

Erste Group Bank AG

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

EUR 2,000,000,000

Additional Tier 1 Notes Programme

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 direct, unsecured and subordinated debt securities constituting Additional Tier 1 instruments pursuant to Article 52 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation, as amended from time to time, the "**CRR**"), as further specified in the relevant Final Terms (as defined herein) in the English language under German law (the "**Notes**"). The Programme foresees two different options of terms & conditions under which Notes may be issued depending on the type of distribution which applies to the Notes as specified in the Final Terms. Accordingly, the following types of Notes may be issued under the Programme: (i) Notes which commence with a fixed distribution rate which is superseded by a different fixed distribution rate (Option I), and (ii) Notes which commence with a fixed distribution rate which is superseded by a floating distribution rate (Option II). The Notes will have a perpetual term and a minimum denomination of EUR 100,000 (or the equivalent in other currencies). The aggregate principal amount of Notes outstanding (i.e. Notes not redeemed) will not at any one time exceed EUR 2,000,000,000 (or the equivalent in other currencies).

This Prospectus (the "**Prospectus**") has been drawn up in accordance with Annexes XI and XIII of Commission Regulation (EC) No 809/2004 dated 29 April 2004, as lastly amended by Commission Regulation (EU) No 759/2013 dated 30 April 2013 (the "**Prospectus Regulation**") and has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*, the "**FMA**") in its capacity as competent authority under the Austrian Capital Market Act (*Kapitalmarktgesetz*, the "**KMG**") for approval of this Prospectus. **The accuracy of the information contained in this Prospectus does not fall within the scope of examination by the FMA under applicable Austrian law and the Prospectus Directive 2003/71/EC, as amended. The FMA examines the Prospectus only in respect of its completeness, coherence and comprehensibility pursuant to section 8a of the KMG.**

Application may be made for the Programme and/or the Notes to be admitted to the "*Amtlicher Handel*" (Official Market) and the "*Geregelter Freiverkehr*" (Second Regulated Market) (together, the "**Markets**") of the *Wiener Börse* (the "**Vienna Stock Exchange**"). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the Markets, each of which is a regulated market for the purposes of the Directive 2004/39/EC on markets in financial instruments, as amended ("**MiFID**"). Unlisted Notes may be issued pursuant to this Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be admitted to trading on the Markets (or, upon provision of the competent authorities in other host Member States within the European Economic Area ("**EEA**") with a certificate of approval of the FMA attesting that this Prospectus has been drawn up in accordance with Article 5(4) of 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 2010/73/EU, the "**Prospectus Directive**"), any other market and/or stock exchange in such other Member State).

Each Tranche (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (a "**temporary Global Note**") or a permanent global note in bearer form (a "**permanent Global Note**" and each of the temporary Global Note and permanent Global Note, a "**Global Note**"). Global Notes will be deposited on the issue date with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or with Oesterreichische Kontrollbank Aktiengesellschaft ("**OeKB**") or with a depositary on behalf of OeKB or with or on behalf of the Issuer.

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

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

Arranger

Barclays

Dealers

Barclays

Erste Group Bank AG



Prospectus dated 23 June 2014

*This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive as amended (which includes the amendments made by the Directive 2010/73/EU to the extent implemented in the relevant Member State) and the KMG, and for the purpose of giving information with regard to the Issuer and its subsidiaries and affiliates taken as a whole (the "**Erste Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.*

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

*No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or of Barclays Bank PLC (the "**Arranger**") or the Dealers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Erste Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Erste Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

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

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

Neither the Arranger nor the Dealers have independently verified the information contained in this Prospectus. None of the Arranger or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any financial statements supplied in connection with the Programme or any Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus or any financial statements and its purchase of Notes should be based upon any such investigation as it

deems necessary. None of the Arranger or the Dealers undertakes to review the financial condition or affairs of the Issuer or the Erste Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger or the Dealers.

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

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

TABLE OF CONTENTS

TABLE OF CONTENTS.....	4
DOCUMENTS INCORPORATED BY REFERENCE	6
DOCUMENTS FOR INSPECTION.....	7
SUPPLEMENT TO THIS PROSPECTUS	7
SOURCES OF INFORMATION.....	7
CONSENT TO USE PROSPECTUS.....	8
FORWARD-LOOKING STATEMENTS	8
1. RISK FACTORS	10
RISKS RELATED TO THE BUSINESS OF ERSTE GROUP	10
RISKS RELATED TO THE MARKETS IN WHICH ERSTE GROUP OPERATES	28
RISKS RELATED TO THE NOTES GENERALLY	32
RISKS RELATED TO THE MARKET GENERALLY.....	42
RISKS RELATED TO FATCA.....	47
2. GENERAL INFORMATION	50
3. TERMS AND CONDITIONS OF THE NOTES	52
4. FORM OF FINAL TERMS	89
5. USE OF PROCEEDS	94
6. ERSTE GROUP BANK AG	95
6.1 INTRODUCTION	95
6.2 BACKGROUND	95
6.3 SHARE CAPITAL OF ERSTE GROUP BANK	95
6.4 BUSINESS OVERVIEW	96
6.5 CURRENT REGULATORY TOPICS	109
6.6 CREDIT RATINGS.....	111
6.7 RECENT DEVELOPMENTS	113
7. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES	114
MANAGEMENT BOARD	114
SUPERVISORY BOARD.....	116
REPRESENTATIVES OF THE SUPERVISORY AUTHORITIES	120
POTENTIAL CONFLICTS OF INTEREST	120
SHAREHOLDERS OF ERSTE GROUP BANK	120
8. LEGAL PROCEEDINGS	122
9. MATERIAL CONTRACTS	123
10. THE AUSTRIAN BANKING SYSTEM	124
11. TAXATION IN AUSTRIA	131
AUSTRIA.....	131
12. SUBSCRIPTION AND SALE	136

GENERAL	136
UNITED STATES	136
JAPAN.....	137
UNITED KINGDOM.....	137
SINGAPORE	137
HONG KONG	138
RESPONSIBILITY STATEMENT OF ERSTE GROUP BANK AG.....	139
GLOSSARY AND LIST OF ABBREVIATIONS	140

DOCUMENTS INCORPORATED BY REFERENCE

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

Document/Heading	Page reference in the relevant financial report
English translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2012 – Annual Report 2012 (the "Audited Consolidated Financial Statements 2012")	
Consolidated Income Statement	86 – 87
Consolidated Balance Sheet	88
Consolidated Statement of Changes in Total Equity	89 - 90
Cash Flow Statement	91
Notes to the Consolidated Financial Statements	92 – 207
Auditors' Report	208 - 209
English translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2013 – Annual Report 2013 (the "Audited Consolidated Financial Statements 2013")	
Consolidated Income Statement	90 - 91
Consolidated Balance Sheet	92
Consolidated Statement of Changes in Total Equity	93 - 94
Cash Flow Statement	95
Notes to the Consolidated Financial Statements	96 - 225
Auditors' Report	226 - 227
English translation of the Unaudited Interim Condensed Consolidated Financial Statements of the Issuer for the first quarter year ended 31 March 2014 – Interim Report First Quarter 2014 (the "Unaudited Interim Condensed Consolidated Financial Statements 31 March 2014")	
Condensed Statement of Comprehensive Income	17 - 19
Condensed Balance Sheet	20
Condensed Statement of Changes in Equity	21
Condensed Cash Flow Statement	22
Condensed notes to the Financial Statements of Erste Group for the period from 1 January to 31 March 2014	22 - 72

For the avoidance of doubt, such parts of the annual reports of the Issuer for the financial years 2013 and 2012 respectively as well as of the quarterly report for the first quarter year in 2014 which are not explicitly listed in the table above, are not incorporated by reference into

this Prospectus as these parts are either not relevant for the investor or covered elsewhere in this Prospectus.

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

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

DOCUMENTS FOR INSPECTION

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

- (i) a copy of this Prospectus together with any supplement to this Prospectus;
- (ii) each set of Final Terms for Notes that are publicly offered or admitted to trading on a Market or on any other market or stock exchange; and
- (iii) the Audited Consolidated Financial Statements 2013 and 2012 and the Unaudited Interim Condensed Consolidated Financial Statements 31 March 2014 incorporated by reference into this Prospectus.

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

- (i) the Agency Agreement (which includes the form of the Global Notes); and
- (ii) the articles of association of the Issuer.

SUPPLEMENT TO THIS PROSPECTUS

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

SOURCES OF INFORMATION

Unless otherwise stated, statistical and other data provided in this Prospectus has been extracted from the Audited Consolidated Financial Statements 2013 and the Annual Report thereon and the Unaudited Interim Condensed Consolidated Financial Statements 31 March 2014. 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.

CONSENT TO USE PROSPECTUS

The Issuer consents to the use of this Prospectus by the Dealers and/or, if so specified in the Final Terms, certain financial intermediaries (individual consent) who have entered into a bilateral agreement in writing with the Issuer for such purpose (each a "**Financial Intermediary**"). Any Financial Intermediary to whom such consent has been given in connection with a Tranche shall be named in the Final Terms.

The Issuer accepts responsibility for the information given in this Prospectus also with respect to such subsequent resale or final placement of the Notes by any Financial Intermediary which has been given consent to use the Prospectus. The consent to use the Prospectus is given for the period of the validity of the Prospectus. The offer period upon which subsequent resale of final placement of Notes by Financial Intermediaries can be made will be specified in the Final Terms.

The consent by the Issuer to the use of the Prospectus for subsequent resale or final placement of the Notes by Financial Intermediaries has been given under the condition that (i) potential investors will be provided with the Prospectus, any supplement thereto and the relevant Final Terms and (ii) each of the Financial Intermediaries ensures that it will use the Prospectus, any supplement thereto and the relevant Final Terms in accordance with all applicable selling restrictions specified in this Prospectus and any applicable laws and regulations in the relevant jurisdiction.

In the applicable Final Terms, the Issuer can determine further conditions attached to its consent which are relevant for the use of this Prospectus.

In the event of an offer being made by a Financial Intermediary, the Financial Intermediary shall provide information to investors on the terms and conditions of the offer at the time the offer is made.

Any new information with respect to Financial Intermediaries unknown at the time of the approval of the Prospectus or the filing of the Final Terms, as the case may be, will be published on the website of the Issuer under "www.erstegroup.com".

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 are 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 make 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: "*Risk Factors*", "*Erste Group Bank AG*". These sections include more detailed descriptions of factors that might have an impact on the Issuer's business and the markets in which it operates.

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

1. RISK FACTORS

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

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

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

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

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

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

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

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

Risks related to the business of Erste Group

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

From the second half of 2007 through 2009, disruptions in global capital and credit markets, coupled with the re-pricing of credit risk, created difficult conditions in financial markets and continue to have considerable effects on these markets. These conditions resulted in historically high levels of volatility across many markets (including capital markets), volatile commodity prices, decreased or no liquidity, widening of credit spreads and lack of price transparency in certain markets. These conditions also significantly reduced the availability of private financing for both financial institutions and their customers, compelling many financial institutions and industrial companies to turn to governments and central banks to provide liquidity. Among other factors, significant write-downs of asset values by financial institutions on mortgage-backed securities and other financial instruments, combined with the imposition of higher capital and other regulatory requirements, have led many financial institutions to

seek additional capital, to merge or be merged with larger and stronger institutions, to be nationalised and, in some cases, to fail. Although the global economy recovered slightly throughout 2013, widespread concerns with levels of public sector debt around the world, and with the stability of numerous banks in certain European countries, including, in particular Spain, Greece, Portugal, Italy and Ireland and more recently Cyprus and Slovenia, had a negative impact on macroeconomic conditions.

In response to the global financial crisis, the government of the United States, a number of European governments, the European Central Bank ("**ECB**") and international monetary organisations have taken unprecedented steps to help stabilise the financial system and increase the flow of credit in the global economy. There can be no assurances as to the actual impact that these measures and related actions will have on the financial markets, on consumer and corporate confidence generally and on Erste Group specifically. Since the second half of 2010, the indebtedness of certain Eurozone countries has raised concerns about the stability of the European financial sector and has contributed and may continue to contribute to a slowdown in economic growth in many countries across the region. Additionally, restructuring programmes adopted by some highly indebted countries of the European Union ("**EU**"), which include cuts in governmental spending, may result in lower growth rates in these countries as well as the Eurozone in the short and medium term. In 2011, the anxieties about the Eurozone situation increased and the ratings of Eurozone countries and banks were lowered at the end of 2011 and the beginning of 2012. In 2012, such anxieties continued due to the requirement to recapitalize the Spanish banking sector and growing concerns about the effectiveness and consequences of the restructuring programmes adopted by certain Eurozone countries, as well as due to the uncertainty as to the necessity for further financial aid for certain Eurozone countries or the Eurozone banking sector. In early 2013, the Cyprus crisis affected the financial markets, however, the economy and structural improvements in the rest of the countries in the Eurozone prevented a lasting effect.

Since September 2012, there has been an increase in the scale of global central bank intervention in an attempt to prevent further deterioration of economic growth and to respond to concerns about the effects of the European sovereign debt crisis. The ECB announced a plan to buy unlimited amounts of government bonds of distressed countries, such as Spain and Italy, partially in exchange for their request for and acceptance of a formal programme including certain austerity reforms. The impact of the ECB's or any other entity's actions in the future is currently unknown and these actions may or may not result in the expected benefits for the relevant economies. The so-called "Outright Monetary Transactions" of the ECB have contributed to a stabilisation in all these countries in the Eurozone, however, the long-term impacts are unknown. In 2014, the Federal Reserve as the central bank in the United States started to reduce its asset purchases with potential unforeseeable direct and indirect impacts on rates, market liquidity, foreign exchange and global economy.

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 ("**CEE**"). Besides the above, the risk of loss due to a change in funding costs or spread of Erste Group over a certain horizon and confidence level could follow.

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

In recent years, the sovereign debt markets in the Eurozone have experienced substantial stress as the financial markets have begun to perceive a number of countries as presenting an increased credit risk. These concerns have been particularly prominent with respect to Greece, Ireland, Italy, Portugal and Spain, and more recently Cyprus, Slovenia, Ukraine, and were threatening the recovery from the global financial and economic crisis. These concerns have persisted in light of increasing public debt loads and stagnating economic growth in these and other European countries both within and outside the Eurozone, including CEE-countries. Despite a number of measures taken by European governments, the ECB and

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

Erste Group is also exposed to the credit risk of financial institutions which may be dependent on governmental support to continue their operations. The availability of government funds or the willingness of governments for such support is unclear given current levels of public debt in several Eurozone countries and upcoming regulation with the explicit aim to reduce governmental support. 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 a deterioration in credit quality, particularly as a result of financial crises or economic downturns.

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

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

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

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

Despite an overall increase in risk costs at the group level in 2011, in certain CEE countries the increase in non-performing loans and the increase in required loan write-offs has led to decreasing non-performing loans ("**NPL**") coverage ratios (ratio of risk provisions for loans and advances to customers on Erste Group's balance sheet as a percentage of non-performing loans and advances to customers). While risk costs in 2012 generally decreased at the group level, risk provisions for loans and advances to customers in Romania and Croatia and, as a result of a higher NPL ratio (ratio of non-performing loans and advances to customers as a percentage of total loans and advances to customers) in lending to large corporate customers and real estate loans, in Erste Group Bank increased. This trend could be further observed in 2013 with, on the one hand, continuously decreasing risk costs at group level whilst, on the other hand, NPL and NPL ratio slightly decreased compared to 2012. Erste Group seeks to maintain an NPL coverage ratio that, in management's judgement, is appropriate to cover potential credit losses. However, there can be no assurances that the current NPL coverage ratio will not decline in the future, that annual risk costs will not rise or that the NPL coverage ratio will prove to be sufficient.

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

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

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

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

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

provisions or require an increase in provisions, this could have a material adverse effect on Erste Group's business, financial condition and results of operations.

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

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

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

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

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

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

Financial markets have been subject to significant stress conditions since mid-2007, where steep falls in perceived or actual values of assets held by banks and other financial institutions have been accompanied by a severe reduction in market liquidity. These events have negatively affected the value of the financial assets available for sale and the financial assets held-to-maturity particularly in 2011, adversely affecting Erste Group's results of operations for that period. Future deteriorations in economic and financial market conditions could lead to additional impairment charges or revaluation losses in future periods. Despite a recovery in economic and financial market conditions during 2012 and 2013 in most of the markets in which Erste Group is active, the value of financial assets may continue to fluctuate significantly or materially impact Erste Group's capital and comprehensive income if the fair value of financial assets declines.

Market volatility and illiquidity may make revaluation of certain exposures difficult, and the value ultimately realised by Erste Group may be materially different from the current or

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

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

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

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

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

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

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

Erste Group Bank's credit ratings are important to its business. A rating is the opinion of a rating agency on the credit standing of an issuer, i.e., a forecast or an indicator of a possible credit loss due to insolvency, delay in payment or incomplete payment to the investors. It is not a recommendation to buy, sell or hold securities. Such credit ratings have been issued by credit rating agencies established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009. Erste Group Bank's long-term credit ratings are: Standard & Poor's, A (outlook negative), whereas on 10 June 2014, Standard & Poor's has placed the 'A' long-term rating on the Issuer on CreditWatch with negative implications; Moody's, Baa1 (outlook negative); and Fitch, A (outlook negative).

A rating agency may in particular suspend, downgrade or withdraw a rating. A rating may also be suspended or withdrawn if Erste Group were to terminate the agreement with the relevant rating agency or to determine that it would not be in its interest to continue to supply financial data to a rating agency. A downgrading of the rating may lead to a restriction of access to

funds and, consequently, to higher refinancing costs. A rating could also be negatively affected by the soundness or perceived soundness of other financial institutions.

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

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

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

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

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

Basel III and CRD IV/CRR are further increasing the quality and quantity of required regulatory capital (own funds), as well as the minimum capital requirements for derivative positions and introducing a new liquidity framework as well as a leverage ratio.

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

- *European Banking Authority's 2014 EU-wide Stress Test.* In order to ensure the orderly functioning and integrity of financial markets and the stability of the financial system in the EU, to monitor and assess market developments as well as to identify trends, potential risks and vulnerabilities stemming from the micro-prudential level, the European Banking Authority ("**EBA**") regularly conducts EU-wide stress tests, using consistent methodologies, scenarios and key assumptions developed in cooperation with the European Systemic Risk Board (ESRB), the ECB and the European Commission ("**EU-Commission**").

On 31 January 2014, the EBA announced the key components of the forthcoming 2014 EU-wide stress test (the "**2014 EU-wide Stress Test**"), that has been designed also in coordination with the ECB which in preparation for the Single

Supervisory Mechanism (SSM) is conducting a comprehensive assessment (for details see below). The 2014 EU-wide Stress Test is designed to provide supervisors, market participants and institutions with consistent data to contrast and compare EU-banks' resilience under adverse market conditions. To this end, the EBA will provide competent authorities with a consistent and comparable methodology, which will allow them to undertake a rigorous assessment of banks' resilience under stress. The 2014 EU-wide Stress Test will be conducted on a sample of 124 EU banks which cover at least 50% of each national banking sector, and will be run at the highest level of consolidation. In case of Erste Group, the Stress Test will be conducted not only at the (highest) level of consolidation (i.e. at the level of Erste Group Bank), but also at a sub-consolidation level of Slovenská sporiteľňa. Given its objectives, the 2014 EU-wide Stress Test will be conducted under the assumption of a static balance sheet which implies no new growth and constant business mix and model throughout the time horizon of the exercise. The resilience of EU banks will be assessed under a period of three years (2014-2016). Banks will be required to stress a common set of risks including: credit risk, market risk, sovereign risk, securitisation and cost of funding. Both trading and banking book assets will be subject to stress, including off-balance sheet exposures. Competent authorities may include additional risks and country-specific sensitivities beyond this common set but the published results should allow understanding the impact of the common set of risks in isolation. In terms of capital thresholds, 8% Common Equity Tier 1 capital ("**CET 1**") will be the capital hurdle rate set for the baseline scenario and 5.5% CET 1 for the adverse scenario. Competent authorities may set higher hurdle rates and formally commit to take specific actions on the basis of those higher requirements. The methodology and scenario has been published on 29 April 2014. The banks' individual results are expected to be released at the end of October 2014.

- *European Central Bank's comprehensive assessment in advance of supervisory role.* In a press release dated 23 October 2013, the ECB announced details of the comprehensive assessment to be conducted in preparation of assuming full responsibility for supervision as part of the single supervisory mechanism. The list of banks subject to the assessment was also published. The ECB deems the assessment as an important step in the preparation of the single supervisory mechanism and, more generally, towards greater transparency of the banks' balance sheets and consistency of supervisory practices in Europe. The assessment which has been started in November 2013 shall be completed within 12 months. Therefore, results are expected in Q4 of 2014 at the earliest. It will be carried out in collaboration with the national competent authorities of the EU-Member States that participate in the single supervisory mechanism, and will be supported by independent third parties at all levels at the ECB and at the national competent authorities. The exercise has three main goals: (i) transparency – to enhance the quality of information available on the condition of banks; (ii) repair – to identify and implement necessary corrective actions, if and where needed; and (iii) confidence building – to assure all stakeholders that banks are fundamentally sound and trustworthy. The assessment will consist of three elements: (i) a supervisory risk assessment to review, quantitatively and qualitatively, key risks, including liquidity, leverage and funding; (ii) an asset quality review to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions; and (iii) a stress test to examine the resilience of banks' balance sheet to stress scenarios. These three elements are closely interlinked. The assessment will be based on a capital benchmark of 8% CET 1, drawing on the definition of the CRD IV/CRR, including transitional arrangements, for both the asset quality review and the baseline stress test scenario. The details concerning the stress test have been announced on 29 April 2014 in coordination with the EBA. The comprehensive assessment will conclude with an aggregate disclosure of the outcomes, at country and bank level, together with any recommendations for supervisory measures. This comprehensive outcome will be published prior to the ECB assuming its supervisory

role in November 2014, and will include the findings of the three pillars of the comprehensive assessment, together with any recommendations for additional supervisory measures and corrective actions affecting the Issuer and the banking environment generally. It is not yet possible to assess the impact of such measures, if any, on the Issuer or on the treatment of capital instruments (such as the Notes). Furthermore, the disclosure of the ECB's findings or the implementation of additional supervisory measures that are viewed by the market as unfavorable to the Issuer or the Notes could adversely affect the trading price of the Notes.

