

# Erste Group Bank AG

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

## Asset Linked Notes Programme

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

This Prospectus (the "**Prospectus**") has been drawn up in accordance with Annexes XI and XII of Commission Regulation (EC) No 809/2004 dated 29 April 2004, as amended (the "**Prospectus Regulation**") and has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*, the "**FMA**") in its capacity as competent authority under the Austrian Capital Market Act (*Kapitalmarktgesetz*), as amended (the "**KMG**"), for the approval of this Prospectus. **The accuracy of the information contained in this Prospectus does not fall within the scope of examination by the FMA under the KMG and the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended (which includes the amendments made by the Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014), (the "Prospectus Directive"). The FMA has examined this Prospectus only in respect of its completeness, coherence and comprehensibility pursuant to § 8a of the KMG.**

Application may be made for the Programme and/or the Notes to be admitted to the "*Geregelter Freiverkehr*" (Second Regulated Market) (the "**Market**") of the Wiener Börse (the "**Vienna Stock Exchange**"). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the Market which is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as amended ("**MiFID**"). Unlisted Notes may also be issued pursuant to this Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be admitted to trading on the Market.

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

Prospective investors should have regard to the factors described under the section headed "*1. Risk Factors*" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes, but the Issuer believes that all material risks relating to an investment in the Notes have been described.

*This Prospectus comprises a base prospectus for the purposes of Article 5(4) of the Prospectus Directive and the KMG, and for the purpose of giving information with regard to the Issuer and its subsidiaries and affiliates taken as a whole (the "**Erste Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.*

*This document is a base prospectus relating to non-equity securities according to Article 22(6)(4) of the Prospectus Regulation. The competent authority for the approval of the Prospectus pursuant to § 8a of the KMG that implements the Prospectus Directive into Austrian law is the FMA. In respect of each individual tranche will be filed with the FMA. Any decision to purchase Notes should be made on a consideration of the Prospectus as a whole including the respective Final Terms.*

*This Prospectus is to be read in conjunction with any supplement hereto and all documents which are incorporated herein by reference (see "Documents Incorporated by Reference" below). Such documents shall be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall, except as so modified or superseded, not constitute a part of this Prospectus. Full information on the Issuer and any Series of the Notes and, if applicable, any Tranches of Notes is only available on the basis of the combination of this Prospectus, as supplemented, and the relevant Final Terms.*

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

*The distribution of this Prospectus and the offering or sale of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may include Notes in bearer form that are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to U.S. persons except in certain transactions permitted by U.S. tax regulations and the Securities Act. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "10. Subscription and Sale".*

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

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

information contained in this Prospectus or any financial statements and its purchase of Notes should be based upon any such investigation as it deems necessary.

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

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## DOCUMENTS INCORPORATED BY REFERENCE

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

Document/Heading	Page reference in the relevant financial report
<b>German language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2015 – Annual Report 2015 (<i>Geschäftsbericht 2015</i>) (the "Audited Consolidated Financial Statements 2015")<sup>1</sup></b>	
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<sup>1</sup> The officially signed German language versions of the Issuer's Audited Consolidated Financial Statements 2015 and 2014 are solely legally binding and definitive.

**English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2015 – Annual Report 2015<sup>2</sup>**

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**English language translation of the Unaudited Interim Condensed Consolidated Financial Statements of the Issuer for the first 9 months period ended 30 September 2016 – Interim Report Third Quarter 2016 (the "Unaudited Interim Condensed Consolidated Financial Statements as of 30 September 2016")**

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For the avoidance of doubt, such parts of the Audited Consolidated Financial Statements 2015 and 2014 respectively as well as of the Unaudited Interim Condensed Consolidated Financial Statements as of 30 September 2016 which are not explicitly listed in the tables above, are not incorporated by reference into this Prospectus as these parts are either not relevant for the investor or covered elsewhere in this Prospectus.

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

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<sup>2</sup> The English translations of the Audited Consolidated Financial Statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015 are not legally binding and are incorporated into this Prospectus by reference for convenience purposes only.

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

## DOCUMENTS AVAILABLE FOR INSPECTION

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

- (i) the Audited Consolidated Financial Statements 2015 incorporated by reference into this Prospectus ("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/de/ir/2015/Berichte/GB2015\_Jahresfinanzbericht\_de.pdf");
- (ii) the English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2015 incorporated by reference into this Prospectus ("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2015/Reports/AR2015\_Annual\_Financial\_Report\_en.pdf");
- (iii) the Audited Consolidated Financial Statements 2014 incorporated by reference into this Prospectus ("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/de/ir/2014/Berichte/GB2014\_Jahresfinanzbericht\_de.pdf");
- (iv) the English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2014 incorporated by reference into this Prospectus ("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2014/Reports/AR2014\_Annual\_Financial\_Report\_en.pdf");
- (v) the English language translation of the Unaudited Interim Condensed Consolidated Financial Statements as of 30 September 2016 incorporated by reference into this Prospectus ("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2016/Reports/IR\_Interim\_Report\_EG\_Q316en.pdf");
- (vi) each set of Final Terms for Notes that are publicly offered or admitted to trading on a regulated Market ("www.erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen");
- (vii) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus ("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/de/Erste%20Group%20Emissionen/prospekte/anleihen/asset-linked-notes-prog/20170203/20170203-ALN2017-Prospekt.pdf") ("www.erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen"); and
- (viii) the articles of association of the Issuer ("www.erstegroup.com/en/about-us").

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

## SUPPLEMENT TO THIS PROSPECTUS

The Issuer is obliged by the provisions of the Prospectus Directive and the KMG, that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and which arises or is noted between the time when this Prospectus is approved and the final closing of an offer of such Notes to the public or, as the case may be, the time when trading on a regulated market begins,



whichever occurs later, the Issuer shall prepare a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to the FMA and the stock exchange operating the Market such number of copies of such supplement or replacement hereto as relevant applicable legislation require.

## **SOURCES OF INFORMATION**

Unless otherwise stated, statistical and other data provided in this Prospectus has been extracted from the Audited Consolidated Financial Statements 2015 and the annual report thereon as well as the Unaudited Interim Condensed Consolidated Financial Statements as of 30 September 2016. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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

## **SIGNIFICANT CHANGES AND MATERIAL ADVERSE CHANGES**

Except as disclosed under "*5.6 Recent Developments*" starting on page 132 of this Prospectus, there has been no significant change in the financial position of Erste Group since 30 September 2016 and no material adverse change in the prospects of the Issuer since 31 December 2015.

## **FORWARD-LOOKING STATEMENTS**

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

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Issuer's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Issuer's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "*1. Risk Factors*" and "*5. Erste Group Bank AG*". These sections include more detailed descriptions of factors that might have an impact on the Issuer's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur.

# 1. RISK FACTORS

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

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

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

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

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

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

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

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

### **1.1.1 Risks related to the business of Erste Group**

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

As a result of the global financial crises from the second half of 2007 until 2009, levels of public sector debt around the world and the perceived and/or actual instability of numerous credit institutions in certain European countries, including, in particular Spain, Greece, Portugal, Italy, Ireland, Cyprus and Slovenia, and - in addition to the Eurozone - Ukraine and Russia, had a negative impact on macroeconomic conditions. By the end of 2014, the Eurozone was close to stagnation with weaknesses apparent also in the core Euro area countries. Many European economies continued to face structural challenges as unemployment and structural debt levels remained high. With inflation expectations potentially falling further, the risk of Euro area deflation remains present.

In response to the global financial crisis, unprecedented steps have been taken to help stabilise the financial system and increase the flow of credit in the global economy. There can be no assurances as to the actual impact that these measures and related actions will have on the financial markets, on consumer and corporate confidence generally and on Erste Group specifically. In order to prevent further deterioration of economic growth and to respond to concerns about the effects of the European sovereign debt crisis, the European Central Bank ("**ECB**") (among other central banks) announced a plan to buy unlimited amounts of government bonds of distressed countries partially in exchange for their request for and acceptance of a formal programme including certain austerity reforms. However, monetary policy objectives have decoupled significantly across countries. The U.S. Federal Reserve Bank ("**FED**") gradually reduced its bond-buying program (referred to as "tapering") and ceased its program in October 2014. In 2015 and 2016, the FED increased the interest rate twice. This development was driven by a continuing solid growth of the U.S. economy and the recovery of the U.S. employment market. The ECB, on the other hand, commenced the broad-based asset purchase program in March 2015, which is currently intended to last until December 2017. The current ultra-low interest environment creates further pressure on the financial sectors globally. The impact of the ECB's or any other entity's actions in the future is currently unknown and these actions may or may not result in the expected benefits for the relevant economies. Variances in monetary policy may result in increased volatility in debt and foreign exchange markets. Moreover, excesses in both advanced and particularly emerging economies, may be exposed. The outlook for the European and global economy remains challenging, due to the difficult situation in the emerging economies.

During 2015 and 2016, the Eurozone economy recovered moderately, accompanied by a positive trend of leading indicators for inflation and a declining unemployment rate within the Eurozone. The major pillar for growth in the Eurozone remained private consumption, also benefiting from low energy prices. The positive development in the Eurozone is expected to continue, however, the volatility of the financial markets due to the drop in oil prices, geopolitical uncertainties over Greece, Russia, Ukraine and Syria and the slowdown in China, pose a downside risk. In 2016, together with Great Britain (keyword: "Brexit"), China's economic transformation influences the global economy in terms of increased volatility in share prices on stock markets as well as commodity markets and results in declining foreign exchange reserves. Immediately following the U.S. presidential election, investors sold equities and other risky investments. The exchange rates of most emerging market currencies – especially the Mexican peso – and the Euro against the U.S. Dollar as well as the oil price dropped. However, within a short period of time, in particular the situation on the equity and crude oil markets improved and long-term U.S. interest rates increased in anticipation of higher future inflation rates. This global economic situation combined with increasing geopolitical challenges has implications on the Eurozone and may lead to corresponding risks within the Eurozone.

Erste Group's performance will continue to be influenced by conditions in the global, and especially European, economy. The outlook for the European and global economy over the near to medium term remains challenging, which also impacts prospects for stabilisation and improvement of economic and financial conditions in Central and Eastern Europe. In general, should economic conditions affecting Erste Group's operating markets remain subdued, Erste Group's results and operations may be materially and adversely affected.

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

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

as the uncertainty surrounding the sovereign debt crisis and EU efforts to resolve the crisis continued to intensify.

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

Distracted by an unresolved migration crisis and negotiations on the terms of Great Britain's departure from the European Union, Eurozone leaders could be caught unprepared by a new storm on financial markets. Global market turmoil since the start of 2016 has helped set warning lights flashing in Eurozone sovereign bond markets. In early February 2016, the premium that investors charge to hold Portuguese, Spanish and Italian government debt rather than German bonds hit some of the highest levels since the Eurozone crisis that peaked in the years 2011 and 2012. European credit institution shares have been badly hit by concerns over their high stock of non-performing loans ("**NPL**"), new regulatory burdens and a squeeze on profits due to negative official interest rates. New EU banking regulations that force shareholders and bondholders to take first losses if a credit institution needs rescuing are further spooking the market, notably in Italy. All this comes at a time when public resistance to further austerity measures has surged all over southern Europe, resulting in increasing support for populist parties and leading to unexpected results at national and/or regional elections.

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

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

Erste Group is, and may in the future continue to be, exposed to the risk that borrowers may not repay their loans according to their contractual terms, that the collateral or income stream securing the payment of these loans may be insufficient, or that legislation is imposed setting fixed exchange rates for loans in foreign currencies.

The effects of the global economic and financial crisis, such as stagnating or declining growth rates or negative gross domestic product ("**GDP**") development, significantly reduced private consumption and corporate investment, rising unemployment rates and decreasing private and commercial property values in certain regions, have had in recent years a particularly negative effect on the credit quality of Erste Group's loan portfolio in certain countries in which it operates, particularly in Romania, Hungary and Croatia. This is particularly true for customer loans in currencies other than the local currency of the customer's jurisdiction, i.e. many of Erste Group's retail and corporate customers in Hungary, Romania, Croatia, Serbia and Austria have taken out loans which are denominated in currencies other than their relevant local currencies (primarily in EUR, USD and CHF) ("**FX loans**"). As the value of the local currency declines versus the foreign currencies of such loans, as occurred in certain CEE countries during the economic downturn, the effective cost of the foreign currency denominated loan to the local customer may increase substantially, which can lead to delinquent payments on customer loans, migration of previously highly-rated loans into lower-rated categories and, ultimately, increases in NPL and impairment charges.

A proportion of FX loans, especially the mortgage loans in CHF in Austria, which most of them have already been signed some years ago, are bullet repayment loans (*endfällige Verbraucherkredite*) which are secured by a repayment vehicle (*Tilgungsträger*). Adverse movements in the market price of such instruments for accumulating capital for bullet repayment and foreign currency risk applicable to repayment vehicles denominated in currencies other than the currency of the customer's jurisdiction may negatively affect the position of the loan secured by such repayment vehicle. This may increase the risk of a debtor defaulting under the loan.

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

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

In line with regulatory requirements and accounting standards Erste Group evaluates the need and allocates credit risk provisions on its balance sheet to cover expected losses on its loan portfolio. Credit risk provisions are calculated for financial assets carried at amortised cost (loans and advances, financial assets held to maturity) in accordance with IAS 39 and for contingent liabilities (financial guarantees, loan commitments) in accordance with IAS 37.

Credit loss provisioning is done on customer level. The process includes the default and impairment identification and the type of assessment (individual or collective); it also includes the decision of responsibilities. Customer level means, if one of the customer's exposures is classified as defaulted then, normally, all of that customer's exposure is classified as defaulted.

During the process the credit institution distinguishes between:

- specific provisions calculated for exposures to defaulted customers that are deemed to be impaired, and
- portfolio provisions (provisions for incurred but not reported losses) calculated for exposures to non-defaulted customers or defaulted customers that are not deemed to be impaired.

These provisions reflect Erste Group's estimates of losses in its loan portfolio. If a higher than expected proportion of Erste Group's customers default or if the average amount lost as a result of defaults is higher than expected or if individual customers unexpectedly default, actual losses due to customer defaults will exceed the amount of provisions already taken and Erste Group's operating result will be adversely affected.

IFRS 9 is the International Accounting Standards Board's replacement of IAS 39 and will be mandatory effective for periods beginning on or after 1 January 2018. The new standard incorporates a new expected loss impairment model and introduces new requirements for classifying and measuring financial assets. Thus, the above described provisioning process will materially change but transition by Erste Group to IFRS 9 will not be earlier than 1 January 2018.

In 2016, Erste Group's management was continuing to screen critical portfolios and further strengthening of the risk profile. This has been particularly demonstrated by the continuous increase of the performing portfolio and decrease of NPL and risk costs for several quarters. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, like in 2015, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.

On the basis of an increasing performing portfolio and the significant decrease in risk costs, the NPL portfolio as well as the NPL ratio have been further reduced. The overall NPL coverage ratio (ratio of risk provisions for loans and advances to customers on Erste Group's balance sheet as a percentage of NPL

and advances to customers) of problematic portfolios corresponds well with the defined workout strategies (e.g. going concern, gone concern or portfolio sale). In Romania, Austria, Czech Republic, Croatia, Slovakia and Hungary, Erste Group has continued with portfolio sales in 2016, although the total amount of sold problem loans is below the amount of preceding years. Workout activities could overcompensate new inflows of NPL and achieve the reduction of NPL through successful recoveries, cures and write-offs.

Erste Group seeks to maintain an NPL coverage ratio that, in management's judgement, is appropriate to cover potential credit losses. However, there can be no assurances that the current NPL coverage ratio will not decline in the future, that annual risk costs will not rise or that the NPL coverage ratio will prove to be sufficient.

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

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

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

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

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

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

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

Erste Group utilises a range of instruments and strategies to hedge risks. Unforeseen market developments may have a significant impact on the effectiveness of hedging measures. Instruments used to hedge

interest and currency risks can result in losses if the underlying financial instruments are sold or if valuation adjustments must be undertaken. Gains and losses from ineffective risk-hedging measures can increase the volatility of the results generated by Erste Group, which could have a material adverse effect on Erste Group's business, financial condition and results of operations.

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

Erste Group has significant exposure collateralised by commercial and residential real estate. Real estate market prices are dependent on several parameters of the economic surroundings. Furthermore changes can also arise by unforeseeable events. Therefore, real estate market price trend differs from region to region where Erste Group is operating. On the one hand, in some regions the whole market for real estate declines or the demand moves from premium to low-priced real estate because of actual economic problems, such as migration of firms and high unemployment rates, or economic uncertainty. As a result the real estate prices decline in general. On the other hand, mainly residential real estate prices increase more than expected in some regions. It has to be considered that the upward trend can stagnate and even go into reverse. The volatility of real estate values can cause some risks concerning collateralisation of this exposure portfolio and can lead to lower proceeds in case of realization of these collateral. As a result, this can have an adverse impact on the Erste Group balance sheet.

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

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

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

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

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

As credit providers, group companies of Erste Group are exposed to market liquidity risk, which arises from an inability to easily sell an asset because there is inadequate market liquidity or market disruption. They are also exposed to funding liquidity risk, which is an exposure to losses arising out of a change in the cost of refinancing, or from a spread over a certain horizon and confidence level, or from insolvency of

counterparties, which may result in difficulties in meeting future payment obligations, either in full, on time or on economically beneficial terms.

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

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

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

Erste Group Bank's credit ratings are important to its business. A rating is the opinion of a rating agency on the credit standing of an issuer, i.e., a forecast or an indicator of a possible credit loss due to insolvency, delay in payment or incomplete payment to the investors. It is not a recommendation to buy, sell or hold securities. Such credit ratings have been issued by credit rating agencies established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Erste Group Bank's long-term credit ratings are: Standard & Poor's, BBB+ (outlook stable); Moody's, Baa1 (outlook stable); and Fitch, BBB+ (outlook stable).

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

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

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

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



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

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

- *Basel III and CRD IV-Package.* In June 2011, January 2013 and October 2014, the Basel Committee on Banking Supervision ("**BCBS**") published its (final) international regulatory framework for credit institutions (known as "**Basel III**"), which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. Main parts of Basel III have been transposed into European law by the CRD IV package, i.e. 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC" (*Capital Requirements Directive IV - "**CRD IV**"*) and 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 - "**CRR**"*).

The CRD IV-package in particular (further) increased the qualitative and quantitative requirements for regulatory capital (own funds) and the required capital for derivative positions as well as newly introduced requirements for liquidity standards and a leverage ratio.

The CRR (an EU regulation which directly applies in all EU Member States without any national implementation) as well as the Austrian federal law implementing the CRD IV into Austrian law, which includes amendments to the Austrian Banking Act (*Bankwesengesetz - "**BWG**"*) (and certain related regulations), are applicable since 1 January 2014 subject to certain transitional provisions.

- *Changes in Recognition of Own Funds.* Due to regulatory changes, certain existing capital instruments (which have been issued in the past) will be subject to (gradual) exclusion from own funds (grandfathering) or reclassification as a lower category of own funds. For example, existing hybrid capital instruments will, over time, be phased out.
- *Capital buffers.* Articles 128 to 140 CRD IV introduce provisions that may require institutions to maintain newly defined specific capital buffers in addition to the CET 1 capital maintained to meet the own funds requirements imposed by the CRR and potentially any pillar II additional own funds requirements. In Austria, these provisions have been implemented into national law in §§ 23 to 23d BWG. Most of these buffer requirements will be gradually phased in starting from 1 January 2016 until 1 January 2019. The Austrian Capital Buffers Regulation (*Kapitalpuffer-Verordnung - "**KP-V**"*) of the FMA further stipulates: (i) the determination and recognition of the countercyclical buffer rate pursuant to § 23a (3) BWG; (ii) the determination of the capital buffer rate for systemic vulnerability and for systemic concentration risk (= systemic risk buffer) pursuant to § 23d (3) BWG which has to be determined on a consolidated level; (iii) the determination of the capital buffer for systemically important institutions ("**O-SII buffer**") pursuant to § 23c (5) BWG which also has to be determined on a consolidated level; and (iv) the more precise elaboration of the calculation basis pursuant to § 23a (3)(1) BWG and § 24 (2) BWG (the latter concerning the calculation of the maximum distributable amount).

Pursuant to the KP-V, the countercyclical buffer rate amounts to 0.00% for significant credit exposures located in Austria. In addition, also national countercyclical buffers determined by

the designated authorities of another EU Member State or a third country for significant credit exposures located in its territory might apply. However, if such national countercyclical buffer rates exceed 2.50%, a countercyclical buffer rate amounting to 2.50% is used for such credit exposures. In this regard, countercyclical buffer rates of 0.00% have also been set by the designated authorities in Hungary and Croatia. The Czech National Bank announced to require a 0.50% countercyclical buffer on the total risk exposure in the Czech Republic as of 1 January 2017 and the Slovak National Bank announced to require a 0.50% countercyclical buffer on the total risk exposure in the Slovak Republic as of 1 August 2017. For Erste Group (which qualifies as other systemically important institution), the KP-V stipulates a systemic risk buffer and an O-SII buffer, both amounting to 0.50% (as of 1 January 2017), 1.00% (as of 1 January 2018) and 2.00% (as of 1 January 2019). In principle, only the higher rate of the both capital buffers applies. As in case of Erste Group, the rate for both capital buffers is the same, the total buffer rate is not increased.

- *BCBS' Reviews of Banking Regulatory Framework.* As part of its continuous effort to enhance the banking regulatory framework, the BCBS is reviewing the standardised approaches of the capital requirement frameworks for credit and operational risk. These reviews cover the standardised as well as the internal model approaches. The BCBS is also working on the design of a capital floor framework based on the revised standardised approaches for all risk types. This framework will replace the current capital floor for credit institutions using internal models, which is based on the Basel I standard. The BCBS will consider the calibration alongside its other work on revising the risk-based capital framework. Both the BCBS' final calibration of the proposed new frameworks, and subsequently how and when these will be implemented in the EU, are still uncertain. Therefore, currently no firm conclusions regarding the impact on the potential future capital requirements, and consequently how this will affect the capital requirements for Erste Group, can be made.
- *Bank Recovery and Resolution Legislation.* The "Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms" (*Bank Recovery and Resolution Directive* - "**BRRD**") has been implemented in Austria into national law by the Austrian Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz* – "**BaSAG**") which entered into force on 1 January 2015. The BRRD/BaSAG establishes a framework for the recovery and resolution of credit institutions and, *inter alia*, requires institutions to draw up "recovery plans" which set out certain arrangements and measures that may be taken to restore the long-term viability of the financial institution in the event of a material deterioration of its financial position. In addition, institutions have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") set by the resolution authority on a case-by-case basis. Measures undertaken under the BRRD/BaSAG may also have a negative impact on debt instruments (in particular subordinated notes, but under certain circumstances also senior notes and the Notes) by allowing resolution authorities to order the write-down of such instruments or convert them into CET 1 instruments (see also the risk factor "*The Notes may be subject to write down or conversion to equity upon the occurrence of a certain trigger event, which may result in Holders losing some or all of their investment in the Notes (statutory loss absorption).*"). Apart from potentially being subject to resolution tools and other powers as set out under the BRRD/BaSAG, the Issuer may also be subject to national insolvency proceedings.
- *Single Resolution Mechanism for European Banks.* The Single Resolution Mechanism ("**SRM**") which started operationally in January 2016 is one of the components of the Banking Union, alongside the Single Supervisory Mechanism ("**SSM**") and a common deposit guarantee

scheme. It is set to centralise key competences and resources for managing the failure of a credit institution in the participating Member States of the Banking Union. Under the SRM, the Single Resolution Board ("**SRB**") is, in particular, responsible for adopting resolution decisions in close cooperation with the ECB, the European Commission and the national resolution authorities in case of a failing (or likely failing) of a significant entity subject to direct supervision of the ECB, such as the Issuer (see also the risk factor "*The Notes may be subject to write down or conversion to equity upon the occurrence of a certain trigger event, which may result in Holders losing some or all of their investment in the Notes (statutory loss absorption).*"). The SRM complements the SSM and aims to ensure that if a credit institution subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to taxpayers and the real economy.

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

The SRF shall be composed of contributions from credit institutions and certain investment firms in the participating Member States. The SRF shall be gradually built up during the first eight years (2016 - 2023) and shall reach the target level of at least 1% of the amount of covered deposits of all credit institutions within the Banking Union by 31 December 2023.

