | Erste Group Immorent AG | SB deputy chairman |
| **Herbert Juranek** | | |
| | Banca Comercială Română S.A. | SB member |
| | Brokerjet Bank AG (previously, ecetra Central European e-Finance AG) | SB chairman |
| | Česká spořitelna, a.s. | SB member |
| | Erste & Steiermärkische Bank d.d. | SB chairman |
| | Erste Group IT International, spol. s.r.o. | AB chairman |
| | Erste Group IT SK, spol. s.r.o. (previously, Informations-Technologie Austria SK, spol. s.r.o) | AB member |
| | MBU d.o.o. | AB chairman |
| | OM Objektmanagement GmbH | AB deputy chairman |
| | Procurement Services GmbH | AB deputy chairman |
| | s IT Solutions AT Spardat GmbH | SB chairman |
| | s IT Solutions CZ, s.r.o. | AB member |
| | s IT Solutions HR d.o.o. | AB member |

| Name | Name of relevant company | Position held |
| --- | --- | --- |
| | Slovenská sporiteľňa, a.s. | SB member |
| **Gernot Mittendorfer** | | |
| | Banca Comercială Română S.A. | SB member |
| | Erste Bank Hungary Zrt. | SB member |
| | Erste Bank a.d. Novi Sad | SB chairman |
| | Erste Bank der oesterreichischen Sparkassen AG | SB member |
| | Slovenská sporiteľňa, a.s. | SB chairman |

Source: Internal information of Erste Group Bank

The members of the Management Board can be reached at Erste Group Bank's business address Graben 21, A-1010 Vienna, Austria.

## SUPERVISORY BOARD

### Members of the Supervisory Board

Currently, the Supervisory Board consists of eight members elected by the shareholders of Erste Group Bank and four employee representatives. The following table sets out the current members of the Supervisory Board together with the mandates in supervisory boards or similar functions in other foreign and domestic companies for each supervisory board member as of the date of this Prospectus:

| Name | Name of relevant company | Position held |
| --- | --- | --- |
| **Friedrich Rödler**<br>*Chairman* | | |
| | Erste Bank der oesterreichischen Sparkassen AG | SB member |
| | Erste Bank Hungary Zrt. | SB member |
| | Sparkassenprüfungsverband | Chairman |
| **Georg Winckler** | | |
| *Deputy Chairman* | Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung | SB chairman |
| | DIE ERSTE Österreichische Spar-Casse Privatstiftung | SB chairman |

| Name | Name of relevant company | Position held |
|---|---|---|
| | Educational Testing Service (ETS), Princeton/New Jersey | SB member |
| | Erste Bank der oesterreichischen Sparkassen AG | SB member |
| | UNIQA Insurance Group AG | SB deputy chairman |
| **Bettina Breiteneder** *Member* | | |
| | ZS Einkaufszentren Errichtungs- und Vermietungs-Aktiengesellschaft | SB chairwoman |
| **Jan Homan** *Member* | | |
| | Allianz Elementar Versicherungs-Aktiengesellschaft | SB member |
| | BillerudKorsnäs AB | SB member |
| | Constantia Flexibles Group GmbH | SB member |
| | Frapag Beteiligungsholding AG | SB chairman |
| | Slovenská sporitel'ňa, a.s. | SB member |
| **Juan Maria Nin Génova** *Member* | Academic Board, APD | Member |
| | Aspen Institute Spain Foundation | Member of the Board of Trustees |
| | Banco BPI, S.A. | Member of board of directors |
| | CaixaBank, S.A. | Deputy chairman and CEO |

| Name | Name of relevant company | Position held |
|---|---|---|
| | CEDE Foundation | Member board of governors |
| | Circulo Ecuestre | Member of board of directory |
| | Criteria Caixaholding S.A. | Deputy chairman |
| | Deusto Business School | Member of board of directors |
| | Deusto University | Member of board of directors |
| | Esada Business School Foundation | Member of board of trustees |
| | Federació Catalana de Caixes d'Estalvis | Secretary |
| | Frederico Garcìa Lorca Foundation | Member of board of trustees |
| | Gas Natural SDG, S.A. | Member of board of directors |
| | Grupo Financiero Inbursa, S.A.B. DE C.V. | Member of board of directors |
| | "la Caixa" Foundation | Deputy chairman |
| | “La Caixa” Savings Bank | President and CEO |
| | Repsol YPF | Member of board of directors |
| | Spain-China Council Foundation | Member of board of directors |
| | Spain-India Foundation | Deputy Chairman |
| | Spain-United States Council Foundation | Member board of governors |