- *Changes in Recognition of Own Funds.* Due to regulatory changes, certain existing capital instruments (which have been issued in the past) will be subject to (gradual) exclusion from own funds (phasing out) or reclassification as a lower quality form of own funds. For example, existing hybrid capital instruments will, over time, be phased out as Additional Tier 1 capital ("**AT 1**").
- *Privileged Treatment of Exposures to Central Governments or Central Banks of a Third Country.* The CRR allows institutions to assign a privileged risk weight to exposures to central governments or central banks of a third country which applies supervisory and regulatory requirements at least equivalent to those applied in the EU. The EU-Commission may adopt a decision as to whether a third country applies supervisory and regulatory arrangements at least equivalent to those applied in the EU. In the absence of such a decision, until 1 January 2015, institutions may continue to apply the treatment to the exposures to the central government or central bank of the third country where the relevant competent authorities had approved the third country as eligible for that treatment before 1 January 2014. However, the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde – "FMA"*) – as the relevant competent authority for Erste Group – did not approve any third countries as eligible for such privileged treatment. Erste Group has therefore concluded to continue to apply such privileged treatment to those third countries deemed eligible by Erste Group until a respective decision by the EU-Commission (but until 1 January 2015 at the latest). The discontinuation of this privileged treatment would have a negative impact on the amount of RWA and on the capital ratios.
- *Stricter and Changing Accounting Standards.* Prospective changes in accounting standards as well as those imposing stricter or more extensive requirements to carry assets at fair value, could also impact Erste Group's capital needs.
- *EU Bank Recovery and Resolution Directive.* On 12 June 2014, the Bank Recovery and Resolution Directive (Directive 2014/59/EU of the European Parliament and of the Council 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) ("**BRRD**") has been published. The BRRD will establish a framework for the recovery and resolution of credit institutions and, *inter alia*, require EU-credit institutions to draw up "recovery and resolution plans" which set out certain arrangements and measures that may be taken to restore the long-term viability of the financial institution in the event of a material deterioration of its financial position. Measures undertaken under the BRRD may also have an impact on debt instruments (in particular subordinated notes including Additional Tier 1 instruments, such as the Notes, but under certain circumstances also senior notes) by allowing authorities to write-down such instruments or convert them into shares (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).*"). Besides of potentially being subject to resolution tools as set out under the BRRD, the Issuer may also be subject to national insolvency proceedings.

- *Single Resolution Mechanism for European Banks.* On 15 April 2014, the European Parliament adopted the Single Resolution Mechanism ("**SRM**") for the Banking Union. The mechanism complements the Single Supervisory Mechanism (SSM) which, once fully operational in late 2014, shall see the ECB directly supervise credit institutions in the euro area (including the Issuer) and in other EU-Member States which decide to join the Banking Union.

The SRM will be governed by (i) an SRM regulation covering the main aspects of the mechanism and (ii) an intergovernmental agreement related to some specific aspects of the Single Resolution Fund (SRF) ("**Fund**"). The SRM Regulation builds on the rulebook on bank resolution set out in the BRRD and will establish the key elements of the SRM (including scope, decision making, governance of the Board and voting modalities as well as the Fund).

The Fund shall be constituted to which all the banks in the participating EU-Member States will have to contribute. The Fund has a target level of EUR 55 billion and can borrow from the market. The Fund will be owned and administrated by the Board for the SRM. The Fund shall reach a target level of at least 1% of covered deposits over an eight year period. During this transitional period, the Fund would comprise national compartments corresponding to each participating EU-Member State. The resources accumulated in those compartments would be progressively mutualised over a period of eight years, starting with 40% of these resources in the first year.

The SRM shall enter into force on 1 January 2015, and will generally apply to those institutions supervised by the ECB whereas bail-in and other resolution powers would apply from 1 January 2016, as specified under the BRRD.

- *Structural Reform of the European Banking Sector.* On 29 January 2014, the EU-Commission has proposed new rules on structural measures to improve the resilience of EU-credit institutions. The proposal aims at further strengthening the stability and resilience of the EU-banking system and shall complete the financial regulatory reforms undertaken over the last few years by setting out rules on structural changes for "too-big-to-fail banks". Therefore, the proposal focuses mainly on credit institutions with significant trading activities, whose failure could have a detrimental impact on the rest of the financial system and the whole economy. These are European credit institutions deemed to be of global systemic importance or those exceeding certain thresholds (EUR 30 billion in total assets, and trading activities either exceeding EUR 70 billion or 10% of the bank's total assets). For the time being, it remains unclear whether the Issuer would be subject to the proposal once implemented.

The proposal builds on the recommendations made by the High Level Expert Group chaired by Mr Erkki Liikanen ("**Liikanen Report**") and shall:

(i) ban proprietary trading in financial instruments and commodities (i.e. trading on own account for the sole purpose of making profit for the credit institution);

(ii) grant supervisors the power and, in certain instances, the obligation to require the transfer of other high-risk trading activities (such as market-making, complex derivatives and securitisation operations) to separate legal trading entities within the group; credit institutions shall have the possibility of not separating activities if they can show to the satisfaction of their supervisor that the risks generated are mitigated by other means; and

(iii) provide rules on the economic, legal, governance, and operational links between the separated trading entity and the rest of the banking group.

These proposed structural separation measures shall be accompanied by provisions improving the transparency of shadow banking and foresee respective transition periods: the proprietary trading ban would apply as of 1 January 2017 and the effective separation of other trading activities as of 1 July 2018.

- *Austrian Bank Intervention and Restructuring Act.* Aiming at the stabilisation of the Austrian financial market and at preventing the use of public funds for rescuing credit institutions, the Austrian Parliament adopted the Austrian Bank Intervention and Restructuring Act (*Bankeninterventions- und –restrukturierungsgesetz*) ("**BIRG**") which entered into force on 1 January 2014. The BIRG anticipates parts of the draft BRRD, in particular by obliging Austrian credit institutions to take precautions for crisis scenarios by preparing recovery and resolution plans and providing for a legal basis for an intervention of the regulator prior to manifest infringements of law or endangerments of creditors' interests (early intervention measures) to be applied in case of a significant deterioration of the assets, earnings, liquidity or funding position of a bank.
- *Austrian FMA Supervisory Guidance.* In March 2012, the FMA and the Austrian National Bank (*Oesterreichische Nationalbank*; "**OeNB**") published supervisory guidance on the strengthening of the sustainability of the business models of large, internationally active Austrian credit institutions, which included the requirement for Austrian parent institutions to submit recovery and resolution plans before the end of 2012. The supervisory guidance foresees increased capitalisation requirements for certain banking groups (including Erste Group) reflected in the anticipating full implementation of the quantitative and qualitative Basel III rules (without any transitional provisions) with respect to CET 1. In this respect, the FMA and the OeNB indicated that they will implement an additional CET 1 requirement to banking groups at a consolidated level of up to 3% beginning in 2016, while the level of such an additional CET 1 requirement will depend on the systemic relevance of the particular banking group. In addition, strengthened local stable funding bases of subsidiaries through so-called "loan-to-local stable funding ratios", i.e., the funding of loans through the local deposit base will be required.

Additional and new regulatory requirements may be adopted in the future, and the regulatory environment in many markets in which Erste Group operates continues to develop, implement and change, including, for example, the Single Supervisory Mechanism and the Banking Union within the EU. The substance and scope of any such new laws and regulations as well as the manner in which they will be adopted, enforced or interpreted may increase Erste Group's financing costs and could have an adverse effect on Erste Group's business, financial condition, results of operations and prospects.

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

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

Erste Group may therefore need to obtain additional capital in the future. Such capital, whether in the form of ordinary shares or other capital recognised as regulatory capital, may not be available on attractive terms or at all. Further, any such regulatory development may expose Erste Group to additional costs and liabilities, may require it to change how it conducts its business or otherwise have a negative impact on its business, the products and services it offers and the value of its assets. There can be no assurance that Erste Group

would be able to increase its regulatory capital ratios sufficiently or on time. If Erste Group is unable to increase its regulatory capital ratios sufficiently, its ratings may drop and its cost of funding may increase, the occurrence of which could have a material adverse effect on its business, financial condition and results of operations.

The Notes may not qualify as Additional Tier 1 instruments and thereby negatively affect the Issuer's and/or Erste Group's own funds.

As a consequence of the uncertainty about the interpretation of the CRR/CRD IV (see also the risk factor "*Many aspects of the manner in which CRR/CRD IV will be implemented remain uncertain.*"), the Notes may, for a number of reasons, not (or not at any time) qualify as Additional Tier 1 instruments pursuant to Article 52 of the CRR constituting Additional Tier 1 capital pursuant to Article 61 of the CRR. This could negatively result the Issuer's and/or Erste Group's own funds, and may also negatively impact its 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 of the financial year ending before the calendar year in which bank tax falls due. It is reduced 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 a guarantee and certain liabilities resulting from the holding of assets on trust. Pursuant to the Austrian Tax Amendments Act of 2014 (*Abgabenänderungsgesetz 2014*) the tax rate is 0.09% for that part of the tax basis exceeding EUR 1 billion but not exceeding EUR 20 billion and 0.11% for that part exceeding EUR 20 billion. In addition, for calendar years including 2017 a surcharge to bank tax is levied.

Pursuant to the proposal by the EU-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, Slovakia, Slovenia and Spain ("**Participating Member States**") shall charge a financial transaction tax ("**FTT**") on financial transactions as defined if at least one party to the transaction is established in the territory of a Participating Member State and a financial institution established in the territory of a Participating Member State is party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction (residency principle). In addition, the proposal contains rules pursuant to which a financial institution and, respectively, a person which is not a financial institution are deemed to be established in the territory of a Participating Member State if they are parties to a financial transaction in certain instruments issued within the territory of that Participating Member State (issuance principle). Financial transactions related to derivatives contracts shall be taxed at a minimum rate of 0.01% on the notional amount referred to in the derivatives contract; all other financial transactions (*e.g.* the purchase and sale of shares, bonds and equivalent securities, money market instruments or fund units) shall be taxed at a minimum rate of 0.1% with the taxable amount being everything which constitutes consideration paid or owed from the counterparty or a third party in return for the transfer. The proposal provides for the FTT to apply as of 1 January 2014 (which deadline, however, has obviously not been met). It is unclear whether the FTT will be introduced in the proposed form. The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. If the FTT is introduced, due to higher costs for investors there is a risk that it would result in fewer transactions taking place, thereby negatively affecting the earnings of the Issuer. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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

The BRRD will require EU-Member States to ensure that institutions meet at all times (on an individual basis and in case of EU parent undertakings (such as the Issuer) 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 materially adversely affect the Issuer's ability to make payments on the Notes.

In future, the Issuer will be obliged to contribute amounts to the Single Resolution Fund and ex ante funds to Deposit Guarantee Schemes.

The SRM includes establishing a Single Resolution Fund (SRF) ("**Fund**") to which all the banks in the participating EU-Member States have to contribute.

In addition, for the first time since the introduction of Deposit Guarantee Schemes ("**DGS**") in 1994, there are financing requirements for DGS in the DGS-Directive (i.e. the Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit-guarantee schemes). In principle, the target level for ex ante funds of DGS is 0.8% of covered deposits to be collected from credit institutions over a 10-year period. In addition to *ex ante* contributions, if necessary, credit institutions will have to pay additional (*ex post*) contributions to a certain extent, which will be limited in order to avoid pro-cyclicality and worsening financial situation of healthy banks.

The obligation to contribute amounts for the establishment of the Fund and the *ex ante* funds to the DGS will result in additional financial burdens for the Issuer and thus may materially adversely affect 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 new rules on structural reform of EU credit institutions proposed by the EU-Commission shall apply to "too-big-to-fail banks", i.e. only to the largest and most complex of EU credit institutions whose failure could have a detrimental impact on the rest of the financial system and the whole economy.

In order to prevent this risk from materializing, the proposed regulation would impose a ban on speculative activities (proprietary trading, i.e. trading using own money as opposed to on behalf of customers) and caters for the potential separation of other risky trading activities carried out by these credit institutions.

Provided that the Issuer will be subject to these new rules, 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 and internal control procedures may leave it exposed to unidentified or unanticipated risks.

Erste Group's risk management techniques and strategies have not been, and may in the future not be, fully effective in mitigating Erste Group's risk exposure in all economic market environments or against all types of risks, including risks that it fails to identify or anticipate. Furthermore, regulatory audits or other regular reviews of the risk management procedures and methods have in the past detected, and may in the future detect, weaknesses or deficiencies in Erste Group's risk management systems. Some of Erste Group's quantitative tools and metrics for managing risks are based upon its use of observed historical market behavior. Erste Group applies statistical and other tools to these observations to arrive at

quantifications of risk exposures. During the recent financial crisis, the financial markets experienced unprecedented levels of volatility (rapid changes in price direction) and the breakdown of historically observed correlations (the extent to which prices move in tandem) across asset classes, compounded by extremely limited liquidity. In this volatile market environment, Erste Group's risk management tools and metrics failed to predict some of the losses it experienced and may in the future under similar conditions of market disruption fail to predict future important risk exposures. In addition, Erste Group's quantitative modelling does not take all risks into account and makes numerous assumptions regarding the overall environment, which may or may not materialise. As a result, risk exposures have arisen and could continue to arise from factors not anticipated or correctly evaluated in Erste Group's statistical models. This has limited and could continue to limit Erste Group's ability to manage its risks, especially in light of the ongoing European sovereign debt crisis, many of the outcomes of which are currently unforeseeable. If circumstances arise that Erste Group did not identify, anticipate or correctly evaluate in developing its statistical models, losses could be greater than the maximum losses envisaged under its risk management system. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risks prove insufficient, Erste Group may experience material unanticipated losses, which could have a material adverse effect on its business, financial condition and results of operations.

Erste Group's business entails operational risks.

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

Erste Group may have difficulty recruiting or retaining qualified employees.

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

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

Erste Group relies heavily on information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing or loan origination systems. If Erste Group's information systems, including its back-up systems, were to fail, even for a short

period of time, or its business continuity plans for cases of emergency would prove ineffective, it could be unable to serve some customers' needs on a timely basis and could thus lose their business

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

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

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

In 2013, the cooperation between the savings banks was intensified. The aim of the new agreement which entered into force on 1 January 2014, is the intensification of the group steering, the setting up of an institutional protection scheme (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. Under the Haftungsverbund, member savings banks are also required to follow specific credit and risk management guidelines for providing and managing loans and for identifying, measuring, managing and limiting risks. This is effectively set and monitored indirectly by Erste Group Bank although Erste Group Bank does not exercise direct operational control over the management of the member savings banks. These requirements are often more detailed and strict than those previously in place at certain of the individual savings banks. Erste Group Bank may be required to provide support and repay certain protected deposits even where there has been non-compliance by one or more members of the Haftungsverbund with the risk management requirements, although Erste Group Bank may exercise little direct control over the management of the member savings bank. Consequently, Erste Group Bank's ability to manage the risk associated with the financial obligations it has assumed under the Haftungsverbund will depend on its ability to enforce the risk management requirements of the system. Erste Group Bank may be obliged to provide liquidity, take other measures and incur significant costs in the event that another savings bank in the Haftungsverbund experiences financial difficulties or becomes insolvent or in order to prevent one of the savings banks from experiencing financial difficulties. This could require Erste Group Bank to utilise resources in a manner that could have a material adverse effect on Erste Group Bank's business, financial condition and results of operations.

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

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

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

A large part of Erste Group Bank's and Erste Group's operations, assets and customers are located in CEE countries that are not part of the Eurozone (i.e., that do not use the Euro as their legal tender), and financial transactions in currencies other than the Euro give rise to foreign currency risks. In addition to loans denominated in local CEE currencies, many of Erste Group's retail and corporate customers in Hungary, Romania, Croatia, Serbia and Austria have taken out loans which are denominated in currencies other than their relevant local currencies (primarily in EUR, USD and CHF). To the extent that the local currencies decline in value, or in the future will decline in value, relative to the currency in which such loans were made, borrowers will need to convert a larger amount of local currency into the currency in which the loan is denominated in order to make payments of principal and interest on the loan. In this scenario, Erste Group anticipates a higher number of loan defaults in these countries. Alternatively, local governments may undertake measures that affect currency levels and exchange rates and impact Erste Group's credit exposure to such currencies, such as the Swiss National Bank's setting of a minimum exchange rate against the Euro in September 2011 or Hungary's introduction of a law allowing consumers to repay foreign currency loans at fixed exchange rates below market exchange rates. Moreover, there can be no assurances that similar measures will not be introduced or imposed on other customer segments or countries as well. Further, the impact of court decisions invalidating clauses used in foreign currency loans, or replacing them with clauses more onerous on the lender, may have negative effects. In a recent decision concerning a dispute of a client with a Hungarian competitor of Erste Bank Hungary, the Hungarian Supreme Court established that the use of the exchange rate gap was unfair and that the official medium exchange rate of the Hungarian National Bank must be used for calculation. This judicial development could have also negative effects on other Hungarian banks, including Erste Bank Hungary, causing additional costs or provisions.

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

Group's business, financial condition, regulatory capital ratios, results of operations and prospects.

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

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

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

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

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

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

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

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

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

Erste Group faces strong competition in Austria not only from UniCredit Bank Austria AG and the Raiffeisen banks, but also from large international banks and new entrants from neighbouring countries. As a result of this competition, in particular in the retail segment, net interest margins have historically been very low. Failure to maintain net interest margins at

current levels may have a significant negative impact on the Group's financial condition and results of operations.

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

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

As of 14 March 2014, 20.2% of the shares in Erste Group Bank were attributed to DIE ERSTE Österreichische Spar-Casse Privatstiftung ("**Erste Stiftung**"). Erste Stiftung has the right to appoint one third of the members of the Supervisory Board of Erste Group Bank who were not delegated by the employees' council, however, Erste Stiftung has not exercised its appointment right, so that all of the Supervisory Board members who were not delegated by the employees' council have been elected by the shareholders' meeting.

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

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

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

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

Changes in consumer protection laws or the interpretation of consumer protection laws by courts or governmental authorities could limit the fees that Erste Group may charge for certain of its products and services and thereby result in lower commission income. Moreover, as new laws and amendments to existing laws are adopted in order to keep pace with the

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

The integration of potential future acquisitions may create additional challenges.

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

Risks related to the markets in which Erste Group operates

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

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

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

The deterioration of the sovereign debt market in the Eurozone and CEE, particularly the increasing costs of borrowing affecting many Eurozone states late in 2011 and downgrades in credit rating of most Eurozone countries in 2011 and 2012, indicate that the sovereign debt crisis can affect even the financially most stable countries in the Eurozone. While the costs of borrowing declined again throughout 2012, considerable doubt remains whether actions taken

by European policymakers will be sufficient to contain or overcome the crisis over the medium to longer term. In particular, further credit rating downgrades of EU Member States, such as France and Austria, may threaten the effectiveness of the European Financial Stability Facility ("EFSF") or the European Stability Mechanism ("ESM"). Since the EFSF's and ESM's credit ratings are based on the ratings of its financing members, the reduction of these members' ratings may increase the borrowing costs of the EFSF or ESM such that its ability to raise funds to assist Eurozone governments would be reduced. In addition, the austerity programmes introduced by a number of countries across the Eurozone in response to the sovereign debt crisis may have the effect of dampening economic growth over the short, medium or long term. Declining rates of economic growth in Eurozone countries could exacerbate their difficulties in refinancing their sovereign debt as it comes due, further increasing pressure on other Eurozone governments.

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

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

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

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

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

The availability of Erste Group's customer deposits to fund its loan portfolio is subject to potential changes in certain factors outside Erste Group's control, such as a loss of confidence of depositors in either the economy in general, the financial services industry or Erste Group specifically, ratings downgrades and significant further deterioration in economic conditions. These factors could lead to a reduction in Erste Group's ability to access customer deposit funding on appropriate terms in the future and to sustained deposit outflows, both of which would adversely impact Erste Group's ability to fund its operations. Any loss in customer confidence in Erste Group's banking businesses, or in banking businesses generally, could significantly increase the amount of deposit withdrawals in a short period of time. Should Erste Group experience an unusually high level of withdrawals, this may have an adverse effect on Erste Group's results, financial condition and prospects and could, in extreme circumstances, prevent Erste Group from funding its operations. In such extreme

circumstances Erste Group may not be in a position to continue to operate without additional funding support, which it may be unable to access.

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

Certain countries where Erste Group has operations may encounter severe liquidity problems. In the past, Romania and Serbia have turned to international institutions for assistance, and other countries in the CEE region may be forced to do the same. If such liquidity problems should occur, this could have significant consequences throughout the region, including foreign banks withdrawing funds from their CEE subsidiaries, regulators imposing limitations to freely transfer liquidity, thereby weakening local economies, affecting customers of Erste Group who borrow from a number of different banks and weakening Erste Groups 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:

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

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

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

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

others affected by the economic downturn and to put public sector finance on a more sustainable basis, which could also limit their growth rates.