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

On 14 December 2016, the European Banking Authority ("**EBA**") has published its final report on MREL (EBA-Op-2016-21). This report quantifies the current MREL stack and estimates potential financing needs of European Union credit institutions under various scenarios, assesses the possible macroeconomic costs and benefits of introducing MREL in the European Union, and recommends a number of changes to reinforce the MREL framework and integrate the international standards on total loss-absorbing capacity ("**TLAC**") in the European Union's MREL. The report is addressed to the European Commission, which issued its banking reform package on 23 November 2016. The European Parliament and Council will deliberate on this package in the coming months and the report will shed light on a number of technical issues still open for discussion.

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

- *EU Banking Reform Package of the European Commission.* On 23 November 2016, the European Commission published consultation drafts for the revision of the CRD IV and the CRR as well as of the BRRD and the SRMR. The proposal builds on existing EU banking rules and aims to complete the post-crisis regulatory agenda of the European Commission. The consultation drafts, which have been submitted to the European Parliament and to the Council for their consideration and adoption, include the following key elements: (i) more risk-sensitive capital requirements, in particular in the area of market risk, counterparty credit risk, and for exposures to central counterparties; (ii) a binding leverage ratio to prevent institutions from excessive leverage; (iii) a binding net stable funding ratio to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk; and (iv) the TLAC requirement for global systemically important institutions ("**G-SIIs**") which will be integrated into the MREL logic applicable to all credit institutions. It also proposes a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments.

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

- *European Banking Authority's EU-wide Stress Tests.* One of EBA's responsibilities is to ensure the orderly functioning and integrity of financial markets and the stability of the financial system in the EU. To this end, the EBA is mandated to monitor and assess market developments as well as to identify trends, potential risks and vulnerabilities stemming from the micro-prudential level. One of the primary supervisory tools to conduct such an analysis is the EU-wide stress test exercise: These regular EU-wide stress tests which also include Erste Group are conducted in a bottom-up fashion, using consistent methodologies, scenarios and key assumptions developed by EBA in cooperation with the European Systemic Risk Board ("**ESRB**"), the ECB and the European Commission. On 20 December 2016, EBA announced its decision to carry out its next EU-wide stress test in 2018, in line with its previous decision to aim for a biennial exercise; this next stress test shall also include an assessment of the impact of IFRS 9, which will be implemented on 1 January 2018.

The focus of the last stress test carried out in 2016 was on setting pillar II guidance to credit institutions to maintain capital that can support the process of repair and lending into the real economy. The application of the adverse scenario covering a three-year time horizon (2016 - 2018) resulted in a phased-in CET 1 ratio of 8.2% (year-end 2018) in the case of Erste Group versus a starting point of 12.3% at the end of 2015.

- *Structural Reform of the European Banking Sector.* On 19 June 2015, the European Council agreed its negotiating stance on structural measures to improve the resilience of EU credit institutions. The proposal is aimed at further strengthening the stability by protecting the deposit-taking business of the largest and most complex EU credit institutions from potentially risky trading (see the risk factor "*In future, the Issuer may be obliged to stop proprietary trading and/or separate certain trading activities from its core banking business.*"). For the time being, it remains unclear whether the Issuer would be subject to the proposal once implemented.
- *MiFID II and MiFIR.* The current EU regulatory framework for investment services and regulated markets set by the Directive 2004/39/EC will be updated by the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (*Markets in Financial Instruments Directive II* - "**MiFID II**") and the Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (*Markets in Financial Instruments Regulation* - "**MiFIR**"). Due to a postponement, the (new) date of the application will be 3 January 2018 and the transposition of MiFID II into national laws will be required by 3 July 2017. As MiFID II and MiFIR will effect

regulatory changes affecting derivatives and other financial instruments, there will be increased costs or increased regulatory requirements. As such changes are still in the process of being implemented, the full impact of MiFID II and MiFIR remains to be clarified.

- *Stricter and Changing Accounting Standards.* Prospective changes in accounting standards as well as those imposing stricter or more extensive requirements to carry assets at fair value, could also impact Erste Group's capital needs. Erste Group expects that prospective changes in accounting standards due to IFRS 9 (this standard is expected to become effective for annual periods / beginning on or after 1 January 2018) will have a significant effect on balance sheet items and measurement methods for financial instruments. Thus, in the area of classification and measurement, Erste Group identified a risk that part of its loan portfolio will have to be re-measured at fair value through profit or loss, due to the contractual cash flow characteristics. On the other hand, some debt securities currently measured at fair value through other comprehensive income may be measured at amortised cost due to the "held-to-collect contractual cash flows" business model applied to them. In the area of impairment loss, allowances are expected to increase more than insignificantly for some non-defaulted exposures.

Additional, stricter and/or new regulatory requirements may be adopted in the future, and the existing regulatory environment in many markets in which Erste Group operates continues to develop, implement and change. The substance and scope of any such (new or amended) laws and regulations as well as the manner in which they are (or will be) adopted, enforced or interpreted may increase Erste Group's financing costs and could have an adverse effect on Erste Group's business, financial condition, results of operations and prospects.

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

Legislative and/or regulatory changes in the current definitions of what is deemed to qualify as own funds could reduce Erste Group's eligible capital and/or require reducing the risk-weighted assets ("**RWA**") of Erste Group Bank or Erste Group both on an individual or a consolidated basis. There can be no assurance that, in the event of any further changes of the applicable rules, adequate grandfathering or transition periods will be implemented to allow Erste Group to repay or replace such derecognised own funds instruments in a timely fashion or on favourable terms. Erste Group may therefore need to obtain additional own funds in order to meet capital requirements in the future. Such capital, whether in the form of ordinary shares or other capital instruments recognised as own funds, may not be available on attractive terms or at all.

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

**Risk of changes in the tax framework, in particular regarding bank tax and the introduction of a financial transaction tax.**

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

The Issuer is subject to bank tax (*Stabilitätsabgabe*) pursuant to the Austrian Bank Tax Act (*Stabilitätsabgabegesetz*). The tax basis is the average unconsolidated balance sheet total. It is reduced, *inter alia*, by secured deposits, subscribed capital and reserves, certain liabilities of credit institutions that are being wound up or that are being restructured, certain export finance related liabilities for which the Republic of Austria has posted guarantees and certain liabilities resulting from the holding of assets on trust. The tax rate is 0.024% for that part of the tax basis exceeding EUR 300 million but not exceeding EUR 20 billion and 0.029% for that part exceeding EUR 20 billion. However, the bank tax must neither exceed certain statutorily defined limits (*Zumutbarkeitsgrenze* and *Belastungsobergrenze*) nor undercut a minimum amount. In addition, a special payment of 0.211% for that part of the tax basis exceeding EUR 300 million but not exceeding EUR 20 billion and of 0.258% for that part exceeding EUR 20 billion shall be paid generally in four instalments in the first quarters of the years 2017 to 2020.

Pursuant to the proposal by the European Commission for a "Council Directive implementing enhanced cooperation in the area of financial transaction tax" eleven EU Member States, i.e. Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, the Slovak Republic, Slovenia and Spain ("**Participating Member States**") shall charge a financial transaction tax ("**FTT**") on financial transactions as defined if at least one party to the transaction is established in the territory of a Participating Member State and a financial institution established in the territory of a Participating Member State is party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction (residency principle). In addition, the proposal contains rules pursuant to which a financial institution and, respectively, a person which is not a financial institution are deemed to be established in the territory of a Participating Member State if they are parties to a financial transaction in certain instruments issued within the territory of that Participating Member State (issuance principle). According to a publication by the Council of the European Union dated 8 December 2015, shares and derivatives shall be taxed initially. All Participating Member States except for Estonia have agreed on main features of the tax base, but not on the respective tax rates. It is unclear whether an FTT will be introduced at all. The FTT as proposed by the European Commission has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. If an FTT is introduced, due to higher costs for investors there is a risk that it would result in fewer transactions taking place, thereby negatively affecting the earnings of the Issuer. Prospective holders of the Notes are advised to seek their own professional advice in relation to FTT.

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

In line with the BRRD / BaSAG and the SRM, each institution has to ensure that it meets at all times (on an individual basis and in case of EU parent undertakings (such as Erste Group) also on a consolidated basis) a minimum requirement for own funds and eligible liabilities. Such minimum requirement shall be determined by the resolution authority and shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. There is a risk that the Issuer may not be able to meet these minimum requirements for own funds and eligible liabilities which could result in higher refinancing costs and, if resolution measures were imposed on the Issuer, significantly affect its business operations and lead to losses for its creditors (such as the Holders of the Notes)..

**The Issuer is obliged to contribute amounts to the Single Resolution Fund and to *ex-ante* financed funds of the deposit guarantee schemes; this results in additional financial burdens for the Issuer and thus, adversely affects the financial position of the Issuer and the results of its business, financial condition and results of operations.**

The SRM includes a Single Resolution Fund (SRF) to which credit institutions and certain investment firms in the participating Member States have to contribute.

Furthermore, the "Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes" (Directive on Deposit Guarantee Schemes – "**DGSD**") stipulates financing requirements for the Deposit Guarantee Schemes ("**DGS**"). In principle, the target level of *ex-ante* financed funds for DGS is 0.8% of covered deposits to be collected from credit institutions until 3 July 2024. According to the Austrian Deposit Guarantee and Investor Protection Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG*), which implements the DGSD in Austria, the deposit guarantee fund must therefore be established until 3 July 2024.

In the past, the Austrian mandatory DGS did not require *ex-ante* funding, but merely has obliged the respective DGS-members (*ex-post*) to contribute after deposits of any member have become unavailable (protection event). Therefore, the implementation of the DGSD into Austrian law which stipulates *ex-ante* contributions triggers an additional financial burden for the Issuer.

In addition to *ex-ante* contributions, if necessary, credit institutions have to pay certain additional (*ex-post*) contributions.

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

**In future, the Issuer may be obliged to stop proprietary trading and/or separate certain trading activities from its core banking business.**

The European Council has agreed its negotiating stance on new rules for a structural reform of EU credit institutions. The proposed EU regulation would apply only to credit institutions that are either deemed of global systemic importance or exceed certain thresholds in terms of trading activity or absolute size of credit institutions and groups. The draft regulation is intended to reduce excessive risk taking and prevent rapid balance sheet growth as a result of trading activities, sets out to shield institutions carrying out activities that deserve a public safety net from losses incurred as a result of other activities and provides for the mandatory separation of proprietary trading and related trading activities and establishes a framework for competent authorities to take measures to reduce excessive risk taking. Trading activities other than proprietary trading would be subject to a risk assessment. If a competent authority finds that an excessive risk exists, it could require trading activities to be separated from the core credit institution, or demand an increase in the core credit institution's own fund requirements, or impose other prudential measures. Trading entities would be prohibited from taking retail deposits eligible for deposit insurance.

To accommodate existing national regimes, the European Council text provides two options for addressing excessive risk stemming from trading activities: This could be done either through national legislation requiring core retail activities to be ring-fenced, or through measures imposed by competent authorities in accordance with the regulation.

For the time being, it remains unclear whether the Issuer would be subject to the proposal once implemented. Provided that the Issuer will be subject to these new rules, once implemented, this could reduce potential implicit subsidies and profits from trading activities, may lead to higher funding costs for these trading activities and also trigger operational costs related to the separation of some trading activities in a specific legal entity and thus may materially adversely affect the financial position of the Issuer and the results of its business, financial condition and results of operations.

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

Erste Group's risk management techniques and strategies have not been, and may in the future not be, fully effective in mitigating Erste Group's risk exposure in all economic market environments or against all types of risks, including risks that it fails to identify or anticipate. Furthermore, regulatory audits or other regular reviews of the risk management procedures and methods have in the past detected, and may in the future detect, weaknesses or deficiencies in Erste Group's risk management systems. Some of Erste Group's quantitative tools and metrics for managing risks are based upon its use of observed historical market behaviour. Erste Group applies a wide variety of statistical and other tools to these observations to be able to quantify risk exposures. During the global financial crisis, the financial markets experienced unprecedented levels of volatility (rapid changes in price development) and the breakdown of historically observed correlations across asset classes, compounded by extremely limited liquidity. In this volatile market environment, Erste Group's risk management tools and metrics failed to predict some of the losses it experienced and may in the future under similar conditions of market disruption fail to predict future important risk exposures. In addition, Erste Group's quantitative modelling does not necessarily take all risks into account and makes numerous assumptions regarding the overall environment and/or the implicit consideration of risks in the quantification approaches, which may or may not materialise. As a result, risk exposures could arise from factors not anticipated or correctly evaluated in Erste Group's statistical models.

This has limited and could continue to limit Erste Group's ability to manage its risks. If circumstances arise that Erste Group did not identify, anticipate or correctly evaluate in developing its statistical models, losses could be greater than the maximum losses envisaged under its risk management system. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risks prove insufficient, Erste Group may experience material unanticipated losses, which could have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

Likewise, a temporary shutdown of Erste Group's information systems could result in costs that are required for information retrieval and verification. There can be no assurances that such failures or interruptions will not occur or that Erste Group can adequately address them if they do occur. Accordingly, the occurrence of such failures or interruptions could have a material adverse effect on Erste Group's business, financial



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

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

Erste Group's existing operations and ability to enter new markets depend on its ability to retain existing employees and to recruit additional talents with the necessary qualifications and level of experience in banking. In many of the CEE markets in which Erste Group currently operates, the pool of individuals with the required set of skills is still limited however growing due to increased focus of local universities and governments on implementation of competitive educational programs and development of a skilled workforce. If hiring should not be the outcome of a qualitative staff plan but happen more on an ad hoc or short term basis, the risk of high staff turnover or not creating a valid succession pool would be high. Missing leadership responsibility in setting the respective development measures or not promoting high-performers may bear the risk that qualified staff may leave Erste Group. Furthermore, nominations of employees as talents without overall valid high quality criteria may prove wrong and cause the risk of false investments and higher costs.

Increasing competition for labour in Erste Group's core markets from other international financial institutions may also make it more difficult for Erste Group to attract and retain qualified employees and may lead to rising labour costs in the future. Moreover, if caps or further restrictions under CRD IV were to be imposed on salaries or bonuses paid to executives of Erste Group Bank or its subsidiaries (including caps imposed by governments in connection with extending support to Erste Group), Erste Group's ability to attract and retain high-quality personnel could be limited and could result in losses of qualified personnel. If Erste Group is unable to attract and retain new talent in key strategic markets or if competition for qualified employees increases its labour costs, this could have a material adverse effect on Erste Group's business, financial condition and results of operations.

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

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

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

Under the *Haftungsverbund*, Erste Group Bank and all other member savings banks are obliged to provide financially troubled members with specified forms of financial and management support and, in the event of a member's insolvency, to contribute to the repayment of certain protected deposits. The member savings banks agreed that a part of the funds has to be *ex-ante* financed in the form of special funds, whereas the *Haftungsverbund* GmbH ("**Steering Company**") alone has access to these special funds and is obliged to use all other options available before availing itself of the special funds. In order to build up the special

fund, all savings banks contribute on a quarterly basis until it reaches its final size of EUR 250 million after 10 years. Under the *Haftungsverbund*, member savings banks are also required to follow specific credit and risk management guidelines for providing and managing loans and for identifying, measuring, managing and limiting risks. This is effectively set and monitored indirectly by Erste Group Bank although Erste Group Bank does not exercise direct operational control over the management of the member savings banks. These requirements are often more detailed and strict than those previously in place at certain of the individual savings banks. Erste Group Bank may be required to provide support and repay certain protected deposits even where there has been non-compliance by one or more members of the *Haftungsverbund* with the risk management requirements, although Erste Group Bank may exercise little direct control over the management of the member savings bank. Consequently, Erste Group Bank's ability to manage the risk associated with the financial obligations it has assumed under the *Haftungsverbund* will depend on its ability to enforce the risk management requirements of the system. Erste Group Bank may be obliged to provide liquidity, take other measures and incur significant costs in the event that another savings bank in the *Haftungsverbund* experiences financial difficulties or becomes insolvent or in order to prevent one of the savings banks from experiencing financial difficulties. This could require Erste Group Bank to utilise resources in a manner that could have a material adverse effect on Erste Group Bank's business, financial condition and results of operations.

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

Erste Group derives the majority of its operating income from net interest income. Interest rates are sensitive to many factors beyond Erste Group's control, such as inflation, monetary policies set by central banks and national governments, the innovation of financial services and increased competition in the markets in which Erste Group operates, domestic and international economic and political conditions, as well as other factors. While the competitive pressure on the margins is a rather obvious factor, also changes in the absolute level of the interest rate environment can affect the spread between the rate of interest that a credit institution pays to borrow funds from its depositors and other lenders and the rate of interest that it charges on loans it extends to its customers. If the interest margin decreases, net interest income will also decrease unless Erste Group is able to compensate such decrease by increasing the total amount of funds it lends to its customers. Ultra-low interest rate monetary policy accompanied by quantitative easing brings additional challenge to interest margin stability as the potential to re-price customers' deposits might be exhausted sooner than lending rates find their new equilibrium. Additionally, in a very low or even negative interest rate environment, Erste Group will bear increased costs of maintaining the regulatory and prudential liquidity buffers held in cash and highly liquid assets. An increase in rates charged to customers can also negatively impact interest income if it reduces the amount of customer borrowings. For competitive reasons, Erste Group may also choose to raise rates of interest it pays on deposits without being able to make a corresponding increase in the interest rates it charges to its customers. Finally, a mismatch in the structure of interest-bearing assets and interest-bearing liabilities in any given period could, in the event of changes in interest rates, reduce Erste Group's net interest margin and have a material adverse effect on its net interest income and, thereby, its business, results of operation and financial condition.

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

A large part of Erste Group Bank's and Erste Group's operations, assets and customers are located in CEE countries that are not part of the Eurozone (i.e., that do not use the Euro as their legal tender), and financial transactions in currencies other than the Euro give rise to foreign currency risks. Local governments may undertake measures that affect currency levels and exchange rates and impact Erste Group's credit exposure to such currencies, such as the Swiss National Bank's setting of a minimum exchange rate against the Euro in September 2011 and in January 2015 reversing its support measures, or Hungary's introduction of a new law in 2014 regulating how credit institutions change loan interest and convert FX loans into local currency. In September 2015, the Croatian Parliament adopted changes in the legislation that allows debtors of Swiss franc loans to convert their loans into euro loans at an exchange rate, which

corresponds to the exchange rate at the time of origination of the loans. In October 2016, the Romanian parliament approved a version of the Swiss franc conversion law, allowing individuals to convert Swiss franc loans into local currency at historical exchange rates. There can be no assurances that similar measures will not be introduced or imposed on other customer segments or countries as well.

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

**Erste Group Bank's profit can be lower or even negative.**

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

Depending on the size of the reduction in profitability, such a reduction could have a material adverse effect on Erste Group's results of operations in that period, on the reported amount of its assets and on its equity, and on Erste Group's ability to make payments on the Notes.

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

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

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

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

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

Erste Group faces strong competition in Austria not only from UniCredit Bank Austria AG and the Raiffeisen banks, but also from large international credit institutions and new entrants from neighbouring countries. As a result of this competition, in particular in the retail segment and the current low interest rate environment,

net interest margins have historically been very low. Failure to maintain net interest margins at current levels may have a significant negative impact on Erste Group's financial condition and results of operations.

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

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

As of the date of this Prospectus, 29.5% of the shares in Erste Group Bank (including 9.9% that were held by CaixaBank, S.A.) were attributed to Erste Stiftung. Erste Stiftung has the right to appoint one third of the members of the Supervisory Board of Erste Group Bank who were not delegated by the employees' council, however, Erste Stiftung has not exercised its appointment right, so that all of the Supervisory Board members who were not delegated by the employees' council have been elected by the shareholders' meeting.

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

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

Erste Group is subject to rules and regulations regarding money laundering, sanctions, corruption and the financing of terrorism. These rules and regulations have been tightened in recent years and will be further tightened and enforced more strictly in the future, in particular by implementing the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (4th Anti-Money Laundering Directive). Monitoring compliance with anti-money laundering, sanctions, anti-corruption and anti-terrorism financing rules can result in a significant financial burden on credit institutions and other financial institutions and can pose serious technical problems. Erste Group cannot guarantee that it is in compliance with all applicable anti-money laundering, sanctions, anti-corruption and anti-terrorism financing rules at all times or that its group-wide anti-money laundering, sanctions, anti-corruption and anti-terrorism financing standards are being consistently applied by its employees in all circumstances. Any violation of anti-money laundering, sanctions, anti-corruption or anti-terrorism financing rules, or even alleged violations, may have severe legal, monetary and reputational consequences and could have a material adverse effect on Erste Group's business, financial condition and results of operations.

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

Changes in consumer protection laws or the interpretation of consumer protection laws by courts or governmental authorities (i.e. Fair Banking Act in Hungary) could limit the fees that Erste Group may charge for certain of its products and services and thereby result in lower commission income. Moreover, as new laws and amendments to existing laws are adopted in order to keep pace with the continuing transition to market economies in some of the CEE countries in which Erste Group operates, existing laws and regulations as well as amendments to such laws and regulations may be applied inconsistently or interpreted in a manner that is more restrictive. Several subsidiaries of Erste Group in CEE countries have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. Moreover, any such changes in consumer protection laws or the interpretation of such laws by courts or governmental authorities could impair Erste Group's ability to offer certain products and services or to enforce certain clauses and reduce Erste Group's net commission income and have an adverse effect on its results of operations. In Austria, several legal proceedings are pending between credit institutions and a consumer organisation and individual consumers on the consequences of a reference rate (such as the EURIBOR) being negative on the variable interest rate in lendings to consumers. In essence, these disputes are about whether in case of the reference rate being negative, the respective credit institution is allowed to request that the borrower pays interest at a minimum rate, or rather, instead of receiving any interest, might have to make a payment to its borrower for the respective interest period (in cases in which the negative reference rate is decreasing the margin and in a worst case even resulting in a negative interest rate). Based on analysis of its legal position for its lendings in Euro, which are mostly refinanced by savings deposits of consumers for which it has to pay interest at least in a positive amount, Erste Bank der oesterreichischen Sparkassen AG ("**Erste Bank Oesterreich**") takes the view that it is entitled to floor the interest rate in its lendings to consumers in Euro at the agreed margin. Until now there is no established judicial guidance on the consequences of a negative reference rate on lendings to consumers with a variable interest rate. Only with respect to savings deposits, some years ago the Austrian Supreme Court dealt with the potential impact of negative interest and ruled that saving accounts must earn some positive interest for the consumer. Erste Bank Oesterreich might be negatively impacted by a court holding which in the situation of a negative reference rate in certain situations practically forces credit institutions, for the respective interest period and/or the past, to make payments to its borrowers.

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

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

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

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

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

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

The deterioration of the sovereign debt market in the Eurozone and Central and Eastern Europe, particularly the increasing costs of borrowing affecting many Eurozone states late in 2011 and downgrades in credit rating of most Eurozone countries in 2011 and 2012, indicate that the sovereign debt crisis can affect even the financially most stable countries in the Eurozone. While the costs of sovereign borrowing in the euro area reached new lows in mid-2016, considerable doubt remains whether actions taken by European policymakers will have been sufficient to prevent a return of the debt crisis. In particular, further credit rating downgrades of EU Member States, such as France and Austria, may threaten the effectiveness of the European Financial Stability Facility ("EFSF") or the European Stability Mechanism ("ESM"). Since the EFSF's and ESM's credit ratings are based on the ratings of its financing members, the reduction of these members' ratings may increase the borrowing costs of the EFSF or ESM such that its ability to raise funds to assist Eurozone governments would be reduced. In addition, the austerity programmes introduced by a number of countries across the Eurozone in response to the sovereign debt crisis may have the effect of dampening economic growth over the short, medium or long term. Declining rates of economic growth in Eurozone countries could exacerbate their difficulties in refinancing their sovereign debt as it comes due, further increasing pressure on other Eurozone governments.

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

Erste Group operates directly or indirectly in emerging markets throughout Central and Eastern Europe. In recent years, some of these countries have undergone substantial political, economic and social change. As is typical for emerging markets, they do not have in place the full business, legal and regulatory structures that would commonly exist in more mature free market economies. As a result, Erste Group's operations are exposed to risks common to regions undergoing rapid political, economic and social change, including - but not limited to - currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation, economic recession, local market disruption and labour unrest or even military disputes. Macroeconomic events, such as recession, deflation or hyper-inflation, may lead to an increase in defaults by Erste Group's customers, which would adversely impact Erste Group's results of operations and financial condition. Political or economic instability resulting from, or causing, the occurrence of any of these risks would also adversely affect the market for Erste Group's products and services. Based on concerns about declining foreign investment flows, emerging market volatility has increased significantly since 2013. However, the level of risk that Erste Group faces differs significantly by country.

Regarding the crisis to the Russian military intervention in Ukraine in 2014, the Russian economy and currency have been hit severely as a result of falling oil prices and persistent international sanctions against Russia. Currently further developments are subject to uncertainty, as are the ultimate political and economic effects of a protracted crisis on Russia and Ukraine as well as on the whole CEE region.

