

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of the 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, 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 manufacturers' 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 manufacturers' 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 MiFID II; (ii) a customer within the meaning of Directive 2016/97/EU, as amended (Insurance Distribution 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, as amended (Prospectus Directive). Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended ("PRIIPs Regulation") 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 Regulation.

STATEMENT ON BENCHMARKS ACCORDING TO ARTICLE 29 (2) OF THE BENCHMARK REGULATION: Amounts payable under the Notes are calculated by reference to ICESWAP2 which is provided by ICE Benchmark Administration. As at the date of the Terms and Conditions (as set out below), ICE Benchmark Administration appears 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, as amended (Benchmark Regulation).

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 2019/01

(ISIN: AT0000A28J67)

§ 1 CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency, Denomination.* This issue of subordinated notes (the "**Notes**") is being issued on 26 June 2019 by Bausparkasse der österreichischen Sparkassen Aktiengesellschaft (the "**Issuer**") in Euro (the "**Specified Currency**") in the aggregate principal amount of EUR 66,500,000.00 (in words: sixty six million five hundred thousand) in the denomination of EUR 100,000 (the "**Original Principal Amount**") at an issue price of 100.00 *per cent*.

(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 OeKB CSD GmbH, Strauchgasse 1-3, A-1010 Vienna, Austria ("**OeKB CSD**") 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 (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 any 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.

(5) *Note on the possibility of statutory resolution measures.* Prior to any insolvency or liquidation of the Issuer, under bank resolution laws applicable to the Issuer from time to time, the competent resolution authority may write down (including to zero) the obligations of the Issuer under the Notes, convert them into shares or other instruments of ownership of the Issuer or apply any other resolution measure, including (but not limited to) any transfer of the obligations to another entity, an amendment of the Terms and Conditions or a cancellation 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 5.125 *per cent. per annum* (the **"First Rate of Distributions"**) from and including 26 June 2019 (the **"Distribution Commencement Date"**) to but excluding 26 June 2024 (the **"First Reset Date"**) and thereafter at the relevant Reset Rate (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 26 June in each year (each such date, a **"Distribution Payment Date"**), commencing on 26 June 2020.

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 on 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 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"**), 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.*

(a) *Reset Rate.* The rate of distributions for each Reset Period (each a **"Reset Rate"**) shall be the sum of: (x) the Reference Rate (as defined below); and (y) the Margin (as defined below) such sum converted from an annual basis to a semi-annual 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 five years, which appears on the Screen Page (as defined below) as of 11.00 a.m. (Frankfurt 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 11.00 a.m. (Frankfurt 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 five years 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 6-month EURIBOR (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 (§ 1056 of the Austrian General Civil Code); the Calculation Agent shall take general market practice into account when determining such rate.

"Margin" means 5.33 *per cent. per annum*.

Where:

"Austrian General Civil Code" means the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch – ABGB*), as amended or replaced from time to time, and any references in these Terms and Conditions to any relevant paragraphs of the Austrian General 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 fifth 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 ICESWAP2 under the heading "EURIBOR BASIS - EUR" and above the caption "11:00AM FRANKFURT" 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.* The Calculation Agent will cause the Reset Rate 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) *Substitute Reference Rate or Alternative Rate.*

(i) *Benchmark Event.* If a Benchmark Event (as defined below) occurs in relation to the Original Reference Rate when the amount of distributions scheduled to be paid on the Notes (or any component part thereof) for any Distribution Period remains to be determined by reference to such Original Reference Rate,

(A) the Issuer shall use reasonable endeavours to appoint an Independent Advisor (as defined below) to determine in the Independent Advisor's reasonable discretion (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) a Substitute Reference Rate (as defined below) or, as the case may

be, an Alternative Rate (as defined below) which shall replace the Original Reference Rate affected by the Benchmark Event (the "**Substitution Objective**"); or

- (B) if no Independent Advisor is or can be timely appointed by the Issuer or if an Independent Advisor is appointed by the Issuer, but fails to determine a Substitute Reference Rate or, as the case may be, an Alternative Rate, then the Issuer (to achieve the Substitution Objective) may, acting in good faith and a commercially reasonable manner, determine which (if any) Substitute Reference Rate or, as the case may be, Alternative Rate shall replace the Original Reference Rate affected by the Benchmark Event,

and, in each case (A) or (B), the Independent Advisor or the Issuer (as the case may be) will determine the Adjustment Spread (as defined below) (in accordance with § 3 (4) (c)(ii)) and any Benchmark Amendments (in accordance with § 3 (4) (c)(iii)).

