

# Erste Group Bank AG

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

## EUR 2,000,000,000

## Additional Tier 1 Notes Programme

On 23 June 2014, Erste Group Bank AG (the "Issuer" or "Erste Group Bank") entered into an Additional Tier 1 Notes Programme (the "Programme") which has been updated on 14 October 2015, 20 April 2016 and 3 April 2017. The Programme was amended and updated on the date hereof. Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue direct, unsecured and subordinated debt securities constituting Additional Tier 1 instruments pursuant to Article 52 of the 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, as amended (*Capital Requirements Regulation – "CRR"*), as further specified in the relevant Final Terms (as defined herein) in the English language under German law (the "Notes"). The Programme foresees two different options of Terms and Conditions (as defined herein) under which Notes may be issued depending on the type of distribution which applies to the Notes as specified in the relevant Final Terms. Accordingly, the following types of Notes may be issued under the Programme: (i) Notes which commence with a fixed distribution rate which is superseded by a different fixed distribution rate (Option I); and (ii) Notes which commence with a fixed distribution rate which is superseded by a floating distribution rate (Option II). The Notes will have a perpetual term and a minimum denomination of EUR 100,000 (or the equivalent in other currencies). The aggregate principal amount of Notes outstanding (i.e. Notes not redeemed) under the Programme will not at any one time exceed EUR 2,000,000,000 (or the equivalent in other currencies).

This base prospectus (the "Prospectus") has been drawn up in accordance with Annexes XI, XII and XIII of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended (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*), as amended (the "KMG") for the 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 the KMG and the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended (which includes the amendments made by the Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014) (the "Prospectus Directive"). The FMA has examined this Prospectus only in respect of its completeness, coherence and comprehensibility pursuant to § 8a KMG.**

Application may be made for the Programme and/or the Notes to be admitted to the "Amtlicher Handel" (Official Market) (the "Austrian Market") of the *Wiener Börse* (the "Vienna Stock Exchange"). Application may also be made to list Notes on the official list of the Luxembourg Stock Exchange and to admit to trading such Notes on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) (together with the Austrian Market, the "Markets"). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on one of the Markets, each of which is a regulated market for the purposes of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended (*Markets in Financial Instruments Directive II – "MiFID II"*). Unlisted Notes may also 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 one of the Markets.

The Issuer has requested the FMA to provide the competent authority in the Grand Duchy of Luxembourg with a certificate of approval attesting that this Prospectus has been drawn up in accordance with Article 5(4) of the Prospectus Directive and the KMG. The Issuer may from time to time request the FMA to provide to competent authorities of Member States of the European Economic Area further notifications concerning the approval of this Prospectus.

Each Tranche (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (a "temporary Global Note") or a permanent global note in bearer form (a "permanent Global Note" and each of the temporary Global Note and permanent Global Note, a "Global Note"). Global Notes will be kept in custody by or on behalf of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A., Luxembourg ("CBL") or on behalf of OeKB CSD GmbH ("OeKB CSD") or on behalf of any other clearing system and any successor in such capacity until all obligations of the Issuer under the Notes have been satisfied. The Notes shall be kept in custody by a common depository on behalf of Euroclear and CBL.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such credit rating will be specified in the relevant Final Terms. **A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.** Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "CRA Regulation") will be disclosed in the relevant Final Terms. The European Securities and Markets Authority (the "ESMA") is obliged to maintain on its website ([www.esma.europa.eu](http://www.esma.europa.eu)) a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within 5 working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. The ESMA website is not incorporated by reference into, nor does it form part of, this Prospectus.

Prospective investors should have regard to the factors described under the section headed "1. 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.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation, as amended ("Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products, as amended ("PRIIPs") for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area ("EEA") has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

Further, the Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time. Prospective investors are referred to the section headed "Restrictions on Marketing and Sales to Retail Investors" on pages 3 *et seq.* of this Prospectus for further information.

The Issuer is also acting as Arranger and Dealer in respect of the Programme and Erste Bank der oesterreichischen Sparkassen AG, an affiliate of the Issuer, is acting as a Dealer under the Programme. Each may act as Dealer in respect of offers of Notes under the Programme. Accordingly, the Issuer may be considered a "connected issuer" and/or "related issuer" of Erste Bank der oesterreichischen Sparkassen AG as such terms are defined in National Instrument 33-105 Underwriting Conflicts. Canadian investors should refer to the sections entitled "Certain Relationships and Related Transactions" and "6. Erste Group Bank AG" contained within this Prospectus for additional information.

Arranger

Erste Group Bank AG

Dealers

Erste Bank der oesterreichischen Sparkassen AG

Erste Group Bank AG



Prospectus dated 9 April 2018

*This Prospectus comprises a base prospectus for the purposes of Article 5(4) of the Prospectus Directive 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 Prospectus is to be read in conjunction with any supplement hereto and all documents which are incorporated herein by reference (see "Documents Incorporated by Reference" below). Such documents shall be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is 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, except as so modified or superseded, not constitute a part of this Prospectus. Full information on the Issuer and any Tranches of Notes is only available on the basis of the combination of this Prospectus, as supplemented, and the relevant Final Terms.*

*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 or Erste Group Bank AG in its capacity as arranger of the Programme (the "**Arranger**") or Erste Bank der oesterreichischen Sparkassen AG and Erste Group Bank AG in their capacities as dealers under the Programme (the "**Dealers**"). 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 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 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 later, the time when trading of Notes under the Programme on a regulated market begins 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 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 U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to U.S. persons except in certain transactions permitted by U.S. 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 any of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.*

*The Dealers have not independently verified the information contained in this Prospectus. None of the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. 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 any of the Issuer, the Arranger or the Dealers 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. None of the Dealers undertakes to review the financial condition or affairs of the Issuer or the Erste Group during the life of the*

*arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers.*

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin at any time after the adequate public disclosure of the terms of the offer of the relevant Tranche of Notes and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

*Unless increased (as described below), the maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 2,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into Euro in accordance with the provisions of the Programme Agreement, as defined under "11. Subscription and Sale"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.*

#### **Restrictions on Marketing and Sales to Retail Investors**

The Notes issued pursuant to this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**"). In addition, (i) on 1 January 2018, the provisions of PRIIPs became directly applicable in all EEA member states and (ii) the MiFID II was required to be implemented in EEA member states by 3 January 2018. Together the PI Instrument, PRIIPs and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and the (ii) offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities such as the Notes.

The Dealers are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase any Notes (or a beneficial interest in the Notes) from the Issuer and/or the Dealers each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Dealers that:

1. it is not a retail client (as defined in MiFID II);
2. whether or not it is subject to the Regulations it will not:
  - (A) sell or offer the Notes (or any beneficial interest therein) to retail clients (as defined in MiFID II); or
  - (B) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of

the MiFID II). In selling or offering the Notes or making or approving communications relating to the Notes it may not rely on the limited exemptions set out in the PI Instrument; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

- (i) the target market as identified by the Issuer for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients only; and
- (ii) no key information document (*KID*) under PRIIPs has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Dealers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

#### ***Benchmark Regulation Statement in relation to Administrator's Registration***

Amounts payable under the Notes may be calculated by reference to one or several specific benchmark(s), each of which are provided by an administrator.

As at the date of this Prospectus, the specific benchmark(s) are not yet determined. The Final Terms will set out on their cover page the name of the specific benchmark(s) and the relevant administrator. They will further specify if the relevant administrator appears or does not appear to be on the register of administrators and benchmarks (the "**Register**") established and maintained by ESMA pursuant to Article 36 of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmark Regulation**").

#### **Notice to Canadian investors**

This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities in Canada. No prospectus in relation to the Notes has been filed with a securities regulatory authority in any province or territory of Canada. The Notes have not been and will not be qualified for sale under the securities laws of Canada or any province or territory of Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or on the merits of the Notes and any representation to the contrary is an offence.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if an "offering memorandum" such as this Prospectus contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

### *Bank Act (Canada)*

The Issuer is not a member institution of the Canada Deposit Insurance Corporation and the liability incurred by the Issuer under the Notes is not a deposit insured by the Canada Deposit Insurance Corporation.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

### *Certain Relationships and Related Transactions*

As described on the cover page of this Prospectus, the Issuer may be considered a "connected issuer" and/or "related issuer" of Erste Bank der oesterreichischen Sparkassen AG as such terms are defined in National Instrument 33-105 Underwriting Conflicts. These relationships and other related matters are described in greater detail within the Prospectus. Canadian investors should refer to the section entitled "6. Erste Group Bank AG" for additional information.

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## 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
<b>German language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2017 – Annual Report 2017 (<i>Geschäftsbericht 2017</i>) (the "Audited Consolidated Financial Statements 2017")<sup>1</sup></b>	
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<b>German language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2016 – Annual Report 2016 (<i>Geschäftsbericht 2016</i>) (the "Audited Consolidated Financial Statements 2016")<sup>1</sup></b>	
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<sup>1</sup> The officially signed German language versions of the Issuer's Audited Consolidated Financial Statements 2017 and 2016 are solely legally binding and definitive.



*(Bericht der unabhängigen Abschlussprüfer)*

**English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2017 – Annual Report 2017<sup>2</sup>**

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**English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2016 – Annual Report 2016<sup>2</sup>**

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For the avoidance of doubt, such parts of the Audited Consolidated Financial Statements 2017 and 2016 respectively which are not explicitly listed in the tables 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.

<sup>2</sup> The English translations of the Audited Consolidated Financial Statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017 are not legally binding and are incorporated into this Prospectus by reference for convenience purposes only.

## DOCUMENTS AVAILABLE FOR INSPECTION

Electronic versions of the following documents will be available on the website of the Issuer under "www.erstegroup.com" (see also the links set out below in brackets):

- (i) the Audited Consolidated Financial Statements 2017 incorporated by reference into this Prospectus  
("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/de/ir/2017/Berichte/GB2017\_Jahresfinanzbericht\_de.pdf");
- (ii) the English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2017 incorporated by reference into this Prospectus  
("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2017/Reports/AR2017\_Annual\_Financial\_Report\_en.pdf");
- (iii) the Audited Consolidated Financial Statements 2016 incorporated by reference into this Prospectus  
("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/de/ir/2016/Berichte/GB2016\_Jahresfinanzbericht\_de.pdf");
- (iv) the English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2016 incorporated by reference into this Prospectus  
("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2016/Reports/AR2016\_Annual\_Financial\_Report\_en.pdf");
- (v) each set of Final Terms for Notes that are publicly offered or admitted to trading on a regulated Market  
("www.erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen");
- (vi) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus  
("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/de/Erste%20Group%20Emissionen/prospekte/anleihen/add-tier1-notes-prog/20180409/20180409-AT1-Notes-Programme.pdf");  
"www.erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen"); and
- (vii) the articles of association of the Issuer  
("www.erstegroup.com/en/about-us").

The document mentioned above under item (vii) will also be available during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer (Erste Group Bank AG, Am Belvedere 1, A-1100 Vienna, Austria).

## SUPPLEMENT TO THIS PROSPECTUS

The Issuer has given an undertaking to the Dealers, and 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 this 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 each Dealer and to the FMA and the stock exchange operating the Markets such number of copies of such supplement or replacement hereto as such Dealer may request and 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 2017 and the annual report thereon. 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.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements can be identified by the use of terms and phrases such as "*anticipate*", "*believe*", "*could*", "*estimate*", "*expect*", "*intend*", "*may*", "*plan*", "*predict*", "*project*", "*will*" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Issuer's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Issuer's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Issuer's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "*1. Risk Factors*" and "*6. Erste Group Bank AG*". These sections include more detailed descriptions of factors that might have an impact on the Issuer's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Arranger nor the Dealers assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

Canadian investors are advised that this Prospectus has been prepared by a non-Canadian issuer and this Prospectus has been prepared in accordance with non-Canadian securities laws. Prospective purchasers should be aware that these requirements may differ significantly from those in Canada. Any forward-looking information included or incorporated by reference within this Prospectus may not be accompanied by the disclosure and explanations that would be required of a Canadian issuer under Canadian securities laws. Canadian investors should consult with their own legal, financial and tax advisers prior to investing in the Notes.

## RESPONSIBILITY STATEMENT

The Issuer, with its registered office at Am Belvedere 1, A-1100 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.

# 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 section entitled "3. Terms and Conditions of the Notes" shall have the same meanings in this section "1. Risk Factors".*

## 1.1 FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THIS 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 distributions 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 distributions, 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.*

### 1.1.1 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.**

As a result of the global financial crisis from the second half of 2007 until 2009, levels of public sector debt around the world and the perceived and/or actual instability of numerous credit institutions in certain European countries, including, in particular Spain, Greece, Portugal, Italy, Ireland, Cyprus and Slovenia, and - in addition to the Eurozone - Ukraine, Russia and Turkey, had a negative impact on macroeconomic conditions. However, by 2017, the Eurozone was growing strongly again and several Eurozone countries got upgraded, amongst others Spain, Italy, Ireland, Greece, Portugal and Cyprus in 2016 and 2017. Nevertheless, many European economies continued to face structural challenges as unemployment and structural debt levels remain elevated which constantly results in

unusually high political risk and polarization for European standards. In response to the global financial crisis, unprecedented steps have been taken 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 in the medium to long-run. In order to prevent further deterioration of economic growth and to respond to concerns about the effects of the European sovereign debt crisis, the European Central Bank ("**ECB**") (among other central banks) announced a plan to buy unlimited amounts of government bonds of distressed countries in case needed partially in exchange for their request for and acceptance of a formal programme including certain austerity reforms (OMT program). However, monetary policy objectives have decoupled significantly across countries. In 2017 and 2018, the U.S. Federal Reserve Bank increased the interest rate several times and plans further increases of the interest rate in 2018. This development was driven by a continuing solid growth of the U.S. economy and the recovery of the U.S. employment market. While the U.S. economy is performing well at the moment, the aggressive fiscal impulse which is provided by U.S. President Trump's tax reform is risking an overheating of the U.S. economy which is already working at full-employment. The ECB, on the other hand, commenced the broad-based asset purchase program in March 2015, which is currently intended to last until October 2018. In course of the quantitative easing, the Euro system bought assets to the tune of about EUR 2,350 billion, mostly government bonds. The still ultra-low interest environment creates further pressure on the financial sectors globally. 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 in the long-run. Monetary policy in the future will depend on inflation and due to these unprecedented policies could vary from the foreseen path in either direction fast and without prior notice. Variances in monetary policy may result also in increased volatility in debt and foreign exchange markets. Moreover, excesses in both advanced and particularly emerging economies, may be extended. Global monetary policy might have helped to build significant exaggeration in various asset classes such as equity, housing and bonds and these asset prices could also correct swiftly and markedly.

During 2016 and 2017, the Eurozone economy recovered stronger than expected, accompanied by a positive trend of leading indicators for inflation and a declining unemployment rate within the Eurozone. The major pillar for growth in the Eurozone remains private consumption, also benefiting from low energy prices. The positive development in the Eurozone is expected to continue, however, the volatility of the financial markets due to erratic policy making in the U.S. and geopolitical uncertainties over North Korea, Russia, Ukraine, Turkey and Syria and the high total debt levels in China, pose a downside risk. In 2018, the European Union and the United Kingdom have to take decisive actions regarding the handling of the Brexit as well as preparing the future relationship between both areas. The first year of the U.S. Presidency of Trump has seen strong gains on equity markets while real reforms except for the recent tax reform have been limited. At the start of 2018, U.S. President Trump re-started to hit on global trade and there is a significant risk for a global trade conflict. Protection and nationalism are on the rise worldwide. There is a risk that Erste Group's performance might be hit as Erste Group's general strategy is based on further European integration and global trade and not the opposite of it. Oil prices which hit a relative low in early 2016 have been rising substantially again in 2017 and influence the economies of Erste Group's home market which are widely net energy importers. This global economic situation combined with increasing geopolitical challenges has implications on the Eurozone and may lead to corresponding risks within the Eurozone.

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 in general favourable, which also impacts prospects for stabilisation and improvement of economic and financial conditions in Central and Eastern Europe. In general, should economic conditions affecting Erste Group's operating markets become subdued again, Erste Group's results and operations may be materially and adversely affected.

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

In the early 2010s, 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, Spain, Cyprus and Slovenia and - in addition to the Eurozone - Ukraine and Russia, and were threatening the recovery from the global financial and economic crisis. These concerns have widely receded in light of stabilising public debt levels and accelerating economic growth in these and other European countries both within and outside the Eurozone, including countries in Central and Eastern Europe. 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 again intensify when the ECB will start to exit from ultra-easy monetary policy, 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.

Distracted by an unresolved migration crisis and negotiations on the terms of Great Britain's departure from the European Union, Eurozone leaders could be caught unprepared by a new storm on financial markets. Global market turmoil at the start of 2018 has helped set warning lights flashing in Eurozone equity markets. However, at the same time the premium that investors charge to hold Portuguese, Spanish and Italian government debt rather than German bonds hit multi-year lows due to monetary policy. European credit institution shares which have been badly hit in recent years by concerns over their high stock of non-performing loans ("**NPL**"), new regulatory burdens and a squeeze on profits due to negative official interest rates have been recovering lately. New EU banking regulations that force shareholders and bondholders to take first losses if a credit institution needs rescuing are further spooking the market, notably in Italy. All this comes at a time when public resistance to further austerity measures has surged all over southern Europe, resulting in increasing support for populist parties and leading to unexpected results at national and/or regional elections.

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 pay-outs 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 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.

Negative economic developments could have a negative effect on the credit quality of Erste Group's loan portfolio. This is particularly true for customer loans in currencies other than the local currency of the customer's jurisdiction, i.e. many of Erste Group's retail and corporate

customers in Hungary, Romania, 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) ("**FX loans**"). 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 NPL and impairment charges.

A proportion of FX loans, especially the mortgage loans in CHF in Austria, which most of them have already been signed some years ago, are bullet repayment loans (*endfällige Verbraucherkredite*) which are secured by a repayment vehicle (*Tilgungsträger*). Adverse movements in the market price 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.

Potential higher interest rates in countries of Erste Group's core markets could result in more debtors to be unable to repay their loans according to their contractual terms and consequently lead to an increase of Erste Group's NPL.

Deterioration in the quality of Erste Group's credit portfolio and increases in NPL 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.

The new impairment model under IFRS 9 requires recognition of credit loss allowances ("**CLA**") based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under IAS 39. It applies to credit risk exposures stemming from debt instruments classified at amortized cost ("**AC**") or fair value through other comprehensive income ("**FVOCI**"), lease receivables, financial guarantee contracts and certain loan commitments.

For credit risk exposures that are not credit-impaired at initial recognition, Erste Group will recognise CLA at an amount equal to 12-month ECL (referred to as stage 1) for as long as no significant increase in credit risk since initial recognition (SICR) is identified at the reporting date. In the other cases, the CLA is measured at lifetime ECL and the related instruments are referred to as stage 2, unless they are found to be credit-impaired at the reporting date (referred to as stage 3). For purchased or originated credit-impaired financial assets ("**POCI**"), only adverse changes in lifetime ECL after the initial recognition are distinctly recognised as CLA, whilst favourable changes are recognized as impairment gains increasing the carrying amount of the related POCI assets. The measurement of ECL reflects a probability-weighted outcome, the time value of money and reasonable and supportable forward-looking information.

For lease receivables and trade receivables containing a significant financing component (where Erste Group also includes its factoring receivables), IFRS 9 allows a simplified impairment approach, whereby credit loss allowances are always measured at lifetime ECL. Erste Group will not apply this simplification.

Transition to IFRS 9 is expected to result in an increase of the 2018 opening balance of credit loss allowances compared to the 2017 closing balance of loan loss provisions under IAS 39 (including provisions for off-balance exposures treated under IAS 37) of 4% to 5%. This change includes both equity-neutral changes and changes that impact accounting equity. Also, it combines effects due to changes in the scope of impairment and changes triggered by the adoption of the expected loss model.

Overall, the IFRS 9 transition is expected to result in a before-tax decrease of Erste Group's consolidated accounting equity by approximately EUR 0.8 billion, thereof approximately EUR 0.4 billion represents an increase retained earnings (accumulated effects which would



have impacted profit or loss in previous periods, in connection with all financial instruments subject to classification-driven re-measurement and/or ECL calculation upon transition) and approximately EUR 1.1 billion represents a negative impact to accumulated other comprehensive income (OCI) (accumulated effects which would have impacted other comprehensive income in previous periods, in connection with both financial assets classified at FVOCI and financial liabilities retrospectively designated at fair value through profit or loss ("FVTPL") upon transition). Further, the associated decrease of the common equity tier 1 ("CET 1") ratio (before consideration of tax effects) is estimated below 20 basis points.

In 2017, management continued to focus on critical NPL portfolios and improved the overall portfolio quality. Risk costs significantly decreased throughout the year driven by loan loss releases, due to the active management of the NPL stock. NPL portfolio sales especially in Romania, Ukraine and Croatia contributed to the clean-up activities as well as write-offs. The majority of NPL recoveries resulted from going concern and traditional gone concern workout activities. Therefore the recoveries from workout activities outweighed new NPL inflows. On the basis of an increasing performing portfolio and the significant decrease in risk costs, the NPL portfolio as well as the NPL ratio have been further reduced. The overall NPL coverage ratio (ratio of risk provisions for loans and advances to customers on Erste Group's balance sheet as a percentage of NPL and advances to customers) of problematic portfolios corresponds well with the defined workout strategies (e.g. going concern, gone concern or portfolio sale).

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 increase or that the NPL coverage ratio will prove to be sufficient.

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 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 Erste Group 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, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, custodians, commercial credit institutions, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose Erste Group to credit risk in the event of counterparty default. In addition, Erste Group's credit risk may be exacerbated when the collateral it holds cannot be realised 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 made. If losses due to counterparty defaults significantly exceed the amounts of Erste Group's provisions' stock or require an increase in provisions, this could

have a material adverse impact on Erste Group's business, financial condition and results of operations.

Concerns about potential default by a 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 credit institutions and all other types of intermediaries in the financial services industry. Systemic risk could lead to a need for Erste Group, as well as other credit institutions 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 and/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 of operation generated by Erste Group, which could have a material adverse effect on Erste Group's business and financial condition. Moreover, the portion of the transaction that is considered as ineffective hedge does not qualify for hedge accounting treatment, and may therefore increase the volatility of earnings.

**Erste Group is generally exposed to market volatility when it comes to loans covered by real estate collateral.**

Presently, the economic surroundings are relative stable in the CEE region and therefore, the collateral values are steady. The real estate market prices have shown in general an upward trend in the last years. Collateral values, however, are strongly correlated to the real estate market price development. If the market conditions take a turn for the worse, collateral values will be negatively influenced.

The development of the commercial and residential real estate market highly depends on the economic progress of the CEE. In certain countries the economic surroundings are highly influenced by political forces, and this could have a negative impact (risk) on the real estate market.

**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 could face periods of significant stress conditions when steep falls in perceived or actual values of assets held by credit institutions and other financial institutions could be accompanied by a severe reduction in market liquidity. Prices of the financial assets in the Eurozone have been driven up by the ECB monetary policy measures applied since 2015, whose termination would lead to financial assets price adjustment. Future deteriorations in economic and financial market conditions could lead to impairment charges or revaluation losses. Despite recent robustness of both economic and financial market conditions in the markets in which Erste Group is active, the value of financial assets may start to fluctuate significantly and materially impact Erste Group's capital and comprehensive income.

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 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 credit institutions to lend to each other because of uncertainty as to the creditworthiness of the borrowing credit institution. 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 credit institutions, to traditional sources of liquidity, and may be compounded by further regulatory restrictions on funding and capital structures as well as calculation of regulatory capital and liquidity 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 credit rating of Erste Group Bank and/or a local entity that is part of Erste Group or 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 credit rating is the opinion of a credit 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 the CRA Regulation. Erste Group Bank's long-term credit ratings are: Standard & Poor's, A (positive); Moody's, A3 (positive); and Fitch, A- (stable).

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

A credit rating agency may also suspend, downgrade or withdraw a credit 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 credit rating agency suspends, downgrades or withdraws a credit rating or publishes unfavourable reports or outlooks on Austria or any other country where Erste Group operates, this could increase the funding costs of Erste Group.

Rating actions of credit rating agencies may also be triggered by changes in their respective rating methodology, their assessment of government support, as well as by regulatory activities (e.g. introduction of bail-in regimes).

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.**

There are numerous ongoing initiatives for developing new, implementing and amending existing regulatory requirements applicable to European credit institutions, including Erste Group. Such initiatives which aim to continuously enhance the banking regulatory framework (also in response to the global financial crisis and the European sovereign debt crisis), *inter alia*, include the following:

- *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 (grandfathering) or reclassification as a lower category of own funds. For example, existing hybrid capital instruments will, over time, be phased out.

- *SREP Requirements.*

Erste Group is subject to SREP requirements stipulated in § 70 (4a) and (4b) in connection with § 77c and § 77d BWG, implementing Articles 97, 98, 104 (1) and 113 CRD IV and Article 16 of the Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (*Single Supervisory Mechanism Regulation*) determined by the annual Supervisory Review and Evaluation Process ("**SREP**") by the ECB. Depending on the business model, governance and risk management, capital adequacy and the liquidity situation of a credit institution, each year the competent authority (i.e. in case of Erste Group the ECB) sets an individual additional own funds requirement for each credit institution (group). This requirement also takes into account results from the latest stress tests and needs to be met by the sort of capital (CET 1 capital, Additional Tier 1 ("**AT 1**") capital or Tier 2 capital) set by the ECB. Depending on the situation of the credit institution (group), SREP requirements may vary annually. According to ECB's SREP methodology 2017 (initially communicated by the ECB in July 2016), the SREP requirements have been split into (i) a hard Pillar 2 requirement located above the 4.5 per cent. CET 1 Pillar 1 requirement, but below the combined buffer requirement (see below) therefore having an impact on the calculation of the Maximum Distributable Amount and (ii) a soft Pillar 2 guidance located above the combined buffer requirement. This methodology has been further amended and detailed in the European Banking Authority's ("**EBA**") consultation paper on "Draft Guidelines for common procedures and methodologies for the supervisory review and evaluation process (SREP)" from 31 October 2017. A breach of the Pillar 2 guidance may result in increased non-public supervisory action to improve capitalisation of the relevant credit institution. Increasing Pillar 2 requirements for Erste Group or its individual members could trigger additional pressure on the capitalisation of Erste Group and/or its individual entities requiring unplanned adaptations.

▪ *Combined Buffer Requirements.*

- §§ 23 to 23d BWG which implement Articles 128 to 140 CRD IV into national law in Austria require institutions to maintain in addition to the CET 1 capital maintained to meet the own funds requirements imposed by the CRR and potentially any Pillar 2 additional own funds requirement specific capital buffers to be met with CET 1 capital. The Austrian Capital Buffers Regulation (*Kapitalpuffer-Verordnung – "KP-V"*) of the FMA further stipulates the calculation, determination and recognition of the countercyclical buffer rate pursuant to § 23a(3)BWG, the determination of the capital buffer rate for systemic vulnerability and for systemic concentration risk (= systemic risk buffer) pursuant to § 23d(3) BWG (in case of Erste Group to be applied on an individual and on a consolidated level) and of the capital buffer for other systemically important institutions ("**O-SIIs**") pursuant to § 23c(5) BWG (in case of Erste Group to be applied on a consolidated level), and the more precise elaboration of the calculation basis pursuant to § 24(2) BWG concerning the calculation of the maximum distributable amount. These buffer requirements are gradually being phased in from 1 January 2016 until 1 January 2019.

§ 23(1) BWG requires credit institutions to maintain a capital conservation buffer equal to 2.5% of their total risk exposure amount calculated in accordance with Article 92(3) CRR and subject to the respective phasing-in rules.

§ 23a(1) BWG requires credit institutions to also maintain a countercyclical capital buffer. Pursuant to the KP-V, the countercyclical buffer rate is currently set at 0.00% for significant credit exposures located in Austria. In addition, national countercyclical buffers determined by the designated authorities of other Member States and third countries for significant credit exposures located in their respective territories apply. However, if a (national) countercyclical buffer rate has been determined in excess of 2.50%, a rate of 2.50% shall apply, unless the FMA has recognised a rate exceeding 2.50%. The KP-V specifies that the institution specific countercyclical capital buffer rate is a weighted average of all applicable national countercyclical capital buffers based on the respective total risk exposure.

In this regard, the following countercyclical buffer rates above 0.00% apply to Erste Group on the total risk exposure in other jurisdictions: a 0.50% countercyclical buffer in the Czech Republic since 1 January 2017 (1.00% as of 1 July 2018 and 1.25% as of 1 January 2019) and a 0.50% countercyclical buffer in the Slovak Republic as of 1 May 2018 (1.25% as of 1 August 2018). For Erste Group (which qualifies as an O-SII), the KP-V stipulates a systemic risk buffer (to be applied on an individual and on a consolidated level) and an O-SII buffer (to be applied on a consolidated level), each totalling 1.00% (since 1 January 2018) and 2.00% (as of 1 January 2019). According to the BWG (and therefore in the case of Erste Group), in general, the higher of such capital buffer rates at any given time applies.

As a result, the combined buffer requirement for Erste Group is the total CET 1 capital required to meet the capital conservation buffer extended by an institution-specific countercyclical buffer, an O-SII buffer and a systemic risk buffer (on an individual and/or on a consolidated level).

On 23 November 2016, the European Commission published a proposal for a European Directive amending the CRD IV. The proposed amendments, *inter alia*, are intended to clarify the conditions for the application of Pillar 2 capital add-ons stemming from the CRD IV (Article 104(1)(a) CRD IV), distinguishing between:

- Pillar 2 capital requirements that are mandatory and imposed by supervisors to address risks not covered or not sufficiently covered by Pillar 1 and buffer capital requirements; and

- Pillar 2 capital guidance that refers to the possibility of competent authorities to communicate to an institution their expectations for such institution to hold capital in excess of Pillar 1 capital requirement, Pillar 2 capital requirements and combined buffer requirements in order to cope with forward looking and remote situations.

The proposal furthermore clarifies that the use of Pillar 2 capital add-ons are institution-specific measures that should be used to address specific situations, but not to deal with macro-prudential or systemic risks. It further provides that Pillar 2 capital add-ons should be confined to a purely micro-prudential perspective.

In particular, a new Article 141a CRD IV proposes to clarify, for the purposes of restrictions on distributions under the Maximum Distributable Amount concept, the relationship between the additional own funds requirements, the minimum own funds requirements, the minimum requirement for own funds and eligible liabilities ("**MREL**") and the combined buffer requirement (the so called "stacking order"): an institution shall be considered as failing to meet the combined buffer requirement for the purposes of Maximum Distributable Amount where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the requirement defined in Article 128(6) CRD IV (i.e. the combined buffer requirement) as well as each of the minimum own funds requirements, the Pillar 2 capital requirements and the MREL. Under the proposal, a breach of Pillar 2 capital guidance would not lead to a breach of the Maximum Distributable Amount.

The European Commission proposal is still subject to change and there can be no assurance that the ECB will not in the future take a different view as to the relationship between Pillar 2 capital requirements and the Maximum Distributable Amount, including as to the consequences for an institution of its capital levels falling below the minimum, buffer and additional requirements/guidance. In March 2018, the Bulgarian Presidency of the Council put forward a proposal to remove the concept of (MREL) guidance and to move the market confidence buffer from the guidance to the MREL requirement. In the same proposal, a new minimum mandatory subordination requirement for "top tier banks" (i.e. consolidated balance sheet at resolution group level above EUR 75 billion) is mentioned. The proposal of the Bulgarian Presidency of the Council could amount to stricter rules than the European Commission proposal, but is also subject to change and further legislative procedure.

Failure to hold additional own funds up to the required levels could therefore place the Issuer under restrictions to make certain payments or distributions under the rules on the Maximum Distributable Amount including payments on the Notes (see also the risk factor "*Some aspects of the manner how CRR/CRD IV is applied and/or will be amended in the future are uncertain.*").

- Erste Group reports since the end of the second quarter of 2017 on consolidated level a risk-weighted assets ("**RWA**")-add-on in view of the calculation of RWA for credit risk in Banca Comercială Română ("**BCR**") in the amount of around EUR 2.4 billion. This RWA increase front-loads the expected difference in BCR between the treatments of exposures under the standardised approach compared to the treatment under the internal ratings based ("**IRB**") approach and is limited in time until the authorisation of the IRB-approach in BCR.

Furthermore, Erste Group is reporting on consolidated level since the third quarter of 2017 - due to a decision of the ECB in the context of its supervisory assessments in view of deficiencies in credit risk models – an RWA-add-on of around EUR 1.7 billion until these deficiencies will be addressed in the course of an update of these models.

- *BCBS' Reviews of Banking Regulatory Framework.*

As part of its continuous effort to enhance the banking regulatory framework, the Basel Committee of Banking Supervision ("**BCBS**") has reviewed different aspects and approaches under the Basel III framework. In this regard, on 7 December 2017, the BCBS announced to have finalised the Basel III framework reforms. A key objective of the revisions incorporated into the framework is to reduce excessive variability of RWA which will help restoring credibility in the calculation of RWA by: (i) enhancing the robustness and risk sensitivity of the standardised approaches for credit risk and operational risk, which will facilitate the comparability of credit institutions' capital ratios; (ii) constraining the use of internally modelled approaches; and (iii) complementing the risk-weighted capital ratio with a finalised leverage ratio and a revised and robust capital floor. The revised standards will take effect from 1 January 2022 (which will constitute both the implementation and regulatory reporting date for the revised framework) – parts of the reform including the output floor, will be phased in over a period of five years commencing in 2022. As the agreed standards constitute minimum standards, jurisdictions may elect to adopt more conservative standards. Accordingly, the implementation of the amendments to the Basel III framework within the European Union may go beyond the Basel standards and provide for European specificities. Moreover, jurisdictions will be considered compliant with the Basel III framework if they do not implement any of the internally modelled approaches and instead implement the standardised approaches. In addition, BCBS also announced that a high-level task force set up to review the regulatory treatment of sovereign exposures in the Basel III framework and to recommend potential policy options has not reached a consensus at this stage to make any changes to the treatment of sovereign exposures, but for the time being only has published a discussion paper. Therefore, currently no firm conclusions regarding the impact on the future capital requirements and their impact on the capital requirements for Erste Group can be made.

- *Bank Recovery and Resolution Legislation.*

The "Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms" (*Bank Recovery and Resolution Directive - "BRRD"*) has been implemented in Austria into national law by the Austrian Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz – "BaSAG"*). Institutions, *inter alia*, have to meet, at all times, the MREL set by the resolution authority on a case-by-case basis. Measures undertaken under the BRRD/BaSAG may also have a negative impact on debt instruments (in particular subordinated notes, but under certain circumstances also senior notes) by allowing resolution authorities to order the write-down of such instruments or convert them into CET 1 instruments (see also the risk factor "*The Notes may be subject to write-down or conversion to equity upon the occurrence of a certain trigger event, which may result in Holders losing some or all of their investment in the Notes (statutory loss absorption)*"). Apart from potentially being subject to resolution tools and other powers as set out under the SRM, the Issuer may also be subject to national insolvency proceedings.

- *Single Resolution Mechanism for European Banks.*

The Single Resolution Mechanism ("**SRM**") which started operationally in January 2016 is one of the components of the Banking Union, alongside the Single Supervisory Mechanism ("**SSM**") and a common deposit guarantee scheme. It is set to centralise key competences and resources for managing the failure of a credit institution in the participating Member States of the Banking Union. Under the SRM, the Single Resolution Board ("**SRB**") is, in particular, responsible for adopting resolution decisions in close cooperation with the ECB, the European Commission

and the national resolution authorities in case of a failing (or likely failing) of a significant entity subject to direct supervision of the ECB, such as the Issuer (see also the risk factor "*The Notes may be subject to write-down or conversion to equity upon the occurrence of a certain trigger event, which may result in Holders losing some or all of their investment in the Notes (statutory loss absorption).*"). The SRM complements the SSM and aims to ensure that if a credit institution subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to taxpayers and the real economy.