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

In addition to Greece, Ireland and Portugal, some of the CEE countries in which Erste Group operates (i.e. Slovakia, Romania, Hungary, Czech Republic and Croatia), and to a lesser extent EU candidates such as Serbia, have been promised funds for infrastructure and other projects in substantial amounts by the EU and international credit institutions, including the European Bank for Reconstruction and Development ("EBRD"), the International Monetary Fund ("IMF") and the European Investment Bank ("EIB"). If these funds are not released, are released only in part or with delay as the absorption rate of these funds still poses a significant challenge in the CEE countries, or if no further aid will be made available by the EU and the international credit institutions, the relevant national economies could be adversely affected, which would, in turn, negatively affect Erste Group's business prospects in the respective countries. The departure of Great Britain, the second largest net contributor to the EU budget, could cause a substantial reduction in the EU's budget and therefore the funds available for such programmes.

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

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

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

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

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

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

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

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

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

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

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

The legal and judicial systems in some of the markets where Erste Group operates are less developed than those of other European countries. Commercial law, competition law, securities law, company law, bankruptcy law and other areas of law in these countries have been and continue to be subject to constant changes as new laws are being adopted in order to keep pace with the transition to market economies. In this regard, the laws of some of the jurisdictions where Erste Group operates may not be as favourable to investors' interests as the laws of Western European countries or other jurisdictions with which prospective investors may be familiar. Existing laws and regulations in some countries in which Erste Group operates may be applied inconsistently or may be interpreted in a manner that is restrictive and non-commercial. It



may not be possible, in certain circumstances, to obtain legal remedies in a timely manner in these countries. The relatively limited experience of a significant number of judges and magistrates practising in these markets, particularly with regard to securities laws issues, and the existence of a number of issues relating to the independence of the judiciary may lead to unfounded decisions or to decisions based on considerations that are not founded in the law. In addition, resolving cases in the judicial systems of some of the markets where Erste Group operates may at times involve very considerable delays. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect Erste Group's business.

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

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

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

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

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

### **1.2.1 Risk Factors in respect of the Asset Linked nature of the Notes**

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

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

Event (as defined below) and/or a Credit Event (as defined below) has been determined by the Calculation Agent.

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

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

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

Reference Entity whose reference entity type	the following events <sup>3</sup> represent a credit event:
is European Corporate or North American Corporate or Japanese Corporate	failure to pay restructuring bankruptcy
and in addition if the Reference Entity is a Financial Reference Entity	governmental intervention
is Emerging European Corporate or Latin American Corporate	failure to pay restructuring bankruptcy repudiation/moratorium obligation acceleration
is Asian Corporate	failure to pay restructuring

<sup>3</sup> The credit events are explained and described in more detail in § 4 of the Issue Specific Conditions.

	bankruptcy
and in addition if the Reference Entity is a Financial Reference Entity	governmental intervention
is Western European Sovereign or Japanese Sovereign	failure to pay restructuring repudiation/moratorium
is Emerging European or Middle Eastern Sovereign or Latin American Sovereign	failure to pay restructuring repudiation/moratorium obligation acceleration
is Asian Sovereign	failure to pay restructuring repudiation/moratorium

If an Acceleration Event occurs in relation to Notes with periodic interest payments, interest is not paid in respect of the interest period in which the Acceleration Event occurs and in respect of all following interest periods.

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

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

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

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

If an application is made in relation to the existence of a credit event of a Reference Entity to a "Credit Derivatives Determinations Committee" (a "**Determinations Committee**") established by the International Swaps and Derivatives Association, Inc. ("**ISDA**") before the Scheduled Last Credit Event Observation Date

or the respective Interest Payment Date (as determined in the Final Terms) and the Determinations Committee has not reached a resolution on this application by the last business day before the Scheduled Last Credit Event Observation Date or the respective Interest Payment Date, the maturity date and the date of interest payments (in case of Notes with periodic interest payments) may be considerably postponed.

In the case of Notes, the Reference Entity is one of the following reference entity types:

- Emerging European Corporate,
- Western European Sovereign,
- Emerging European or Middle Eastern Sovereign
- Japanese Sovereign,
- Latin American Sovereign,
- Asian Sovereign or
- Latin American Corporate

the Last Credit Event Observation Date and the maturity date as well as the date of interest payments may be considerably postponed, if a Reference Entity does not recognise an obligation on or before the Scheduled Last Credit Event Observation Date or the respective Interest Payment Date or imposes a moratorium.

In the case of Notes, the Reference Entity of which is one of the following reference entity types:

- Emerging European Corporate,
- Emerging European or Middle Eastern Sovereign,
- Latin American Sovereign or
- Latin American Corporate

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

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

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

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

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

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

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

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

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

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

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

**Investors are dependent on the decisions of the "ISDA Credit Derivatives Determinations Committee".**

ISDA established Determinations Committees for the purpose of making decisions on subjects and questions in connection with credit derivatives and auctions organised by ISDA and these Determinations Committees consist of participants in the credit derivatives market.

The Calculation Agent carries out determinations and calculations at its reasonable discretion whereby, if a decision of a Determinations Committee regarding facts to be determined or calculations to be made is available, the Calculation Agent must use such decision as a basis for its determinations and calculations.

The Calculation Agent and the Issuer do not have any influence on these decisions. Potential investors should therefore take into account that in particular their losses, following the occurrence of a credit event, may to a large extent depend on the decisions of a Determinations Committee.

For Holders, relevant decisions of a Determinations Committee can, in particular, be made in respect of the following events and circumstances:

- occurrence (or non-occurrence) of a credit event or a potential credit event in respect of a Reference Entity and the time of this occurrence;
- whether in respect of a Reference Entity an auction on determining the market price of the obligations of the Reference Entity is carried out and the further details of such an auction and the framework conditions in terms of time; and
- occurrence (or non-occurrence) of a succession event in respect of a Reference Entity, the time of this occurrence and the identity of the successor.

### **Reference Entities may change as a result of Succession Events.**

Following the occurrence of:

- (a) certain corporate events relating to a corporate entity identified as a Reference Entity, such as a merger of the Reference Entity with another entity, a transfer of assets or liabilities by the Reference Entity or other similar event in which an entity succeeds to the obligations of another entity; or
- (b) certain events relating to a sovereign entity identified as a Reference Entity, such as where two sovereign entities are unified to form a single sovereign entity or where a sovereign entity is split as a result of part of such entity becoming independent or declaring political independence,

in each case whether by operation of law or pursuant to any agreement, ISDA may publicly announce that a different entity or entities as the successor(s) to such original entity. In such case the identity of the Reference Entity will be amended accordingly and Holders will be exposed to the credit risk of such successor Reference Entity in place of the original Reference Entity. Alternatively, absent a resolution of a Determinations Committee, the Calculation Agent may, but will not be obliged to, make a determination that a different entity has become successor to the original Reference Entity. The effect of such amendment may be a material increase in the risk associated with an investment in the Notes, for example where the successor Reference Entity is more indebted than the original Reference Entity or is exposed to different business risks.

If a Reference Entity has more than one successor entity, then Holders will be exposed to the creditworthiness of multiple Reference Entities instead of or in addition to the original Reference Entity. The effect may be to materially increase the likelihood of a loss of principal and interest under the Notes as a result of a Credit Event occurring with respect to a number of Reference Entities rather than just one Reference Entity.

### **The Final Terms will only provide limited information with respect to any Reference Entity.**

The Final Terms will only provide limited information with respect to any Reference Entity. Unless otherwise indicated in the Final Terms, any information contained in the Final Terms in relation to a Reference Entity will be obtained from publicly available sources. In particular, the Final Terms will not describe any financial or other risks relating to the business or operations of any Reference Entity in general, or the debt obligations of each Reference Entity in particular. The Issuer does not make any representation or give any assurance as to the risks associated with the Reference Entity or an investment in the Notes which is subject to the credit risk of the relevant Reference Entity.

Prior to purchasing any Notes, Holders should ensure that they have made any investigations that they consider necessary as to the risks associated with each Reference Entity.

### **Public information relating to a Reference Entity may be incomplete, inaccurate or misleading.**

Publicly available information in relation to a Reference Entity may be incomplete, inaccurate or misleading. The Issuer does not have any obligation to verify the accuracy of any such information. The Issuer does not make any representation that any such information is complete or accurate or not misleading.

Furthermore, the Issuer gives no assurance that all events occurring prior to the Trade Date or Issue Date (including events that would affect the accuracy or completeness of any publicly available documents) that would affect the creditworthiness of a Reference Entity have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of, or failure to disclose, material future events concerning a Reference Entity could affect its creditworthiness and therefore the market price of the Notes, the likelihood of a Credit Event occurring in relation to the relevant Reference Entity.

## **1.2.2 Risks related to the interest structure of particular Notes**

### **Holders of fixed rate Notes are exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate.**

A holder of fixed rate Notes is exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate. While the nominal interest rate of fixed rate Notes as specified in the applicable Final Terms is fixed during the life of such Notes, the current interest rate on the capital market for issues of the same maturity (the "**market interest rate**") typically changes on a daily basis. As the market interest rate changes, the price of fixed rate Notes also changes, but in the opposite direction. If the market interest rate increases, the price of fixed rate Notes typically falls, until the yield of such Notes is approximately equal to the market interest rate. If the market interest rate falls, the price of fixed rate Notes typically increases, until the yield of such Notes is approximately equal to the market interest rate. The same risk applies to Notes with a step-up or step-down interest rate if the market interest rates in respect of comparable Notes are higher than the rates applicable to such Notes.

## **1.2.3 Risks related to the pricing of the Notes**

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

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

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

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

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

primary market, such as distribution fees paid to third parties. Furthermore, the Issuer will include its own profit margin.

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

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

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

### **1.2.4 Risks related to Notes generally**

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

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

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

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

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

On 12 June 2014, the BRRD was published. The BaSAG implementing BRRD in Austria entered into force on 1 January 2015. The stated aim of the BRRD is to provide relevant resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers provided to such resolution authorities (in Austria the FMA) include write-down and conversion powers which may be used prior to or on entry into resolution to ensure that, *inter alia*, relevant capital instruments fully absorb losses at the point of non-viability (defined below) of the issuing institution and/or the group. The relevant resolution authority may also apply the bail-in tool in resolution with the objective of restoring the capital of the failing institution to enable it to continue to operate as a going concern. Accordingly, resolution authorities will be required to order the write-down of such capital instruments on a permanent basis, or convert them into Common Equity Tier 1 items ("**CET 1**") (such as ordinary shares or other instruments of ownership), at the point of non-viability and before any resolution tool other than the bail-in tool is made use of (statutory loss absorption). Resolution authorities shall exercise the write-down or conversion in relation to statutory loss absorption in a way that results in: (i) CET 1 items being reduced first in proportion to the relevant



losses; and (ii) thereafter, if CET 1 is not sufficient to cover the relevant losses, the principal amount of Additional Tier 1 instruments ("**AT 1**") being reduced or converted to cover the relevant losses and recapitalise the entity; and (iii) thereafter, if CET 1 and AT 1 are not sufficient, the principal amount of Tier 2 instruments ("**Tier 2**") being reduced or converted; and in case of a bail-in tool also: (iv) thereafter, if CET 1, AT 1 and Tier 2 are not sufficient to cover the relevant losses and recapitalise the entity, other subordinated debt (in accordance with the hierarchy of claims in the normal insolvency proceedings); and (v) if still insufficient, the rest of eligible liabilities including certain senior debt (in accordance with the hierarchy of claims in the normal insolvency proceedings), including the Notes, being reduced down to zero on a permanent basis or converted. When the bail-in tool is applied for the purpose of restoring the capital of the institution, write-down or conversion of non-equity instruments into CET 1 items is to be made in the same order.

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

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

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

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

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

**The Issuer may be subject to resolution powers which may also have a negative impact on the Notes.**

Provided that the Issuer meets the applicable conditions for resolution, the resolution authority has certain resolution powers pursuant to § 58 BaSAG which it may exercise either individually or in any combination together with or in preparation of applying a resolution instrument. Such resolution powers which might also have negative impact on the Notes in particular include:

- the power to transfer liabilities of the Issuer to another entity;
- the power to reduce, including to reduce to zero, the nominal value of or outstanding amount due in respect of eligible liabilities of the Issuer;
- the power to convert eligible liabilities of the Issuer into ordinary shares or other instruments of ownership of the Issuer, a relevant parent institution or a bridge institution to which assets, rights or liabilities of the Issuer are transferred;
- the power to cancel debt instruments issued by the Issuer; and/or
- the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by the Issuer or the amount of interest payable under such debt instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The exercise of any of these resolution powers could have a negative impact on the Issuer, in particular the full or partial reduction of the Issuer's eligible liabilities.

**The Issuer is not prohibited from issuing further debt instruments or incurring further liabilities.**

The Terms and Conditions of the Notes place no restriction on the amount of debt that the Issuer may issue, incur and/or guarantee. Furthermore, the Issuer is not obliged to inform Holders about issuing, incurring or guaranteeing further debt. Issuing, incurring or guaranteeing further debt may have a negative impact on the market price of the Notes and the Issuer's ability to meet all obligations under the issued Notes and may also reduce the amount recoverable by Holders upon the Issuer's insolvency. If the Issuer's financial situation were to deteriorate, the Holders could suffer direct and materially adverse consequences, including, in case of the Issuer's liquidation, loss of their entire investment. All these factors may have a negative impact on the Holders.

**In an Issuer's insolvency, deposits have a higher ranking than their claims under the Notes.**

Pursuant to § 131 BaSAG, which implements Article 108 BRRD in Austria, the following insolvency hierarchy for deposits applies in insolvency proceedings opened in relation to the Issuer:

- (a) The following claims have the same ranking, which is higher than the ranking of the claims of ordinary unsecured, non-preferred creditors: (i) that part of eligible deposits from natural persons and micro, small and medium-sized enterprises which exceeds the coverage level provided for in Article 6 of DGSD; and (ii) deposits that would be eligible deposits from natural persons, micro, small and medium-sized enterprises if they are not made through branches (located outside the EU) of institutions established within the EU.

- (b) The following claims have the same priority ranking, which is higher than the ranking of claims provided for under point (a) above: (i) covered deposits; and (ii) deposit guarantee schemes subrogating to the rights and obligations of covered depositors in insolvency.

Therefore, Holders should bear in mind that in case of insolvency proceedings opened in relation to the Issuer and in any comparable proceedings (such as resolution proceedings pursuant to the BaSAG), their claims will be junior to the claims listed above in points (a) and (b), and that therefore they will only receive payment of their claims if and to the extent that such claims listed above in points (a) and (b) have been discharged in full.

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

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

### **1.2.5 Risks related to the market generally**

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

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

Holders are subject to the risk of a partial or total inability of the Issuer to make interest (in case of Notes with periodic interest payments) and/or redemption payments that the Issuer is obliged to make under the Notes. Any deterioration of the creditworthiness of the Issuer would increase the risk of loss (see also "1.1 Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under this Programme" above). A materialisation of the credit risk may result in partial or total inability of the Issuer to make interest and/or redemption payments.

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

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

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

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

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

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

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

Application may be made to admit the Programme and/or the Notes to the Market, each of which appears on the list of regulated markets issued by the European Commission. In addition, the Programme provides that Notes may not be listed at all.

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

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

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

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

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

unfavourable market price developments may have on the Notes. If the Holder decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the relevant Final Terms.

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

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

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

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

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

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

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

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

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

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

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

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

Interest payments on Notes, or profits realised by a Holder upon the sale or repayment of Notes, may be subject to taxation in the Holder's state of residence or in other jurisdictions in which the Holder is subject to tax. The tax consequences which generally apply to Holders may, however, differ from the tax impact on an individual Holder. Prospective investors, therefore, should contact their own tax advisors on the tax impact of an investment in the Notes. Furthermore, the applicable tax regime may change to the disadvantage of the investors in the future.

**Legal investment considerations may restrict certain investments.**

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

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

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

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

The Issuer may use all or some of the proceeds received from the sale of the Notes to enter into hedging transactions which may affect the market price of the Notes. It cannot be assured that the Issuer's hedging activities will not affect such market price.

It is usual for employees of financial institutions such as Erste Group to undertake deals on their own behalf subject to securities laws on personal transactions and market abuse as well as statutory or internal compliance standards. Employees and connected parties are permitted to take part in securities offerings of Erste Group. Furthermore, when purchasing the Notes, the employee receives a discount from the value of the market price. Erste Group's sales employees may be motivated to sell these Notes, due to the value of incentives received by them (in case the sale is successful) subject to securities and banking laws applicable to any such incentives. Despite measures taken by the Issuer to ensure compliance with applicable laws and internal procedures, this could create a conflict with the duties owed to the Holders.

The Issuer is not responsible for any credit event caused by financing agreement in default with the Issuer itself. The Issuer assesses independently if the criteria are met to ask for repayment of outstanding finance agreements with (a) Reference Entity(ies).

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

Directorships of that kind may expose such persons to potential conflicts of interest if the Issuer maintains active business relations with said companies, which could have a material adverse effect on the Issuer's business, financial position and results of operations.

## **2. THE NOTES**

### **2.1. General Information about the Notes**

#### **2.1.1 Listing and trading**

Application may be made to admit the Programme and/or Notes to the Market and references to listing shall be construed accordingly. As specified in the relevant Final Terms, the Notes may, but do not need to be listed on the Market. At the date of this Prospectus, notes of the Issuer are admitted to trading on the regulated and unregulated markets of the Luxembourg Stock Exchange, Euronext Amsterdam, Baden-Württembergische Wertpapierbörse, SIX Swiss Exchange, Frankfurter Wertpapierbörse and on the Market.

#### **2.1.2 Currency of the Notes**

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

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

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

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

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

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

#### **2.1.4 Issue Price**

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

#### **2.1.5 Delivery of the Notes**

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

#### **2.1.6 Clearing Systems and form and delivery**

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

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

The Notes are freely transferable in accordance with applicable law and the applicable rules of the relevant clearing system.



### **2.1.8 Ranking of the Notes**

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

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

The Issuer has obtained all necessary consents, approvals and authorisations in Austria in connection with the issue and performance of Notes. Tranches of Notes will be issued under the Programme in accordance with internal approvals, as in force from time to time, provided that, unless otherwise specified in the Final Terms, issues of Notes from 1 January 2017 until 31 December 2017 will be made in accordance with a resolution of the Issuer's Management Board passed on 22 November 2016 and by a resolution of the Issuer's Supervisory Board passed on 15 December 2016, and issues of Notes in 2018 will be made in accordance with resolutions of the Issuer's Management Board, Risk Management Committee of the Supervisory Board (if any) and Supervisory Board which are expected to be adopted in December 2017.

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

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

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

The Notes will be governed by Austrian law.

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

### **2.1.12 Interests of individuals or legal entities involved in the issue**

Concerning interests of individuals or legal entities involved in the issue as well as potential conflicts of interests resulting from this, please see the risk factor "*The Issuer is exposed to conflicts of interest which might adversely affect the Holders.*" in the Prospectus and under "*Interests of Natural and Legal Persons Involved in the Issue or the Offering*" under "*Part B - Other Information*" in the relevant Final Terms.

### **2.1.13 Fees**

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

### **2.1.14 Categories of potential investors**

The Issuer generally does not distinct in various categories of potential investors to which the Notes are offered. The Issuer may only offer Notes to institutional investors in any jurisdiction where the legal and further requirements for offering securities are fulfilled. No offers are being made simultaneously in the markets of two or more countries.

### 3. TERMS AND CONDITIONS OF THE NOTES

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

#### A. GENERAL CONDITIONS

##### § 1 FORM

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

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

##### § 2 CERTAIN DEFINITIONS

(1) *Clearing System*. The Global Note will be kept in custody by or on behalf of a Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means OeKB CSD GmbH, Strauchgasse 1-3, A-1010 Vienna, Austria and any successor in such capacity.

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

##### § 3 STATUS

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

##### § 4 PAYMENTS

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

(2) *Default Interest*. If the Issuer fails to make payments on the Notes when due, interest shall accrue on

the outstanding amount from, and including, the due date to, but excluding, the date of actual payment at the statutory default interest rate<sup>4</sup>. This does not restrict any additional rights that might be available to the Holders.

## § 5

### REDEMPTION FOR REASONS OF TAXATION

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

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

## § 6

### PAYING AGENT AND CALCULATION AGENT

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

Principal Paying Agent and Calculation Agent:

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

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

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

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

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

The Issuer undertakes, to the extent this is possible, to maintain a Paying Agent in a member state of the European Union in which it shall not be obliged to withhold or deduct tax.

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

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

## § 7 TAXATION

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

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

(b) are deducted or withheld pursuant to (i) any European Union directive or regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation to which the Republic of Austria and/or the European Union is a party/are parties, or (iii) any provision of law implementing, or introduced in connection with, such directive, regulation, treaty or understanding; or

(c) are deducted or withheld pursuant to an international treaty or a civil law agreement concluded by a state and/or one of its political subdivisions and/or one of its authorities and/or a group of states on the

one hand and the Republic of Austria and/or one of its political subdivisions and/or the European Union and/or the Issuer and/or an intermediary on the other hand; or

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

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

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

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

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

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

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

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

(2) *U.S. Foreign Account Tax Compliance Act (FATCA)*. The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes sufficient funds for the payment of any tax that it is required by law to withhold or deduct pursuant to 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 an intergovernmental agreement between the United States and another 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 PRESCRIPTION**

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

## **§ 9 ACCELERATION**

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

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

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

at its specified office by any Holder; or

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

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

## **§ 10 FURTHER ISSUES OF NOTES, 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, Interest Commencement Date and/or issue price) so as to form a single series with the Notes.

(2) *Repurchases*. The Issuer and any of its Subsidiaries may at any time 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 Paying Agent for cancellation.

"**Subsidiary**" means either:

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

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

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

## **§ 11 NOTICES**

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

(2) *Notification to Clearing System*. If the publication of notices pursuant to paragraph (1) is no longer required by law, the Issuer may, in lieu of publication in the media set forth in paragraph (1), deliver the relevant notices to the Clearing System, for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the calendar day on which said notice was given to the Clearing System.

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

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

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

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

**B. ISSUE SPECIFIC CONDITIONS**

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

**§ 1**

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

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

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

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

**§ 2**

**INTEREST**

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

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

**§ 2**

**INTEREST**

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

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

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

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

from, and including,	to, but excluding,	at the rate of
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[insert date]	[insert date]	[insert Rate of Interest] per cent. <i>per annum</i>
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]

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

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

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

**[In addition, the following condition is applicable to a Reference Entity whose reference entity type is Western European Sovereign or Emerging European or Middle Eastern Sovereign or Emerging European Corporate or Japanese Sovereign or Latin American Sovereign or Asian Sovereign or Latin American Corporate:**

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

**[In addition, the following condition is applicable to a Reference Entity whose reference entity type is Emerging European or Middle Eastern Sovereign or Latin American Sovereign or Emerging European Corporate or Latin American Corporate:**

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

following the day on which the Grace Period expires.]

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

Whereby:

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

**"Credit Derivatives Definitions"** means the 2014 Credit Derivatives Definitions as published by ISDA.

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

**"Determinations Committee"** means the relevant ISDA Credit Derivatives Determinations Committee established by ISDA and making determinations that apply to credit derivative transactions on subjects including Credit Events, CDS Auctions, Successor Reference Entities and other issues.

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

**"ISDA Business Day"** means a day (except for Saturday or Sunday) on which (a) the banks in London [*in case of a Reference Entity whose reference entity type is North American Corporate, insert: and New York*] are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

**"Reference Entity"** and **"Type of Reference Entity"** means:

Reference Entity:	Type of Reference Entity:	Financial Reference Entity:
[insert Reference Entity]	[insert Type of Reference Entity]	[insert "Yes" if Reference Entity is a Financial Reference Entity and the Type of Reference Entity is not a North American Corporate or Emerging European or Latin American Corporate otherwise "No"]

or its respective Successor.

**"Successor"** is, provided the Determinations Committee has made a resolution on a Successor of the Reference Entity, the Successor named by the DC Secretary. If the DC Secretary has not published a resolution with respect to a Successor of the Reference Entity, the Successor is one or all direct or indirect Successor(s) of the Reference Entity, as determined by the Calculation Agent at its reasonable

discretion and on the basis of the determinations of the Successor, in accordance with the Credit Derivatives Definitions, regardless of whether it or they assume(s) any obligation of the Reference Entity.