Any Substitute Reference Rate or, as the case may be, Alternative Rate (subject to adjustment as provided in § 3 (4) (c)(ii)) shall apply from (and including) the Reset Determination Date selected by the Independent Advisor or the Issuer (as the case may be) in its reasonable discretion, which shall be no earlier than the Reset Determination Date falling on or immediately following the date of the Benchmark Event, in respect of the Reset Period for which the Reset Rate is determined on such Reset Determination Date.

Notwithstanding the generality of the foregoing, the Independent Advisor or the Issuer (as the case may be), acting in good faith and a commercially reasonable manner, when making any determination in accordance with this § 3 (4) (c), will take into consideration any Official Substitution Concept, any Industry Solution or any Generally Accepted Market Practice to achieve the Substitution Objective.

- (ii) *Adjustment Spread.* The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Substitute Reference Rate or, as the case may be, the Alternative Rate.
- (iii) *Benchmark Amendments.* If the Independent Advisor or the Issuer (as the case may be) determines a Substitute Reference Rate or Alternative Rate and, in either case, the applicable Adjustment Spread, it shall also be entitled to determine, in its reasonable discretion, amendments to these Terms and Conditions that are necessary to ensure the proper operation of the Substitute Reference Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and the terms of such Benchmark Amendments. Subject to the Issuer giving notice thereof in accordance with § 3 (4) (c)(vi), such Benchmark Amendments shall apply to the Notes with effect from the date specified in such notice.
- (iv) *Definitions.*

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero), or (b) the formula or methodology for calculating a spread,

- (a) which is formally recommended in relation to the replacement of the Reference Rate with the Substitute Reference Rate or the Alternative Rate (as the case may be) by any Official Substitution Concept, any Industry Solution or any Generally Accepted Market Practice; or
- (b) which (if no such recommendation has been made, or in the case of an Alternative Rate) is customarily applied to the Substitute Reference Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement reference rate for the Reference Rate, provided that all determinations will be made by the Independent Advisor or the Issuer as the case may be.

"**Alternative Rate**" means an alternative benchmark or screen rate which is customarily applied in international debt capital markets transactions for the purposes of determining floating rates

of interest (or the relevant component part thereof) in the Specified Currency, provided that all determinations will be made by the Independent Advisor or the Issuer (as the case may be).

"Benchmark Event" means:

- (1) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (2) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months;
- (5) a public statement by the supervisor of the administrator of the Original Reference Rate that a material change of the methodology of calculation of the Original Reference Rate has occurred or will occur by a specified date within the following six months; or
- (6) it has become unlawful for the Calculation Agent, the Issuer, any Independent Advisor or any other agent to calculate any payments due to be made to any Holder using the Original Reference Rate.

"Generally Accepted Market Practice" means the customary use of a certain reference rate, subject to certain adjustments (if any), as substitute rate for the Reference Rate or of provisions, contractual or otherwise, providing for a certain procedure to determine payment obligations which would otherwise have been determined by reference to the Reference Rate in bond issues following the occurrence of a Benchmark Event, or any other generally accepted market practice to replace the Reference Rate as reference rate for the determination of payment obligations.

"Independent Advisor" means an independent financial institution of international repute or other independent financial advisor experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

"Industry Solution" means any public statement by the International Swaps and Derivatives Association (ISDA), the International Capital Markets Association (ICMA), the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA), the SIFMA Asset Management Group (SIFMA AMG), the Loan Markets Association (LMA), the Deutsche Derivate Verband (DDV), the Zertifikate Forum Austria or any other private association of the financial industry pursuant to which a certain reference rate, subject to certain adjustments (if any), should or could be used to replace the Reference Rate or pursuant to which a certain procedure should or could be used in order to determine payment obligations which would otherwise be determined by reference to the Reference Rate.

"Official Substitution Concept" means any binding or non-binding public statement by any central bank, supervisory authority or supervisory or expert body of the financial sector established under public law or composed of publicly appointed members pursuant to which a certain reference rate, subject to certain adjustments (if any), should or could be used to replace the Reference Rate or pursuant to which a certain procedure should or could be used in order to determine payment obligations which would otherwise be determined by reference to the Reference Rate.

"Original Reference Rate" means the originally-specified benchmark or screen rate (as applicable) used to determine the Reset Rate (or any component part thereof) on the Notes, which initially is determined by its benchmark administrator using the methodology prevailing on the Distribution Commencement Date.

"Substitute Reference Rate" means a successor or replacement rate (expressed as a percentage rate per annum) of the Original Reference Rate nominated by the central bank, supervisory authority or supervisory or expert body of the financial sector established under public law or composed of publicly appointed members including any working group or committee chaired or co-chaired by or constituted at the request of the central bank or other supervisory authority, or nominated by any other third party that is generally recognised by the financial industry as being competent to nominate such rate, which succeeds or replaces the Original Reference Rate and which meets any applicable legal requirements for being used for determining the distributions scheduled to be paid under the Notes determined by the Independent Advisor or the Issuer (as the case may be) in its reasonable discretion.