The SRM is governed by: (i) the "Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010" (*Single Resolution Mechanism Regulation – "SRM Regulation"*) covering the main aspects of the mechanism and broadly replicating the BRRD rules on the recovery and resolution of credit institutions; and (ii) an intergovernmental agreement related to some specific aspects of the Single Resolution Fund ("**SRF**").

- *EU Banking Reform Package of the European Commission.*

On 23 November 2016, the European Commission published proposals for the revision of the CRD IV and the CRR as well as of the BRRD and the SRM Regulation. The proposal builds on existing EU banking rules and aims to complete the post-crisis regulatory agenda of the European Commission. The proposals, which have been submitted to the European Parliament and to the Council for their consideration and adoption, include the following key elements: (i) more risk-sensitive capital requirements, in particular in the area of market risk, counterparty credit risk, and for exposures to central counterparties; (ii) a binding leverage ratio to prevent institutions from excessive leverage; (iii) a binding net stable funding ratio to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk; and (iv) the total loss absorbing capacity ("**TLAC**") requirement for global systemically important banks ("**G-SIBs**") which will be integrated into the MREL logic applicable to all credit institutions. It also proposes a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments. The "Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy" has to be transposed into national law by the Member States by 29 December 2018 at the latest. In Austria, a respective draft for a bill is currently subject to consultation.

Currently, no firm conclusions regarding the impact on the potential future capital requirements and consequently how this will affect the capital requirements for Erste Group can be made.

- *MREL.*

In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that all institutions must meet an individual MREL requirement, currently to be calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities, with effect from 1 January 2016. In this regard, the European Commission issued a Delegated Regulation supplementing the BRRD, which specifies the current criteria for setting MREL ("**MREL Delegated Regulation**"). The MREL Delegated Regulation requires each resolution authority to make a separate determination of the appropriate MREL requirement for each group or institution within its jurisdiction, depending on the institution's resolvability, risk profile, systemic importance and other characteristics. As of the date of the Prospectus, no MREL has been set for Erste Group.

On 9 November 2015, the Financial Stability Board ("**FSB**") published its final principles and term sheet containing an international standard to enhance the loss absorbing capacity of G-SIBs. In the most recent updated G-SIB list published by the FSB on



21 November 2017, Erste Group is not included and therefore, currently would not be subject to the TLAC standard as such. However, on-going work on the EU level intended to align TLAC implementation with the existing MREL framework, may have an impact on Erste Group.

The EU banking reform package of the European Commission published on 23 November 2016 also includes proposals for the revision of the CRR, the BRRD and the SRM Regulation in order to implement the TLAC standard rules by avoiding the application of two parallel requirements. Although TLAC and MREL pursue the same regulatory objective, there are some differences between them in the way they are constructed. The European Commission proposals intend to integrate the TLAC requirements into the existing MREL requirements and intend to ensure that both requirements are met with mainly similar instruments defined for TLAC and MREL in the revised CRR and via reference to the revised CRR in the revised BRRD and SRM Regulation respectively, except for the subordination requirement, which, for the purposes of MREL, will be institution-specific and determined by the resolution authority. The proposals require the introduction of limited adjustments to the existing MREL rules ensuring technical consistency with the structure of any requirements for G-SIBs. In particular, technical amendments to the existing rules on MREL are needed to align them with the TLAC standard regarding inter alia the denominators used for measuring loss-absorbing capacity, the interaction with capital buffer requirements, disclosure of risks to investors, and their application in relation to different resolution strategies.

On 20 December 2017, the EBA has published an updated quantitative analysis on the MREL, based on the same methodology and assumptions developed in the context of its (final) MREL report published in December 2016.

While the general goal of these proposals is now well understood, it is too early to confirm the exact amendments that will be introduced, the timing of their introduction and consequently the precise impact on the Issuer.

It is possible that the Issuer has to issue additional eligible liabilities, which qualify for MREL purposes (including, potentially, further Tier 2 instruments, other subordinated debt and/or certain other types of debt ranking senior to subordinated notes) in order to meet the additional requirements (see also the risk factor "*The Issuer may not be able to meet the minimum requirement for own funds and eligible liabilities.*").

Moreover, the stacking order suggested under the CRD IV reform proposal of 23 November 2016 provides that an institution shall be considered as failing to meet the combined buffer requirement for the purposes of Article 141 CRD IV where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the combined buffer requirement and each of the Pillar 1 own funds requirement, the Pillar 2 additional capital requirement and the MREL. Failure to build up MREL eligible liabilities up to the required levels (or failure to do so in time) could therefore place the Issuer under restrictions to make certain payments or distributions under the rules on the Maximum Distributable Amount including payments on the Notes.

- *European Banking Authority's 2018 EU-wide Stress Test.*

The Issuer participates in the 2018 EU-wide stress test initiated by EBA. The exercise covers 70% of the EU banking sector and aims to assess EU credit institutions' ability to meet relevant supervisory capital ratios during an adverse economic shock. It is based on the common methodology and results will inform the 2018 SREP. For credit institutions starting to report under IFRS 9 in 2018, the 2018 EU-wide stress test takes into account the impact of the implementation of IFRS 9. The 2018 EU-wide stress test exercise was launched on 31 January 2018 with a release of the macroeconomic scenario and publication of results by EBA is scheduled for 2 November 2018.

- *MiFID II and MiFIR.*

The regulatory framework for investment services and regulated markets is updated by the "Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU" (*Markets in Financial Instruments Directive II* – "MiFID II") and by the "Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012" (*Markets in Financial Instruments Regulation* - "MiFIR") and applies since 3 January 2018. In Austria, MiFID II has been implemented by the Austrian Securities Supervision Act 2018 (*Wertpapieraufsichtsgesetz 2018 – WAG 2018*). Due to increased regulatory requirements, there are also increased costs for the Issuer. As many issues with regard to the application of these changes currently remain unclear in practice, the full impact of MiFID II and MiFIR remains uncertain for the Issuer.

- *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 impact Erste Group's capital needs.

Additional, stricter and/or new regulatory requirements may be adopted in the future, and the existing regulatory environment in many markets in which Erste Group operates continues to evolve. The substance and scope of any such (new or amended) laws and regulations as well as the manner in which they are (or 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 capital requirements on a consolidated basis of Erste Group, the Issuer itself is also subject to capital requirements on an unconsolidated basis. Furthermore, members of Erste Group which are subject to local supervision in their country of incorporation are, on an unconsolidated and/or on a (sub-)consolidated basis, also required to comply with applicable local regulatory capital requirements and demands. It is therefore possible that individual entities within Erste Group or sub-groups require additional capital, even though the capital of Erste Group is sufficient.

Legislative and/or regulatory changes in the current definitions of what is deemed to qualify as own funds could reduce Erste Group's eligible capital and/or require reducing the RWA of the Issuer or Erste Group both on an individual and/or a consolidated basis. There can be no assurance that, in the event of any further changes of the applicable rules, adequate grandfathering or transition periods will be implemented to allow Erste Group to repay or replace such derecognised capital instruments in a timely fashion or on favourable terms. Erste Group may therefore need to obtain additional capital in the future which may not be available on attractive terms or at all.

Further, any such regulatory development may expose Erste Group to additional costs and liabilities which may require Erste Group to change its business strategy or otherwise have a negative impact on its business, the offered products and services as well as the value of its assets. There can be no assurance that Erste Group would be able to increase its eligible capital (or, thus, its capital ratios) sufficiently or on time. If Erste Group is unable to increase its capital ratios sufficiently and/or comply with (other) regulatory requirements, its credit ratings may drop and its cost of funding may increase, and/or the competent authorities may impose fines, penalties or other regulatory measures. The occurrence of all such consequences could have a material adverse effect on Erste Group's business, financial condition and results of operations.

**The Issuer is subject to the risk of changes in the tax framework, in particular regarding bank tax and the introduction of a financial transaction tax.**

The future development of the Issuer's assets, financial and profit position, *inter alia*, depends on the tax framework. Every future change in legislation, case law and the tax authorities' administrative practice may negatively impact the Issuer's assets, financial and profit position.

The Issuer is subject to bank tax (*Stabilitätsabgabe*) pursuant to the Austrian Bank Tax Act (*Stabilitätsabgabegesetz*). The tax basis is the average unconsolidated balance sheet total. It is reduced, *inter alia*, by secured deposits, subscribed capital and reserves, certain liabilities against credit institutions that are being wound up or that are being restructured, certain export finance related liabilities for which the Republic of Austria has posted guarantees and certain liabilities resulting from the holding of assets on trust. The tax rate is 0.024% for that part of the tax basis exceeding EUR 300 million but not exceeding EUR 20 billion and 0.029% for that part exceeding EUR 20 billion. However, the bank tax must neither exceed certain statutorily defined limits (*Zumutbarkeitsgrenze* and *Belastungsobergrenze*) nor undercut a minimum amount.

Pursuant to the proposal by the European Commission for a "Council Directive implementing enhanced cooperation in the area of financial transaction tax" eleven EU Member States, i.e. Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, the Slovak Republic, 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). According to a publication by the Council of the European Union dated 8 December 2015, shares and derivatives shall be taxed initially. All Participating Member States except for Estonia have agreed on main features of the tax base, but not on the respective tax rates. It is unclear whether an FTT will be introduced at all. The FTT as proposed by the European Commission has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. If an 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. Prospective holders of the Notes are advised to seek their own professional advice in relation to FTT.

**The Issuer may not be able to meet the minimum requirement for own funds and eligible liabilities.**

Under the SRM, each institution has to ensure that it meets the MREL at all times (on an individual basis and in case of EU parent undertakings (such as Erste Group) also on a consolidated basis). Such minimum requirement currently shall be determined by the resolution authority and shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The scope, calculation and composition of the MREL is currently under review (see also the risk factor "*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.*"). There is a risk that the Issuer may not be able to meet the MREL which could result in higher refinancing costs, regulatory measures and, if resolution measures were imposed on the Issuer, could significantly affect its business operations, could lead to losses for its creditors (including the Holders of the Notes) and could result in restrictions on, or materially adversely affect the Issuer's ability to make payments on the Notes.

**The Issuer is obliged to contribute to the Single Resolution Fund (SRF) and to *ex ante* financed funds of the deposit guarantee scheme of the savings bank sector on an annual basis.**

The SRF shall be gradually built up during the initial period of eight years (2016 - 2023) in accordance with Article 69 of the SRM Regulation and shall reach the target level of at least 1.00% of the amount of covered deposits of all credit institutions within the Banking Union by 31 December 2023.

Furthermore, the "Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes" (*Directive on Deposit Guarantee Schemes – DGSD*) stipulates financing requirements for the Deposit Guarantee Schemes ("**DGS**") as transposed in Austria by the Deposit Guarantee and Investor Protection Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG*). In principle, the target level of *ex ante* financed funds for the savings bank sector DGS is 0.80% of covered deposits to be collected from credit institutions until 3 July 2024.

In addition to *ex ante* contributions, if necessary, credit institutions have to pay certain additional (*ex post*) contributions in case of a resolution of a credit institution as well as depositor protection when funds have been used for payments to failing institutions.

The obligation to contribute amounts for the establishment of the SRF and the *ex-ante* funds to the savings bank sector DGS results in additional financial burdens for the Issuer and thus, adversely affects the financial position of the Issuer and the results of its business, financial condition and results of operations.

**Erste Group's risk management strategies, techniques 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 behaviour. Erste Group applies a wide variety of statistical and other tools to these observations to be able to quantify risk exposures. During the global financial crisis, the financial markets experienced unprecedented levels of volatility (rapid changes in price development) and the breakdown of historically observed correlations 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 modelling does not necessarily take all risks into account and makes numerous assumptions regarding the overall environment and/or the implicit consideration of risks in the quantification approaches, which may or may not materialise. As a result, risk exposures could 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. 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 inadequate or failed internal processes, people and systems as well as external events, including in particular legal, regulatory, compliance and outsourcing risks. 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.

**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. 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 may have difficulty recruiting new talent 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 recruit additional talents with 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 still limited however growing due to increased focus of local universities and governments on implementation of competitive educational programs and development of a skilled workforce. If hiring should not be the outcome of a qualitative staff plan but happen more on an ad hoc or short term basis, the risk of high staff turnover or not creating a valid succession pool would be high. Missing leadership responsibility in setting the respective development measures or not promoting high-performers may bear the risk that qualified staff may leave Erste Group. Furthermore, nominations of employees as talents without overall valid high quality criteria may prove wrong and cause the risk of false investments and higher costs.

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 applicable remuneration rules 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.

**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 Bank 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 and the setting up of an institutional protection scheme (Article 113 (7) CRR) and a cross-guarantee scheme (Article 4 (1) (127) CRR) in order to fulfil the requirements of Article 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. 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 *Haftungsverbund* GmbH ("**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 order to build up the special fund, all savings banks contribute on a quarterly basis until it reaches its final size of EUR 250 million after 10 years. 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 innovation 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. While the competitive pressure on the margins is a rather obvious factor, also changes in the absolute level of the interest rate environment can affect the spread between the rate of interest that a credit institution 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. Ultra-low interest rate monetary policy accompanied by quantitative easing brings additional challenge to interest margin stability as the potential to re-price customers' deposits might be exhausted sooner than lending rates find their new equilibrium. Additionally, in a very low or even negative interest rate environment, Erste Group will bear increased costs of maintaining the regulatory and prudential liquidity buffers held in cash and highly liquid assets. 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 is 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. 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 and in January 2015 reversing its support measures, or Hungary's introduction of a new law in 2014 regulating how credit institutions change loan interest and convert FX loans into local currency. In September 2015, the Croatian Parliament adopted changes in the legislation that allows debtors of Swiss franc loans to convert their loans into euro loans at an exchange rate, which corresponds to the exchange rate at the time of origination of the loans. In October 2016, the Romanian parliament approved a version of the Swiss franc conversion law, allowing individuals to convert Swiss franc loans into local currency at historical exchange rates. 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 or foreign currencies vis-à-vis the Euro. 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 Bank's profit can be lower or even negative.**

Erste Group's results of operations in the current financial year and in the future will depend in part on the profitability of its subsidiaries. Erste Group Bank (i.e. the holding company of Erste Group) may have higher than planned risk provisions for loans and advances or may receive lower than planned dividend payments from its subsidiaries.

Depending on the size of the reduction in profitability, 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 four years. As of the date of this Prospectus, the ECB accepts certain instruments, including covered bonds issued by Erste Group Bank as collateral for its tenders. If the ECB or local national banks 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 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, resulting from the continuing low interest rate environment and consequently mounting pressure on operating results which has increased due to the last 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 credit institutions 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 and the Raiffeisen banks, but also from large international credit institutions and new entrants from neighbouring countries. As a result of this competition, in particular in the retail segment and the current low interest rate environment, net interest margins have historically been very low. Failure to maintain net interest margins at current levels may have a significant negative impact on Erste 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 the date of this Prospectus, 29.7% of the shares in Erste Group Bank (including 9.9% that were held by CaixaBank, S.A.) 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 applicable rules and regulations, in particular on anti-money laundering and anti-terrorism financing, anti-corruption and fraud prevention, economic sanctions and tax as well as capital markets (securities and stock exchange related) involve significant costs and efforts and non-compliance may have severe legal and reputational consequences for Erste Group.**

Erste Group is subject to rules and regulations, in particular on anti-money laundering and anti-terrorism financing, anti-corruption and fraud prevention, economic sanctions and tax as well as capital markets (securities and stock exchange related). These rules and regulations have been tightened, in particular by the implementation of the "Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC" (*4<sup>th</sup> AML-Directive*).

Monitoring compliance with such rules and regulations constitutes a significant financial burden on credit institutions and other financial institutions and can pose serious technical problems on them. Erste Group cannot guarantee that it is in compliance with all applicable rules and regulations at all times or that its group standards are being consistently applied by its employees in all circumstances. Any violation of such rules and regulations, 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 and interest already paid in the past.**

Changes in consumer protection laws or the interpretation of consumer protection laws by courts or governmental authorities (i.e. Fair Banking Act in Hungary) 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.

### **1.1.2 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.**

If a Eurozone country should 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 in the long-run, Erste Group's results of operations and financial position would likely be materially adversely affected as Erste Group may be required to take write-downs on its sovereign debt exposures and other assets when the macroeconomic environment would deteriorate again. In addition, 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 sovereign borrowing in the Eurozone remain low by early 2018, some doubt remains whether actions taken by European policymakers will have been sufficient to prevent a return of the debt crisis in the long-run. In particular, potential credit rating downgrades of EU Member States may threaten the effectiveness of the European Stability Mechanism ("ESM"). Since the ESM's credit rating is based on the credit ratings of its financing members, the reduction of these members' credit ratings may increase the borrowing costs of the ESM such that its ability to raise funds to assist Eurozone governments would be reduced.

**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 directly or indirectly in emerging markets throughout Central and Eastern Europe but also partially in other parts of the world. In recent years, some 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 – but not limited to – currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation or deflation, economic recession, local market disruption and labour unrest or even military disputes. 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 occurrence of any of these risks would also adversely affect the market for Erste Group's products and services. However, the level of risk that Erste Group faces differs significantly by country.

The conflict in the Donbass between Russia and Ukraine remains frozen. There is no or only minor progress with the Minsk agreement. EU sanctions versus Russia have been prolonged again in early 2018 for another six months. The attempted coup in Turkey in summer 2016 has also been a negative credit event. Since then, there have been several sovereign rating downgrades for Turkey, the latest one in March 2018. Political risk remains high given by the still-prevailing state of emergency, a deterioration in relationships to major partners and investors in the U.S. and EU, involvement in the Syrian civil war and the onset of the Turkish Presidential election due at latest in 2019. External macro-imbalances of Turkey remain high and a constant risk factor to macro stability of the Turkish economy.

**Committed EU funds may not be released or further aid programmes may not be adopted by the EU and/or international credit institutions.**

In addition to Greece and Portugal, some of the CEE countries in which Erste Group operates (i.e. Slovakia, Romania, Hungary, Czech Republic and Croatia), and to a lesser extent EU candidates such as Serbia, 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 as the absorption rate of these funds still poses a significant challenge in the CEE countries, 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 prospects in the respective countries. The departure of Great Britain, the second largest net contributor to the EU budget, could cause a substantial reduction in the EU's budget and therefore the funds available for such programmes. In the next EU budget period the disbursement of EU funds may be tied to the rule of law and/or the fulfilment of refugee quotas by recipient countries. Such measures could mean significantly lower EU funds for several CEE countries, especially Hungary and Poland.

**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 Erste Group's results, financial condition and liquidity.**

The availability of Erste Group's customer deposits to fund its loan portfolio and other financial assets 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, credit ratings downgrades, low interest rates and significant 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. A change in the funding structure towards less stable and more expensive funding sources would also result in higher liquidity buffer requirements and an adverse impact on net interest income.

**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 and Serbia 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 credit institutions withdrawing funds from their CEE subsidiaries and regulators imposing further limitations to the free transfer of liquidity, thereby weakening local economies and affecting customers of Erste Group who borrow from a number of different credit

institutions and weakening Erste Group's liquidity position. 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:

- force for loans denominated in foreign currencies like EUR, USD or CHF to be converted into local currencies at set interest and/or exchange rates, in some cases below market rates, as happened in Hungary, 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 credit institutions receiving state support measures (e.g., loans granted to credit institutions 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;
- nationalisation of local credit institutions, with or without compensation, in order to stabilise the banking sector and the economy; and
- restricting repossession of collateral on defaulted loans.

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 some countries in which Erste Group operates has been strong in recent years. Nevertheless, 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 down in these regions over the medium-term. Of the countries in which Erste Group has significant operations, the Czech Republic, Hungary, Slovakia and Slovenia 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 the coming years by continuing effects of the last financial 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 pay-outs 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, through the introduction of banking taxes and other levies.**

If a major credit institution 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, results of operations and financial condition.

## **1.2 FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

***The Notes may not be a suitable investment for all investors if they do not have sufficient knowledge and/or experience in the financial markets and/or access to information and/or financial resources and liquidity to bear all the risks of an investment and/or a thorough understanding of the terms of the Notes and/or the ability to evaluate possible scenarios for economic, rate of distributions and other factors that may affect their investment.***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained

or incorporated by reference in this Prospectus or any applicable supplement hereto;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or distribution payments is different from the potential investor's currency;
- (iv) understand thoroughly the Terms and Conditions of the Notes and be familiar with the behaviour of financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, rate of distributions and other factors that may affect its investment and its ability to bear the applicable risks.

### 1.2.1 Risks related to the Notes generally

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

**The Notes are complex instruments that may not be suitable for certain investors.**

The Notes are complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Notes, including the possibility that the entire principal amount of the Notes could be lost. A potential investor should not invest in the Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of cancellation of payment of principal, payment of distributions or a write-down and the market price of the Notes, and the impact of this investment on the potential investor's overall investment portfolio.

**Fixed to Fixed Distribution Rate Notes and Fixed to Floating Distribution Rate Notes bear distributions at a rate that converts from a fixed distribution rate to a different fixed distribution rate or from a fixed distribution rate to a floating distribution rate, respectively. A Holder bears the risk that after such conversion, the new distribution rate may be lower than the then prevailing distribution rates or the spread may be less favourable than the then prevailing spreads on comparable floating distribution rate notes relating to the same reference rate.**

Fixed to Fixed Distribution Rate Notes and Fixed to Floating Distribution Rate Notes bear distributions at a rate that converts from a fixed distribution rate to a different fixed distribution rate or from a fixed distribution rate to a floating distribution rate, respectively. The conversion of the distribution rate may affect the market price of the Notes. If the distribution rate converts from a fixed distribution rate to a different fixed distribution rate, such fixed distribution rate may be lower than the then prevailing distribution rates payable on fixed distribution rate notes. If the distribution rate converts from a fixed distribution rate to a floating distribution rate, the spread on such Notes may be less favourable than then prevailing spreads on comparable floating distribution rate notes relating to the same reference rate(s). In addition, the new floating distribution rate may at any time be lower than the distribution rates payable on other notes.

**In periods for which a fixed rate of distributions is applicable, Holders are exposed to the risk that the market price of the Notes falls as a result of changes in the market interest rate.**

In periods for which a particular fixed rate of distributions is applicable, Holders are exposed to the risk that the market price of the Notes falls as a result of changes in the market interest

rate. While the nominal distribution rate of Notes as specified in the applicable Final Terms is fixed for the relevant fixed distribution period, the current interest rate on the capital market for issues of the same maturity (the "**market interest rate**") typically changes on a daily basis. As the market interest rate changes, the market price of the Notes also changes, but in the opposite direction. If the market interest rate increases, the market price of the Notes typically falls, until the yield of such Notes is approximately equal to the market interest rate. Additionally, even expected future changes of interest rates could cause a change of current market prices of the Notes.

**In periods for which a floating rate of distributions is applicable, Holders may be exposed to the risk of fluctuating interest rate levels which make it impossible to determine the yield of the Notes in advance, and are exposed to the risk of uncertain interest income.**

Floating rate Notes tend to be volatile investments. In periods for which a floating rate of distributions is applicable, a Holder of Notes is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the profitability of Notes for periods for which a floating rate of distributions is applicable in advance.

**The obligations of the Issuer under the Notes constitute direct, unsecured and subordinated obligations which are subordinated to the claims of all unsubordinated and subordinated creditors (other than subordinated claims ranking *pari passu* with or junior to the Notes) of the Issuer.**

The Notes to be issued by the Issuer under the Programme are intended to qualify as Additional Tier 1 instruments pursuant to Article 52 CRR. They constitute direct, unsecured and subordinated obligations of the Issuer. In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

- (i) junior to all present or future: (a) unsubordinated instruments or obligations of the Issuer; and (b) (x) obligations under any Tier 2 Instruments; and (y) all other instruments or obligations of the Issuer ranking or expressed to rank subordinated to the unsubordinated obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes);
- (ii) *pari passu*: (a) among themselves; and (b) with all other present or future instruments or obligations ranking or expressed to rank *pari passu* with the Notes; and
- (iii) senior to all present or future: (a) ordinary shares of the Issuer and any other CET 1 Instruments; and (b) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank: (x) subordinated to the obligations of the Issuer under the Notes; or (y) *pari passu* with the ordinary shares of the Issuer and any other CET 1 Instruments.

Although the Notes may pay a higher rate of distributions than other debt instruments which are not subordinated, there is a substantial risk that investors in subordinated notes such as the Notes will lose all or some of their investment, should the Issuer become insolvent or, following a Write-down, either have insufficient profit to write up the Notes or decide in its sole discretion to not (or not fully) write up its Notes at all.

Furthermore, claims of the Issuer are not permitted to be set-off or netted against payment obligations of the Issuer under the Notes which are not, and may not become secured or subject to a guarantee or any other arrangement that enhances the seniority of the claim under the Notes. A Holder should therefore not expect to be able to set-off any obligations of the Issuer under the Notes against obligations of the Holder vis-à-vis the Issuer.

**The Notes do not contribute to the determination of over-indebtedness of the Issuer.**

The Holders are entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital*) within the meaning of § 225 (1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*) has been removed (*beseitigt*) or if, in the event of the liquidation of the Issuer, all other creditors (other than creditors whose claims rank or are

expressed to rank *pari passu* with or junior to the Notes) of the Issuer have been satisfied first.

Pursuant to the Terms and Conditions, no insolvency proceedings against the Issuer are required to be opened in relation to the non-performance of any obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets, and will therefore be disregarded for purposes of determining whether the Issuer is over-indebted (*überschuldet*) in accordance with § 67 (3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*).

Holders should therefore note that their claims under the Notes, when due but unpaid, will not result in an insolvency of the Issuer, and that they have no means to request the institution of insolvency proceedings against the Issuer on the basis of any claims under the Notes.

**The Issuer is not prohibited from issuing further debt which may rank *pari passu* with or senior to the Notes.**

The Terms and Conditions of the Notes place no restriction on the amount of debt that the Issuer may issue or guarantee that ranks senior to, or *pari passu* with, the Notes. The Issuer may also issue debt instruments with trigger levels for write-down or conversion that are lower than those of the Notes (to the extent permitted by the Applicable Supervisory Regulations), so that such debt instruments absorb losses after the Notes.

The issue or guaranteeing of any such debt instruments may reduce the amount recoverable by Holders upon the Issuer's insolvency. If the Issuer's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including cancellation of distributions and reduction of the principal amount of the Notes and, if the Issuer were liquidated, the Holders could suffer loss of their entire investment (total loss).

In addition, the Issuer is not prohibited from issuing or guaranteeing other instruments that share in, or which depend upon, Distributable Items, thereby reducing the amount available for distributions under the Notes. This could result in distributions on the Notes being either reduced or even cancelled entirely.

**The Issuer may, in its full discretion, cancel payments of distributions on the Notes and may, in certain circumstances (including insufficient or no Distributable Items, order from any relevant authority or non-compliance with Maximum Distributable Amount), be required to cancel such payments. The cancellation of distribution payments will be definitive and non-cumulative.**

The Issuer, at its full discretion, may at all times cancel (in whole or in part) any payment of distributions on the Notes scheduled to be paid on any distribution payment date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled distribution payments without restrictions to meet its obligations as they fall due. The Issuer might also be required by any relevant authority responsible for the Issuer and/or Erste Group, such as the Competent Authority and/or the SRB respectively the FMA (each in its capacity as resolution authority, the "**Resolution Authority**"), to cancel the relevant distribution payment scheduled to be paid in whole or in part.

Without prejudice to such full discretion of the Issuer, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent:

- (i) the amount of such distribution payment scheduled to be paid together with any Additional Amounts thereon and any further Relevant Distributions would exceed the amount of the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions together with any Additional Amounts thereon on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based; or
- (ii) the Competent Authority and/or the Resolution Authority orders the relevant distribution payment scheduled to be paid to be cancelled in whole or in part; or



- (iii) on the relevant Distribution Payment Date the amount of such distribution payment aggregated with other Relevant Distributions and any other relevant distributions of the kind referred to in § 24(2) BWG (implementing Article 141(2) CRD IV in Austria) would not be in compliance with the restrictions relating to the Maximum Distributable Amount.

Any distribution payment so cancelled will not accumulate or compound and all rights and claims in respect of such amounts will be fully and irrevocably forfeited and no payments will be made nor shall any Holder be entitled to any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and imposes no restrictions on the Issuer.

The Maximum Distributable Amount (the calculation thereof respectively) is a rather complex concept which applies when the combined capital buffer requirements are not (or not fully) met, and its determination is subject to considerable uncertainty (see also the risk factor "*Some aspects of the manner how CRR/CRD IV is applied and/or will be amended in the future are uncertain.*").

The Distributable Items of the Issuer will, *inter alia*, depend on its profits and those of its Subsidiaries, including the dividends that it receives from its Subsidiaries. If the Issuer's profits are weak, and/or if it does not receive any (or only small) dividends from its Subsidiaries, the Distributable Items may not be sufficient for full (or any) payment of distributions on the Notes.

The Distributable Items will be determined on the basis of (i) the audited (*geprüft*) and adopted (*festgestellt*) unconsolidated annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant distribution payment date; or (ii) if such audited and adopted unconsolidated annual financial statements of the Issuer are not available at the relevant distribution payment date, the Distributable Items will be determined on the basis of unaudited unconsolidated *pro forma* financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements.

There is however a risk, that these *pro forma* financial statements may deviate substantially from the audited financial statements for the same accounting period, and Holders are therefore exposed to the risk that they will not receive any distributions even if the audited financial statements show sufficient Distributable Items to make payments on the Notes.

Because the Issuer is entitled to cancel distribution payments in its full discretion, it may do so even if it could make such payments without exceeding the limits described above and even if it was intrinsically profitable. Distribution payments on the Notes may be cancelled even if the Issuer's shareholders continue to receive dividends and/or distributions are made on any instruments ranking *pari passu* or junior to, the Notes. The Issuer currently intends to give due consideration to the capital hierarchy and preserve seniority of claims. However, even if the Issuer was willing to make distribution payments, it could be prevented from doing so by mandatory and automatic cancellation due to regulatory provisions and/or regulatory action. In all such instances, Holders would receive no, or only reduced, distributions on the Notes.

Any actual or anticipated cancellation of distributions payments on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the distribution cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which distributions accrue that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Likewise, as the Maximum Distributable Amount is linked to the combined capital buffer requirements, any indication that the Issuer may not (or not fully) meet such combined buffer capital requirement may have an adverse effect on the market price of the Notes.

Holders of Notes should be aware that there will be no circumstances under which distribution payments on the Notes will be compulsory for the Issuer. Holders should therefore not rely on

receiving any distribution payments on the Notes, regardless of whether the Issuer has sufficient Distributable Items, and Holders should be aware that the market price of the Notes is subject to volatility and downturn, in particular in case of any indication that distribution payments on the Notes are or might be cancelled.

**The regulatory classification of the Notes as Additional Tier 1 instruments may be changed.**

In the opinion of the Issuer the Notes shall qualify as Additional Tier 1 instruments pursuant to Article 52 CRR upon issue. During the approval process of the Prospectus, the FMA does not assess the regulatory classification of the Notes as Additional Tier 1 instruments of the Issuer. There is the risk that there is a change in the regulatory classification of Additional Tier 1 instruments that would be likely to result in the exclusion of the Notes from own funds or reclassification as a lower quality form of own funds. If that is the case, this can have a negative impact on the capitalisation of the Issuer.

**The Issuer may be required to reduce the initial principal amount of the Notes to absorb losses, which would reduce any redemption amount and any distribution payable on the Notes while the Notes are written down.**

The Notes are issued in order to meet prudential capital requirements with the intention and purpose of being eligible as own funds of the Issuer. In the opinion of the Issuer the Notes shall constitute AT 1 Instruments of the Issuer upon issue, i.e. Additional Tier 1 instruments pursuant to Article 52 CRR on a solo and/or group level of the Issuer. Such eligibility depends on a number of statutory conditions being satisfied. One of these conditions relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, under the Terms and Conditions of the Notes, if it has been determined that: (i) the Group CET 1 Capital Ratio (i.e. the Common Equity Tier 1 capital ratio pursuant to Article 92 (2) (a) CRR of the Erste Group on a consolidated basis); and/or (ii) the Issuer CET 1 Capital Ratio (i.e. the Common Equity Tier 1 capital ratio pursuant to Article 92 (2)(a) CRR of the Issuer on an individual basis) fall to an amount that is lower than the applicable minimum trigger level (a "**Trigger Event**"), the Issuer will reduce the then Current Principal Amount (as defined in the Terms and Conditions) of the Notes by the Write-down Amount.

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion and each Note may be subject to a Write-down on more than one occasion. The occurrence of a Trigger Event, which would result in a Write-down of the Current Principal Amount of the Notes, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. A Trigger Event could occur at any time.

The Write-down Amount shall be the higher of (i) the *pro rata* share of the Note in the Required Loss Absorption Amount and (ii) if the amount in (i) is insufficient to fully restore or maintain the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio to the Minimum Trigger Level, an amount necessary to reduce the Current Principal Amount to 0.01 or such lower amount set out in the Terms and Conditions in the Specified Currency of the Note; whereas the "**Required Loss Absorption Amount**" means the amount by which, upon the occurrence of a Trigger Event, a Write-down of the aggregate Current Principal Amount of the Notes shall be effected *pro rata* with the aggregate (current) principal amount of any other AT 1 Instruments whose trigger events for a write-down or conversion (loss absorption) pursuant to their terms have occurred and whose minimum trigger levels have not been restored, irrespective of the opening of any insolvency proceedings. For such purpose, the total amount of the write-downs to be allocated *pro rata* shall be equal to the amount required to fully restore or maintain the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio to at least the Minimum Trigger Level, as applicable, but shall not exceed the sum of the principal amounts of AT 1 Instruments whose trigger events for a write-down or conversion pursuant to their terms have occurred and whose minimum trigger levels have not been restored and which are outstanding at the time of occurrence of the Trigger Event.

To the extent the write-down (or write-off) or conversion into Common Equity Tier 1 instruments of any other AT 1 Instrument whose trigger events for a write-down or conversion pursuant to their terms have occurred is not, or within one month from the determination that

the relevant trigger event has occurred will not be, effective for any reason:

- (i) the ineffectiveness of any such write-down (or write-off) or conversion into Common Equity Tier 1 instruments shall not prejudice the requirement to effect a Write-down of the Notes (loss absorption); and
- (ii) the write-down (or write-off) or conversion into Common Equity Tier 1 instruments of any other AT 1 Instrument whose trigger events for a write-down or conversion pursuant to their terms have occurred which is not, or within one month from the determination that the relevant Trigger Event has occurred will not be, effective shall not be taken into account in determining such Write-down of the Notes.

If a Write-down pursuant to the Terms and Conditions occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in the Terms and Conditions)) are cancelled. In accordance with the Terms and Conditions, the Notes shall bear distributions on the adjusted Current Principal Amount from and including the Effective Date.

Holders may lose all or some of their investment as a result of a Write-down. If the Issuer is liquidated or becomes insolvent prior to the Notes being written up in full (if at all) pursuant to the Terms and Conditions, Holders' claims for principal and distributions will be based on the reduced Current Principal Amount of the Notes.

**Upon the occurrence of a Trigger Event, there may be a Write-down of the Notes even if other capital instruments of the Issuer are not written down or converted into Common Equity Tier 1 instruments.**

The Terms and Conditions of other capital instruments already in issue or to be issued after the date hereof by the Issuer may vary and accordingly such instruments may not be written down at the same time as the Notes if the Notes are written down, or to the same extent, as the Notes, or at all. Alternatively, such other capital instruments may provide that they shall convert into Common Equity Tier 1 instruments, or become entitled to reinstatement of the principal amount of the Notes or other compensation in the event of a potential recovery of the Issuer and/or any other member of the Erste Group or a subsequent change in the financial condition thereof. Such capital instruments may also provide for such reinstatement or compensation in different circumstances from those in which, or to a different extent to which, the principal amount of the Notes may be reinstated.

Upon the occurrence of a Trigger Event, to the extent that the prior or *pro rata* write-down or conversion of any other capital instruments issued by the Issuer is not applicable under their respective terms, or if applicable, does not occur for any reason, this shall not in any way affect the Write-down of the Notes.