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

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

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

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

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

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

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

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

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

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

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

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

***[in case 30/360, 360/360 or Bond Basis applies, insert:*** the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of

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

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

### § 3 REDEMPTION

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

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

**[In addition, the following condition is applicable to a Reference Entity whose reference entity type is Western European Sovereign or Emerging European or Middle Eastern Sovereign or Emerging European Corporate or Japanese Sovereign or Latin American Sovereign or Asian Sovereign or Latin American Corporate:**

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

**[In addition, the following condition is applicable to a Reference Entity whose reference entity type is Emerging European or Middle Eastern Sovereign or Latin American Sovereign or Emerging European Corporate or Latin American Corporate:**

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

(2) *Consequence of the occurrence of an Acceleration Event.* If, pursuant to the determination of the Calculation Agent an Acceleration Event occurs between the Issue Date (including) and the Last Credit Event Observation Date (including) with respect to the Reference Entity and/or the Reference Obligation and the Issuer publishes an Acceleration Event Notice between the Issue Date (including) and the Maturity Date (including), the Issuer is released from its obligation to redeem the Notes on the Maturity

Date at the Final Redemption Amount. The claim to redemption of the Final Redemption Amount will not revive due to the fact that the circumstances that triggered an Acceleration Event are remedied subsequently or cease to exist.

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

Whereby:

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

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

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

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

**"Credit Derivatives Definitions"** means the 2014 Credit Derivatives Definitions as published by ISDA.

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

**"Determinations Committee"** means the relevant ISDA Credit Derivatives Determinations Committee established by ISDA and making determinations that apply to credit derivative transactions on subjects including Credit Events, CDS Auctions, Successor Reference Entities and other issues.

**"ISDA Business Day"** means a day (except for Saturday or Sunday) on which (a) the banks in London *[in case of a Reference Entity whose reference entity type is North American Corporate, insert: and New York]* are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

**"Reference Entity"** and **"Type of Reference Entity"** means:

Reference Entity:	Type of Reference Entity:	Financial Reference Entity:
[insert Reference Entity]	[insert Type of Reference Entity]	[insert "Yes" if Reference Entity is a Financial Reference Entity and the Type of Reference Entity is not a North American Corporate or Emerging European or Latin American Corporate otherwise

		"No"]
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or its respective Successor.

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

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

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

- (a) on a Business Day selected by the Calculation Agent within 5 Business Days from (but excluding) the day on which an Acceleration Event has occurred in the opinion of the Calculation Agent (such date, the "**Liquidation Date**"), the Calculation Agent shall attempt to obtain firm bid quotations from at least 3 Dealers in accordance with prevailing market practice for the Reference Obligation (including any Replacement Entitlement (if applicable)) for a nominal amount equal to the Reference Obligation Nominal Amount and with a settlement date for the sale in accordance with prevailing market practice;
- (b) the Calculation Agent shall determine the Reference Obligation Liquidation Proceeds based on the quote from the Dealer who has submitted the highest firm bid quotation in respect of all (and not part) of the Reference Obligation Nominal Amount (including any Replacement Entitlement (if applicable)) as the best quotation provider (the "**Selected Dealer**");
- (c) if the Calculation Agent receives less than 3 bid quotations from any Dealers in respect of all (and not part) of the Reference Obligation (or any Replacement Entitlement (if applicable)) for an amount equal to the Reference Obligation Nominal Amount, the Reference Obligation Liquidation Proceeds will be determined by the Calculation Agent in good faith and in a commercially reasonable manner, and may be zero.

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

"**Reference Obligation**" means:

<b>Screen Page [(Bloomberg)]</b>	<b>Reference Obligation ISIN</b>
<i>[specify relevant Screen Page]</i>	<i>[insert ISIN]</i>

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

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

#### § 4

#### ACCELERATION EVENT LINKED PROVISIONS

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

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

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

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

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

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

***[The following definitions shall apply to a Reference Entity whose reference entity type is European Corporate or North American Corporate or Japanese Corporate.]***

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

**"Credit Event"** shall be deemed to have occurred if a Failure to Pay, Bankruptcy or Restructuring ***[in case of a Reference Entity which is a Financial Reference Entity, insert: or a Governmental Intervention]*** with respect to the Reference Entity occurs, as determined by the Calculation Agent.

**"Failure to Pay"** means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations which is or are to be qualified, respectively, as an Obligation the aggregate amount of which is not less than ***[in case of a Reference Entity whose reference entity type is European Corporate or North American Corporate, insert: USD 1,000,000] [in case of a Reference Entity whose reference entity type is Japanese Corporate, insert: JPY 100,000,000]*** (or the equivalent in the currency in which the respective Obligation is denominated).

**"Bankruptcy"** means if

- (a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;
- (c) the Reference Entity makes a general assignment, arrangement, scheme or composition with or for the benefit of its holders generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- (g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f).

**"Restructuring"** means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than **[in case of a Reference Entity whose reference entity type is European Corporate or North American Corporate, insert: USD 10,000,000] [in case of a Reference Entity whose reference entity type is Japanese Corporate, insert: JPY 1,000,000,000]** (or its equivalent in the currency in which the respective Restructuring Obligation is denominated) (the **"Default Requirement"**), any one or more of the following events occurs in a form (including an agreement with or an order by a Governmental Authority) that binds all holders of such Restructuring Obligation (including, in each case, in respect of Bonds only, by way of an exchange):

- (a) a reduction in the agreed rate of interest or the amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency other than



the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

***[In case of a Reference Entity whose reference entity type is European Corporate or North American Corporate, insert:***

"Restructuring Obligation" is an Obligation which

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.]

***[In case of a Reference Entity whose reference entity type is Japanese Corporate, insert:***

"Restructuring Obligation" is any Obligation.]

***[In case of a Reference Entity which is a Financial Reference Entity, insert:***

"Governmental Intervention" means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (i) any event which would affect creditors' rights so as to cause:
  - (A) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (B) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (C) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
  - (D) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (ii) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;

- (iii) a mandatory cancellation, conversion or exchange; or
- (iv) any event which has an analogous effect to any of the events specified in (i) to (iii) above.

For purposes of the above definition, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Guarantee.]

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

**[In case of a Reference Entity whose reference entity type is Japanese Corporate, insert:**

which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**").]

**[In case of a Reference Entity which is a Financial Reference Entity, insert:**

For the purposes of determining whether a Governmental Intervention or a Restructuring has occurred Obligations shall only include obligations which are not subject to Subordination to not subordinated obligations of the Reference Entity.

If an Obligation otherwise satisfies any of the requirements in relation to the definition of "**Obligation**" above the existence of any terms in the relevant Obligation which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention shall not cause such obligation to fail to satisfy the requirements as an Obligation.]]

**[The following definitions shall apply to a Reference Entity whose reference entity type is Western European Sovereign or Japanese Sovereign:**

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

**"Failure to Pay"** means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations, the aggregate amount of which is not less than [*in case of a Reference Entity whose reference entity type is Western European Sovereign, insert:* USD 1,000,000] [*in case of a Reference Entity whose reference entity type is Japanese Sovereign, insert:* JPY 100,000,000] (or the equivalent in the currency in which the

respective Obligation is denominated) (the "**Payment Requirement**").

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

- (a) an authorized officer of the Reference Entity or a Governmental Authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than [*in case of a Reference Entity whose reference entity type is Western European Sovereign, insert: USD 10,000,000*] [*in case of a Reference Entity whose reference entity type is Japanese Sovereign, insert: JPY 1,000,000,000*] (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable grace period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium;

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

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than [*in case of a Reference Entity whose reference entity type is Western European Sovereign, insert: USD 10,000,000*] [*in case of a Reference Entity whose reference entity type is Japanese Sovereign, insert: JPY 1,000,000,000*] (or its equivalent in the currency in which the respective Restructuring Obligation is denominated) (the "**Default Requirement**"), any one or more of the following events occurs in a form (including an agreement with or an order by a Governmental Authority) that binds all holders of such Restructuring Obligation (including, in each case, in respect of Bonds only, by way of an exchange):

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including, by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including, by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency, other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

***[In case of a Reference Entity whose reference entity type is Western European Sovereign, insert:***

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.]

***[In case of a Reference Entity whose reference entity type is Japanese Sovereign, insert:***

**"Restructuring Obligation"** is any Obligation.]

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

- (a) the **[insert date]** (the **"Scheduled Last Credit Event Observation Date"**); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
  - (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
  - (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date.

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

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department

thereof);

- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

***[The following definitions shall apply to a Reference Entity whose reference entity type is Emerging European or Middle Eastern Sovereign or Latin American Sovereign:***

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

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

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

**"Grace Period"** means:

- (a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;
- (b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than [30] ***[insert another number of calendar days]*** calendar days;
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments on this Obligation or a grace period with respect to payments of less than three Business Days is applicable, a grace period of three Grace Period Business Days shall be deemed to apply to such Obligation; however, such deemed grace period shall expire no later than on the Scheduled Last Credit Event Observation Date.

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

**"Grace Period Business Day"** is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in

the relevant Obligation or, if the place or places are not so specified, if the currency of the Obligation is the euro, a day on which TARGET is open for settlements, or otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the currency of the Obligation.

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

- (a) an authorized officer of the Reference Entity or a Governmental Authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium;

provided that, in either case,

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

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

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

**"Restructuring Obligation"** is any Obligation.

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

- (a) the *[insert date]* (the **"Scheduled Last Credit Event Observation Date"**); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
  - (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
  - (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or
- (c) the day on which the relevant Grace Period expires, if:
  - (i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that occurred after the Scheduled Last Credit Event Observation Date; and
  - (ii) the Potential Failure to Pay in connection with this Failure to Pay occurs prior to the Scheduled Last Credit Event Observation Date.

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

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational

body;

- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

- (a) which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**"),
- (b) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the "**Domestic Currency**"). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),
- (c) that is not governed by the laws of the Reference Entity ("**Not Domestic Law**") and
- (d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").]

***[The following definitions shall apply to a Reference Entity whose reference entity type is Emerging European Corporate or Latin American Corporate:]***

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

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

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

**"Bankruptcy"** exists if

- (a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;



- (c) the Reference Entity makes a general assignment, arrangement, scheme or composition with or for the benefit of its holders generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- (g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f).

**"Grace Period"** means:

- (a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;
- (b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than [30] **[insert another number of calendar days]** calendar days;
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments on this Obligation or a grace period with respect to payments of less than three Business Days is applicable, a grace period of three Grace Period Business Days shall be deemed to apply to such Obligation; however, such deemed grace period shall expire no later than on the Scheduled Last Credit Event Observation Date.

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

**"Grace Period Business Day"** is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation or, if the place or places are not so specified, if the currency of the Obligation is the euro, a day on which TARGET is open for settlements, or otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city

in the jurisdiction of the currency of the Obligation.

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

- (a) an authorized officer of the Reference Entity or a Governmental Authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium;

provided that, in either case,

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

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

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or

- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole.

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

***[In case of a Reference Entity whose reference entity type is Emerging European Corporate, insert:***

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.]

***[In case of a Reference Entity whose reference entity type is Latin American Corporate, insert:***

**"Restructuring Obligation"** means any Obligation.]

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

- (a) the **[insert date]** (the **"Scheduled Last Credit Event Observation Date"**); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
- (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
- (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or
- (c) the day on which the relevant Grace Period expires, if:
- (i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that occurred after the Scheduled Last Credit Event Observation Date; and
- (ii) the Potential Failure to Pay in connection with this Failure to Pay occurs prior to the Scheduled Last Credit Event Observation Date.

**"Repudiation/Moratorium-Extension Notice"** is an irrevocable notice from the Issuer to the Holders, which is published in accordance with § 11 of the General Conditions, that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Last Credit Event Observation Date. A Repudiation/Moratorium-Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the

subject of the Repudiation/Moratorium-Extension Notice need not be continuing until the date the Repudiation/Moratorium-Extension Notice becomes effective.

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

**"Obligation"** means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money in the form of a Bond [*in case of a Reference Entity whose reference entity type is Emerging European Corporate, insert:* or a Loan],

- (a) which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**"),
- (b) which is payable in any currency other than the lawful currency of the jurisdiction in which the Reference Entity is organized (the "**Domestic Currency**"). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),
- (c) that is not governed by the laws of the jurisdiction in which the Reference Entity is organized ("**Not Domestic Law**") and
- (d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").]

**[The following definitions shall apply to a Reference Entity whose reference entity type is Asian Corporate:**

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

**"Credit Event"** shall be deemed to have occurred if a Failure to Pay, Bankruptcy or Restructuring [*in case of a Reference Entity which is a Financial Reference Entity, insert:* or a Governmental Intervention] with respect to the Reference Entity occurs, as determined by the Calculation Agent.

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

(or the equivalent in the currency in which the respective Obligation is denominated).

**"Bankruptcy"** means if

- (a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;
- (c) the Reference Entity makes a general assignment, arrangement, scheme or composition with or for the benefit of its holders generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- (g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f).

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

- (a) a reduction in the agreed rate of interest or the amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or

- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

***[In case of a Reference Entity which is a Financial Reference Entity, insert:***

**"Governmental Intervention"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (i) any event which would affect creditors' rights so as to cause:
- (A) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (B) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (C) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
- (D) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (ii) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (iii) a mandatory cancellation, conversion or exchange; or
- (iv) any event which has an analogous effect to any of the events specified in (i) to (iii) above.

For purposes of the above definition, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Guarantee.]

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

- (i) which is payable in any currency other than the lawful currency and any successor currency of the jurisdiction in which the Reference Entity is organized ("**Domestic Currency**"). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**");
- (ii) that is not governed by the laws of the jurisdiction in which the Reference Entity is organized ("**Not Domestic Law**") and
- (iii) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**");
- (iv) is not primarily owed to (A) a sovereign or (B) any entity or organization established by treaty or other arrangement between two or more sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt" ("**Not Sovereign Lender**") and
- (v) which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**").

***[In case of a Reference Entity which is a Financial Reference Entity, insert:***

For the purposes of determining whether a Governmental Intervention or a Restructuring has occurred Obligations shall only include obligations which are not subject to Subordination to not subordinated obligations of the Reference Entity.

If an Obligation otherwise satisfies any of the requirements in relation to the definition of "Obligation" above the existence of any terms in the relevant Obligation which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention shall not cause such obligation to fail to satisfy the requirements as an

Obligation.]]

**[The following definitions shall apply to a Reference Entity whose reference entity type is Asian Sovereign:**

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

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

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

- (a) an authorized officer of the Reference Entity or a Governmental Authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th [**insert another number of calendar days**] calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable grace period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th [**insert another number of calendar days**] calendar day after the calendar day of such Potential Repudiation/Moratorium;

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

"**Restructuring**" means that, with respect to one or Restructuring Obligation and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated) (the "**Default Requirement**"), any one or more of the following events occurs in a form (including an agreement with or an order by a Governmental Authority) that binds all holders of such Restructuring Obligation (including, in each case, in respect of Bonds only, by way of an exchange):

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);



- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole.

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

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

- (a) the [*insert date*] (the **"Scheduled Last Credit Event Observation Date"**); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
  - (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
  - (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date.

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

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department

thereof);

- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

- (i) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the **"Domestic Currency"**). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency (**"Not Domestic Currency"**);
- (ii) that is not governed by the laws of the Reference Entity (**"Not Domestic Law"**) and
- (iii) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity (**"Not Domestic Issuance"**);
- (iv) is not primarily owed to (A) a sovereign or (B) any entity or organization established by treaty or other arrangement between two or more sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt" (**"Not Sovereign Lender"**) and
- (v) which is not subject to Subordination to not subordinated obligations of the Reference Entity (**"Not Subordinated"**).]

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

**"Qualifying Guarantee"** means a guarantee evidenced by a written instrument (which may include a statute or regulation) pursuant to which the Reference Entity irrevocably agrees, undertakes, or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**) and (i) the benefit of which is capable of being delivered together with the Underlying Obligation and (ii) if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being delivered together with the delivery of such guarantee.

**"Bond"** means any obligation from borrowed money in the form of, or represented by, a bond, note, certificated debt security or other debt security.

**[In case of a Reference Entity whose reference entity type is Emerging European Corporate or Asian Corporate or Asian Sovereign, insert: "Loan"** means any obligation from borrowed money in the form of a loan with a fixed term, a revolving loan or a similar loan.]

**"Fixed Cap"** means, with respect to a guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

**"Subordination"** means, with respect to an obligation (the **"Second Obligation"**) and another obligation of a Reference Entity to which such obligation is being compared (the **"First Obligation"**), a contractual, trust or similar arrangement providing that (I) upon the liquidation, dissolution, reorganization or winding-up of a Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation, or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against a Reference Entity at any time that such Reference Entity is in payment arrears or is otherwise in default under the First Obligation.

## § 5

### MANNER OF PAYMENT AND PAYMENT BUSINESS DAY

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

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

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

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

which is a Payment Business Day.]

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

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

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

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

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

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

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

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

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

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

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

**§ 2  
INTEREST**

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

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

**§ 2  
INTEREST**

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

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

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

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

from, and including	to, but excluding	at the rate of
<b>[insert date]</b>	<b>[insert date]</b>	<b>[insert Rate of Interest]</b> per cent. <i>per annum</i>

]

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

following provisions of this § 2 and the provisions set out in § 5 of the Issue Specific Conditions.

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

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

**[In addition, the following condition is applicable to a Reference Entity whose reference entity type is Western European Sovereign or Emerging European or Middle Eastern Sovereign or Emerging European Corporate or Japanese Sovereign or Latin American Sovereign or Asian Sovereign or Latin American Corporate:**

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

**[In addition, the following condition is applicable to a Reference Entity whose reference entity type is Emerging European or Middle Eastern Sovereign or Latin American Sovereign or Emerging European Corporate or Latin American Corporate:**

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

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

Whereby:

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

**"Credit Derivatives Definitions"** means the 2014 Credit Derivatives Definitions as published by ISDA.

**"DC Secretary"** is a committee established by the International Swaps and Derivatives Association, Inc. (or any successor organisation) ("**ISDA**") which comprises representatives of participants in the capital market and makes certain resolutions in connection with credit derivatives, as more fully described in

the Credit Derivatives Determinations Committees Rules, as amended from time to time.

**"Determinations Committee"** means the relevant ISDA Credit Derivatives Determinations Committee established by ISDA and making determinations that apply to credit derivative transactions on subjects including Credit Events, CDS Auctions, Successor Reference Entities and other issues.

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

**"ISDA Business Day"** means a day (except for Saturday or Sunday) on which (a) the banks in London [*in case of a Reference Entity whose reference entity type is North American Corporate, insert: and New York*] are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

**"Reference Entity"** and **"Type of Reference Entity"** means:

Reference Entity:	Type of Reference Entity:	Financial Reference Entity:
[insert Reference Entity]	[insert Type of Reference Entity]	[insert "Yes" if Reference Entity is a Financial Reference Entity and the Type of Reference Entity is not a North American Corporate or Emerging European or Latin American Corporate otherwise "No"]

or its respective Successor.

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

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

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

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

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

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

(i) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period

and (y) the number of Determination Dates that would occur in one calendar year; and

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

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

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

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

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

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

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

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

### § 3 REDEMPTION

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

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

**[In addition, the following condition is applicable to a Reference Entity whose reference entity**



***type is Western European Sovereign or Emerging European or Middle Eastern Sovereign or Emerging European Corporate or Japanese Sovereign or Latin American Sovereign or Asian Sovereign or Latin American Corporate:***

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

***[In addition, the following condition is applicable to a Reference Entity whose reference entity type is Emerging European or Middle Eastern Sovereign or Latin American Sovereign or Emerging European Corporate or Latin American Corporate:***

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

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

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

Whereby:

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

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

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

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

"**Credit Derivatives Definitions**" means the 2014 Credit Derivatives Definitions as published by ISDA.

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

"**Determinations Committee**" means the relevant ISDA Credit Derivatives Determinations Committee established by ISDA and making determinations that apply to credit derivative transactions on subjects including Credit Events, CDS Auctions, Successor Reference Entities and other issues.

"ISDA Business Day" means a day (except for Saturday or Sunday) on which (a) the banks in London [*in case of a Reference Entity whose reference entity type is North American Corporate, insert:* and New York] are open for transactions (including foreign exchange transactions and foreign currency deposit transactions), and (b) all parts of TARGET which are significant for settling payments in euro are in operation.

"Reference Entity" and "Type of Reference Entity" means:

Reference Entity:	Type of Reference Entity:	Financial Reference Entity:
[insert Reference Entity]	[insert Type of Reference Entity]	[insert "Yes" if Reference Entity is a Financial Reference Entity and the Type of Reference Entity is not a North American Corporate or Emerging European or Latin American Corporate otherwise "No"]

or its respective Successor.

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

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

- (a) on a Business Day selected by the Calculation Agent within 5 Business Days from (but excluding) the day on which an Acceleration Event has occurred in the opinion of the Calculation Agent (such date, the "**Liquidation Date**"), the Calculation Agent shall attempt to obtain firm bid quotations from at least 3 Dealers in accordance with prevailing market practice for the Reference Obligation (including any Replacement Entitlement (if applicable)) for a nominal amount equal to the Reference Obligation Nominal Amount and with a settlement date for the sale in accordance with prevailing market practice;
- (b) the Calculation Agent shall determine the Reference Obligation Liquidation Proceeds based on the quote from the Dealer who has submitted the highest firm bid quotation in respect of all (and not part) of the Reference Obligation Nominal Amount (including any Replacement Entitlement (if applicable)) as the best quotation provider (the "**Selected Dealer**");
- (c) if the Calculation Agent receives less than 3 bid quotations from any Dealers in respect of all (and not part) of the Reference Obligation (or any Replacement Entitlement (if applicable)) for an amount equal to the Reference Obligation Nominal Amount, the Reference Obligation Liquidation Proceeds will be determined by the Calculation Agent in good faith and in a commercially reasonable manner, and may be zero.

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

"Reference Obligation" means:

<b>Screen Page [(Bloomberg)]</b>	<b>Reference Obligation ISIN</b>
<i>[specify relevant Screen Page]</i>	<i>[insert ISIN]</i>

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

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

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

#### § 4

#### ACCELERATION EVENT LINKED PROVISIONS

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

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

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

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

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

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

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

***[The following definitions shall apply to a Reference Entity whose reference entity type is European Corporate or North American Corporate or Japanese Corporate:]***

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

**"Credit Event"** shall be deemed to have occurred if a Failure to Pay, Bankruptcy or Restructuring ***[in case of a Reference Entity which is a Financial Reference Entity, insert: or a Governmental Intervention]*** with respect to the Reference Entity occurs, as determined by the Calculation Agent.

**"Failure to Pay"** means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations which is or are to be qualified, respectively, as an Obligation the aggregate amount of which is not less than ***[in case of a Reference Entity whose reference entity type is European Corporate or North American Corporate, insert: USD 1,000,000] [in case of a Reference Entity whose reference entity type is Japanese Corporate, insert: JPY 100,000,000]*** (or the equivalent in the currency in which the respective Obligation is denominated).

**"Bankruptcy"** means if

- (a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;
- (c) the Reference Entity makes a general assignment, arrangement scheme or composition with or for the benefit of its holders generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- (g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f).

**"Restructuring"** means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than ***[in case of a Reference Entity whose reference entity type is European Corporate or North American Corporate, insert: USD 10,000,000] [in case of a Reference Entity whose reference entity type is Japanese Corporate, insert: JPY 1,000,000,000]*** (or its equivalent in the currency in which the respective Restructuring Obligation is denominated) (the **"Default Requirement"**), any one or more of the following events occurs in a form (including an

agreement with or an order by a Governmental Authority) that binds all holders of such Restructuring Obligation (including, in each case, in respect of Bonds only, by way of an exchange):

- (a) a reduction in the agreed rate of interest or the amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

***[In case of a Reference Entity whose reference entity type is European Corporate or North American Corporate, insert:***

"Restructuring Obligation" is an Obligation which

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.]

***[In case of a Reference Entity whose reference entity type is Japanese Corporate, insert:***

"Restructuring Obligation" is any Obligation.]

***[In case of a Reference Entity which is a Financial Reference Entity, insert:***

"Governmental Intervention" means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (i) any event which would affect creditors' rights so as to cause:
  - (A) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (B) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);

- (C) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
- (D) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (ii) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (iii) a mandatory cancellation, conversion or exchange; or
- (iv) any event which has an analogous effect to any of the events specified in (i) to (iii) above.

For purposes of the above definition, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Guarantee.]

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

**[In case of a Reference Entity whose reference entity type is Japanese Corporate, insert:**

which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**").]

**[In case of a Reference Entity which is a Financial Reference Entity, insert:**

For the purposes of determining whether a Governmental Intervention or a Restructuring has occurred Obligations shall only include obligations which are not subject to Subordination to not subordinated obligations of the Reference Entity.