| Name | Name of relevant company | Position held |
|---|---|---|
| | VidaCaixa Grupo, S.A.U. (Insurances) | Member of board of directors |
| **Brian Deveraux O'Neill** *Member* | Banca Comercială Română S.A. | SB member |
| | Council of the Americas | Member of board of directors |
| | Emigrant Bank | Member of board of directors |
| | Inter-American Dialogue | Member of board of directors |
| | Seven Seas Water | Member of board of directors |
| **Wilhelm Rasinger** *Member* | | |
| | Friedrichshof Wohnungsgenossenschaft reg. Gen.mbH | SB chairman |
| | Haberkorn Holding AG | SB member |
| | S IMMO AG | SB member |
| | Wienerberger AG | SB member |
| **John James Stack** *Member* | | |
| | Ally Bank | Member of board of directors |
| | Česká spořitelna, a.s. | SB chairman |
| | Mutual of America Life Insurance Company | SB member |
| **Andreas Lachs** *Employee representative* | VBV-Pensionskasse AG | SB member |
| **Friedrich Lackner** | | |

| Name | Name of relevant company | Position held |
|---|---|---|
| *Employee representative* | DIE ERSTE Österreichische Spar-Casse Privatstiftung | SB member |
| **Bertram Mach** | | |
| *Employee representative* | none | — |
| **Karin Zeisel** | | |
| *Employee representative* | none | — |

Source: Internal information of Erste Group Bank.

## REPRESENTATIVES OF THE SUPERVISORY AUTHORITIES

Pursuant to the Austrian Banking Act and the Austrian Mortgage Bank Act 1899, the Austrian Minister of Finance is required to appoint representatives, who monitor Erste Group Bank's compliance with certain legal requirements. The current representatives are listed below:

| Name | Position |
|---|---|
| **Wolfgang Bartsch** | State Commissioner |
| **Michael Kremser** | Vice State Commissioner |
| **Silvia Maca** | Commissioner for covered bonds |
| **Erhard Moser** | Vice Commissioner for covered bonds |
| **Irene Kienzl** | Trustee pursuant to the Mortgage Bank Act |
| **Thomas Schimetschek** | Deputy Trustee pursuant to the Mortgage Bank Act |

Source: Internal information of Erste Group Bank

Pursuant to the Austrian Banking Act and the Articles of Association, the State Commissioner and its deputy shall be invited to the Erste Group Bank's Shareholders' Meetings and all meetings of the Supervisory Board and its committees. Furthermore, the State Commissioner or its deputy shall immediately receive all minutes of the meetings of the Supervisory Board. Resolutions of the Supervisory Board and of its committees which are passed outside a meeting shall be simultaneously communicated to the State Commissioner or its deputy who is entitled to raise written objections pursuant to Section 76 (6) Austrian Banking Act.

## POTENTIAL CONFLICTS OF INTEREST

Agreements (e.g. advisory contracts or loan agreements) of Erste Group Bank with the Members of its Management Board and its Supervisory Board may generate in certain circumstances conflicts of interest. Should any such conflict of interest arise, Erste Group Bank has sufficient rules and procedures in place to properly deal with such conflicts of interest in accordance with applicable laws and industry standards.

## SHAREHOLDERS OF ERSTE GROUP BANK

Erste Group Bank's major shareholder, DIE ERSTE österreichische Spar-Casse Privatstiftung, is a private foundation which was created by the transformation of DIE ERSTE Österreichische Spar-Casse Anteilsverwaltungssparkasse, a special form of savings bank holding company, with effect as of 19 December 2003. Such type of transformation is provided for under the Savings Bank Act. As of 31 December 2013, 20.6% of the shares in Erste Group Bank were attributable to DIE ERSTE Österreichische Spar-Casse Privatstiftung ("**Erste Stiftung**") which held 13.1% directly and 7.5%[5] indirectly (of which all savings banks in aggregate held 1.6%). 9.1% of the shares in Erste Group Bank were held by Caixabank, S.A.. The free float amounts to 70.2% (of which 4.1% were held by Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung, Vienna, Austria, 56.6% by institutional investors , 8.1% by retail investors and 1.5% by Erste Group's employees) (all numbers are rounded).

[5] Voting rights attributable to shares held by Sparkassen Beteiligungs GmbH & Co. KG are attributed to DIE ERSTE österreichische Spar-Casse Privatstiftung (the "Erste Stiftung") pursuant to Section 92 No. 4 Stock Exchange Act, because Erste Stiftung is a limited partner of Sparkassen Beteiligungs GmbH & Co. KG and holds 100% of the share capital in Sparkassen Beteiligungs GmbH, the sole general partner of Sparkassen Beteiligungs GmbH & Co. KG. In addition, voting rights are attributed to Erste Stiftung pursuant to Section 92 No. 4 and 7 Stock Exchange Act in connection with shares in Erste Group Bank held by Austrian savings banks, which act jointly with Erste Stiftung and are associated with Erste Group Bank through the Haftungsverbund, establishing a joint early warning system as well as a cross guarantee for certain liabilities of the member savings banks (for more information on the Haftungsverbund, see "Description of Erste Group's business—Haftungsverbund"). Voting rights attributable to Shares held by Wiener Städtische Wechselseitiger Versicherungsverein—Vermögensverwaltung—Vienna Insurance Group are attributed to Erste Stiftung pursuant to Section 92 No. 7 Stock Exchange Act as a result of the shareholders' agreement entered into on 28 June 2013.

# 7. HISTORICAL FINANCIAL INFORMATION

The Audited Consolidated Financial Statements 2012 and 2011, together in each case with the audit report thereon, are incorporated by reference in this Prospectus.