**The Issuer is under no obligation to reinstate any written down amounts.**

The Issuer is under no obligation to reinstate any principal amounts which have been subject to any Write-down up to a maximum of the Original Principal Amount, even if certain conditions (further described in the Terms and Conditions) that would permit the Issuer to do so, were met. Any Write-up of the Notes is at the full discretion of the Issuer.

Moreover, the Issuer will, *inter alia*, only have the option to Write-up the Current Principal Amount of the Notes if, at a time when the Current Principal Amount of the Notes is less than their Original Principal Amount, positive Profit is recorded on an individual basis and consolidated basis, and if the Maximum Distributable Amount (if any) (when the amount of the Write-up is aggregated together with other distributions of the Issuer or the Erste Group, as applicable, of the kind referred to in Article 141(2) CRD IV) would not be exceeded when operating a Write-up (see also the risk factor "*Some aspects of the manner how CRR/CRD IV is applied and/or will be amended in the future are uncertain.*").

No assurance can be given that these conditions will ever be met or that the Issuer will ever write up (fully or partially) the principal amount (i.e. the then Current Principal Amount) of the Notes following a Write-down.

Furthermore, any Write-Up must be undertaken on a pro rata basis with all other Notes and any Loss Absorbing Written-down Instruments (i.e. means any (directly or indirectly issued) Additional Tier 1 instrument pursuant to Article 52 CRR (other than the Notes) of the Issuer or, as applicable, any instrument issued by a member of the Erste Group and qualifying as Additional Tier 1 instruments pursuant to Article 52 CRR of the Issuer and/or the Erste Group, that has had all or some of its principal amount written-down on a temporary basis, and that has terms permitting a principal write-up to occur on a basis similar to that provided herein in the circumstances existing on the date of the Write-up of the Notes). A "Trigger Event" occurs if it has been determined that: (i) the Group CET 1 Capital Ratio; and/or (ii) the Issuer CET 1 Capital Ratio fall to an amount that is lower than the applicable minimum trigger level.

The market price of the Notes is expected to be affected by fluctuations in the Common Equity Tier 1 capital ratio of both, the Issuer and Erste Group. Any indication that the Issuer CET 1 Capital Ratio; and/or the Group CET 1 Capital Ratio are approaching the level that would trigger a Trigger Event may have an adverse effect on the market price of the Notes.

**The calculation of the Common Equity Tier 1 capital ratios will be affected by a number of factors, many of which may be outside the Issuer's control.**

The calculation of the Common Equity Tier 1 capital ratios of the Issuer and/or of Erste Group could be affected by a wide range of factors, including, among other things, factors affecting the level of earnings or dividend payments, the mix of its businesses, its ability to effectively manage the risk-weighted assets in its ongoing businesses, losses in the context of its banking activities or other businesses, changes in Erste Group's structure or organization. The calculation of the ratios also may be affected by changes in the applicable laws and regulations or applicable accounting rules and the manner in which accounting policies are applied, including the manner in which permitted discretion under the applicable accounting rules is exercised.

Holders are, due to the Notes being subject to Write-down in case of the occurrence of a Trigger Event, directly exposed to any changes of the Common Equity Tier 1 capital ratios and will, unless and until the Notes are written-up, lose all or part of their investment in case of a redemption of the Notes or in the liquidation or insolvency of the Issuer.

Due to the uncertainty regarding whether a Trigger Event will have occurred, it will be difficult to predict when, if at all, the Current Principal Amount of the Notes may need to be written down. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated instruments. Any indication that the Common Equity Tier 1 capital ratios of the Issuer and/or of Erste Group are approaching the level that would trigger a Trigger Event may have an adverse effect on the market price and liquidity of the Notes. Under such circumstances, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to more conventional investments.

**Some aspects of the manner how CRR/CRD IV is applied and/or will be amended in the future are uncertain.**

Many of the provisions of the Terms and Conditions of the Notes depend on the final interpretation or even implementation of CRR/CRD IV (including any regulations promulgated thereunder).

CRR/CRD IV is a complex set of rules and regulations that imposes a series of new requirements, some of which are still subject to transitional provisions and others are likely to be amended in the near future. Although the CRR is directly applicable in each EU Member State, the CRR provides for important interpretational issues to be further specified through binding technical standards and/or delegated legal acts and through guidelines and leaves certain other matters to the discretion of the Competent Authority and/or the Resolution Authority.

In addition, since November 2014, the Issuer and Erste Group are subject to direct supervision of the ECB. The manner in which many of the concepts and requirements under CRR/CRD IV are applied to the Issuer and Erste Group remains somehow uncertain. In addition, both the CRR/CRD IV as well as the BRRD are currently under review and will be amended in the near future (see also the risk factor "*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.*"). These amendments will also contain some changes as regards AT 1 instruments and distributions made thereon (as well as their possible cancellation), subject to further changes under the EU legislative procedure.

Furthermore, the interplay between the SREP requirements and the Maximum Distributable Amount and the determination of the Maximum Distributable Amount are complex. The Maximum Distributable Amount imposes a cap on the Issuer's ability to make discretionary payments including distribution payments on the Notes, on the Issuer's ability to reinstate the Current Principal Amount of the Notes following a Write-down and on its ability to redeem or repurchase Notes. There are a number of factors for such complexity:

- (i) It applies when certain capital buffers are not maintained. A "capital buffer" is an amount of capital that a credit institution is required to maintain beyond the minimum amount required by applicable regulations. If the institution fails to meet the capital buffer, it becomes subject to restrictions on payments and distributions on Tier 1 instruments (including its ability to make payments on and to redeem and repurchase Additional Tier 1 instruments such as the Notes), and on the payment of certain bonuses to employees. There are several different buffers, some of which are intended to encourage countercyclical behaviour (with extra capital retained when profits are robust), and others of which are intended to provide additional capital cushions for institutions whose failure would result in a significant systemic risk.
- (ii) Certain capital buffers (such as the capital conservation buffer and the systemic risk buffer) are gradually phased in until 2019 (subject to certain discretion of the competent authorities). Certain buffer rates depend and will depend on the macro-economic situation (in case of the (institution-specific) countercyclical buffer: the credit cycle and risks due to excess credit growth in an EU Member State, taking into account specificities of the national economy), the existence of systemic risks (in case of the systemic risk buffer) or because of the assessment of a credit institution/its group as G-SIB or O-SII (in case of the G-SIB buffer and the O-SII buffer). As a result, it is difficult to predict when the Maximum Distributable Amount will apply to the Notes, and to what extent. For Erste Group, the KP-V stipulates a systemic risk buffer (to be applied on an individual and on a consolidated level) and an O-SII buffer (to be applied on a consolidated level), each totalling 2.00% (as of 1 January 2019) and both capital buffers to be gradually phased in (see also the risk factor "*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.*")
- (iii) The Issuer will have the discretion to determine how to allocate the Maximum Distributable Amount among the different types of payments contemplated in Article 141(2) CRD IV. Moreover, payments made earlier in the relevant period will reduce the remaining Maximum Distributable Amount available for payments later in the relevant period, and the Issuer will have no obligation to preserve any portion of the Maximum Distributable Amount for payments scheduled to be made later in a given period. Even if the Issuer attempts to do so, there can be no assurance that it will be successful, because the Maximum Distributable Amount will depend on the amount of profits earned during the course of the relevant period, which will necessarily be difficult to predict and the Issuer might be restricted by the Competent Authority and/or the Resolution Authority to make the relevant distribution payment scheduled to be paid.

These issues and other possible issues of interpretation make it difficult to determine how the Maximum Distributable Amount will apply as a practical matter to limit distribution payments on the Notes, the reinstatement of the Current Principal Amount of the Notes following a Write-down and the ability of the Issuer to redeem and repurchase Notes (see also the risk factor "*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.").*

This uncertainty and the resulting complexity may adversely impact the trading price and the liquidity of the Notes.

The application of certain capital requirements on an individual level might be waived by the competent authorities. As a result, the Common Equity Tier 1 capital ratios would only apply on the level of Erste Group and interaction with buffer requirements on an individual level might be unclear. As a result, the determination of a Trigger Event, a Write-up and the Maximum Distributable Amount might be difficult to predict under such circumstances.

Furthermore, the European Commission's EU banking reform package of 23 November 2016 foresees a requirement for MREL to be taken into account in the calculation of the Maximum Distributable Amount (in addition to "Pillar 1", the Pillar 2 capital requirements and the combined buffer requirement), subject to a certain transitional period in case of inability to issue eligible debt, during which restrictions relating to Maximum Distributable Amounts would not be triggered, but competent authorities would be able to take other appropriate measures, such as prohibiting the Issuer to make payments on the Notes. The introduction of such additional capital requirements could impact the Issuer's ability to meet the combined buffer requirement, which, in turn, might impact its ability to make payments on the Notes which could affect the market price of the Notes (see also the risk factor "*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.*").

**The Notes are perpetual and may not be redeemed at the option of the Holders, any rights of the Issuer to redeem or repurchase Notes are subject to the prior permission of the Competent Authority and/or the Resolution Authority, and redemption may occur at a time when the redemption proceeds are less than the market price of the Notes.**

The Notes are perpetual and have no scheduled maturity date. The Issuer is under no obligation to redeem the Notes at any time before its liquidation or insolvency.

The Issuer may at its sole discretion, redeem the Notes at any time either for tax or regulatory reasons at the Redemption Amount plus accrued distributions, if any. In addition, the Issuer may at its sole discretion redeem the Notes, but not before five years after the date of their issuance, on specified Call Redemption Dates at the applicable Call Redemption Amount plus accrued distributions, if any. Such optional redemption features are likely to limit the market price of the Notes, as during any period when the Issuer may decide to redeem the Notes, the market price of the Notes generally will not rise substantially above the price at which they can be redeemed (see also the risk factor "*The Issuer may be required to reduce the initial principal amount of the Notes to absorb losses, which would reduce any redemption amount and any distribution payable on the Notes while the Notes are written down.*").

Any such redemption and any repurchase of the Notes (including any repurchase for market making purposes) are subject to the prior permission of the Competent Authority pursuant to Article 4 (1) (40) CRR which is responsible to supervise the Issuer and/or the Erste Group and compliance with regulatory capital rules applicable from time to time to the Issuer. In addition, it might be possible that the Issuer also requires the prior permission by the Resolution Authority. Under the CRR, the Competent Authority may only permit institutions to redeem Additional Tier 1 instruments such as the Notes if certain conditions prescribed by the CRR are complied with. These conditions, as well as a number of other technical rules and standards relating to regulatory capital requirements applicable to the Issuer, should be taken into account by the Competent Authority in its assessment of whether or not to permit any redemption or repurchase. It is uncertain how the Competent Authority and/or the Resolution Authority will apply these criteria in practice and such rules and standards may change during the tenor of the Notes. It is therefore difficult to predict whether, and if so, on what terms, the Competent Authority and/or the Resolution Authority will grant its prior permission for any redemption or repurchase of the Notes.

Furthermore, even if the Issuer would be granted the prior permission of the Competent Authority and/or the Resolution Authority, any decision by the Issuer as to whether it will redeem the Notes will be made at the absolute discretion of the Issuer, and the Issuer may have regard to external factors such as the economic and market impact of exercising a redemption right, regulatory capital requirements and prevailing market conditions. The Issuer disclaims, and investors should therefore not expect, that the Issuer will exercise any redemption right in relation to the Notes. Holders of the Notes should therefore be aware that they may be required to bear the financial risks of an investment in the Notes perpetually.

Pursuant to the Terms and Conditions, the Issuer may exercise its right to redeem the Notes at its option only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

The Holders of the Notes have no rights to call for redemption of their Notes and should not invest in the Notes in the expectation that any redemption right will be exercised by the Issuer. Excluding the Holders' right to demand for redemption of the Notes is mandatory due to the Applicable Supervisory Regulations. Thus, without redemption by Holders being excluded, the Issuer would not be able to issue the Notes at all. Investors should therefore carefully consider whether they think that a right of redemption only for the Issuer would be to their detriment, and should, if they think that this is the case, not invest in the Notes.

Even if the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market price of the Notes, which may result in a crystallisation of a loss for the Holders, in particular if the Current Principal Amount is less than the Original Principal Amount.

**In the event that any Notes are redeemed, a Holder of the Notes may be exposed to risks, including the risk that his investment will have a lower than expected yield (risk of redemption).**

According to the Terms and Conditions, the Issuer has the right to call the Notes in certain circumstances. If the Issuer redeems the Notes, a Holder of the Notes is exposed to the risk that, due to such redemption, its investment will have a lower than expected yield. The Issuer might exercise its call right if the yield on comparable notes in the capital markets falls, which means that the 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, in particular if the Current Principal Amount is less than the Original Principal Amount.

**There are no events of default under the Notes.**

The Terms and Conditions of the Notes do not provide for events of default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations due and payable under the Notes (although in any case, payments of distributions are at the sole discretion of the Issuer) investors will not have a right of acceleration of the Notes. Upon a payment default relating to any obligations under the Notes, the sole remedy available to Holders for recovery of amounts owing in respect of any such payment will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the opening of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

**The Issuer's interests may not be aligned with those of investors in the Notes.**

The Issuer CET 1 Capital Ratio as well as the Group CET 1 Capital Ratio, the Distributable Items and the Maximum Distributable Amount will depend in part on decisions made by the Issuer and/or other members of the Erste Group relating to their businesses and operations, as well as the management of their capital position. The Issuer and/or other members of the Erste Group will have no obligation to consider the interests of Holders in connection with their strategic decisions, including in respect of capital management and the relationship among the various members of Erste Group and Erste Group's structure.

The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. Moreover, in order to avoid the use of

public resources, the Competent Authority and/or the Resolution Authority may decide that the Issuer should allow a Trigger Event to occur at a time when it is feasible to avoid it.

Holders will not have any claim against the Issuer and/or other members of the Erste Group relating to decisions that affect the capital position of the Issuer and/or Erste Group, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Holders to lose all or part of their investment in the Notes.

**The Notes may be subject to write-down or conversion to equity upon the occurrence of a certain trigger event, which may result in Holders losing some or all of their investment in the Notes (statutory loss absorption).**

The stated aim of the SRM is to provide relevant resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers provided to such resolution authorities include write-down and conversion powers which may be used prior to or on entry into resolution to ensure that, *inter alia*, relevant capital instruments fully absorb losses at the point of non-viability (defined below) of the issuing institution and/or the group. The relevant resolution authority may also apply the bail-in tool in resolution with the objective of restoring the capital of the failing institution to enable it to continue to operate as a going concern. Accordingly, resolution authorities will be required to order the write-down of such capital instruments on a permanent basis, or convert them into Common Equity Tier 1 items ("**CET 1**") (such as ordinary shares or other instruments of ownership), at the point of non-viability and before any resolution tool other than the bail-in tool is made use of (statutory loss absorption). Resolution authorities shall exercise the write-down or conversion in relation to statutory loss absorption in a way that results in: (i) CET 1 items being reduced first in proportion to the relevant losses; and (ii) thereafter, if CET 1 is not sufficient to cover the relevant losses, the principal amount of Additional Tier 1 instruments ("**AT 1**") (such as the Notes) being reduced or converted to cover the relevant losses and recapitalise the entity; and (iii) thereafter, if CET 1 and AT 1 are not sufficient, the principal amount of Tier 2 instruments ("**Tier 2**") being reduced or converted; and in case of a bail-in tool also: (iv) thereafter, if CET 1, AT 1 and Tier 2 are not sufficient to cover the relevant losses and recapitalise the entity, other subordinated debt (in accordance with the hierarchy of claims in the normal insolvency proceedings); and (v) if still insufficient, the rest of eligible liabilities including certain senior debt (in accordance with the hierarchy of claims in the normal insolvency proceedings), including the Notes, being reduced down to zero on a permanent basis or converted. When the bail-in tool is applied for the purpose of restoring the capital of the institution, write-down or conversion of non-equity instruments into CET 1 items is to be made in the same order.

For the purposes of statutory loss absorption, the point of non-viability is the point at which the following conditions are met:

1. the competent authority or the resolution authority determines that the institution is failing or likely to fail, i.e.:
  - (a) the conditions for the withdrawal of the authorisation by the competent authority are met or there are objective elements to support a determination that this will be the case in the near future, including but not limited to because the institution has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
  - (b) the assets of the institution are or there are objective elements to support a determination that the assets of the institution will, in the near future, be less than its liabilities;
  - (c) the institution is or there are objective elements to support a determination that the institution will, in the near future, be unable to pay its debts or other liabilities as they fall due;



- (d) extraordinary public financial support is required except when the extraordinary public financial support takes certain forms in order to remedy a serious disturbance in the economy of a Member State and preserve financial stability; and
2. having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures, including measures by an institutional protection scheme, or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe; and
3. in case of the application of the bail-in tool, a resolution action is necessary in the public interest; or
4. in case of exercising the power to write down or conversion of capital instruments, a group shall be deemed to be failing or likely to fail where the group infringes, or there are objective elements to support a determination that the group, in the near future, will infringe, its consolidated prudential requirements in a way that would justify action by the competent authority including but not limited to because the group has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds.

Any write-down or conversion of all or part of the principal amount of any instrument, including accrued but unpaid interest in respect thereof, in accordance with the bail-in tool or the write-down and conversion powers would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down or converted would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder, regardless whether or not the institution's financial position is restored.

Hence, the Notes may be subject to write-down or conversion into CET 1 upon the occurrence of the relevant trigger event, which may result in Holders losing some or all of their investment in the Notes. The exercise of any such power is highly unpredictable and any suggestion or anticipation of such exercise could materially adversely affect the market price of the Notes.

Apart from potentially being subject to resolution tools and powers as set out above, the Issuer may also be subject to national insolvency proceedings.

**The Notes may be subject to other resolution powers which may result in the non-payment of distributions and/or the principal of the Notes.**

Provided that the Issuer meets the applicable conditions for resolution, the resolution authority has certain resolution powers which it may exercise either individually or in any combination together with or in preparation of applying a resolution instrument. Such resolution powers in particular include:

- the power to transfer to another entity rights, assets or liabilities of the Issuer (such as the Notes);
- the power to reduce, including to reduce to zero, the nominal value of or outstanding amount due in respect of eligible liabilities of the Issuer;
- the power to convert eligible liabilities of the Issuer into ordinary shares or other instruments of ownership of the Issuer, a relevant parent institution or a bridge institution to which assets, rights or liabilities of the Issuer are transferred;
- the power to cancel debt instruments issued by the Issuer (such as the Notes);
- the power to require the Issuer or a relevant parent institution to issue new shares or other instruments of ownership or other capital instruments, including preference shares and contingent convertible instruments; and/or
- the power to amend or alter the maturity of debt instruments (such as the Notes) and

other eligible liabilities issued by the Issuer or the amount of interest payable under such debt instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The exercise of such resolution powers could have a negative impact on the Issuer and/or the Notes.

**Credit ratings of Notes may not adequately reflect all risks of the investment in such Notes, credit rating agencies could assign unsolicited credit ratings, and credit ratings may be suspended, downgraded or withdrawn, all of which could have an adverse effect on the market price and trading price of the Notes.**

A credit rating of Notes may not adequately reflect all risks of the investment in such Notes. Credit rating agencies could decide to assign credit ratings to the Notes on an unsolicited basis. Equally, credit ratings may be suspended, downgraded or withdrawn. Any such unsolicited credit rating, suspension, downgrading or withdrawal may have an adverse effect on the market price and trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the credit rating agency at any time.

**The Notes are governed by German law (with the provisions on status being 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 German law, except that the provisions on status are 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 German (and, in relation to the provisions on status, Austrian) law, or administrative practice after the date of this Prospectus.

**The statutory presentation period provided under German law will be reduced under the Terms and Conditions applicable to the Notes in which case Holders may have less time to assert claims under the Notes.**

Pursuant to the Terms and Conditions of the Notes the regular presentation period of 30 years (as provided in § 801 (1) sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*)) will be reduced. In case of partial or total non-payment of amounts due under the Notes the Holder will have to arrange for the presentation of the relevant Global Note to the Issuer. Due to the abbreviation of the presentation period the likelihood that the Holder will not receive the amounts due to him increases since the Holder will have less time to assert his claims under the Notes in comparison to holders of debt instruments the terms and conditions of which do not shorten the statutory presentation period at all or to a lesser degree than the Terms and Conditions of the Notes.

**The Terms and Conditions may be amended by resolution of the Holders in which a Holder may be subject to the risk of being outvoted by a majority resolution of the Holders.**

The Terms and Conditions may be amended by the Issuer with consent of the Holders by way of a majority resolution in a Holders Meeting or by a vote not requiring a physical meeting (*Abstimmung ohne Versammlung*) as described in §§ 5 *et seq.* of the German Act on Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – SchVG*), the Issuer may subsequently amend the Terms and Conditions with the consent of the majority of Holders as described in the Terms and Conditions, which amendment will be binding on all Holders of the relevant Series of Notes, even on those who voted against the change.

Therefore, a Holder may be subject to the risk of being outvoted by a majority resolution of the Holders. As such majority resolution is binding on all Holders of a particular Series of Notes, certain rights of such Holder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled, which may have significant negative effects on the market price of the Notes and the return from the Notes.

The Holders may by majority resolution provide for the appointment or dismissal of a joint representative. If a joint representative is appointed, a Holder may be deprived of its individual right to pursue and enforce a part or all of its rights under the Terms and Conditions against the Issuer, such right passing to the Holders' joint representative who is then exclusively responsible to claim and enforce the rights of all the Holders.

**An Austrian court could appoint a trustee for the Notes to exercise the rights and represent the interests of Holders on their behalf in which case the ability of Holders to pursue their rights under the Notes individually may be limited.**

Pursuant to the Austrian Notes Trustee Act (*Kuratorenengesetz*) and the Austrian Notes Trustee Supplementation Act (*Kuratorenenergänzungsgesetz*), a trustee (*Kurator*) could be appointed by an Austrian court upon the request of any interested party (e.g. a Holder) or upon the initiative of a competent court, for the purposes of representing the common interests of the Holders in matters concerning their collective rights. In particular, this may occur if insolvency proceedings are initiated against the Issuer, in connection with any amendments to the Terms and Conditions of the Notes or changes relating to the Issuer, or under other similar circumstances.

Even though the applicability of the Austrian Notes Trustee Act and the Austrian Notes Trustee Supplementation Act is excluded in the Terms and Conditions, it cannot be excluded that an Austrian court rejects the exclusion of the applicability of the Austrian Notes Trustee Act and the Austrian Notes Trustee Supplementation Act and appoints a trustee, because the Issuer is an Austrian company. If a trustee is appointed, it will exercise the collective rights and represent the interests of the Holders and will be entitled to make statements on their behalf which shall be binding on all Holders. Where a trustee represents the interests of and exercises the rights of Holders, this may conflict with or otherwise adversely affect the interests of individual or all Holders. The role of an appointed trustee may also conflict with provisions of the Terms and Conditions related to majority resolutions of the Holders pursuant to the Terms and Conditions. On the other hand, investors should not rely on the protection afforded by the Austrian Notes Trustee Act, as its application has been excluded in the Terms and Conditions and an Austrian court may give effect to such disapplication.

**Risks associated with the reform of LIBOR, EURIBOR and other interest rate benchmarks.**

The EURIBOR, the LIBOR and other interest rates or other types of rates and indices which are deemed "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**") have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such Benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a Benchmark.

International proposals for reform of Benchmarks include the Benchmark Regulation which is fully applicable since 1 January 2018. According to the Benchmark Regulation, a Benchmark may only be used if its administrator obtains authorisation or is registered and in case of an administrator which is based in a non-EU jurisdiction, if the administrator's legal benchmark system is considered equivalent (Article 30 of the Benchmark Regulation), the administrator is recognised (Article 32 of the Benchmark Regulation) or the Benchmark is endorsed (Article 33 of the Benchmark Regulation) (subject to applicable transitional provisions). If this is not the case, Notes linked to such Benchmarks could be impacted.

The Benchmark Regulation could have a material impact on Notes linked to a Benchmark, including any of the following circumstances:

- a rate or index which is a Benchmark could not be used as such if its administrator does not obtain authorisation or is based in a non-EU jurisdiction which (subject to applicable transitional provisions) does not satisfy the 'equivalence' conditions, is not 'recognised' pending such a decision and is not 'endorsed' for such purpose. In such event, depending on the particular Benchmark and the applicable Terms and

Conditions of the Notes, the Notes could be de-listed, adjusted, redeemed prior to maturity or otherwise impacted; and

- the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, and could lead to adjustments to the Terms and Conditions of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Amounts payable under the Notes issued under this Programme may be calculated by reference to one or several specific Benchmark(s), each of which are provided by an administrator.

As at the date of this Prospectus, the specific Benchmark(s) are not yet determined. The Final Terms will set out on their cover page the name of the specific Benchmark(s) and the relevant administrator. They will further specify if the relevant administrator appears or does not appear to be on the Register established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation.

Under the Terms and Conditions certain benchmark replacement provisions will apply in case a Benchmark used as a reference for calculation of amounts payable under the Notes issued under this Programme has ceased to be calculated or administered. The application of these replacement provisions could result in the relevant Notes effectively becoming fixed rate instruments.

In addition to the aforementioned Benchmark Regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Following the implementation of any such potential reforms, the manner of administration of Benchmarks may change, with the result that they may perform differently than in the past, or Benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Although it is uncertain whether or to what extent any of the above-mentioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of any Notes linked to the relevant Benchmark, investors should be aware that any changes to a relevant Benchmark may have a material adverse effect on the value of any Notes linked to such Benchmark.

## **1.2.2 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 inability of the Issuer to make distribution and/or redemption payments under the Notes.**

Holders are subject to the risk of a partial or total inability of the Issuer to make distribution and/or redemption payments that are, subject to the limitations described in the Terms and Conditions, scheduled to be made under the Notes. Any deterioration of the creditworthiness of the Issuer would increase the risk of loss. A materialisation of the credit risk may result in partial or total inability of the Issuer to make distribution 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 credit 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 market price of assets such as the Notes or income therefrom will decrease as higher (expected) inflation reduces the purchasing power of a currency. Higher (expected) inflation causes the rate of return to decrease in value. If the inflation rate exceeds the distribution paid on any Notes (if any) 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 may be made to admit the Programme and/or the Notes 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 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 price 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 will be suspended, interrupted or terminated, which may have an adverse effect on the market 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. 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 market price of such Notes. Finally, even if trading in Notes 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 market 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.**

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. 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, 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 distribution payments. Furthermore, government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate.**

The Issuer will pay principal and distributions 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 ("**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 price 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 distribution or principal than expected, or no distributions 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 distributions 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 proceeds 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 may 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 Euroclear, CBL or OeKB CSD. 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.

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

Distribution payments on Notes, or profits realised by a Holder upon the sale or repayment of Notes, may be subject to taxation in the Holder's state of residence or in other jurisdictions in which the Holder is subject to tax. The tax consequences which generally apply to Holders may, however, differ from the tax impact on an individual Holder. Prospective investors, therefore, should contact their own tax advisors 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, in particular as the Notes are subordinated and loss absorbing instruments.**

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.

**The Issuer is exposed to conflicts of interest which might adversely affect the Holders.**

The Issuer may from time to time act in other capacities with regard to the Notes, such as calculation agent, which allows the Issuer to make calculations in respect of the Notes (e.g. the amount of distributions to be paid) which are binding for the Holders. This fact could generate conflicts of interest and may affect the market price of the Notes.

The Issuer may use all or some of the proceeds received from the sale of the Notes to enter into hedging transactions which may affect the market price of the Notes.

Furthermore, members of the Issuer's Management and Supervisory Boards may serve on management or supervisory boards of various different companies (others than Erste Group Bank), including customers of and investors in Erste Group Bank, which may also compete directly or indirectly with the Issuer. Directorships of that kind may expose such persons to

potential conflicts of interest if the Issuer maintains active business relations with said companies, which could have a material adverse effect on the Issuer's business, financial position and results of operations.



## 2. GENERAL INFORMATION

**Listing and admission to trading.** Application may be made to admit the Programme and/or the Notes to the Markets and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series may, but need not be, listed on any of the Markets.

**Approvals.** 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 2018 until 31 December 2018 will be made in accordance with a resolution of the Issuer's Management Board passed on 28 November 2017 and by a resolution of the Issuer's Supervisory Board passed on 14 December 2017, and issues of Notes in 2019 will be made in accordance with resolutions of the Issuer's Management Board, Risk Management Committee of the Supervisory Board (if any) and Supervisory Board which are expected to be adopted in December 2018.

**Significant and material adverse changes.** Except as disclosed under "6.6 Recent Developments" starting on page 132 of this Prospectus, there has been no significant change in the financial position of the Erste Group since 31 December 2017 and no material adverse change in the prospects of the Issuer since 31 December 2017.

**ISIN.** The International Securities Identification Number (ISIN), the Common Code 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.

**Currencies.** Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency if the Issuer and the relevant Dealers so agree.

**Agents.** The Issuer may, subject to the terms of the Agency Agreement dated 9 April 2018, from time to time, remove the Fiscal Agent and/or any paying agent and/or may appoint other or additional paying agents, as set out in the Final Terms. Such other paying agents will be appointed in accordance with applicable statutory requirements and/or the rules of the stock exchanges where Notes of the respective Series are listed, and will either be credit institutions or other entities licensed in the EEA or another market where Erste Group is active to act as paying agents.

**Selling restrictions.** Selling restrictions apply for the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore and Canada, and such other restrictions as may be required in connection with a particular issue. See "11. Subscription and Sale". The Notes to be offered and sold will be subject to the restrictions of Category 2 for the purposes of Regulation S under the Securities Act. Notes treated as issued in bearer form for U.S. federal income tax purposes having a maturity of more than one year will be subject to the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") and will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) (the "D Rules") unless: (i) Part B of the relevant Final Terms states that Notes are issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "C Rules"); or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration-required obligations" under TEFRA, which circumstances will be referred to in Part B of the relevant Final Terms as a transaction to which TEFRA is not applicable.

The following legend will appear on all Notes, Coupons and Talons which have an original maturity of more than one year:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED."

**Clearing systems.** Euroclear, CBL, and, in relation to any Tranche such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer will be

the clearing system. Notes may be cleared through OeKB CSD (and may be settled through Euroclear and CBL).

**Restrictions on the free transferability of the securities.** The Terms and Conditions of the Notes do not contain any restrictions on the free transferability of the Notes. The Notes are freely transferable in accordance with applicable law and the applicable rules of the relevant clearing system.

**Categories of potential investors.** The Issuer generally does not distinct in various categories of potential investors to which the Notes are offered. The Issuer may only offer Notes to institutional investors in any jurisdiction where the legal and further requirements for offering securities are fulfilled. The target market as identified by the Issuer for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients only and no key information document under PRIIPs has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs. If offers are being made simultaneously in the markets of two or more countries, the Issuer generally does not reserve any tranches of Notes for certain of these.

## 3. TERMS AND CONDITIONS OF THE NOTES

### INTRODUCTION

The Issuer and the relevant Dealer will agree on the terms and conditions applicable to each particular Series and Tranche of Notes (the "**Conditions**"). These Conditions will be constituted by the relevant set of terms and conditions set out in this section entitled "*3. Terms and Conditions of the Notes*" (the "**Terms and Conditions**") as further specified by the Final Terms (the "**Final Terms**") as described below.

A separate set of Terms and Conditions shall apply to each type of Notes, as set out below. The Final Terms shall provide for the Issuer to choose among the following Options:

- Option I – Terms and Conditions for Notes with a fixed to fixed distribution rate;
- Option II – Terms and Conditions for Notes with a fixed to floating distribution rate.

The Final Terms shall determine whether Option I or Option II and whether certain further options contained in Option I or Option II shall be applicable to the individual Series and Tranche of Notes by replicating the relevant provisions of, and completing the relevant placeholders set out in, Option I or Option II in the Final Terms. The replicated and completed provisions of the set of Terms and Conditions alone shall constitute the Conditions (the "**Integrated Conditions**"). The Integrated Conditions shall be attached to each global note representing the Notes of the relevant Tranche.

**[OPTION I – TERMS AND CONDITIONS FOR NOTES WITH A FIXED TO FIXED  
DISTRIBUTION RATE**

**§ 1  
CURRENCY, DENOMINATION, FORM,  
CERTAIN DEFINITIONS**

(1) *Currency, Denomination.* This issue of subordinated 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]**) in the denomination of **[insert specified currency and specified denomination]** (the "**Original Principal Amount**").

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

**[In case of Notes which are exclusively represented by a Permanent Global Note insert:**

(3) *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 distribution payments under the Notes is represented by the Permanent Global Note. The Permanent Global Note shall be signed by authorised representatives of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and coupons will not be issued.]

**[In case of Notes which are initially represented by a Temporary Global Note, which will be exchangeable for a Permanent Global Note, insert:**

(3) *Temporary Global Note – Exchange for Permanent Global Note.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in the Original Principal Amount represented by a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**") without coupons; any claim for distribution payments under the Notes is represented by the relevant Global Note. The Global Notes shall each be signed by authorised representatives of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note in the form and subject to the conditions provided in § 1 (3)(a) above from a date (the "**Exchange Date**") not earlier than 40 calendar days after the date of issuance of the Temporary Global Note. Such exchange shall only be made to the extent that certifications have been delivered to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is (are) not (a) U.S. person(s) (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of distributions on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of distributions. Any such certification received on or after the 40th calendar day after the date of issuance of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to § 1 (3)(b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 6 (5)).]

(4) *Clearing System.* The Global Note(s) 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 **[if more than one Clearing System insert: each of]** [OeKB CSD GmbH, Strauchgasse 1-3, A-1010 Vienna, Austria ("**OeKB CSD**")], [.] [and] [Clearstream Banking, S.A., Luxembourg, 42 Avenue J.F. Kennedy, LU-1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**") and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium ("**Euroclear**" and, together with CBL, the "**ICSDs**")], [.] [and] **[specify other Clearing System]** and any successor in such capacity. **[In case of Notes to be kept in**

**custody on behalf of the ICSDs insert:** The Notes shall be kept in custody by a common depository on behalf of both ICSDs.]

(5) *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.

(6) *Business Day.* "**Business Day**" means a calendar day (other than a Saturday or a Sunday) on which [*insert, as applicable:* 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*]] [*insert, as applicable:* and] the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") is open].

## § 2 STATUS

(1) *Ranking.* The Notes constitute direct, unsecured and subordinated obligations of the Issuer and constitute AT 1 Instruments (as defined below).

In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

- (i) junior to all present or future: (a) unsubordinated instruments or obligations of the Issuer; and (b) (x) obligations under any Tier 2 Instruments (as defined below); and (y) all other instruments or obligations of the Issuer ranking or expressed to rank subordinated to the unsubordinated obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes);
- (ii) *pari passu:* (a) among themselves; and (b) with all other present or future instruments or obligations ranking or expressed to rank *pari passu* with the Notes; and
- (iii) senior to all present or future: (a) ordinary shares of the Issuer and any other CET 1 Instruments (as defined below); and (b) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank: (x) subordinated to the obligations of the Issuer under the Notes; or (y) *pari passu* with the ordinary shares of the Issuer and any other CET 1 Instruments.

For the avoidance of doubt, Holders will not participate in any reserves of the Issuer in the event of its liquidation.

The rights of the Holders of the Notes to payment of principal on the Notes are at any time limited to a claim for the prevailing Current Principal Amount (as defined in § 5 (8)(c)).

(2) *No Negative Equity and Waiver of Petition.* The Holders will be entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital* within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*)) has been removed (*beseitigt*) or if, in the event of the liquidation of the Issuer, all other creditors (other than creditors the claims of which rank or are expressed to rank *pari passu* or junior to the Notes) of the Issuer have been satisfied first.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceeds its assets; therefore the obligations of the Issuer under the Notes, if any, will not contribute to the determination of over-indebtedness (*Überschuldung*) in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*).