If an Obligation otherwise satisfies any of the requirements in relation to the definition of "**Obligation**" above the existence of any terms in the relevant Obligation which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention shall not cause such obligation to fail to satisfy the requirements as an Obligation.]]

**[The following definitions shall apply to a Reference Entity whose reference entity type is Western European Sovereign or Japanese Sovereign:**

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

**"Failure to Pay"** means if, after the expiration of any applicable grace period, the Reference Entity fails to make, when and where due, any payments under one or more Obligations, the aggregate amount of

which is not less than [*in case of a Reference Entity whose reference entity type is Western European Sovereign, insert: USD 1,000,000*] [*in case of a Reference Entity whose reference entity type is Japanese Sovereign, insert: JPY 100,000,000*] (or the equivalent in the currency in which the respective Obligation is denominated) (the "**Payment Requirement**").

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

- (a) an authorized officer of the Reference Entity or a Governmental Authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than [*in case of a Reference Entity whose reference entity type is Western European Sovereign, insert: USD 10,000,000*] [*in case of a Reference Entity whose reference entity type is Japanese Sovereign, insert: JPY 1,000,000,000*] (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th [*insert another number of calendar days*] calendar day after the calendar day of such Potential Repudiation/Moratorium;

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

"**Restructuring**" means that, with respect to one or more Restructuring Obligations and in relation to an aggregate amount of not less than [*in case of a Reference Entity whose reference entity type is Western European Sovereign, insert: USD 10,000,000*] [*in case of a Reference Entity whose reference entity type is Japanese Sovereign, insert: JPY 1,000,000,000*] (or its equivalent in the currency in which the respective Restructuring Obligation is denominated) (the "**Default Requirement**"), any one or more of the following events occurs in a form (including an agreement with or an order by a Governmental Authority) that binds all holders of such Restructuring Obligation (including, in each case, in respect of Bonds only, by way of an exchange):

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including, by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including, by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency, other

than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

***[In case of a Reference Entity whose reference entity type is Western European Sovereign, insert:***

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.]

***[In case of a Reference Entity whose reference entity type is Japanese Sovereign, insert:***

**"Restructuring Obligation"** is any Obligation.]

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

- (a) the [*insert date*] (the "**Scheduled Last Credit Event Observation Date**"); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
  - (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
  - (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date.

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

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or



(iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

***[The following definitions shall apply to a Reference Entity whose reference entity type is Emerging European or Middle Eastern Sovereign or Latin American Sovereign:]***

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

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

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

"**Grace Period**" means:

- (a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;
- (b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than [30] ***[insert another number of calendar days]*** calendar days;
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments on this Obligation or a grace period with respect to payments of less than three Business Days is applicable, a grace period of three Grace Period Business Days shall be deemed to apply to such Obligation; however, such deemed grace period shall expire no later than on the Scheduled Last Credit Event Observation Date.

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

"**Grace Period Business Day**" is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation or, if the place or places are not so specified, if the currency of the Obligation is the euro, a day on which TARGET is open for settlements, or otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the currency of the Obligation.

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

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

and

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

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th **[insert another number of calendar days]** calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th **[insert another number of calendar days]** calendar day after the calendar day of such Potential Repudiation/Moratorium;

provided that, in either case,

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

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

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

"**Restructuring Obligation**" is any Obligation.

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

- (a) the [*insert date*] (the "**Scheduled Last Credit Event Observation Date**"); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
  - (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
  - (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or
- (c) the day on which the relevant Grace Period expires, if:
  - (i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that occurred after the Scheduled Last Credit Event Observation Date; and
  - (ii) the Potential Failure to Pay in connection with this Failure to Pay occurs prior to the Scheduled Last Credit Event Observation Date.

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

"**Governmental Authority**" means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

- (a) which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**"),
- (b) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the "**Domestic Currency**"). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),
- (c) that is not governed by the laws of the Reference Entity ("**Not Domestic Law**") and
- (d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference

Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").]

***[The following definitions shall apply to a Reference Entity whose reference entity type is Emerging European Corporate or Latin American Corporate:***

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

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

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

"**Bankruptcy**" exists if

- a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;
- c) the Reference Entity makes a general assignment, arrangement, scheme or composition with or for the benefit of its holders generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- d) a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f).

"**Grace Period**" means:

- (a) subject to the following paragraphs (b) and (c), the originally applicable grace period with respect to payments under an Obligation;
- (b) if a Potential Failure to Pay has occurred on or prior to the Scheduled Last Credit Event

Observation Date and the applicable grace period cannot expire on or prior to the Scheduled Last Credit Event Observation Date, the grace period shall be less than [30] ***[insert another number of calendar days]*** calendar days;

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

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

**"Grace Period Business Day"** is any day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation or, if the place or places are not so specified, if the currency of the Obligation is the euro, a day on which TARGET is open for settlements, or otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the currency of the Obligation.

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

- (a) an authorized officer of the Reference Entity or a Governmental Authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the **"Default Requirement"**) or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a **"Potential Repudiation/Moratorium"**) and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th ***[insert another number of calendar days]*** calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th ***[insert another number of calendar days]*** calendar day after the calendar day of such Potential Repudiation/Moratorium;

provided that, in either case,

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

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

Authority) that binds all holders of such Restructuring Obligation (including, in each case, in respect of Bonds only, by way of an exchange):

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

***[In case of a Reference Entity whose reference entity type is Emerging European Corporate, insert:***

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.]

***[In case of a Reference Entity whose reference entity type is Latin American Corporate, insert:***

"**Restructuring Obligation**" means any Obligation.]

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

- (a) the **[insert date]** (the "**Scheduled Last Credit Event Observation Date**"); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
  - (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
  - (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date; or
- (c) the day on which the relevant Grace Period expires, if:
  - (i) the Credit Event, which is the subject of the Credit Event Notice, is a Failure to Pay that

occurred after the Scheduled Last Credit Event Observation Date; and

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

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

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

**"Obligation"** means the Reference Obligation and any obligation of the Reference Entity (either directly or as a provider of a Qualifying Guarantee) to pay or repay amounts of borrowed money in the form of a Bond [*in case of a Reference Entity whose reference entity type is Emerging European Corporate, insert:* or a Loan],

- (a) which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**"),
- (b) which is payable in any currency other than the lawful currency of the jurisdiction in which the Reference Entity is organized (the "**Domestic Currency**"). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**"),
- (c) that is not governed by the laws of the jurisdiction in which the Reference Entity is organized ("**Not Domestic Law**") and
- (d) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**").]

**[The following definitions shall apply to a Reference Entity whose reference entity type is Asian Corporate:**

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

**"Credit Event"** shall be deemed to have occurred if a Failure to Pay, Bankruptcy or Restructuring [*in case of a Reference Entity which is a Financial Reference Entity, insert:* or a Governmental

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

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

**"Bankruptcy"** means if

- (a) the Reference Entity is dissolved or has a corresponding resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (b) the Reference Entity is insolvent or unable to pay its debts or admits in writing in a judicial, regulatory or administrative proceeding its inability generally to pay its debts as they become due;
- (c) the Reference Entity makes a general assignment, arrangement, scheme or composition with or for the benefit of its holders generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights was or is instituted by or against the Reference Entity, or with respect to the Reference Entity a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition (A) either a judgment of insolvency or bankruptcy is rendered or the entry of an order for relief or the making of an order for its winding-up or liquidation is made or (B) the proceeding or petition is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (e) the Reference Entity seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (f) the Reference Entity has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- (g) an event with respect to the Reference Entity occurs which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in a) to f).

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

- (a) a reduction in the agreed rate of interest or the amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the



Subordination of such Restructuring Obligation to any other Obligation; or

- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

***[In case of a Reference Entity which is a Financial Reference Entity, insert:***

**"Governmental Intervention"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (i) any event which would affect creditors' rights so as to cause:
  - (A) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (B) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (C) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
  - (D) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (ii) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (iii) a mandatory cancellation, conversion or exchange; or
- (iv) any event which has an analogous effect to any of the events specified in (i) to (iii) above.

For purposes of the above definition, the term Obligation shall be deemed to include Underlying

Obligations for which the Reference Entity is acting as provider of a Qualifying Guarantee.]

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

- (i) which is payable in any currency other than the lawful currency and any successor currency of the jurisdiction in which the Reference Entity is organized ("**Domestic Currency**"). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency ("**Not Domestic Currency**");
- (ii) that is not governed by the laws of the jurisdiction in which the Reference Entity is organized ("**Not Domestic Law**") and
- (iii) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity ("**Not Domestic Issuance**");
- (iv) is not primarily owed to (A) a sovereign or (B) any entity or organization established by treaty or other arrangement between two or more sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt" ("**Not Sovereign Lender**") and
- (v) which is not subject to Subordination to not subordinated obligations of the Reference Entity ("**Not Subordinated**").

***[In case of a Reference Entity which is a Financial Reference Entity, insert:***

For the purposes of determining whether a Governmental Intervention or a Restructuring has occurred Obligations shall only include obligations which are not subject to Subordination to not subordinated obligations of the Reference Entity.

If an Obligation otherwise satisfies any of the requirements in relation to the definition of "Obligation" above the existence of any terms in the relevant Obligation which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a

Governmental Intervention shall not cause such obligation to fail to satisfy the requirements as an Obligation.]]

**[The following definitions shall apply to a Reference Entity whose reference entity type is Asian Sovereign:**

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

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

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

- (a) an authorized officer of the Reference Entity or a Governmental Authority (A) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Obligation is denominated) (the "**Default Requirement**") or (B) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement (the occurrence of one of the events under (A) or (B) shall be a "**Potential Repudiation/Moratorium**") and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

- (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the [60]th **[insert another number of calendar days]** calendar day after the calendar day of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the calendar day of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable grace period) or
- (b) if the specified Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is the [60]th **[insert another number of calendar days]** calendar day after the calendar day of such Potential Repudiation/Moratorium;

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

"**Restructuring**" means that, with respect to one or Restructuring Obligation and in relation to an aggregate amount of not less than USD 10,000,000 (or its equivalent in the currency in which the respective Restructuring Obligation is denominated) (the "**Default Requirement**"), any one or more of the following events occurs in a form (including an agreement with or an order by a Governmental Authority) that binds all holders of such Restructuring Obligation (including, in each case, in respect of Bonds only, by way of an exchange):

- (a) a reduction in the agreed rate of interest or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);

- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Restructuring Obligation, causing the Subordination of such Restructuring Obligation to any other Obligation; or
- (e) a change of the currency of the payment of interest, principal or premium to any currency other than the lawful currency of the United States of America, Japan, the United Kingdom, Canada and the euro or any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

For clarification purposes: In case of (e) no deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

If an exchange has occurred, the determination as to whether one of the events described under a) – e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

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

- (a) is held by more than three holders that are not affiliates of each other (in the light of voting right majority) and
- (b) the Restructuring (within the meaning of the definition of this term applicable in all other respects) of which requires the consent of at least 2/3 of the holders.

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

- (a) the **[insert date]** (the **"Scheduled Last Credit Event Observation Date"**); or
- (b) the Repudiation/Moratorium Evaluation Date, if:
  - (i) a Potential Repudiation/Moratorium in connection with this Repudiation/Moratorium occurred on or prior to the Scheduled Last Credit Event Observation Date; and
  - (ii) the Issuer published a Repudiation/Moratorium-Extension Notice on or prior to the Scheduled Last Credit Event Observation Date.

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

**"Governmental Authority"** means

- (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);

- (ii) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (iii) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) or the Reference Entity or some or of all of its obligations; or
- (iv) any other authority which is analogous to any of the entities specified in (i) to (iii) above.

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

- (i) which is payable in any currency other than the lawful currency and any successor currency of the Reference Entity (the **"Domestic Currency"**). In no event shall the Domestic Currency include any currency if such currency is the lawful currency of any of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America or euro or any successor currency (**"Not Domestic Currency"**);
- (ii) that is not governed by the laws of the Reference Entity (**"Not Domestic Law"**) and
- (iii) at the time the relevant obligation was issued or reissued, as the case may be, or incurred, not intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity (**"Not Domestic Issuance"**);
- (iv) is not primarily owed to (A) a sovereign or (B) any entity or organization established by treaty or other arrangement between two or more sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt" (**"Not Sovereign Lender"**) and
- (v) which is not subject to Subordination to not subordinated obligations of the Reference Entity (**"Not Subordinated"**).]

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

**"Qualifying Guarantee"** means a guarantee evidenced by a written instrument (which may include a statute or regulation) pursuant to which the Reference Entity irrevocably agrees, undertakes, or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**) and (i) the benefit of which is capable of being delivered together with the Underlying Obligation and (ii) if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being delivered together with the delivery of such guarantee.

**"Bond"** means any obligation from borrowed money in the form of, or represented by, a bond, note,

certificated debt security or other debt security.

**[In case of a Reference Entity whose reference entity type is Emerging European Corporate or Asian Corporate or Asian Sovereign, insert: "Loan"** means any obligation from borrowed money in the form of a loan with a fixed term, a revolving loan or a similar loan.]

**"Fixed Cap"** means, with respect to a guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

**"Subordination"** means, with respect to an obligation (the **"Second Obligation"**) and another obligation of a Reference Entity to which such obligation is being compared (the **"First Obligation"**), a contractual, trust or similar arrangement providing that (I) upon the liquidation, dissolution, reorganization or winding-up of a Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation, or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against a Reference Entity at any time that such Reference Entity is in payment arrears or is otherwise in default under the First Obligation.

## § 5

### MANNER OF PAYMENT AND PAYMENT BUSINESS DAY

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

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

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

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

**[in case Following Business Day Convention applies, insert:** postponed to the next calendar day

which is a Payment Business Day.]

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

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

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

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

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

## 4. FORM OF FINAL TERMS

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

*[insert date]*

### Final Terms

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

issued pursuant to the

**Asset Linked Notes Programme**

of

**Erste Group Bank AG**

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

Issue Date: [ ]<sup>5</sup>

Series No.: [ ]

Tranche No.: [ ]

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<sup>5</sup> The Issue Date is the date of issue and payment of the Notes. In the case of free delivery, the Issue Date is the delivery date.



## IMPORTANT NOTICE

These Final Terms have been prepared for the purpose of Article 5 (4) of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended by Directive 2014/51/EU of the European Parliament and of the Council of 24 November 2010 and must be read in conjunction with the relevant Base Prospectus, dated 3 February 2017, as supplemented from time to time (the "**Prospectus**") pertaining to the Asset Linked Notes Programme (the "**Programme**") of Erste Group Bank AG (the "**Issuer**"). The Prospectus and any supplements hereto are available for viewing in electronic form on the website of the Issuer ("[www .erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen](http://www.erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen)"). Full information on the Issuer and the Notes is only available on the basis of the combination of the Prospectus, any supplements hereto and these Final Terms.

**[Warning:** The Prospectus dated 3 February 2017 is expected to be valid until 2 February 2018. Thereafter the Issuer intends to publish an updated and approved prospectus on the website of the Issuer ("[www .erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen](http://www .erstegroup.com/de/ueber-uns/erste-group-emissionen/prospekte/anleihen)") and from that point in time, the Final Terms must be read in conjunction with the new prospectus.]

## PART A – TERMS AND CONDITIONS

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

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

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

## PART B – OTHER INFORMATION

### ESSENTIAL INFORMATION

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

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

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

##### Security Codes

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

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

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

<b>Reference Entity</b>	<b>Screen Page</b>
<b>[insert Reference Entity]</b>	<b>[specify relevant Screen Page or other information source]</b>

#### Issue Yield

[Not applicable] [[ ] per cent. per annum in case no acceleration event has occurred]

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

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

#### Method of Distribution

- Non-Syndicated
- Syndicated

**Subscription Agreement**

Date of Subscription Agreement [ ]

General Features of the Subscription Agreement (including the [specify details] quotas)

**Details with Regard to the Manager[s] (including the type of commitment)**

Manager[s] [specify name(s) and address(es) of Manager(s)]

- Firm Commitment
- Without Firm Commitment

Stabilising Manager [specify details] [None]

**Commissions, Concessions and Estimated Total Expenses**

Management and Underwriting Commission [ ] per cent. of the Aggregate Principal Amount

Selling Concession [ ] per cent. of the Aggregate Principal Amount

Other [ ] per cent. of the Aggregate Principal Amount

Total Commission and Concession [ ] per cent. of the Aggregate Principal Amount

Issue Charge [Not applicable] [[ ] per cent.]

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

Listing[s] [Yes] [No]

- Vienna Stock Exchange
- Second Regulated Market

[Expected] Date of Admission[s] [ ]

**ADDITIONAL INFORMATION**

**Rating**

The Notes have not been rated.

**Selling Restrictions**

**TEFRA**

TEFRA C

Additional Selling Restrictions

[Not applicable] [**specify detail**]

**[Listing**

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

**[Third Party Information**

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

Signed on behalf of the Issuer

By:

Duly authorised

By:

Duly authorised

## 5. ERSTE GROUP BANK AG

### 5.1 INTRODUCTION

Erste Group Bank AG ("**Erste Group Bank**") is registered as a joint-stock corporation (*Aktiengesellschaft*) in the Austrian companies register (*Firmenbuch*) at the Vienna commercial court (*Handelsgericht Wien*) and has the registration number FN 33209 m. Its commercial name is "Erste Group". The registered office of Erste Group Bank is Am Belvedere 1, A-1100 Vienna, Austria, and its telephone number is +43-50100-0.

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

### 5.2 BACKGROUND

"**Erste Group**" consists of Erste Group Bank and its subsidiaries and participations, including Erste Bank Oesterreich in Austria, Česká spořitelna in the Czech Republic, Banca Comercială Română in Romania, Slovenská sporiteľňa in Slovakia, Erste Bank Hungary in Hungary, Erste Bank Croatia in Croatia, Erste Bank Serbia in Serbia, and, in Austria, savings banks of the Haftungsverbund (see "*Haftungsverbund*"), s-Bausparkasse, Erste Group Immorent AG, and others.

Erste Group is a leading banking group focused on retail and SME customers in Austria and Central and Eastern Europe ("**CEE**"). Erste Group offers its customers a broad range of services that, depending on the particular market, includes deposit and current account products, mortgage and consumer finance, investment and working capital finance, private banking, investment banking, asset management, project finance, international trade finance, trading, leasing and factoring. Erste Group is among the leading banking groups in Austria, the Czech Republic, Romania and Slovakia by assets, total loans and total deposits, and has further operations in Hungary, Croatia and Serbia. Erste Group serves approximately 16 million customers across Austria and its core CEE markets through a region-wide network of approximately 2,800 branches. As of 31 December 2015, Erste Group had 46,467 employees (full-time equivalents) worldwide (of which 1,726 (full-time equivalents) were employed by Erste Group Bank in Austria). Erste Group Bank is also the central institution (*Zentralinstitut*) of the Austrian Savings Banks Sector. As of 31 December 2015, Erste Group had EUR 199.7 billion in total assets.

### 5.3 SHARE CAPITAL OF ERSTE GROUP BANK

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

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

## 5.4 BUSINESS OVERVIEW

### Strategy

Erste Group aims to be the leading retail and SME credit institution in the eastern part of the European Union, including Austria. In achieving this goal, Erste Group aims to lend responsibly, provide a safe harbour for deposits and in general support all its customers, being retail, corporate or public sector clients, in achieving their financial goals. Value is only created through profitability; hence Erste Group aims to earn a premium on the cost of capital.

#### Focus on customer banking with emphasis on retail business

Erste Group has been active in the retail business since 1819. "Erste" means "first" in English and Erste Group was the first savings bank in Austria. Erste Group provides the entire spectrum from lending, deposit and investment products to current accounts and credit cards.

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

In the view of Erste Group, offering understandable products and services that meet the individual needs and objectives of the credit institution customers at attractive terms is important to build and maintain strong long-term customer relationships. Today, Erste Group serves a total of about 16 million retail customers in its core markets. Erste Group's core activities also include advisory services and support for its corporate customers with regard to financing, investment, hedging activities and access to international capital markets. Public sector funding through investing parts of the credit institution's liquidity in infrastructure projects as well as through acquiring sovereign bonds issued in its region is also part of the business. To meet the short-term liquidity management needs of the customer business, Erste Group also operates in the interbank market.

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

When Erste Group went public as an Austrian savings bank with no meaningful foreign presence in 1997, it defined its target region as consisting of Austria and the part of Central and Eastern Europe that had realistic prospects of joining the European Union.

Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group acquired savings banks and financial institutions in countries adjacent to Austria from the late 1990s onwards.

While the financial and economic crisis has slowed the economic catching-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues unabated. This part of Europe offered and still offers the best structural and therefore long-term growth prospects.

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

capital markets business, Erste Group maintains presences in Poland, Turkey and Germany. In addition, Erste Group's branches in London, New York and Hong Kong engage in customer-related lending and treasury business.

### **Focus on sustainable profitability**

Earning a premium on the cost of capital in a socially responsible manner and for the benefit of all stakeholders is a key prerequisite for the long-term survival of any company or credit institution. Only a sustainably profitable credit institution can achieve the following: (i) provide products and services to customers that support them in achieving their long-term financial goals; (ii) deliver the foundation for share price appreciation as well as dividend and coupon payments to investors; (iii) create a stable and rewarding work environment for employees; and (iv) be a reliable contributor of tax revenues to society at large.

Through a combination of stable revenues, low loan loss provisions and cost efficiency profits can be achieved in the long term. This is helped by a strong retail-based funding profile. When growth opportunities are elusive, as they will be from time to time, or the market environment is less favourable as a result of factors including high taxation, increased regulation or low interest rates, there will be a stronger focus on cost cutting. When the operating environment improves more time will be devoted to capturing growth in a responsible way. Irrespective of the environment, Erste Group should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

### **Relationship with Austrian Savings Banks**

The Austrian Savings Banks Sector comprises all savings banks in Austria except for UniCredit Bank Austria AG, which is legally organised as a savings bank and participates in the savings banks deposit insurance system. The Sparkassen-Prüfungsverband, Vienna, is the statutory auditor of the savings banks.

The BWG requires savings banks to maintain with Erste Group Bank, as the central institution (*Zentralinstitut*) of the savings bank group, a specified amount of their savings deposits and other Euro deposits ("**Liquidity Reserve**"). Following a legal change, the savings banks are allowed to keep their Liquidity Reserves with credit institutions other than the relevant central institution.

Erste Group Bank provides a wide range of services and products to the savings banks and their customers. These services and products include syndication services, risk management advice, support in legal matters, retail mortgage, investment fund products, portfolio and asset management services, as well as securities-related services and a common IT platform and a common management reporting system.

### **Haftungsverbund**

In 2002, the Haftungsverbund was formed pursuant to the *Grundsatzvereinbarung* among the majority of the member banks in the Austrian Savings Banks Sector ("**Haftungsverbund 1**"). The Haftungsverbund 1, as an integral part of the joint marketing strategy and co-operation of the Austrian Savings Banks Sector, is based on three pillars:

- A uniform business and market policy, including, inter alia, joint product development and centralisation of processing functions, a uniform risk policy (including standardised credit risk classification), coordinated liquidity management and common standards of control;
- a joint early-warning system designed to identify financial difficulties at member savings banks at an early stage, which also provides support mechanisms, including intervention in management to prevent such member savings banks from becoming insolvent; and
- a cross-guarantee for certain liabilities of member savings banks.



In 2007 and 2008, Erste Group Bank entered into further agreements, including a (first) supplementary agreement (*Zusatzvereinbarung*), with all members of the Austrian Savings Banks Sector (except for Allgemeine Sparkasse Oberösterreich) ("**Haftungsverbund 2**"). These agreements confer on Erste Group Bank, on a contractual basis, the possibility to exercise a controlling influence over these savings banks. They were approved by the Austrian competition authority (*Bundeswettbewerbsbehörde*) as mergers (*Zusammenschluss*) within the meaning of the Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (*EC Merger Regulation*) and the Austrian Cartel Act (*Kartellgesetz*). These mergers are designed to further strengthen the group's unity and performance, in particular by taking a joint approach in the development of common management information and control systems and integration of central functions. The Steering Company participates, inter alia, in appointing members of the management board of Erste Group, approves the annual budget and investment plans and approves the general business policy principles of the shareholders.

In 2013, Erste Group Bank entered into a further (second) agreement (*Zweite Zusatzvereinbarung*) with all members of the Austrian Savings Banks Sector (including Allgemeine Sparkasse Oberösterreich) ("**Haftungsverbund 3**"). The aim of the amendment, which entered into force on 1 January 2014, is the intensification of the group steering (especially concerning risk management, liquidity management, capital management), the setting up of an institutional protection scheme (Article 113 (7) CRR) and a cross-guarantee scheme (Article 4 (1)(127) CRR) in order to fulfil the requirements of Article 84 (6) CRR for being exempted from the deduction of any minority interest and thus, being entitled to recognize any minority interest arising within the cross-guarantee scheme in full and in light of IFRS 10 to strengthen Erste Group Bank's power in the provisions of the agreement governing the Haftungsverbund 3.