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

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

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

Bankruptcy laws and other laws and regulations governing creditors' rights vary significantly among countries in the CEE. In some countries, the laws offer significantly less protection for creditors than the bankruptcy regimes in Western Europe. In addition, it is often difficult to locate all of the assets of an insolvent debtor in CEE countries. Erste Group's local subsidiaries have at times had substantial difficulties receiving 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, including through the introduction of banking taxes and other levies.

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

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

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement hereto;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Risks related to the Notes generally

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

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

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

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

The Notes to be issued by the Issuer under the Programme are intended to qualify as Additional Tier 1 instruments pursuant to Article 52 of the CRR. They constitute direct,

unsecured and deeply subordinated obligations of the Issuer. In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

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

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

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

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

In an insolvency of the Issuer, claims of Holders under the Notes are entitled to payments, if any, only once any negative equity (*negatives Eigenkapital* within the meaning of § 225(1) of the Austrian Commercial Code (*Unternehmensgesetzbuch*) has been removed (*beseitigt*) or if, in the event of the liquidation of the Issuer, all other creditors (other than creditors whose claims rank or are expressed to rank *pari passu* or junior to the Notes) of the Issuer have been satisfied first.

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

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

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

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

The issue or guaranteeing of any such debt instruments may reduce the amount recoverable by Holders upon the Issuer's insolvency. If the Issuer's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including cancellation of

distributions and reduction of the principal amount of the Notes and, if the Issuer were liquidated, the Holders could suffer loss of their entire investment.

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

The Issuer may, in its full discretion cancel payments of distributions on the Notes and may, in certain circumstances, be required to cancel such payments.

The Issuer, at its full discretion, may, at all times cancel (in whole or in part) any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled distribution payments without restrictions to meet its obligations as they fall due.

In addition, the Issuer will be required to cancel any distribution payments on the Notes scheduled to be paid on any Distribution Payment Date (in whole or in part) if and to the extent:

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

The Maximum Distributable Amount is a recently introduced concept which will apply when the combined capital buffer requirements are not (or not fully) met, and its determination is subject to considerable uncertainty (see also the risk factor "*Many aspects of the manner in which CRR/CRD IV will be implemented remain uncertain.*").

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

The Issuer will determine its Distributable Items on the basis of its audited (*geprüft*) and adopted (*festgestellt*) unconsolidated annual financial statements, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the last financial year of the Issuer ended prior to the relevant Distribution Payment Date. If such audited and adopted unconsolidated annual financial statements of the Issuer are not available at the relevant Distribution Payment Date, unaudited unconsolidated pro forma financial statements of the Issuer will be used, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements. There is however a risk, that these pro forma financial statements may deviate substantially from the audited financial statements for the same accounting period, and Holders are therefore exposed to the risk that they will not receive any distributions even

if the audited financial statements show sufficient Distributable Items to make payments on the Notes.

A cancellation of distributions by the Issuer will not constitute a default for any purpose on the part of the Issuer. Distributions on the Notes are not cumulative and any distributions that the Issuer elects not to pay or is prohibited from paying will not accumulate or compound and all rights and claims in respect of such amounts will be fully and irrevocably forfeited and no payments will be made nor shall any Holder be entitled to any payment or indemnity in respect thereof.

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

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

Holders of Notes should be aware that there will be no circumstances under which distribution payments on the Notes will be compulsory for the Issuer. Holders should therefore not rely on receiving any distribution payments on the Notes, regardless of whether the Issuer has sufficient Distributable Items, and Holders should be aware that the market price of the Notes is subject to volatility and downturn, in particular in case of any indication that distribution payments on the Notes are or might be cancelled.

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

The Notes are issued in order to meet regulatory capital requirements with the intention and purpose of being eligible as own funds of the Issuer. The Notes shall constitute AT 1 Instruments of the Issuer, i.e. Additional Tier 1 instruments pursuant to Article 52 CRR on a solo and/or group level of the Issuer. Such eligibility depends on a number of statutory conditions being satisfied. One of these conditions relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, under the Terms and Conditions of the Notes, if at any time the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio falls below a certain minimum trigger level set out in the Final Terms (a "**Trigger Event**"), the Issuer will reduce the then Current Principal Amount (as defined in the Terms and Conditions) of the Notes by the Write-down Amount.

The occurrence of a Trigger Event, which would result in a Write-down of the Current Principal Amount of the Notes, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. A Trigger Event could occur at any time.

The Write-down Amount shall be the higher of (i) the *pro rata* share of the Note in the Required Loss Absorption Amount and (ii) an amount necessary to reduce the Current Principal Amount to 0.01 or such lower amount set out in the Terms and Conditions in the Specified Currency of the Note; whereas the "**Required Loss Absorption Amount**" means the amount by which, upon the occurrence of a Trigger Event, a write-down of the aggregate Current Principal Amount of the Notes shall be effected *pro rata* with the aggregate (current) principal amount

of any other Similar AT 1 Instruments. For such purpose, the total amount of the write-downs to be allocated pro rata shall be equal to the amount required to restore fully the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio to at least the Minimum Trigger Level, as applicable, but shall not exceed the sum of the principal amounts of the Similar AT 1 Instruments outstanding at the time of occurrence of the Trigger Event.

In case of (i) other AT 1 Instruments, the terms of which provide for a trigger event with a different minimum Common Equity Tier 1 capital ratio trigger; or (ii) other instruments of the Issuer (issued directly or indirectly) or, as applicable, any member of the Erste Group, which are, or which according to their terms are, subject to write-down or conversion into ordinary shares or any other form of loss absorption applicable prior to the Current Principal Amount of the Notes (and the (current) principal amount of any other Similar AT 1 Instruments) being required to be written down ("**Prior Loss Absorbing Instruments**"), the following applies: (i) Any Write-down shall only occur after all AT 1 Instruments with a Common Equity Tier 1 capital ratio trigger above the Minimum Trigger as trigger and any Prior Loss Absorbing Instruments have been written down or converted into common shares in accordance with their terms; and (ii) any Write-down shall occur prior to the write-down or conversion of AT 1 Instruments with a Common Equity Tier 1 capital ratio trigger below the Minimum Trigger as trigger.

During the period of any Write-down pursuant to the Terms and Conditions, distributions will accrue (subject in certain circumstances to the Maximum Distributable Amount, as defined in the Terms and Conditions) on the Current Principal Amount of the Notes, which will be lower than the Specified Denomination unless and until the Notes are subsequently written up (following a Write-up) in full.

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

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

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

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

Furthermore, any Write-Up must be undertaken on a *pro rata* basis with all other Notes and any Similar AT 1 Instruments (i.e. any Additional Tier 1 instrument pursuant to Article 52 of the CRR (other than the Notes) of the Issuer (issued directly or indirectly) or, as applicable, any instrument issued by a member of the Erste Group and qualifying as Additional Tier 1 instruments pursuant to Article 52 of the CRR of the Issuer or, as applicable, the Erste Group, that includes a similar write-down mechanism (permanent or temporary) and which has an identical trigger level as the Notes of the same Series).

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

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

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

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

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

Many aspects of the manner in which CRR/CRD IV will be implemented remain uncertain.

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

CRR/CRD IV is a recently-adopted set of rules and regulations that imposes a series of new requirements, many of which will be phased in over a number of years. Although the CRR will be directly applicable in each EU-Member State, the CRR leaves a number of important interpretational issues to be resolved through binding technical standards that will be adopted in the future, and leaves certain other matters to the discretion of the Competent Authority. In addition, beginning in November 2014, the ECB will assume certain supervisory responsibilities formerly handled by national regulators. The ECB may interpret CRR/CRD IV, or exercise discretion accorded to the Competent Authority under CRR/CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than national regulators. The manner in which many of the new concepts and requirements under CRR/CRD IV will be applied to the Issuer and the Erste Group remains uncertain.

In particular, the determination of the Maximum Distributable Amount is complex. The Maximum Distributable Amount imposes a cap on the Issuer's ability to pay distributions on the Notes, on the Issuer's ability to reinstate the Current Principal Amount of the Notes following a Write-down and on its ability to redeem or repurchase Notes. There are a number of factors that render the application of the Maximum Distributable Amount particularly complex:

- (i) It applies when certain capital buffers are not maintained. A "capital buffer" is an amount of capital that a credit institution is required to maintain beyond the minimum amount required by applicable regulations. If the institution fails to meet the capital buffer, it becomes subject to restrictions on payments and distributions on shares and other Tier 1 instruments (including its ability to make payments on and to redeem and purchase Additional Tier 1 instruments such as the Notes), and on the payment of certain bonuses to employees. There are several different buffers, some of which are intended to encourage countercyclical behavior (with extra capital retained when profits are robust), and

others of which are intended to provide additional capital cushions for institutions whose failure would result in a significant systemic risk.

- (ii) Certain capital buffers (in any case the capital conservation buffer, but possibly also the countercyclical buffer) will apply from 1 January 2016 and be gradually phased in until 2019 (subject to certain discretion of the competent authorities). Whether some capital buffers will apply (either in general or at least to the Issuer and the Erste Group) has not yet been determined, as this will also depend on the macro-economic situation (in case of the (institution-specific) countercyclical buffer: the credit cycle and risks due to excess credit growth in an EU-Member State, taking into account specificities of the national economy), the existence of systemic risks (in case of the systemic buffer) or because of the assessment of a credit institution/its group as global or other systemically important institution (in case of the G-SII buffer and the O-SII buffer). As a result, it is difficult to predict when the Maximum Distributable Amount will apply to the Notes, and to what extent. The G-SII buffer, the O-SII buffer and the systemic risk buffer (each as they may become relevant for the Issuer/Erste Group respectively, subject to phasing-in and discretion of the competent authorities) may be applicable on different levels (i.e. solo, consolidated, sub-consolidated).
- (iii) The Issuer will have the discretion to determine how to allocate the Maximum Distributable Amount among the different types of payments contemplated in Article 141(2) of the CRD IV. Moreover, payments made earlier in the relevant period will reduce the remaining Maximum Distributable Amount available for payments later in the relevant period, and the Issuer will have no obligation to preserve any portion of the Maximum Distributable Amount for payments scheduled to be made later in a given period. Even if the Issuer attempts to do so, there can be no assurance that it will be successful, because the Maximum Distributable Amount will depend on the amount of profits earned during the course of the relevant period, which will necessarily be difficult to predict.
- (iv) Certain technicalities of the calculation of the Maximum Distributable Amount as referred to in Article 141(2) of the CRD IV have not yet been implemented into Austrian law. For instance, the Austrian Financial Market Authority shall issue a regulation stipulating further details of the calculation of the Maximum Distributable Amount pursuant to Article 141(4) of the CRD IV; however such regulation has not been adopted or published up to date.

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

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

The application of CRR requirements might be waived by the competent authorities. As a result of such waiver, investors may be left with Common Equity Tier 1 capital ratios on the level of the Erste Group and interaction with buffer requirements applicable on a solo level is unclear. As a result, the operation of a Trigger Event, a Write-up and the Maximum Distributable Amount are difficult to predict under such circumstances.

The minimum trigger level causing the occurrence of a Trigger Event may be subject to change.

The Terms and Conditions foresee that a Trigger Event occurs if the Group CET 1 Capital Ratio and/or the Issuer CET 1 Capital Ratio (as specified in the Final Terms) fall(s) to an amount that is lower than the applicable Minimum Trigger Level (as specified in the Final Terms).

The Minimum Trigger Level is defined by reference to the Applicable Supervisory Regulations as applicable from time to time, and may therefore be subject to change in the future. If the Minimum Trigger Level is increased by Applicable Supervisory Regulations, this could result

in an earlier Write-down of the Notes than currently anticipated, thereby negatively affecting the value of the Notes.

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

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

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

Any such redemption and any repurchase of the Notes are subject to the prior permission of the Austrian Financial Market Authority (or any successor authority of the Austrian Financial Market Authority (the "**Competent Authority**")) and compliance with regulatory capital rules applicable from time to time to the Issuer. Under the CRR, the Competent Authority may only permit institutions to redeem Additional Tier 1 instruments such as the Notes if certain conditions prescribed by the CRR are complied with. These conditions, as well as a number of other technical rules and standards relating to regulatory capital requirements applicable to the Issuer, should be taken into account by the Competent Authority in its assessment of whether or not to permit any redemption or repurchase. It is uncertain how the Competent Authority will apply these criteria in practice and such rules and standards may change during the maturity of the Notes. It is therefore difficult to predict whether, and if so, on what terms, the Competent Authority will grant its prior permission for any redemption or repurchase of the Notes.

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

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

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

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

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

There are no events of default under the Notes.

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

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

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

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

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

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

Under Council Directive 2003/48/EC on taxation of savings income in the form of interest payments ("**EU Savings Directive**"), EU-Member States are required to provide to the tax authorities of other EU-Member States details of certain payments of interest or similar income paid or secured by a person established in an EU member state to or for the benefit of an individual resident in another EU-Member State or certain limited types of entities established in another EU-Member State.

On 24 March 2014, the EU-Council adopted Council Directive 2014/48/EU amending and broadening the scope of the requirements described above. EU-Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments that indirectly benefit an individual resident in an EU-Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in the EU-Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through an EU-Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in an EU-Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

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

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

The Notes are governed by German law (with the provisions on status being governed by Austrian law), and changes in applicable laws, regulations or regulatory policies may have an adverse effect on the Issuer, the Notes and the Holders.

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

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

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

Furthermore, in relation to the period for which a fixed rate of distribution is being paid, a holder of the 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 distribution rate of the Notes as

specified in the applicable Final Terms is fixed during the period for which a fixed rate of distribution is being paid, 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 the Notes also changes, but in the opposite direction. If the market interest rate increases, the price of the Notes typically falls. If the market interest rate falls, the price of the Notes typically increases.

The following risks apply in relation to the period for which a floating rate of distributions is being paid with regard to Fixed to Floating Rate Notes:

Fixed to Floating Rate Notes tend to be volatile investments. A holder of Fixed to Floating Rate Notes is, during the period for which a floating rate of distributions is being paid, exposed to the risk of fluctuating distribution rate levels and uncertain distribution income. Fluctuating distribution rate levels make it impossible to determine the profitability of Fixed to Floating Rate Notes in advance.

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

Pursuant to the Austrian Notes Trustee Act (*Kuratorenengesetz*), a trustee (*Kurator*) can be appointed by an Austrian court upon the request of any interested party (e.g. a Holder) or upon the initiative of the competent court, for the purposes of representing the common interests of the Holders in matters concerning their collective rights. In particular, this may occur if insolvency proceedings are initiated against the Issuer, in connection with any amendments to the terms and conditions of the Notes or changes relating to the Issuer, or under other similar circumstances. If a trustee is appointed, it will exercise the collective rights and represent the interests of the Holders and will be entitled to make statements on their behalf which shall be binding on all Holders. Where a trustee represents the interests and exercises the rights of Holders, this may conflict with or otherwise adversely affect the interests of individual or all Holders.

Risks related to the market generally

Holders are exposed to the risk of partial or total failure of the Issuer to make payments under the Notes.

Notwithstanding that the payment of distributions and the redemption or repurchase of the Notes is subject to the Issuer's discretion, Holders are subject to the risk of a partial or total failure of the Issuer to make any payments under the Notes. The worse the creditworthiness of the Issuer, the higher the risk of loss (see also the risk factor "*Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme*"). A materialisation of the credit risk may result in partial or total failure of the Issuer to make distribution payments.

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 Bank Recovery and Resolution Directive ("**BRRD**") has been published.

The stated aim of the BRRD is to provide relevant 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 "resolution authorities" in the BRRD shall include write down and conversion powers to ensure that, *inter alia*, relevant capital instruments (including Additional Tier 1 ("**AT 1**") instruments such as the Notes) fully absorb losses at the point of non-viability (defined below) of the issuing institution. Accordingly, according to the BRRD resolution authorities will be required to write down such capital instruments in full on a permanent basis, or convert them in full into Common Equity Tier 1 ("**CET 1**"), at the

point of non-viability and before any other resolution tool is made use of (statutory loss absorption). The BRRD provides, *inter alia*, that resolution authorities shall exercise the write-down or conversion power 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 AT 1 (such as the Notes) being reduced, (iii) thereafter, if CET 1 and AT 1 are not sufficient to cover the relevant losses, the principal amount of Tier 2 being reduced; (iv) thereafter, if CET 1, AT 1 and Tier 2 are not sufficient to cover the relevant losses, other subordinated debt, and (v) if still insufficient, senior debt being reduced up to zero on a permanent basis.

The BRRD provides that a write-down or conversion would, in summary, follow the ordinary allocation of losses and ranking in an insolvency of the relevant institution. However, as safeguard, the BRRD sets out that no creditor shall by use of these tools be in a worse position than in ordinary insolvency proceedings.

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

1. The appropriate authority determines that the institution meets the conditions for resolution, i.e.:
 - (a) the competent authority or resolution authority determines that the institution is failing or likely to fail, i.e.:
 - the institution is in breach or will be in breach, in the near future, of the capital requirements for continuing authorisation in a way that would justify the withdrawal of the institution's authorization by the competent authority; or
 - the institution's assets are or will be, in the near future, less than liabilities; or
 - it is or will be, in the near future, unable to pay its obligations when due; or
 - the institution requires extraordinary public financial support;
 - (b) there is no reasonable prospect that any alternative private sector or supervisory action, other than a resolution action would prevent the institution's failure within a reasonable timeframe; and
 - (c) a resolution action is necessary in the public interest.
2. The appropriate authority determines that the institution will no longer be viable unless the relevant capital instruments are written down; or
3. Extraordinary public support is to be provided by the relevant EU-Member State and without such support the appropriate authority determines that the institution would no longer be viable.

Pursuant to the BRRD, any write-down or conversion of all or part of the principal amount of any instrument, including accrued but unpaid interest in respect thereof, 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. Pursuant to the BRRD, resolution authorities would ensure that, when applying the resolution tools, creditors, however, do not incur greater losses than those that they would incur if the credit institution would have been wound down in normal insolvency proceedings.

The resolution authorities may also amend or alter the maturity of certain instruments or the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The BRRD requires EU-Member States to transpose the BRRD into national law by 31 December 2014 at the latest and to apply the provisions (including the write-down or conversion of capital instruments) from 1 January 2015, those adopted to implement the bail-in tool shall be applied by EU-Member States from 1 January 2016 at the latest.

Furthermore, the BRRD sets out a minimum set of resolution tools only. Therefore, EU-Member States may retain specific national tools and powers to deal with failing institutions if those additional powers are consistent with the principles and objectives of the resolution framework pursuant to the BRRD and do not pose obstacles to effective group resolution. The Austrian Parliament may e.g. decide to implement the BRRD or other rules that entail similar write-down (or conversion) and/or resolution tools already earlier, for instance by including such rules in the Austrian Banking Intervention and Restructuring Act (*Bankeninterventions- und –restrukturierungsgesetz*) ("**BIRG**"), which entered into force as of 1 January 2014. Although the BIRG is guided by the BRRD, the write-down or conversion as well the bail-in tool mentioned above are not yet included.

Such legal provisions and/or regulatory measures may severely affect the rights of the holders of Notes, may result in the loss of the entire investment in the event of non-viability or resolution of the Issuer, and may have a negative impact on the market value of the Notes also prior to non-viability or resolution. In addition, any indication that the Notes will become subject to statutory loss absorption could have an adverse effect on the market price of the relevant Notes.

As the write-down or conversion as well as the bail-in tool foreseen under the BRRD has not yet been implemented in Austria, it remains unclear whether such statutory loss absorption will apply to instruments (such as the Notes) that are already in issue at that time or whether certain grandfathering rules will apply. If and to the extent that such provisions apply to the Notes, 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 or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the price or value of the Notes.

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 or cancellation of distributions, recovery rate, subordination etc. 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 positive or 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.

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

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

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

Prior to their issue, there has been no public market for the Notes. Application has been made to admit the Programme to the Markets, each of which appears on the list of regulated

markets issued by the EU-Commission. In addition, the Programme provides that Notes may be listed on an alternative market or stock exchange or may not be listed at all.

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

The Notes may be traded with accrued distribution, but under certain circumstances described above, subsequent distribution may not be made in full or in part.

The Notes may trade, and/or the prices for the Notes may appear on trading systems on which the Notes are traded, with accrued distribution. If this occurs, purchasers of Notes in the secondary market will pay a price that includes such accrued distribution upon purchase of the Notes. However, if a distribution is not being made or not being made in full on the relevant Distribution Payment Date, purchasers of such Notes will not be entitled to a distribution (in full or in part, as the case may be), and will not receive any compensation for an increased price paid due to accrued distribution.

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

If the Notes are listed on one (or more) markets (which may be regulated or unregulated), the listing of such Notes may – depending on the rules applicable to such stock exchange - be suspended or interrupted by the respective stock exchange or a competent regulatory authority upon the occurrence of a number of reasons, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of Holders. Furthermore, trading in the Notes may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer. Where trading in an underlying of the Notes is suspended, interrupted or terminated, trading in the respective Notes will usually also be suspended, interrupted or terminated and existing orders for the sale or purchase of such Notes will usually 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. Finally, even if trading in Notes is suspended, interrupted or terminated, Holders should note that such measures may neither be sufficient nor adequate nor in time to prevent price disruptions or to safeguard the Holders' interests; for example, where trading in Notes is suspended after price-sensitive information relating to such Notes has been published, the price of such Notes may already have been adversely affected. All these risks would, if they materialise, have a material adverse effect on the Holders.

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

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Instrument. The Holder is therefore exposed to the risk of an unfavourable development of market prices of its Notes

which materialises if the Holder sells the Notes. Holders should also be aware that Notes may be issued at a price higher than the market price at issue and/or the redemption amount. This will increase the impact that unfavourable market price developments may have on the Notes. If the Holder decides to hold the Notes, the Notes may not be redeemed at all or may be redeemed at the option of the Issuer at the Current Principal Amount, which could be lower than the market price of the Notes.