Extracts from the Audited Consolidated Financial Statements 2012 and 2011 are included below.

## Consolidated Income Statements of Erste Group for the year ended 31 December 2012 and 2011

| | For the year ended 31 December | |
|---|---|---|
| **in € million, unless otherwise indicated** | **2012** | **2011** |
| Net interest income | 5,235.3 | 5,569.0 |
| Risk provisions for loans and advances | (1,980.0) | (2,266.9) |
| Net fee and commission income | 1,720.8 | 1,787.2 |
| Net trading result | 273.4 | 122.3 |
| General administrative expenses | (3,756.7) | (3,850.9) |
| Other operating result | (724.3) | (1,589.9) |
| Result from financial instruments—at fair value through profit or loss | (3.6) | 0.3 |
| Result from financial assets—available for sale | 56.2 | (66.3) |
| Result from financial assets—held to maturity | (19.9) | (27.1) |
| **Pre-tax profit/loss** | **801.2** | **(322.1)** |
| Taxes on income | (170.2) | (240.4) |
| **Net profit/loss for the year** | **631.0** | **(562.6)** |
| attributable to non-controlling interests | 147.5 | 156.3 |
| attributable to owners of the parent | 483.5 | (718.9) |

Source: Audited Consolidated Financial Statements 2012 and 2011

## Consolidated Balance Sheet of Erste Group as at 31 December 2012 and 2011

| | As of 31 December | |
|---|---|---|
| **in € million** | **2012 audited** | **2011 audited** |
| **Assets** | | |
| Cash and balances with central banks | 9,740.5 | 9,412.9 |
| Loans and advances to credit institutions | 9,074.1 | 7,577.7 |
| Loans and advances to customers | 131,927.5 | 134,749.5 |
| Risk provisions for loans and advances | (7,643.7) | (7,027.3) |
| Derivative financial instruments | 13,289.4 | 10,930.8 |
| Trading assets | 5,178.0 | 5,875.8 |
| Financial assets—at fair value through profit or loss | 715.8 | 1,813.1 |
| Financial assets—available for sale | 22,417.7 | 20,245.3 |
| Financial assets—held to maturity | 18,974.7 | 16,073.6 |
| Equity method investments | 174.1 | 173.1 |
| Intangible assets | 2,893.9 | 3,532.0 |
| Property and equipment | 2,227.9 | 2,360.8 |

| | | |
|---|---|---|
| Investment property | 1,022.9 | 1,139.3(1) |
| Current tax assets | 127.6 | 115.7 |
| Deferred tax assets | 657.5 | 701.9 |
| Assets held for sale | 708.1 | 87.2 |
| Other assets | 2,338.1 | 2,245.1(1) |
| **Total assets** | **213,824.0** | **210,006.3** |
| **Liabilities and equity** | | |
| Deposits by banks | 21,822.1 | 23,785.3 |
| Customer deposits | 123,052.9 | 118,880.2 |
| Debt securities in issue | 29,427.3 | 30,781.6 |
| Value adjustments from portfolio fair value hedges | 1,220.0 | 914.7(1) |
| Derivative financial instruments | 10,878.4 | 9,336.6 |
| Trading liabilities | 481.0 | 535.6 |
| Provisions | 1,487.7 | 1,580.1 |
| Current tax liabilities | 53.0 | 33.7 |
| Deferred tax liabilities | 323.5 | 344.8 |
| Other liabilities | 3,077.3 | 2,851.3(1) |
| Liabilities associated with assets held for sale | 338.9 | 0.0(1) |
| Subordinated liabilities | 5,323.4 | 5,782.6 |
| Total equity | 16,338.5 | 15,180.0 |
| attributable to non-controlling interests | 3,483.2 | 3,142.9 |
| attributable to owners of the parent | 12,855.3 | 12,037.1 |
| **Total liabilities and equity** | **213,824.0** | **210,006.3** |

Source: Audited Consolidated Financial Statements 2012

(1) Due to reclassifications in the consolidated financial statements as of and for the financial year ended 31 December 2012 taken from the comparative figures as of 31 December 2011 contained in the balance sheet of the consolidated financial statements as of and for the financial year ended 31 December 2012.

## Audit and Auditors' Reports

Sparkassen-Prüfungsverband Prüfungsstelle (statutory auditor, two current directors of which are members of "Kammer der Wirtschaftstreuhänder Österreich") at Grimmelshausengasse 1, A-1030 Vienna, and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (a member of "Kammer der Wirtschaftstreuhänder Österreich") at Wagramer Straße 19, 1220 Vienna, have audited and issued unqualified audit reports on the Audited Consolidated Financial Statements 2012 (dated 28 February 2013) and 2011 (dated 29 February 2012).

English translations of the German language Auditors' Reports on the consolidated financial statements as of 31 December 2012 and 2011 are incorporated by reference.

The financial year of Erste Group is the calendar year.

## Interim and Other Financial Information

The Unaudited Consolidated Interim Financial Statements 30 September 2013 are incorporated by reference in this Prospectus. An extract from such statements is set out below.