Pursuant to the agreements for the Haftungsverbund 3 (i.e. the *Grundsatzvereinbarung*, the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung*), the Steering Company is vested with the power to set the common risk policies of its members and to monitor and enforce adherence to these policies. The 48 Austrian savings banks (including Erste Group Bank and Erste Bank Oesterreich but excluding Allgemeine Sparkasse Oberösterreich) hold the entire share capital of the Steering Company. Erste Group Bank effectively controls the Steering Company through its 63.5% interest (held directly or indirectly through its wholly-owned subsidiary Erste Bank Oesterreich and several Austrian savings banks in which Erste Bank Oesterreich holds majority interests) in the share capital and nomination rights for the board of managing directors (*Geschäftsführung*). The Steering Company is responsible for resolving on measures to support member savings banks in financial difficulties, to make, as a trustee of the Haftungsverbund 3, compensation payments to customers, and to enforce certain information and control rights vis-à-vis member savings banks. In addition to the provisions of the agreements for the Haftungsverbund 3, the activities of the Haftungsverbund 3 are also governed by several rule books setting forth detailed provisions in the fields of risk management, treasury, internal control and audit.

The Steering Company has five corporate bodies: the board of managing directors (*Geschäftsführung*), the executive committee (*s-Steuerungsvorstand*), the advisory board (*Beirat*), the shareholders' committee (*Gesellschafterausschuss*), and the shareholders' meeting (*Gesellschafterversammlung*). The board of managing directors comprises four managing directors, two of whom are nominated by Erste Bank Oesterreich and two of whom are nominated by the other member savings banks. The chairman of the board of managing directors, who is nominated by Erste Bank Oesterreich, casts the deciding vote in the event of a deadlock. The *s-Steuerungsvorstand* consists of 14 members, 7 members are nominated by Erste Group and Erste Bank Oesterreich and 7 members are nominated by shareholders in which Erste Group does not hold a direct interest and/or an indirect interest of more than 50%. The chairperson, who is nominated by Erste Group casts the deciding vote in the event of a deadlock. The *s-Steuerungsvorstand* is primarily responsible for the validity, the amendment and the supplementation of the rulebooks. The shareholders' committee consists of fifteen members, eight of whom are nominated by Erste Bank Oesterreich and seven of

whom are nominated by the member savings banks. The shareholders' committee is primarily responsible for advising and assisting the savings banks with regard to questions concerning the application of the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung* and for providing mediation in the event of disputes concerning the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung* that arise between the Steering Company and the shareholders or among the shareholders. In order to implement joint business and marketing strategies for savings banks, working committees for various fields have been established, such as internal audits, accounting, infrastructure and risk management. The chairperson of each working committee is an employee of Erste Group Bank or Erste Bank Oesterreich.

The Haftungsverbund 3 is designed to enable a common risk management approach and implementation across the Austrian Savings Banks Sector. This includes establishing general principles of business conduct, the determination of risk capacity for each member savings bank and the setting of risk limits. The Steering Company's governance rights include the following: prior approval by the Steering Company of appointments to the management boards of member savings banks; prior approval by the Steering Company of annual budgets and capital expenditure plans; prior approval of significant changes of a member savings bank's business; and, in the event of continuing non-compliance with material provisions of the agreements and policies of the Haftungsverbund 3, imposition of sanctions and ultimately expulsion from the Haftungsverbund 3.

The member savings banks share an IT platform and a common management reporting system. This allows the Steering Company to generate comprehensive reports regarding the operations and financial condition of each member savings bank, data regarding key performance indicators as well as risk profiles on both an individual savings bank and an aggregate basis. Depending on the information being collected, these analyses are performed on a quarterly, monthly and even daily basis.

A key focus of the Haftungsverbund 3 is the early warning system. If the risk monitoring systems indicate that a member savings bank could experience financial difficulties, the Steering Company will alert this member savings bank and discuss remedial measures. To date, the Haftungsverbund 3 has been able to deal with situations of concern through the early warning system.

If a member of the Haftungsverbund 3 encounters financial difficulties, the Steering Company has the power to intervene in the management of the affected member savings bank and to require other member savings banks to provide such support and assistance as the Steering Company determines. Support measures shall be taken if, from the Steering Company's point of view, it is reasonable to expect that without such support, a need for early intervention (*Frühinterventionsbedarf*) exists requiring the ECB / FMA to impose early intervention measures. Such need for early intervention exists if a credit institution (which is subject to the BaSAG) does not meet or is likely to violate ("likely breach") the capital and liquidity requirements under the CRR. Such support measures include, *inter alia*, the implementation of certain restructuring measures, the engagement of outside advisors, injections of liquidity, the granting of subordinated loans, the assumption of guarantees, the contribution of equity, the review of the credit portfolio, and the restructuring of the risk management. In providing any such support measures, the Steering Company may require that the management board of a member savings bank in financial difficulties is supplemented by additional members until the financial difficulties have been resolved or that individual members of the management board of such member savings bank be removed and substituted.

In case of any need for financial contributions in the context of support measures, each of the member savings banks has made a commitment to contribute funds on the basis of the maximum amount pursuant to the regulatory requirements set forth by Article 84(6) CRR based on a contractually defined key. In the event of assistance, any individual member of the Haftungsverbund 3 is only obliged to contribute to the extent that such contribution does not result in a violation of the regulatory requirements applicable to that member of the Haftungsverbund 3. Furthermore, in order to secure the financial support that is to be provided to member savings banks facing economic difficulties at the

request of the Steering Company, the member savings banks agreed that a part of the funds has to be *ex-ante* financed in the form of special funds, whereas the Steering Company alone has access to these special funds and is obliged to use all other options available before availing itself of the special funds. In order to build up the special fund, all savings banks contribute funds on a quarterly basis until the special fund reaches its final size after 10 years starting from 2014.

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

- all deposits (as defined in § 1 (1)(1) BWG);
- all monetary claims based on credit balances resulting from funds left in an account or from temporary positions in the course of banking transactions and repayable according to the applicable legal and contractual provisions; and
- all monetary claims from the issuance of securities,

unless the relevant amounts are owed to a credit institution. This guarantee is also subject to the cumulative limit on members' obligations.

Each of the member savings bank has made a commitment to contribute funds of 1.5% of the member's risk-weighted assets, determined on a non-consolidated basis and based on the most recently approved financial statements of the respective member, plus 75% of the member's anticipated pre-tax profits for the current financial year in the event of insolvency of a member savings bank. In the event of assistance, any individual member of the Haftungsverbund 3 is only obliged to contribute to the extent that such contribution does not result in a violation of the regulatory requirements applicable to that member of the Haftungsverbund 3.

Each member savings bank has a right to terminate the *Grundsatzvereinbarung* and the supplementary agreements if it notifies Erste Group Bank within a period of twelve weeks after the occurrence of a change of control at Erste Group Bank. A change of control at Erste Group Bank is defined as any acquisition of more than 25% of the voting rights in outstanding shares of Erste Group Bank by a non-member of the Savings Bank Sector. If a termination of the *Grundsatzvereinbarung*, the *Zusatzvereinbarung* and/or the *Zweite Zusatzvereinbarung* becomes effective, the relevant member savings bank would cease to be a member of the Haftungsverbund 3.

Erste Group's consolidated financial statements as of and for the fiscal year ended 31 December 2013 comprised all members of the Austrian Savings Banks Sector. Since May 2010, a separate cross-guarantee agreement entered into between Erste Bank Oesterreich and Allgemeine Sparkasse Oberösterreich and since 2013, the *Zweite Zusatzvereinbarung* entered into between Allgemeine Sparkasse Oberösterreich and all other savings banks are in place.

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

Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker of Erste Group to assess the performance of the segments and make decisions regarding the allocation of resources. Within Erste Group the function of the chief operating decision maker is exercised by its management board.

Erste Group's segment reporting is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments. Following a strategic review related to Erste Group's operating segments and the method used for capital allocation to the segments, changes were introduced in the segment

reporting from 1 January 2016. Details of the new segmentation as well as comparable figures for all the quarters of 2015 were published on 14 April 2016.

The tables and information below provide a brief overview and focus on selected and summarised items. On Erste Group's website ("www.erstegroup.com") additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading and fair value result as well as dividend income, net result from equity method investments and rental income from investment properties and other operating leases. The latter three listed items are not separately disclosed in the tables below. Operating expenses equal the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position net impairment loss on financial assets not measured at fair value through profit and loss. Other result summarises the positions other operating result and gains/losses from financial assets and liabilities not measured at fair value through profit or loss. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated equity is defined as the net result after tax/before minorities in relation to the average allocated equity.

## Business segmentation

The segment reporting comprises the following business segments reflecting Erste Group's management structure and its internal management reporting in 2016.



### Retail

The Retail segment comprises the business with private individuals, micros and free professionals within the responsibility of account managers in the retail network. This business is operated by the local credit institutions in cooperation with their subsidiaries such as leasing and asset management companies with a focus on simple products ranging from mortgage and consumer loans, investment products, current accounts, savings products to credit cards and cross selling products such as leasing, insurance and building society products.

in EUR million	1-9 15	1-9 16
Net interest income	1,662.4	1,626.1
Net fee and commission income	767.9	715.2
Net trading and fair value result	54.5	73.3
Operating income	2,506.3	2,438.2
Operating expenses	-1,368.5	-1,385.6
Operating result	1,137.9	1,052.6
Cost/income ratio	54.6%	56.8%
Net impairment loss on financial assets not measured at fair value through profit or loss	-254.8	-21.9
Other result	-179.1	-22.1
Net result attributable to owners of the parent	570.0	774.0
Return on allocated capital	30.0%	45.8%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

### Corporates

The Corporates segment comprises business activities with corporate customers of different turnover size (small and medium-sized enter-prises, Local Large Corporate and Group Large Corporate

customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises are customers within the responsibility of the local corporate commercial center network, in general companies with an annual turnover ranging from EUR 0.7-3 million to EUR 25-75 million, the thresholds vary by country. Local Large Corporate customers are local corporates with a consolidated annual turnover exceeding a defined threshold between EUR 25 million to EUR 75 million, depending on the country, which are not defined as Group Large Corporate customers. Group Large Corporate customers are corporate customers/client groups with substantial operations in core markets of Erste Group with a consolidated annual turnover of generally at least EUR 500 million. Commercial Real Estate (CRE) covers business with real estate investors generating income from the rental of individual properties or portfolios of properties, project developers generating capital gains through sale, asset management services, construction services (applicable only for Erste Group Immorent AG) and own development for business purpose. Public Sector comprises business activities with three types of customers: (i) public sector; (ii) public corporations and (iii) non-profit sector.

in EUR million	1-9 15	1-9 16
Net interest income	750.9	747.6
Net fee and commission income	191.8	190.9
Net trading and fair value result	59.7	60.8
Operating income	1,090.0	1,085.2
Operating expenses	-409.4	-410.7
Operating result	680.6	674.5
Cost/income ratio	37.6%	37.8%
Net impairment loss on financial assets not measured at fair value through profit or loss	-175.3	-1.3
Other result	-38.3	-15.8
Net result attributable to owners of the parent	336.8	500.8
Return on allocated capital	14.8%	22.5%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

### **Group Markets**

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term liquidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade and export finance).

in EUR million	1-9 15	1-9 16
Net interest income	168.5	162.6
Net fee and commission income	146.8	145.3
Net trading and fair value result	56.8	66.5
Operating income	373.6	375.7
Operating expenses	-166.1	-155.4
Operating result	207.5	220.2
Cost/income ratio	44.5%	41.4%
Net impairment loss on financial assets not measured at fair value through profit or loss	7.1	8.6
Other result	-2.9	6.1
Net result attributable to owners of the parent	161.4	177.0
Return on allocated capital	31.2%	38.0%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

### **Asset/Liability Management & Local Corporate Center**

The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the

local corporate centers which comprise internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

in EUR million	1-9 15	1-9 16
Net interest income	36.6	-50.5
Net fee and commission income	-45.5	-43.3
Net trading and fair value result	-43.5	-8.2
Operating income	-18.2	-66.2
Operating expenses	-50.0	-79.2
Operating result	-68.2	-145.4
Cost/income ratio	>100%	>100%
Net impairment loss on financial assets not measured at fair value through profit or loss	-7.0	-7.7
Other result	-92.0	46.9
Net result attributable to owners of the parent	-130.7	-75.0
Return on allocated capital	-7.8%	-4.4%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

### **Savings Banks**

The Savings Banks segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

in EUR million	1-9 15	1-9 16
Net interest income	679.7	712.6
Net fee and commission income	319.7	311.5
Net trading and fair value result	14.1	-0.7
Operating income	1,062.3	1,067.6
Operating expenses	-714.6	-745.0
Operating result	347.6	322.6
Cost/income ratio	67.3%	69.8%
Net impairment loss on financial assets not measured at fair value through profit or loss	-42.6	-36.2
Other result	27.8	-22.2
Net result attributable to owners of the parent	36.5	30.2
Return on allocated capital	17.2%	12.0%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

### **Group Corporate Center**

The Group Corporate Center (GCC) segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), non-profit internal service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments).

in EUR million	1-9 15	1-9 16
Net interest income	52.8	59.8
Net fee and commission income	15.6	6.0
Net trading and fair value result	16.9	0.9
Operating income	110.9	86.8
Operating expenses	-504.5	-678.5
Operating result	-393.6	-591.7
Cost/income ratio	>100.0%	>100.0%
Net impairment loss on financial assets not measured at fair value through profit or loss	-45.8	-4.7
Other result	292.6	366.1
Net result attributable to owners of the parent	-209.8	-227.8
Return on allocated capital	-7.4%	-5.4%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

### ***Intragroup Elimination***

Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes all in-tragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations within partial groups are disclosed in the respective segments.

### **Geographical segmentation**

For the purpose of segment reporting by geographical areas the information is presented based on the location of the booking entity (not the country of risk). In case of information regarding a partial group, the allocation is based on the location of the respective parent entity according to the local management responsibility.

Geographical areas are defined according to the country markets in which Erste Group operates. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets, Austria and Central and Eastern Europe and a residual segment Other that comprises the remaining business activities of Erste Group outside its core markets as well as the reconciliation to the consolidated accounting result.



The geographical area Austria consists of the following three segments:

The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).

in EUR million	1-9 15	1-9 16
Net interest income	478.1	475.5
Net fee and commission income	276.3	249.1
Net trading and fair value result	-1.6	12.2
Operating income	778.5	758.7
Operating expenses	-465.0	-483.3
Operating result	313.6	275.4
Cost/income ratio	59.7%	63.7%
Net impairment loss on financial assets not measured at fair value through profit or loss	-29.0	-8.3
Other result	-7.3	14.6
Net result attributable to owners of the parent	202.2	199.8
Return on allocated capital	22.1%	22.0%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

The Savings Banks segment is identical to the business segment savings banks.

The Other Austria segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent AG and Erste Asset Management GmbH.

in EUR million	1-9 15	1-9 16
Net interest income	314.2	293.6
Net fee and commission income	150.3	144.2
Net trading and fair value result	7.0	14.7
Operating income	505.6	498.9
Operating expenses	-253.5	-257.8
Operating result	252.1	241.1
Cost/income ratio	50.1%	51.7%
Net impairment loss on financial assets not measured at fair value through profit or loss	-69.9	-28.5
Other result	-26.9	29.9
Net result attributable to owners of the parent	108.7	187.6
Return on allocated capital	9.2%	16.5%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

The geographical area Central and Eastern Europe (CEE) consists of six segments covering Erste Group's banking subsidiaries located in the respective CEE countries:

- **Czech Republic** (comprising Česká spořitelna Group);
- **Slovakia** (comprising Slovenská sporiteľňa Group);
- **Romania** (comprising Banca Comercială Română Group);
- **Hungary** (comprising Erste Bank Hungary Group);
- **Croatia** (comprising Erste Bank Croatia Group); and
- **Serbia** (comprising Erste Bank Serbia Group).

The residual segment Other covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), the banking tax of Erste Group Bank as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank as well as the reconciliation to the consolidated accounting result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other.



## Czech Republic

in EUR million	1-9 15	1-9 16
Net interest income	687.0	686.4
Net fee and commission income	275.2	255.1
Net trading and fair value result	81.8	71.3
Operating income	1,067.8	1,029.1
Operating expenses	-498.4	-489.4
Operating result	569.3	539.7
Cost/income ratio	46.7%	47.6%
Net impairment loss on financial assets not measured at fair value through profit or loss	-68.8	-39.3
Other result	-20.4	30.5
Net result attributable to owners of the parent	384.6	417.2
Return on allocated capital	30.7%	32.4%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

## Slovakia

in EUR million	1-9 15	1-9 16
Net interest income	342.1	339.6
Net fee and commission income	92.9	92.6
Net trading and fair value result	6.0	9.4
Operating income	450.0	447.5
Operating expenses	-195.3	-205.5
Operating result	254.7	242.0
Cost/income ratio	43.4%	45.9%
Net impairment loss on financial assets not measured at fair value through profit or loss	-32.7	-30.5
Other result	-21.9	15.2
Net result attributable to owners of the parent	152.9	170.7
Return on allocated capital	32.1%	35.1%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

## Romania

in EUR million	1-9 15	1-9 16
Net interest income	332.0	285.7
Net fee and commission income	119.7	118.8
Net trading and fair value result	52.3	56.4
Operating income	512.4	470.2
Operating expenses	-249.1	-248.9
Operating result	263.3	221.3
Cost/income ratio	48.6%	52.9%
Net impairment loss on financial assets not measured at fair value through profit or loss	-12.4	50.8
Other result	-19.2	-3.4
Net result attributable to owners of the parent	185.4	225.9
Return on allocated capital	23.7%	32.7%

Unaudited Consolidated Financial Statements as of 30 September 2016

## Hungary

in EUR million	1-9 15	1-9 16
Net interest income	160.8	129.7
Net fee and commission income	103.5	103.9
Net trading and fair value result	1.7	14.6
Operating income	266.7	251.2
Operating expenses	-132.0	-139.7
Operating result	134.7	111.5
Cost/income ratio	49.5%	55.6%
Net impairment loss on financial assets not measured at fair value through profit or loss	-93.1	71.0
Other result	-80.1	-65.5
Net result attributable to owners of the parent	-46.1	109.6
Return on allocated capital	-11.9%	30.2%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

## Croatia

in EUR million	1-9 15	1-9 16
Net interest income	203.0	199.1
Net fee and commission income	63.5	66.6
Net trading and fair value result	10.0	23.6
Operating income	298.8	310.6
Operating expenses	-139.3	-144.7
Operating result	159.4	165.9
Cost/income ratio	46.6%	46.6%
Net impairment loss on financial assets not measured at fair value through profit or loss	-111.3	-28.6
Other result	-143.8	3.0
Net result attributable to owners of the parent	-53.2	76.9
Return on allocated capital	-18.7%	27.0%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

## Serbia

in EUR million	1-9 15	1-9 16
Net interest income	31.1	34.6
Net fee and commission income	9.1	8.2
Net trading and fair value result	2.5	2.5
Operating income	43.2	45.6
Operating expenses	-28.7	-29.7
Operating result	14.5	15.9
Cost/income ratio	66.5%	65.2%
Net impairment loss on financial assets not measured at fair value through profit or loss	-6.8	-2.8
Other result	-0.3	-0.6
Net result attributable to owners of the parent	6.0	9.5
Return on allocated capital	10.5%	13.7%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

## Other

in EUR million	1-9 15	1-9 16
Net interest income	96.2	110.7
Net fee and commission income	-37.7	-30.1
Net trading and fair value result	19.2	-12.4
Operating income	105.7	80.3
Operating expenses	-176.4	-219.0
Operating result	-70.7	-138.7
Cost/income ratio	>100.0%	>100.0%
Net impairment loss on financial assets not measured at fair value through profit or loss	-51.6	-10.8
Other result	-26.6	-106.3
Net result attributable to owners of the parent	-212.8	-248.2
Return on allocated capital	-5.7%	-5.0%

Source: Unaudited Consolidated Financial Statements as of 30 September 2016

## 5.5 CREDIT RATINGS

Standard & Poor's, Moody's and Fitch (each as defined below) have assigned the below credit ratings to the Issuer.

Standard & Poor's assigned the following ratings:

Debt Type	Rating	Outlook
Senior Unsecured Long-Term	BBB+	Stable
Senior Unsecured Short-Term	A-2	-

Moody's assigned the following ratings:

Debt Type	Rating	Outlook
Senior Unsecured Long-Term	Baa1	Stable
Senior Unsecured Short-Term	P-2	-

Fitch assigned the following ratings:

Debt Type	Rating	Outlook
Senior Unsecured Long-Term	BBB+	Stable
Senior Unsecured Short-Term	F2	-

More detailed information on the ratings can be retrieved on the Issuer's website ("[www .erstegroup.com/en/investors/debt/ratings](http://www.erstegroup.com/en/investors/debt/ratings)"). General information regarding the meaning of the rating and the qualifications which have to be observed in connection therewith can be found on the websites of Standard & Poor's ("[www .standardandpoors.com](http://www .standardandpoors.com)"), Moody's ("[www .moodys.com](http://www .moodys.com)") and Fitch ("[www .fitchratings.com](http://www .fitchratings.com)").

Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland) ("**Standard & Poor's**") has its registered office at Neue Mainzer Straße 52, D-60311 Frankfurt am Main in Germany. Moody's Deutschland GmbH ("**Moody's**") has its registered office at An der Welle 5, D-60322 Frankfurt am Main in Germany. Fitch Ratings Ltd ("**Fitch**") with its seat in 30 North Colonnade, London E14 5GN, United Kingdom is registered at Companies House in England.

Standard & Poor's, Moody's and Fitch are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies as amended (the

"CRA Regulation") as registered rating agencies. The European Securities and Markets Authority (ESMA) publishes on its website ("www.esma.europa.eu") a list of credit rating agencies registered in accordance with the CRA Regulation. That list shall be updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation. The European Commission publishes that updated list in the Official Journal of the European Union within 30 days following the updates.

## **5.6 RECENT DEVELOPMENTS**

**Erste Group's outlook as presented in the interim report for the nine months period 2016 is as follows:**

### **Operating environment anticipated to be conducive to credit expansion**

While in 2016 real GDP growth is expected to be between 1.3% and 4.5% in all major CEE markets, including Austria, in 2017 a range of 2.0% to 3.0% is estimated in CEE, about 1.5% in Austria. Real GDP growth should be driven by domestic demand, whereby real wage growth and declining unemployment should support economic activity in CEE. Public finances across CEE should prevail.

### **Return on tangible equity (ROTE) expectations**

Erste Group Bank's ROTE was confirmed at above 12% in 2016 (based on average tangible equity in 2016); for 2016, on track for a dividend of EUR 1.00 per share (+ 100% versus 2015), which corresponds to a dividend yield of about 3.5%. Erste Group Bank's ROTE for 2017 is targeted at above 10.0% (based on average tangible equity in 2017) based on the following assumptions: (i) the Austrian banking tax one-off payment will already take place in 2016 and for 2017 at best flat revenues (assuming 5.0% plus net loan growth); (ii) cost inflation of 1.0% to 2.0% due to digitalisation; (iii) increase in risk costs, albeit remaining at historically low levels; and (iv) positive swing in other operating result due to lower Austrian banking tax.

### **Risks to guidance**

Impact from expansionary monetary central bank policies including negative interest rates; political risks such as timely implementation of Austrian banking tax reduction; geopolitical risks and global economic risks; consumer protection initiatives.

## 6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 6.1 MANAGEMENT BOARD

#### Members of the Management Board

The current members of the Management Board listed below have extensive experience in the Austrian banking market and the Austrian Savings Banks Sector and held the following additional supervisory board mandates or similar functions in various companies as of the date of this Prospectus.

Name	Name of relevant company	Position held
<b>Andreas Treichl</b> <i>Chairman</i>	Banca Comercială Română S.A.	SB <sup>6</sup> deputy chairman
	BeeOne GmbH	AB <sup>7</sup> chairman
	Česká spořitelna, a.s.	SB deputy chairman
	Erste Bank der oesterreichischen Sparkassen AG	SB chairman
	Haftungsverbund GmbH	AB deputy chairman
	Leoganger Bergbahnen GmbH	SB member
	Sparkassen Versicherung AG Vienna Insurance Group	SB chairman
	Österreichischer Sparkassenverband	Member of the board of management
<b>Gernot Mittendorfer</b> <i>Member</i>	Banca Comercială Română S.A.	SB member
	Erste Bank Hungary Zrt	SB member
	Erste Bank a.d. Novi Sad	SB chairman

<sup>6</sup> "SB" means Supervisory Board.

