

# TERMS AND CONDITIONS FOR ADDITIONAL TIER 1 NOTES WITH TEMPORARY WRITE-DOWN STRUCTURE AND A FIXED TO FIXED DISTRIBUTION RATE

## Additional Tier 1 s Bausparkasse 2015/02

(ISIN: AT0000A1FGN7)

### § 1

#### CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency, Denomination.* This tranche (the "**Tranche**") of subordinated notes (the "**Notes**") is being issued by Bausparkasse der österreichischen Sparkassen Aktiengesellschaft (the "**Issuer**") on 30 June 2015 in EUR (the "**Specified Currency**") in the aggregate principal amount of EUR 1,000,000 (in words: one million Euro) in the denomination of EUR 200,000 (the "**Specified Denomination**") and at an issue price of 100% per Note.

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

(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.

(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 Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, A-1010 Vienna, Austria ("**OeKB**") and any successor in such capacity.

(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 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.

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; (b) with all present or future obligations under any other AT 1 Instruments; and (c) 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.

Where:

**"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 of the 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 of the CRR.

**"CRR"** means 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 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 of the CRR, including any capital instruments that qualify as Tier 2 instruments pursuant to transitional provisions under the CRR.

For the avoidance of doubt, Holders will not participate in any reserves of the Issuer in case 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 below).

(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 Commercial 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* 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 Security.* Claims of the Issuer are not permitted to be set-off against repayment obligations of the Issuer under these Notes and no contractual collateral may be provided by the Issuer or a 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 claim under the Notes in insolvency or liquidation. No subsequent agreement may limit the subordination pursuant to this § 2 or amend the perpetuity of the Notes.

### § 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 **7,70** per cent. *per annum* (the "**First Rate of Distributions**") from and including 30 June 2015 (the "**Distribution Commencement Date**") to, but excluding, 30 June 2020 (the "**First Reset Date**") (the "**First Period**") 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. Distributions shall be scheduled to be paid annually in arrear on 30 June in each year (each such date, a "**Distribution Payment Date**"), commencing on 30 June 2016. Distributions will fall due in accordance with the provisions set out in § 4 (4).

(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 in the First Period such amount of distributions shall be calculated 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 period of time in any Reset Period such amount of distributions shall be calculated by applying the applicable Reset Rate of Distributions to the Current Principal Amount, in each case multiplying such sum 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.

(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**"):

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).

(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 Reference Rate *per annum* plus the Margin (as defined below).

The "**Reference Rate**" in respect of each Reset Period shall be the swap rate (expressed as a percentage rate *per annum*) for swap transactions in the Specified Currency with a term of five years equalling the term of the Reset Period starting on the relevant Reset Date which appears on the Screen Page (as defined below) as of 11:00 AM (Frankfurt time) on the relevant Reset Determination Date (as defined below), all as determined by the Calculation Agent (as specified in § 6 (1)).

"**Margin**" means **7,148** per cent. *per annum*.

"**Reset Date**" means the First Reset Date and each five anniversary thereof for as long as the Notes remain outstanding.

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

"**Reset Determination Date**" means the second Business Day (as defined in § 1 (6)) prior to any Reset Date.

"**Screen Page**" means the display page on 11:00 AM Frankfurt time designated as the ISDAFIX2 page 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.

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 each of the Reference Banks (as defined below) to provide the Calculation Agent with its mid-market swap rate (expressed as a percentage rate *per annum*) at approximately 11:00 AM Frankfurt time) on the relevant Reset Determination Date. "**Mid-market swap rate**" means the mean of the bid and offered rates for the fixed leg of a fixed-for-floating rate swap transaction in the Specified Currency where the floating leg is equivalent to the 6-month EURIBOR *per annum*, which appears on Reuters page EURIBOR01 (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 6-month EURIBOR *per annum*).

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 paragraph, the Reference Rate for the relevant Reset Period shall be deemed to be the rate

determined by the Calculation Agent in its reasonable discretion; the Calculation Agent shall take general market practice into account when determining such rate.

**"Reference Banks"** means four major banks in the interbank market of the Euro-zone interbank market.

**"Euro-zone"** means the region comprised of those member states of the European Union that have adopted, or will have adopted from time to time, the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992), the Amsterdam Treaty of 2 October 1997 and the Treaty of Lisbon of 13 December 2007, as further amended from time to time.

(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) *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 shall (in the absence of wilful default, bad faith 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.* 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.

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, in whole or in part, if and to the extent:

- (i) the distribution payment scheduled to be paid together with 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 distribution on Tier 1 Instruments (including payments of distributions on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based;
- (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 any other distributions of the kind referred to in § 24(2) of the Austrian Banking Act (implementing Article 141(2) of the CRD IV in Austria) would not be in compliance with the restrictions relating to the Maximum Distributable Amount.

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 does not constitute an event of default of the Issuer and imposes no restrictions on the Issuer.