## Consolidated Income Statement of Erste Group for the quarter ended 30 September 2013 and 2012

| | For the quarter ended 30 September | |
|---|---|---|
| **in EUR million** | **2013** | **2012** |
| Net interest income | 3,651.6 | 3,968.9 |
| Risk provisions for loans and advances | (1,260.0) | (1,465.3) |
| Net fee and commission income | 1,346.3 | 1,284.3 |
| Net trading result | 241.0 | 191.4 |
| General administrative expenses | (2,743.0) | (2,826.1) |
| Other operating result | (578.5) | (214.0) |
| Result from financial instruments – at fair value through profit or loss | (55.0) | 36.3 |
| Result from financial assets – available for sale | (10.2) | 19.2 |
| Result from financial assets – held to maturity | 1.5 | (19.3) |
| Pre-tax profit/loss | 593.6 | 975.4 |
| Taxes on income | (31.0) | (251.1) |
| **Net profit/loss for the period** | **562.6** | **724.3** |
| attributable to non-controlling interests | 132.3 | 127.0 |
| **attributable to owners of the parent** | **430.3** | **597.3** |

Source: Unaudited Interim Condensed Consolidated Financial Statements 30 September 2013 with comparative financial information for the third quarter year ended 30 September 2012

## Consolidated Balance Sheet of Erste Group as at 30 September 2013 and 31 December 2012

| | As of | |
|---|---|---|
| **in EUR million** | **30 September 2013** | **31 December 2012** |
| **Assets** | | |
| Cash and balances with central banks | 10,556 | 9,740 |
| Loans and advances to credit institutions | 9,113 | 9,074 |
| Loans and advances to customers | 129,492 | 131,928 |
| Risk provisions for loans and advances | (7,899) | (7,644) |
| Derivative financial instruments | 8,718 | 13,289 |
| Trading assets | 7,289 | 5,178 |
| Financial assets—at fair value through profit or loss | 575 | 716 |
| Financial assets—available for sale | 20,508 | 22,418 |
| Financial assets—held to maturity | 18,193 | 18,975 |
| Equity method investments | 217 | 174 |
| Intangible assets | 2,766 | 2,894 |
| Property and equipment | 2,108 | 2,228 |
| Investment property | 941 | 1,023 |
| Current tax assets | 98 | 128 |
| Deferred tax assets | 852 | 658 |
| Assets held for sale | 106 | 708 |
| Other assets | 4,219 | 2,338 |
| **Total assets** | **207,852** | **213,824** |
| **Liabilities and equity** | | |
| Deposits by banks | 22,946 | 21,822 |
| Customer deposits | 122,060 | 123,053 |
| Debt securities in issue | 27,232 | 29,427 |
| Value adjustments from portfolio fair value hedges | 870 | 1,220 |
| Derivative financial instruments | 7,318 | 10,878 |
| Trading liabilities | 448 | 481 |
| Provisions | 1,474 | 1,488 |
| Current tax liabilities | 89 | 53 |
| Deferred tax liabilities | 200 | 324 |
| Liabilities associated with assets held for sale | 0 | 339 |
| Other liabilities | 4,613 | 3,077 |
| Subordinated liabilities | 5,310 | 5,323 |
| Total equity | 15,290 | 16,339 |
| attributable to non-controlling interests | 3,491 | 3,483 |
| attributable to owners of the parent | 11,800 | 12,855 |
| **Total liabilities and equity** | **207,852** | **213,824** |

Source: Unaudited Interim Condensed Consolidated Financial Statements 30 September 2013 with comparative financial information for the financial year ended 31 December 2012

# 8. LEGAL PROCEEDINGS

Erste Group Bank and some of its subsidiaries are involved and have been involved in the twelve months preceding the date of this Prospectus in legal disputes, including governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), most of which have arisen or have been threatened in the course of its ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group and/or Erste Group Bank. Erste Group is also subject to the following ongoing proceedings:

## Hungarian Holocaust litigation

In 2010, a group of plaintiffs filed a putative class action complaint, in a Federal court in Chicago, on behalf of alleged victims of the Holocaust or their heirs, alleging that several Hungarian banks improperly benefited from the seizure of assets of Jewish customers during World War II. The assets claimed total $2 billion in 1944 dollars. Although Erste Group Bank is not alleged to have participated in the alleged misappropriation of Jewish assets, it is nevertheless named as a defendant in the litigation, as plaintiffs allege that Erste Group Bank is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Group Bank has denied all of the material allegations against it, including, but not limited to, allegations of successorship. In January 2014 the Federal District Court entered judgment in favor of Erste Group Bank, terminating the civil case. Plaintiffs may still file an appeal. Erste Group Bank intends to continue taking all steps necessary to defend itself against this complaint.

## Consumer protection claims

Several banking subsidiaries of Erste Group in Central and Eastern Europe have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies.