<sup>7</sup> "AB" means Advisory Board.

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
	Erste Bank der oesterreichischen Sparkassen AG	SB member
	Erste Group IT International GmbH	SB deputy chairman
	Haftungsverbund GmbH	AB member
	OM Objektmanagement GmbH	AB chairman
	Procurement Services GmbH	AB deputy chairman
	Slovenská sporiteľňa, a.s.	SB chairman
<b>Peter Bosek</b> <i>Member</i>	aws Gründerfonds Beteiligungs GmbH & Co KG	AB member
	aws Gründerfonds Equity Invest GmbH & Co KG	AB member
	BeeOne GmbH	AB member
	Česká spořitelna, a.s.	SB member
	ERP-Kreditkommission	AB member
	Sparkassen Versicherung AG Vienna Insurance Group	SB member
	Vereinigung der Österreichischen Industrie	Regional executive board member
	Wiener Städtische Versicherung AG Vienna Insurance Group	SB member
<b>Petr Brávek</b> <i>Member</i>	Česká spořitelna, a.s.	SB member
	Erste Group Card Processor d.o.o.	AB deputy chairman
	Erste Group IT International GmbH	SB chairman
	Haftungsverbund GmbH	Shareholders committee member
	s IT Solutions AT Spardat GmbH	SB second deputy chairman
<b>Jozef Sikela</b> <i>Member</i>	Prvá stavebná sporiteľňa, a.s.	SB member
	Erste Group Immorent AG	SB chairman
	Haftungsverbund GmbH	Shareholders committee

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
		member
	Oesterreichische Kontrollbank AG	SB member
<b>Willibald Cernko</b> <i>Member</i>	Mobilux Acquisition SAS	SB member

Source: Internal information of Erste Group Bank

The members of the Management Board can be reached at Erste Group Bank's business address Am Belvedere 1, A-1100 Vienna, Austria.

## 6.2 SUPERVISORY BOARD

### Members of the Supervisory Board

Currently, the Supervisory Board consists of members elected by the shareholders of Erste Group Bank and employee representatives. The following table sets out the current members of the Supervisory Board together with the mandates in supervisory boards or similar functions in other foreign and domestic companies for each supervisory board member as of the date of this Prospectus:

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
<b>Friedrich Rödler</b> <i>Chairman</i>	Erste Bank der oesterreichischen Sparkassen AG	SB chairman
	Erste Bank Hungary Zrt.	SB member
	Sparkassen-Prüfungsverband	SB chairman
<b>Elisabeth Bleyleben-Koren</b> <i>Member</i>	none	—
<b>Bettina Breiteneder</b> <i>Second Deputy Chairman</i>	Generali Holding Vienna AG	SB member
	ZS Einkaufszentren Errichtungs- und Vermietungs-Aktiengesellschaft	SB deputy chairman
<b>Gunter Griss</b> <i>Member</i>	Steiermärkische Bank und Sparkassen AG	SB chairman
	Bankhaus Krentschker & Co. AG	SB deputy chairman

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
	AVL List GmbH	SB chairman
<b>Maximilian Hardegg</b> <i>Member</i>	DIE ERSTE österreichische Spar-Casse Privatstiftung	SB member
	Česká spořitelna, a.s.	SB member
	Nadace Depositum Bonum Foundation	SB chairman
<b>Jan Homan</b> <i>First Deputy Chairman</i>	BillerudKorsnäs AB	SB member
	Constantia Flexibles Holding GmbH	SB member
	Frapag Beteiligungsholding AG	SB chairman
	Slovenská sporiteľňa, a.s.	SB member
<b>Elisabeth Krainer Senger-Weiss</b> <i>Member</i>	none	—
<b>Antonio Massanell Lavilla</b> <i>Member</i>	CaixaBank, S.A.	Deputy chairman of management board
	Cecabank, S.A.	SB chairman
	Repsol, S.A.	Member of board of directors
	SAREB, S.A.	Member of board of directors
	Telefónica, S.A.	Member of board of directors
<b>Brian Deveraux O'Neill</b> <i>Member</i>	Banca Comercială Română S.A.	SB member
	Emigrant Bank	Member of board of directors
	Inter-American Dialogue	Member of board of directors



<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
	Seven Seas Water	Member of board of directors
<b>Wilhelm Rasinger</b> <i>Member</i>	Friedrichshof Wohnungsgenossenschaft reg. Gen.mbH	SB chairman
	Haberkorn Holding AG	SB member
	Haberkorn GmbH	SB member
	s IMMO AG	SB member
	Wienerberger AG	SB member
	Gebrüder Ulmer Holding GmbH	SB member
<b>John James Stack</b> <i>Member</i>	Ally Bank	Member of board of directors
	Ally Financial Inc.	Member of board of directors
	Česká spořitelna, a.s.	SB chairman
	Mutual of America Capital Management	SB member
	Nadace Depositum Bonum Foundation	SB member
<b>Markus Haag</b> <i>Employee representative</i>	none	—
<b>Regina Haberhauer</b> <i>Employee representative</i>	Erste Asset Management	Employee representative member
	ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	SB member
<b>Andreas Lachs</b> <i>Employee representative</i>	VBV-Pensionskasse AG	SB member
<b>Barbara Pichler</b> <i>Employee representative</i>	DIE ERSTE österreichische Spar-Casse Privatstiftung	SB member

<b>Name</b>	<b>Name of relevant company</b>	<b>Position held</b>
<b>Jozef Pinter</b> <i>Employee representative</i>	none	—
<b>Karin Zeisel</b> <i>Employee representative</i>	none	—

Source: Internal information of Erste Group Bank.

The members of the Supervisory Board can be reached at Erste Group Bank's business address Am Belvedere 1, A-1100 Vienna, Austria.

### 6.3 REPRESENTATIVES OF THE SUPERVISORY AUTHORITIES

Pursuant to the BWG, the Austrian Act on Covered Bank Bonds (*Gesetz betreffend fundierte Bankschuldverschreibungen – FBSchVG*) and the Austrian Mortgage Bank Act (*Hypothekenbankgesetz – HypBG*), the Austrian Minister of Finance is required to appoint representatives, who monitor Erste Group Bank's compliance with certain legal requirements. The current representatives are listed below:

<b>Name</b>	<b>Position</b>
<b>Wolfgang Bartsch</b>	State Commissioner
<b>Michael Kremser</b>	Vice State Commissioner
<b>Silvia Maca</b>	Commissioner pursuant to the FBSchVG
<b>Erhard Moser</b>	Vice Commissioner pursuant to the FBSchVG
<b>Irene Kienzl</b>	Trustee pursuant to the HypBG
<b>Thomas Schimetschek</b>	Deputy Trustee pursuant to the HypBG

Source: Internal information of Erste Group Bank

Pursuant to the BWG and the Articles of Association, the State Commissioner and its deputy shall be invited to Erste Group Bank's Shareholders' Meetings and all meetings of the Supervisory Board and its committees. Furthermore, the State Commissioner or its deputy shall immediately receive all minutes of the meetings of the Supervisory Board. Resolutions of the Supervisory Board and of its committees which are passed outside a meeting shall be simultaneously communicated to the State Commissioner or its deputy who is entitled to raise written objections pursuant to § 76 (6) BWG.

### 6.4 POTENTIAL CONFLICTS OF INTEREST

Agreements (e.g. advisory contracts or loan agreements) of Erste Group Bank with the members of its Management Board and its Supervisory Board may generate in certain circumstances conflicts of interest. Erste Group Bank might engage in business which could potentially influence the value or market price of the Reference Obligation or other Obligations of the Reference Entity. Conflicts of this nature could cause adverse interests of Erste Group Bank and of the Holders.

Should any such conflict of interest arise, Erste Group Bank has sufficient rules and procedures pursuant the Austrian Securities Supervision Act 2007 (*Wertpapieraufsichtsgesetz 2007 – WAG 2007*), compliance rules and industry standards in place regulating the management of conflicts of interest and the ongoing application of such guidelines and rules.

Furthermore, members of the Issuer's Management and Supervisory Boards may serve on management or supervisory boards of various different companies (others than Erste Group Bank), including customers of and investors in Erste Group Bank, which may also compete directly or indirectly with the Issuer. Directorships of that kind may expose them to potential conflicts of interest if the Issuer maintains active business relations with said companies.

## **6.5 AUDIT AND AUDITORS' REPORTS**

Sparkassen-Prüfungsverband Prüfungsstelle (statutory auditor, two current directors of which are members of "Kammer der Wirtschaftstrehänder Österreich") at Am Belvedere 1, A-1100 Vienna, Austria, and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (a member of "Kammer der Wirtschaftstrehänder Österreich") at Wagramer Straße 19, A-1220 Vienna, Austria, have audited the German language consolidated financial statements of the Issuer as of 31 December 2015 and 2014 and issued unqualified audit opinions for the Audited Consolidated Financial Statements 2015 (dated 26 February 2016) and 2014 (dated 27 February 2015). The financial year of Erste Group Bank is the calendar year.

## **6.6 SHAREHOLDERS OF ERSTE GROUP BANK**

Erste Group Bank's major shareholder, DIE ERSTE österreichische Spar-Casse Privatstiftung, is a private foundation which was created by the transformation of DIE ERSTE österreichische Spar-Casse Anteilsverwaltungssparkasse, a special form of savings bank holding company, with effect as of 19 December 2003. Such type of transformation is provided for under the Austrian Savings Bank Act. As of the date of this Prospectus, 29.5% of the shares in Erste Group Bank were attributable to DIE ERSTE österreichische Spar-Casse Privatstiftung ("**Erste Stiftung**"). This comprises an 11.1% economic interest of Erste Stiftung as well as shares attributable to Erste Stiftung through syndicate agreements concluded with CaixaBank, S.A., the Austrian savings banks and other parties (i.e. the Sparkassenstiftungen and Anteilsverwaltungssparkassen, and Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung– Vienna Insurance Group), which hold 9.9%, 4.7% and 3.8%, respectively. The free float amounts to 70.5% (of which 50.7% were held by institutional investors, 5.0% by retail investors, 13.9% by unidentified institutional and private investors and 0.9% by Erste Group's employees) (all numbers are rounded).

In total 1,388,725 shares are held in the savings banks directly and are to be considered own shares thus reducing the number of shares with voting right to 428,411,275 in total. The voting rights of the shareholders are subsequently increasing slightly.

## 7. LEGAL PROCEEDINGS

Erste Group Bank and some of its subsidiaries are involved and have been involved in the twelve months preceding the date of this Prospectus in legal disputes, including governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), most of which have arisen or have been threatened in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group and/or Erste Group Bank. Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group and/or Erste Group Bank:

### Consumer protection claims

Several banking subsidiaries of Erste Group in CEE have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions the legal risks in connection with loans granted in the past to consumers are also increased by the enactment of politically motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, and a level of unpredictability of judicial decisions beyond the level of uncertainty generally imminent in court proceedings. The following consumer protection issues are deemed particularly noteworthy:

In Romania, Banca Comercială Română ("**BCR**") is, besides being a defendant in a substantial number of individual law suits filed by consumers, among several local credit institutions pursued by the consumer protection authority for alleged abusive clauses pertaining to pre 2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. None of these cases has so far been finally decided by the courts. If one of these cases on the validity of certain clauses becomes adversely adjudicated, this may have the impact of invalidating such clauses also in similar agreements of BCR with other consumers.

In Hungary, foreign currency loan related invalidity lawsuits by consumers against credit institutions, including Erste Bank Hungary ("**EBH**"), have been suspended by the regulations of the 2014 consumer loan law. After the completion of the settlement and the refund process with the customers concerned with the litigation, only a part of the proceedings has been continued so far. However, there is a steady tendency of consumers initiating further court cases after and irrespective of the settlement process completed fully in line with the 2014 consumer loan regulations. In the new statements of claim frequently legal issues are raised which have not been affected and resolved by the 2014 consumer loan regulations. It is expected that EBH will remain a defendant in a number of these litigations and that consumers will continue and initiate further court cases, creating a high level of legal uncertainty. Given, that in one of these lawsuits a preliminary ruling of the European Court of Justice ("**ECJ**") has been initiated by the local court, it is anticipated that several other pending lawsuits will be suspended until the ECJ adopts its preliminary ruling. Furthermore, in case the ECJ's ruling would be favourable for the plaintiffs, this might lead to an increase of the number of pending lawsuits against EBH.

In Croatia, the Supreme Court of Croatia, in a proceeding initiated by a local consumer protection association against several credit institutions, among them Erste Bank Croatia ("**EBC**"), declared in 2015 that FX clauses in loan agreements with consumers are valid, but contractual provisions

permitting unilateral change of the variable interest rates in CHF denominated consumer loans, used by the majority of credit institutions until 2008, are null and void. In late 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court of Croatia decision relating to the validity of FX clauses. Although the validity of the FX clauses remains unchanged, the Supreme Court of Croatia has been ordered to amend its decision as it allegedly violated the constitutional right to fair trial by not providing sufficient explanation for its decision regarding FX clauses. The outcome of such further judicial review is highly unpredictable and so is its impact, if any, on legal disputes with individual clients related to CHF denominated loan agreements in light of the laws enacted in 2015 that forced credit institutions to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect.

In Austria, several legal proceedings are pending between credit institutions and a consumer organisation and individual consumers on the consequences of a reference rate (such as the EURIBOR) being negative on the variable interest rate in lendings to consumers. In essence, these disputes are about whether in case of the reference rate being negative the respective credit institution is allowed to request that the borrower pays interest at a minimum rate, or rather, instead of receiving any interest, might have to make a payment to its borrower for the respective interest period (in cases in which the negative reference rate is decreasing the margin and in a worst case even resulting in a negative interest rate). Based on analysis of its legal position for its lendings in EUR, which are mostly refinanced by savings deposits of consumers for which it has to pay interest at least in a positive amount, Erste Bank Oesterreich takes the view that it is entitled to floor the interest rate in its lendings to consumers in EUR at the agreed margin. Until now there is no established judicial guidance on the consequences of a negative reference rate on lendings to consumers with a variable interest rate. Only with respect to savings deposits, some years ago the Austrian Supreme Court dealt with the potential impact of negative interest and ruled that saving accounts must earn some positive interest for the consumer. Erste Bank Oesterreich might be negatively impacted by a court holding which in the situation of a negative reference rate in certain situations practically forces credit institutions, for the respective interest period and/or the past, to make payments to its borrowers.

## **Corporate bond investors' prospectus claims**

Since 2014, a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, have filed claims with the courts of Vienna against Austrian credit institutions, among them Erste Group Bank, requesting compensation for their losses as bondholders following the bankruptcy of the issuer of such corporate bonds in 2013. The plaintiffs argue in essence that the defendant credit institutions, who acted as joint-lead managers in the issuing of the respective bond, already knew of the insolvency status of the issuer at such time and should be liable for the issuing prospectus failing to state this. Erste Group Bank, together with a second Austrian credit institution, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank rejects the claims.

## **BCR Banca pentru Locuinte dispute**

In 2015, the Romanian Court of Accounts ("**CoA**") conducted an audit review in BCR Banca Pentru Locuinte ("**BpL**") in order to assess whether the credit institution has allocated the state subsidies to its clients in accordance with the applicable legal provisions. Following the review, the CoA claims that several deficiencies were identified and that conditions for state subsidies have not been met. BpL did not accept the position taken by the CoA and initiated a contestation process which is currently ongoing. The obligation of repayment of subsidies under the CoA decision has been temporary suspended through an injunction granted to the credit institution in the court of first instance.

## 8. MATERIAL CONTRACTS

Erste Group Bank and its subsidiaries have not entered into any material contracts, other than contracts entered into in the ordinary course of business, which could result in any member of Erste Group being under an obligation or entitlement that is material to Erste Group Bank's ability to meet its obligation to Holders in respect of the Notes, except for the following agreements which have been in place before:

### **Cooperation between Erste Group Bank and Vienna Insurance Group**

Erste Group Bank and Vienna Insurance Group AG Wiener Versicherung Gruppe ("**VIG**") are parties to a general distribution agreement concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. In case of a change of control of Erste Group Bank, VIG has the right to terminate the general distribution agreement, and in case of a change of control of VIG, Erste Group Bank has a reciprocal right. A change of control is defined, with respect to Erste Group Bank, as the acquisition of Erste Group Bank by any person other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank's voting shares, and with respect to VIG, as the acquisition of VIG by any person other than Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group of 50% plus one share of VIG's voting shares. If VIG elects to terminate the general distribution agreement after a change of control of Erste Group Bank has occurred, it may choose to ask for a reduction of the original purchase price that it and its group companies have paid for the shares in the CEE insurance companies of Erste Group. The rebate corresponds to the difference between the purchase price and the embedded value and is reduced to zero on a linear scale from March 2013 to March 2018.

Erste Group Bank and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as described above), each party has a termination right. If Erste Group Bank elects to terminate the asset management agreement following such a change of control of VIG, because the new controlling shareholders of VIG no longer support the agreement, it may choose to ask for a full refund of the purchase price that it has paid for 95% of Ringturm Kapitalanlagegesellschaft m.b.H., the asset management company performing the services under the asset management agreement. The refund decreases on a linear scale down to zero from October 2013 to October 2018.

### **New Haftungsverbund Agreement**

On 1 January 2014, Erste Group Bank and its subsidiary Erste Bank Oesterreich entered with the savings banks into the second supplementary agreement (Zweite Zusatzvereinbarung) to the Haftungsverbund ("**Haftungsverbund 3**"). The cooperation between Erste Group and the savings banks was hereby further intensified. The aim of the agreement is the intensification of the group steering, the setting up of an institutional protection scheme (Article 113 (7) CRR) and a cross-guarantee scheme (Article 4 (1)(127) CRR) in order to fulfil the requirements of Article 84 (6) CRR for being exempted from the deduction of any minority interest and thus, being entitled to recognize any minority interest arising within the cross-guarantee scheme in full as well as in light of IFRS 10 to strengthen Erste Group Bank's power in the provisions of the agreement governing the Haftungsverbund 3.

## Syndicate Agreements

From 2013 until beginning of 2017, syndicate agreements among Erste Stiftung on the one hand and (i) the Sparkassenstiftungen and Anteilsverwaltungsparkassen, the (ii) Sparkassen which are members of Haftungsverbund 3, (iii) CaixaBank S.A. and (iv) Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung– Vienna Insurance Group on the other hand were concluded. Each of these syndicate agreements constitutes a subordination-syndicate, which requires the syndicate partners to vote in line with Erste Stiftung in case of appointments of members of the supervisory board. Furthermore, the syndicate agreements foresee the establishment of a monitoring system in order to avoid unintended creeping.

## Investment by EBRD and the Hungarian Government in Erste Bank Hungary – Contractual Framework

On 9 February 2015, the Government of Hungary and the European Bank for Reconstruction and Development ("**EBRD**") sealed an agreement ("**Memorandum of Understanding**") aiming at strengthening Hungary's financial sector, improving its level of efficiency and profitability and boosting the flow of bank credits to Hungary's private corporations and citizens. In this context, the Issuer announced that it has invited the Government of Hungary and the EBRD to invest in EBH by acquiring a minority stake of up to 15% each. On 20 June 2016, Hungary, acting through the state-owned entity Corvinus Zrt. in this transaction, and the EBRD signed the contractual framework (the "**Contractual Framework**") with the Issuer on the transaction. The Issuer and the two buyers negotiated a purchase price of HUF 77.78 billion for the in total 30% stake in EBH. Prior to completion of the transaction, the Issuer strengthened the capital base of EBH by subscribing the new shares required for the execution of sale of the 30% stake in EBH. Closing of the transaction took place on 11 August 2016 when the new statutes of EBH were approved by the shareholders, after fulfilment of all conditions precedent, in particular after having obtained the approval of the competent authorities as well as after the fulfilment of certain conditions by the involved parties. EBH remains majority-owned by the Issuer. All the changes in the company register related to EBH's new ownership structure have been registered by the court of registry. On the basis of their proportionate rights as minority shareholders, the Government of Hungary and the EBRD each had the right to appoint one non-executive member of EBH's management board and one member of EBH's supervisory board. The new members of the board of directors and the supervisory board delegated by Corvinus Zrt. and EBRD have been appointed by EBH and approved by the Hungarian National Bank (except for the delegated person to EBH's supervisory board by EBRD, which is in progress). The parties have also agreed to a pre-determined exit mechanism for the involved minority shareholdings: the put and call option scheme grants Corvinus Zrt. the right to exit any time and the Issuer the right to exercise the call option five years after the sale of the minority shareholding at the earliest; in the case of EBRD, the put and call options are exercisable any time between five and nine years after the acquisition of the minority shareholding by EBRD.

# 9. TAXATION

## 9.1 AUSTRIA

### General remarks

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes shall in any case be borne by the investor. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

The Issuer assumes no responsibility with respect to taxes withheld at source.

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in § 26 of the Austrian Federal Fiscal Procedures Act (*Bundesabgabenordnung*), in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*), both as defined in § 27 of the Austrian Federal Fiscal Procedures Act, in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### Income taxation of the Notes

Pursuant to § 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to § 27(2) of the Austrian Income Tax Act, including dividends and interest; the tax basis is the amount of the earnings received (§ 27a(3)(1) of the Austrian Income Tax Act);
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to § 27(3) of the Austrian Income Tax Act, including gains from the alienation, redemption and other realisation of assets that lead to income from the letting of capital (including zero coupon bonds); the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs, in each case including accrued interest (§ 27a(3)(2)(a) of the Austrian Income Tax Act); and



- income from derivatives (*Einkünfte aus Derivaten*) pursuant to § 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates (the mere exercise of an option does not trigger tax liability); e.g., in the case of index certificates, the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs (§ 27a(3)(3)(c) of the Austrian Income Tax Act).

Also the withdrawal of the Notes from a securities account (*Depotentnahme*) and circumstances leading to a restriction of Austria's taxation right regarding the Notes *vis-à-vis* other countries, e.g. a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (*cf.* § 27(6) of the Austrian Income Tax Act). The tax basis amounts to the fair market value minus the acquisition costs (§ 27a(3)(2)(b) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to withholding tax (*Kapitalertragsteuer*) at a flat rate of 27.5%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to § 97(1) of the Austrian Income Tax Act). In case of investment income from the Notes without an Austrian nexus, the income must be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The acquisition costs must not include ancillary acquisition costs (*Anschaffungsnebenkosten*; § 27a(4)(2) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. § 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may be neither offset against interest from bank accounts and other non-securitized claims *vis-à-vis* credit institutions (except for cash settlements and lending fees) nor against income from private foundations, foreign private law foundations and other comparable legal estates (*Privatstiftungen, ausländische Stiftungen oder sonstige Vermögensmassen, die mit einer Privatstiftung vergleichbar sind*); income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income. The Austrian custodian agent has to effect the offsetting of losses by taking into account all of a taxpayer's securities accounts with the custodian agent, in line with § 93(6) of the Austrian Income Tax Act, and to issue a written confirmation to the taxpayer to this effect.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus, the income is subject to withholding tax at a flat rate of 27.5%. While withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must be included in the investor's income tax return (nevertheless income tax at the flat rate of 27.5%). In case of investment income from the Notes without an Austrian nexus, the income must always be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The special tax rate does not apply to income from realised increases in value and income from derivatives if this type of income

constitutes a key area of the respective investor's business activity (§ 27a(6) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. Pursuant to § 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of § 27(3) and (4) of the Austrian Income Tax Act, which are subject to income tax at the flat rate of 27.5%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets within the same business unit (*Wirtschaftsgüter desselben Betriebes*); only 55% of the remaining negative difference may be offset against other types of income.

Pursuant to § 7(2) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes at a rate of 25%. In the case of income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes with an Austrian nexus, the income is subject to withholding tax at a flat rate of 27.5%. However, a 25% rate may pursuant to § 93(1a) of the Austrian Income Tax Act be applied by the withholding agent, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the corporate income tax liability. Under the conditions set forth in § 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Losses from the alienation of the Notes can be offset against other income.