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 payments on the Notes. Furthermore, government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate.

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, the amount of payments under the Notes may be less than anticipated by the Holders.

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 subsequently does not, or only partially, pay distributions or repay the principal 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 Clearstream Banking S.A., Euroclear Bank SA/NV or Oesterreichische Kontrollbank Aktiengesellschaft. The Issuer does not assume any responsibility as to whether the Notes are actually transferred to the securities portfolio of the relevant investor. Holders have to rely on the functionality of the relevant clearing system.

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

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

Legal investment considerations may restrict certain investments, in particular as the Notes are subordinated and loss absorbing instruments.

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

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

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

The Issuer may from time to time act in other capacities with regard to the Notes, such as calculation agent, which allows the Issuer to make calculations in respect of the Notes (e.g. the amount of distributions to be paid) which are binding for the Holders. This fact could generate conflicts of interest and may affect the value 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 value of the Notes. However, it cannot be assured that the Issuer's hedging activities will not affect the value of the Notes.

Risks related to FATCA

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

Sections 1471 through 1474 of the US Internal Revenue Code (the "**Code**"), an agreement entered into with the US Internal Revenue Service pursuant to such sections of the Code, or an intergovernmental agreement between the United States and another jurisdiction in

furtherance of such sections of the Code (including any non-US laws implementing such an intergovernmental agreement) (collectively referred to as "**FATCA**") may impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-US financial institution (a foreign financial institution or "FFI" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors, unless otherwise exempt from or deemed to be in compliance with FATCA, or, where applicable, the FFI complies with any local laws enacted in respect of an intergovernmental agreement with the United States and (ii) any investor that (unless otherwise exempted) does not provide certain tax certifications or ownership information (or, if applicable, a waiver of any laws prohibiting disclosure of such information to a taxing authority) (a "**Recalcitrant Holder**"). There can be no assurances that the Issuer, a financial intermediary, or the Notes will not be subject to the requirements imposed under FATCA.

Withholding under FATCA will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthrough payments" (a term not yet defined) no earlier than 1 January 2017.

The United States has negotiated several intergovernmental agreements (each, an "**IGA**") with other jurisdictions, including Austria, to facilitate the implementation of FATCA. Austria and the United States have entered into a "Model 2" IGA, pursuant to which an Austrian FFI can be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Under the terms of the IGA with Austria (the "**Austrian IGA**"), an Austrian FFI is required to register with the IRS and agree to comply with the terms of FATCA, as modified by the Austrian IGA. Under the IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to the IRS. Further, the Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthrough payments.

As at the date of this Prospectus, the Issuer has registered with the IRS and certified its status as a "Reporting Model 2 FFI" to avoid withholding on payments to it. Similarly, a financial institution, broker, agent or other intermediary (together, the "**Intermediaries**") through which a beneficial owner of Notes holds its interests may also enter into a FATCA Agreement to avoid the U.S. withholding tax.

The Issuer expects to comply with FATCA, including any applicable IGAs. There is no assurance, however, that the Issuer will always be able to comply with the relevant requirements or that it or a financial intermediary through which payments on the Notes are made would not be required to deduct FATCA withholding from payments on the Notes.

In the event that the Issuer or an Intermediary is required to deduct a withholding tax on payments on an Instrument in compliance with FATCA, no additional amounts will be payable to the Holder or beneficial owner of an Instrument under the Terms and Conditions of the Notes.

FATCA is particularly complex and the full extent of its application to the Issuer, Intermediaries and the Notes is uncertain. The Issuer's ability to avoid the withholding taxes under FATCA may not be within its control. In addition, there can be no assurance that payments on an Instrument will not be subject to withholding under FATCA. The above description is based in part on regulations, official guidance and IGAs, all of which are subject to change or may be implemented in a materially different form. Accordingly, potential investors should consult their own tax advisers about how FATCA may affect an investment in the Notes.

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

TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

2. GENERAL INFORMATION

- (1) **Listing and admission to trading.** Application may be made to admit the Programme and/or Notes to the Markets or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series may, but need not be, listed on the Markets or any other market or stock exchange.
- (2) **Approvals.** The Issuer has obtained all necessary consents, approvals and authorisations in Austria in connection with the issue and performance of Notes. Tranches of Notes will be issued under the Programme in accordance with internal approvals, as in force from time to time, provided that, unless otherwise specified in the Final Terms, issues of Notes from 1 January 2014 until 31 December 2014 will be made in accordance with a resolution of the Management Board of the Issuer passed on 26 November 2013, a resolution of the Risk Management Committee of the Supervisory Board dated 17 December 2013 and by a resolution of the Supervisory Board of the Issuer passed on 19 December 2013, and issues of Notes in 2015 will be made in accordance with resolutions of the Management Board, the Risk Management Committee of the Supervisory Board (if any) and the Supervisory Board of the Issuer which are expected to be adopted in December 2014.
- (3) **Significant and material adverse changes.** Except as disclosed under "Current regulatory topics" on page 109, and "Recent Developments" on page 113 of this Prospectus, there has been no significant change in the financial position of the Erste Group since 31 March 2014 and no material adverse change in the prospects of the Issuer since 31 December 2013.
- (4) **ISIN.** The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.
- (5) **Currencies.** Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency if the Issuer and the relevant Dealers so agree.
- (6) **Audit and Auditors' Reports.** Sparkassen-Prüfungsverband Prüfungsstelle (statutory auditor) at Grimmelshausengasse 1, A-1030 Vienna, and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (a member of "Kammer der Wirtschaftstreuhänder Österreich") at Wagramer Straße 19, A-1220 Vienna, have audited the German language consolidated financial statements of Erste Group Bank as of 31 December 2013 and 2012 and issued unqualified audit opinion for the Audited Consolidated Financial Statements 2013 (dated 28 February 2014) and 2012 (dated 28 February 2013). The financial year of Erste Group Bank is the calendar year.
- (7) **Agents.** The Issuer may, subject to the terms of the Agency Agreement dated 23 June 2014, from time to time, remove the Fiscal Agent and/or the Paying Agent and/or may appoint other or additional paying agents, as set out in the Final Terms. Such other paying agents will be appointed in accordance with applicable statutory requirements and/or the rules of the stock exchanges where Notes of the respective Series (as defined in the Terms and Conditions) are listed, and will either be banks or other entities licensed in the EEA or another market where Erste Group is active to act as paying agents.
- (8) **Selling restrictions.** Selling restrictions apply for the United States, United Kingdom, Japan, Singapore, Hong Kong and such other restrictions as may be required in connection with a particular issue. See "Subscription and Sale". The Notes to be offered and sold will be subject to the restrictions of Category 2 for the purposes of Regulation S under the Securities Act. Notes treated as issued in bearer form for U.S. federal income tax purposes having a maturity of more than one year will be subject to the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") and will be issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) Part B of the relevant Final Terms states that Notes are issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration-required obligations" under TEFRA, which

circumstances will be referred to in Part B of the relevant Final Terms as a transaction to which TEFRA is not applicable.

- (9) **Clearing systems.** Euroclear, Clearstream, Luxembourg and, in relation to any Tranche such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer will be the clearing system. Notes may be cleared through OeKB (and may be settled through Euroclear and Clearstream, Luxembourg). Notes have been accepted for clearance through the Euroclear, Clearstream, Luxembourg and OeKB Systems.

3. TERMS AND CONDITIONS OF THE NOTES

INTRODUCTION

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

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

Option I – Terms and Conditions for Notes with a fixed to fixed distribution rate;

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

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

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

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

(1) *Currency, Denomination.* This tranche (the "**Tranche**") of subordinated notes (the "**Notes**") is being issued by Erste Group Bank AG (the "**Issuer**") in **[insert specified currency]** (the "**Specified Currency**") in the aggregate principal amount of **[insert specified currency and aggregate principal amount]** (in words: **[insert aggregate principal amount in words]**) in the denomination of **[insert specified currency and specified denomination]** (the "**Specified Denomination**").

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

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

(3) *Permanent Global Note.* The Notes are represented by a permanent global note (the "**Permanent Global Note**" or the "**Global Note**") without coupons; the claim for distribution payments under the Notes is represented by the Permanent Global Note. The Permanent Global Note shall be signed by authorised representatives of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and coupons will not be issued.]

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

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

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

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

(4) *Clearing System.* The Global Note(s) will be kept in custody by or on behalf of a Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means **[if more than one Clearing System insert: each of]** [Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, A-1010 Vienna, Austria ("**OeKB**") [,] [and] [Clearstream Banking, société anonyme, Luxembourg, 42 Avenue J.F. Kennedy, LUX-1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**") and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium ("**Euroclear**" and, together with CBL, the "**ICSDs**")] [,] [and] [**specify other Clearing System**] and any successor in such capacity. **[In case of Notes to be kept in custody on behalf of the ICSDs insert:** The Notes shall be kept in custody by a common depository on behalf of both ICSDs.]

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

with the provisions of the Clearing System.

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

§ 2 STATUS

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

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

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

Where:

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

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

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (*Capital Requirements Regulation*), as amended from time to time.

"**Existing Hybrid Instruments**" means the following capital instruments of the Issuer (in each case issued directly or indirectly), including any guarantees of the Issuer in relation to obligations under such instruments: [(i) the Series H Non-cumulative Non-voting Preference Shares issued by Finance (Jersey) (4) Limited (ISIN: XS0188305741); (ii) the Series J 5.25% Non-cumulative Non-voting Preference Shares issued by Erste Finance (Jersey) (6) Limited (ISIN: XS0215338152); and (iii) the Non-cumulative Fixed/Floating Rate Perpetual Subordinated Notes issued by Erste Capital Finance (Jersey) Tier 1 PC under the €1,000,000,000 Perpetual Subordinated Debt Issuance Programme (ISIN: XS0268694808)] **[insert other]**.

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

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

The rights of the Holders of the Notes to payment of principal on the Notes are at any time

limited to a claim for the prevailing Current Principal Amount (as defined below).

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

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

(3) *No Security.* Claims of the Issuer are not permitted to be set-off against repayment obligations of the Issuer under these Notes and no contractual collateral may be provided by the Issuer or a third person for the liabilities constituted by the Notes. The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes. The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claim under the Notes in insolvency or liquidation. No subsequent agreement may limit the subordination pursuant to this § 2 or amend the perpetuity of the Notes.

§ 3 DISTRIBUTIONS

(1) *Fixed Rate Distributions.*

(a) *Fixed Rate of Distributions and Fixed Distribution Payment Dates.* The Notes shall bear distributions on the Current Principal Amount (as defined below) at the rate of **[insert First Rate of Distributions]** per cent. *per annum* (the "**First Rate of Distributions**") from and including **[insert Distribution Commencement Date]** (the "**Distribution Commencement Date**") to, but excluding, **[insert First Reset Date]** (the "**First Reset Date**") (the "**First Period**") and thereafter at the relevant Reset Rate of Distributions (as determined according to § 3 (2)) from and including each Reset Date to but excluding the next following Reset Date. **[In case of a short or long first distribution period insert:** With the exception of the first payment of distributions, distributions] **[in case of Notes which have only regular fixed distribution payments insert:** Distributions] shall be scheduled to be paid **[in case of quarterly fixed distribution payments insert:** quarterly] **[in case of semi-annual fixed distribution payments insert:** semi-annually] **[in case of annual fixed distribution payments insert:** annually] in arrear on **[insert Fixed Distribution Payment Dates]** in each year (each such date, a "**Fixed Distribution Payment Date**"), commencing on **[insert first Fixed Distribution Payment Date]**. Distributions will fall due in accordance with the provisions set out in § 4 (4).

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

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

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

1. if the Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of calendar days in such Calculation

Period divided by the product of (x) the number of calendar days in such Determination Period and (y) the number of Determination Dates (as specified below) that would occur in one calendar year; or

2. if the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of
 - (A) the number of calendar days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of calendar days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of calendar days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of calendar days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

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

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

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

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

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

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

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

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

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

The "**Reference Rate**" in respect of each Reset Period shall be the swap rate (expressed as a percentage rate *per annum*) for swap transactions in the Specified Currency with a term [*insert relevant term*] [equaling the term of the Reset Period starting on the relevant Reset

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

[In case of a Margin insert: "Margin" means **[insert rate]** per cent. *per annum*.]

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

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

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

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

If the Screen Page is unavailable or if the Reference Rate does not appear on the Screen Page as at such time on the relevant Determination Date, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its mid-market swap rate (expressed as a percentage rate *per annum*) at approximately **[insert relevant time]** (**[insert relevant financial centre]** time) on the relevant Determination Date. **"Mid-market swap rate"** means the mean of the bid and offered rates for the fixed leg of a fixed-for-floating rate swap transaction in the Specified Currency where the floating leg is equivalent to [the applicable Reference Rate] **[insert other]** *per annum*, which appears on **[insert relevant screen page]** (or the successor page displayed by the same information provider or any other information provider nominated by the Calculation Agent as the replacement information provider for the purposes of displaying the [applicable Reference Rate] **[insert other]**).

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

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

"Reference Banks" means **[insert relevant number]** major banks in the **[if the Reference Rate is not a Euro swap rate, insert relevant financial centre]** interbank market **[if the Reference Rate is a Euro swap rate, insert:** of the Euro-zone interbank market].

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

to time.]

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

(c) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Paying Agents and the Holders and, in the absence of the aforesaid, no liability to the Issuer, the Fiscal Agent, the Paying Agents or the Holders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

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

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

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

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

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

Where:

"**Applicable Supervisory Regulations**" mean the provisions of banking supervisory laws and any rules and regulations thereunder (including any guidelines and recommendations of the European Banking Authority, the administrative practice of the Competent Authority, and any applicable decision of a court) relating to capital requirements and applicable to the Issuer, the Erste Group, and its affiliates from time to time, including the CRD IV, CRR, and the CDR.

"**CDR**" means the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (*Capital Delegated Regulation*), as amended from time to time.

"**Competent Authority**" means the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde – FMA*) (or any successor authority of the Austrian Financial Market Authority or any other competent authority responsible for the banking supervision for capital requirements purposes of the Issuer in the future, such as the European Central Bank).

"**CRD IV**" means the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (*Capital Requirements Directive IV*), as implemented in Austria and as amended from time to time.

"**Distributable Items**" means in respect of any payment of distributions on the Notes:

- (i) either the distributable items as defined in Article 4(1)(128) of the CRR; or
- (ii) any such other equivalent or successor term as defined in the Applicable Supervisory Regulations then in effect;

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

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

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

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

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

§ 4 PAYMENTS

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

(b) *Payment of Distributions.* Payment of distributions on the Notes shall be made, subject to § 3 (4) above and paragraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System [***in case of distribution payments on a Temporary Global Note insert:***, and in case of payment of distributions on Notes represented by a Temporary Global Note, upon due certification as provided for in § 1 (3) (b)].

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

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

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

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

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

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

"Fixed Payment Business Day" means a calendar day (other than a Saturday or a Sunday) (i) on which the Clearing System is open, and (ii) [which is a Business Day (as defined in § 1 (6))] [on which **insert, as applicable:** commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in [insert all relevant financial centres] **[insert, as applicable:** [and] the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("TARGET") is open].

[If the distribution amount shall be adjusted, insert: If any Fixed Payment Business Day is **[in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:** brought forward] [or] **[in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:** postponed] (as described above), the amount of distribution shall be adjusted accordingly.]

[If the distribution amount shall not be adjusted, insert: If any Fixed Payment Business Day is **[in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:** brought forward] [or] **[in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:** postponed] (as described above), the amount of distribution shall not be adjusted accordingly.]

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

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

§ 5

REDEMPTION AND WRITE-DOWN

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

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

(3) *Redemption at the Option of the Issuer*.

(a) The Issuer may, upon notice given in accordance with subparagraph (b), redeem the Notes in whole, but not in part, on the Call Redemption Date(s) at the applicable Call Redemption Amount together with accrued distributions, if any, and subject to cancellation of distributions pursuant to § 3 (4), to, but excluding, the (relevant) Call Redemption Date. Any such redemption pursuant to this subsection § 5 (3) shall not be possible before five years after the date of issuance and shall only be possible provided that the redemption conditions laid down

in § 5 (6) are met.

"**Call Redemption Amount**" equals the Current Principal Amount (as defined below).

"**Call Redemption Date**" means (i) each Reset Date occurring not before five years after the date of issuance of the Notes and (ii) each anniversary date of the First Reset Date in each year following the previous Reset Date.

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

- (i) the series of Notes subject to redemption;
- (ii) the Call Redemption Date which shall be not less than [*insert Minimum Notice Period, which shall not be less than 5 Business Days*] [calendar days] [Business Days] [*in case of a Maximum Notice Period insert:* nor more than [*insert Maximum Notice Period*] [calendar days] [Business Days]] after the calendar day on which notice is given by the Issuer to the Holders; and
- (iii) the Call Redemption Amount at which such Notes are to be redeemed.

(4) *Redemption for Reasons of Taxation.* The Notes may be redeemed at the option of the Issuer in whole, but not in part, [at any time] [on the next Distribution Payment Date] on giving not less than [*insert Minimum Notice Period*] nor more than [*insert Maximum Notice Period*] [calendar days] [Business Days] prior notice of redemption to the Fiscal Agent and, in accordance with § 10, to the Holders (which notice shall be irrevocable), if there is a change in the applicable tax treatment of the Notes, including without limitation, a Tax Deductibility Event or a Gross-up Event, which is material and was not reasonably foreseeable at the time of their issuance, and provided that the redemption conditions laid down in § 5 (6) are met.

Where:

A "**Gross-up Event**" occurs if there is a change in the applicable tax treatment of the Notes as a result of which the Issuer has paid, or will or would on the next Distribution Payment Date be required to pay, any Additional Amounts.

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

(5) *Redemption for Regulatory Reasons.* The Notes may be redeemed at the option of the Issuer in whole, but not in part, [at any time] [on the next Distribution Payment Date] on giving not less than [*insert Minimum Notice Period*] nor more than [*insert Maximum Notice Period*] [calendar days] [Business Days] prior notice of redemption to the Fiscal Agent and, in accordance with § 10, to the Holders (which notice shall be irrevocable), if there is a change in the regulatory classification of the Notes that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, and this regulatory reclassification of the Notes was not reasonably foreseeable at the time of their issuance, and provided that the redemption conditions laid down in § 5 (6) are met.

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

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

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

the date of redemption.

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

- (i) immediately inform the Competent Authority (to the extent required under the Applicable Supervisory Regulations) that the Trigger Event has occurred;
- (ii) inform the Fiscal Agent and, in accordance with § 10, the Holders that a Trigger Event has occurred by publishing a notice (such notice a "**Write-down Notice**") without undue delay;
- (iii) determine the Write-down Amount as soon as possible following the determination by the Issuer that a Trigger Event has occurred and inform the Fiscal Agent and, in accordance with § 10, the Holders by publishing a notice which will specify the Write-down Amount and the new/reduced Current Principal Amount of each Note; and
- (iv) without undue delay following the determination of the Effective Date the Issuer will inform the Fiscal Agent and, in accordance with § 10, the Holders by publishing a notice which will specify the Effective Date;
- (v) (without the need for the consent of Holders) reduce the Current Principal Amount of each Note by the relevant Write-down Amount (such reduction being referred to as a "**Write-down**") without undue delay, but not later than within one month, with effect as from the Effective Date.

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

Where:

"Current Principal Amount" means initially the Specified Denomination, which from time to time - on one or more occasions - may be reduced following a Write-down and, following a Write-down, may be increased by a Write-up, if any (up to the Specified Denomination).

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

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

"Extraordinary Calculation Date" means any Business Day (other than a Quarterly Financial Period End Date) on which the **[Issuer CET 1 Capital Ratio] [and] [or] [Group CET 1 Capital Ratio]** is calculated, either upon the instruction of the Competent Authority or at the Issuer's discretion.

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

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

"Minimum Trigger Level" means in respect of:

[if Minimum Trigger Level is relevant on a consolidated level, insert: [(i)] the Group CET 1 Capital Ratio [insert consolidated minimum trigger level] per cent.;]

[if Minimum Trigger Level is relevant on a consolidated and single entity level, insert: and] [if Minimum Trigger Level is relevant on a consolidated or single entity level, insert: or]

[if Minimum Trigger Level is relevant on a single entity level, insert: [(ii)] the Issuer CET 1 Capital Ratio [insert single entity minimum trigger level] per cent.]

or [in each case], if higher, the statutory minimum trigger level under the Applicable

Supervisory Regulations then in effect for loss absorption applicable to AT 1 Instruments.

"Quarterly Period End Date" means 31 March, 30 June, 30 September and 31 December of each year or, if [the Issuer's] [and] [or] [Erste Group's] financial year is not the calendar year, any other last day of the regular quarterly reporting period.

"Required Loss Absorption Amount" means the amount by which, upon the occurrence of a Trigger Event, a write-down of the aggregate Current Principal Amount of the Notes shall be effected *pro rata* with the aggregate (current) principal amount of any other Similar AT 1 Instruments. For such purpose, the total amount of the write-downs to be allocated *pro rata* shall be equal to the amount required to restore fully the [Issuer CET 1 Capital Ratio] [and] [or] [the Group CET 1 Capital Ratio] to at least the Minimum Trigger Level, as applicable, but shall not exceed the sum of the principal amounts of the Similar AT 1 Instruments outstanding at the time of occurrence of the Trigger Event.