# 9. MATERIAL CONTRACTS

Since 31 December 2010, Erste Group Bank and its subsidiaries have not entered into any material contracts, other than contracts entered into in the ordinary course of business, except for the following agreements that, albeit entered into in 2009, were in place during the periods after 31 December 2010:

## Framework agreement for guaranteed bonds

Pursuant to a framework agreement for bond issues entered into with the Republic of Austria on 8 January 2009, Erste Group Bank established a €6 billion debt issuance program in respect of bonds guaranteed by the Republic of Austria. Under this programme, Erste Group Bank was able to issue bonds guaranteed by the Republic of Austria in an aggregate volume of up to €6 billion until 31 December 2009. As of the date of this Prospectus, approximately €1 billion of bonds issued under the debt issuance program remain outstanding and will mature in February 2014.

The bonds issued under the programme are subject to certain terms: In particular, the liquidity obtained through bond issues must be used to supply credit to support the economy. The proceeds could not be used for aggressive growth measures, and Erste Group Bank's business strategy, which must continue to be focused on sustainability, is not permitted to include terms that are not customary for the market. Furthermore, Erste Group Bank must ensure that remuneration policies do not encourage the taking of excessive risks. The framework agreement provides that the maturity of any individual bond issue may not exceed five years. The guarantee of the Republic of Austria is explicit, unconditional, irrevocable and unsubordinated, and it warrants due and timely payment. For the state guarantee, Erste Group Bank agreed to pay 50 basis points plus the median value of its CDS spread (reference period 1 January 2007 to 31 August 2008). This corresponds to an overall fee of approximately 90 basis points.

## Grundsatzvereinbarung with the Republic of Austria

On 26 February 2009, Erste Group Bank and its subsidiary Erste Bank Oesterreich entered into the Grundsatzvereinbarung with the Republic of Austria, under which the Republic of Austria agreed to subscribe for specific types of tier-1 capital, i.e., participation capital to be issued by Erste Group Bank and hybrid capital to be issued by Erste Bank Oesterreich . Pursuant to this agreement, the Republic of Austria subscribed for participation capital securities ("Participation Capital Securities") with a total nominal amount of €1.224 billion in 2009, while no hybrid capital of Erste Bank Oesterreich has been subscribed for. On 7 August 2013 the Participation Capital Securities have been redeemed. If the statutory requirements are met and a relevant resolution is adopted at the next ordinary shareholders' meeting, a pro rata dividend for the time period from 1 January 2013 to 7 August 2013 will be paid ten business days after the shareholders' meeting.

## Cooperation between Erste Group Bank and Vienna Insurance Group

Erste Group Bank and Vienna Insurance Group AG Wiener Versicherung Gruppe ("VIG") are parties to a general distribution agreement concerning the framework of the cooperation of Erste Group and VIG in Austria and Central and Eastern Europe with respect to bank and insurance products. In case of a change of control of Erste Group Bank, VIG has the right to terminate the general distribution agreement, and in case of a change of control of VIG, Erste Group Bank has a reciprocal right. A change of control is defined, with respect to Erste Group Bank, as the acquisition of Erste Group Bank by any person other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank's voting shares, and with respect to VIG, as the acquisition of VIG by any person other than Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group of 50% plus one share of VIG's voting shares. If VIG elects to terminate the general distribution agreement after a change of control of Erste Group Bank has occurred, it may choose to ask for a reduction of the original purchase price that it and its group companies have paid for the shares in the CEE insurance companies of Erste Group. The rebate corresponds to the difference between the purchase price and the embedded value and is reduced to zero on a linear scale from 26 March 2013 to 16 March 2018.

Erste Group Bank and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as defined above), each party has a termination right. If Erste Group Bank elects to terminate the asset management agreement following such a change of control of VIG, because the new controlling shareholders of VIG no longer support the agreement, it may choose to ask for a full refund of the purchase price that it has paid for 95% of Ringturm Kapitalanlagegesellschaft m.b.H., the asset management company performing the services under the asset management agreement. The refund decreases on a linear scale down to zero from October 2013 to October 2018.

## New Haftungsverbund agreement

On 1 January 2014, Erste Group Bank and its subsidiary Erste Bank Oesterreich entered with the savings banks into the second supplementary agreement (*Zweite Zusatzvereinbarung*) to the Haftungsverbund ("**Haftungsverbund 3**"). The cooperation between the Erste Group and the savings banks was hereby further intensified. The aim of the agreement is the intensification of the group steering, the setting up of an institutional protection scheme (Art 113 (7) CRR) and a cross-guarantee scheme (Art 4 (1)(127) CRR) in order to fulfil the requirements of Art 84 (6) CRR for being exempted from the deduction of any minority interest and thus, being entitled to recognize any minority interest arising within the cross-guarantee scheme in full as well as in light of IFRS 10 to strengthen Erste Group Bank´s power in the provisions of the agreement governing the Haftungsverbund 3.

# 10. TAXATION IN AUSTRIA

## General remarks

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes shall in any case be borne by the purchaser. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

The Issuer assumes no responsibility with respect to taxes withheld at source.

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

## Income taxation of the Notes

Pursuant to sec. 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the Notes from a bank deposit (*Depotentnahme*) and circumstances leading to a loss of Austria's taxation right regarding the Notes *vis-à-vis* other countries, *e.g.*, a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (*cf.* sec. 27(6)(1) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25%. In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Sec. 27(8) of the Austrian Income Tax Act, *inter alia,* provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may not be offset against interest and other claims against credit institutions as well as income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*); income subject to the flat tax rate of 25% may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income.