- (v) If (A) the Issuer is unable to appoint an Independent Advisor or (B) the Independent Advisor appointed by it or the Issuer (as the case may be) fails to determine a Substitute Reference Rate or, as the case may be, an Alternative Rate in accordance with this § 3 (4) (c) prior to the relevant Reset Determination Date, the Reference Rate applicable to the immediate following Reset Period shall be the Reference Rate applicable as at the last preceding Reset Determination Date. If there has not been a first Reset Date, the Reference Rate shall be the First Rate of Distributions minus the Margin, with the result converted from an annual basis to a semi-annual basis in accordance with market convention.

For the avoidance of doubt, any adjustment pursuant to this § 3 (4) (c) shall apply to the immediately following Reset Period only. Any subsequent Reset Period shall be subject to the subsequent operation of, and to adjustment as provided in, this § 3 (4) (c).

- (vi) If the Independent Advisor or the Issuer (as the case may be) has determined a Substitute Reference Rate or, as the case may be, an Alternative Rate following the occurrence of a Benchmark Event, it will give notice of the occurrence of the Benchmark Event, the Substitute Reference Rate or, as the case may be, the Alternative Rate, any Adjustment Spread and any Benchmark Amendments to the Calculation Agent and to the Holders in accordance with § 10 as soon as possible, but in no event later than the fourth Business Day following the determination of the Substitute Reference Rate or, as the case may be, the Alternative Rate and, if required by the rules of any stock exchange on which the Notes are from time to time listed, to such stock exchange as soon as possible, but in no event later than the first day of the Reset Period to which the Substitute Reference Rate or, as the case may be, the Alternative Rate applies for the first time.
- (vii) Notwithstanding the provisions of this § 3 (4) (c), no Substitute Reference Rate or, as the case may be, Alternative Rate, Adjustment Spread or Benchmark Amendments will be adopted, nor will any other amendment to the Terms and Conditions of the Notes be made to effect the same, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as AT 1 Instruments and/or the Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the bank resolution laws applicable to the Issuer from time to time.

(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 Advisor or the Issuer, 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.

(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 scheduled to be paid on the Notes on any Distribution Payment Date and any Additional Amounts thereon shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent that:

- (i) the amount of such distribution payment scheduled to be paid on the Notes and any Additional Amounts thereon 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 distributions on Tier 1 Instruments (including payments of distributions on the Notes and any Additional Amounts thereon) 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 on the Notes to be cancelled in whole or in part; or
- (iii) another prohibition of such distribution on the Notes, or of such distribution on the Notes when aggregated with any other Relevant Distributions, is imposed by law or any authority.

Prohibitions of distributions imposed by law or any authority pursuant to clause (iii) include, but are not limited to,

- (A) any restrictions of distributions as a result of non-compliance with the combined buffer requirement (howsoever defined) applicable at the time;
- (B) any prohibition of distributions in connection with the calculation of the Maximum Distributable Amount;
- (C) the limit resulting from the Maximum Distributable Amount; and
- (D) any other restriction operating as maximum distributable amount in accordance with any legal or regulatory requirements applicable to the Issuer at the time.

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 any 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 and/or the Issuer's Group (if any).

"CRD" 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*), as implemented in Austria and as amended or replaced from time to time, and any references in these Terms and Conditions to any relevant Articles of the CRD 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, as amended from time to time, 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) CRR, including the Issuer.

"Erste Group Bank AG" means the parent undertaking of the Issuer pursuant to Article 4(1)(15) 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 (i) § 24(2) of the Austrian Banking Act (implementing Article 141(2) CRD in Austria), as amended or replaced from time to time, or (ii) any successor provision thereto.

"Relevant Distributions" means the sum of: (i) any payments of distributions on the Notes that have been made, are simultaneously made or are scheduled to be made by the Issuer in the then current financial year of the Issuer; and (ii) any payments of interest, dividends or distributions made or scheduled to be made by the Issuer on all other Tier 1 Instruments in the then current financial year of the Issuer; (iii) the amount of any Write-up (as defined below) made in the then current financial year, if any; and (iv) any amount, payment or distribution as may be relevant under any restrictions operating as maximum distributable amount in accordance with any legal or regulatory requirements applicable to the Issuer at the time.

"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 any 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 § 4 (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 § 4 (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) which is a Business Day (as defined in § 1 (6)).

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 (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 and shall not fall due for redemption except in the cases provided for in § 5(3), § 5(4) or § 5(5) (in each case in connection with § 5(6)) or (subject always to the ranking of the Issuer's obligations under the Notes set forth in § 2) in the case of a liquidation of the Issuer (unless this is done for the purpose or as a result of a merger, restructuring or re-organisation in respect of which the Issuer is still solvent and the continuing entity assumes substantially all of the assets and obligations of the Issuer).