In case of (i) other AT 1 Instruments, the terms of which provide for a trigger event with a different minimum Common Equity Tier 1 capital ratio trigger or (ii) other instruments of the Issuer (issued directly or indirectly) or, as applicable, any member of the Erste Group, which are, or which according to their terms are, subject to write-down or conversion into ordinary shares or any other form of loss absorption applicable prior to the Current Principal Amount of the Notes (and the (current) principal amount of any other Similar AT 1 Instruments) being required to be written down ("**Prior Loss Absorbing Instruments**"), the following applies:

- (i) Any Write-down pursuant to this § 5 (8) shall only occur after all AT 1 Instruments with a Common Equity Tier 1 capital ratio trigger above the Minimum Trigger as trigger and any Prior Loss Absorbing Instruments have been written down or converted into common shares in accordance with their terms; and
- (ii) any Write-down pursuant to this § 5 (8) shall occur prior to the write-down or conversion of AT 1 Instruments with a Common Equity Tier 1 capital ratio trigger below the Minimum Trigger as trigger.

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

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

A "**Trigger Event**" occurs on any Quarterly Period End Date or any Extraordinary Calculation Date [*if Trigger Event is relevant on a consolidated level, insert: [(i)] the Group CET 1 Capital Ratio*] [*if Trigger Event is relevant on a consolidated and single entity level, insert: and*] [*if Trigger Event is relevant on a consolidated or single entity level, insert: or*] [*if Minimum Trigger Level is relevant on a single entity level, insert: [(ii)] the Issuer CET 1 Capital Ratio*] fall[s] to an amount that is lower than the applicable Minimum Trigger Level.

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

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

If the Issuer so decides in its sole discretion, the Write-up will occur with effect as of the Write-

Up Date (as defined below) (including).

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

- (i) at the time of the Write-up, there must not exist any Trigger Event that is continuing; any Write-up is also excluded if such Write-up would give rise to the occurrence of a Trigger Event;
- (ii) such Write-up is applied on a *pro rata* basis to all Notes and among Similar AT 1 Instruments that have been subject to a write-down; and
- (iii) the sum of (a) the aggregate amount attributed to the relevant Write-up of the Notes and (b) the aggregate amount of any distribution scheduled to be paid on the aggregate Current Principal Amount of the Notes as calculated at the moment the Write-up is operated will not exceed the Maximum Write-up Amount (or any other maximum amount as permitted under the provisions of the Applicable Supervisory Regulations then in effect).

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

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

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

Where:

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

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

or any higher amount permissible pursuant to the Applicable Supervisory Regulations on the date of the relevant Write-Up. [*if Specified Currency is not euro, insert:* Any amounts in currency other than euro will, for purposes of establishing the Maximum Write-up Amount be converted into euro at the foreign exchange rate prevailing on the [third] business day prior to the Effective Date.]

"**Profit**" means (i) the net income for the year (*Jahresüberschuss*) of the Issuer on a single entity basis recorded in the Relevant Financial Statements; or (ii) the consolidated net income for the year (*Jahresüberschuss*) of the Erste Group on a consolidated basis, in each case after such Profit has formally been confirmed.

§ 6
FISCAL AGENT,

**PAYING AGENT[S] AND
CALCULATION AGENT**

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

Fiscal Agent and Principal Paying Agent:

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

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
LUX-5826 Hesperange
Grand Duchy of Luxembourg]

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

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

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

Calculation Agent:

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

Erste Group Bank AG
Graben 21
A-1010 Vienna
Austria]

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

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

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

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

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

(4) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of

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

[In case of Notes which are initially represented by a Temporary Global Note, which will be exchanged for a Permanent Global Note, or in case of payments in U.S. Dollars insert:

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

§ 7 TAXATION

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

In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") to the Holder as shall result in receipt by that Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note:

(a) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Austria other than the mere holding of the Note; or

(b) presented for payment more than [30] [**insert other period**] calendar days after the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven calendar days after that on which notice is duly given to the Holders in accordance with § 10 that, upon further presentation of the Notes being made, such payment will be made, provided that payment is in fact made upon such presentation, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the Note for payment on the [thirtieth] [**insert other period**] such calendar day; or

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

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

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

**§ 8
PRESENTATION PERIOD**

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

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

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

(2) *Purchases.* **[If a purchase of Notes is permissible, insert:** The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. Notes purchased by the Issuer or the Subsidiary may, at the option of the Issuer or such Subsidiary, be held, resold or surrendered to the Fiscal Agent for cancellation. No purchase shall be possible unless all applicable regulatory and other statutory restrictions are observed and provided that the redemption conditions laid down in § 5 (6) are met.] **[If a purchase of Notes is not permissible, insert:** Neither the Issuer nor its Subsidiaries may at any time purchase Notes.]

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

**§ 10
NOTICES**

(1) *Notices of the Issuer.* All notices of the Issuer concerning the Notes shall be published in [such media as determined by law] **[insert specific media]** and in electronic form on the website of the Issuer [(www.erstegroup.com)] **[●]**. Any notice so given will be deemed to have been validly given on the fifth calendar day following the date of such publication (or, if published more than once, on the [fifth] **[●]** calendar day following the date of the first such publication).

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

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

**§ 11
APPLICABLE LAW,
PLACE OF JURISDICTION
AND ENFORCEMENT**

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

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

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

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

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

(1) *Currency, Denomination.* This tranche (the "**Tranche**") of subordinated notes (the "**Notes**") is being issued by Erste Group Bank AG (the "**Issuer**") in **[insert specified currency]** (the "**Specified Currency**") in the aggregate principal amount of **[insert specified currency and aggregate principal amount]** (in words: **[insert aggregate principal amount in words]**) in the denomination of **[insert specified currency and specified denomination]** (the "**Specified Denomination**").

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

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

(3) *Permanent Global Note.* The Notes are represented by a permanent global note (the "**Permanent Global Note**" or the "**Global Note**") without coupons; the claim for distribution payments under the Notes is represented by the Permanent Global Note. The Permanent Global Note shall be signed by authorised representatives of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and coupons will not be issued.]

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

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

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

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

(4) *Clearing System.* The Global Note(s) will be kept in custody by or on behalf of a Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means **[if more than one Clearing System insert: each of]** [Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, A-1010 Vienna, Austria ("**OeKB**") [.] [and] [Clearstream Banking, société anonyme, Luxembourg, 42 Avenue J.F. Kennedy, LUX-1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**") and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium ("**Euroclear**" and, together with CBL, the "**ICSDs**") [.] [and] [specify other Clearing System] and any successor in such capacity. **[In case of Notes to be kept in custody on behalf of the ICSDs insert:** The Notes shall be kept in

custody by a common depository on behalf of both ICSDs.]

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

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

§ 2 STATUS

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

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

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

Where:

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

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

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (*Capital Requirements Regulation*), as amended from time to time.

"**Existing Hybrid Instruments**" means the following capital instruments of the Issuer, (in each case issued directly or indirectly), including any guarantees of the Issuer in relation to obligations under such instruments: [(i) the Series H Non-cumulative Non-voting Preference Shares issued by Finance (Jersey) (4) Limited (ISIN: XS0188305741); (ii) the Series J 5.25% Non-cumulative Non-voting Preference Shares issued by Erste Finance (Jersey) (6) Limited (ISIN: XS0215338152); and (iii) the Non-cumulative Fixed/Floating Rate Perpetual Subordinated Notes issued by Erste Capital Finance (Jersey) Tier 1 PC under the €1,000,000 Perpetual Subordinated Debt Issuance Programme (ISIN: XS0268694808)] [*insert other*].

"**Tier 2 Instruments**" means any capital instruments (issued directly or indirectly) of the Issuer

that qualify as Tier 2 instruments pursuant to Article 63 of the CRR, excluding any capital instruments that qualify as Tier 2 instruments pursuant to transitional provisions under the CRR.

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

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

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

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

(3) *No Security.* Claims of the Issuer are not permitted to be set-off against repayment obligations of the Issuer under these Notes and no contractual collateral may be provided by the Issuer or a third person for the liabilities constituted by the Notes. The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes. The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claim under the Notes in insolvency or liquidation. No subsequent agreement may limit the subordination pursuant to this § 2 or amend the perpetuity of the Notes.

§ 3 DISTRIBUTIONS

(1) *Fixed Rate Distributions.*

(a) *Fixed Rate of Distributions and Fixed Distribution Payment Dates.* The Notes shall bear distributions on the Current Principal Amount (as defined below) at the rate of **[insert First Rate of Distributions]** per cent. *per annum* (the "**First Rate of Distributions**") from and including **[insert Distribution Commencement Date]** (the "**Distribution Commencement Date**") to but excluding **[insert Reset Date]** (the "**Reset Date**") (the "**First Period**"). **[In case of a short or long first distribution period insert:** With the exception of the first payment of distributions, distributions] **[in case of Notes which have only regular fixed distribution payments insert:** Distributions] for the First Period shall be scheduled to be paid **[in case of quarterly fixed distribution payments insert:** quarterly] **[in case of semi-annual fixed distribution payments insert:** semi-annually] **[in case of annual fixed distribution payments insert:** annually] in arrear on **[insert Fixed Distribution Payment Dates]** in each year (each such date, a "**Fixed Distribution Payment Date**"), commencing on **[insert first Fixed Distribution Payment Date]**. Distributions will fall due in accordance with the provisions set out in § 4 (4).

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

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

Period"):

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

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

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

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

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

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

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

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

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

30-calendar day month).]

(2) *Floating Distributions.*

(a) *Floating Distribution Payment Dates.*

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

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

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

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

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

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

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

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

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

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

the immediately preceding Business Day.]

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

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

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

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

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

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

[In case of Notes the Floating Rate of Distributions of which is linked to a Reference Rate, insert:

(b) *Floating Rate of Distributions.* The floating rate of distributions (the "**Floating Rate of Distributions**") for each Floating Distribution Period shall be the [*insert number, term and name of relevant Reference Rate*] *per annum* (the "**Reference Rate**") [*in case of a Margin insert: [plus] [minus] the Margin (as defined below)*]. Such Reference Rate shall be the offered rate (expressed as a percentage rate *per annum*) for deposits in the Specified

Currency with a term, which corresponds with the Floating Distribution Period, which appears on the Screen Page (as defined below) as of **[insert relevant time]** (**[insert relevant financial centre]** time) on the relevant Determination Date (as defined below), all as determined by the Calculation Agent (as specified in § 6 (1)).

[In case of Notes which have a margin, insert: "Margin" means **[insert rate]** per cent. *per annum*.]

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

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

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

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

If the Reference Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Reference Rate for the relevant Floating Distribution Period shall be deemed to be the rate determined by the Calculation Agent in its reasonable discretion; the Calculation Agent shall take general market practice into account when determining such rate.

"Reference Banks" means **[insert relevant number]** major banks in the **[if the Reference Rate is not EURIBOR insert: [insert relevant financial centre]]** interbank market **[if the Reference Rate is EURIBOR insert: of the Euro-zone]**.

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

[In case of Notes the Floating Rate of Distributions of which is linked to a Swap Rate, insert:

(b) *Floating Rate of Distributions*. The floating rate of distributions (the **"Floating Rate of Distributions"**) for each Floating Distribution Period (as defined below) shall be **[insert number, term and relevant Reference Rate]** *per annum* (the **"Reference Rate"**) **[in case of a Margin insert: [plus] [minus] the Margin (as defined below)]**. Such Reference Rate shall be the swap rate (expressed as a percentage rate *per annum*) for swap transactions in the

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

[In case of Notes which have a margin, insert: "Margin" means **[insert rate]** per cent. *per annum*.]

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

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

If the Screen Page is unavailable or if the Reference Rate does not appear on the Screen Page as at such time on the relevant Determination Date, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its mid-market swap rate (expressed as a percentage rate *per annum*) at approximately **[insert relevant time]** (**[insert relevant financial centre]** time) on the Determination Date. **"Mid-market swap rate"** means the mean of the bid and offered rates for the fixed leg of a fixed-for-floating rate swap transaction in the Specified Currency where the floating leg is equivalent to **[insert number, term and relevant Reference Rate]** *per annum*, which appears on **[insert relevant screen page]** (or the successor page displayed by the same information provider or any other information provider nominated by the Calculation Agent as the replacement information provider for the purposes of displaying the **[insert number, term and relevant Reference Rate]**).

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

If the Reference Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Reference Rate for the relevant Floating Distribution Period shall be deemed to be the rate determined by the Calculation Agent in its reasonable discretion; the Calculation Agent shall take general market practice into account when determining such rate.

"Reference Banks" means **[insert relevant number]** major banks in the **[if the Reference Rate is not a Euro swap rate, insert relevant financial centre]** interbank market **[if the Reference Rate is a Euro swap rate, insert: of the Euro-zone or in the London interbank market]**.

[If the Reference Rate is a Euro swap rate, insert: "Euro-zone" means the region comprised of those member states of the European Union that have adopted, or will have adopted from time to time, the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992), the Amsterdam Treaty of

2 October 1997 and the Treaty of Lisbon of 13 December 2007, as further amended from time to time.]]

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

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

(e) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Paying Agents and the Holders and, in the absence of the aforesaid, no liability to the Issuer, the Fiscal Agent, the Paying Agents or the Holders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

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

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

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

"**Floating Determination Period**" means the period from, and including, a Determination Date relating to floating distributions (a "**Floating Determination Date**") to, but excluding, the next Floating Determination Date (including, where the Floating Distribution Commencement Date is not a Floating Determination Date, the period commencing on the first Floating

Determination Date prior to the Floating Distribution Commencement Date, and where the final Floating Distribution Payment Date is not a Floating Determination Date, the first Floating Determination Date falling after the final Floating Distribution Payment Date, as the case may be).

"Floating Determination Date" means [●] in each year.

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

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

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

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

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

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

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

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

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

- (iii) on the relevant Distribution Payment Date (a) such distribution payment aggregated with any other distributions of the kind referred to in § 24(2) of the Austrian Banking Act (*Bankwesengesetz – BWG*) (implementing Article 141(2) of the CRD IV in Austria) would not be in compliance with the restrictions relating to the Maximum Distributable Amount; or (b) distributions on the Notes are prohibited under any other provisions of the Applicable Supervisory Regulations then in effect.

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

Where:

"Applicable Supervisory Regulations" mean the provisions of banking supervisory laws and any rules and regulations thereunder (including any guidelines and recommendations of the European Banking Authority, the administrative practice of the Competent Authority, and any applicable decision of a court) relating to capital requirements and applicable to the Issuer, the Erste Group, and its affiliates from time to time, including the CRD IV, CRR, and the CDR.

"CDR" means the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (*Capital Delegated Regulation*), as amended from time to time.

"Competent Authority" means the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde – FMA*) (or any successor authority of the Austrian Financial Market Authority or any other competent authority responsible for the banking supervision for capital requirements purposes of the Issuer in the future, such as the European Central Bank).

"CRD IV" means the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (*Capital Requirements Directive IV*), as implemented in Austria and as amended from time to time.

"Distributable Items" means in respect of any payment of distributions on the Notes:

- (i) either the distributable items as defined in Article 4(1)(128) of the CRR; or
- (ii) any such other equivalent or successor term as defined in the Applicable Supervisory Regulations then in effect;

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

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

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

"Relevant Financial Statements" means (i) the audited (*geprüft*) and adopted (*festgestellt*) unconsolidated annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date, or (ii) if such audited and adopted unconsolidated annual financial statements of the Issuer are

not available at the relevant Distribution Payment Date, unaudited unconsolidated pro forma financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements.

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

§ 4 PAYMENTS

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

(b) *Payment of Distributions.* Payment of distributions on the Notes shall be made, subject to § 3 (4) above and paragraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System **[in case of distribution payments on a Temporary Global Note insert:**, and in case of payment of distributions on Notes represented by a Temporary Global Note, upon due certification as provided for in § 1 (3) (b)].

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

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

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

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

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

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

"**Fixed Payment Business Day**" means a calendar day (other than a Saturday or a Sunday) (i) on which the Clearing System is open, and (ii) [which is a Business Day (as defined in § 1 (6))] [on which **insert, as applicable:** commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in **[insert all relevant financial centres]** **[insert, as applicable:** [and] the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("TARGET") is open].

[If the distribution amount shall be adjusted, insert: If any Fixed Payment Business Day is **[in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:** brought forward] [or] **[in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:** postponed] (as described above), the amount of distribution shall be adjusted accordingly.]

[If the distribution amount shall not be adjusted, insert: If any Fixed Payment Business Day is **[in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:** brought forward] [or] **[in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:** postponed] (as described above), the amount of distribution shall not be adjusted accordingly.]

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

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

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

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

"**Floating Payment Business Day**" means a calendar day (other than a Saturday or a Sunday) (i) on which the Clearing System is open, and (ii) [which is a Business Day (as defined in § 1 (6))] [on which **insert, as applicable:** commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in [**insert all relevant financial centres**] [**insert, as applicable:** [and] the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 or its successor ("TARGET") is open].

[If the distribution amount shall be adjusted, insert: If a Floating Payment Business Day is [**in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:** brought forward] [or] [**in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:** postponed] (as described above), the relevant Distribution Period shall be adjusted accordingly.]

[If the distribution amount shall not be adjusted, insert: If a Floating Payment Business Day is [**in case Modified Following Business Day Convention or Preceding Business Day Convention applies, insert:** brought forward] [or] [**in case Modified Following Business Day Convention or Following Business Day Convention applies, insert:** postponed] (as described above), the relevant Distribution Period 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.

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

§ 5

REDEMPTION AND WRITE-DOWN

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

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

(3) *Redemption at the Option of the Issuer*.

(a) The Issuer may, upon notice given in accordance with subparagraph (b), redeem the Notes in whole, but not in part, on the Call Redemption Date(s) at the applicable Call Redemption Amount together with accrued distributions, if any, and subject to cancellation of distributions pursuant to § 3 (4), to, but excluding, the (relevant) Call Redemption Date. Any such redemption pursuant to this subsection § 5 (3) shall not be possible before five years after the date of issuance and shall only be possible provided that the redemption conditions laid down

in § 5 (6) are met.

"**Call Redemption Amount**" equals the Current Principal Amount (as defined below) .

"**Call Redemption Date**" means (i) each Reset Date occurring not before five years after the date of issuance of the Notes and (ii) each Floating Interest Payment Date falling 12 months after the previous Call Redemption Date.

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

- (i) the series of Notes subject to redemption;
- (ii) the Call Redemption Date which shall be not less than **[insert Minimum Notice Period, which shall not be less than 5 Business Days]** [calendar days] [Business Days] **[in case of a Maximum Notice Period insert: nor more than [insert Maximum Notice Period]** [calendar days] [Business Days]] after the calendar day on which notice is given by the Issuer to the Holders; and
- (iii) the Call Redemption Amount at which such Notes are to be redeemed.

(4) *Redemption for Reasons of Taxation.* The Notes may be redeemed at the option of the Issuer in whole, but not in part, during the First Period at any time and during a Floating Distribution Period [at any time] [on the next Floating Distribution Payment Date] on giving not less than **[insert Minimum Notice Period]** nor more than **[insert Maximum Notice Period]** [calendar days] [Business Days] prior notice of redemption to the Fiscal Agent and, in accordance with § 10, to the Holders (which notice shall be irrevocable), if there is a change in the applicable tax treatment of the Notes, including without limitation, a Tax Deductibility Event or a Gross-up Event, which is material and was not reasonably foreseeable at the time of their issuance, and provided that the redemption conditions laid down in § 5 (6) are met.

Where:

A "**Gross-up Event**" occurs if there is a change in the applicable tax treatment of the Notes as a result of which the Issuer has paid, or will or would on the next Distribution Payment Date be required to pay, any Additional Amounts.

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

(5) *Redemption for Regulatory Reasons.* The Notes may be redeemed at the option of the Issuer in whole, but not in part, during the First Period at any time and during a Floating Distribution Period [at any time] [on the next Floating Distribution Payment Date] on giving not less than **[insert Minimum Notice Period]** nor more than **[insert Maximum Notice Period]** [calendar days] [Business Days] prior notice of redemption to the Fiscal Agent and, in accordance with § 10, to the Holders (which notice shall be irrevocable), if there is a change in the regulatory classification of the Notes that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, and this regulatory reclassification of the Notes was not reasonably foreseeable at the time of their issuance, and provided that the redemption conditions laid down in § 5 (6) are met.

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

- (i) earlier than or at the same time as the redemption, the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following the redemption, exceed the requirements laid down in Article 92(1) of the CRR and the combined buffer requirement as defined in point (6) of

Article 128 of the CRD IV by a margin that the Competent Authority may consider necessary on the basis of Article 104(3) of the CRD IV.

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

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

- (i) immediately inform the Competent Authority (to the extent required under the Applicable Supervisory Regulations) that the Trigger Event has occurred;
- (ii) inform the Fiscal Agent and, in accordance with § 10, the Holders that a Trigger Event has occurred by publishing a notice (such notice a "**Write-down Notice**") without undue delay;
- (iii) determine the Write-down Amount as soon as possible following the determination by the Issuer that a Trigger Event has occurred and inform the Fiscal Agent and, in accordance with § 10, the Holders by publishing a notice which will specify the Write-down Amount and the new/reduced Current Principal Amount of each Note; and
- (iv) without undue delay following the determination of the Effective Date the Issuer will inform the Fiscal Agent and, in accordance with § 10, the Holders by publishing a notice which will specify the Effective Date;
- (v) (without the need for the consent of Holders) reduce the Current Principal Amount of each Note by the relevant Write-down Amount (such reduction being referred to as a "**Write-down**") without undue delay, but not later than within one month, with effect as from the Effective Date.

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

Where:

"**Current Principal Amount**" means initially the Specified Denomination, which from time to time - on one or more occasions - may be reduced following a Write-down and, following a Write-down, may be increased by a Write-up, if any (up to the Specified Denomination).