Individuals subject to unlimited income tax liability in Austria holding the Notes as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25%). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25%). In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income (and carried forward).

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the Notes at a rate of 25%. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Notes is subject to corporate income tax of 25%. Losses from the sale of the Notes can be offset against other income (and carried forward).

Private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding the Notes as a non-business asset are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives (*inter alia,* if the latter are in the form of securities). Interim tax does not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the tax period. In case of investment income with an Austrian nexus (as described above) income is in general subject to a withholding tax of 25%, which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are only taxable on investment income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes are attributable to such permanent establishment (*cf.* sec. 98(1)(3) of the Austrian Income Tax Act, sec. 21(1)(1) of the Austrian Corporate Income Tax Act).

Pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent is obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent. If negative and at the same time or later positive income is earned, then the negative income is to be offset against the positive income. If positive and later negative income is earned, then the withholding tax on the positive income is to be credited, with such tax credit being limited to 25% of the negative income. In certain cases, the offsetting is not permissible. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

## EU withholding tax

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – implementing Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent (*Zahlstelle*) to a beneficial owner who is an individual resident in another EU member state (or in certain dependent or associated territories, which currently include Anguilla, Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat, the Netherlands Antilles and the Turks and Caicos Islands) are subject to a withholding tax of 35% if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from EU withholding tax if the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her member state of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years.

Regarding the issue of whether also index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

## Tax treaties Austria/Switzerland and Austria/Liechtenstein

On 1 January 2013 the Treaty between the Republic of Austria and the Swiss Confederation on Cooperation in the Areas of Taxation and Capital Markets entered into force. A similar treaty between the Republic of Austria and the Principality of Liechtenstein has been applicable as of 1 January 2014. These treaties provide that a Swiss, respectively Liechtenstein, paying agent has to withhold a tax amounting to 25%, on, *inter alia*, interest income, dividends and capital gains from assets booked with an account or deposit of such Swiss, respectively Liechtenstein, paying agent or managed by a Swiss, respectively Liechtenstein paying agent, if the relevant holder of such assets (*i.e.* in general individuals on their own behalf and as beneficial owners of assets held by a domiciliary company (*Sitzgesellschaft*)) is tax resident in Austria. For Austrian income tax purposes the withholding tax has the effect of final taxation regarding the underlying income if the Austrian Income Tax Act provides for the effect of final taxation for such income. The treaties, however, do not apply to interest covered by the agreements between the European Community and the Swiss Confederation, respectively Liechtenstein, regarding Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The taxpayer can opt for voluntary disclosure instead of the withholding tax by expressly authorising the Swiss, respectively Liechtenstein, paying agent to disclose to the competent Austrian authority the income and capital gains; these subsequently have to be included in the income tax return.

## Austrian inheritance and gift tax

Austria does not levy inheritance or gift tax.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation entry tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Entry Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa* of financial assets within the meaning of sec. 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to the special tax rate of 25%. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases. Special provisions apply to entities falling under the scope of the tax treaty between Austria and Liechtenstein.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Entry Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10% of the fair market value of the assets transferred.

Further, it should be noted that gratuitous transfers of the Notes may trigger income tax at the level of the transferor pursuant to sec. 27(6)(1) of the Austrian Income Tax Act (see above).

## EU Savings Directive

The EU has adopted Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (EU Savings Directive), which obliges each EU Member State to provide to the tax authorities of other EU Member States details of payments of interest paid by a paying agent within its jurisdiction to an individual resident in another EU Member State, except that originally Austria, Belgium and Luxembourg had instead imposed a withholding system for a transitional period (the ending of such transitional period being dependent upon the conclusion of agreements relating to information exchange with certain other countries) unless during such period they elect otherwise. Belgium abandoned the transitional withholding system and has provided information in accordance with the EU Savings Directive since 1 January 2010, and Luxembourg has recently announced that it will also switch to the exchange of information system as of 1 January 2015. A number of other non-EU countries and territories, including Switzerland, have agreed to adopt measures similar to those contained in the EU Savings Directive (a withholding system in the case of Switzerland) with effect from the adoption of the EU Savings Directive. An amendment to the EU Savings Directive is currently being discussed, which would, if adopted, broaden the definition of interest income and extend the scope to interest income derived by individuals via certain entities.

# 11. SUBSCRIPTION AND SALE

The sale and/or distribution of the Notes may be subject to restrictions in various jurisdictions. The Issuer may from time to time request the FMA to provide to competent authorities of Member States of the European Economic Area a notification concerning the approval of the Prospectus.

Except for publishing and filing the Prospectus, the Issuer has not taken any measures and will not take any measure in order to make the public offer of the Notes or their possession or the distribution of offer documents relating to the Notes permissible in a jurisdiction where special measures have to be taken for this purpose. Notes may be offered, sold, or delivered within a jurisdiction or originating from a jurisdiction only, if this is permitted pursuant to applicable laws and other legal provisions and if no obligations arise for the Issuer.