(3) *No Set-off, Netting or Security.* Claims of the Issuer are not permitted to be set-off or netted against repayment obligations of the Issuer under these Notes. No contractual collateral may be provided by the Issuer or any third person for the liabilities constituted by the Notes. The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes. The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claims under the Notes in insolvency or liquidation.

(4) *Definitions*. In these Terms and Conditions:

**"AT 1 Instruments"** means any (directly or indirectly issued) capital instruments of the Issuer that qualify as Additional Tier 1 instruments pursuant to Article 52 CRR, including any capital instruments that qualify as Additional Tier 1 instruments pursuant to transitional provisions under the CRR.

**"CET 1 Instruments"** means any capital instruments of the Issuer that qualify as Common Equity Tier 1 instruments pursuant to Article 28 CRR.

**"CRR"** means the 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 (*Capital Requirements Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CRR include references to any applicable provisions of law amending or replacing such Articles from time to time.

**"Tier 2 Instruments"** means any (directly or indirectly issued) capital instruments of the Issuer that qualify as Tier 2 instruments pursuant to Article 63 CRR, including any capital instruments that qualify as Tier 2 instruments pursuant to transitional provisions under the CRR.

### **§ 3 DISTRIBUTIONS**

(1) *Distribution Rates and Distribution Payment Dates*. The Notes shall bear distributions on the Current Principal Amount (as defined below) at the rate of **[insert First Rate of Distributions]** per cent. per annum (the "**First Rate of Distributions**") from and including **[insert Distribution Commencement Date]** (the "**Distribution Commencement Date**") to but excluding **[insert First Reset Date]** (the "**First Reset Date**") and thereafter at the relevant Reset Rate of Distributions (as determined according to § 3 (4)) from and including each Reset Date to but excluding the next following Reset Date. **[In case of a short or long first distribution period insert:** With the exception of the first payment of distributions, distributions] **[in case of Notes which have only regular fixed distribution payments insert:** Distributions] shall be scheduled to be paid **[in case of quarterly fixed distribution payments insert:** quarterly] **[in case of semi-annual fixed distribution payments insert:** semi-annually] **[in case of annual fixed distribution payments insert:** annually] in arrear on **[insert Distribution Payment Dates]** in each year (each such date, a "**Distribution Payment Date**"), commencing on **[insert first Distribution Payment Date]** **[in case of a short or long first distribution period insert:** ([short] [long] first coupon)].

Distributions will fall due subject to the provisions set out in § 4 (4) and § 5 (8).

(2) *Calculation of Amount of Distributions*. If the amount of distributions scheduled to be paid under the Notes is required to be calculated for any period of time such amount of distributions for any Distribution Period shall be calculated by the Calculation Agent by applying the First Rate of Distributions to the Current Principal Amount and if the amount of distributions payable under the Notes is required to be calculated for any Distribution Period falling in any Reset Period, such amount of distributions shall be calculated by the Calculation Agent by applying the applicable Reset Rate of Distributions to the Current Principal Amount, in each case multiplying such amount by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest sub-unit of the Specified Currency, half of such sub-unit being rounded upwards or otherwise in accordance with the applicable market convention.

If a Write-down (as defined in § 5 (8)) occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in § 5 (8)) are cancelled in accordance with § 3 (6)(c), the Notes shall bear distributions on the adjusted Current Principal Amount from and including the Effective Date.

If, pursuant to § 5 (9), the Current Principal Amount of the Notes is subject to a Write-up, during a Distribution Period, the amount of distributions shall be calculated by the Calculation Agent on the basis of the adjusted Current Principal Amount from time to time so that the

relevant amount of distributions is determined by reference to such Current Principal Amount as adjusted from time to time and as if such Distribution Period were comprised of two or (as applicable) more consecutive distribution periods, with distribution calculations based on the number of days for which each Current Principal Amount was applicable.

**"Distribution Period"** means the period from and including the Distribution Commencement Date to but excluding the first Distribution Payment Date and each successive period from and including a Distribution Payment Date to but excluding the next succeeding Distribution Payment Date.

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

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

- (i) if the Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of calendar days in such Calculation Period divided by the product of: (x) the number of calendar days in such Determination Period; and (y) the number of Determination Dates (as specified below) that would occur in one calendar year; or
- (ii) if the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
  - (A) the number of calendar 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 calendar days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) the number of calendar days in such Calculation Period falling in the next Determination Period divided by the product of: (x) the number of calendar days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year.

Where:

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

**"Determination Date"** means [●] in each year. The number of Determination Dates per calendar year is **[insert number of regular fixed distribution payment dates per calendar year].**

**[In case Actual/Actual (ISDA) or Actual/365 applies, insert:** the actual number of calendar 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 calendar days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of calendar 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 calendar days in the Calculation Period divided by 365.]

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

**[In case 30/360, 360/360 or Bond Basis applies, insert:** the number of calendar days in the Calculation Period divided by 360, the number of calendar days to be calculated on the basis of a year of 360 calendar days with twelve 30-calendar day months (unless: (1) the last calendar day of the Calculation Period is the 31st calendar day of a month but the first

calendar day of the Calculation Period is a calendar day other than the 30th or 31st calendar day of a month, in which case the month that includes that last calendar day shall not be considered to be shortened to a 30-calendar day month; or (2) the last calendar day of the Calculation Period is the last calendar day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-calendar day month).]

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

(4) *Determination of the Reset Rate of Distributions.*

(a) *Reset Rate of Distributions.* The rate of distributions for each Reset Period (each a "**Reset Rate of Distributions**") shall be the sum of: (x) the Reference Rate (as defined below); and (y) the Margin (as defined below) **[in case of semi-annual or quarterly Distributions insert:** such sum converted from an annual basis to a [semi-annual] [quarterly] basis in accordance with market convention].

"**Reference Rate**" in respect of each Reset Period means the annual swap rate (expressed as a percentage) for swap transactions in the Specified Currency with a term [of **[insert relevant term]**] [equal to the term of the Reset Period starting on the relevant Reset Date], which appears on the Screen Page (as defined below) as of **[insert relevant time]** (**[insert relevant financial centre]** time) on the relevant Reset Determination Date (as defined below), all as determined by the Calculation Agent (as specified in § 6 (1)).

If the Screen Page is unavailable or if the Reference Rate does not appear on the Screen Page as at such time on the relevant Reset Determination Date, the Calculation Agent shall request the principal office of each Reference Bank (as defined below) to provide the Calculation Agent with its mid-market swap rate quotation (expressed as a percentage rate) at approximately **[insert relevant time]** (**[insert relevant financial centre]** time) on the relevant Reset Determination Date.

"**Mid-market swap rate**" means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating interest rate swap transaction in the Specified Currency with a term of [of **[insert relevant term]**] [equal to the term of the Reset Period and commencing on the relevant Reset Date] and in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is based on **[insert relevant reference rate and designated maturity]** (or such other reference rate as is used in accordance with the customary market practice at such time).

If three or more of the Reference Banks provide the Calculation Agent with such rates, the Reference Rate for the relevant Reset Period shall be deemed to be the arithmetic mean (rounded if necessary to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards) of such rates eliminating the highest rate (or, in the event of equality, one of the highest) and the lowest rate (or, in the event of equality, one of the lowest), all as determined by the Calculation Agent.

If the Reference Rate cannot be determined in accordance with the foregoing provisions of this definition of the term "Reference Rate", the Reference Rate for the relevant Reset Period shall be deemed to be the rate determined by the Calculation Agent in its reasonable discretion (§ 315 of the German Civil Code; the Calculation Agent shall take general market practice into account when determining such rate.

"**Margin**" means **[insert credit spread as of the pricing date (which shall not include any increase of the rate of distribution or other incentive to redeem the Notes)]** per cent. per annum.



Where:

"**German Civil Code**" means the German Civil Code (*Bürgerliches Gesetzbuch – BGB*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the German Civil Code include references to any applicable provisions of law amending or replacing such provisions from time to time.

"**Reference Banks**" means five leading swap dealers in the interbank market.

"**Reset Date**" means the First Reset Date and [each **[insert term]** anniversary thereof for as long as the Notes remain outstanding] **[insert other Reset Dates]**.

"**Reset Period**" means the period from and including a Reset Date to but excluding the next following Reset Date.

"**Reset Determination Date**" means the [first] [second] **[insert other relevant number of Business Days]** Business Day [(as defined in § 1 (6))] prior to any Reset Date. **[if a definition is required, which differs from the "Business Day" definition applicable in § 1, insert:** For the purposes of this § 3 (4) only, "**Business Day**" means a calendar day (other than a Saturday or a Sunday **[in case the Reference Rate is the USD-Swap Rate, insert:** or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities) [,] [,] **[if applicable, insert:** on which **[in case TARGET shall be open, insert:** the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") is open] **[and]** 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 relevant financial centres]**].

"**Screen Page**" means **[insert relevant Screen Page, heading, caption]** or the successor page displayed by the same information provider or any other information provider nominated by the Calculation Agent as the replacement information provider for the purposes of displaying the Reference Rate.

(b) *Notification of Reset Rate of Distributions.* The Calculation Agent will cause the Reset Rate of Distributions to be notified to the Issuer, any stock exchange on which the Notes are from time to time listed (if required by the rules of such stock exchange) and to the Holders in accordance with § 10 as soon as possible after its determination.

(c) *Benchmark Replacement.* Notwithstanding the provisions above in this § 3, if the Calculation Agent (in consultation with the Issuer) determines that the Reference Rate has ceased to be published on the Screen Page as a result of the Reference Rate and/or the **[insert relevant reference rate and designated maturity]** (the "**Mid-Swap Floating Leg Benchmark Rate**") ceasing to be calculated or administered, then the following provisions shall apply:

- (i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine in the Independent Adviser's reasonable discretion an alternative rate (the "**Alternative Benchmark Rate**") and an alternative screen page or source (the "**Alternative Screen Page**") no later than three Business Days prior to the Reset Determination Date relating to the next succeeding Reset Period (the "**IA Determination Cut-off Date**") for purposes of determining the Reference Rate for all future Reset Periods (subject to the subsequent operation of this § 3(4)(c));
- (ii) the Alternative Benchmark Rate shall be such rate as the Independent Adviser determines in its reasonable discretion has replaced the Reference Rate in customary market usage for purposes of determining a **[insert relevant term]** mid-swap rate denominated in the Specified Currency or, if the Independent Adviser determines in its reasonable discretion that there is no such rate, such other rate as the Independent Adviser determines in its reasonable discretion is most comparable to the Reference Rate, and the Alternative Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;

- (iii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine an Alternative Benchmark Rate and Alternative Screen Page prior to the IA Determination Cut-off Date in accordance with § 3(4)(c)(ii) above, then the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) may determine which (if any) rate has replaced the Reference Rate in customary market usage for purposes of determining a **[insert relevant term]** mid-swap rate denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; provided, however, that if this § 3(4)(c)(iii) applies and the Issuer is unable to determine an Alternative Benchmark Rate and Alternative Screen Page prior to the Reset Determination Date relating to the next succeeding Reset Period in accordance with this § 3(4)(c)(iii), the Reference Rate applicable to such Reset Period shall be equal to the Reset Rate last determined in relation to the Notes in respect of a preceding Reset Period (which may be the First Rate of Distributions minus the Margin);
- (iv) if an Alternative Benchmark Rate and Alternative Screen Page is determined in accordance with the preceding provisions, such Alternative Benchmark Rate and Alternative Screen Page shall be the benchmark and the Screen Page in relation to the Notes for all future Reset Periods (subject to the subsequent operation of this § 3(4)(c));
- (v) if the Independent Adviser or the Issuer determines an Alternative Benchmark Rate in accordance with the above provisions, the Independent Adviser or the Issuer (as the case may be), may also, following consultation with the Calculation Agent, determine in its reasonable discretion any necessary changes to the Reference Rate, the Mid-Swap Floating Leg Benchmark Rate, the Day Count Fraction, the Business Day Convention, the Business Days and/or the Reset Determination Date applicable to the Notes (including any necessary adjustment factor that is necessary to make the Reference Rate comparable to a **[insert relevant term]** mid-swap rate based on the **[insert relevant reference rate and designated maturity]**), and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Alternative Benchmark Rate, which changes shall be deemed to apply to the Notes for all future Reset Periods (subject to the subsequent operation of this § 3(4)(c)); and
- (vi) the Issuer shall, promptly following the determination of any Alternative Benchmark Rate and Alternative Screen Page, give notice thereof and of any changes which are deemed to apply to the Notes pursuant to § 3(4)(c)(v) above in accordance with § 10 to the Holders.

For the purposes of this § 3(4)(c), "**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser in the Euro-Zone experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

(d) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent or, as the case may be, any Independent Adviser or the Issuer, shall (in the absence of wilful default, bad faith, inequitableness or manifest error) be binding on the Issuer, the Fiscal Agent, the Paying Agents and the Holders and, in the absence of the aforesaid, no liability to the Issuer, the Fiscal Agent, 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.

(5) *Default Distributions.* The Notes shall cease to bear distributions from the expiry of the calendar day preceding the due date for redemption (if the Notes are redeemed). If the Issuer fails to redeem the Notes when due, distributions shall continue to accrue on the Current Principal Amount of the Notes from and including the due date for redemption to but excluding the date of actual redemption of the Notes at the default rate of distributions established by law. This does not affect any additional rights that might be available to the Holders.

(6) *Cancellation of Distributions.*

(a) The Issuer, at its full discretion, may, at all times cancel, in whole or in part, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled payments without restrictions to meet its obligations as they fall due. If the Issuer makes use of such right, it shall give notice to the Holders without undue delay and in any event no later than on the Distribution Payment Date.

(b) Without prejudice to such full discretion of the Issuer, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent:

- (i) the distribution payment scheduled to be paid together with any Additional Amounts thereon and any further Relevant Distributions would exceed the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions together with any Additional Amounts thereon on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based; or
- (ii) the Competent Authority orders the relevant distribution payment scheduled to be paid to be cancelled in whole or in part; or
- (iii) on the relevant Distribution Payment Date such distribution payment aggregated with other Relevant Distributions and any other distributions of the kind referred to in § 24(2) of the Austrian Banking Act (implementing Article 141(2) CRD IV in Austria) would not be in compliance with the restrictions relating to the Maximum Distributable Amount.

If any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date is so mandatorily and automatically cancelled, the Issuer shall give notice to the Holders thereof without undue delay. Any failure to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose.

(c) If a Write-down (as defined in § 5 (8)) occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in § 5 (8)) will be cancelled mandatorily and automatically in full.

(d) Any distribution payment so cancelled will be non-cumulative and will be cancelled definitively and no payments will be made nor will any Holder be entitled to receive any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and will not impose any restrictions on the Issuer.

(e) *Definitions.* In these Terms and Conditions:

"**Austrian Banking Act**" means the Austrian Banking Act (*Bankwesengesetz – BWG*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the Austrian Banking Act include references to any applicable provisions of law amending or replacing such provisions from time to time.

"**Competent Authority**" means the competent authority pursuant to Article 4(1)(40) CRR and/or Article 9(1) SSM Regulation, in each case, which is responsible to supervise the Issuer and/or the Erste Group.

"**CRD IV**" means the 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 (*Capital Requirements Directive IV*), as implemented in Austria and as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CRD IV include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Distributable Items**" means in respect of any payment of distributions on the Notes the distributable items as defined in Article 4(1)(128) CRR in respect of each financial year of the

Issuer, as at the end of the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date for which such Relevant Financial Statements are available, all as determined in accordance with the accounting principles applied by the Issuer and as derived from the most recent Relevant Financial Statements.

"**Erste Group**" means the Issuer and its consolidated Subsidiaries.

"**Maximum Distributable Amount**" means any maximum distributable amount (*maximal ausschüttungsfähiger Betrag*) relating to the Issuer and/or the Erste Group, as the case may be, that may be required to be calculated in accordance with § 24(2) of the Austrian Banking Act (implementing Article 141(2) CRD IV in Austria).

"**Relevant Distributions**" means the sum of: (i) any payments of distributions on the Notes made or scheduled to be made by the Issuer in the relevant financial year of the Issuer; and (ii) any payments of interest, dividends or distributions made or scheduled to be made by the Issuer on any other Tier 1 Instruments in the relevant financial year of the Issuer; and (iii) the amount of any Write-up (as defined below) in the relevant financial year, if any.

"**Relevant Financial Statements**" means: (i) the audited (*geprüft*) and adopted (*festgestellt*) unconsolidated annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date; or (ii) if such audited and adopted unconsolidated annual financial statements of the Issuer are not available at the relevant Distribution Payment Date, unaudited unconsolidated *pro forma* financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements.

"**SSM Regulation**" means the Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (*Single Supervisory Mechanism Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the SSM Regulation include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Subsidiary**" means any subsidiary of the Issuer pursuant to Article 4(1)(16) CRR.

"**Tier 1 Instruments**" means: (i) the CET 1 Instruments; (ii) the AT 1 Instruments; and (iii) any other instruments or obligations of the Issuer ranking *pari passu* as regards payment of interest, dividends or distributions with CET 1 Instruments or AT 1 Instruments.

## **§ 4 PAYMENTS**

(1) (a) *Payment of Principal.* Payment of principal on the Notes shall be made, subject to paragraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System.

(b) *Payment of Distributions.* Payment of distributions on the Notes shall be made, subject to § 3 (6) above and paragraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System **[in case of distribution payments on a Temporary Global Note insert: , and in case of payment of distributions on Notes represented by a Temporary Global Note, upon due certification as provided for in § 1 (3)(b)].**

(2) *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 the Specified Currency of which 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 fulfil 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 further 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 (§ 315 of the German Civil Code)) 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 (§ 315 of the German Civil Code).]

(3) *Discharge*. The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Fixed Payment Business Day*. If the due date for any payment in respect of the Notes would otherwise fall on a calendar day which is not a Fixed 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 calendar day which is a Fixed 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 calendar day which is a Fixed Payment Business Day.]

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

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

"**Fixed Payment Business Day**" means a calendar day (other than a Saturday or a Sunday): (i) on which the Clearing System is open; and (ii) [which is a Business Day (as defined in § 1 (6))] [on which **[insert, as applicable:** 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]** **[insert, as applicable:** [and] the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("TARGET") is open]].

**[If the distribution amount shall be adjusted, insert:** If any Fixed Payment Business Day 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 amount of distribution shall be adjusted accordingly.]

**[If the distribution amount shall not be adjusted, insert:** If any Fixed Payment Business Day 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 amount of distribution 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.

(5) *References to Principal and Distributions*. References in these Terms and Conditions to "principal" in respect of the Notes shall be deemed to include, as applicable: the Current Principal Amount (as defined in § 5 (8)(c)); the Redemption Amount of the Notes (as defined in § 5 (7)); and any premium and any other amounts (other than distributions) which may be

payable under or in respect of the Notes. References in these Terms and Conditions to "distributions" in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts (as defined in § 7 (1)) which may be payable under § 7 (1).

## § 5 REDEMPTION AND WRITE-DOWN

(1) *No Scheduled Maturity.* The Notes are perpetual and have no scheduled maturity date.

(2) *No Redemption at the Option of a Holder.* The Holders do not have a right to demand the redemption of the Notes.

(3) *Redemption at the Option of the Issuer.* The Issuer may, upon giving notice in accordance with § 5 (7), redeem the Notes in whole, but not in part, at the Redemption Amount on any Call Redemption Date. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3 (6). Any such redemption pursuant to this § 5 (3) shall not be possible before five years from the date of issuance and shall only be possible provided that the conditions to redemption and repurchase laid down in § 5 (6) are met.

**"Call Redemption Date"** means the First Reset Date and each [anniversary date thereof] [Distribution Payment Date thereafter] [Reset Date thereafter].

The Issuer may exercise its redemption right pursuant to § 5 (3) only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

(4) *Redemption for Reasons of Taxation.* If a Tax Event occurs, the Issuer may, upon giving notice in accordance with § 5 (7), redeem the Notes in whole, but not in part, at the Redemption Amount at any time on the date of redemption specified in the notice, provided that the conditions to redemption and repurchase laid down in § 5 (6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3 (6).

Where:

A **"Gross-up Event"** occurs if there is a change in the applicable tax treatment of the Notes based on a decision of the local tax authority having competence over the Issuer as a result of which the Issuer has paid, or will or would on the next Distribution Payment Date be required to pay, any Additional Amounts (as defined in § 7 (1)).

A **"Tax Deductibility Event"** occurs if there is a change in the applicable tax treatment of the Notes as a result of which the Issuer, in computing its taxation liabilities in Austria, would not be entitled to claim a deduction in respect of distributions paid on the Notes, or such deductibility is materially reduced.

**"Tax Event"** means a change in, or amendment to, or clarification of, the applicable tax treatment of the Notes, including without limitation, a Tax Deductibility Event or a Gross-up Event, which change or amendment or clarification: (x) subject to (y), becomes effective on or after the date of issuance of the Notes; or (y) in the case of a change, if such change is enacted on or after the date of issuance of the Notes.

(5) *Redemption for Regulatory Reasons.* If a Regulatory Event occurs, the Issuer may, upon giving notice in accordance with § 5 (7), redeem the Notes in whole, but not in part, at the Redemption Amount at any time on the date of redemption specified in the notice, provided that the conditions to redemption and repurchase laid down in § 5 (6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3 (6).

A **"Regulatory Event"** occurs if there is a change in the regulatory classification of the Notes under the Applicable Supervisory Regulations that would be likely to result in their exclusion in full or in part from own funds (other than as a consequence of a Write-down) or reclassification

as a lower quality form of own funds (in each case, on an individual basis of the Issuer and/or on a consolidated basis the Erste Group).

(6) *Conditions to Redemption and Repurchase.* Any redemption pursuant to this § 5 [***if a repurchase is permissible insert:***] and any repurchase pursuant to § 9 (2)] is subject to:

- (i) the Issuer having obtained the prior permission of the Competent Authority for the redemption [***if a repurchase is permissible insert:***] or any repurchase pursuant to § 9 (2)] in accordance with Article 78 CRR, whereas such permission may, *inter alia*, require that:
  - (x) either the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
  - (y) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or repurchase, exceed the minimum requirements laid down in the CRD IV and the CRR by a margin that the Competent Authority considers necessary at such time; and
- (ii) in the case of any redemption or repurchase prior to the fifth anniversary of the date of issuance of the Notes:
  - (x) due to a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the date of issuance of the Notes; and
  - (y) due to a Regulatory Event, the Competent Authority considers such change to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes.

For the avoidance of doubt, any refusal of the Competent Authority to grant permission in accordance with the Applicable Supervisory Regulations shall not constitute a default for any purpose.

(7) *Redemption Notice; Redemption Amount.* Any notice of redemption in accordance with § 5 (3), § 5 (4) or § 5 (5) shall be given by the Issuer to the Holders in accordance with § 10 observing a notice period of not less than [***insert Minimum Notice Period, which shall not be less than 5 Business Days***] [calendar days] [Business Days] [***in case of a Maximum Notice Period insert:***] nor more than [***insert Maximum Notice Period***] [calendar days] [Business Days]]. Such notice shall be irrevocable and shall specify:

- (i) the series number of the Notes;
- (ii) in the case of a notice of redemption in accordance with § 5 (3) the Call Redemption Date or in the case of a notice of redemption in accordance with § 5 (4) or § 5 (5) the date of redemption; and
- (iii) the Redemption Amount at which the Notes are to be redeemed.

"Redemption Amount" per Note means the Current Principal Amount per Note.

Any notice of redemption in accordance with § 5 (3), § 5 (4) or § 5 (5) and this § 5 (7) will be subject to § 5 (8)(b).

(8) *Write-down.*

(a) If a Trigger Event (as defined below) has occurred:

- (i) the Issuer will immediately inform the Competent Authority that the Trigger Event has occurred;

- (ii) the Issuer will determine the Write-down Amount (as defined below) as soon as possible, but in any case within a maximum period of one month following the determination that a Trigger Event has occurred;
- (iii) the Issuer will without undue delay inform the Fiscal Agent and the Holders that a Trigger Event has occurred by publishing a notice (such notice a "**Write-down Notice**") which will specify the Write-down Amount as well as the new/reduced Current Principal Amount of each Note and the Effective Date (as defined below), provided that any failure to provide such Write-down Notice shall not prevent, or otherwise impact the exercise of a Write-down;
- (iv) the Issuer will (without the need for the consent of Holders) reduce the Current Principal Amount of each Note by the relevant Write-down Amount (such reduction being referred to as a "**Write-down**") without undue delay, but not later than within one month, with effect as from the Effective Date; and
- (v) unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date will be cancelled in accordance with § 3 (6)(c).

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion, each Note may be subject to a Write-down on more than one occasion and the Current Principal Amount of a Note may never be reduced to below **[insert Specified Currency] [0.01 or lower amount]**.

(b) The Issuer shall not give a notice of redemption after a Write-down Notice has been given until the Write-down has been effected in respect of the relevant Trigger Event.

In addition, if a Trigger Event occurs after a notice of redemption but before the date on which such redemption becomes effective, the notice of redemption shall automatically be deemed revoked and shall be null and void and the relevant redemption shall not be made.

(c) *Definitions.* In these Terms and Conditions:

"**Applicable Supervisory Regulations**" means, at any time, any requirements of Austrian law or contained in the regulations, requirements, guidelines or policies of the Competent Authority, the European Parliament and/or the European Council, then in effect in Austria and applicable to the Issuer and the Erste Group, including but not limited to the provisions of the Austrian Banking Act, the CRD IV, the CRR, the CDR and the SSM Regulation in each case as amended from time to time, or such other law, regulation or directive as may come into effect in place thereof.

"**CDR**" means the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (*Capital Delegated Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CDR include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Current Principal Amount**" means initially the Original Principal Amount, which from time to time, on one or more occasions, may be reduced by a Write-down and, subsequent to any such reduction, may be increased by a Write-up (as defined below), if any (up to the Original Principal Amount).

"**Effective Date**" means the date specified as such in the Write-down Notice to the Holders, being no later than one month (or such shorter period as the Competent Authority may require) following the occurrence of the relevant Trigger Event.

"**Group CET 1 Capital Ratio**" means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the Erste Group on a consolidated basis, as calculated by the Issuer in accordance with the Applicable Supervisory Regulations, which determination will be binding on the Holders.

"**Issuer CET 1 Capital Ratio**" means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the Issuer on an individual basis, as calculated by the Issuer in



accordance with the Applicable Supervisory Regulations, which determination will be binding on the Holders.

**"Minimum Trigger Level"** means in respect of: (i) the Group CET 1 Capital Ratio **[insert consolidated minimum trigger level]** per cent.; and/or (ii) the Issuer CET 1 Capital Ratio **[insert individual minimum trigger level]** per cent.

**"Required Loss Absorption Amount"** means the amount by which, upon the occurrence of a Trigger Event, a Write-down of the aggregate Current Principal Amount of the Notes shall be effected *pro rata* with the aggregate (current) principal amount of any other AT 1 Instruments the trigger events for a write-down or conversion (loss absorption) of which pursuant to their terms have occurred and whose minimum trigger levels have not been restored, irrespective of the opening of any insolvency proceedings. For such purpose, the total amount of the write-downs to be allocated *pro rata* shall be equal to the amount required to fully restore or maintain the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio to at least the Minimum Trigger Level, as applicable, but shall not exceed the sum of the principal amounts of AT 1 Instruments the trigger events for a write-down or conversion of which pursuant to their terms have occurred, the minimum trigger levels of which have not been restored and which are outstanding at the time of occurrence of the Trigger Event.

To the extent the write-down (or write-off) or conversion into Common Equity Tier 1 instruments of any other AT 1 Instrument whose trigger events for a write-down or conversion pursuant to their terms have occurred is not, or within one month from the determination that the relevant trigger event has occurred will not be, effective for any reason:

- (i) the ineffectiveness of any such write-down (or write-off) or conversion into Common Equity Tier 1 instruments shall not prejudice the requirement to effect a Write-down of the Notes (loss absorption); and
- (ii) the write-down (or write-off) or conversion into Common Equity Tier 1 instruments of any other AT 1 Instrument whose trigger events for a write-down or conversion pursuant to their terms have occurred which is not, or within one month from the determination that the relevant Trigger Event has occurred will not be, effective shall not be taken into account in determining such Write-down of the Notes.

Where:

A **"Trigger Event"** occurs if it has been determined that: (i) the Group CET 1 Capital Ratio; and/or (ii) the Issuer CET 1 Capital Ratio fall to an amount that is lower than the applicable Minimum Trigger Level.

**"Write-down Amount"** per Note means the amount by which the Current Principal Amount per Note is to be written-down on an Effective Date, being the higher of (i) the *pro rata* share of the Note in the Required Loss Absorption Amount; and (ii) if the amount in (i) is insufficient to fully restore or maintain the Issuer CET 1 Capital Ratio; and/or the Group CET 1 Capital Ratio to the Minimum Trigger Level, the amount necessary to reduce the Current Principal Amount to **[insert Specified Currency]** **[insert 0.01 or lower amount]**. **[if Specified Currency is not euro, insert:** Any amounts in any currency other than euro will, for purposes of establishing the Write-down Amount be converted into euro at the foreign exchange rate prevailing on the [third] business day prior to the Effective Date; such foreign exchange rate shall be determined by the Issuer in its reasonable discretion (§ 315 of the German Civil Code).]

(d) Any reduction of the Current Principal Amount of a Note pursuant to this § 5(8) shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts written-down, whether in the insolvency or liquidation of the Issuer or otherwise, save to the extent (if any) such amounts are subject to a Write-up in accordance with § 5 (9).

(9) *Write-up*. The Issuer may, at its sole discretion, effect a reversal of a Write-down by writing up the Current Principal Amount in whole or in part up to a maximum of the Original Principal Amount (a **"Write-up"**), provided that a positive Profit has been recorded, and subject to the below limitations. There will be no obligation for the Issuer to operate or accelerate a Write-up under any specific circumstances.

If the Issuer so decides in its sole discretion, the Write-up will occur with effect as of the Write-Up Date (as defined below) (including).

At its discretion (without being obliged to) the Issuer may effect such Write-up provided that:

- (i) at the time of the Write-up, there must not exist any Trigger Event that is continuing; any Write-up is also excluded if such Write-up would give rise to the occurrence of a Trigger Event;
- (ii) such Write-up is applied on a *pro rata* basis to all Notes and among Loss Absorbing Written-down Instruments; and
- (iii) the sum of: (x) the aggregate amount attributed to the relevant Write-up of the Notes and the aggregate increase in principal amount of Loss Absorbing Written-down Instruments resulting from any previous write-up since the end of the then previous financial year; and (y) the aggregate amount of any distribution and any Additional Amounts thereon paid on the aggregate Current Principal Amount of the Notes and the aggregate amount of any distribution and any additional amounts thereon paid on Loss Absorbing Written-down Instruments as calculated at the moment the Write-up is operated will not exceed the Maximum Write-up Amount at any time after the end of the then previous financial year.

The amount of any Write-up and payments of distributions on the reduced Current Principal Amount shall be treated as payment resulting in a reduction of Common Equity Tier 1 pursuant to Article 28 CRR and shall be subject, together with other distributions on CET 1 Instruments, to the restrictions relating to the Maximum Distributable Amount as referred to in § 24(2) of the Austrian Banking Act (implementing Article 141(2) CRD IV in Austria).

For the avoidance of doubt, a Write-up of the Notes may occur on one or more occasions until the Current Principal Amount equals the Original Principal Amount. Write-ups do not have priority over dividend payments and other distributions on shares and other CET 1 Instruments of the Issuer, i.e. such payments and distributions are permitted even if no full Write-up of the Notes has been effected.

If the Issuer elects to effect a Write-up, it will publish a notice about the Write-up (including the amount of the Write-up as a percentage of the Original Principal Amount and the effective date of the Write-up (in each case a "**Write-up Date**")) no later than 10 calendar days prior to the relevant Write-up Date to the Fiscal Agent and, in accordance with § 10, to the Holders. The Write-up shall be deemed to be effected at the time when the notice to the Holders is given in accordance with § 10 and the Current Principal Amount shall be deemed to be increased by the amount specified in the notice with effect as of the Write-up Date.

Where:

**"Maximum Write-up Amount"** means the lower of:

- (i) the consolidated Profit multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-down Instruments of the Erste Group (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 Capital pursuant to Article 25 CRR of the Erste Group as at the date the relevant Write-up is operated; and
- (ii) the Profit on an unconsolidated basis multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-down Instruments of the Issuer (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 Capital pursuant to Article 25 CRR of the Issuer as at the date the relevant Write-up is operated;

or any higher or lower amount permitted to be used under the Applicable Supervisory Regulations in effect on the date of the relevant Write-up.

**"Loss Absorbing Written-down Instrument"** means any (directly or indirectly issued) Additional Tier 1 instrument pursuant to Article 52 CRR (other than the Notes) of the Issuer or, as applicable, any instrument issued by a member of the Erste Group and qualifying as

Additional Tier 1 instruments pursuant to Article 52 CRR of the Issuer and/or the Erste Group, that has had all or some of its principal amount written-down on a temporary basis, and that has terms permitting a principal write-up to occur on a basis similar to that provided herein in the circumstances existing on the date of the Write-up of the Notes.

**[If Specified Currency is not Euro, insert:** Any amounts in a currency other than Euro will, for purposes of establishing the Maximum Write-up Amount be converted into Euro at the foreign exchange rate prevailing on the [third] business day prior to the Effective Date.]

"Profit" means: (i) the net income for the year (*Jahresüberschuss*) of the Issuer on an unconsolidated basis recorded in the Relevant Financial Statements; or (ii) the consolidated net income for the year (*Jahresüberschuss*) on a consolidated basis recorded in the consolidated financial statements of the Erste Group, in each case after such Relevant Financial Statements or consolidated financial statements have formally been determined (*festgestellt*) by either the supervisory board (*Aufsichtsrat*) or, if so requested, the shareholders' meeting (*Hauptversammlung*) of the Issuer.

## § 6 FISCAL AGENT, PAYING AGENT[S] AND CALCULATION AGENT

(1) *Appointment; Specified Offices.* The initial Fiscal Agent, the initial Principal Paying Agent **[in case (a) further paying agent(s) shall be appointed, insert:**, the initial Paying Agent(s)] and the initial Calculation Agent and their respective initial specified offices are:

Fiscal Agent and Principal Paying Agent:

**[In case BNP Paribas Securities Services, Luxembourg Branch shall be appointed as initial Fiscal and Principal Paying Agent insert:**

BNP Paribas Securities Services, Luxembourg Branch  
60, avenue J.F. Kennedy  
LU-1855 Luxembourg  
(Postal Address: LU-2085 Luxembourg)  
Grand Duchy of Luxembourg]

**[In case another Fiscal and Principal Paying Agent shall be appointed, insert its name and initial specified office.]**

**[In case an additional or other paying agent shall be appointed, insert its name and initial specified office.]**

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

Calculation Agent:

**[In case Erste Group Bank AG shall be appointed as Calculation Agent insert:**

Erste Group Bank AG  
Am Belvedere 1  
A-1100 Vienna  
Austria]

**[In case another Calculation Agent shall be appointed, insert its name and initial specified office.]**

The Fiscal 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 the Fiscal Agent, any Paying Agent or the Calculation Agent and to appoint another Fiscal Agent, additional or other Paying Agents or another Calculation

Agent. The Issuer shall at all times maintain (i) a Fiscal Agent [;] [and] (ii) so long as the Notes are listed on a stock exchange, a Paying Agent (which may be the Fiscal Agent) with a specified office in such place as may be required by the rules of such stock exchange or its supervisory [authority] [authorities] **[in case of payments in U.S. Dollars insert: ;] [and]** (iii) if payments at or through the offices of all Paying Agents outside the United States become illegal or are effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts in U.S. Dollars, a Paying Agent with a specified office in New York] **[in case a Calculation Agent is to be appointed insert: ; and ([iv]) a Calculation Agent]**. 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.