Where:

**"Austrian Banking Act"** means the (*Bankwesengesetz – BWG*), as amended from time to time.

**"Competent Authority"** means the competent authority pursuant to Article 4(1)(40) of the CRR which is responsible to supervise the Issuer, Erste Group and/or the Issuer's Group (if any).

**"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 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) of the 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 Erste Group Bank AG and its consolidated subsidiaries pursuant to Article 4(1)(16) of the CRR, including the Issuer.

**"Erste Group Bank AG"** means the parent undertaking of the Issuer pursuant to Article 4(1)(15) of the CRR.

**"Issuer's Group"** means the Issuer and its consolidated Subsidiaries.

**"Maximum Distributable Amount"** means any maximum distributable amount (*maximal ausschüttungsfähiger Betrag*) relating to the Issuer, the Erste Group and/or the Issuer's Group (if any), 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) of the 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.

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

(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.

(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 postponed to the next 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) on which the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") is open.

If any Fixed Payment Business Day is 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; the Call Redemption Amount of the Notes (both as specified in § 5); 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.*

(a) The Issuer may, upon notice given in accordance with subparagraph (b), redeem the Notes in whole, but not in part, on the Call Redemption Date(s) at the applicable Call Redemption Amount together with accrued distributions, if any, and subject to cancellation of distributions pursuant to § 3 (6), to, but excluding, the (relevant) Call Redemption Date. Any such redemption pursuant to this subsection § 5 (3) shall not be possible before five years after the date of issuance and shall only be possible provided that the redemption conditions laid down in § 5 (6) are met.

**"Call Redemption Amount"** equals the Current Principal Amount.

**"Call Redemption Date"** means the First Reset Date and each Distribution Payment Date thereafter.

(b) Notice of redemption shall be given by the Issuer to the Holders in accordance with § 10. Such notice shall be irrevocable and shall specify:

- (i) the series number of the Notes;
- (ii) the Call Redemption Date which shall be not less than 30 Business Days and not more than **60** Business Days after the calendar day on which notice is given by the Issuer to the Holders; and
- (iii) the Call Redemption Amount at which the Notes are to be redeemed.

(4) *Redemption for Reasons of Taxation.* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 and not more than 60 Business Days prior notice of redemption to the Fiscal Agent and, in accordance with § 10, to the Holders (which notice shall be irrevocable), if there is a change in the applicable tax treatment of the Notes, including without limitation, a Tax Deductibility Event or a Gross-up Event, which is material and was not reasonably

foreseeable at the time of their issuance, and provided that the redemption conditions laid down in § 5 (6) are met.

Where:

A "**Gross-up Event**" occurs if there is a change in the applicable tax treatment of the Notes 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.

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 would not be entitled to claim a deduction in respect of distributions paid on the Notes in computing its taxation liabilities in Austria, or such deductibility is materially reduced.

(5) *Redemption for Regulatory Reasons.* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 and not more than 60 Business Days prior notice of redemption to the Fiscal Agent and, in accordance with § 10, to the Holders (which notice shall be irrevocable), if there is a change in the regulatory classification of the Notes that would be likely to result in their exclusion in full from own funds or reclassification as a lower quality form of own funds, and provided that the following conditions are met: (i) the Competent Authority considers such a change to be sufficiently certain; (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification of the Notes was not reasonably foreseeable at the time of their issuance; and (iii) the redemption conditions laid down in § 5 (6) are met.

(6) *Redemption Conditions.* Any redemption pursuant to this § 5 requires that the Competent Authority has granted the Issuer the prior permission for the redemption, whereas such permission may, *inter alia*, require that:

- (i) earlier than or at the same time as the redemption, 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
- (ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following the redemption, exceed the requirements laid down in Article 92(1) of the CRR and the combined buffer requirement as defined in point (6) of Article 128 of the CRD IV by a margin that the Competent Authority may consider necessary on the basis of Article 104(3) of the CRD IV.

(7) *Redemption Amount.* In case of a redemption pursuant to § 5 (4) or § 5 (5), the Notes will be redeemed at their Current Principal Amount together with distributions, if any and subject to cancellation of distributions pursuant to § 3 (6), accrued to, but excluding, the date of redemption.

(8) *Write-down.* If a Trigger Event (as defined below) has occurred, the Issuer will:

- (i) immediately inform the Competent Authority that the Trigger Event has occurred;
- (ii) 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 by the Issuer that a Trigger Event has occurred; and
- (iii) 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);
- (iv) (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.

For the avoidance of doubt, a Trigger Event may be calculated 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 and the Current Principal Amount of a Note may never be reduced to below EUR 0.01.

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 Write-Down Notice is given 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.

Where:

**"Applicable Supervisory Regulations"** mean the provisions of the Austrian Banking Act, the CRD IV, the CRR, and the CDR including any (existing or future) regulations and decisions issued on the basis of the aforementioned laws and regulations binding on the Issuer, the Erste Group and/or the Issuer's Group (if any).