## United States

The Notes have not been and will not be registered under the Securities Act. Except in certain transactions exempt from the registration requirements of the Securities Act, the Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act).

The Notes will not be offered, sold or delivered within the United States or to U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes of the Tranche of which such Notes are a part, an offer or sale of the Notes within the United States may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered or sold in the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948 as amended, the "**FIEA**") and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from, and including, the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") no offers of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation hereto to the public in that Relevant Member State will take place, except that, with effect from, and including, the Relevant Implementation Date, an offer of such Notes to the public may be made in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3 (2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3 (2) of the Prospectus Directive or pursuant to any applicable national law of any Relevant Member State,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and any amendments thereto, including the PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**PD Amending Directive**" means Directive 2010/73/EU.

## United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer.

# RESPONSIBILITY STATEMENT OF
# ERSTE GROUP BANK AG

Erste Group Bank AG, with its registered office at Graben 21, A-1010 Vienna, Austria, is responsible for the information given in this Prospectus.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect its import.

Vienna, ●

Erste Group Bank AG

as Issuer

| | |
|---|---|
| ● | ● |
| ● | ● |

# GLOSSARY AND LIST OF ABBREVIATIONS

For ease of reference, the glossary below sets out certain abbreviations and meanings of certain terms used in the Prospectus. Readers of the Prospectus should always have regard to the full description of a term contained in the Prospectus.

| | |
|---|---|
| **Audited Consolidated Financial Statements 2011** | means the English translation of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2011 |
| **Audited Consolidated Financial Statements 2012** | means the English translation of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2012 |
| **Austrian Banking Act** | The Austrian Banking Act 1993 as amended (*Bankwesengesetz*) |
| **Austrian Savings Banks Sector** | The Austrian Savings Banks Sector comprises all savings banks in Austria, excluding Bank Austria |
| **Bank Austria** | means UniCredit Bank Austria AG |
| **BCBS** | Basel Committee on Banking Supervision |
| **BCR** | means Banca Comercială Română S.A. |
| **BIRG** | Austrian Banking Intervention and Restructuring Act (*Bankeninterventions- und restrukturierungsgesetz*) |
| **Calculation Agent** | means Erste Group Bank AG pursuant to Section 6 of the General Conditions |
| **CEE** | Central Eastern Europe |
| **Česká spořitelna** | means Česká spořitelna, a.s. |
| **CHF** | Swiss Francs |
| **CNB** | Czech National Bank |
| **CRA Regulation** | Regulation (EC) No. 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (Credit Rating Agency Regulation) |
| **CRD IV** | Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive IV). |

| | |
|---|---|
| **CrNB** | Croatian National Bank |
| **CRR** | Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. |
| **EBA** | European Banking Authority |
| **EBRD** | European Bank for Reconstruction and Development |
| **ECB** | European Central Bank |
| **EEA** | European Economic Area |
| **EFSF** | European Financial Stability Facility |
| **EIB** | European Investment Bank |
| **Erste Bank Croatia** | means Erste & Steiermärkische Bank, d.d. |
| **Erste Bank Hungary** | means Erste Bank Hungary Zrt. |
| **Erste Bank Oesterreich** | means, after the de-merger of the Austrian banking business, Erste Bank der oesterreichischen Sparkassen AG |
| **Erste Bank Serbia** | means Erste Bank a.d., Novi Sad |
| **Erste Bank Ukraine** | means JSC Erste Bank |
| **Erste Group** | consists of Erste Group Bank, together with its subsidiaries and participations, including Erste Bank Oesterreich in Austria, Česká spořitelna in the Czech Republic, Banca Comercială Română in Romania, Slovenská sporiteľňa in the Slovak Republic, Erste Bank Hungary in Hungary, Erste Bank Croatia in Croatia, Erste Bank Serbia in Serbia and, in Austria, Salzburger Sparkasse, Tiroler Sparkasse, s-Bausparkasse, other savings banks of the Haftungsverbund, Erste Group Immorent, and others. |
| **Erste Group Bank** | means Erste Group Bank AG |
| **Erste Stiftung** | DIE ERSTE Österreichische Spar-Casse Privatstiftung |
| **ESM** | European Stability Mechanism |
| **ESMA** | European Securities and Markets Authority |
| **EUR** | Euro |
| **FATCA** | means sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, an agreement entered into with the U.S. Internal Revenue Service pursuant to such U.S. law, an |