(3) *Agents of the Issuer.* The Fiscal Agent, 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 Fiscal Agent shall (in the absence of wilful default, bad faith, inequitableness or manifest error) be binding on the Issuer, the Paying Agents, the Calculation Agent and the Holders and, in the absence of the aforesaid, no liability to the Issuer, the Paying Agents, the Calculation Agent or the Holders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**[In case of Notes which are initially represented by a Temporary Global Note, which will be exchanged for a Permanent Global Note, or in case of Notes whose Specified Currency is U.S. Dollar, insert:**

(5) *United States.* For purposes of these Terms and Conditions, "United States" or "U.S." means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).]

## § 7 TAXATION

(1) *General Taxation.* All payments of distributions by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Austria or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

In that event, and subject to this provision, the Issuer shall pay such additional amounts (the "**Additional Amounts**") to the Holder as shall result in receipt by that Holder of such amounts as would have been received by it had no such withholding or deduction been required, provided however that any such Additional Amounts are only payable if and to the extent they: (i) would not exceed the Distributable Items; and (ii) only relate to withholding tax applicable to distributions by or on behalf of the Issuer. No such Additional Amounts shall be payable with respect to any Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Austria other than the mere holding of the Note; or
- (b) presented for payment more than [30] **[insert other period]** calendar days after the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven calendar days after that on which notice is duly given to the Holders in accordance with § 10 that, upon further presentation of the Notes being made, such payment will be made, provided that

payment is in fact made upon such presentation, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the Note for payment on the [thirtieth] **[insert other relevant number of calendar days]** such calendar day; or

- (c) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

(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 an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or the intergovernmental agreement between the United States and the other jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

## § 8 PRESENTATION PERIOD

The presentation period provided in § 801 (1) sentence 1 German Civil Code is reduced to [ten] **[insert other time period]** years for the Notes.

## § 9 FURTHER ISSUES OF NOTES, REPURCHASES 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, issue price, Distribution Commencement Date and/or first Distribution Payment Date) so as to form a single series with the Notes.

(2) *Repurchases*. **[If a repurchase of Notes is permissible, insert:** Provided that all applicable regulatory and other statutory restrictions are observed, and provided further that the conditions to redemption and repurchase laid down in § 5 (6) are met, the Issuer and any of its Subsidiaries may repurchase Notes in the open market or otherwise at any price. Notes repurchased by the Issuer or the Subsidiary may, at the option of the Issuer or such Subsidiary, be held, resold or surrendered to the Fiscal Agent for cancellation.] **[If a repurchase of Notes is not permissible, insert:** Neither the Issuer nor its Subsidiaries may at any time repurchase Notes.]

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

## § 10 NOTICES

(1) *Notices of the Issuer*. All notices of the Issuer concerning the Notes shall be published in [such media as determined by law] **[insert specific media]** and in electronic form 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) [unless the notice provides for a later effective date].

(2) *Publication of Notices of the Issuer via the 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 English language to the Issuer or the Fiscal Agent (for onward delivery to the Issuer) and 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.

## § 11 AMENDMENTS TO THE TERMS AND CONDITIONS, JOINT REPRESENTATIVE

(1) *Amendment of the Terms and Conditions.* Subject to compliance with the Applicable Supervisory Regulations for the Notes to qualify as AT 1 instruments, the Issuer may amend the Terms and Conditions with the consent of a majority resolution of the Holders pursuant to §§ 5 *et seqq.* of the SchVG. There will be no amendment of the Terms and Conditions without the Issuer's consent.

In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5(3) of the SchVG by resolutions passed by such majority of the votes of the Holders as stated under § 11 (2) below. A duly passed majority resolution will be binding upon all Holders.

"**SchVG**" means the German Debt Securities Act (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – SchVG*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the SchVG include references to any applicable provisions of law amending or replacing such provisions from time to time.

(2) *Majority requirements.* Except as provided by the following sentence and provided that the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3)(1) through (9) of the SchVG, may only be passed by a majority of at least 75 *per cent.* of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch - HGB*)) or are being held for the account of the Issuer or any of its affiliates.

(3) *Resolutions.* Resolutions of the Holders will be made either in a Holders' meeting in accordance with § 11 (3)(i) or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 11 (3)(ii), in either case convened by the Issuer or a joint representative, if any.

- (i) Resolutions of the Holders in a Holders' meeting will be made in accordance with §§ 9 *et seqq.* of the SchVG. The convening notice of a Holders' meeting will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders in the agenda of the meeting.
- (ii) Resolutions of the Holders by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) will be made in accordance with § 18 of the SchVG. The request for voting as submitted by the chairman (*Abstimmungsleiter*) will provide

the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders together with the request for voting.

(4) *Second Holders' meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to § 11 (3)(ii), the chairman (*Abstimmungsleiter*) may convene a meeting, which shall be deemed to be a second meeting within the meaning of § 15(3) sentence 3 of the SchVG.

(5) *Registration.* The exercise of voting rights is subject to the registration of the Holders. The registration must be received at the address stated in the request for voting no later than the third day prior to the meeting in the case of a Holders' meeting (as described in § 11 (3)(i) or § 11 (4)) or the beginning of the voting period in the case of voting not requiring a physical meeting (as described in § 11 (3)(ii)), as the case may be. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of their respective depositary bank hereof in text form and by submission of a blocking instruction by the depositary bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting or day the voting period ends, as the case may be.

(6) *Joint representative.* The Holders may by majority resolution provide for the appointment or dismissal of a joint representative, the duties and responsibilities and the powers of such joint representative, the transfer of the rights of the Holders to the joint representative and a limitation of liability of the joint representative. Appointment of a joint representative may only be passed by a Qualified Majority if such joint representative is to be authorised to consent to a material change in the substance of the Terms and Conditions in accordance with § 11 (1) hereof.

The joint representative shall have the duties and powers provided by law or granted by majority resolutions of the Holders. The joint representative shall comply with the instructions of the Holders. To the extent that the joint representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The joint representative shall provide reports to the Holders on its activities. The provisions of the SchVG apply with regard to the recall and the other rights and obligations of the joint representative.

Unless the joint representative is liable for wilful misconduct (*Vorsatz*) or gross negligence (*grobe Fahrlässigkeit*), the joint representative's liability shall be limited to ten times the amount of its annual remuneration.

(7) *Notices.* Any notices concerning this § 11 will be made in accordance with §§ 5 *et seqq.* of the SchVG and § 10.

(8) *Exclusion of the Applicability of the Austrian Notes Trustee Act.* The applicability of the provisions of the Austrian Notes Trustee Act (*Kuratorenengesetz*) and the Austrian Notes Trustee Supplementation Act (*Kuratorenenergänzungsgesetz*) is explicitly excluded in relation to the Notes.

## **§ 12 APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT**

(1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by, and shall be construed exclusively in accordance with, German law. The status provisions in § 2 shall be governed by, and shall be construed exclusively in accordance with, Austrian law.

(2) *Place of Jurisdiction.* Subject to any exclusive court of venue for specific legal proceedings in connection with the SchVG, the [District Court (*Landgericht*) in Frankfurt am Main, Federal Republic of Germany] [**insert other German or Austrian court**], shall have non-exclusive jurisdiction for any action or other legal proceedings (the "**Proceedings**") arising out of or in

connection with the Notes. **[Insert if a German court has jurisdiction:** The Issuer appoints Erste Group Bank AG, Friedrichstraße 10, D-70174 Stuttgart, Federal Republic of Germany, as its authorised agent for accepting service of process in connection with any Proceedings before German courts.]

The local court (*Amtsgericht*) of Frankfurt am Main will have jurisdiction for all judgments pursuant to § 9(2), § 13(3) and § 18(2) of the SchVG in accordance with § 9(3) of the SchVG. The regional court (*Landgericht*) Frankfurt am Main will have exclusive jurisdiction for all judgments over contested resolutions by Holders in accordance with § 20(3) of the SchVG.

(3) *Enforcement.* Any Holder of Notes may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in its own name its rights arising under such Notes on the basis of: (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes: (a) stating the full name and address of the Holder; (b) specifying the aggregate principal amount of the Notes credited to such securities account on the date of such statement; and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b); and (ii) a copy of the Global Note certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such Proceedings of the actual records or the Global Note representing the Notes. Each Holder may, without prejudice to the foregoing, protect and enforce its rights under the Notes also in any other way which is admitted in the country of the Proceedings.]



**[OPTION II – TERMS AND CONDITIONS FOR NOTES WITH A FIXED TO FLOATING  
DISTRIBUTION RATE**

**§ 1  
CURRENCY, DENOMINATION, FORM,  
CERTAIN DEFINITIONS**

(1) *Currency, Denomination.* This issue of subordinated 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]**) in the denomination of **[insert specified currency and specified denomination]** (the "**Original Principal Amount**").

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

**[In case of Notes which are exclusively represented by a Permanent Global Note insert:**

(3) *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 distribution payments under the Notes is represented by the Permanent Global Note. The Permanent Global Note shall be signed by authorised representatives of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and coupons will not be issued.]

**[In case of Notes which are initially represented by a Temporary Global Note, which will be exchangeable for a Permanent Global Note, insert:**

(3) *Temporary Global Note – Exchange for Permanent Global Note.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in the Original Principal Amount represented by a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**") without coupons; any claim for distribution payments under the Notes is represented by the relevant Global Note. The Global Notes shall each be signed by authorised representatives of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note in the form and subject to the conditions provided in § 1 (3)(a) above from a date (the "**Exchange Date**") not earlier than 40 calendar days after the date of issuance of the Temporary Global Note. Such exchange shall only be made to the extent that certifications have been delivered to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is (are) not (a) U.S. person(s) (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of distributions on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of distributions. Any such certification received on or after the 40th calendar day after the date of issuance of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to § 1 (3)(b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 6 (5)).]

(4) *Clearing System.* The Global Note(s) 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 **[if more than one Clearing System insert: each of]** [OeKB CSD GmbH, Strauchgasse 1-3, A-1010 Vienna, Austria ("**OeKB CSD**")], [.] [and] [Clearstream Banking, S.A., Luxembourg, 42 Avenue J.F. Kennedy, LU-1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**") and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium ("**Euroclear**" and, together with CBL, the "**ICSDs**")], [.] [and] **[specify other Clearing System]** and any successor in such capacity. **[In case of Notes to be kept in**

**custody on behalf of the ICSDs insert:** The Notes shall be kept in custody by a common depositary on behalf of both ICSDs.]

(5) *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.

(6) *Business Day.* "**Business Day**" means a calendar day (other than a Saturday or a Sunday) on which [*insert, as applicable:* 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*]] [*insert, as applicable:* and] the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") is open].

## § 2 STATUS

(1) *Ranking.* The Notes constitute direct, unsecured and subordinated obligations of the Issuer and constitute AT 1 Instruments (as defined below).

In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

- (i) junior to all present or future: (a) unsubordinated instruments or obligations of the Issuer; and (b) (x) obligations under any Tier 2 Instruments (as defined below); and (y) all other instruments or obligations of the Issuer ranking or expressed to rank subordinated to the unsubordinated obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes);
- (ii) *pari passu:* (a) among themselves; and (b) with all other present or future instruments or obligations ranking or expressed to rank *pari passu* with the Notes; and
- (iii) senior to all present or future (a) ordinary shares of the Issuer and any other CET 1 Instruments (as defined below); and (b) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank: (x) subordinated to the obligations of the Issuer under the Notes; or (y) *pari passu* with the ordinary shares of the Issuer and any other CET 1 Instruments.

For the avoidance of doubt, Holders will not participate in any reserves of the Issuer in the event of its liquidation.

The rights of the Holders of the Notes to payment of principal on the Notes are at any time limited to a claim for the prevailing Current Principal Amount (as defined in § 5 (8)(c)).

(2) *No Negative Equity and Waiver of Petition.* The Holders will be entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital* within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*)) has been removed (*beseitigt*) or if, in the event of the liquidation of the Issuer, all other creditors (other than creditors the claims of which rank or are expressed to rank *pari passu* or junior to the Notes) of the Issuer have been satisfied first.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceeds its assets; therefore the obligations of the Issuer under the Notes, if any, will not contribute to the determination of over-indebtedness (*Überschuldung*) in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*).

(3) *No Set-off, Netting or Security.* Claims of the Issuer are not permitted to be set-off or netted against repayment obligations of the Issuer under these Notes. No contractual collateral may be provided by the Issuer or any third person for the liabilities constituted by the Notes. The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes. The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claims under the Notes in insolvency or liquidation.

(4) *Definitions.* In these Terms and Conditions:

**"AT 1 Instruments"** means any (directly or indirectly issued) capital instruments of the Issuer that qualify as Additional Tier 1 instruments pursuant to Article 52 CRR, including any capital instruments that qualify as Additional Tier 1 instruments pursuant to transitional provisions under the CRR.

**"CET 1 Instruments"** means any capital instruments of the Issuer that qualify as Common Equity Tier 1 instruments pursuant to Article 28 CRR.

**"CRR"** means the 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 (*Capital Requirements Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CRR include references to any applicable provisions of law amending or replacing such Articles from time to time.

**"Tier 2 Instruments"** means any (directly or indirectly issued) capital instruments of the Issuer that qualify as Tier 2 instruments pursuant to Article 63 CRR, including any capital instruments that qualify as Tier 2 instruments pursuant to transitional provisions under the CRR.

### § 3 DISTRIBUTIONS

(1) *Fixed Rate Distributions.*

(a) *Fixed Rate of Distributions and Fixed Distribution Payment Dates.* The Notes shall bear distributions on the Current Principal Amount (as defined below) at the rate of [*insert First Rate of Distributions*] per cent. per annum (the "**Fixed Rate of Distributions**") from and including [*insert Distribution Commencement Date*] (the "**Distribution Commencement Date**") to but excluding [*insert Reset Date*] (the "**Reset Date**") (the "**First Period**"). [*In case of a short or long first distribution period insert:* With the exception of the first payment of distributions, distributions] [*in case of Notes which have only regular fixed distribution payments insert:* Distributions] for the First Period shall be scheduled to be paid [*in case of quarterly fixed distribution payments insert:* quarterly] [*in case of semi-annual fixed distribution payments insert:* semi-annually] [*in case of annual fixed distribution payments insert:* annually] in arrear on [*insert Fixed Distribution Payment Dates*] in each year (each such date, a "**Fixed Distribution Payment Date**"), commencing on [*insert first Fixed Distribution Payment Date*] [*in case of a short or long first distribution period insert:* ([short] [long] first coupon)].

Distributions will fall due subject to the provisions set out in § 4 (4) and § 5 (8).

**"Fixed Distribution Period"** means the period from and including the Distribution Commencement Date to but excluding the first Fixed Distribution Payment Date and each successive period from and including a Fixed Distribution Payment Date to but excluding the next succeeding Fixed Distribution Payment Date, with the last Fixed Distribution Payment Date falling on the Reset Date.

(b) *Calculation of Amount of Distributions.* If the amount of distributions scheduled to be paid under the Notes is required to be calculated for any period of time in the First Period such amount of distributions shall be calculated by the Calculation Agent by applying the Fixed Rate of Distributions to the Current Principal Amount (as defined below) multiplying such amount by the applicable Fixed Rate Day Count Fraction (as defined below), and rounding the resultant figure to the nearest sub-unit of the Specified Currency, half of such sub-unit being rounded upwards or otherwise in accordance with the applicable market convention.

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

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

- (i) if the Calculation Period is equal to or shorter than the Fixed Rate Determination Period during which the Calculation Period ends, the number of calendar days in such Calculation Period divided by the product of: (x) the number of calendar days in such Fixed Rate Determination Period; and (y) the number of Fixed Rate Determination Dates (as specified below) that would occur in one calendar year; or
- (ii) if the Calculation Period is longer than the Fixed Rate Determination Period during which the Calculation Period ends, the sum of:
  - (A) the number of calendar days in such Calculation Period falling in the Fixed Rate Determination Period in which the Calculation Period begins divided by the product of: (x) the number of calendar days in such Fixed Rate Determination Period; and (y) the number of Fixed Rate Determination Dates that would occur in one calendar year; and
  - (B) the number of calendar days in such Calculation Period falling in the next Fixed Rate Determination Period divided by the product of: (x) the number of calendar days in such Fixed Rate Determination Period; and (y) the number of Fixed Rate Determination Dates that would occur in one calendar year.

Where:

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

**"Fixed Rate Determination Date"** means [●] in each year. The number of Fixed Rate Determination Dates per calendar year is [*insert number of regular fixed distribution payment dates per calendar year*].]

**[In case Actual/Actual (ISDA) or Actual/365 applies, insert:** the actual number of calendar 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 calendar days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of calendar 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 calendar days in the Calculation Period divided by 365.]

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

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

**[In case 30E/360 or Eurobond Basis applies, insert:** the number of calendar days in the Calculation Period divided by 360 (the number of calendar days to be calculated on the basis of a year of 360 calendar days with twelve 30-calendar day months, without regard to the date of the first calendar day or last calendar day of the Calculation Period unless, in the case of the final Calculation Period, the date of redemption is the last calendar day of the month of

February, in which case the month of February shall not be considered to be lengthened to a 30-calendar day month).]

(2) *Floating Distributions.*

(a) *Floating Distribution Payment Dates.*

The Notes shall bear distributions on the Current Principal Amount at the Floating Rate of Distributions (as defined below) from and including the Reset Date to but excluding the first Floating Distribution Payment Date and thereafter from and including each Floating Distribution Payment Date to but excluding the next subsequent Floating Distribution Payment Date (each such period a "**Floating Distribution Period**").

Distributions on the Notes shall be scheduled to be paid in arrear on each Floating Distribution Payment Date. "**Floating Distribution Payment Date**" means, subject to the Floating Business Day Convention (as defined below), each [*insert specified Floating Distribution Payment Dates*], commencing on [*insert first Floating Distribution Payment Date*].

"**Floating Business Day Convention**" has the following meaning: If any Floating Distribution Payment Date would otherwise fall on a day which is not a Business Day (as defined below), the Floating Distribution Payment Date shall be

**[In case of Modified Following Business Day Convention (adjusted), the following applies:**

postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Distribution Payment Date shall be brought forward to the immediately preceding Business Day.]

**[In case of FRN Convention (adjusted), the following applies:**

postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) the Floating Distribution Payment Date shall be brought forward to the immediately preceding Business Day; and (ii) each subsequent Floating Distribution Payment Date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment.]

**[In case of Following Business Day Convention (adjusted), the following applies:**

postponed to the next day which is a Business Day.]

**[In case of Preceding Business Day Convention (adjusted), the following applies:**

the immediately preceding Business Day.]

"**Business Day**" means a day which is

**[If the Specified Currency is euro, the following applies:**

a day (other than a Saturday or a Sunday) on which both (i) the Clearing System and (ii) all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system 2 (TARGET) are open to effect payments.]

**[If the Specified Currency is not euro, the following applies:**

a day (other than a Saturday or a Sunday) on which commercial banks and the Clearing System are generally open for business and foreign exchange markets settle payments in [*insert all relevant financial centres*].

Distributions will fall due in accordance with the provisions set out in § 4 (5) and § 5(8).

(b) *Floating Rate of Distributions.* The floating rate of distributions (the "**Floating Rate of Distributions**") for each Floating Distribution Period shall be the Reference Rate (as defined below) [*in case of a Margin insert: [plus] [minus] the Margin (as defined below)*].

"**Reference Rate**" means the offered rate (expressed as a percentage rate *per annum*) for deposits in the Specified Currency with a term equal to the Floating Distribution Period, which

appears on the Screen Page (as defined below) as of **[insert relevant time] ([insert relevant financial centre] time)** on the relevant Floating Rate Determination Date (as defined below), all as determined by the Calculation Agent (as specified in § 6 (1)).

If the Screen Page is unavailable or if the Reference Rate does not appear on the Screen Page as at such time on the relevant Floating Rate Determination Date, the Calculation Agent shall request the principal office of each Reference Bank (as defined below) to provide the Calculation Agent with its rate (expressed as a percentage rate *per annum*) at which it offers deposits in the Specified Currency with a term equal to the Floating Distribution Period, at approximately **[insert relevant time] ([insert relevant financial centre] time)** on the Floating Rate Determination Date.

If two or more of the Reference Banks provide the Calculation Agent with such rates, the Reference Rate for such Floating Distribution Period shall be deemed to be the arithmetic mean (rounded if necessary to the nearest **[if the Reference Rate is EURIBOR insert: one thousandth of a percentage point, with 0.0005 being rounded upwards] [if the Reference Rate is not EURIBOR insert: one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards]**) of such rates, all as determined by the Calculation Agent.

If the Reference Rate cannot be determined in accordance with the foregoing provisions of the definition of the term "Reference Rate", the Reference Rate for the relevant Floating Distribution Period shall be deemed to be the rate determined by the Calculation Agent in its reasonable discretion (§ 315 of the German Civil Code); the Calculation Agent shall take general market practice into account when determining such rate.

**[In case of Notes which have a margin, insert: "Margin" means [insert credit spread as of the pricing date (which shall not include any step-up or other incentive to redeem the Notes)] per cent. per annum.]**

Where:

**[if the Reference Rate is EURIBOR insert: "Euro-zone"** means the region comprised of those Member States of the European Union whose currency is the euro.]

**"Floating Rate Determination Date"** means the [first] [second] **[insert other relevant number of Business Days]** Business Day [(as defined in § 1(6))] [prior to the [commencement] [end]] of the relevant Floating Distribution Period. **[if a definition is required, which differs from the "Business Day" definition applicable in § 1, insert: For the purposes of this § 3(2) only, "Business Day" means a calendar day (other than a Saturday or a Sunday) on which [in case TARGET shall be open, insert: the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("TARGET") is open] [[and] 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 relevant financial centres]].**

**"German Civil Code"** means the German Civil Code (*Bürgerliches Gesetzbuch – BGB*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the German Civil Code include references to any applicable provisions of law amending or replacing such provisions from time to time.

**"Reference Banks"** means four major banks in the [Euro-zone] [London] [other financial center] interbank market.

**"Screen Page"** means **[insert relevant Screen Page, heading, caption]** or the successor page displayed by the same information provider or any other information provider nominated by the Calculation Agent as the replacement information provider for the purposes of displaying the Reference Rate.

(c) *Benchmark Replacement.* Notwithstanding the provisions above in this § 3, if the Calculation Agent (in consultation with the Issuer) determines that the Reference Rate has ceased to be published on the Screen Page as a result of the Reference Rate ceasing to be calculated or administered, then the following provisions shall apply:

- (i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine in the Independent Adviser's reasonable discretion an alternative rate (the "**Alternative Reference Rate**") and an alternative screen page or source (the "**Alternative Screen Page**") no later than three Business Days prior to the Floating Rate Determination Date relating to the next succeeding Floating Distribution Period (the "**IA Determination Cut-off Date**") for purposes of determining the Reference Rate for all future Floating Distribution Periods (subject to the subsequent operation of this § 3(2)(c));
- (ii) the Alternative Reference Rate shall be such rate as the Independent Adviser determines in its reasonable discretion has replaced the Reference Rate in customary market usage for purposes of determining the offered rate (expressed as a percentage rate *per annum*) for deposits in the Specified Currency with a term equal to the Floating Distribution Period or, if the Independent Adviser determines in its reasonable discretion that there is no such rate, such other rate as the Independent Adviser determines in its reasonable discretion is most comparable to the Reference Rate, and the Alternative Screen Page shall be such page of an information service as displays the Alternative Reference Rate;
- (iii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine an Alternative Reference Rate and Alternative Screen Page prior to the IA Determination Cut-off Date in accordance with § 3(2)(c)(ii) above, then the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) may determine which (if any) rate has replaced the Reference Rate in customary market usage for purposes of determining the offered rate (expressed as a percentage rate *per annum*) for deposits in the Specified Currency with a term equal to the Floating Distribution Period, or, if it determines that there is no such rate, which (if any) rate is most comparable to the Reference Rate, and the Alternative Reference Rate shall be the rate so determined by the Issuer and the Alternative Screen Page shall be such page of an information service as displays the Alternative Reference Rate; provided, however, that if this § 3(2)(c)(iii) applies and the Issuer is unable to determine an Alternative Reference Rate and Alternative Screen Page prior to the Floating Rate Determination Date relating to the next succeeding Floating Distribution Period in accordance with this § 3(2)(c)(iii), the Reference Rate applicable to such Floating Distribution Period shall be equal to the Reference Rate last determined in relation to the Notes in respect of the preceding Floating Distribution Period (if no Reference Rate was previously determined, the Floating Rate of Distributions for the relevant Floating Distribution Period shall be equal to the Fixed Rate of Distributions);
- (iv) if an Alternative Reference Rate and Alternative Screen Page is determined in accordance with the preceding provisions, such Alternative Reference Rate and Alternative Screen Page shall be the Reference Rate and the Screen Page in relation to the Notes for all future Floating Distribution Periods (subject to the subsequent operation of this § 3(2)(c));
- (v) if the Independent Adviser or the Issuer determines an Alternative Reference Rate in accordance with the above provisions, the Independent Adviser or the Issuer (as the case may be), may also, following consultation with the Calculation Agent, determine in its reasonable discretion any necessary changes to the Floating Rate Day Count Fraction, the Floating Business Day Convention, the Business Days and/or the Floating Rate Determination Date applicable to the Notes (including any necessary adjustment factor that is necessary to make the Reference Rate comparable to the offered rate (expressed as a percentage rate *per annum*) for deposits in the Specified Currency with a term equal to the Floating Distribution Period), and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Alternative Reference Rate, which changes shall be deemed to apply to the Notes for all future Floating Distribution Periods (subject to the subsequent operation of this § 3(2)(c)); and

- (vi) the Issuer shall, promptly following the determination of any Alternative Reference Rate and Alternative Screen Page, give notice thereof and of any changes which are deemed to apply to the Notes pursuant to § 3(2)(c)(v) above in accordance with § 10 to the Holders.

For the purposes of this § 3(2)(c), "**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser in the Euro-Zone experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

(d) *Calculation of Floating Amount of Distributions.* The Calculation Agent will calculate the amount of distributions payable under the Notes in respect of the Current Principal Amount for the relevant Floating Distribution Period (the "**Floating Amount of Distributions**"). The Floating Amount of Distributions shall be calculated by applying the Floating Rate of Distributions to the Current Principal Amount, multiplying such sum by the applicable Floating Rate 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.

(e) *Notification of Floating Rate of Distributions and Floating Amount of Distributions.* The Calculation Agent will cause the Floating Distribution Period, the Floating Rate of Distributions, the Floating Amount of Distributions and the Floating Distribution Payment Date for the relevant Floating Distribution Period to be notified to the Issuer, any stock exchange on which the Notes are from time to time listed (if required by the rules of such stock exchange) and to the Holders in accordance with § 10 as soon as possible after their determination. Each Floating Amount of Distributions and Floating Distribution Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Distribution Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are from time to time listed and to the Holders in accordance with § 10.

(f) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent, the Independent Adviser or the Issuer, as the case may be, shall (in the absence of wilful default, bad faith, inequity or manifest error) be binding on the Issuer, the Fiscal Agent, the Paying Agents and the Holders and, in the absence of the aforesaid, no liability to the Issuer, the Fiscal Agent, 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.

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

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

- (i) if the Floating Calculation Period is equal to or shorter than the Floating Rate Determination Period during which the Floating Calculation Period ends, the number of calendar days in such Floating Calculation Period divided by the product of: (x) the number of calendar days in such Floating Rate Determination Period; and (y) the number of Floating Rate Determination Dates (as specified below) that would occur in one calendar year; or
- (ii) if the Floating Calculation Period is longer than the Floating Rate Determination Period during which the Floating Calculation Period ends, the sum of
- (A) the number of calendar days in such Floating Calculation Period falling in the Floating Rate Determination Period in which the Floating Calculation Period begins divided by the product of: (x) the number of calendar days in such Floating Rate Determination Period; and (y) the number of Floating Rate Determination Dates that would occur in one calendar year; and



- (B) the number of calendar days in such Floating Calculation Period falling in the next Floating Rate Determination Period divided by the product of: (x) the number of calendar days in such Floating Rate Determination Period; and (y) the number of Floating Rate Determination Dates that would occur in one calendar year.

Where:

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

**"Floating Rate Determination Date"** means [●] in each year. The number of floating rate determination dates per calendar year is [*insert number of regular floating distribution payment dates per calendar year*].]

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

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

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

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

(3) *Distributions in case of a Write-down or Write-up.*

If a Write-down (as defined in § 5 (8)) occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in § 5 (8)) are cancelled in accordance with § 3 (5)(c), the Notes shall bear distributions on the adjusted Current Principal Amount from and including the Effective Date.

If, pursuant to § 5 (9), the Current Principal Amount of the Notes is subject to a Write-up, during a Distribution Period, the amount of distributions shall be calculated by the Calculation Agent on the basis of the adjusted Current Principal Amount from time to time so that the relevant amount of distributions is determined by reference to such Current Principal Amount as adjusted from time to time and as if such Distribution Period were comprised of two or (as applicable) more consecutive distribution periods, with distribution calculations based on the number of days for which each Current Principal Amount was applicable.

**"Distribution Payment Date"** means a Fixed Distribution Payment Date or a Floating Distribution Payment Date.

**"Distribution Period"** means a Fixed Distribution Period or a Floating Distribution Period.

(4) *Default Distributions.* The Notes shall cease to bear distributions from the expiry of the calendar day preceding the due date for redemption (if the Notes are redeemed). If the Issuer fails to redeem the Notes when due, distributions shall continue to accrue on the Current Principal Amount of the Notes from and including the due date for redemption to but excluding the date of actual redemption of the Notes at the default rate of distributions established by law. This does not affect any additional rights that might be available to the Holders.

(5) *Cancellation of Distributions.*

(a) The Issuer, at its full discretion, may, at all times cancel, in whole or in part, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled payments without restrictions to meet its obligations as they fall due. If the Issuer makes use of such right, it shall give notice to the Holders without undue delay and in any event no later than on the Distribution Payment Date.

(b) Without prejudice to such full discretion of the Issuer, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent:

- (i) the distribution payment scheduled to be paid together with any Additional Amounts thereon and any further Relevant Distributions would exceed the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions together with any Additional Amounts thereon on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based; or
- (ii) the Competent Authority orders the relevant distribution payment scheduled to be paid to be cancelled in whole or in part; or
- (iii) on the relevant Distribution Payment Date such distribution payment aggregated with other Relevant Distributions and any other distributions of the kind referred to in § 24(2) of the Austrian Banking Act (implementing Article 141(2) CRD IV in Austria) would not be in compliance with the restrictions relating to the Maximum Distributable Amount.

If any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date is so mandatorily and automatically cancelled, the Issuer shall give notice to the Holders thereof without undue delay. Any failure to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose.

(c) If a Write-down (as defined in § 5 (8)) occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in § 5 (8)) will be cancelled mandatorily and automatically in full.

(d) Any distribution payment so cancelled will be non-cumulative and will be cancelled definitively and no payments will be made nor will any Holder be entitled to receive any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and will not impose any restrictions on the Issuer.

(e) *Definitions.* In these Terms and Conditions:

**"Austrian Banking Act"** means the Austrian Banking Act (*Bankwesengesetz – BWG*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the Austrian Banking Act include references to any applicable provisions of law amending or replacing such provisions from time to time.

**"Competent Authority"** means the competent authority pursuant to Article 4(1)(40) CRR and/or Article 9(1) SSM Regulation, in each case, which is responsible to supervise the Issuer and/or the Erste Group.

**"CRD IV"** means the 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 (*Capital Requirements Directive IV*), as implemented in Austria and as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CRD IV include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Distributable Items**" means in respect of any payment of distributions on the Notes the distributable items as defined in Article 4(1)(128) CRR in respect of each financial year of the Issuer, as at the end of the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date for which such Relevant Financial Statements are available, all as determined in accordance with the accounting principles applied by the Issuer and as derived from the most recent Relevant Financial Statements.

"**Erste Group**" means the Issuer and its consolidated Subsidiaries.

"**Maximum Distributable Amount**" means any maximum distributable amount (*maximal ausschüttungsfähiger Betrag*) relating to the Issuer and/or the Erste Group, as the case may be, that may be required to be calculated in accordance with § 24(2) of the Austrian Banking Act (implementing Article 141(2) CRD IV in Austria).

"**Relevant Distributions**" means the sum of: (i) any payments of distributions on the Notes made or scheduled to be made by the Issuer in the relevant financial year of the Issuer; and (ii) any payments of interest, dividends or distributions made or scheduled to be made by the Issuer on any other Tier 1 Instruments in the relevant financial year of the Issuer; and (iii) the amount of any Write-up (as defined below) in the relevant financial year, if any.

"**Relevant Financial Statements**" means: (i) the audited (*geprüft*) and adopted (*festgestellt*) unconsolidated annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date; or (ii) if such audited and adopted unconsolidated annual financial statements of the Issuer are not available at the relevant Distribution Payment Date, unaudited unconsolidated *pro forma* financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements.

"**SSM Regulation**" means the Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (*Single Supervisory Mechanism Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the SSM Regulation include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Subsidiary**" means any subsidiary of the Issuer pursuant to Article 4(1)(16) CRR.

"**Tier 1 Instruments**" means: (i) the CET 1 Instruments; (ii) the AT 1 Instruments; and (iii) any other instruments or obligations of the Issuer ranking *pari passu* as regards payment of interest, dividends or distributions with CET 1 Instruments or AT 1 Instruments.

## **§ 4 PAYMENTS**

(1) (a) *Payment of Principal*. Payment of principal on the Notes shall be made, subject to paragraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System.

(b) *Payment of Distributions*. Payment of distributions on the Notes shall be made, subject to § 3 (5) above and paragraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System [***in case of distribution payments on a Temporary Global Note insert:***, and in case of payment of distributions on Notes represented by a Temporary Global Note, upon due certification as provided for in § 1 (3)(b)].

(2) *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 the Specified Currency of which 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 fulfil 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 further 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 (§ 315 of the German Civil Code)) 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 (§ 315 of the German Civil Code).]

(3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Fixed Payment Business Day.* If the due date for any payment in respect of the Notes which falls prior to or on the Reset Date would otherwise fall on a calendar day which is not a Fixed 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 calendar day which is a Fixed 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 calendar day which is a Fixed Payment Business Day.]

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

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

"**Fixed Payment Business Day**" means a calendar day (other than a Saturday or a Sunday): (i) on which the Clearing System is open; and (ii) [which is a Business Day (as defined in § 1 (6))] [on which **[insert, as applicable:** 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]** **[insert, as applicable:** [and] the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("TARGET") is open]].

**[If the distribution amount shall be adjusted, insert:** If any Fixed Payment Business Day 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 amount of distribution shall be adjusted accordingly.]

**[If the distribution amount shall not be adjusted, insert:** If any Fixed Payment Business Day 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 amount of distribution 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.

(5) *Floating Payment Business Day*. If the due date for any payment in respect of the Notes which falls after the Reset Date would otherwise fall on a calendar day which is not a Floating 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 calendar day which is a Floating 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 calendar day which is a Floating Payment Business Day.]

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

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

"**Floating Payment Business Day**" means a calendar day (other than a Saturday or a Sunday): (i) on which the Clearing System is open; and (ii) [which is a Business Day (as defined in § 1 (6))] [on which **[insert, as applicable:** 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]** **[insert, as applicable:** [and] the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 or its successor ("TARGET") is open]].

**[If the distribution amount shall be adjusted, insert:** If a Floating Payment Business Day 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 relevant Floating Distribution Period shall be adjusted accordingly.]

**[If the distribution amount shall not be adjusted, insert:** If a Floating Payment Business Day 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 relevant Floating Distribution Period shall not be adjusted accordingly.]

(6) *References to Principal and Distributions*. References in these Terms and Conditions to "principal" in respect of the Notes shall be deemed to include, as applicable: the Current Principal Amount (as defined in § 5 (8)(c)); the Redemption Amount of the Notes (as defined in § 5 (7)); and any premium and any other amounts (other than distributions) which may be payable under or in respect of the Notes. References in these Terms and Conditions to "distributions" in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts (as defined in § 7 (1)) which may be payable under § 7 (1).

## § 5 REDEMPTION AND WRITE-DOWN

(1) *No Scheduled Maturity*. The Notes are perpetual and have no scheduled maturity date.