**"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 from time to time.

**"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.

**"Erste Group CET 1 Capital Ratio"** means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) of the CRR of the Erste Group on a consolidated basis, as calculated by Erste Group Bank AG 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) of the 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.

**"Issuer's Group CET 1 Capital Ratio"** means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) of the CRR of the Issuer's 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.

**"Minimum Trigger Level"** means in respect of: (i) the Issuer CET 1 Capital Ratio: *7 per cent.*; (ii) Erste Group CET 1 Capital Ratio: *5.125 per cent.*; and/or (iii) the Issuer's Group CET 1 Capital Ratio (if any): *7 per cent.*

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:

**"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 Similar AT 1 Instruments whose trigger events for a write-down or conversion of (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, the Erste Group CET 1 Capital Ratio and/or the Issuer's Group CET 1 Capital Ratio (if any) 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.

**"Similar AT 1 Instruments"** means any (directly or indirectly issued) Additional Tier 1 instrument pursuant to Article 52 of the CRR (other than the Notes) of the Issuer or, as applicable, any instrument issued by a member of the Erste Group or the Issuer's Group (if any) and qualifying as Additional Tier 1 instruments pursuant to Article 52 of the CRR of the Issuer, the Erste Group and/or the Issuer's Group (if any), that includes a similar write-down mechanism (permanent or temporary) and which has an identical trigger level as set out in "Trigger Event".

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

A **"Trigger Event"** occurs if it has been determined that the Issuer CET 1 Capital Ratio, the Erste Group CET 1 Capital Ratio and/or the Issuer's Group CET 1 Capital Ratio (if any) falls 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, the Erste Group CET 1 Capital Ratio and/or the Issuer's Group CET 1 Capital Ratio to the Minimum Trigger Level, the amount necessary to reduce the Current Principal Amount to EUR 0.01.

(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 Specified Denomination (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 Similar AT 1 Instruments that have been subject to a write-down; and
- (iii) the sum of (a) the aggregate amount attributed to the relevant Write-up of the Notes and (b) the aggregate amount of any distribution scheduled to be paid on the aggregate Current Principal Amount of the Notes as calculated at the moment the Write-up is operated will not exceed the Maximum Write-up Amount.

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 of the 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) of the 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 Specified Denomination. 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 Specified Denomination 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 Profit on a solo basis multiplied by the sum of the aggregate Specified Denomination and the aggregate initial principal amount of all Similar AT 1 Instruments of the Issuer which have been subject to a write-down (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 Capital pursuant to Article 25 of the CRR of the Issuer as at the date the relevant Write-Up is operated; and
- (ii) the consolidated Profit (if any) multiplied by the sum of the aggregate Specified Denomination and the aggregate initial principal amount of all Similar AT 1 Instruments of the Erste Group which have been subject to a write-down (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 Capital pursuant to Article 25 of the CRR of the Erste Group as at the date the relevant Write-Up is operated; and
- (iii) the consolidated Profit (if any) multiplied by the sum of the aggregate Specified Denomination and the aggregate initial principal amount of all Similar AT 1 Instruments of the Issuer's Group which have been subject to a write-down (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 Capital pursuant to Article 25 of the CRR of the Issuer's Group as at the date the relevant Write-Up is operated;

unless the Applicable Supervisory Regulations provide otherwise on the date of the relevant Write-up.

**"Profit"** means (i) the net income for the year (*Jahresüberschuss*) of the Issuer on an individual basis recorded in the Relevant Financial Statements; or (ii) the consolidated net income for the year on a consolidated basis recorded in the consolidated financial statements of the Erste Group; or (iii) the consolidated net income for the year on a consolidated basis recorded in the consolidated financial statements of the Issuer's Group (if any), 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 respectively the Erste Group Bank AG.

**§ 6**  
**FISCAL AGENT,**  
**PAYING AGENT AND CALCULATION AGENT**

(1) *Appointment; Specified Offices.* The initial Fiscal Agent, the initial Principal Paying Agent and the initial Calculation Agent (together the "**Agents**", and each an "**Agent**") and their respective initial specified offices are:

Fiscal Agent, Principal Paying Agent and Calculation Agent:

Erste Group Bank AG  
Graben 21  
A-1010 Vienna  
Austria

The Agents 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 Agents and to appoint another Agent. The Issuer shall at all times maintain (i) a Fiscal Agent, (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 authorities 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.

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

(3) *Agents of the Issuer.* The Agents 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 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.

## **§ 7 TAXATION**

All payments of principal and 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, 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, except that 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 thirty 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 such calendar day; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) 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.

## **§ 8 PRESCRIPTION**

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

**§ 9**  
**FURTHER ISSUES OF NOTES,  
PURCHASES AND  
CANCELLATION**

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

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. No purchase shall be possible unless all applicable regulatory and other statutory restrictions are observed and provided that the redemption conditions laid down in § 5 (6) are met.

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

(2) *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 the German or 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**  
**APPLICABLE LAW,  
PLACE OF JURISDICTION  
AND ENFORCEMENT**

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

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

(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.