| | |
|---|---|
| | intergovernmental agreement concluded by the United States with another country in furtherance of such U.S. law, or any non-U.S. laws in furtherance of such an intergovernmental agreement |
| **Final Terms** | Final Terms setting forth the applicable terms and conditions for Notes issued under this Prospectus, a form of whichis included in this Prospectus |
| **Financial Intermediaries** | Credit institutions pursuant to the Directive 2013/36/EC acting as financial intermediaries subsequently reselling or finally placing the Notes |
| **Fiscal Agent** | means the fiscal agent pursuant to Section 5 of the Issue Specific Conditions |
| **Fitch** | Fitch Ratings |
| **FMA** | The Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) |
| **FTT** | Financial transaction tax, the introduction of which has been proposed by the European Comission in September 2011 |
| **GCIB** | Group Corporate and Investment Banking |
| **GDP** | Gross domestic product |
| **Giro Credit** | GiroCredit Bank Aktiengesellschaft der Sparkassen |
| **Haftungsverbund** | The guarantee system that was formed on the basis of a set of agreements with the majority of the Austrian savings banks |
| **HUF** | Hungarian Forint |
| **Holder(s)** | means a holder of the Notes or together the holders of the Notes |
| **ICMA** | means the International Capital Markets Association |
| **IMF** | International Monetary Fund |
| **ISDA** | means the International Swaps and Derivatives Association, Inc. |
| **Issuer** | Erste Group Bank AG |
| **KMG** | means the Austrian Capital Markets Act (*Kapitalmarktgesetz*) |
| **Management Board** | means the management board (*Vorstand*) of the Issuer |
| **Markets** | means the Official Market (*Amtlicher Handel*) and the Second Regulated Market (*Geregelter Freiverkehr)* of the Vienna Stock Exchange (*Wiener Börse AG*). |

| | |
|---|---|
| **MiFID** | means the Directive 2004/39/EC on markets in financial instruments |
| **Moody's** | Moody's Deutschland GmbH |
| **NBSE** | National Bank of Serbia |
| **Non-Exempt Offer** | An offer of Notes other than pursuant to Article 3(2) of the Prospectus Directive |
| **NPL** | Non-performing loans |
| **OeKB** | Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, 1011 Vienna, Austria |
| **Participating Member States** | The Member States participation in the enhanced cooperation in the area of financial transaction tax pursuant to the proposal for a "Council Directive implementing enhanced cooperation in the area of financial transaction tax", dated 14 February 2013 |
| **PD Amending Directive** | means the Directive 2010/73/EU of the European Parliament and the Council of 24 November 2010 |
| **Paying Agent** | means the paying agent pursuant to Section 6 of the General Conditions |
| **Programme** | The Programme of Erste Group Bank AG for the issuance of Notes which is established by this Prospectus |
| **Prospectus** | this Prospectus |
| **Prospectus Directive** | means the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended |
| **Prospectus Regulation** | Commission Regulation (EC) No. 809/2004 dated 29 April 2004, as lastly amended by Commission Regulation (EU) No. 759/2013 dated 30 April 2013 |
| **Relevant Implementation Date** | The date on which the Prospectus Directive is implemented in a Relevant Member State |
| **Relevant Member State** | Member State of the European Economic Area which has implemented the Prospectus Directive |
| **RRD** | Recovery and Resolution Directive, a proposal for which was published by the European Commission on 6 June 2012 |
| **RWA** | means risk-weighted asset |
| **Salzburger Sparkasse** | means Salzburger Sparkasse Bank AG |
| **SB** | Supervisory board |

| | |
|---|---|
| **s-Bausparkasse** | Bausparkasse der österreichischen Sparkassen Aktiengesellschaft |
| **Securities Act** | The United States Securities Act of 1933, as amended |
| **Series** | Series of Notes |
| **Slovenská sporiteľňa** | means Slovenská sporiteľňa, a.s. |
| **SME** | small and medium enterprises |
| **Standard & Poors** | Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland) |
| **Steering Company** | Haftungsverbund GmbH |
| **Supervisory Board** | means the supervisory board (*Aufsichtsrat*) of the Issuer |
| **t** | The number of calendar days during the Calculation Period |
| **TARGET** | Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor |
| **Terms and Conditions** | the terms and conditions of the Notes which are composed of the Issue Specific Conditions and the General Conditions and which are set out on pages 39 *et seqq* of this Prospectus |
| **Tiroler Sparkasse** | Tiroler Sparkasse Bankaktiengesellschaft Innsbruck |
| **Tranche** | Tranche of a Series of Notes |
| **Unaudited Interim Condensed Consolidated Financial Statements 30 September 2013** | means the English translation of the unaudited interim condensed consolidated financial statements of Erste Group for the third quarter year ended 30 September 2013 |
| **USD, US dollars and US$** | means the currency of the United States of America |
| **Vienna Stock Exchange** | *Wiener Börse* |
| **VIG** | Vienna Insurance Group |

## REGISTERED OFFICE OF THE ISSUER

Graben 21
A-1010 Vienna
Austria

## PAYING AGENT

**Erste Group Bank AG**
Graben 21
A-1010 Vienna
Austria

## AUDITORS

**Sparkassen-Prüfungsverband Prüfungsstelle**
Grimmelshausengasse 1
A-1030 Vienna
Austria

**Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.**
Wagramer Straße 19
A-1220 Vienna
Austria

## LEGAL ADVISERS

*Structuring Advisor*

**Ashurst LLP**
OpernTurm
Bockenheimer Landstraße 2-4
60306 Frankfurt am Main
Germany

*To Erste Group Bank as to Austrian law*

**Wolf Theiss Rechtsanwälte GmbH & Co KG**
Schubertring 6
A-1010 Vienna
Austria