(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 Distribution Payment 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 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 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 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.

Notwithstanding the above conditions, if, at the time of any redemption or repurchase, the prevailing applicable laws or regulations permit the redemption or repurchase only after compliance with one or more alternative or additional pre-conditions to those set out above, the Issuer shall comply with such other and/or, as appropriate, additional pre-conditions, if any.

(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 30 calendar days nor more than 60 calendar days. Such notice shall be irrevocable and shall specify:

- (i) the ISIN-Code 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 Euro 0.01.

(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, the Erste Group and the Issuer's Group (if any), including but not limited to the provisions of the Austrian Banking Act, the CRD, 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.

"Erste 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 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) 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) CRR of the Issuer's Group on an (sub-)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: 7.00 *per cent.*; (ii) the Erste Group CET 1 Capital Ratio: 5.125 *per cent.*; and/or (iii) the Issuer's Group CET 1 Capital Ratio (if any): 7.00 *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 (i) the Erste Group CET 1 Capital Ratio and/or

(ii) the Issuer CET 1 Capital Ratio and/or (iii) 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 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 Erste Group CET 1 Capital Ratio; and/or (ii) the Issuer CET 1 Capital Ratio; and/or (iii) the Issuer's Group CET 1 Capital Ratio (if any) 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 Euro 0.01.

(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 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/or the Issuer's Group (if any) and qualifying as Additional Tier 1 instruments pursuant to Article 52 CRR of: (i) the Issuer and/or (ii) the Erste Group and/or (iii) the Issuer's Group (if any) 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.

"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, or (iii) the consolidated net income for the year (*Jahresüberschuss*) 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.

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

(1) *Appointment; Specified Offices.* The initial Fiscal Agent, the initial Paying Agent and the initial Calculation Agent and their respective initial specified office is:

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

The Fiscal Agent, the Paying Agent 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; (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; and (iii) 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, inequity 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

(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 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) 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 LIMITATION PERIOD

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 distributions) upon the relevant due date.

§ 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*. 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.

(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 via the Clearing System*. The Issuer may 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.

(2) *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 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, Austrian law, excluding its conflict of law rules as far as such rules would lead to the application of foreign law.

(2) *Place of Jurisdiction.* The court competent in commercial matters for the first district of Vienna, Austria, shall have non-exclusive jurisdiction for any action or other legal proceedings (the **"Proceedings"**) arising out of or in connection with the Notes.

(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 depositary 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.

Bausparkasse der österreichischen Sparkassen Aktiengesellschaft

Vienna, 25 June 2019

ANNEX 1

Holders are exposed to the risk of statutory loss absorption.

The Single Resolution Mechanism (SRM) shall provide the respective resolution authorities with uniform and effective resolution tools and resolution powers to achieve the resolution objectives.

Therefore, the resolution authority shall, *inter alia*, write down or convert relevant capital instruments into shares or other instruments of ownership if it is determined that unless that power is exercised, the institution (or any entity pursuant to § 1(1)(2) to (4) BaSAG) will no longer be viable or extraordinary public financial support is required.

The resolution authority shall exercise the write-down and conversion powers of the relevant capital instruments in accordance with the following sequence (and in each case, to the extent required to achieve the resolution objectives and to cover the losses): (i) CET 1 items are reduced first in proportion to the losses; (ii) then the principal amount of AT 1 instruments (such as the Notes) is written down or converted or both; and (iii) then the principal amount of Tier 2 instruments is written down or converted or both.

When applying the bail-in tool, the resolution authority may exercise the write-down and conversion powers not only to instruments of ownership and relevant capital instruments pursuant to (i), (ii) and (iii) (= CET 1 items, AT 1 instruments and Tier 2 instruments), but also: (iv) reduce the principal amount of subordinated debt that is not AT 1 or Tier 2 capital in accordance with the hierarchy of claims in bankruptcy proceedings to the extent required; and (v) write down the rest of eligible liabilities (including certain senior debt) in accordance with the hierarchy of claims in bankruptcy proceedings, including the ranking provided for in § 131 BaSAG, to the extent required (sequence of write-down and conversion or so-called "loss absorbing cascade").

The conditions for resolution are:

- (a) the determination that the institution is failing or likely to fail has been made by the competent authority or the resolution authority; and
- (b) 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
- (c) a resolution action is necessary in the public interest.

The power of write-down or conversion of relevant capital instruments may be applied before and independent from the bail-in tool, and therefore claims of Holders may be subject to statutory loss absorption while claims of holders of other notes may remain unaffected.

If the write-down and conversion of relevant capital instruments or the bail-in tool is applied to the Notes, their principal amount may be fully or partially written down or converted into instruments of ownership.