(2) *No Redemption at the Option of a Holder*. The Holders do not have a right to demand the redemption of the Notes.

(3) *Redemption at the Option of the Issuer*. The Issuer may, upon giving notice in accordance with § 5 (7), redeem the Notes in whole, but not in part, at the Redemption Amount on any Call Redemption Date. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to

cancellation of distributions pursuant to § 3 (5). Any such redemption pursuant to this § 5 (3) shall not be possible before five years from the date of issuance and shall only be possible provided that the conditions to redemption and repurchase laid down in § 5 (6) are met.

**"Call Redemption Date"** means the First Reset Date and each [anniversary date thereof] [Distribution Payment Date thereafter] [Reset Date thereafter].

The Issuer may exercise its redemption right pursuant to § 5 (3) only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

(4) *Redemption for Reasons of Taxation.* If a Tax Event occurs, the Issuer may, upon giving notice in accordance with § 5 (7), redeem the Notes in whole, but not in part, at the Redemption Amount, if the Notes are redeemed prior to the Reset Date, at any time on the date of redemption specified in the notice, and, if the Notes are redeemed after the Reset Date, on any Distribution Payment Date specified in the notice, provided that the conditions to redemption and repurchase laid down in § 5 (6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3 (5).

Where:

A **"Gross-up Event"** occurs if there is a change in the applicable tax treatment of the Notes based on a decision of the local tax authority having competence over the Issuer as a result of which the Issuer has paid, or will or would on the next Distribution Payment Date be required to pay, any Additional Amounts (as defined in § 7 (1)).

A **"Tax Deductibility Event"** occurs if there is a change in the applicable tax treatment of the Notes as a result of which the Issuer, in computing its taxation liabilities in Austria, would not be entitled to claim a deduction in respect of distributions paid on the Notes, or such deductibility is materially reduced.

**"Tax Event"** means a change in, or amendment to, or clarification of, the applicable tax treatment of the Notes, including without limitation, a Tax Deductibility Event or a Gross-up Event, which change or amendment or clarification: (x) subject to (y), becomes effective on or after the date of issuance of the Notes; or (y) in the case of a change, if such change is enacted on or after the date of issuance of the Notes.

(5) *Redemption for Regulatory Reasons.* If a Regulatory Event occurs, the Issuer may, upon giving notice in accordance with § 5 (7), redeem the Notes in whole, but not in part, at the Redemption Amount, if the Notes are redeemed prior to the Reset Date, at any time on the date of redemption specified in the notice, and, if the Notes are redeemed after the Reset Date, on any Distribution Payment Date specified in the notice, provided that the conditions to redemption and repurchase laid down in § 5 (6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3 (5).

A **"Regulatory Event"** occurs if there is a change in the regulatory classification of the Notes under the Applicable Supervisory Regulations that would be likely to result in their exclusion in full or in part from own funds (other than as a consequence of a Write-down) or reclassification as a lower quality form of own funds (in each case, on an individual basis of the Issuer and/or on a consolidated basis the Erste Group).

(6) *Conditions to Redemption and Repurchase.* Any redemption pursuant to this § 5 [**if a repurchase is permissible insert:** and any repurchase pursuant to § 9 (2)] is subject to:

- (i) the Issuer having obtained the prior permission of the Competent Authority for the redemption [**if a repurchase is permissible insert:** or any repurchase pursuant to § 9 (2)] in accordance with Article 78 CRR, whereas such permission may, *inter alia*, require that:
  - (x) either the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer;  
or

- (y) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or repurchase, exceed the minimum requirements laid down in the CRD IV and the CRR by a margin that the Competent Authority considers necessary at such time; and
- (ii) in the case of any redemption or repurchase prior to the fifth anniversary of the date of issuance of the Notes:
  - (x) due to a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the date of issuance of the Notes; and
  - (y) due to a Regulatory Event, the Competent Authority considers such change to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes.

For the avoidance of doubt, any refusal of the Competent Authority to grant permission in accordance with the Applicable Supervisory Regulations shall not constitute a default for any purpose.

(7) *Redemption Notice; Redemption Amount.* Any notice of redemption in accordance with § 5 (3), § 5 (4) or § 5 (5) shall be given by the Issuer to the Holders in accordance with § 10 observing a notice period of not less than **[insert Minimum Notice Period, which shall not be less than 5 Business Days]** [calendar days] [Business Days] **[in case of a Maximum Notice Period insert: nor more than [insert Maximum Notice Period]** [calendar days] [Business Days]]. Such notice shall be irrevocable and shall specify:

- (i) the series number of the Notes;
- (ii) in the case of a notice of redemption in accordance with § 5 (3) the Call Redemption Date or in the case of a notice of redemption in accordance with § 5 (4) or § 5 (5) the date of redemption; and
- (iii) the Redemption Amount at which the Notes are to be redeemed.

**"Redemption Amount"** per Note means the Current Principal Amount per Note.

Any notice of redemption in accordance with § 5 (3), § 5 (4) or § 5 (5) and this § 5 (7) will be subject to § 5 (8)(b).

(8) *Write-down.*

(a) If a Trigger Event (as defined below) has occurred:

- (i) the Issuer will immediately inform the Competent Authority that the Trigger Event has occurred;
- (ii) the Issuer will determine the Write-down Amount (as defined below) as soon as possible, but in any case within a maximum period of one month following the determination that a Trigger Event has occurred;
- (iii) the Issuer will without undue delay inform the Fiscal Agent and the Holders that a Trigger Event has occurred by publishing a notice (such notice a **"Write-down Notice"**) which will specify the Write-down Amount as well as the new/reduced Current Principal Amount of each Note and the Effective Date (as defined below), provided that any failure to provide such Write-down Notice shall not prevent, or otherwise impact the exercise of a Write-down;
- (iv) the Issuer will (without the need for the consent of Holders) reduce the Current Principal Amount of each Note by the relevant Write-down Amount (such reduction being referred to as a **"Write-down"**) without undue delay, but not later than within one month, with effect as from the Effective Date; and

- (v) unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date will be cancelled in accordance with § 3 (5)(c).

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion, each Note may be subject to a Write-down on more than one occasion and the Current Principal Amount of a Note may never be reduced to below **[insert Specified Currency] [0.01 or lower amount]**.

(b) The Issuer shall not give a notice of redemption after a Write-down Notice has been given until the Write-down has been effected in respect of the relevant Trigger Event.

In addition, if a Trigger Event occurs after a notice of redemption but before the date on which such redemption becomes effective, the notice of redemption shall automatically be deemed revoked and shall be null and void and the relevant redemption shall not be made.

(c) *Definitions.* In these Terms and Conditions:

**"Applicable Supervisory Regulations"** means, at any time, any requirements of Austrian law or contained in the regulations, requirements, guidelines or policies of the Competent Authority, the European Parliament and/or the European Council, then in effect in Austria and applicable to the Issuer and the Erste Group, including but not limited to the provisions of the Austrian Banking Act, the CRD IV, the CRR, the CDR and the SSM Regulation in each case as amended from time to time, or such other law, regulation or directive as may come into effect in place thereof.

**"CDR"** means the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (*Capital Delegated Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CDR include references to any applicable provisions of law amending or replacing such Articles from time to time.

**"Current Principal Amount"** means initially the Original Principal Amount, which from time to time, on one or more occasions, may be reduced by a Write-down and, subsequent to any such reduction, may be increased by a Write-up (as defined below), if any (up to the Original Principal Amount).

**"Effective Date"** means the date specified as such in the Write-down Notice to the Holders, being no later than one month (or such shorter period as the Competent Authority may require) following the occurrence of the relevant Trigger Event.

**"Group CET 1 Capital Ratio"** means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the Erste Group on a consolidated basis, as calculated by the Issuer in accordance with the Applicable Supervisory Regulations, which determination will be binding on the Holders.

**"Issuer CET 1 Capital Ratio"** means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the Issuer on an individual basis, as calculated by the Issuer in accordance with the Applicable Supervisory Regulations, which determination will be binding on the Holders.

**"Minimum Trigger Level"** means in respect of: (i) the Group CET 1 Capital Ratio **[insert consolidated minimum trigger level] per cent.**; and/or (ii) the Issuer CET 1 Capital Ratio **[insert individual minimum trigger level] per cent.**

**"Required Loss Absorption Amount"** means the amount by which, upon the occurrence of a Trigger Event, a Write-down of the aggregate Current Principal Amount of the Notes shall be effected *pro rata* with the aggregate (current) principal amount of any other AT 1 Instruments the trigger events for a write-down or conversion (loss absorption) of which pursuant to their terms have occurred and whose minimum trigger levels have not been restored, irrespective of the opening of any insolvency proceedings. For such purpose, the total amount of the write-downs to be allocated *pro rata* shall be equal to the amount required to fully restore or maintain the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio to at least the



Minimum Trigger Level, as applicable, but shall not exceed the sum of the principal amounts of AT 1 Instruments the trigger events for a write-down or conversion of which pursuant to their terms have occurred, the minimum trigger levels of which have not been restored and which are outstanding at the time of occurrence of the Trigger Event.

To the extent the write-down (or write-off) or conversion into Common Equity Tier 1 instruments of any other AT 1 Instrument whose trigger events for a write-down or conversion pursuant to their terms have occurred is not, or within one month from the determination that the relevant trigger event has occurred will not be, effective for any reason:

- (i) the ineffectiveness of any such write-down (or write-off) or conversion into Common Equity Tier 1 instruments shall not prejudice the requirement to effect a Write-down of the Notes (loss absorption); and
- (ii) the write-down (or write-off) or conversion into Common Equity Tier 1 instruments of any other AT 1 Instrument whose trigger events for a write-down or conversion pursuant to their terms have occurred which is not, or within one month from the determination that the relevant Trigger Event has occurred will not be, effective shall not be taken into account in determining such Write-down of the Notes.

Where:

A "**Trigger Event**" occurs if it has been determined that: (i) the Group CET 1 Capital Ratio; and/or (ii) the Issuer CET 1 Capital Ratio fall to an amount that is lower than the applicable Minimum Trigger Level.

"**Write-down Amount**" per Note means the amount by which the Current Principal Amount per Note is to be written-down on an Effective Date, being the higher of (i) the *pro rata* share of the Note in the Required Loss Absorption Amount; and (ii) if the amount in (i) is insufficient to fully restore or maintain the Issuer CET 1 Capital Ratio; and/or the Group CET 1 Capital Ratio to the Minimum Trigger Level, the amount necessary to reduce the Current Principal Amount to **[insert Specified Currency] [insert 0.01 or lower amount]. [if Specified Currency is not euro, insert:** Any amounts in any currency other than euro will, for purposes of establishing the Write-down Amount be converted into euro at the foreign exchange rate prevailing on the [third] business day prior to the Effective Date; such foreign exchange rate shall be determined by the Issuer in its reasonable discretion (§ 315 of the German Civil Code).]

(d) Any reduction of the Current Principal Amount of a Note pursuant to this § 5(8) shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts written-down, whether in the insolvency or liquidation of the Issuer or otherwise, save to the extent (if any) such amounts are subject to a Write-up in accordance with § 5 (9).

(9) *Write-up*. The Issuer may, at its sole discretion, effect a reversal of a Write-down by writing up the Current Principal Amount in whole or in part up to a maximum of the Original Principal Amount (a "**Write-up**"), provided that a positive Profit has been recorded, and subject to the below limitations. There will be no obligation for the Issuer to operate or accelerate a Write-up under any specific circumstances.

If the Issuer so decides in its sole discretion, the Write-up will occur with effect as of the Write-Up Date (as defined below) (including).

At its discretion (without being obliged to) the Issuer may effect such Write-up provided that:

- (i) at the time of the Write-up, there must not exist any Trigger Event that is continuing; any Write-up is also excluded if such Write-up would give rise to the occurrence of a Trigger Event;
- (ii) such Write-up is applied on a *pro rata* basis to all Notes and among Loss Absorbing Written-down Instruments; and
- (iii) the sum of: (x) the aggregate amount attributed to the relevant Write-up of the Notes and the aggregate increase in principal amount of Loss Absorbing Written-down Instruments resulting from any previous write-up since the end of the then previous

financial year; and (y) the aggregate amount of any distribution and any Additional Amounts thereon paid on the aggregate Current Principal Amount of the Notes and the aggregate amount of any distribution and any additional amounts thereon paid on Loss Absorbing Written-down Instruments as calculated at the moment the Write-up is operated will not exceed the Maximum Write-up Amount at any time after the end of the then previous financial year.

The amount of any Write-up and payments of distributions on the reduced Current Principal Amount shall be treated as payment resulting in a reduction of Common Equity Tier 1 pursuant to Article 28 CRR and shall be subject, together with other distributions on CET 1 Instruments, to the restrictions relating to the Maximum Distributable Amount as referred to in § 24(2) of the Austrian Banking Act (implementing Article 141(2) CRD IV in Austria).

For the avoidance of doubt, a Write-up of the Notes may occur on one or more occasions until the Current Principal Amount equals the Original Principal Amount. Write-ups do not have priority over dividend payments and other distributions on shares and other CET 1 Instruments of the Issuer, i.e. such payments and distributions are permitted even if no full Write-up of the Notes has been effected.

If the Issuer elects to effect a Write-up, it will publish a notice about the Write-up (including the amount of the Write-up as a percentage of the Original Principal Amount and the effective date of the Write-up (in each case a "**Write-up Date**") no later than 10 calendar days prior to the relevant Write-up Date to the Fiscal Agent and, in accordance with § 10, to the Holders. The Write-up shall be deemed to be effected at the time when the notice to the Holders is given in accordance with § 10 and the Current Principal Amount shall be deemed to be increased by the amount specified in the notice with effect as of the Write-up Date.

Where:

**"Maximum Write-up Amount"** means the lower of:

- (i) the consolidated Profit multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-down Instruments of the Erste Group (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 Capital pursuant to Article 25 CRR of the Erste Group as at the date the relevant Write-up is operated; and
- (ii) the Profit on an unconsolidated basis multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-down Instruments of the Issuer (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 Capital pursuant to Article 25 CRR of the Issuer as at the date the relevant Write-up is operated;

or any higher or lower amount permitted to be used under the Applicable Supervisory Regulations in effect on the date of the relevant Write-up.

**"Loss Absorbing Written-down Instrument"** means any (directly or indirectly issued) Additional Tier 1 instrument pursuant to Article 52 CRR (other than the Notes) of the Issuer or, as applicable, any instrument issued by a member of the Erste Group and qualifying as Additional Tier 1 instruments pursuant to Article 52 CRR of the Issuer and/or the Erste Group, that has had all or some of its principal amount written-down on a temporary basis, and that has terms permitting a principal write-up to occur on a basis similar to that provided herein in the circumstances existing on the date of the Write-up of the Notes.

**[If Specified Currency is not Euro, insert:** Any amounts in a currency other than Euro will, for purposes of establishing the Maximum Write-up Amount be converted into Euro at the foreign exchange rate prevailing on the [third] business day prior to the Effective Date.]

**"Profit"** means: (i) the net income for the year (*Jahresüberschuss*) of the Issuer on an unconsolidated basis recorded in the Relevant Financial Statements; or (ii) the consolidated net income for the year (*Jahresüberschuss*) on a consolidated basis recorded in the consolidated financial statements of the Erste Group, in each case after such Relevant Financial Statements or consolidated financial statements have formally been determined

(festgestellt) by either the supervisory board (*Aufsichtsrat*) or, if so requested, the shareholders' meeting (*Hauptversammlung*) of the Issuer.

**§ 6**  
**FISCAL AGENT,**  
**PAYING AGENT[S] AND**  
**CALCULATION AGENT**

(1) *Appointment; Specified Offices.* The initial Fiscal Agent, the initial Principal Paying Agent **[in case (a) further paying agent(s) shall be appointed, insert: , the initial Paying Agent(s)]** and the initial Calculation Agent and their respective initial specified offices are:

Fiscal Agent and Principal Paying Agent:

**[In case BNP Paribas Securities Services, Luxembourg Branch shall be appointed as initial Fiscal and Principal Paying Agent insert:**

BNP Paribas Securities Services, Luxembourg Branch  
60, avenue J.F. Kennedy  
LU-1855 Luxembourg  
(Postal Address: L-2085 Luxembourg)  
Grand Duchy of Luxembourg]

**[In case another Fiscal and Principal Paying Agent shall be appointed, insert its name and initial specified office.]**

**[In case an additional or other paying agent shall be appointed, insert its name and initial specified office.]**

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

Calculation Agent:

**[In case Erste Group Bank AG shall be appointed as Calculation Agent insert:**

Erste Group Bank AG  
Am Belvedere 1  
A-1100 Vienna  
Austria]

**[In case another Calculation Agent shall be appointed, insert its name and initial specified office.]**

The Fiscal 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 the Fiscal Agent, any Paying Agent or the Calculation Agent and to appoint another Fiscal Agent, additional or other Paying Agents or another Calculation Agent. The Issuer shall at all times maintain: (i) a Fiscal Agent [;] [and] (ii) so long as the Notes are listed on a stock exchange, a Paying Agent (which may be the Fiscal Agent) with a specified office in such place as may be required by the rules of such stock exchange or its supervisory [authority] [authorities] **[in case of payments in U.S. Dollars insert: [;] [and]** (iii) if payments at or through the offices of all Paying Agents outside the United States become illegal or are effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts in U.S. Dollars, a Paying Agent with a specified office in New York] **[in case a Calculation Agent is to be appointed insert: ; and ([iv]) a Calculation Agent].** 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.

(3) *Agents of the Issuer.* The Fiscal Agent, 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 Fiscal Agent shall (in the absence of wilful default, bad faith, inequitableness or manifest error) be binding on the Issuer, the Paying Agents, the Calculation Agent and the Holders and, in the absence of the aforesaid, no liability to the Issuer, the Paying Agents, the Calculation Agent or the Holders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**[In case of Notes which are initially represented by a Temporary Global Note, which will be exchanged for a Permanent Global Note, or in case of Notes whose Specified Currency is U.S. Dollar, insert:**

(5) *United States.* For purposes of these Terms and Conditions, "United States" or "U.S." means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).]

## § 7 TAXATION

(1) *General Taxation.* All payments of distributions by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Austria or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

In that event, and subject to this provision, the Issuer shall pay such additional amounts (the "**Additional Amounts**") to the Holder as shall result in receipt by that Holder of such amounts as would have been received by it had no such withholding or deduction been required, provided however that any such Additional Amounts are only payable if and to the extent they: (i) would not exceed the Distributable Items; and (ii) only relate to withholding tax applicable to distributions by or on behalf of the Issuer. No such Additional Amounts shall be payable with respect to any Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Austria other than the mere holding of the Note; or
- (b) presented for payment more than [30] **[insert other period]** calendar days after the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven calendar days after that on which notice is duly given to the Holders in accordance with § 10 that, upon further presentation of the Notes being made, such payment will be made, provided that payment is in fact made upon such presentation, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the Note for payment on the [thirtieth] **[insert other relevant number of calendar days]** such calendar day; or
- (c) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

(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 an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or the intergovernmental agreement between the United States and the other jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

## § 8 PRESENTATION PERIOD

The presentation period provided in § 801 (1) sentence 1 German Civil Code is reduced to [ten] [**insert other time period**] years for the Notes.

## § 9 FURTHER ISSUES OF NOTES, REPURCHASES 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, issue price, Distribution Commencement Date and/or first Distribution Payment Date) so as to form a single series with the Notes.

(2) *Repurchases.* [**If a repurchase of Notes is permissible, insert:** Provided that all applicable regulatory and other statutory restrictions are observed, and provided further that the conditions to redemption and repurchase laid down in § 5 (6) are met, the Issuer and any of its Subsidiaries may repurchase Notes in the open market or otherwise at any price. Notes repurchased by the Issuer or the Subsidiary may, at the option of the Issuer or such Subsidiary, be held, resold or surrendered to the Fiscal Agent for cancellation.] [**If a repurchase of Notes is not permissible, insert:** Neither the Issuer nor its Subsidiaries may at any time repurchase Notes.]

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

## § 10 NOTICES

(1) *Notices of the Issuer.* All notices of the Issuer concerning the Notes shall be published in [such media as determined by law] [**insert specific media**] and in electronic form 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) [unless the notice provides for a later effective date].

(2) *Publication of Notices of the Issuer via the 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 English language to the Issuer or the Fiscal Agent (for onward delivery to the Issuer) and 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.

## **§ 11 AMENDMENTS TO THE TERMS AND CONDITIONS, JOINT REPRESENTATIVE**

(1) *Amendment of the Terms and Conditions.* Subject to compliance with the Applicable Supervisory Regulations for the Notes to qualify as AT 1 instruments, the Issuer may amend the Terms and Conditions with the consent of a majority resolution of the Holders pursuant to §§ 5 *et seqq.* of the SchVG. There will be no amendment of the Terms and Conditions without the Issuer's consent.

In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5(3) of the SchVG by resolutions passed by such majority of the votes of the Holders as stated under § 11 (2) below. A duly passed majority resolution will be binding upon all Holders.

"**SchVG**" means the German Debt Securities Act (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – SchVG*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the SchVG include references to any applicable provisions of law amending or replacing such provisions from time to time.

(2) *Majority requirements.* Except as provided by the following sentence and provided that the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3)(1) through (9) of the SchVG, may only be passed by a majority of at least 75 *per cent.* of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch – HGB*)) or are being held for the account of the Issuer or any of its affiliates.

(3) *Resolutions.* Resolutions of the Holders will be made either in a Holders' meeting in accordance with § 11 (3)(i) or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 11 (3)(ii), in either case convened by the Issuer or a joint representative, if any.

- (i) Resolutions of the Holders in a Holders' meeting will be made in accordance with §§ 9 *et seqq.* of the SchVG. The convening notice of a Holders' meeting will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders in the agenda of the meeting.
- (ii) Resolutions of the Holders by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) will be made in accordance with § 18 of the SchVG. The request for voting as submitted by the chairman (*Abstimmungsleiter*) will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders together with the request for voting.

(4) *Second Holders' meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to § 11 (3)(ii), the chairman (*Abstimmungsleiter*) may convene a meeting, which shall be deemed to be a second meeting within the meaning of § 15(3) sentence 3 of the SchVG.

(5) *Registration.* The exercise of voting rights is subject to the registration of the Holders. The registration must be received at the address stated in the request for voting no later than the

third day prior to the meeting in the case of a Holders' meeting (as described in § 11 (3)(i) or § 11 (4)) or the beginning of the voting period in the case of voting not requiring a physical meeting (as described in § 11 (3)(ii)), as the case may be. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of their respective depositary bank hereof in text form and by submission of a blocking instruction by the depositary bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting or day the voting period ends, as the case may be.

(6) *Joint representative.* The Holders may by majority resolution provide for the appointment or dismissal of a joint representative, the duties and responsibilities and the powers of such joint representative, the transfer of the rights of the Holders to the joint representative and a limitation of liability of the joint representative. Appointment of a joint representative may only be passed by a Qualified Majority if such joint representative is to be authorised to consent to a material change in the substance of the Terms and Conditions in accordance with § 11 (1) hereof.

The joint representative shall have the duties and powers provided by law or granted by majority resolutions of the Holders. The joint representative shall comply with the instructions of the Holders. To the extent that the joint representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The joint representative shall provide reports to the Holders on its activities. The provisions of the SchVG apply with regard to the recall and the other rights and obligations of the joint representative.

Unless the joint representative is liable for wilful misconduct (*Vorsatz*) or gross negligence (*grobe Fahrlässigkeit*), the joint representative's liability shall be limited to ten times the amount of its annual remuneration.

(7) *Notices.* Any notices concerning this § 11 will be made in accordance with §§ 5 *et seqq.* of the SchVG and § 10.

(8) *Exclusion of the Applicability of the Austrian Notes Trustee Act.* The applicability of the provisions of the Austrian Notes Trustee Act (*Kuratorengesetz*) and the Austrian Notes Trustee Supplementation Act (*Kuratorenergänzungsgesetz*) is explicitly excluded in relation to the Notes.

## **§ 12 APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT**

(1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by, and shall be construed exclusively in accordance with, German law. The status provisions in § 2 shall be governed by, and shall be construed exclusively in accordance with, Austrian law.

(2) *Place of Jurisdiction.* Subject to any exclusive court of venue for specific legal proceedings in connection with the SchVG, the [District Court (*Landgericht*) in Frankfurt am Main, Federal Republic of Germany] [**insert other German or Austrian court**], shall have non-exclusive jurisdiction for any action or other legal proceedings (the "**Proceedings**") arising out of or in connection with the Notes. [**Insert if a German court has jurisdiction:** The Issuer appoints Erste Group Bank AG, Friedrichstraße 10, D-70174 Stuttgart, Federal Republic of Germany, as its authorised agent for accepting service of process in connection with any Proceedings before German courts.]

The local court (*Amtsgericht*) of Frankfurt am Main will have jurisdiction for all judgments pursuant to § 9(2), § 13(3) and § 18(2) of the SchVG in accordance with § 9(3) of the SchVG. The regional court (*Landgericht*) Frankfurt am Main will have exclusive jurisdiction for all judgments over contested resolutions by Holders in accordance with § 20(3) of the SchVG.

(3) *Enforcement.* Any Holder of Notes may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in its own name its rights arising under such Notes on the basis of: (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes: (a) stating the full name and address of the Holder; (b) specifying the aggregate principal amount of the Notes credited to such securities account on the date of such statement; and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b); and (ii) a copy of the Global Note certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such Proceedings of the actual records or the Global Note representing the Notes. Each Holder may, without prejudice to the foregoing, protect and enforce its rights under the Notes also in any other way which is admitted in the country of the Proceedings.]



## 4. FORM OF FINAL TERMS

### FORM OF THE 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 ADDITIONAL TIER 1 NOTES PROGRAMME]**

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended ("MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended ("MiFID II")] [MiFID II]; (ii) a customer within the meaning of Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation, as amended (*Insurance Mediation Directive*), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended (*Prospectus Directive*). Consequently, no key information document required by Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products, as amended ("PRIIPs") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

**BENCHMARK REGULATION** – Amounts payable under the Notes are calculated by reference to [specify benchmark(s)] which [is/are] provided by [insert administrator legal name(s)]. As at the date of these Final Terms, [[insert administrator legal name(s)] appear[s] [[insert administrator legal name(s)] do[es] not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 [(*Benchmark Regulation*)] [(the "Benchmark Regulation")]. [insert in case the relevant administrator is not on the ESMA register: As far as the Issuer is aware, [[insert benchmark(s)] [does][do] not fall within the scope of the Benchmark Regulation by virtue of Article 2 of that regulation][and][the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [insert administrator legal name(s)] [is/are] not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

[insert date]

**Final Terms**

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

issued pursuant to the

**EUR 2,000,000,000 Additional Tier 1 Notes Programme**

of

**Erste Group Bank AG**

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

Issue Date: [ ]<sup>1</sup>

Series No.: [ ]

Tranche No.: [ ]

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<sup>1</sup> 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 2014/51/EU of the European Parliament and of the Council of 16 April 2014 and must be read in conjunction with the relevant prospectus pertaining to the EUR 2,000,000,000 Additional Tier 1 Notes Programme (the "**Programme**") of Erste Group Bank AG (the "**Issuer**"), dated 9 April 2018 (the "**Prospectus**") and all supplements to the Prospectus. The Prospectus and any supplements thereto are available for viewing in electronic form on the website of the Issuer ("[www.erstegroup.com/de/ueber-uns/erstegroup-emissionen/prospekte/anleihen](http://www.erstegroup.com/de/ueber-uns/erstegroup-emissionen/prospekte/anleihen)"). Full information on the Issuer and the Notes is only available on the basis of the combination of the Prospectus, any supplements hereto and these Final Terms.

**[Warning:** The Prospectus dated 9 April 2018 is expected to be valid until 8 April 2019. Thereafter the Issuer intends to publish an updated and approved prospectus on the website of the Issuer ("[www.erstegroup.com/de/ueber-uns/erstegroup-emissionen/prospekte/anleihen](http://www.erstegroup.com/de/ueber-uns/erstegroup-emissionen/prospekte/anleihen)") and from that point in time, the Final Terms must be read in conjunction with the new prospectus.]

### **[Restrictions on Marketing and Sales to Retail Investors**

The Notes issued pursuant to the Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**"). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged and retail and insurance-based investment products, as amended ("**PRIIPs**") became directly applicable in all member states of the European Economic Area ("**EEA**") and (ii) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended ("**MiFID II**") was required to be implemented in EEA member states by 3 January 2018. Together the PI Instrument, PRIIPs and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and the (ii) offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities such as the Notes.

The Manager[s] [is] [are] required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase any Notes (or a beneficial interest in the Notes) from the Issuer and/or [the] [a] Manager[s] each prospective investor represents, warrants, agrees with and undertakes to the Issuer and [each of] the Manager[s] that:

1. it is not a retail client (as defined in MiFID II);
2. whether or not it is subject to the Regulations it will not:
  - (A) sell or offer the Notes (or any beneficial interest therein) to retail clients (as defined in MiFID II); or
  - (B) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of the MiFID II). In selling or

offering the Notes or making or approving communications relating to the Notes it may not rely on the limited exemptions set out in the PI Instrument; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

- (i) the target market as identified by the Issuer for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients only; and
- (ii) no key information document (*KID*) under PRIIPs has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or [a] [the] Manager[s] the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.]<sup>2</sup>

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<sup>2</sup> Insert if required by the Issuer and/or the Manager(s).

## PART A. – TERMS AND CONDITIONS

The Conditions applicable to the Notes are set out below.

***[In the case of Notes with a fixed distribution rate which is superseded by another fixed distribution rate 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 Notes which commence with a fixed distribution rate which is superseded by a floating distribution rate 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[s]] [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, including a conflicting one, material to the issue or the offering.
  
- Other interests, including conflicting ones **[specify details]**

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

#### Security Codes

- ISIN [ ]
- German Security Code [ ]
- Common Code [ ]
- Any Other Security Code [ ]

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

#### Issue Yield

The issue yield cannot be determined in advance.

#### Issue charge

[Not applicable] [[ ] per cent.]

#### Estimated Total Expenses

Estimate of total expenses related to the admission to trading [ ]

### PLACING AND UNDERWRITING

#### Method of Distribution

- Non-Syndicated
- Syndicated

#### 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(s)

**[specify details]** [Not applicable]

### LISTING / ADMISSION TO TRADING

#### Listing[s]

[Yes] [No]

- Vienna - Official Market
- Regulated Market "Bourse de Luxembourg"

Date[s] of Admission[s] [ ]

All the regulated markets or equivalent markets on which, to the knowledge of the Issuer, Notes of the same class of the securities to be offered or admitted to trading are already admitted to trading [ ]

#### ADDITIONAL INFORMATION

##### Rating[s]

- The Notes have not been rated.
- [The Notes have been rated as follows:][It is expected that the Notes will be rated as follows:]

***[Insert details on whether the relevant credit rating agency is established in the European Community and is registered (pursuant to the current list of registered and certified credit rating agencies published on the website of the European Securities and Markets Authority ([www.esma.europa.eu](http://www.esma.europa.eu))) pursuant to Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended, or has applied for registration.]***

##### Selling Restrictions

###### TEFRA

- TEFRA C
- TEFRA D
- Neither TEFRA C nor TEFRA D

Additional Selling Restriction [Not applicable] **[specify details]**

##### [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:  
Duly authorised

By:  
Duly authorised

## **5. USE OF PROCEEDS**

The net proceeds from the issue of any Notes will be used by the Issuer for its general funding purposes to strengthen the capital base of the Issuer and to optimise the composition of its own funds.



## 6. ERSTE GROUP BANK AG

### 6.1 INTRODUCTION

Erste Group Bank AG ("**Erste Group Bank**") is registered as a joint-stock corporation (*Aktiengesellschaft*) in the Austrian companies register (*Firmenbuch*) at the Vienna commercial court (*Handelsgericht Wien*) and has the registration number FN 33209 m. Its commercial name is "Erste Group". The registered office of Erste Group Bank is Am Belvedere 1, A-1100 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 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 small and medium sized enterprises ("**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 stock exchanges in the EEA.

### 6.2 BACKGROUND

"**Erste Group**" consists of Erste Group Bank and 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, savings banks of the Haftungsverbund (see "*Haftungsverbund*"), s-Bausparkasse, Erste Group Immorent GmbH, and others.

Erste Group is a leading banking group focused on retail and SME 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 further operations in Hungary, Croatia and Serbia. Erste Group serves approximately 16.1 million customers across Austria and its core CEE markets through a region-wide network of approximately 2,550 branches. As of 31 December 2017, Erste Group had 47,702 employees (full-time equivalents) worldwide (of which 1,880 (full-time equivalents) were employed by Erste Group Bank in Austria). Erste Group Bank is also the central institution (*Zentralinstitut*) of the Austrian Savings Banks Sector. As of 31 December 2017, Erste Group had EUR 220.7 billion in total assets.

### 6.3 SHARE CAPITAL OF ERSTE GROUP BANK

As of the date of this Prospectus, the total nominal share capital of Erste Group Bank amounted to EUR 859,600,000, divided into 429,800,000 no-par value voting bearer shares (ordinary shares) and remained unchanged since 31 December 2017.

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.

## 6.4 BUSINESS OVERVIEW

### Strategy

Erste Group aims to be the leading retail and corporate credit institution in the eastern part of the European Union, including Austria. To achieve this goal, Erste Group aims to support its retail, corporate and public-sector customers in realising their ambitions by offering financial advice and solutions, lending responsibly and providing security for deposits. Erste Group's business activities aim to continue to contribute to economic growth and financial stability and thus, to prosperity in its region.

In all of its core markets in the eastern part of the European Union, Erste Group aims to pursue a balanced business model focused on providing suitable banking services to each of its customers. In this respect, digital innovations are playing an increasingly important role. Sustainability is reflected in the credit institution's current ability to fund customer loans by customer deposits, with most customer deposits being stable retail deposits. Sustainability of Erste Group's strategy is also reflected in long-term client trust, which underpins strong market shares in almost all of Erste Group's core markets. Market leadership only creates value when it goes hand in hand with positive economies of scale and contributes to the long-term success of the company. The banking business, however, should not only be run profitably, but also reflect its corporate responsibility towards all material stakeholders, in particular customers, employees, society and the environment. Therefore, Erste Group aims to pursue banking business in a socially responsible manner and aims to earn a premium on the cost of capital.

### Long-standing tradition in customer banking

Erste Group has been active in the retail business since 1819. This is where the largest part of Erste Group's capital is tied up, where Erste Group generates most of its income and where it funds the overwhelming part of its core activities by drawing on its customers' deposits. The retail business represents Erste Group's strength and its top priority when developing products such as modern digital banking that enable Erste Group to meet its customers' expectations more effectively.

Offering understandable products and services that meet the individual needs and objectives of the credit institution customers at attractive terms is important in building and maintaining strong long-term customer relationships. Today, Erste Group serves a total of more than 16 million customers in seven core markets.

Erste Group's core activities also include advisory services and support for its corporate customers with regard to financing, investment, hedging activities and access to international capital markets. Public sector funding includes providing finance for infrastructure projects and acquiring sovereign bonds issued in the region. To meet the short-term liquidity management needs of the customer business, Erste Group also operates in the interbank market.

### Core markets in the eastern part of the European Union

When Erste Group went public as an Austrian savings bank with no meaningful foreign presence in 1997, it defined its target region as consisting of Austria and the part of Central and Eastern Europe that had realistic prospects of joining the European Union. The aim was to benefit from the growth prospects in these countries. Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group acquired savings banks and financial institutions in countries adjacent to Austria from the late 1990s onwards. While the financial and economic crisis has slowed the economic catching-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues unabated. This part of Europe offered and still offers the best structural and therefore long-term growth prospects.

Today, Erste Group has an extensive presence in its core markets of Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Following significant investments in its subsidiaries, Erste Group holds considerable market positions in these countries. In Serbia, which has been assigned European Union candidate status, Erste Group maintains a minor market presence, but one that may be expanded through acquisitions or organic growth as the country makes progress towards European Union integration. In addition to its core markets, Erste Group also holds direct and indirect majority and minority banking participations in Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Moldova.