Pursuant to § 13(3)(1) in connection with § 22(2) of the Austrian Corporate Income Tax Act, private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in § 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Notes as non-business assets are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives (*inter alia*, if the latter are in the form of securities). Pursuant to the Austrian tax authorities' view, the acquisition costs must not include ancillary acquisition costs. Expenses such as bank charges and custody fees must not be deducted (§ 12(2) of the Austrian Corporate Income Tax Act). Interim tax does generally not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. In case of investment income from the Notes with an Austrian nexus, the income is in general subject to withholding tax at a flat rate of 27.5%. However, a 25% rate may pursuant to § 93(1a) of the Austrian Income Tax Act be applied by the withholding agent, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the tax falling due. Under the conditions set forth in § 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes are attributable to such permanent establishment (*cf.* § 98(1)(3) of the Austrian Income Tax Act, § 21(1)(1) of the Austrian Corporate Income Tax Act). In addition, individuals subject to limited income tax liability in Austria are also taxable on interest in the sense of § 27(2)(2) of the Austrian Income Tax Act and accrued interest (including from zero coupon bonds) in the sense of § 27(6)(5) of the Austrian Income Tax Act from the Notes if the (accrued) interest has an Austrian nexus and if withholding tax is levied on such (accrued) interest. This does not apply to individuals being resident in a state with which automatic exchange of information exists. Interest with an Austrian nexus is interest the debtor of which has its place of management and/or its legal seat in Austria or is an Austrian branch of a non-Austrian credit institution; accrued interest with an Austrian nexus is accrued interest from securities issued by an Austrian issuer (§ 98(1)(5)(b) of the Austrian Income Tax Act). Under applicable double taxation treaties, relief from Austrian income tax might be available. However, Austrian credit institutions must not provide for such relief at source; instead, the investor may file an application for repayment of tax with the competent Austrian tax office.

## Austrian inheritance and gift tax

Austria does not levy inheritance or gift tax.

Certain gratuitous transfers of assets to private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer Tax Act (*Stiftungseingangssteuergesetz*) if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of management in Austria. Certain exemptions apply in cases of transfers *mortis causa* of financial assets within the meaning of § 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate generally is 2.5%, with higher rates applying in special cases.

In addition, there is a special notification obligation for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Transfer Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may trigger fines of up to 10% of the fair market value of the assets transferred.

Further, gratuitous transfers of the Notes may trigger income tax at the level of the transferor pursuant to § 27(6) of the Austrian Income Tax Act (see above).

## 9.2 UNITED STATES (FATCA)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as "**FATCA**", a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Austria) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Further, Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## 10. SUBSCRIPTION AND SALE

The sale and/or distribution of the Notes may be subject to restrictions in various jurisdictions. The Issuer may from time to time request the FMA to provide to competent authorities of Member States of the European Economic Area a notification concerning the approval of the Prospectus.

Except for publishing and filing this Prospectus, the Issuer has not taken any measures and will not take any measure in order to make the public offer of the Notes or their possession or the distribution of offer documents relating to the Notes permissible in a jurisdiction where special measures have to be taken for this purpose. Notes may be offered, sold, or delivered within a jurisdiction or originating from a jurisdiction only, if this is permitted pursuant to applicable laws and other legal provisions and if no obligations arise for the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act. Except in certain transactions exempt from the registration requirements of the Securities Act, the Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act).

The Notes will not be offered, sold or delivered within the United States or to U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes of the Tranche of which such Notes are a part, an offer or sale of the Notes within the United States may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered or sold in the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

### Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948 as amended, the "**FIEA**") and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws and regulations of Japan.

### European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation hereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3 (2) of the Prospectus Directive in that Relevant Member State (a "**Non-Exempt Offer**"), following the date of publication of a prospectus in relation to such

Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-Exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-Exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers offering the Notes in the Relevant Member State nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3 (2) of the Prospectus Directive or pursuant to any applicable national law of any Relevant Member State,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended including by Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014), and includes any relevant implementing measure in that Relevant Member State.

## United Kingdom

Any offeror of Notes will be required to represent and agree that:

- (a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21 (1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer.

## **RESPONSIBILITY STATEMENT OF ERSTE GROUP BANK AG**

Erste Group Bank AG, with its registered office at Am Belvedere 1, A-1100 Vienna, Austria, is responsible for the information given in this Prospectus.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect its import.

Vienna, 3 February 2017

Erste Group Bank AG

as Issuer

Oswald Huber

Head of Group Markets

Bernhard Leder

Head of Group Markets Origination and  
Funding

## GLOSSARY AND LIST OF ABBREVIATIONS

For ease of reference, the glossary below sets out certain abbreviations and meanings of certain terms used in this Prospectus. Readers of the Prospectus should always have regard to the full description of a term contained in this Prospectus.

<b>AB</b>	advisory board
<b>Acceleration Event</b>	the Acceleration Event in the meaning of § 4 of the Issue Specific Conditions
<b>Acceleration Event Notice</b>	the Acceleration Event Notice as defined in § 2 and/or § 3 of the Issue Specific Conditions
<b>Acceleration Event Redemption Amount</b>	the Acceleration Event Redemption Amount in the meaning of § 3 of the Issue Specific Conditions
<b>Additional Amounts</b>	the Additional Amounts as defined in § 7 of the General Conditions
<b>Aggregate Principal Amount</b>	the Aggregate Principal Amount as defined in § 1 of the Issue Specific Conditions
<b>Amount of Interest</b>	the Amount of Interest as defined in § 2 of the Issue Specific Conditions
<b>Applicable Exchange Rate</b>	the Applicable Exchange Rate as defined in § 5 of the Issue Specific Conditions
<b>AT 1</b>	own funds pursuant to Article 51 CRR ( <i>Additional Tier 1</i> )
<b>Audited Consolidated Financial Statements 2014</b>	the German language version of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2014
<b>Audited Consolidated Financial Statements 2015</b>	the German language version of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2015
<b>Austrian Savings Banks Sector</b>	the Austrian Savings Banks Sector which comprises all savings banks in Austria, except for UniCredit Bank Austria AG which is legally organised as a savings bank and participates in the savings banks deposit insurance system
<b>Banking Union</b>	an EU-level banking supervision and resolution system which operates on the basis of EU-wide rules. It consists of all euro area countries and those EU member states that choose to participate.
<b>Bankruptcy</b>	Bankruptcy as defined in § 4 of the Issue Specific Conditions
<b>BaSAG</b>	Austrian Recovery and Resolution Act ( <i>Sanierungs- und Abwicklungsgesetz – BaSAG</i> )

<b>Basel III</b>	(final) international regulatory framework for credit institutions published in June 2011 and January 2013 by the BCBS
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>BCR</b>	Banca Comercială Română S.A.
<b>Bond</b>	a Bond as defined in § 4 of the Issue Specific Conditions
<b>BRRD</b>	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council ( <i>Bank Recovery and Resolution Directive - BRRD</i> )
<b>Business Day</b>	a Business Day as defined in § 1 of the Issue Specific Conditions
<b>BWG</b>	Austrian Banking Act ( <i>Bankwesengesetz – BWG</i> )
<b>Calculation Agent</b>	Erste Group Bank AG pursuant to § 6 of the General Conditions
<b>Cash Settlement Date</b>	the Cash Settlement Date as defined in § 3 of the Issue Specific Conditions
<b>CEE</b>	Central Eastern Europe
<b>Česká spořitelna</b>	Česká spořitelna, a.s.
<b>CET 1</b>	own funds pursuant to Article 26 CRR ( <i>Common Equity Tier 1</i> )
<b>CHF</b>	Swiss Francs
<b>Clearing System</b>	a Clearing System as defined in § 2 of the General Conditions
<b>Conditions</b>	means the Conditions applicable to the Notes consisting of the General Conditions and the Issue Specific Conditions
<b>CRA Regulation</b>	Regulation (EC) No 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies ( <i>Credit Rating Agency Regulation</i> )
<b>CRD IV</b>	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ( <i>Capital Requirements Directive IV - CRD IV</i> )



<b>Credit Derivatives Definitions</b>	the 2014 Credit Derivatives Definitions as published by ISDA.
<b>Credit Event</b>	a Credit Event in the meaning of § 4 of the Issue Specific Conditions
<b>Cross Currency Note</b>	a Note where the Reference Obligation is denominated in another currency as the currency of the Note
<b>CRR</b>	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ( <i>Capital Requirements Regulation - CRR</i> )
<b>Custodian</b>	a Custodian as defined in § 11 of the General Conditions
<b>DC Secretary</b>	the DC Secretary as defined in § 2 of the Issue Specific Conditions
<b>Day Count Fraction</b>	the Day Count Fraction as defined in § 2 of the Issue Specific Conditions
<b>Dealers</b>	the Dealers as defined in § 3 of the Issue Specific Conditions
<b>Default Requirement</b>	a Default Requirement as defined in § 4 of the Issue Specific Conditions
<b>Determinations Committee</b>	a Credit Derivatives Determinations Committee established by ISDA
<b>Determination Period</b>	the Determination Period as defined in § 2 of the Issue Specific Conditions
<b>Determination Date</b>	the Determination Date as defined in § 2 of the Issue Specific Conditions
<b>DGS</b>	Deposit Guarantee Schemes which were introduced in the EU in 1994
<b>DGSD</b>	Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes
<b>Die Erste</b>	DIE ERSTE österreichische Spar-Casse Bank Aktiengesellschaft
<b>Domestic Currency</b>	the Domestic Currency as defined in § 4 of the Issue Specific Conditions
<b>EBA</b>	European Banking Authority
<b>EBC</b>	Erste Bank Croatia
<b>EBH</b>	Erste Bank Hungary
<b>EBRD</b>	European Bank for Reconstruction and Development

<b>ECB</b>	European Central Bank
<b>EEA</b>	European Economic Area
<b>EFSF</b>	European Financial Stability Facility
<b>EIB</b>	European Investment Bank
<b>Erste Bank Croatia</b>	Erste & Steiermärkische Bank, d.d.
<b>Erste Bank Hungary</b>	Erste Bank Hungary Zrt.
<b>Erste Bank Oesterreich</b>	Erste Bank der oesterreichischen Sparkassen AG
<b>Erste Bank Serbia</b>	Erste Bank a.d., Novi Sad
<b>Erste Bank Ukraine</b>	JSC Erste Bank
<b>Erste Group</b>	consists of Erste Group Bank and its subsidiaries and participations, including Erste Bank Oesterreich in Austria, Česká spořitelna in the Czech Republic, Banca Comercială Română in Romania, Slovenská sporiteľňa in the Slovak Republic, Erste Bank Hungary in Hungary, Erste Bank Croatia in Croatia, Erste Bank Serbia in Serbia and, in Austria, savings banks of the Haftungsverbund, s-Bausparkasse, Erste Group Immorent AG, and others
<b>Erste Group Bank</b>	Erste Group Bank AG
<b>Erste Stiftung</b>	DIE ERSTE österreichische Spar-Casse Privatstiftung
<b>ESAEG</b>	Austrian Deposit Guarantee and Investor Protection Act ( <i>Einlagensicherungs- und Anlegerentschädigungsgesetz - ESAEG</i> )
<b>ESM</b>	European Stability Mechanism
<b>ESRB</b>	European Systemic Risk Board
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>Failure to Pay</b>	a Failure to Pay as defined in § 4 of the Issue Specific Conditions
<b>FATCA</b>	certain provisions of the U.S. Internal Revenue Code of 1986 commonly known as the U.S. Foreign Account Tax Compliance Act
<b>FBSchVG</b>	Austrian Act on Covered Bank Bonds ( <i>Gesetz betreffend fundierte Bankschuldverschreibungen</i> )
<b>FED</b>	U.S. Federal Reserve Bank

<b>FIEA</b>	Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948)
<b>Final Redemption Amount</b>	the Final Redemption Amount as defined in § 3 of the Issue Specific Conditions
<b>Final Terms</b>	Final Terms setting forth the applicable terms and conditions for Notes issued under this Prospectus, a form of which is included in this Prospectus
<b>First Obligation</b>	a First Obligation as defined in § 4 of the Issue Specific Conditions
<b>Fitch</b>	Fitch Ratings Ltd
<b>Fixed Cap</b>	a Fixed Cap as defined in § 4 of the Issue Specific Conditions
<b>FMA</b>	Austrian Financial Market Authority ( <i>Finanzmarktaufsichtsbehörde - FMA</i> )
<b>FSMA</b>	UK Financial Services and Markets Act 2000
<b>FTT</b>	financial transaction tax, the introduction of which has been proposed by the European Commission in September 2011
<b>FX loans</b>	loans which are denominated in currencies other than their relevant local currencies
<b>GDP</b>	gross domestic product
<b>General Conditions</b>	the general conditions which apply to all issues and which are included in Part A of the Terms and Conditions
<b>GiroCredit</b>	GiroCredit Bank Aktiengesellschaft der Sparkassen
<b>Global Note</b>	a global note in bearer form by which each Series or Tranche of a Series of Notes will be represented
<b>Governmental Authority</b>	a Governmental Authority as defined in § 4 of the Issue Specific Conditions
<b>Governmental Intervention</b>	a Governmental Intervention as defined in § 4 of the Issue Specific Conditions
<b>Grace Period</b>	a Grace Period as defined in § 4 of the Issue Specific Conditions
<b>Grace Period Business Day</b>	a Grace Period Business Day as defined in § 4 of the Issue Specific Conditions
<b>G-SIIs</b>	global systemically important institutions
<b>Haftungsverbund</b>	cross guarantee system that was formed on the basis of a set of agreements ( <i>Grundsatzvereinbarung</i> ) with the majority of the

	Austrian savings banks
<b>Holder(s)</b>	a holder of the Notes or together the holders of the Notes as defined in § 2 of the General Conditions
<b>HRK</b>	Croatian Kuna
<b>HUF</b>	Hungarian Forint
<b>HypBG</b>	Austrian Mortgage Bank Act ( <i>Hypothekenbankgesetz – HypBG</i> )
<b>IAS</b>	International Accounting Standards
<b>ICMA</b>	International Capital Markets Association
<b>IFRS</b>	International Financial Reporting Standards
<b>IGAs</b>	intergovernmental agreements entered into between a number of jurisdictions and the United States to implement FATCA
<b>IMF</b>	International Monetary Fund
<b>Interest Commencement Date</b>	the Interest Commencement Date as defined in § 2 of the Issue Specific Conditions
<b>Interest Payment Date</b>	an Interest Payment Date as defined in § 2 of the Issue Specific Conditions
<b>Interest Period</b>	an Interest Period as defined in § 2 of the Issue Specific Conditions
<b>Interest Rate Swaps</b>	Interest Rate Swaps as defined in § 3 of the Issue Specific Conditions
<b>Intermediaries</b>	a financial institution, broker, agent or other intermediary
<b>ISDA</b>	International Swaps and Derivatives Association, Inc.
<b>ISDA Business Day</b>	an ISDA Business Day as defined in § 2 and/or § 3 of the Issue Specific Conditions
<b>ISIN</b>	International Securities Identification Number
<b>Issue Specific Conditions</b>	the issue specific conditions which contain all variable or optional conditions which may apply for a specific issue and which are included in Part B of the Terms and Conditions
<b>Issuer</b>	Erste Group Bank AG
<b>KMG</b>	Austrian Capital Market Act ( <i>Kapitalmarktgesetz - KMG</i> )
<b>Last Credit Event Observation Date</b>	the Last Credit Event Observation Date as defined in § 4 of the Issue Specific Conditions

<b>Liquidation Date</b>	a Liquidation Date as defined in § 3 of the Issue Specific Conditions
<b>Liquidity Reserve</b>	a specified amount of savings deposits and other Euro deposits that Austrian Savings Banks are required to hold with Erste Group Bank, as the central institution ( <i>Zentralinstitut</i> ) of the savings bank group pursuant to the BWG
<b>Loan</b>	a Loan as defined in § 4 of the Issue Specific Conditions
<b>Management Board</b>	the management board ( <i>Vorstand</i> ) of the Issuer
<b>Managers</b>	the institutions that are specified as Managers in the final terms of each Tranche of Notes as underwriting or placing the Notes
<b>Margin</b>	the margin on the mathematical ("fair") price of the Notes which may be included in the sales price of the Notes
<b>Market</b>	the Second Regulated Market ( <i>Geregelter Freiverkehr</i> ) of the Vienna Stock Exchange ( <i>Wiener Börse AG</i> )
<b>Maturity Date</b>	the Maturity Date as defined in § 3 of the Issue Specific Conditions
<b>MB</b>	the management board ( <i>Vorstand</i> )
<b>MiFID</b>	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC ( <i>Markets in Financial Instruments Directive - MiFID</i> )
<b>MiFID II</b>	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ( <i>Markets in Financial Instruments Directive II – MiFID II</i> )
<b>MiFIR</b>	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ( <i>Markets in Financial Instruments Regulation – MiFIR</i> )
<b>Moody's</b>	Moody's Deutschland GmbH
<b>MREL</b>	minimum requirement for own funds and eligible liabilities
<b>NCA</b>	national competent authorities
<b>Non-Exempt Offer</b>	an offer of Notes other than pursuant to Article 3 (2) of the Prospectus Directive
<b>Not Domestic Currency</b>	a Not Domestic Currency as defined in § 4 of the Issue Specific

	Conditions
<b>Not Domestic Issuance</b>	a Not Domestic Issuance as defined in § 4 of the Issue Specific Conditions
<b>Not Domestic Law</b>	a Not Domestic Law as defined in § 4 of the Issue Specific Conditions
<b>Not Subordinated</b>	Not Subordinated as defined in § 4 of the Issue Specific Conditions
<b>Notes</b>	Notes issued under the Programme
<b>NPL</b>	non-performing loans
<b>Obligation</b>	an Obligation as defined in § 4 of the Issue Specific Conditions
<b>Obligation Acceleration</b>	an Obligation Acceleration as defined in § 4 of the Issue Specific Conditions
<b>OeKB CSD</b>	OeKB CSD GmbH, Strauchgasse 1-3, A-1010 Vienna, Austria
<b>Offer of Notes to the public</b>	a communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State
<b>O-SII buffer</b>	capital buffer relating to other systemically important institutions (O-SIIs)
<b>Participating Member States</b>	the Member States participation in the enhanced cooperation in the area of financial transaction tax pursuant to the proposal for a "Council Directive implementing enhanced cooperation in the area of financial transaction tax", dated 14 February 2013
<b>Paying Agent</b>	the paying agent pursuant to § 6 of the General Conditions
<b>Payment Requirement</b>	a Payment Requirement as defined in § 4 of the Issue Specific Conditions
<b>Permanent Global Note</b>	a Permanent Global Note as defined in § 1 of the General Conditions
<b>Potential Failure to Pay</b>	a Potential Failure to Pay as defined in § 4 of the Issue Specific Conditions
<b>Potential Repudiation/Moratorium</b>	a Potential Repudiation/Moratorium as defined in § 4 of the Issue Specific Conditions
<b>Principal Amount per Note</b>	the Principal Amount per Note as defined in § 1 of the Issue Specific Conditions

<b>Programme</b>	the Programme of Erste Group Bank AG for the issuance of Notes which is established by this Prospectus
<b>Prospectus</b>	this Prospectus
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC
<b>Prospectus Regulation</b>	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended
<b>Qualifying Affiliate Guarantee</b>	a Qualifying Affiliate Guarantee as defined in § 4 of the Issue Specific Conditions
<b>Qualifying Guarantee</b>	a Qualifying Guarantee as defined in § 4 of the Issue Specific Conditions
<b>Redemption Price</b>	the Redemption Price as defined in § 3 of the Issue Specific Conditions
<b>Reference Entity</b>	the Reference Entity in the meaning of § 2 and/or § 3 of the Issue Specific Conditions
<b>Reference Obligation</b>	the Reference Obligation in the meaning of § 3 of the Issue Specific Conditions
<b>Reference Obligation Event</b>	a Reference Obligation Event in the meaning of § 4 of the Issue Specific Conditions
<b>Reference Obligation Liquidation Proceeds</b>	Reference Obligation Liquidation Proceeds as defined in § 3 of the Issue Specific Conditions
<b>Reference Obligation Nominal Amount</b>	the Reference Obligation Nominal Amount as defined in § 3 of the Issue Specific Conditions
<b>Reference Obligation Scheduled Payment Deficiency</b>	a Reference Obligation Scheduled Payment Deficiency in the meaning of § 4 of the Issue Specific Conditions
<b>Relevant Implementation Date</b>	the date on which the Prospectus Directive is implemented in a Relevant Member State
<b>Relevant Member State</b>	Member State of the European Economic Area which has implemented the Prospectus Directive

<b>Replacement Entitlement</b>	a Replacement Entitlement as defined in § 3 of the Issue Specific Conditions
<b>Repudiation/Moratorium</b>	a Repudiation/Moratorium as defined in § 4 of the Issue Specific Conditions
<b>Repudiation/Moratorium Evaluation Date</b>	a Repudiation/Moratorium Evaluation Date as defined in § 4 of the Issue Specific Conditions
<b>Repudiation/Moratorium-Extension Notice</b>	a Repudiation/Moratorium-Extension Notice as defined in § 4 of the Issue Specific Conditions
<b>Restructuring</b>	Restructuring as defined in § 4 of the Issue Specific Conditions
<b>Restructuring Obligation</b>	a Restructuring Obligation as defined in § 4 of the Issue Specific Conditions
<b>ROTE</b>	Return on Tangible Equity
<b>RWA</b>	risk-weighted assets
<b>Salzburger Sparkasse</b>	Salzburger Sparkasse Bank AG
<b>SB</b>	supervisory board ( <i>Aufsichtsrat</i> )
<b>s-Bausparkasse</b>	Bausparkasse der österreichischen Sparkassen Aktiengesellschaft
<b>Scheduled Last Credit Event Observation Date</b>	the Scheduled Last Credit Event Observation Date as defined in § 4 of the Issue Specific Conditions
<b>Second Obligation</b>	a Second Obligation as defined in § 4 of the Issue Specific Conditions
<b>Securities Act</b>	United States Securities Act of 1933
<b>Selected Dealer</b>	a Selected Dealer as defined in § 3 of the Issue Specific Conditions
<b>Series</b>	Series of Notes as specified in the Final Terms
<b>Slovenská sporiteľňa</b>	Slovenská sporiteľňa, a.s.
<b>SME</b>	small and medium enterprises
<b>Specified Denomination</b>	the Specified Denomination as defined in § 1 of the Issue Specific Conditions
<b>SRB</b>	Single Resolution Board
<b>SRM</b>	Single Resolution Mechanism
<b>SRMR</b>	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a



uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (*Single Resolution Mechanism Regulation – SRMR*)

<b>SSM</b>	Single Supervisory Mechanism
<b>Standard &amp; Poor's</b>	Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland)
<b>Steering Company</b>	Haftungsverbund GmbH
<b>Subordination</b>	Subordination as defined in § 4 of the Issue Specific Conditions
<b>Subsidiary</b>	a Subsidiary as defined in § 10 of the General Conditions
<b>Successor</b>	the Successor as defined in § 2 and/or § 3 of the Issue Specific Conditions
<b>Successor Currency</b>	the Successor Currency as defined in § 5 of the Issue Specific Conditions
<b>Supervisory Board</b>	the supervisory board ( <i>Aufsichtsrat</i> ) of the Issuer
<b>Swap Agreement</b>	a Swap Agreement the Successor Currency as defined in § 3 of the Issue Specific Conditions
<b>t</b>	the number of calendar days during the Calculation Period
<b>TARGET</b>	Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor
<b>Taxes</b>	Taxes as defined in § 7 of the General Conditions
<b>Terms and Conditions</b>	the terms and conditions of the Notes which are composed of the Issue Specific Conditions and the General Conditions and which are set out on pages 50 <i>et seqq</i> of this Prospectus
<b>Tier 2</b>	own funds pursuant to Article 62 CRR ( <i>Tier 2</i> )
<b>Tiroler Sparkasse</b>	Tiroler Sparkasse Bankaktiengesellschaft Innsbruck
<b>TLAC</b>	Total Loss-Absorbing Capacity
<b>Tranche</b>	a tranche of a Series of Notes
<b>Type of Reference Entity</b>	the Type of Reference Entity as defined in § 2 and/or § 3 of the Issue Specific Conditions
<b>Unaudited Interim Condensed Consolidated Financial Statements as of</b>	the English translation of the unaudited interim condensed consolidated financial statements of Erste Group for the first nine

<b>30 September 2016</b>	months period ended 30 September 2016
<b>Underlying Obligation</b>	an Underlying Obligation as defined in § 4 of the Issue Specific Conditions
<b>Underlying Obligor</b>	an Underlying Obligor as defined in § 4 of the Issue Specific Conditions
<b>Unscheduled Redemption of the Reference Obligation</b>	a Unscheduled Redemption of the Reference Obligation in the meaning of § 4 of the Issue Specific Conditions
<b>USD</b>	the currency of the United States of America
<b>Value Deterioration Trigger Event</b>	a Value Deterioration Trigger Event in the meaning of § 4 of the Issue Specific Conditions
<b>Vienna Stock Exchange</b>	Wiener Börse
<b>VIG</b>	Vienna Insurance Group

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*To Erste Group Bank as to Austrian law*

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