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

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

"**Extraordinary Calculation Date**" means any Business Day (other than a Quarterly Financial Period End Date) on which the [Issuer CET 1 Capital Ratio] [and] [or] [Group CET 1 Capital Ratio] is calculated, either upon the instruction of the Competent Authority or at the Issuer's discretion.

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

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

"**Minimum Trigger Level**" means in respect of:

[*if Minimum Trigger Level is relevant on a consolidated level, insert: [(i)] the Group CET 1 Capital Ratio [insert consolidated minimum trigger level] per cent.;*]

[if Minimum Trigger Level is relevant on a consolidated and single entity level, insert: and] [if Minimum Trigger Level is relevant on a consolidated or single entity level, insert: or]

[if Minimum Trigger Level is relevant on a single entity level, insert: [(ii)] the Issuer CET 1 Capital Ratio [insert single entity minimum trigger level] per cent.]

or [in each case], if higher, the statutory minimum trigger level under the Applicable Supervisory Regulations then in effect for loss absorption applicable to AT 1 Instruments.

"Quarterly Period End Date" means 31 March, 30 June, 30 September and 31 December of each year or, if [the Issuer's] [and] [or] [Erste Group's] financial year is not the calendar year, any other last day of the regular quarterly reporting period.

"Required Loss Absorption Amount" means the amount by which, upon the occurrence of a Trigger Event, a write-down of the aggregate Current Principal Amount of the Notes shall be effected *pro rata* with the aggregate (current) principal amount of any other Similar AT 1 Instruments. For such purpose, the total amount of the write-downs to be allocated *pro rata* shall be equal to the amount required to restore fully the [Issuer CET 1 Capital Ratio] [and] [or] [the Group CET 1 Capital Ratio] to at least the Minimum Trigger Level, as applicable, but shall not exceed the sum of the principal amounts of the Similar AT 1 Instruments outstanding at the time of occurrence of the Trigger Event.

In case of (i) other AT 1 Instruments, the terms of which provide for a trigger event with a different minimum Common Equity Tier 1 capital ratio trigger or (ii) other instruments of the Issuer (issued directly or indirectly) or, as applicable, any member of the Erste Group, which are, or which according to their terms are, subject to write-down or conversion into ordinary shares or any other form of loss absorption applicable prior to the Current Principal Amount of the Notes (and the (current) principal amount of any other Similar AT 1 Instruments) being required to be written down ("**Prior Loss Absorbing Instruments**"), the following applies:

- (i) Any Write-down pursuant to this § 5 (8) shall only occur after all AT 1 Instruments with a Common Equity Tier 1 capital ratio trigger above the Minimum Trigger as trigger and any Prior Loss Absorbing Instruments have been written down or converted into common shares in accordance with their terms; and
- (ii) any Write-down pursuant to this § 5 (8) shall occur prior to the write-down or conversion of AT 1 Instruments with a Common Equity Tier 1 capital ratio trigger below the Minimum Trigger as trigger.

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

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

A **"Trigger Event"** occurs on any Quarterly Period End Date or any Extraordinary Calculation Date **[if Trigger Event is relevant on a consolidated level, insert: [(i)] the Group CET 1 Capital Ratio] [if Trigger Event is relevant on a consolidated and single entity level, insert: and] [if Trigger Event is relevant on a consolidated or single entity level, insert: or] [if Minimum Trigger Level is relevant on a single entity level, insert: [(ii)] the Issuer CET 1 Capital Ratio] fall[s] to an amount that is lower than the applicable Minimum Trigger Level.**

"Write-down Amount" per Note means the amount by which the Current Principal Amount per Note is to be Written-down on an Effective Date, being the higher of (i) the *pro rata* share of the Note in the Required Loss Absorption Amount and (ii) if the amount in (i) is insufficient to restore [the Issuer CET 1 Capital Ratio] [and] [or] [the Group CET 1 Capital Ratio] to the Minimum Trigger Level, the amount necessary to reduce the Current Principal Amount to **[insert Specified Currency] [insert 0.01 or lower amount]. [if Specified Currency is not euro, insert:** Any amounts in any currency other than euro will, for purposes of establishing

the Write-down Amount be converted into euro at the foreign exchange rate prevailing on the [third] business day prior to the Effective Date.]

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

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

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

- (i) at the time of the Write-up, there must not exist any Trigger Event that is continuing; any Write-up is also excluded if such Write-up would give rise to the occurrence of a Trigger Event;
- (ii) such Write-up is applied on a *pro rata* basis to all Notes and among Similar AT 1 Instruments that have been subject to a write-down; and
- (iii) the sum of (a) the aggregate amount attributed to the relevant Write-up of the Notes and (b) the aggregate amount of any distribution scheduled to be paid on the aggregate Current Principal Amount of the Notes as calculated at the moment the Write-up is operated will not exceed the Maximum Write-up Amount (or any other maximum amount as permitted under the provisions of the Applicable Supervisory Regulations then in effect).

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

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

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

Where:

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

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

or any higher amount permissible pursuant to the Applicable Supervisory Regulations on the date of the relevant Write-Up. **[if Specified Currency is not euro, insert:** Any amounts in currency other than euro will, for purposes of establishing the Maximum Write-up Amount be converted into euro at the foreign exchange rate prevailing on the [third] business day prior to the Effective Date.]

"Profit" means (i) the net income for the year (*Jahresüberschuss*) of the Issuer on a single entity basis recorded in the Relevant Financial Statements; or (ii) the consolidated net income for the year (*Jahresüberschuss*) of the Erste Group on a consolidated basis, in each case after such Profit has formally been confirmed.

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

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

Fiscal Agent and Principal Paying Agent:

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

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
LUX-5826 Hesperange
Grand Duchy of Luxembourg]

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

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

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

Calculation Agent:

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

Erste Group Bank AG
Graben 21
A-1010 Vienna
Austria]

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

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

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

variation, termination, appointment or any other change as soon as possible upon the effectiveness of such change.

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

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

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

[In case of Notes which are initially represented by a Temporary Global Note, which will be exchanged for a Permanent Global Note, or in case of payments in U.S. Dollars insert:

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

§ 7 TAXATION

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

In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") to the Holder as shall result in receipt by that Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note:

(a) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Austria other than the mere holding of the Note; or

(b) presented for payment more than [30] ***[insert other period]*** calendar days after the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven calendar days after that on which notice is duly given to the Holders in accordance with § 10 that, upon further presentation of the Notes being made, such payment will be made, provided that payment is in fact made upon such presentation, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the Note for payment on the [thirtieth] ***[insert other period]*** such calendar day; or

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

or introduced in order to conform to, such Directive; or

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

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

§ 8

PRESENTATION PERIOD

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

§ 9

FURTHER ISSUES OF NOTES, PURCHASES AND CANCELLATION

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

(2) *Purchases*. [**If a purchase of Notes is permissible, insert:** The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. Notes purchased by the Issuer or the Subsidiary may, at the option of the Issuer or such Subsidiary, be held, resold or surrendered to the Fiscal Agent for cancellation. No purchase shall be possible unless all applicable regulatory and other statutory restrictions are observed and provided that the redemption conditions laid down in § 5 (6) are met.] [**If a purchase of Notes is not permissible, insert:** Neither the Issuer nor its Subsidiaries may at any time purchase Notes.]

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

§ 10

NOTICES

(1) *Notices of the Issuer*. All notices of the Issuer concerning the Notes shall be published in [such media as determined by law] [**insert specific media**] and in electronic form on the website of the Issuer [(www.erstegroup.com)] [●]. Any notice so given will be deemed to have been validly given on the fifth calendar day following the date of such publication (or, if published more than once, on the [fifth] [●] calendar day following the date of the first such publication).

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

(3) *Form of Notice to Be Given by any Holder*. Notices regarding the Notes which are to be given by any Holder to the Issuer shall be validly given if delivered in writing in English

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

§ 11
APPLICABLE LAW,
PLACE OF JURISDICTION
AND ENFORCEMENT

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

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

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

4. FORM OF FINAL TERMS

FORM OF THE FINAL TERMS

[Set out below is the form of Final Terms which will be completed for each Tranche of Notes to be issued under the Additional Tier 1 Notes Programme]

[insert date]

Final Terms

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

issued pursuant to the

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

of

Erste Group Bank AG

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

Issue Date: []

Series No.: []

Tranche No.: []

IMPORTANT NOTICE

These Final Terms have been prepared for the purpose of Article 5(4) of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 and must be read in conjunction with the relevant Additional Tier 1 Notes Programme Prospectus as supplemented from time to time (the "**Prospectus**") pertaining to the EUR 2,000,000,000 Additional Tier 1 Notes Programme (the "**Programme**") of Erste Group Bank AG (the "**Issuer**"). The Prospectus and any supplements thereto are available for viewing in electronic form on the website of the Issuer (www.erstegroup.com) and copies of the Prospectus and any supplement thereto may be obtained free of charge during normal business hours at the registered office of the Issuer (Erste Group Bank AG, Graben 21, A-1010, Vienna, Austria). Full information on the Issuer and the Notes is only available on the basis of the combination of the Prospectus, any supplements thereto and these Final Terms.

PART A. – TERMS AND CONDITIONS

The Conditions applicable to the Notes are set out below.

[In the case of Notes with a fixed distribution rate which is superseded by another fixed distribution rate the relevant provisions of Option I (including relevant further options set out therein) shall be replicated and relevant placeholders shall be completed.]

[In the case of Notes which commence with a fixed distribution rate which is superseded by a floating distribution rate the relevant provisions of Option II (including relevant further options set out therein) shall be replicated and relevant placeholders shall be completed.]

PART B. – OTHER INFORMATION

ESSENTIAL INFORMATION

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

- Save for [the fees payable to the Manager] [the commercial interests of the Manger[s]] [the [swap] [derivatives] agreement • and the Issuer have entered into with regard to the Notes] [if any], so far as the Issuer is aware, no person involved in the issue or offering of the Notes has an interest, including a conflicting one, material to the issue or the offering.
- Other Interests, including conflicting ones **[specify details]**

INFORMATION CONCERNING THE SECURITIES TO BE OFFERED OR ADMITTED TO TRADING

Security Codes

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

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

Commissions, Concessions and Estimated Total Expenses

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

LISTING[s] ADMISSION[s] TO TRADING

Listing[s] [Yes] [No]

- Vienna
 - Official Market
 - Second Regulated Market
- Other Stock Exchange []

Date of Admission[s] []

ADDITIONAL INFORMATION

Rating[s]

- The Notes have not been rated.
- The Notes have been rated as follows:

[Insert details on whether the relevant rating agency is established in the European Community and is registered (pursuant to the current list of registered and certified credit rating agencies published on the website of the European Securities and Markets Authority (www.esma.europa.eu)) pursuant to Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16th September, 2009 on credit rating agencies, as amended by Regulation (EC) no 513/2011 of the European Parliament and of the Council of 11th March, 2011 or has applied for registration.]

Selling Restrictions

TEFRA

- TEFRA C

- TEFRA D
- Neither TEFRA C nor TEFRA D

Additional Selling Restriction

[Not applicable]
[specify detail]

Consent to the Use of the Prospectus

Financial intermediaries to whom consent has been given to use the Prospectus in connection with the subsequent resale or final placement of the Notes

[Dealers] [●]

Offer period during which subsequent resale or final placement of the Notes by financial intermediaries can be made

[●]

Further conditions for the use of the Prospectus

[Not applicable]
[specify details]

Stabilising Manager(s)

[Not applicable]
[specify detail]

[Third Party Information

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

Signed on behalf of the Issuer

By:
Duly authorised

By:
Duly authorised

5. USE OF PROCEEDS

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

6. ERSTE GROUP BANK AG

6.1 INTRODUCTION

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

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

6.2 BACKGROUND

Erste Group is a leading banking group focused on retail and corporate customers in Austria and Central and Eastern Europe ("**CEE**"). Erste Group offers its customers a broad range of services that, depending on the particular market, includes deposit and current account products, mortgage and consumer finance, investment and working capital finance, private banking, investment banking, asset management, project finance, international trade finance, trading, leasing and factoring. Erste Group is among the leading banking groups in Austria, the Czech Republic, Romania and Slovakia by assets, total loans and total deposits, and has significant operations in Hungary, Croatia and Serbia. It serves approximately 16.5 million customers across Austria and its core CEE markets through a region-wide network of approximately 2,800 branches. As of 31 December 2013, Erste Group had 45,670 employees (full-time equivalents) worldwide (of which 1,524 (full-time equivalents) were employed by Erste Group Bank). Erste Group Bank is also the central institution (*Zentralinstitut*) of the Austrian Savings Banks Sector. As of 31 December 2013, Erste Group had EUR 199.9 billion in total assets.

"**Erste Group**" consists of Erste Group Bank, together with its subsidiaries and participations, including Erste Bank Oesterreich in Austria, Česká spořitelna in the Czech Republic, BCR in Romania, Slovenská sporiteľňa in Slovakia, Erste Bank Hungary in Hungary, Erste Bank Croatia in Croatia, Erste Bank Serbia in Serbia, and, in Austria Salzburger Sparkasse, Tiroler Sparkasse, s-Bausparkasse, other savings banks of the Haftungsverbund (see "Haftungsverbund"), Erste Group Immorent AG, and others. On 29 April 2013, Erste Group completed the sale of Erste Bank Ukraine to the shareholders of Fidobank.

6.3 SHARE CAPITAL OF ERSTE GROUP BANK

As of 31 December 2012, the nominal share capital of Erste Group Bank amounted to EUR 789,137,294 and was divided into 394,568,647 no-par value voting bearer shares (ordinary shares), each of which represents a notional value of EUR 2.00 per share in the

nominal share capital. Following a capital increase in July 2013 in the amount of EUR 70,462,706 (as compared to 31 December 2012) 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) as of 31 December 2013.

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

6.4 BUSINESS OVERVIEW

Strategy

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

Sharpen geographic focus on Austria and the Eastern part of the EU. Erste Group's geographic focus in its retail and corporate banking business is aimed at its core markets located in Austria and the Eastern part of the EU and countries expected to join the EU. Erste Group intends to continue to strengthen its focus on this region, including in potential new markets in the Eastern part of the EU, such as Poland, while reducing the breadth of its service offerings in locations beyond these countries, such as the Ukraine. In particular, Erste Group intends to focus on the following elements:

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

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

- *Capital markets' activities tailored to customers' needs.* Erste Group intends to tailor its capital markets business to the specific needs of its retail and corporate customers as well as government entities and financial institutions to which it provides capital markets services. This includes providing customers with professional access to capital markets and support for their trading activities. Erste Group's capital market activities for retail and corporate customers are intended to concentrate on key markets such as Austria, the Czech Republic, Germany, Slovakia, Romania, Hungary and Croatia. For its institutional clients, Erste Group intends to offer further support by designated teams of specialists in Germany, Poland, Turkey, Hong Kong and London for a selected range of products. Helping to develop more efficient capital markets in certain of the countries where Erste Group

operates is an important strategic objective, particularly against the background of new regulatory guidelines which require local funding of the banking business.

- *Balanced approach to growth of public sector business.* Transport and energy infrastructure and municipal services remain prerequisites for sustainable economic growth in the regions in which Erste Group is active. Therefore, Erste Group intends to further support its municipal, regional and sovereign public sector customers in their infrastructure, development and project financing as well as capital markets transactions. In the future, Erste Group aims to bundle its resources in its core markets and to continue to focus on investments in sovereign bonds issued by Austria and CEE-countries. In that way, Erste Group intends to follow a balanced approach to growing its public sector business while focusing on infrastructure development and job creation in its core markets.
- *Interbank business focussed on banks in core markets.* Erste Group's interbank business aims to play an integral role in meeting the liquidity needs of Erste Group's customers. With its focus on banks that operate in Erste Group's core markets, bank exposures are intended in the future to be held for liquidity or balance sheet management purposes or to directly support Erste Group's customer business.

Relationship with Austrian Savings Banks

The Savings Banks Sector comprises all savings banks in Austria except for Unicredit Bank Austria AG ("**Bank Austria**"), which is legally organised as a savings bank and participates in the savings banks deposit insurance system. The Sparkassen-Prüfungsverband, Vienna, is the statutory auditor of the savings banks.

The Banking Act requires savings banks to maintain with Erste Group Bank, as the central institution (*Zentralinstitut*) of the savings bank group, a specified amount of their savings deposits and other Euro deposits ("**Liquidity Reserve**"). Despite a legal change that permits the savings banks to keep their Liquidity Reserves with banks other than the relevant central institution, as of 31 December 2013 Erste Group Bank was a net liquidity provider to the savings banks on a consolidated basis.

Erste Group Bank provides a wide range of services and products to the savings banks and their customers. These services and products include syndication services, risk management advice, support in legal matters, retail mortgage, investment fund products, portfolio and asset management services, as well as securities-related services and a common IT platform and a common management reporting system.

Haftungsverbund

In 2002, the Haftungsverbund was formed pursuant to the *Grundsatzvereinbarung* among the majority of the member banks in the Austrian Savings Banks Sector ("**Haftungsverbund 1**"). The Haftungsverbund 1, as an integral part of the joint marketing strategy and co-operation of the Savings Banks Sector, is based on three pillars:

- A uniform business and market policy, including, inter alia, joint product development and centralisation of processing functions, a uniform risk policy (including standardised credit risk classification), coordinated liquidity management and common standards of control;
- a joint early-warning system designed to identify financial difficulties at member savings banks at an early stage, which also provides support mechanisms, including intervention in management to prevent such member savings banks from becoming insolvent; and
- a cross-guarantee for certain liabilities of member savings banks.

In 2007 and 2008, Erste Group Bank entered into further agreements, including a (first) supplementary agreement (*Zusatzvereinbarung*), with all members of the Savings Banks Sector (except for Allgemeine Sparkasse Oberösterreich) ("**Haftungsverbund 2**"). These agreements confer on Erste Group Bank, on a contractual basis, the possibility to exercise a controlling influence over these savings banks. They were approved by the Austrian

competition authority as mergers (*Zusammenschluss*) within the meaning of the EU Merger Regulation and the Austrian Cartel Act (*Kartellgesetz*). These mergers are designed to further strengthen the group's unity and performance, in particular by taking a joint approach in the development of common management information and control systems and integration of central functions. The Steering Company participates, inter alia, in appointing members of the management board, approves the annual budget and investment plans and approves the general business policy principles of the shareholders.

In 2013, Erste Group Bank entered into a further (second) agreement (*Zweite Zusatzvereinbarung*) with all members of the Savings Banks Sector (including Allgemeine Sparkasse Oberösterreich) ("**Haftungsverbund 3**"). The focus of this agreement is the fulfilment of the new regulatory requirements and the strengthening of the group steering: especially concerning risk management, liquidity management, capital management.

Pursuant to the agreements for the Haftungsverbund 3 (i.e. the *Grundsatzvereinbarung*, the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung*), Haftungsverbund GmbH ("**Steering Company**") is vested with the power to set the common risk policies of its members and to monitor and enforce adherence to these policies. The 48 Austrian savings banks (including Erste Group Bank and Erste Bank Oesterreich but excluding Allgemeine Sparkasse Oberösterreich) hold the entire share capital of the Steering Company. Erste Group Bank effectively controls the Steering Company through its 63.5 *per cent.* interest (held directly or indirectly through its wholly-owned subsidiary Erste Bank Oesterreich and several Austrian savings banks in which Erste Bank Oesterreich holds majority interests) in the share capital and nomination rights for the board of managing directors (*Geschäftsführung*). The Steering Company is responsible for resolving on measures to support member savings banks in financial difficulties, to make, as a trustee of the Haftungsverbund 3, compensation payments to customers, and to enforce certain information and control rights vis-à-vis member savings banks. In addition to the provisions of the agreements for the Haftungsverbund 3, activities of the Haftungsverbund 3 are also governed by several rule books setting forth detailed provisions in the fields of risk management, treasury, internal control and audit.

The Steering Company has five corporate bodies: the board of managing directors (*Geschäftsführung*), the executive committee (*s-Steuerungsvorstand*), the advisory board (*Beirat*), the shareholders' committee (*Gesellschafterausschuss*), and the shareholders' meeting (*Gesellschafterversammlung*). The board of managing directors comprises four managing directors, two of whom are nominated by Erste Bank Oesterreich and two of whom are nominated by the other member savings banks. The chairman of the board of managing directors, who is nominated by Erste Bank Oesterreich, casts the deciding vote in the event of a deadlock. The s-Steuerungsvorstand consists of 14 members, 7 members are nominated by Erste Group and Erste Bank Oesterreich and 7 members are nominated by shareholders in which Erste Group does not hold a direct interest and/or an indirect interest of more than 50 *per cent.* The chairperson, who is nominated by Erste Group casts the deciding vote in the event of a deadlock. The s-Steuerungsvorstand is primarily responsible for the validity, the amendment and the supplementation of the Rulebooks. The shareholders' committee consists of fifteen members, eight of whom are nominated by Erste Bank Oesterreich and seven of whom are nominated by the member savings banks. The shareholders' committee is primarily responsible for advising and assisting the savings banks with regard to questions concerning the application of the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung* and for providing mediation in the event of disputes concerning the *Zusatzvereinbarung* and the *Zweite Zusatzvereinbarung* that arise between the Steering Company and the shareholders or among the shareholders. In order to implement joint business and marketing strategies, working committees for various fields have been established, such as internal audits, accounting, infrastructure and risk management. The chairperson of each working committee is an employee of Erste Group Bank or Erste Bank Oesterreich.