### **Growing importance of innovation and digitalisation**

The pace of digital transformation has accelerated considerably as a result of technological changes, demographic developments and also regulatory interventions in recent years. As a result, customer behaviour and customer expectations towards financial products have also changed significantly. Erste Group is convinced that the digital banking business will continue to gain in importance and will be essential for the economic success in the long term and therefore, aims to foster digital innovation. Intra-group, interdisciplinary teams develop innovative solutions.

Erste Group's digital strategy is based on its own digital ecosystem. It aims at providing customers access to personalised products from Erste Group and also third-party suppliers through application programming interfaces ("**APIs**") in the secure IT environment of a financial platform. APIs allow a wide range of co-operations, whether with FinTechs or across industries, and can therefore help open up new markets.

The digital platform George was implemented in Austria in 2015. By year-end 2018, George will also be fully up and running in the Czech Republic, Slovakia and Romania while being rolled out successively in all of the other core markets of Erste Group. George is supplemented by the mobile application George Go. The range of digitally available products and services is constantly being expanded. Customers can activate applications of Erste Group or third parties via plug-ins and use them to manage their finances.

The omni-channel approach of Erste Group integrates the various sales and communication channels. Customers decide on how, when and where they do their banking business. Contact centers serve as interfaces between digital banking and traditional branch business. These contact centers offer advice and sales, thus going far beyond the traditional help desk function.

### **Focus on sustainability and profitability**

Earning a premium on the cost of capital is a key prerequisite for the long-term survival of any company and the creation of value for customers, investors and employees. For only a credit institution that operates in a sustainable manner – balancing the social, ecological and economic consequences of its business activities – and profitably, can achieve the following: (i) provide products and services to customers that support them in achieving their financial ambitions; (ii) deliver the foundation for share price appreciation as well as dividend and coupon payments to investors; (iii) create a stable and rewarding work environment for employees; and (iv) be a reliable contributor of tax revenues to society at large.

The Issuer's Management Board adopted a statement of purpose to reaffirm and state in more detail the purpose of Erste Group to promote and secure prosperity across the region. Building on this statement of purpose, a code of conduct defines binding rules of the day-to-day business for the employees and the members of both the Issuer's Management and Supervisory Board. At the same time, the code of conduct underlines that in pursuing its business activities, Erste Group values responsibility, respect and sustainability. The code of conduct is an important tool to preserve the reputation of Erste Group and to strengthen stakeholder confidence. Sustainability in this context means to operate the core business both in a socially and environmentally responsible manner and economically successfully.

Through a combination of stable revenues, low loan loss provisions, and cost efficiency profits can be achieved in the long term. This is helped by a strong retail-based funding profile. When growth opportunities are elusive, as they will be from time to time, or the market

environment is less favourable as a result of factors including high taxation, increased regulation or low interest rates, there will be a stronger focus on cost cutting. When the operating environment improves, more time will be devoted to capturing growth in a responsible way. Irrespective of the environment, Erste Group should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

## Relationship with Austrian Savings Banks

The Austrian Savings Banks Sector comprises all savings banks in Austria except for UniCredit Bank Austria AG, 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 BWG requires savings banks to maintain with Erste Group Bank, as the central institution (*Zentralinstitut*) of the savings bank group, a specified amount of their savings deposits and other Euro deposits (so-called "liquidity reserve"). Following a legal change, the savings banks are allowed to keep their liquidity reserves with credit institutions other than the relevant central institution.

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 (so-called "Haftungsverbund 1"). The *Haftungsverbund 1*, as an integral part of the joint marketing strategy and co-operation of the Austrian 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 Austrian Savings Banks Sector (except for Allgemeine Sparkasse Oberösterreich) (so-called "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 (*Bundeswettbewerbsbehörde*) as mergers (*Zusammenschluss*) within the meaning of the Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (*EC 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 of Erste Group, 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 Austrian Savings Banks Sector (including Allgemeine Sparkasse Oberösterreich) (so-called "Haftungsverbund 3"). The aim of the

amendment, which entered into force on 1 January 2014, is the intensification of the group steering (especially concerning risk management, liquidity management, capital management), the setting up of an institutional protection scheme (Article 113(7) CRR) and a cross-guarantee scheme (Article 4 (1)(127) CRR) in order to fulfil the requirements of Article 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*.

Pursuant to the agreements for the *Haftungsverbund 3* (i.e. the *Grundsatzvereinbarung*, the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung*), the 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*, the 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 for savings banks, 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 Austrian 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 of the *Haftungsverbund 3* 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*) exists requiring the competent authorities (ECB / FMA) to impose early intervention measures. Such need for early intervention exists if a credit institution (which is subject to the SRM) 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 Article 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 order to build up the special fund, all savings banks contribute funds on a quarterly basis until the special fund reaches its final size after 10 years starting from 2014.

In the event that a member savings bank becomes insolvent, the other members of the *Haftungsverbund 3* guarantee, through the Steering Company, the payment of all amounts owed to customers by the insolvent member, including:

- all deposits (as defined in § 1(1)(1) BWG);
- 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 an individual basis and based on the most recently approved financial statements of the respective 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 year ended 31 December 2013 comprised all members of the Austrian Savings Banks Sector. Since May 2010, a separate cross-guarantee agreement entered into between Erste Bank Oesterreich and Allgemeine Sparkasse Oberösterreich and since 2013, the *Zweite Zusatzvereinbarung* entered into between Allgemeine Sparkasse Oberösterreich and all other savings banks are in place.

## **Erste Group's Business Segments**

Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker of Erste Group to assess the performance of the segments and make decisions regarding the allocation of resources. Within Erste Group, the function of the chief operating decision maker is exercised by its management board.

Erste Group's segment reporting is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments.

The tables and information below provide a brief overview and focus on selected and summarised items. On Erste Group's website ("[www .erstegroup.com](http://www.erstegroup.com)") additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading and fair value result as well as dividend income, net result from equity method investments and rental income from investment properties and other operating leases. The latter three listed items are not separately disclosed in the tables below. Operating expenses equal the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position net impairment loss on financial assets. Other result summarises the positions other operating result and gains/losses from financial assets and liabilities not measured at fair value through profit or loss. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated equity is defined as the net result after tax/before minorities in relation to the average allocated equity.

## Consolidated Income Statement of Erste Group

in EUR thousand	2016	2017
Net interest income	4,374,518	4,353,154
Net fee and commission income	1,782,963	1,851,567
Dividend income	45,181	43,726
Net trading result	283,802	222,802
Result from financial assets and liabilities designated at fair value through profit or loss	-11,527	-12,302
Net result from equity method investments	9,010	15,857
Rental income from investment properties and other operating leases	207,234	194,235
Personnel expenses	-2,339,292	-2,388,581
Other administrative expenses	-1,235,771	-1,309,630
Depreciation and amortisation	-453,110	-460,022
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	148,001	156,431
Net impairment loss on financial assets	-195,672	-132,017
Other operating result	-664,953	-457,425
Levies on banking activities	-388,794	-105,658
<b>Pre-tax result from continuing operations</b>	<b>1,950,385</b>	<b>2,077,797</b>
Taxes on income	-413,627	-410,050
<b>Net result for the period</b>	<b>1,536,757</b>	<b>1,667,747</b>
Net result attributable to non-controlling interests	272,030	351,529
<b>Net result attributable to owners of the parent</b>	<b>1,264,728</b>	<b>1,316,218</b>

Source: Audited Consolidated Financial Statements 2017

## Regulatory Capital (phased-in)

in EUR million	2016	2017
Total Own Funds	18,836	20,309
Common Equity Tier 1 capital (CET 1)	13,602	14,712
Tier 1 capital	13,602	15,368
<b>in %</b>		
Total capital ratio	18.5%	18.5%
CET 1 capital ratio	13.4%	13.4%
Tier 1 capital ratio	13.4%	14.0%

Source: Audited Consolidated Financial Statements 2017

in %	2016	2017
CET 1 capital ratio - unconsolidated	18.8%	21.4%

Source: Audited financial statements of Erste Group Bank AG for the financial year ended 31 December 2017

## Regulatory Capital (fully loaded)

in EUR million	2016	2017
Common Equity Tier 1 capital (CET 1)	13,256	14,448
<b>in %</b>		
CET 1 capital ratio	12.8%	12.9%

Source: Audited Consolidated Financial Statements 2017

The Issuer targets a Basel III fully loaded CET 1 ratio in the area of 12.75+% (including a management buffer of 100 basis points).



## Prudential ratios pursuant to CRR on a consolidated level

in %	2016	2017
Fully loaded leverage ratio	6.2%	6.6%
Liquidity coverage ratio	142.6%*	145.2%**

Source: Internal information of the Issuer

\* Liquidity coverage ratio calculated pursuant to CRR.

\*\* Liquidity coverage ratio calculated pursuant to Commission Delegated Regulation (EU) 2015/61.

## Available Distributable Items

in EUR million	31 December 2017
Net profit or loss for the year	515.8
Other reserves (retained earnings)	1,698.4
Distributable Items applicable to AT1 distributions in 2016 pre-dividend payment	2,214.2

Source: Audited financial statements of Erste Group Bank AG for the financial year ended 31 December 2017

The Issuer's Management Board has proposed a dividend of EUR 1.2 per share.

## Alternative Performance Measures

Alternative Performance Measure	Description / Purpose	Calculation
Fully loaded leverage ratio	The leverage ratio is calculated pursuant to Article 429 CRR and is designed to discourage the build-up of excessive leverage by the Issuer.	<p>The leverage ratio shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage.</p> <p>Example for 2016:</p> $\frac{13,753 \text{ (= Tier 1 capital)}}{222,998 \text{ (= leverage ratio exposures)}} = 6.2\%$ <p>Example for 2017:</p> $\frac{15,440 \text{ (= Tier 1 capital)}}{234,606 \text{ (= leverage ratio exposures)}} = 6.6\%$

Liquidity coverage ratio	<p>The liquidity coverage ratio ("<b>LCR</b>"), according to Article 412 (1) CRR is designed to promote short-term resilience of the Issuer's liquidity risk profile and aims to ensure that the Issuer has an adequate stock of unencumbered high quality liquid assets ("<b>HQLA</b>") to meet its liquidity needs for a 30 calendar day liquidity stress scenario.</p>	<p>The LCR is expressed as:</p> $\frac{\text{(stock of HQLA)}}{\text{(total net cash outflows over the next 30 calendar days)}} \geq 100\%$ <p>The numerator of the LCR is the stock of HQLA (High Quality Liquid Assets). Institutions must hold a stock of unencumbered HQLA to cover the total net cash outflows over a 30-day period under the prescribed stress scenario. In order to qualify as HQLA, assets should be liquid in markets during a time of stress and, in most cases, be eligible for use in central bank operations.</p> <p>The denominator of the LCR is the total net cash outflows. It is defined as total expected cash outflows, minus total expected cash inflows, in the specified stress scenario for the subsequent 30 calendar days. Total cash inflows are subject to an aggregate cap of 75% of total expected cash outflows, thereby ensuring a minimum level of HQLA holdings at all times.</p> <p>Example for 2016:</p> $\frac{35,141.0}{24,636.8} = 142.6\%$ <p>Example for 2017:</p> $\frac{39,848.6}{27,439.3} = 145.2\%$
Net profit or loss for the year	<p>Pursuant to § 43(2) BWG, the profit or loss of the year is an item of the Issuer's income statement (<i>Gewinn- und Verlustrechnung</i>). Such income statement shall be drawn up in accordance with the layout set forth in the form contained in Annex 2 to § 43(2) BWG. The profit for the year may, unless resolved otherwise by the shareholders' meeting, be distributed as dividends to the shareholders.</p>	<p>The Issuer's net profit or loss for the year is calculated as follows:</p> <p>Operating income, less operating expenses (= operating result), less value adjustments, plus value re-adjustments (= profit or loss on ordinary activities), plus extraordinary income, less extraordinary expenses and taxes (= profit or loss for the year after tax), plus or less changes in reserves (= profit or loss for the year after distribution on capital), plus profit brought forward from the previous year and less loss brought forward from the previous year (= net profit or loss for the year).</p> <p>Example for 2016:</p> $1,602.4 - 651.4 - 272.4 + 655.8 + 0 - 222.9 - 681.7 + 0 - 0 = 429.8$ <p>Example for 2017:</p> $1,374.6 - 727.3 - 273.7 + 448.3 + 31.5 + 101.1 - 438.7 = 515.8$
Other reserves (retained earnings)	<p>Pursuant to § 43(2) in conjunction with Annex 2 to Article I § 43, Part 1 and § 51(12) BWG "other reserves" constitute part of the Issuer's retained earnings and are established by the Issuer on a voluntary basis in addition to legal and statutory reserves. These "other reserves" constitute the untied part of the Issuer's retained earnings.</p>	<p>The Issuer's Other reserves as of 31 December 2016 are calculated as the sum of Other reserves as of 31 December 2015 and the allocation to these reserves in 2016.</p> <p>Example for 2016:</p> $629.6 + 691.0 = 1,320.6$ <p>Example for 2017:</p> $1,320.6 + 377.8 = 1,698.4$

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Distributable Items applicable to AT 1 distributions in 2016 pre-dividend payment	"Distributable Items" means the distributable items as defined in Article 4(1)(128) CRR in respect of each financial year of the Issuer, all as determined and further specified in the terms and conditions of the respective AT 1 instrument.	The Distributable Items applicable to AT 1 distributions in 2016 pre-dividend payment are calculated as the sum of the "Net profit or loss for the year" and the "Other reserves (retained earnings)".  Example for 2016: $429.8 + 1,320.6 = 1,750.4$  Example for 2017: $515.8 + 1,698.4 = 2,214.2$
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Source: Information and calculation of the Issuer on the basis of the audited financial statements of Erste Group Bank AG for the financial years ended 31 December 2016 and 31 December 2017.

All figures in the table above are rounded and shown in EUR million.

## Business segmentation

The segment reporting comprises the following business segments reflecting Erste Group's management structure and its internal management reporting in 2017.



### Retail

The Retail segment comprises the business with private individuals, micros and free professionals within the responsibility of account managers in the retail network. This business is operated by the local banks in cooperation with their subsidiaries such as leasing and asset management companies with a focus on simple products ranging from mortgage and consumer loans, investment products, current accounts, savings products to credit cards and cross selling products such as leasing, insurance and building society products.

in EUR million	2016	2017
Net interest income	2,198.2	2,155.7
Net fee and commission income	958.4	1,003.8
Net trading result	99.6	114.0
Operating income	3,286.3	3,304.4
Operating expenses	-1,892.8	-1,995.8
Operating result	1,393.5	1,308.6
Cost/income ratio	57.6%	60.4%
Net impairment loss on financial assets	-19.1	9.5
Other result	-110.8	-60.4
Net result attributable to owners of the parent	964.6	960.7
Return on allocated capital	42.0%	40.5%

Source: Audited Consolidated Financial Statements 2017

### Corporates

The Corporates segment comprises business done with corporate customers of different turnover size (SME, local large corporate and group large corporate customers) as well as commercial real estate and public sector business. SME are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies within defined annual turnover thresholds. Local large corporates (LLC) are clients with specific annual turnover thresholds (lying above SME thresholds) which are not defined as group large corporate customers according to the group large corporate client list. Group large corporates ("**GLC**") are large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group. GLC clients can be found on the GLC client list. Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale etc. Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector.

in EUR million	2016	2017
Net interest income	1,015.6	993.9
Net fee and commission income	259.1	256.2
Net trading result	90.7	91.6
Operating income	1,504.7	1,469.9
Operating expenses	-562.4	-577.0
Operating result	942.4	892.9
Cost/income ratio	37.4%	39.3%
Net impairment loss on financial assets	-61.9	-135.3
Other result	-10.2	-13.9
Net result attributable to owners of the parent	653.0	580.3
Return on allocated capital	22.3%	18.8%

Source: Audited Consolidated Financial Statements 2017

### **Group Markets**

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term liquidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade and export finance).

in EUR million	2016	2017
Net interest income	212.1	196.8
Net fee and commission income	203.7	223.0
Net trading result	94.3	123.8
Operating income	515.1	554.1
Operating expenses	-223.4	-229.5
Operating result	291.7	324.6
Cost/income ratio	43.4%	41.4%
Net impairment loss on financial assets	11.4	3.6
Other result	4.9	-11.5
Net result attributable to owners of the parent	235.6	245.7
Return on allocated capital	37.6%	36.9%

Source: Audited Consolidated Financial Statements 2017

### **Asset/Liability Management & Local Corporate Center**

The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the local corporate centers which comprise internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

in EUR million	2016	2017
Net interest income	-93.7	-55.4
Net fee and commission income	-64.4	-87.4
Net trading result	-10.2	-74.3
Operating income	-135.2	-191.2
Operating expenses	-117.3	-86.0
Operating result	-252.5	-277.2
Cost/income ratio	-86.8%	-45.0%
Net impairment loss on financial assets	-9.6	-8.3
Other result	-28.2	-142.9
Net result attributable to owners of the parent	-214.4	-359.3
Return on allocated capital	-9.6%	-17.7%

Source: Audited Consolidated Financial Statements 2017

### **Savings Banks**

The Savings Banks segment includes those savings banks which are members of the *Haftungsverbund* (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but are fully controlled according to IFRS 10. The fully or majority owned savings banks Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse and Sparkasse Hainburg are not part of the Savings Banks segment.

in EUR million	2016	2017
Net interest income	955.8	982.0
Net fee and commission income	429.7	446.2
Net trading result	5.3	10.2
Operating income	1,446.0	1,492.9
Operating expenses	-1,021.8	-1,051.2
Operating result	424.2	441.7
Cost/income ratio	70.7%	70.4%
Net impairment loss on financial assets	-54.2	12.6
Other result	-56.8	-38.0
Net result attributable to owners of the parent	34.1	51.9
Return on allocated capital	9.3%	14.7%

Source: Audited Consolidated Financial Statements 2017

### **Group Corporate Center**

The Group Corporate Center (GCC) segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), non-profit internal service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments).

in EUR million	2016	2017
Net interest income	77.4	74.9
Net fee and commission income	6.4	13.0
Net trading result	3.7	-41.5
Operating income	112.0	73.1
Operating expenses	-871.5	-996.4
Operating result	-759.4	-923.3
Cost/income ratio	>100.0%	>100.0%
Net impairment loss on financial assets	-62.2	-14.1
Other result	307.3	709.2
Net result attributable to owners of the parent	-408.1	-163.2
Return on allocated capital	-7.2%	-2.0%

Source: Audited Consolidated Financial Statements 2017

### ***Intragroup Elimination***

Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes all intragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations within partial groups are disclosed in the respective segments.

### **Geographical segmentation**

For the purpose of segment reporting by geographical areas, the information is presented based on the location of the booking entity (not the country of risk). In the case of information regarding a partial group, the allocation is based on the location of the respective parent entity according to the local management responsibility.

Geographical areas are defined according to the country markets in which Erste Group operates. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets, Austria and Central and Eastern Europe and a residual segment Other that comprises the remaining business activities of Erste Group outside its core markets as well as the reconciliation to the consolidated accounting result.



The geographical area Austria consists of the following three segments:

The Erste Bank Oesterreich & Subsidiaries (EBOe & Subsidiaries) segment comprises Erste Bank Oesterreich and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).

in EUR million	2016	2017
Net interest income	660.5	631.2
Net fee and commission income	334.6	353.8
Net trading result	16.1	18.9
Operating income	1,057.5	1,053.7
Operating expenses	-666.9	-679.6
Operating result	390.6	374.1
Cost/income ratio	63.1%	64.5%
Net impairment loss on financial assets	-29.3	26.1
Other result	-18.5	-27.5
Net result attributable to owners of the parent	228.4	253.2
Return on allocated capital	19.3%	21.1%

Source: Audited Consolidated Financial Statements 2017

The geographical segment Savings Banks is identical to the business segment Savings Banks.

The Other Austria segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent GmbH, Erste Asset Management GmbH and Intermarket Bank AG.

in EUR million	2016	2017
Net interest income	401.6	372.2
Net fee and commission income	197.8	216.6
Net trading result	18.3	50.7
Operating income	681.7	708.0
Operating expenses	-355.5	-373.8
Operating result	326.2	334.2
Cost/income ratio	52.2%	52.8%
Net impairment loss on financial assets	-23.5	-40.0
Other result	25.6	3.4
Net result attributable to owners of the parent	248.1	228.6
Return on allocated capital	16.6%	15.5%

Source: Audited Consolidated Financial Statements 2017

The geographical area Central and Eastern Europe (CEE) consists of six segments covering Erste Group's banking subsidiaries located in the respective CEE countries:

- **Czech Republic** (comprising Česká spořitelna Group);
- **Slovakia** (comprising Slovenská sporiteľňa Group);
- **Romania** (comprising Banca Comercială Română Group);
- **Hungary** (comprising Erste Bank Hungary Group);
- **Croatia** (comprising Erste Bank Croatia Group); and
- **Serbia** (comprising Erste Bank Serbia Group).

The residual segment Other covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus, dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other.



In 2017, the goodwill impairment of Diners Club International Macedonia in the amount of EUR 0.5 million was recognised in business segment ALM & LCC/geographical segment Croatia. In 2016, the goodwill impairment of Slovenská sporiteľňa in the amount of EUR 61.3 million was recognised in business segment GCC/ geographical segment Other.

### **Czech Republic**

<b>in EUR million</b>	<b>2016</b>	<b>2017</b>
Net interest income	914.3	942.3
Net fee and commission income	344.3	334.4
Net trading result	107.2	103.9
Operating income	1,384.5	1,393.4
Operating expenses	-671.2	-692.8
Operating result	713.3	700.6
Cost/income ratio	48.5%	49.7%
Net impairment loss on financial assets	-70.5	-1.3
Other result	27.7	-35.2
Net result attributable to owners of the parent	542.0	532.9
Return on allocated capital	31.1%	26.3%

Source: Audited Consolidated Financial Statements 2017

### **Slovakia**

<b>in EUR million</b>	<b>2016</b>	<b>2017</b>
Net interest income	453.0	434.3
Net fee and commission income	121.7	112.7
Net trading result	13.5	13.8
Operating income	595.4	568.7
Operating expenses	-275.1	-281.1
Operating result	320.4	287.6
Cost/income ratio	46.2%	49.4%
Net impairment loss on financial assets	-48.2	-30.1
Other result	11.0	-39.5
Net result attributable to owners of the parent	213.3	166.2
Return on allocated capital	33.7%	24.7%

Source: Audited Consolidated Financial Statements 2017

### **Romania**

<b>in EUR million</b>	<b>2016</b>	<b>2017</b>
Net interest income	374.9	365.5
Net fee and commission income	157.9	153.4
Net trading result	70.3	77.3
Operating income	615.7	611.5
Operating expenses	-349.8	-338.0
Operating result	266.0	273.5
Cost/income ratio	56.8%	55.3%
Net impairment loss on financial assets	62.4	-7.1
Other result	-90.7	-88.9
Net result attributable to owners of the parent	199.5	120.7
Return on allocated capital	21.6%	12.5%

Source: Audited Consolidated Financial Statements 2017

## Hungary

in EUR million	2016	2017
Net interest income	173.4	198.4
Net fee and commission income	141.8	157.4
Net trading result	22.2	37.7
Operating income	340.3	395.0
Operating expenses	-195.6	-220.8
Operating result	144.8	174.2
Cost/income ratio	57.5%	55.9%
Net impairment loss on financial assets	91.7	35.1
Other result	-93.4	-28.6
Net result attributable to owners of the parent	133.6	164.9
Return on allocated capital	27.1%	29.3%

Source: Audited Consolidated Financial Statements 2017

## Croatia

in EUR million	2016	2017
Net interest income	264.9	270.5
Net fee and commission income	88.0	95.8
Net trading result	29.5	26.6
Operating income	407.4	414.0
Operating expenses	-194.3	-206.3
Operating result	213.1	207.7
Cost/income ratio	47.7%	49.8%
Net impairment loss on financial assets	-48.4	-116.1
Other result	-5.2	-9.0
Net result attributable to owners of the parent	83.7	37.7
Return on allocated capital	22.2%	10.4%

Source: Audited Consolidated Financial Statements 2017

## Serbia

in EUR million	2016	2017
Net interest income	46.8	51.3
Net fee and commission income	11.1	11.3
Net trading result	3.3	4.1
Operating income	61.7	67.0
Operating expenses	-40.2	-45.1
Operating result	21.5	21.9
Cost/income ratio	65.2%	67.3%
Net impairment loss on financial assets	-4.1	1.2
Other result	-0.6	-0.3
Net result attributable to owners of the parent	12.8	17.0
Return on allocated capital	13.6%	15.5%

Source: Audited Consolidated Financial Statements 2017

## Other

in EUR million	2016	2017
Net interest income	129.3	105.5
Net fee and commission income	-43.9	-30.0
Net trading result	-1.7	-120.3
Operating income	100.9	-35.2
Operating expenses	-257.9	-269.6
Operating result	-157.0	-304.8
Cost/income ratio	>100.0%	>100.0%
Net impairment loss on financial assets	-71.5	-12.6
Other result	-315.9	-37.5
Net result attributable to owners of the parent	-430.7	-256.8
Return on allocated capital	-6.4%	-3.0%

Source: Audited Consolidated Financial Statements 2017

## 6.5 CREDIT RATINGS

Standard & Poor's, Moody's and Fitch (each as defined below) have assigned the below credit ratings to the Issuer.

Standard & Poor's assigned the following credit ratings:

Debt Type	Credit Rating	Outlook
Senior Unsecured Long-Term	A	Positive
Senior Unsecured Short-Term	A-1	-

Moody's assigned the following credit ratings:

Debt Type	Credit Rating	Outlook
Senior Unsecured Long-Term	A3	Positive
Senior Unsecured Short-Term	P-2	-

Fitch assigned the following credit ratings:

Debt Type	Credit Rating	Outlook
Senior Unsecured Long-Term	A-	Stable
Senior Unsecured Short-Term	F1	-

More detailed information on the credit ratings can be retrieved on the Issuer's website ("[www.erstegroup.com/en/investors/debt/ratings](http://www.erstegroup.com/en/investors/debt/ratings)"). General information regarding the meaning of the credit rating and the qualifications which have to be observed in connection therewith can be found on the websites of Standard & Poor's ("[www.standardandpoors.com](http://www.standardandpoors.com)"), Moody's ("[www.moody.com](http://www.moody.com)") and Fitch ("[www.fitchratings.com](http://www.fitchratings.com)").

Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland ("**Standard & Poor's**") has its registered office at Neue Mainzer Straße 52, D-60311 Frankfurt am Main in Germany. Moody's Deutschland GmbH ("**Moody's**") has its registered office at An der Welle 5, D-60322 Frankfurt am Main in Germany. Fitch Ratings Ltd ("**Fitch**") with its seat in 30 North Colonnade, London E14 5GN, United Kingdom is registered at Companies House in England.

Standard & Poor's, Moody's and Fitch are registered under the CRA Regulation as registered credit rating agencies. The European Securities and Markets Authority (ESMA) 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.

## 6.6 RECENT DEVELOPMENTS

### **Erste Group's outlook as presented in the annual report 2017 is as follows:**

Erste Group targets a return on tangible equity ("ROTE") of more than 10% in 2018. The expected very solid macro-economic development in the core markets Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria, rising interest rate levels in several of Erste Group's markets and still historically low risk costs should be supportive factors to achieve this target. On the other hand, a global or regional slowdown of economic growth as well as potential – and as yet unquantifiable – political or regulatory risks might jeopardize achieving the target.

In 2018, the positive development of the economy should be reflected in growth rates (real GDP growth) of around 3% to 5% in the Erste Group's CEE core markets. All other economic parameters are currently expected to be similarly robust. Unemployment rates should remain at historic lows – in the Czech Republic and in Hungary, they are already among the lowest in the EU. Inflation is forecast to rise but remain subdued by historical standards and strong competitive positions should again lead to current account surpluses. The fiscal situation and public debt levels are also projected to remain sound. Austria should see accelerating economic growth at a rate of close to 3%. Overall, growth continues to be driven by domestic demand across all economies. The contribution of exports is forecast as neutral.

Against this backdrop, Erste Group expects mid-single digit net loan growth. In 2018, net interest income should also be slightly up on the back of rising short and long-term interest rates, primarily in the Czech Republic and Romania, but also globally, and therefore declining margin pressure from sovereign bond reinvestments. The second key income component, net fee and commission income, is also expected to increase moderately in 2018. As in 2017, some positive momentum should again come from the securities business, fund management and the insurance business. The other income components are expected to remain stable, by and large, despite the volatility of the net trading and fair value results. Consequently, operating income should grow slightly in 2018.

Operating expenses are expected to decline marginally in 2018, mainly due to the fact that in 2017 higher IT expenditure was incurred for regulatory projects, which will not recur on the same scale in 2018. However, Erste Group will continue to invest in digitalisation and thereby its future competitiveness in 2018. The focus will be on product simplification, process standardisation or the group-wide implementation of the digital platform George. After its rollout in Austria, George will be fully up and running in the Czech Republic, Slovakia and Romania in 2018.

Overall, the operating result is projected to rise in 2018.

Risk costs should support net profit again in 2018. Amid a moderate rise of interest rates, risk costs should go up only slightly. Further improvements in asset quality, however, should have a dampening effect. Overall, Erste Group does not expect a recurrence of the historically low risk cost level of 2017 of just 9 basis points of average gross customer loans. While precise forecasts are difficult in the current environment, Erste Group projects for 2018 risk costs of up to 20 basis points of average gross customer loans. The implementation of accounting standard IFRS 9 is not expected to materially impact financial results in 2018.

Assuming a tax rate of around 22% and a similar level of minority charges, Erste Group aims to achieve a ROTE of more than 10%.

Potential risks to the guidance are interest rate trends that differ from expectations, political or regulatory measures targeting banks as well as geopolitical and global economic developments.

### **ECB's decision on the capital requirements for Erste Group**

Erste Group received the ECB's decision on the additional capital requirements that need to be fulfilled on a consolidated and unconsolidated basis as of 1 January 2018 as set by the ECB following the SREP results in 2017.

On a consolidated basis, the additional regulatory capital demands comprise a Pillar 2 requirement of 1.75% and a Pillar 2 guidance of 1.05% applicable in 2018. As a result, the overall consolidated CET 1 requirement of Erste Group is 9.45% in 2018 and 11.12% on a "fully loaded" basis as of 1 January 2019 (excluding Pillar 2 guidance, but including capital conservation buffer, the institution specific countercyclical buffer and the systemic risk buffer).

On an unconsolidated basis, the additional CET 1 demand is 1.75% Pillar 2 requirement resulting in an overall individual CET 1 requirement of 9.32% in 2018 and 10.97% on a "fully loaded" basis as of 1 January 2019.

In addition to the CET 1 requirements (consolidated and unconsolidated) described above, overall capital requirements also apply to Erste Group's tier 1 capital ratio and own fund ratio, resulting in tier 1 requirements of 10.95% and own funds requirements of 12.95% for 2018 on a consolidated basis (and 10.82% tier 1 and 12.82% own funds respectively on an unconsolidated basis). In that context, any shortfall in Pillar 1 and Pillar 2 capital requirement components which could otherwise be made up of AT 1 or Tier 2 up to their respective limits would have to be met with CET 1 for an AT 1 shortfall and AT 1 or CET 1 for a Tier 2 shortfall in order to avoid a breach of the Maximum Distributable Amount.

## 7. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 7.1 MANAGEMENT BOARD

#### Members of the Management Board

The current members of the Management Board listed below have extensive experience in the Austrian banking market and the Austrian Savings Banks Sector and held the following additional supervisory board mandates or similar functions in various companies as of the date of this Prospectus.

Name	Name of relevant company	Position held
<b>Andreas Treichl</b> <i>Chairman</i>	Banca Comercială Română S.A.	SB <sup>5</sup> deputy chairman
	BeeOne GmbH	AB <sup>6</sup> chairman
	Česká spořitelna, a.s.	SB deputy chairman
	Erste Bank der oesterreichischen Sparkassen AG	SB member
	Leoganger Bergbahnen GmbH	SB member
	Die Zweite Wiener Vereins-Sparcasse	SB chairman
<b>Gernot Mittendorfer</b> <i>Member</i>	Banca Comercială Română S.A.	SB member
	Erste Bank Hungary Zrt	SB member
	Erste Bank a.d. Novi Sad	SB chairman
	Erste Group IT International GmbH	SB deputy chairman
	OM Objektmanagement GmbH	AB chairman
	Procurement Services GmbH	AB deputy chairman
	Slovenská sporiteľ'ňa, a.s.	SB chairman

<sup>5</sup> "SB" means Supervisory Board.

<sup>6</sup> "AB" means Advisory Board.

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
<b>Peter Bosek</b> <i>Member</i>	BeeOne GmbH	AB member
	Česká spořitelna, a.s.	SB member
	Sparkassen Versicherung AG Vienna Insurance Group	SB member
	Wiener Städtische Versicherung AG Vienna Insurance Group	SB deputy chairman
<b>Petr Brávek</b> <i>Member</i>	Česká spořitelna, a.s.	SB member
	Erste Group Card Processor d.o.o.	AB deputy chairman
	Erste Group IT International GmbH	SB chairman
	s IT Solutions AT Spardat GmbH	SB deputy chairman
<b>Jozef Sikela</b> <i>Member</i>	Prvá stavebná sporiteľňa, a.s.	SB member
	Oesterreichische Kontrollbank AG	SB member
<b>Willibald Cernko</b> <i>Member</i>	Semper Constantia Privatbank Aktiengesellschaft	SB deputy chairman
	Erste Reinsurance S.A.	SB chairman
	Erste Bank der oesterreichischen Sparkassen AG	SB member
	Erste & Steiermärkische Bank d.d.	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 Am Belvedere 1, A-1100 Vienna, Austria.

## 7.2 SUPERVISORY BOARD

### Members of the Supervisory Board

Currently, the Supervisory Board consists of members elected by the shareholders of Erste Group Bank and 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:

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
<b>Friedrich Rödler</b> <i>Chairman</i>	Erste Bank der oesterreichischen Sparkassen AG	SB chairman
	Erste Bank Hungary Zrt.	SB member
	Sparkassen-Prüfungsverband	SB chairman
	Abschlussprüferaufsichtsbehörde	SB chairman
<b>Elisabeth Bleyleben-Koren</b> <i>Member</i>	none	—
<b>Gunter Griss</b> <i>Member</i>	Steiermärkische Bank und Sparkassen AG	SB chairman
	Bankhaus Krentschker & Co. AG	SB deputy chairman
	AVL List GmbH	SB chairman
<b>Jordi Gual Solé</b> <i>Member</i>	CaixaBank, S.A.	Chairman of board of directors
	Repsol S.A.	SB member
<b>Maximilian Hardegg</b> <i>Second Deputy Chairman</i>	DIE ERSTE österreichische Spar-Casse Privatstiftung	SB member
	Česká spořitelna, a.s.	SB member
	Nadace Depositum Bonum Foundation	SB chairman
<b>Jan Homan</b> <i>First Deputy Chairman</i>	Constantia Flexibles Holding GmbH	SB member
	FRAPAG Beteiligungsholding AG	SB chairman
	Slovenská sporiteľňa, a.s.	SB member
<b>Marion Khüny</b> <i>Member</i>	KA Finanz AG	SB member
<b>Elisabeth Krainer Senger-Weiss</b> <i>Member</i>	Gebrüder Weiss Holding AG	SB member
	Gebrüder Weiss GmbH	SB member



<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
<b>Brian Deveraux O'Neill</b>		
<i>Member</i>	Banca Comercială Română S.A.	SB member
	Emigrant Bank	Member of board of directors
	Aqua Venture Holdings, LLC	Member of board of directors
<b>Wilhelm Rasinger</b>		
<i>Member</i>	Friedrichshof Wohnungsgenossenschaft reg. Gen.mbH	SB chairman
	Haberkorn Holding AG	SB member
	Haberkorn GmbH	SB member
	S IMMO AG	SB member
	Wienerberger AG	SB member
	Gebrüder Ulmer Holding GmbH	SB member
<b>John James Stack</b>		
<i>Member</i>	Ally Bank	Member of board of directors
	Ally Financial Inc.	Member of board of directors
	Česká spořitelna, a.s.	SB chairman
	Mutual of America Capital Management	Member of board of directors
	Nadace Depositum Bonum Foundation	SB member
<b>Markus Haag</b>		
<i>Employee representative</i>	none	—
<b>Regina Haberhauer</b>		
<i>Employee representative</i>	Erste Asset Management GmbH	SB member
	ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	SB member
<b>Andreas Lachs</b>		
<i>Employee representative</i>	VBV-Pensionskasse AG	SB member
<b>Barbara Pichler</b>		
<i>Employee representative</i>	DIE ERSTE österreichische Spar-Casse Privatstiftung	SB member
<b>Jozef Pinter</b>		
<i>Employee representative</i>	none	—

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
<b>Karin Zeisel</b> <i>Employee representative</i>	none	—

Source: Internal information of Erste Group Bank.