The Haftungsverbund 3 is designed to enable a common risk management approach and implementation across the Savings Banks Sector. This includes establishing general principles of business conduct, the determination of risk capacity for each member savings bank and the setting of risk limits. The Steering Company's governance rights include the following: prior approval by the Steering Company of appointments to the management boards of member savings banks; prior approval by the Steering Company of annual budgets

and capital expenditure plans; prior approval of significant changes of a member savings bank's business; and, in the event of continuing non-compliance with material provisions of the agreements and policies of the Haftungsverbund 3, imposition of sanctions and ultimately expulsion from the Haftungsverbund 3.

The member savings banks share an IT platform and a common management reporting system. This allows the Steering Company to generate comprehensive reports regarding the operations and financial condition of each member savings bank, data regarding key performance indicators as well as risk profiles on both an individual savings bank and an aggregate basis. Depending on the information being collected, these analyses are performed on a quarterly, monthly and even daily basis.

A key focus of the Haftungsverbund 3 is the early warning system. If the risk monitoring systems indicate that a member savings bank could experience financial difficulties, the Steering Company will alert this member savings bank and discuss remedial measures. To date, the Haftungsverbund 3 has been able to deal with situations of concern through the early warning system.

If a member encounters financial difficulties, the Steering Company has the power to intervene in the management of the affected member savings bank and to require other member savings banks to provide such support and assistance as the Steering Company determines. Support measures shall be taken if, from the Steering Company's point of view, it is reasonable to expect that without such support, a need for early intervention (*Frühinterventionsbedarf*) pursuant to sec 71a Austrian Banking Act exists requiring the FMA to impose early intervention measures. Such need for early intervention exists if a credit institution (which is subject to the BIRG) does not meet or is likely to violate ("likely breach") the capital and liquidity requirements under the CRR. Such support measures include, *inter alia*, the implementation of certain restructuring measures, the engagement of outside advisors, injections of liquidity, the granting of subordinated loans, the assumption of guarantees, the contribution of equity, the review of the credit portfolio, and the restructuring of the risk management. In providing any such support measures, the Steering Company may require that the management board of a member savings bank in financial difficulties is supplemented by additional members until the financial difficulties have been resolved or that individual members of the management board of such member savings bank be removed and substituted.

In case of any need for financial contributions in the context of support measures, each of the member savings banks has made a commitment to contribute funds on the basis of the maximum amount pursuant to the regulatory requirements set forth by 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 the event that a member savings bank becomes insolvent, the other members guarantee, through the Steering Company, the payment of all amounts owed to customers by the insolvent member, including:

- all deposits (as defined in sec 1 (1)(1) of the Austrian Banking Act);
- all monetary claims based on credit balances resulting from funds left in an account or from temporary positions in the course of banking transactions and repayable according to the applicable legal and contractual provisions; and
- all monetary claims from the issuance of securities,
- unless the relevant amounts are owed to a credit institution. This guarantee is also subject to the cumulative limit on members' obligations.

Each of the member savings bank has made a commitment to contribute funds of 1.5 *per cent.* of the member's risk-weighted assets, determined on a non-consolidated basis and based on the most recently approved financial statements of the member, plus 75% of the member's anticipated pre-tax profits for the current financial year in the event of insolvency of a member savings bank. In the event of assistance, any individual member of the Haftungsverbund 3 is only obliged to contribute to the extent that such contribution does not result in a violation of the regulatory requirements applicable to that member of the Haftungsverbund 3.

Each member savings bank has a right to terminate the *Grundsatzvereinbarung* and the supplementary agreements if it notifies Erste Group Bank within a period of twelve weeks after the occurrence of a change of control at Erste Group Bank. A change of control at Erste Group Bank is defined as any acquisition of more than 25% of the voting rights in outstanding shares of Erste Group Bank by a non-member of the Savings Bank Sector. If a termination of the *Grundsatzvereinbarung*, the *Zusatzvereinbarung* and/or the *Zweite Zusatzvereinbarung* becomes effective, the relevant member savings bank would cease to be a member of the Haftungsverbund 3.

Erste Group's consolidated financial statements as of and for the fiscal year ended 31 December 2013 comprise all members of the Savings Banks Sector. In May 2010, Erste Bank Oesterreich and Allgemeine Sparkasse Oberösterreich entered into a separate cross-guarantee agreement. In 2013 the Allgemeine Sparkasse Oberösterreich entered with all other Savings Banks into the *Zweite Zusatzvereinbarung*.

Erste Group's Segments

The segment report of Erste Group complies with IFRS presentation and measurement requirements and shows the results of Erste Group's reportable segments. It is based on IFRS 8 operating segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal reporting information that is regularly reviewed by the chief operating decision maker, i.e. the Management Board of Erste Group Bank, to assess the performance of the reportable segments and to make decisions regarding the allocation of resources.

The segment report 2013 consists of four reportable segments that reflect Erste Group's internal management reporting systems: Retail & SME, Group Corporate & Investment Banking, Group Markets and Group Corporate Center. As of the beginning of 2014, Erste Group's reporting segments have been changed.

Retail & SME. The Retail & SME segment comprises the business activities that are in the responsibility of the retail and corporate network across Erste Group's geographical operations focusing on local customer business. To improve transparency and in accordance with the geographical presence of Erste Group's banking and other financial institutions, the Retail & SME segment is divided into the geographical areas of the core markets Austria and CEE. The geographical area Austria is further split into Erste Bank Oesterreich (including majority-owned participations) and the remaining savings banks consolidated under the Haftungsverbund. The geographical area CEE consists of the retail and SME business activities in the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine (sold as of 29 April 2013).

Group Corporate & Investment Banking (GCIB). The Group Corporate & Investment Banking (GCIB) segment includes Erste Group's large corporate business, the commercial real estate business, especially of Erste Group Bank and Erste Group Immorent AG, equity capital markets (from the second quarter 2012), the investment banking activities in CEE and the International Business (covering all investment and lending activities outside Erste Group's core markets, i.e. the branch offices in London, Hong Kong, New York, Stuttgart and Berlin).

Group Markets. The Group Markets (GM) segment comprises the divisionalised business units Group Treasury and Group Capital Markets (except Equity Capital Markets, which has been allocated to the segment GCIB from the second quarter 2012 onwards) and includes the

treasury activities of Erste Group Bank, the CEE subsidiaries, the foreign branch offices as well as the business from Erste Asset Management.

Corporate Center. The Group Corporate Center (GCC) segment mainly comprises all non-core and centrally managed business activities. These include internal service providers for the Group (such as facility management, IT and procurement) and the Asset and Liability Management of Erste Group Bank. Other components of this segment include the banking taxes paid by Erste Group Bank and impairments on participations.

The segment structure is aligned with Erste Group's management approach. This leads to a somewhat lower Group contribution from the CEE subsidiaries (the geographic segments), as part of their local results are according to the management approach allocated to the segments GCIB and GM.

Retail & SME

The Retail & SME segment comprises the business activities that are in the responsibility of the retail and corporate network across Erste Group's geographical operations focusing on local customer business. Targeted customers are mainly private individuals, micro businesses, small and medium-sized enterprises, free professions and public sector companies. According to the geographical presence of Erste Group's banking and other financial institutions, the Retail & SME segment is divided into the geographical areas of the core markets Austria and CEE. The geographical area Austria is further split into Erste Bank Oesterreich (including majority-owned participations) and the remaining savings banks consolidated under the cross-guarantee system (Haftungsverbund). The geographical area CEE consists of the retail and SME business activities in the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine (sold as of 29 April 2013).

Erste Group's Retail and SME Business in Austria

Erste Bank Oesterreich, together with the Savings Banks, forms one of the largest banking groups in Austria. In the core business areas, i.e., deposits and lending, emphasis is on private and local corporate customers and public authorities. 3.4 million customers are served through a network of approximately 970 branches, 33 commercial customer centers, eight branches particularly designed for company founders, and 18 private banking advisory centers.

The product range comprises mainly consumer and corporate loans, mortgages, personal accounts, payment cards, direct banking services, investment and savings products, consulting and sale of financial market products, and private banking services. In addition, tailor-made financial solutions (including special financing for infrastructure products for municipalities) are offered to local authorities and clients in the non-profit sector.

Erste Bank Oesterreich

In addition to Erste Bank Oesterreich itself, the Erste Bank Oesterreich geographical segment includes the Austrian savings banks in which Erste Bank Oesterreich holds majority interests (Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl) as well as Erste Bank Oesterreich's real estate and mortgage business. s-Bausparkasse, which focuses on financing for retail customers and non-profit and commercial developers, is a key contributor to the real estate and mortgage business.

Erste Bank Oesterreich's business is focused on retail and corporate customers as well as the public sector. In addition, Erste Bank Oesterreich maintains a private banking unit that is among the market leaders in Austria.

In its business with retail customers, the most important products are housing loans and micro loans as well as current accounts, term deposits, savings accounts and a variety of asset management products. By volume, housing loans are predominantly granted by s-Bausparkasse. For its various deposit products, Erste Bank Oesterreich offers a variety of service innovations, such as smart-phone apps for savings accounts and internet banking. Moreover, Erste Bank Oesterreich offers insurance products in cooperation with Vienna

Insurance Group and leasing products in cooperation with Erste Group's subsidiary EBV Leasing.

The following table sets out summary financial information for the Erste Bank Oesterreich subsegment for the years ended 31 December 2013 and 2012:

	Year ended	
	31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	257.8	255.1
Net profit/loss for the year attributable to owners of the parent	184.4	192.4
Cost/income ratio ⁽¹⁾ in %	61.8	64.5
Return on equity ⁽²⁾ in %	14.4	15.0

Source: Audited Consolidated Financial Statements 2013 and 2012

- (1) The term *cost/income ratio* included in this section means the ratio of operating expenses (general administrative expenses) as a percentage of operating income (the sum of net interest income, net fee and commission income and net trading result).
- (2) The term return on equity (ROE) included in this section is calculated as net profit/loss attributable to owners of the parent divided by the average attributed shareholders' equity allocated to the subsegment. The average attributed equity of each subsegment represents the economic capital of the subsegment, which is assigned on the basis of credit risk, market risk and operational risk.

Savings Banks/Haftungsverbund

The Savings Banks geographical segment includes 43 Austrian savings banks (excluding Erste Group Bank, Erste Bank Oesterreich, Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl but including Allgemeine Sparkasse Oberösterreich) with 736 branch offices across the country. The Savings Banks are universal banks serving retail customers, self-employed professionals and SMEs as well as corporate customers, the public sector and non-profit organisations. The Savings Banks' close cooperation in certain key business areas is reflected in their common corporate identity and harmonised business and market practices.

Erste Group Oesterreich holds no or only minor shareholdings in these Savings Banks, but these banks are consolidated due to their membership in the *Haftungsverbund*. As described above, savings banks that are majority-owned by Erste Bank Oesterreich (Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl) are included in the Erste Bank Oesterreich geographical segment.

The following table sets out Erste Group's direct and indirect ownership in savings banks that are consolidated due to their membership in the *Haftungsverbund* and included in the Savings Banks subsegment as of 31 December 2013:

	Ownership in %
Sparkasse Mühlviertel-West	40.0
Allgemeine Sparkasse Oberösterreich	29.8
Steiermärkische Bank und Sparkasse	25.0
Kärntner Sparkasse	25.0
Sparkasse Voitsberg-Köflach	5.0

Source: Audited Consolidated Financial Statements 2013

The following table sets out summary financial information for the Savings Banks subsegment (consisting of those savings banks which as a result of their membership in the *Haftungsverbund* are consolidated) for the years ended 31 December 2013 and 2012:

	Year ended	
--	------------	--

	31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	190.6	202.3
Net profit/loss for the year attributable to owners of the parent	22.8	21.5
Cost/income ratio in %	69.2	68.7
Return on equity in %	5.7	5.8

Source: Audited Consolidated Financial Statements 2013 and 2012

Erste Group's Retail and SME Business in CEE

Czech Republic

The Czech Republic geographical segment primarily includes the retail and SME business of Česká spořitelna and its subsidiary operations. Česká spořitelna is a universal bank serving approximately 5.3 million retail and SME clients. As of 31 December 2013, it operated a network of 653 branches and 1,530 ATMs and transactional terminals. The network also includes 22 mortgage centers, 14 regional corporate centers for SME clients, and a total of 25 centers for private banking clients (including Erste premier). Česká spořitelna is a leading retail bank in the Czech Republic and the largest among Erste Group's operations in CEE. In addition to its universal and private banking services, it is also active in fund management, securities trading, factoring and foreign exchange dealing.

Česká spořitelna maintained its leading position in 2013 in retail banking and continued to rank among the three largest banks in terms of total assets. As of 31 December 2013, the bank's market share by total assets remained stable and represented 19% (source: CNB).

The following table sets out summary financial information for the retail and SME portion of the Czech Republic business, of which Česká spořitelna represents a major part, for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	623.7	656.2
Net profit/loss for the year attributable to owners of the parent	493.6	518.0
Cost/income ratio in %	44.8	43.8
Return on equity in %	37.8	40.9

Source: Audited Consolidated Financial Statements 2013 and 2012

Romania

The Romania geographical segment primarily includes the retail and SME business of Banca Comercială Română (BCR) and its subsidiaries. BCR is the leading financial services group in Romania. As of 31 December 2013, the bank served approximately 3.2 million retail and corporate customers through its network of 563 branches and 22 commercial centers, online and phone banking. BCR also operates the largest national network of ATMs and POS terminals, numbering approximately 2,200 and approximately 13,300 units, respectively, as of the end of December 2013. In addition to its full array of retail and corporate banking services, BCR is also active in the leasing, pension fund and brokerage business and maintains a private banking unit.

In 2012, BCR incurred a pre-tax loss of EUR 378.6 million which was primarily attributable to a higher level of risk provisions for loans and advances and a decrease in the operating result (operating income (the sum of net interest income, net fee and commission income and net trading result) minus general administrative expenses).

As of December 2013, BCR was the market leader in terms of total assets (18%), retail loans (18%) retail deposits (18%) and in corporate loans (20.8%), while ranking second in corporate deposits (12.8%) (source: Romanian Banking Association). BCR's retail business concentrated on secured lending and on resuming the sales of consumer loans in local currency. BCR's corporate business focused on the selective lending to large corporate customers in the energy industry, manufacturing businesses, infrastructure projects as well as export and other sectors driven by foreign direct investments and SME customers. In addition, financing of the public sector and municipalities and co-financing EU-funded projects remained a priority of BCR throughout 2013.

The following table sets out summary financial information for the retail and SME portion of the Romania business, of which BCR represents a major part, for the years ended 31 December 2013 and 2012:

	Year ended	
	31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	7.6	(378.6)
Net profit/loss for the year attributable to owners of the parent	127.9	(294.3)
Cost/income ratio in %	40.6	46.6
Return on equity in %	19.3	—

Source: Audited Consolidated Financial Statements 2013 and 2012

Slovakia

The Slovakia geographical segment primarily includes the retail and SME business of Slovenská sporiteľňa and its subsidiaries. Slovenská sporiteľňa has the longest tradition of providing services as a savings bank in Slovakia. By the end of December 2013, the bank served approximately 2.4 million clients, equaling roughly 50% of the Slovak population, through a network of 292 branches and 769 ATMs. Slovenská sporiteľňa also maintains a private banking unit.

Slovenská sporiteľňa's product range comprises mainly consumer and corporate loans, mortgages, personal accounts, payment cards, direct banking services, savings and investment products, consulting and sale of financial market products, and private banking services. At the end of December 2013, Slovenská sporiteľňa had a market share of 20% by total assets. (Source: National Bank of Slovakia)

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Slovakia, of which Slovenská sporiteľňa represents a major part, for the years ended 31 December 2013 and 2012:

	Year ended	
	31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	222.2	210.6

Net profit/loss for the year attributable to owners of the parent	173.8	169.3
Cost/income ratio in %	44.0	43.9
Return on equity in %	42.4	39.4

Source: Audited Consolidated Financial Statements 2013 and 2012

Hungary

Erste Group's Hungary geographical segment primarily comprises the retail and SME business of Erste Bank Hungary. Erste Bank Hungary operates a network of 135 branches and commercial centers and 421 ATMs. Erste Bank Hungary also maintains a private banking unit. As of 31 December 2013, Erste Bank Hungary served approximately 900,000 customers. At the end of December 2013, Erste Bank Hungary had a market share of 7% by total assets. (Source: National Bank of Hungary)

The product range comprises mainly housing finance, consumer and corporate loans, personal accounts, payment cards, direct banking services, investment and savings products, consulting and sale of financial market products, and private banking services. In addition, specialised programmes and consulting is offered for entrepreneurs and local corporate customers, as well as tailor-made financial services for municipalities and the non-profit sector.

In 2011, the Hungarian government enacted legislation that allowed for loans denominated in foreign currencies, such as Euro, U.S. dollar and Swiss francs to be converted to Hungarian forint at below market rates, which contributed to the significant pre-tax loss in the year 2011. During 2012, Erste Bank Hungary continued to operate in an environment of unstable regulatory and legal conditions, while customer demand for loans and banking services in the Hungarian market continued to decline. In addition to the disproportionate banking tax introduced in 2010 (more than 0.5% of adjusted total assets) initially intended as a temporary measure, now labelled as a permanent element of the tax system, the Government imposed a levy on financial transactions on the banking sector in 2012. This levy is effective from 2013 on, followed by a substantial increase of the respective tax rates in June 2013 in order to contain the fiscal deficit. Governmental measures relating to the regulation of foreign exchange mortgage lending combined with a stagnant economy led to a decrease in new lending volumes in the market by 80% compared to pre-crisis levels. As a consequence, Erste Bank Hungary adjusted the size of its operations and improved the efficiency of its processes. Erste Bank Hungary continued to reduce its portfolio of loans denominated in Swiss francs.

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Hungary, of which Erste Bank Hungary represents a major part, for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	(107.7)	(46.2)
Net profit/loss for the year attributable to owners of the parent	(108.9)	(55.1)
Cost/income ratio in %	41.7	41.2
Return on equity in %	—	—

Source: Audited Consolidated Financial Statements 2013 and 2012

Croatia

Erste Group's Croatia geographical segment primarily comprises the retail and SME business of Erste Bank Croatia and its subsidiaries. Erste Bank Croatia is among the country's largest

universal banks and serves approximately one million customers through its nationwide network of 150 branches and distribution channels, such as internet, mobile communications and ATMs. In addition, Erste Bank Croatia distributes a broad range of related financial products in the areas of asset management, life insurance, securities brokerage, leasing and pension funds, and operates a private banking unit.

The product range comprises mainly consumer and corporate loans, mortgages, personal accounts, payment cards, direct banking services, investment and savings products, consulting and sale of financial market products, and private banking services. In addition, tailor-made financial solutions (including special financing for infrastructure products for municipalities) are offered to local authorities and clients in the non-profit sector. As of 31 December 2013, the market shares in total assets, retail loans and retail deposits amounted to 15%, 14%, and 13%, respectively (source: CrNB).

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Croatia, of which Erste Bank Croatia represents a major part, for the years ended 31 December 2013 and 2012:

	Year ended	
	31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	(8.6)	55.5
Net profit/loss for the year attributable to owners of the parent	(10.8)	23.7
Cost/income ratio in %	40.9	40.4
Return on equity in %	—	8.2

Source: Audited Consolidated Financial Statements 2013 and 2012

Serbia

Erste Bank Serbia's geographical segment primarily comprises the retail and SME business of Erste Bank Serbia. Erste Bank Serbia has approximately 300,000 customers and a network of 68 branches and commercial centers for corporate customers. Erste Bank Serbia focuses primarily on catering to the traditional banking needs of a broad retail and mid-market corporate customer base, which has allowed it to establish a strong presence in Serbia's major business centers.

The product range comprises mainly mortgages, cash and consumer loans, personal accounts, credit and debit cards, direct banking services, investment and savings products, and consulting and sale of financial market products. In addition, local corporate customers are also offered short- and long-term financing, domestic and international payment operations, project financing, and letters of credits and guarantees. As of 31 December 2013, the market shares in total assets amounted to 3% (source: NBSE).

The following table sets out summary financial information for the retail and SME portion of Erste Group's business in Serbia, of which Erste Bank Serbia forms a major part, for the years ended 31 December 2013 and 2012:

	Year ended	
	31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		

Pre-tax profit/loss	8.3	8.5
Net profit/loss for the year attributable to owners of the parent	6.3	7.8
Cost/income ratio in %	64.4	63.6
Return on equity in %	11.9	18.8

Source: Audited Consolidated Financial Statements 2013 and 2012

Ukraine

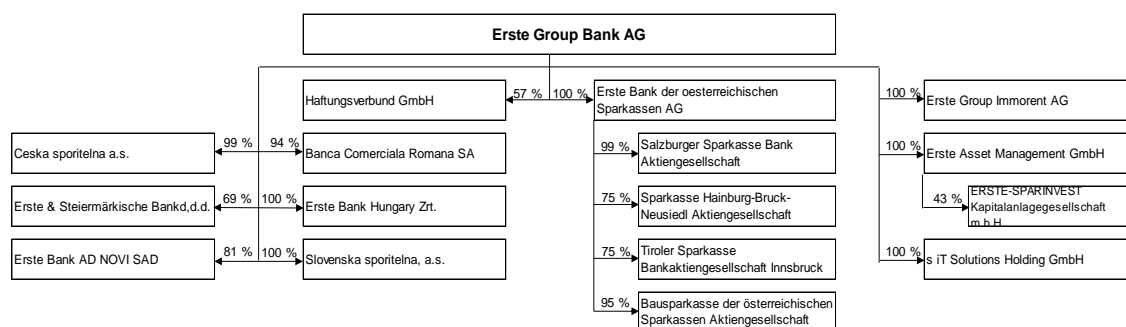
On 29 April 2013, Erste Group finalised the sale of 100% of Erste Bank Ukraine to the owners of FIDOBANK. The subsidiary has been deconsolidated. The Ukraine geographical segment therefore includes only the results of the first quarter 2013.