The members of the Supervisory Board can be reached at Erste Group Bank's business address Am Belvedere 1, A-1100 Vienna, Austria.

### **7.3 REPRESENTATIVES OF THE SUPERVISORY AUTHORITIES**

Pursuant to the BWG, the Austrian Act on Covered Bank Bonds (*Gesetz betreffend fundierte Bankschuldverschreibungen – "FBSchVG"*) and the Austrian Mortgage Bank Act (*Hypothekenbankgesetz – "HypBG"*), 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:

<b>Name</b>	<b>Position</b>
<b>Wolfgang Bartsch</b>	State Commissioner
<b>Michael Kremser</b>	Vice State Commissioner
<b>Silvia Maca</b>	Commissioner pursuant to the FBSchVG
<b>Erhard Moser</b>	Vice Commissioner pursuant to the FBSchVG
<b>Irene Kienzl</b>	Trustee pursuant to the HypBG
<b>Thomas Schimetschek</b>	Deputy Trustee pursuant to the HypBG

Source: Internal information of Erste Group Bank

Pursuant to the BWG and the Articles of Association, the State Commissioner and its deputy shall be invited to 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 § 76 (6) BWG.

### **7.4 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 pursuant the Austrian Securities Supervision Act 2018 (*Wertpapieraufsichtsgesetz 2018 – WAG 2018*), compliance rules and industry standards in place regulating the management of conflicts of interest and the ongoing application of such guidelines and rules. If any conflicts of interest are identified with respect to the members of the Issuer's Management Board, Supervisory Board or the upper management level, where internal procedures or measures would not be sufficient, conflicts of interest would be disclosed.

Furthermore, members of the Issuer's Management and Supervisory Boards may serve on management or supervisory boards of various different companies (others than Erste Group Bank), including customers of and investors in Erste Group Bank, which may also compete directly or indirectly with the Issuer. Directorships of that kind may expose them to potential conflicts of interest if the Issuer maintains active business relations with said companies.

## 7.5 AUDIT AND AUDITORS' REPORTS

Sparkassen-Prüfungsverband Prüfungsstelle (statutory auditor, two current directors of which are members of "Kammer der Wirtschaftstrehänder Österreich") at Am Belvedere 1, A-1100 Vienna, and PwC Wirtschaftsprüfung GmbH (a member of "Kammer der Wirtschaftstrehänder Österreich") at Erdbergstraße 200, A-1030 Vienna (until 12 April 2018) and DC Tower 1, Donau-City-Straße 7, A-1220 Vienna (as of 13 April 2018), have audited the German language consolidated financial statements of Erste Group Bank as of 31 December 2017 and issued an unqualified audit opinion for the Audited Consolidated Financial Statements 2017 (dated 28 February 2018).

Sparkassen-Prüfungsverband Prüfungsstelle (statutory auditor, two current directors of which are members of "Kammer der Wirtschaftstrehänder Österreich") at Am Belvedere 1, A-1100 Vienna, and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (a member of "Kammer der Wirtschaftstrehänder Österreich") at Wagramer Straße 19, A-1220 Vienna, have audited the German language consolidated financial statements of Erste Group Bank as of 31 December 2016 and issued an unqualified audit opinion for the Audited Consolidated Financial Statements 2016 (dated 28 February 2017).

The financial year of Erste Group Bank is the calendar year.

## 7.6 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 Austrian Savings Bank Act. As of the date of this Prospectus, 29.7% of the shares in Erste Group Bank were attributable to DIE ERSTE österreichische Spar-Casse Privatstiftung ("**Erste Stiftung**"). This comprises an 11.2% economic interest of Erste Stiftung as well as shares attributable to Erste Stiftung through syndicate agreements concluded with CaixaBank, S.A., the Austrian savings banks and other parties (i.e. the Sparkassenstiftungen and Anteilsverwaltungssparkassen, and Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung– Vienna Insurance Group), which held 9.9%, 4.8% and 3.8%, respectively. The free float amounts to 70.3% (of which 48.3% were held by institutional investors, 5.0% by retail investors, 11.2% by unidentified institutional and private investors, 5.1% by BlackRock Inc. and 0.7% by Erste Group's employees) (all numbers are rounded).

In total 1,137,582 shares are held in the savings banks directly and are to be considered own shares thus reducing the number of shares with voting right to 428,662,418 in total. The voting rights of the shareholders are subsequently increasing slightly.

## 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 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, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group and/or Erste Group Bank:

### Consumer protection claims

Several banking subsidiaries of Erste Group 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 and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions the legal risks in connection with loans granted in the past to consumers are also increased by the enactment of politically motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, and a level of unpredictability of judicial decisions beyond the level of uncertainty generally imminent in court proceedings. The following consumer protection issues are deemed particularly noteworthy:

In Romania, BCR is, besides being a defendant in a substantial number of individual law suits filed by consumers, among several local credit institutions pursued by the consumer protection authority for alleged abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. Only few of these cases have so far been finally decided by the courts, none of them with an adverse result for BCR. If one of these cases on the validity of certain clauses becomes adversely adjudicated, this may have the impact of invalidating such clauses also in similar agreements of BCR with other consumers.

In Hungary, foreign currency loan related invalidity lawsuits by consumers against credit institutions, including Erste Bank Hungary ("**EBH**"), have been suspended by the regulations of the 2014 consumer loan law. After the completion of the settlement and the refund process with the customers concerned with the litigation, only a part of the proceedings has been continued so far. However, there is a steady tendency of consumers initiating further court cases after and irrespective of the settlement process completed fully in line with the 2014 consumer loan regulations. In the new statements of claim frequently legal issues are raised which have not been affected and resolved by the 2014 consumer loan regulations. It is expected that EBH will remain a defendant in a number of these litigations and that consumers will continue and initiate further court cases, creating a high level of legal uncertainty. In a number of lawsuits against credit institutions, some of them with EBH as a party, a preliminary ruling of the European Court of Justice ("**ECJ**") has been initiated by local courts. The questions referred to the ECJ mainly examine the compliance of FX loan agreements with European regulations on consumer protection. As a result of these pending procedures, numerous pending lawsuits have been suspended until the ECJ adopts the preliminary rulings. Furthermore, in case the ECJ's rulings would be favourable for the plaintiffs, this might lead to an increase of the number of pending lawsuits against EBH.

In Croatia, the Supreme Court of Croatia, in a proceeding initiated by a local consumer protection association against several credit institutions, among them Erste Bank Croatia ("**EBK**"), declared in 2015 that FX clauses in loan agreements with consumers are valid, but contractual provisions permitting unilateral change of the variable interest rates in CHF

denominated consumer loans, used by the majority of credit institutions until 2008, are null and void. In late 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court of Croatia decision relating to the validity of FX clauses, while it upheld the verdict regarding the (in)validity of the interest rate clause. The Supreme Court of Croatia has been ordered to amend its decision as it allegedly violated the constitutional right to fair trial by not providing sufficient explanation for its decision regarding FX clauses. In late 2017, the Supreme Court of Croatia rescinded the second instance decision and returned the case with respect to the FX clause for a retrial to the court of second instance. The outcome of such further judicial review is highly unpredictable and so is its impact, if any, on legal disputes with individual clients related to CHF denominated loan agreements in light of the laws enacted in 2015 that forced credit institutions to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect.

### **Corporate bond investors' prospectus claims**

Since 2014, a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, have filed claims with the courts of Vienna against Austrian credit institutions, among them Erste Group Bank, requesting compensation for their losses as bondholders following the bankruptcy of the issuer of such corporate bonds in 2013. The plaintiffs argue in essence that the defendant credit institutions, who acted as joint-lead managers in the issuing of the respective bond, already knew of the insolvency status of the issuer at such time and should be liable for the issuing prospectus failing to state this. Erste Group Bank, together with a second Austrian credit institution, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank rejects the claims. In 2017, the public prosecutor charged with criminal investigations into the insolvency has terminated investigations against unknown responsible officers of the credit institutions involved in the issuing of the bonds for lack of indication for any criminal wrongdoing, stating that there were neither hints for a deception of investors nor hints that the credit institutions had information on the allegedly bad financial situation of the issuer at the time of the issuing of the bonds.

### **BCR Banca pentru Locuinte dispute**

In 2015, the Romanian Court of Accounts ("**CoA**") conducted an audit review in BCR Banca Pentru Locuinte ("**BpL**") in order to assess whether the credit institution has allocated the state subsidies to its clients in accordance with the applicable legal provisions. Following the review, the CoA claims that several deficiencies were identified and that conditions for state subsidies have not been met. BpL did not accept the position taken by the CoA and initiated a contestation process which is currently ongoing. In early 2017, the court of first instance announced its decision: it accepted the BpL contestation on the most relevant counts, while also upholding a few of the findings of the CoA report. The obligation of repayment of subsidies under the CoA decision has been temporary suspended through an injunction granted to the credit institution in the court of first instance.

## 9. MATERIAL CONTRACTS

Erste Group Bank and its subsidiaries have not entered into any material contracts, other than contracts entered into in the ordinary course of business, which could result in any member of Erste Group being under an obligation or entitlement that is material to Erste Group Bank's ability to meet its obligation to Holders in respect of the Notes, except for the following agreements which have been in place before:

### **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 CEE 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 March 2013 to 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 described 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 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 (Article 113 (7) CRR) and a cross-guarantee scheme (Article 4 (1)(127) CRR) in order to fulfil the requirements of Article 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.

### **Syndicate Agreements**

From 2013 until beginning of 2017, syndicate agreements among Erste Stiftung on the one hand and (i) the Sparkassenstiftungen and Anteilsverwaltungssparkassen, the (ii) Sparkassen which are members of Haftungsverbund 3, (iii) CaixaBank S.A. and (iv) Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung– Vienna Insurance Group on the other hand were concluded. Each of these syndicate agreements constitutes a subordination-syndicate, which requires the syndicate partners to vote in line with Erste

Stiftung in case of appointments of members of the supervisory board. Furthermore, the syndicate agreements foresee the establishment of a monitoring system in order to avoid unintended creeping.

## **Investment by EBRD and the Hungarian Government in Erste Bank Hungary – Contractual Framework**

On 9 February 2015, the Government of Hungary and the EBRD sealed an agreement ("**Memorandum of Understanding**") aiming at strengthening Hungary's financial sector, improving its level of efficiency and profitability and boosting the flow of bank credits to Hungary's private corporations and citizens. In this context, the Issuer announced that it has invited the Government of Hungary and the EBRD to invest in EBH by acquiring a minority stake of up to 15% each. On 20 June 2016, Hungary, acting through the state-owned entity Corvinus Zrt. in this transaction, and the EBRD signed the contractual framework (the "**Contractual Framework**") with the Issuer on the transaction. The Issuer and the two buyers negotiated a purchase price of HUF 77.78 billion for the in total 30% stake in EBH. Prior to completion of the transaction, the Issuer strengthened the capital base of EBH by subscribing the new shares required for the execution of sale of the 30% stake in EBH. Closing of the transaction took place on 11 August 2016 when the new statutes of EBH were approved by the shareholders, after fulfilment of all conditions precedent, in particular after having obtained the approval of the competent authorities as well as after the fulfilment of certain conditions by the involved parties. EBH remains majority-owned by the Issuer. All the changes in the company register related to EBH's new ownership structure have been registered by the court of registry. On the basis of their proportionate rights as minority shareholders, the Government of Hungary and the EBRD each had the right to appoint one non-executive member of EBH's management board and one member of EBH's supervisory board. The new members of the board of directors and the supervisory board delegated by Corvinus Zrt. and EBRD have been appointed by EBH and approved by the Hungarian National Bank (except for the delegated person to EBH's supervisory board by EBRD, which is in progress). The parties have also agreed to a pre-determined exit mechanism for the involved minority shareholdings: the put and call option scheme grants Corvinus Zrt. the right to exit any time and the Issuer the right to exercise the call option five years after the sale of the minority shareholding at the earliest; in the case of EBRD, the put and call options are exercisable any time between five and nine years after the acquisition of the minority shareholding by EBRD.

## 10. TAXATION

*The statements herein regarding certain tax issues in Austria and Luxembourg are based on the laws in force in those jurisdictions as of the date of this Prospectus and are subject to any changes in such laws. The following summaries do not purport to be comprehensive descriptions of all the tax considerations which may be relevant to a decision to purchase, own or dispose of Notes and further disclosure may be included in a supplement to this Prospectus. Prospective holders of Notes should consult their tax advisers as to the relevant tax consequences of the ownership and disposition of Notes.*

*The Issuer assumes no responsibility with respect to taxes withheld at source.*

### AUSTRIA

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 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. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable 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 investors in 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 (in particular from a potential qualification as equity for tax purposes instead of debt) shall in any case be borne by the investor. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

#### General remarks

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in § 26 of the Austrian Federal Fiscal Procedures Act (*Bundesabgabenordnung*), in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a 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 management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*), both as defined in § 27 of the Austrian Federal Fiscal Procedures Act, 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 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

Austrian statutory law does not contain specific provisions on the qualification of Additional Tier 1 instruments for Austrian (corporate) income tax purposes. However, pursuant to § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), which is typically applied for purposes of qualifying hybrid instruments either as equity or as debt for Austrian (corporate) income tax purposes, *jouissance* rights and other financial instruments (*Genussrechte und sonstige Finanzierungsinstrumente*) granting a right to participate in both



the current profits and the liquidation profits of the issuer are to be qualified as equity instruments. In contrast thereto, *jouissance* rights and other financial instruments granting a right to participate either in the current profits or in the liquidation profits of the issuer or in neither of the two categories are to be qualified as debt instruments. In addition, reference has to be made to jurisprudence of the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*) pursuant to which the qualification of hybrid instruments, such as *jouissance* rights, has to be based on whether typical equity-like criteria outweigh typical debt-like criteria from a quantitative and qualitative perspective, thereby taking into account the instrument's term, the profit dependency of distributions, the participation in the issuer's substance/liquidation gain, the granting of securities, a potential subordination and the lack of typical shareholder control and voting rights.

In April 2014, a professional interest association submitted to its members a statement received from the Austrian Ministry of Finance (*Bundesministerium für Finanzen*) which confirms that due to its structural elements, Additional Tier 1 instruments within the meaning of Article 52 of the CRR can be qualified as debt for Austrian (corporate) income tax purposes based on § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act. As a result of this qualification, distributions effected by the issuer under Additional Tier 1 instruments are generally deductible at the level of the issuer for corporate income tax purposes (unless general restrictions – which are applicable to any debt instruments – apply). This statement of the Austrian Ministry of Finance does not address any other potential Austrian tax aspects in the context of the issuance of Additional Tier 1 instruments.

In a recently published draft ordinance (*Wartungserlass*) proposing changes to the Austrian Corporate Income Tax Guidelines (*Körperschaftsteuerrichtlinien*), the Austrian Ministry of Finance stated the following (whether these proposed changes will – in this form – be incorporated in the Austrian Corporate Income Tax Guidelines is currently not yet clear): Instruments qualify as equity-type *jouissance* rights and other financial instruments in the meaning of § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act if they grant a right to participate in the current profits and the liquidation profits of a corporation. Both prerequisites mentioned in the statute must be fulfilled. In case no participation in the current profits, in the liquidation profits, or in both types of profits exists, an instrument qualifies as a debt-type *jouissance* right (*i.e.*, as debt); consequently, payments under such an instrument are tax deductible. *Jouissance* rights and other financial instruments fulfilling the prerequisites of § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act are to be qualified as equity for income tax purposes; all kinds of distributions under such instruments qualify as tax-neutral use of income. According to the draft ordinance, Additional Tier 1 capital instruments and Tier 2 capital instruments in the meaning of Articles 51 and 62 CRR would qualify as either equity or debt for tax purposes in line with the criteria outlined in § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act; on this basis, according to the draft ordinance, usually such instruments would qualify as debt for tax purposes.

For purposes of the following, the Issuer assumes that the Notes qualify as debt for Austrian (corporate) income tax purposes. In case of a qualification of the Notes as equity, the tax consequences would substantially differ from those described below.

Pursuant to § 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 § 27(2) of the Austrian Income Tax Act, including dividends and interest; the tax basis is the amount of the earnings received (§ 27a(3)(1) of the Austrian Income Tax Act);
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to § 27(3) of the Austrian Income Tax Act, including gains from the alienation, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and broken-period interest; the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs, in each case including accrued interest (§ 27a(3)(2)(a) of the Austrian Income Tax Act); and

- income from derivatives (*Einkünfte aus Derivaten*) pursuant to § 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 (the mere exercise of an option does not trigger tax liability); e.g., in the case of index certificates, the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs (§ 27a(3)(3)(c) of the Austrian Income Tax Act).

Also the withdrawal of the Notes from a securities account (*Depotentnahme*) and circumstances leading to a restriction 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.* § 27(6)(1) and (2) of the Austrian Income Tax Act). The tax basis amounts to the fair market value minus the acquisition costs (§ 27a(3)(2)(b) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. Investment income from the Notes with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), is subject to withholding tax (*Kapitalertragsteuer*) at a flat rate of 27.5%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to § 97(1) of the Austrian Income Tax Act). Investment income from the Notes without an Austrian nexus must be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The acquisition costs must not include ancillary acquisition costs (*Anschaffungsnebenkosten*; § 27a(4)(2) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. § 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 be neither offset against interest from bank accounts and other non-securitized claims *vis-à-vis* credit institutions (except for cash settlements and lending fees) nor against income from private foundations, foreign private law foundations and other comparable legal estates (*Privatstiftungen, ausländische Stiftungen oder sonstige Vermögensmassen, die mit einer Privatstiftung vergleichbar sind*); income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act 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. The Austrian custodian agent has to effect the offsetting of losses by taking into account all of a taxpayer's securities accounts with the custodian agent (*cf.* § 93(6) of the Austrian Income Tax Act), and to issue a written confirmation to the taxpayer to this effect.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. Investment income from the Notes with an Austrian nexus is subject to withholding tax at a flat rate of 27.5%. While 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 be included in the investor's income tax return (nevertheless generally income tax at the flat rate of 27.5%). Investment income from the Notes without an Austrian nexus must always be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The flat tax rate does not apply to income from realised increases in value and income from derivatives if realizing these types of income constitutes a key area of the respective investor's business activity (§ 27a(6) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the

Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. Pursuant to § 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of § 27(3) and (4) of the Austrian Income Tax Act, which are subject to income tax at the flat rate of 27.5%, 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 within the same business unit (*Wirtschaftsgüter desselben Betriebes*); only 55% of the remaining negative difference may be offset against other types of income.

Pursuant to § 7(2) of the Austrian Corporate Income Tax Act, corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes at a rate of 25%. Income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes with an Austrian nexus is subject to withholding tax at a flat rate of 27.5%. However, pursuant to § 93(1a) of the Austrian Income Tax Act, the withholding agent may apply a 25% rate if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the corporate income tax liability. Under the conditions set forth in § 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Losses from the alienation of the Notes can be offset against other income.

Pursuant to § 13(3)(1) in connection with § 22(2) of the Austrian Corporate Income Tax Act, private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in § 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Notes as non-business assets 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). Pursuant to the Austrian tax authorities' view, the acquisition costs must not include ancillary acquisition costs. Expenses such as bank charges and custody fees must not be deducted (§ 12(2) of the Austrian Corporate Income Tax Act). Interim tax is generally not triggered insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. Investment income from the Notes with an Austrian nexus is in general subject to withholding tax at a flat rate of 27.5%. However, pursuant to § 93(1a) of the Austrian Income Tax Act, the withholding agent may apply a 25% rate if the debtor of the withholding tax is a corporation (*Körperschaft*, which term, *inter alia*, encompasses private foundations). Such withholding tax can be credited against the tax falling due. Under the conditions set forth in § 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes as well as the income resulting therefrom are attributable to such permanent establishment (*cf.* § 98(1)(3) of the Austrian Income Tax Act, § 21(1)(1) of the Austrian Corporate Income Tax Act). In addition, individuals subject to limited income tax liability in Austria are also taxable on interest in the sense of § 27(2)(2) of the Austrian Income Tax Act and accrued interest (including from zero coupon bonds) in the sense of § 27(6)(5) of the Austrian Income Tax Act from the Notes if the (accrued) interest has an Austrian nexus and if withholding tax is levied on such (accrued) interest. This does not apply to individuals being resident in a state with which automatic exchange of information in tax matters exists. Interest with an Austrian nexus is interest the debtor of which has its place of management and/or its legal seat in Austria or is an Austrian branch of a non-Austrian credit institution; accrued interest with an Austrian nexus is accrued interest from securities issued by an Austrian issuer (§ 98(1)(5)(b) of the Austrian Income Tax Act). Under applicable double taxation treaties, relief from Austrian income tax might be available. However, Austrian credit institutions must not provide for such relief at source; instead, the investor may file an application for repayment of tax with the competent Austrian tax office.

### **Inheritance and gift taxation**

Austria does not levy inheritance or gift tax.

Certain gratuitous transfers of assets to private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to

foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer 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 management in Austria. Certain exemptions apply in cases of transfers *mortis causa* of financial assets within the meaning of § 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act. 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 transfers of assets to non-transparent foundations and similar vehicles (*Vermögensstrukturen*) falling within the scope of the Treaty between the Republic of Austria and the Principality of Liechtenstein on Cooperation in the Area of Taxation.

In addition, there is a special notification obligation for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of 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 Transfer Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may trigger fines of up to 10% of the fair market value of the assets transferred.

Further, gratuitous transfers of the Notes may trigger income tax at the level of the transferor pursuant to § 27(6) of the Austrian Income Tax Act (see above).

## **LUXEMBOURG**

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

### **Withholding Tax**

Under Luxembourg general tax laws currently in force and subject to the exception below, no Luxembourg withholding tax is due on payments of interest (including accrued but unpaid interest) or repayments of principal.

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg resident individual beneficial owners are subject to a 20 per cent. withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the law of 23 December 2005 will be subject to a withholding tax at a rate of 20 per cent.

## UNITED STATES

### FATCA

Pursuant to "**FATCA**", a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes (the "**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Austria) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## 11. SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 9 April 2018 (the "**Programme Agreement**") agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated in the sections entitled "*3. Terms and Conditions of the Notes*" and "*4. Form of Final Terms*".

### GENERAL

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus or any offering material in relation to this Prospectus or the Notes and will obtain any consent, approval or permission required from it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries of Notes and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such sale.

With regard to each Tranche of Notes, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be specified in the relevant Final Terms.

### 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 or sold 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 "**Regulation S**")).

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver an Instrument of any Series: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons to substantially the following effect:

"The securities covered hereby have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the later of the date of the commencement of the Offering and the Closing Date, except in either case in accordance with the Regulation S under the Securities Act. Terms used above have the meanings given to them in Regulation S."

Terms used in this paragraph have the meaning given to them by Regulation S.

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 by any dealer (whether or not participating in the offering) 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.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Bearer Notes which are subject to U.S. tax law requirements may not be offered, sold or delivered in the United States or its possessions or to a United States 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 of 1986, as amended, and regulations promulgated thereunder.

## EUROPEAN ECONOMIC AREA

In relation to each member state of the EEA<sup>7</sup> which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of any Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Directive, provided that no such offer of Notes 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, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2014/51/EU), and includes any relevant implementing measure in that Relevant Member State. Please also refer to the section "*Restrictions on Marketing and Sales to Retail Investors*" below.

## RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in Article 4 (1) (11) MiFID II; or

<sup>7</sup> The European Economic Area is the EU plus Iceland, Norway and Liechtenstein.

- (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in Article 4 (1) (10) MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression "**offer**" includes 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.

## 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 U.K. Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to any 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 the Issuer was not an authorised person, apply to the Issuer.

## HONG KONG

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (*Winding Up and Miscellaneous Provisions*) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## SINGAPORE

Each Dealer has acknowledged, and each further Dealer to be appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and that the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented and agreed and each further Dealer to be appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of



an invitation for subscription or purchase, and that it has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **CANADA**

No prospectus in relation to the Notes has been filed with a securities regulatory authority in any province or territory of Canada. Each Dealer has acknowledged that the Notes have not been and will not be qualified for sale under the securities laws of Canada or any province or territory of Canada.

Each Dealer has represented and agreed that it has not offered, sold or distributed, and will not offer, sell or distribute, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof other than in compliance with the applicable securities laws of Canada or any province or territory of Canada. Each Dealer has acknowledged and agreed that it will offer, sell or distribute such Notes only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer, sale or distribution is made and in compliance with the dealer registration requirements, or in accordance with exemptions from the dealer registration requirements, of all applicable securities laws in Canada or any province or territory thereof. Each Dealer also represents and agrees that it has not and will not distribute or deliver any offering material in connection with any offering of the Notes in Canada other than in compliance with the applicable securities laws in Canada or any province or territory thereof.

## 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 this Prospectus should always have regard to the full description of a term contained in this Prospectus.

<b>AB</b>	advisory board
<b>APIs</b>	application programming interfaces
<b>AT 1</b>	own funds pursuant to Article 51 CRR ( <i>Additional Tier 1</i> )
<b>Audited Consolidated Financial Statements 2016</b>	the German language version of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2016
<b>Audited Consolidated Financial Statements 2017</b>	the German language version of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2017
<b>Austrian Market</b>	the Official Market ( <i>Amtlicher Handel</i> ) of the Vienna Stock Exchange ( <i>Wiener Börse</i> )
<b>Austrian Savings Banks Sector</b>	the Austrian Savings Banks Sector which comprises all savings banks in Austria, except for UniCredit Bank Austria AG which is legally organised as a savings bank and participates in the savings banks deposit insurance system
<b>Banking Union</b>	an EU-level banking supervision and resolution system which operates on the basis of EU-wide rules. It consists of all Eurozone countries and those Member States that choose to participate.
<b>BaSAG</b>	Austrian Recovery and Resolution Act ( <i>Sanierungs- und Abwicklungsgesetz – BaSAG</i> )
<b>Basel III</b>	(final) international regulatory framework for credit institutions published in June 2011 and January 2013 by the BCBS
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>BCR</b>	Banca Comercială Română S.A.
<b>Benchmark Regulation</b>	Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014
<b>BRRD</b>	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and

Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (*Bank Recovery and Resolution Directive – BRRD*)

<b>BWG</b>	Austrian Banking Act ( <i>Bankwesengesetz – BWG</i> )
<b>CDR</b>	Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions
<b>CEE</b>	Central and Eastern Europe
<b>Česká spořitelna</b>	Česká spořitelna, a.s.
<b>CET 1</b>	own funds pursuant to Article 26 CRR ( <i>Common Equity Tier 1</i> )
<b>CET 1 ratio</b>	Common Equity Tier 1 ratio
<b>CHF</b>	Swiss Francs
<b>Competent Authority</b>	competent authority pursuant to Article 4(1)(40) CRR and/or Article 9 (1) SSM Regulation, in each case, which is responsible to supervise the Issuer and/or the Erste Group
<b>CRA Regulation</b>	Regulation (EC) No 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies, as amended ( <i>Credit Rating Agency Regulation</i> )
<b>CRD IV</b>	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 ( <i>Capital Requirements Directive IV – CRD IV</i> )
<b>CRR</b>	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 ( <i>Capital Requirements Regulation - CRR</i> )
<b>DGS</b>	Deposit Guarantee Schemes
<b>Die Erste</b>	DIE ERSTE österreichische Spar-Casse Bank Aktiengesellschaft
<b>EBA</b>	European Banking Authority
<b>EBC</b>	Erste Bank Croatia
<b>EBH</b>	Erste Bank Hungary
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECB</b>	European Central Bank
<b>EEA</b>	European Economic Area

<b>Erste Bank Croatia</b>	Erste & Steiermärkische Bank, d.d.
<b>Erste Bank Hungary</b>	Erste Bank Hungary Zrt.
<b>Erste Bank Oesterreich</b>	Erste Bank der oesterreichischen Sparkassen AG
<b>Erste Bank Serbia</b>	Erste Bank a.d., Novi Sad
<b>Erste Bank Ukraine</b>	JSC Erste Bank
<b>Erste Group</b>	consists of Erste Group Bank and 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, savings banks of the <i>Haftungsverbund</i> , s-Bausparkasse, Erste Group Immorent GmbH, and others
<b>Erste Group Bank</b>	Erste Group Bank AG
<b>Erste Stiftung</b>	DIE ERSTE österreichische Spar-Casse Privatstiftung
<b>ESM</b>	European Stability Mechanism
<b>ESMA</b>	European Securities and Markets Authority
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>EURIBOR</b>	Euro Inter-bank Offered Rate
<b>FATCA</b>	Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations promulgated thereunder
<b>FBSchVG</b>	Austrian Act on Covered Bank Bonds ( <i>Gesetz betreffend fundierte Bankschuldverschreibungen – FBSchVG</i> )
<b>FCA</b>	U.K. Financial Conduct Authority
<b>Final Terms</b>	Final Terms setting forth the applicable terms and conditions for Notes issued under this Prospectus, a form of which is included in this Prospectus
<b>Fitch</b>	Fitch Ratings Ltd
<b>Fixed to Fixed Distribution Rate Notes</b>	Notes which initially bear a fixed rate income followed by another fixed rate income which shall be determined on the basis of a reference rate once prior to the date on which the distribution rate changes
<b>Fixed to Floating Distribution Rate Notes</b>	Notes which initially bear a fixed rate income followed by a floating rate income which shall be determined for each floating distribution period on the basis of a reference rate

<b>FMA</b>	Austrian Financial Market Authority ( <i>Finanzmarktaufsichtsbehörde – FMA</i> )
<b>FSMA</b>	U.K. Financial Services and Markets Act 2000
<b>FTT</b>	financial transaction tax, the introduction of which has been proposed by the European Commission in September 2011
<b>FX loans</b>	loans which are denominated in currencies other than their relevant local currencies
<b>GDP</b>	gross domestic product
<b>GiroCredit</b>	GiroCredit Bank Aktiengesellschaft der Sparkassen
<b>G-SIBs</b>	global systemically important banks
<b>Haftungsverbund</b>	cross guarantee system that was formed on the basis of a set of agreements ( <i>Grundsatzvereinbarung</i> ) with the majority of the Austrian savings banks
<b>HUF</b>	Hungarian Forint
<b>HypBG</b>	Austrian Mortgage Bank Act ( <i>Hypothekenbankgesetz – HypBG</i> )
<b>IAS</b>	International Accounting Standards
<b>ICMA</b>	International Capital Markets Association
<b>IFRS</b>	International Financial Reporting Standards
<b>IGAs</b>	intergovernmental agreements entered into between a number of jurisdictions and the United States to implement FATCA
<b>Insurance Mediation Directive</b>	Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation ( <i>Insurance Mediation Directive – IMD</i> )
<b>IRB approach</b>	internal ratings-based approach
<b>ISDA</b>	International Swaps and Derivatives Association, Inc.
<b>ISIN</b>	International Securities Identification Number
<b>Issuer</b>	Erste Group Bank AG
<b>KMG</b>	Austrian Capital Market Act ( <i>Kapitalmarktgesetz – KMG</i> )
<b>KP-V</b>	Austrian Capital Buffers Regulation ( <i>Kapitalpuffer-Verordnung – KP-V</i> )
<b>Management Board</b>	the management board ( <i>Vorstand</i> ) of the Issuer
<b>Managers</b>	the institutions that are specified as Managers in the final terms of each Series of Notes as underwriting or placing the Notes
<b>Markets</b>	the Austrian Market and the Luxembourg Stock Exchange

(Bourse de Luxembourg)

<b>MB</b>	the management board ( <i>Vorstand</i> )
<b>MiFID II</b>	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) ( <i>Markets in Financial Instruments Directive II – MiFID II</i> )
<b>MiFIR</b>	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ( <i>Markets in Financial Instruments Regulation – MiFIR</i> )
<b>Moody's</b>	Moody's Deutschland GmbH
<b>MREL</b>	minimum requirement for own funds and eligible liabilities
<b>Notes</b>	Notes issued under the Programme
<b>NPL</b>	non-performing loans
<b>OeKB CSD</b>	OeKB CSD GmbH, Strauchgasse 1-3, A-1010 Vienna, Austria
<b>O-SIs</b>	other systemically important institutions
<b>Participating Member States</b>	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
<b>PRIIPs</b>	Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) ( <i>Packaged Retail and Insurance-based Investment Products Regulation – PRIIPs</i> )
<b>pro forma financial statements</b>	unaudited unconsolidated <i>pro forma</i> financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements
<b>Programme</b>	the Programme of Erste Group Bank AG for the issuance of Additional Tier 1 Notes which is established by this Prospectus
<b>Prospectus</b>	this Prospectus
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC
<b>Prospectus Regulation</b>	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference

	and publication of such prospectuses and dissemination of advertisements
<b>Relevant Implementation Date</b>	the date on which the Prospectus Directive is implemented in a Relevant Member State
<b>Relevant Member State</b>	Member State of the EEA which has implemented the Prospectus Directive
<b>Resolution Authority</b>	any relevant authority responsible for the Issuer and/or Erste Group, such as the Competent Authority and/or the SRB respectively the FMA (each in its capacity as resolution authority)
<b>ROTE</b>	Return on Tangible Equity
<b>RWA</b>	risk-weighted assets
<b>Salzburger Sparkasse</b>	Salzburger Sparkasse Bank AG
<b>SB</b>	supervisory board ( <i>Aufsichtsrat</i> )
<b>s-Bausparkasse</b>	Bausparkasse der österreichischen Sparkassen Aktiengesellschaft
<b>Securities Act</b>	United States Securities Act of 1933, as amended
<b>Series</b>	Series of Notes as specified in the Final Terms
<b>Slovenská sporiteľňa</b>	Slovenská sporiteľňa, a.s.
<b>SME</b>	small and medium enterprises
<b>SRB</b>	Single Resolution Board
<b>SREP</b>	Supervisory Review and Evaluation Processes
<b>SRF</b>	Single Resolution Fund
<b>SRM</b>	Single Resolution Mechanism
<b>SRM Regulation</b>	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 ( <i>Single Resolution Mechanism Regulation – SRM Regulation</i> )
<b>SSM</b>	Single Supervisory Mechanism
<b>Standard &amp; Poor's</b>	Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland)
<b>Steering Company</b>	Haftungsverbund GmbH

<b>Supervisory Board</b>	the supervisory board ( <i>Aufsichtsrat</i> ) of the Issuer
<b>TARGET</b>	Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor
<b>Terms and Conditions</b>	the terms and conditions of the Notes which are set out on pages 59 <i>et seqq.</i> of this Prospectus
<b>Tier 2</b>	own funds pursuant to Article 62 CRR ( <i>Tier 2</i> )
<b>Tiroler Sparkasse</b>	Tiroler Sparkasse Bankaktiengesellschaft Innsbruck
<b>TLAC</b>	total loss-absorbing capacity
<b>Tranche</b>	a tranche of a Series of Notes
<b>USD</b>	the currency of the United States of America
<b>Vienna Stock Exchange</b>	Wiener Börse
<b>VIG</b>	Vienna Insurance Group



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#### Sparkassen AG

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### Erste Group Bank AG

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*For the Audited Consolidated Financial  
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