	Year ended 31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	(9.4)	(44.1)
Net profit/loss for the year attributable to owners of the parent	(9.4)	(44.3)
Cost/income ratio in %	247.1	215.0
Return on equity in %	—	—

Source: Audited Consolidated Financial Statements 2013 and 2012

Subsidiaries

Erste Group Bank is the parent company of Erste Group. The following chart gives a simplified overview of the structure of Erste Group, showing the material direct and indirect subsidiaries of Erste Group Bank. For the purpose of this chart, "Erste Group" does not include the Austrian savings banks that are required to be consolidated under IFRS into Erste Group's results as a result of their membership in the *Haftungsverbund* and in which Erste Group Bank holds either a minority interest or no equity stake at all:



The online brokerage ex Brokerjet Bank AG will be merged into Erste Bank der oesterreichischen Sparkassen AG later this year.

Source: Internal information. The information is presented as of the date of the Prospectus.

Group Corporate and Investment Banking

The Group Corporate & Investment Banking segment includes Erste Group's large corporate business, the commercial real estate business, especially of Erste Group Bank and Erste Group Immorent AG. In addition, this segment comprises equity capital markets (from the second quarter 2012), the investment banking activities in CEE and the International Business (covering all investment and lending activities outside Erste Group's core markets, i.e. the branch offices in London, Hong Kong, New York, Stuttgart and Berlin).

The full range of banking services is provided to large corporate customers as well as institutional and public sector customers. The division employs some 1,050 professionals, who combine industry and product expertise with local knowledge, and offers services in debt financing, equity capital markets, mergers and acquisitions, debt advice, acquisition finance, infrastructure finance, project finance, syndication, real estate development, lending and leasing, as well as transaction banking. The division cooperates closely with the capital markets as well as the retail & SME network.

The following table sets out summary financial information for the Group Corporate and Investment Banking segment for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	(245.6)	(58.3)
Net profit/loss for the year attributable to owners of the parent	(224.2)	(55.6)
Cost/income ratio in %	35.8	33.5
Return on equity in %	—	—

Source: Audited Consolidated Financial Statements 2013 and 2012

Group Markets

The Group Markets segment comprises the divisionalised business units Group Treasury and Group Capital Markets (except Equity Capital Markets, which has been allocated to the segment GCIB from the second quarter 2012 onwards) and includes the treasury activities of Erste Group Bank, the CEE subsidiaries, the foreign branch offices as well as the business from Erste Asset Management.

In the case of institutional clients, GM covers the full customer relationship and all interactions with the clients. GM is the internal trading unit for all classic treasury products (such as FX, commodities and money market) and capital market products (such as bonds, interest rate derivatives, credit and equity products).

The following table sets out summary financial information for the Group Markets segment for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	253.4	297.4
Net profit/loss for the year attributable to owners of the parent	197.1	227.6
Cost/income ratio in %	47.8	42.2
Return on equity in %	51.1	65.0

Source: Audited Consolidated Financial Statements 2013 and 2012

Group Corporate Center

The Group Corporate Center (GCC) segment mainly comprises all non-core and centrally managed business activities. These include internal service providers for the Group (such as facility management, IT and procurement) and the Asset and Liability Management of Erste

Group Bank AG. Other components of this segment include the banking taxes paid by Erste Group Bank AG and impairments on participations.

The following tables set out summary financial information for the Group Corporate Center segment for the years ended 31 December 2013 and 2012.

Group Corporate Center	Year ended	
	31 December	
	2013 audited	2012 audited
in EUR million (unless otherwise indicated)		
Pre-tax profit/loss	(817.9)	(357.2)
Net profit/loss for the year attributable to owners of the parent	(791.7)	(227.5)
Cost/income ratio in %	196.0	100.8
Return on equity in %	—	—

Source: Audited Consolidated Financial Statements 2013 and 2012

6.5 CURRENT REGULATORY TOPICS

Activities in the context of changes in regulatory requirements

EU and national laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions have come under increased scrutiny by legislators, regulators and advisory bodies and are continuously evolving and changing, especially in levels of adequate capitalisation and leverage. Many of these changes or anticipated developments, including the recent proposal of a single supervisory mechanism and more integrated banking union within the EU, have affected and will continue to affect the regulatory environment of Erste Group's business significantly. Erste Group's business is characterized by regulatory requirements to maintain certain capital and liquidity ratios, which may require Erste Group to reduce its risk-weighted assets, may limit the further growth of Erste Group's business or may require Erste Group to obtain additional capital or liquid funds in the future. Further, regulatory developments frequently expose Erste Group to additional costs and liabilities, require it to change how it conducts its business or may otherwise have a negative impact on its business, the products and services it offers and the value of its assets. If Erste Group is unable to increase its regulatory capital ratios sufficiently, its ratings may drop and its cost of funding may increase.

Since 2010, Erste Group has been scrutinising the impacts of the planned regulatory changes commonly known as Basel III (or, respectively, CRD IV/CRR on an EU level). The Group has established a group-wide Basel III programme, which ensures that all requirements arising from the CRD IV and from related national and international regulations are implemented in complete and timely manner across the entire Group. The programme includes a stream covering capital requirements, changes in RWA-calculations, counterparty credit risk (CCR), and the new capital charge for credit value adjustments (CVA). Further streams focus on new legal requirements for regulatory capital, new disclosure requirements, the new liquidity rules, the introduction of a leverage ratio as well as transitional provisions for phasing out capital instruments, based on definitions within the CRD IV/CRR.

Due to the established programme structure, Erste Group has an integrated view on all requirements arising from CRD IV/CRR. Furthermore, a close alignment is being undertaken with programmes focusing on other internal or regulatory requirements in the areas of risk and accounting, such as the IFRS 9 project.

Regarding changes in risk-weighted assets according to CRD IV/CRR, Erste Group has actively participated since 2010 in the semi-annual Quantitative Impact Study ("**QIS**") which is co-ordinated by Austrian and European regulatory authorities. Erste Group has completed

several calculations to evaluate the impact of the new accord on its risk-weighted assets, both within and beyond the scope of the QIS exercises.

Erste Group calculated as well the CRD IV/CRR compliant liquidity ratios which also will be collected within the scope of the planned exercises. The Group has made several calculations to assess the status of the entities with regards to these ratios, and the necessary preparation for the future regulatory reporting is currently underway.

Regulatory changes for the internal model approach to market risk according to CRD III became effective for Erste Group at year-end 2011. The inclusion of stressed value-at-risk (VaR) and event risk (for equity-related risks) into the internal model was developed and received approval from regulators after a successful audit by the Austrian regulator in the fourth quarter of 2011.

The CRD IV/CRR entered into force 1 January 2014.

Capital requirements for systemically relevant European banking groups

In the context of the on-going sovereign debt crisis the EBA evaluated the capital requirements of systemically relevant banking groups across the EU. EBA then defined a minimum core tier 1 ratio of 9% (according to EBA definition) to be fulfilled by 30 June 2012. Based on the calculation methodology defined by EBA, Erste Group had achieved a 9.9% core tier 1 ratio as of 30 June 2012. On 16 December 2013, EBA recently published the results of a transparency exercise across European banks. Based on this transparency exercise, Erste Group had achieved a 11.3% core tier 1 ratio as of 30 June 2013.

EBA and ECB will continue its monitoring of the regulatory capital situation of European banking groups. Since 1 January 2014 on (i.e. after final implementation of CRD IV, and the entering into force of the CRR), European banking groups need to comply with further requirements, notably in respect of additional minimum requirements for CET 1. Future EBA/ECB exercises will then be adopted in light of the new and stricter capital and risk specifications.

Changes in the calculation of regulatory capital ratios in the first quarter 2013

In September 2012 Erste Group officially informed the Austrian regulatory authorities concerning the change of the valuation method that is used as the basis for calculating regulatory capital ratios. Since the first quarter 2013, Erste Group calculates consolidated regulatory capital and consolidated regulatory capital requirements based on International Financial Reporting Standards (IFRS).

Banking/Financial transaction taxes

In addition, several countries in which Erste Group operates have introduced special banking taxes. In Austria, the banking tax was introduced in 2011 and, following a 25% increase in 2012, Erste Group's Austrian banking tax amounted to EUR 166.45 million in 2013 after EUR 165.2 million in 2012 and EUR 132.1 million in 2011. In Slovakia, a banking tax was newly introduced in 2012 and resulted in a charge of EUR 41.23 million in 2013 after EUR 31.5 million for 2012. In Hungary, the banking tax amounted to EUR 48.96 million in 2013 and EUR 47.3 million in 2012, while in 2011 it was offset against losses resulting from legislation allowing the early repayment of foreign currency loans at a fixed exchange rate below then prevailing exchange rates in the market. Furthermore, the EU-Commission has proposed to introduce an EU financial transaction tax within the EU by 2014, and EU Member States have agreed that a financial transaction tax may be introduced only by certain EU Member States, including Austria, Slovakia and Hungary, rather than throughout the EU in a uniform manner. These banking taxes and potential financial transaction taxes directly impact Erste Group's other operating result, and increases in banking taxes or the imposition of new banking and financial transaction taxes on Erste Group's subsidiaries negatively affect its results of operations.

6.6 CREDIT RATINGS

Standard & Poors, Moody's and Fitch (each as defined below) have assigned the below credit ratings to the Issuer.

Standard & Poors assigned the following ratings:

Long term deposits	Short Term deposits	Subordinated notes	Outlook
A	A-1	BBB	negative

According to the Ratings Definitions as published by Standard & Poors (www.standardandpoors.com) as of the date of this Prospectus, the above ratings have the following meanings:

'A' — An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

'A-1' — A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

'BBB' — An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

'Negative Outlook' — A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. Negative means that a rating may be lowered.

On 10 June 2014, Standard & Poor's has placed the 'A' long-term and the 'A-1' short-term ratings on the Issuer on CreditWatch with negative implications.

'CreditWatch' highlights Standard & Poor's opinion regarding the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by Standard & Poor's analytical staff. A CreditWatch listing does not mean a rating change is inevitable. The "negative" designation means a rating may be lowered.

Moody's assigned the following ratings:

	Long term deposits	Short Term deposits	Outlook
Erste Group Bank	Baa1	P-2	negative
Public Sec. Cov. Bonds	Aaa	-	-
Mortgage Cov. Bonds	Aaa	-	-
Subordinated	Ba1		negative

According to the Rating Symbols and Definitions as published by Moody's (www.moody.com) as of the date of this Prospectus, the above ratings have the following meanings:

'Baa' — Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

'Aaa' — Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

'Ba' — Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

'P-2' — Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

'Negative Outlook' — A Moody's rating outlook is an opinion regarding the likely rating direction over the medium term. Rating outlooks fall into four categories: Positive, negative, stable, and developing. A negative, positive or developing outlook indicates a higher likelihood of a rating change over the medium term. A rating committee that assigns an outlook of stable, negative, positive, or developing to an issuer's rating is also indicating its belief that the issuer's credit profile is consistent with the relevant rating level at that point in time.

Fitch assigned the following ratings:

Long term deposits	Short Term deposits	Outlook
A	F1	negative

According to the Rating Definitions as published by Fitch (www.fitchratings.com) as of the date of this Prospectus, the above ratings have the following meanings:

'A' — High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

'F1' — Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

'Negative Outlook' — Rating Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Outlooks are generally Stable, which is consistent with the historical migration experience of ratings over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as Evolving.

More detailed information on the ratings can be retrieved on the Issuer's website (<http://www.erstegroup.com/en/Investors/Ratings>). General information regarding the meaning of the rating and the qualifications which have to be observed in connection therewith can be found on the websites of Standard & Poors (www.standardandpoors.com), Moody's (www.moody.com) and Fitch Ratings Ltd (www.fitchratings.com).

Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland) ("**Standard & Poors**") has its registered office at Neue Mainzer 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. Fitch Ratings Ltd ("**Fitch**") with its seat in 30 North Colonnade, London E14 5GN, United Kingdom is registered at Companies House in England.

Standard & Poors, Moody's and Fitch are registered under Regulation (EC) No 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (credit rating agency regulation, the "**CRA**

Regulation") as registered rating agencies. The European Securities and Markets Authority publishes on its website (www.esma.europa.eu) a list of credit rating agencies registered in accordance with the CRA Regulation. That list shall be updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation. The EU-Commission publishes that updated list in the Official Journal of the EU within 30 days following the updates.

6.7 RECENT DEVELOPMENTS

Recent changes in the Haftungsverbund ("Haftungsverbund 3")

In 2013 the cooperation between the savings banks was further intensified. The aim of the amendments of the existing Haftungsverbund ("**Haftungsverbund 3**"), which entered into force on 1 January 2014, is the intensification of the group steering, the setting up of an institutional protection scheme (Art 113 (7) CRR) and a cross-guarantee scheme (Art 4 (1)(127) CRR) in order to fulfil the requirements of Art 84 (6) CRR for being exempted from the deduction of any minority interest and thus, being entitled to recognize any minority interest arising within the cross-guarantee scheme in full and in light of IFRS 10 to strengthen Erste Group Bank's power in the provisions of the agreement governing the Haftungsverbund 3.

Impacts on the net profit

On 11 February 2014, Erste Group Bank announced that it posted a net profit of about EUR 60 million in 2013. Goodwill write-downs and tax effects negatively impacted net profit. In 2013, Erste Group Bank did only partly recognise deferred tax assets for tax losses carried forward as it is unlikely they will be realised within a reasonable time frame. This is directly related to the banking tax burden on the Austrian tax group as well as goodwill write-downs over the past years.

On 30 April 2014, Erste Group posted a net profit of EUR 103.3 million for the first quarter of 2014. For further details, please see the Unaudited Interim Condensed Consolidated Financial Statements 31 March 2014.

7. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

MANAGEMENT BOARD

Members of the Management Board

Currently, the Management Board consists of five members who have extensive experience in the Austrian banking market and the savings banks sector. The current members of the Management Board are listed below. All current members of the Management Board have positions in various companies.

Name	Name of relevant company	Position held
Andreas Treichl <i>Chairman</i>	Banca Comercială Română S.A.	SB ¹ chairman
	Česká spořitelna, a.s.	SB deputy chairman
	DONAU Versicherung AG Vienna Insurance Group	SB deputy chairman
	Erste Bank der oesterreichischen Sparkassen AG	SB chairman
	Haftungsverbund GmbH	AB ² chairman
	MAK – Österreichisches Museum für Angewandte Kunst	SB chairman
	Sparkassen Versicherung AG Vienna Insurance Group	SB chairman
Franz Hochstrasser <i>Deputy Chairman</i>	CEESEG Aktiengesellschaft	SB member
	Erste Group Immorent AG	SB chairman
	Oesterreichische Kontrollbank Aktiengesellschaft	SB deputy chairman
	Steiermärkische Bank und Sparkassen Aktiengesellschaft	SB member
	Wiener Börse AG	SB member

¹ "SB" means Supervisory Board.

² "AB" means Advisory Board.

Name	Name of relevant company	Position held
Andreas Gottschling	Erste Group Immorent AG	SB deputy chairman
Herbert Juranek	Banca Comercială Română S.A.	SB member
	Brokerjet Bank AG (previously, ecetra Central European e-Finance AG)	SB member
	Česká spořitelna, a.s.	SB member
	Erste & Steiermärkische Bank d.d.	SB chairman
	Erste Group IT International, spol. s.r.o.	AB chairman
	Erste Group IT SK, spol. s.r.o. (previously, Informations-Technologie Austria SK, spol. s.r.o)	AB member
	Erste Group Card Processor d.o.o. (previously MBU d.o.o.)	AB chairman
	OM Objektmanagement GmbH	AB chairman
	Procurement Services GmbH	AB deputy chairman
	s IT Solutions AT Spardat GmbH	SB chairman
	s IT Solutions CZ, s.r.o.	AB member
	s IT Solutions HR d.o.o.	AB member
	Slovenská sporiteľňa, a.s.	SB member
Gernot Mittendorfer	Banca Comercială Română S.A.	SB member
	EGB Ceps AUT Holding GmbH	Managing Director
	EGB Ceps Beteiligungen GmbH	Managing Director
	EGB Ceps Holding GmbH	Managing Director
	Erste Bank Hungary Zrt	SB member
	Erste Bank a.d. Novi Sad	SB chairman
	Erste Bank der oesterreichischen Sparkassen AG	SB member
	Erste Reinsurance S.A.	AB member

Name	Name of relevant company	Position held
	Haftungsverbund GmbH	AB member
	Slovenská sporiteľňa, a.s.	SB chairman

Source: Internal information of Erste Group Bank

The members of the Management Board can be reached at Erste Group Bank's business address Graben 21, A-1010 Vienna, Austria.

SUPERVISORY BOARD

Members of the Supervisory Board

Currently, the Supervisory Board consists of eleven members elected by the shareholders of Erste Group Bank and six employee representatives. The following table sets out the current members of the Supervisory Board together with the mandates in supervisory boards or similar functions in other foreign and domestic companies for each supervisory board member as of the date of this Prospectus:

Name	Name of relevant company	Position held
Friedrich Rödler <i>Chairman</i>	Erste Bank der oesterreichischen Sparkassen AG	SB member
	Erste Bank Hungary Zrt.	SB member
	Sparkassenprüfungsverband	Chairman
Dr. Georg Winckler <i>First Deputy Chairman</i>	Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung	SB chairman
	DIE ERSTE Österreichische Spar-Casse Privatstiftung	SB chairman
	Educational Testing Service (ETS), Princeton/New Jersey	Member of the board of trustees
	Erste Bank der oesterreichischen Sparkassen AG	SB member
	UNIQA Versicherungen AG	SB deputy chairman
Elisabeth Bleyleben-Koren <i>Member</i>	none	—
Bettina Breiteneder <i>Member</i>	ZS Einkaufszentren Errichtungs- und Vermietungs- Aktiengesellschaft	SB chairwoman

Name	Name of relevant company	Position held
Gunter Griss <i>Member</i>	Steiermärkische Bank und Sparkassen AG	SB Chairman
	BH Krentschker & Co AG	SB deputy chairman
	AVL List GmbH	SB chairman
	BDI Bioenergy International AG	SB chairman
Jan Homan <i>Second Deputy Chairman</i>	Allianz Elementar Versicherungs- Aktiengesellschaft	SB member
	BillerudKorsnäs AB	SB member
	Constantia Flexibles Group GmbH	SB chairman
	Frapag Beteiligungsholding AG SB chairman	Frapag Beteiligungsholding AG SB chairman
	Slovenská sporiteľňa, a.s.	SB member
Elisabeth Krainer Senger-Weiss <i>Member</i>	GW Immobilien GmbH	CEO
Juan Maria Nin Génova <i>Member</i>	Academic Board, APD	Member
	Aspen Institute Spain Foundation	Member of the Board of Trustees
	Banco BPI, S.A.	Member of board of directors
	CaixaBank, S.A.	Deputy chairman and CEO

Name	Name of relevant company	Position held
	CEDE Foundation	Member board of governors
	Circulo Ecuestre	Member of board of directory
	Criteria Caixaholding S.A.	Deputy chairman
	Deusto Business School	Member of board of directors
	Deusto University	Member of board of directors
	Esade Business School Foundation	Member of board of trustees
	Federació Catalana de Caixes d'Estalvis	Secretary
	Frederico Garcia Lorca Foundation	Member of board of trustees
	Gas Natural SDG, S.A.	Member of board of directors
	Grupo Financiero Inbursa, S.A.B. DE C.V.	Member of board of directors
	"la Caixa" Foundation	Deputy chairman
	"La Caixa" Savings Bank	President and CEO
	Repsol YPF	Member of board of directors
	Spain-China Council Foundation	Member of board of directors
	Spain-India Foundation	Deputy Chairman
	Spain-United States Council Foundation	Member board of governors
	VidaCaixa Grupo, S.A.U. (Insurances)	Member of board of directors

**Brian Deveraux
O'Neill**

Name	Name of relevant company	Position held
<i>Member</i>	Banca Comercială Română S.A.	SB member
	Council of the Americas	Member of board of directors
	Emigrant Bank	Member of board of directors
	Inter-American Dialogue	Member of board of directors
	Seven Seas Water	Member of board of directors
Wilhelm Rasinger		
<i>Member</i>	Friedrichshof Wohnungsgenossenschaft reg. Gen.mBH	SB chairman
	Haberkorn Holding AG	SB member
	S IMMO AG	SB member
	Wienerberger AG	SB member
John James Stack		
<i>Member</i>	Ally Bank	Member of board of directors
	Česká spořitelna, a.s.	SB chairman
	Mutual of America Life Insurance Company	SB member
Markus Haag	none	—
<i>Employee representative</i>		
Andreas Lachs		
<i>Employee representative</i>	VBV-Pensionskasse AG	SB member
Friedrich Lackner		
<i>Employee representative</i>	DIE ERSTE Österreichische Spar-Casse Privatstiftung	SB member
Bertram Mach	none	—
<i>Employee representative</i>		
Barbara Smrcka	none	—
<i>Employee representative</i>		

Name	Name of relevant company	Position held
Karin Zeisel <i>Employee representative</i>	none	—

Source: Internal information of Erste Group Bank.

REPRESENTATIVES OF THE SUPERVISORY AUTHORITIES

Pursuant to the Austrian Banking Act and the Austrian Mortgage Bank Act 1899, the Austrian Minister of Finance is required to appoint representatives, who monitor Erste Group Bank's compliance with certain legal requirements. The current representatives are listed below:

Name	Position
Wolfgang Bartsch	State Commissioner
Michael Kremser	Vice State Commissioner
Silvia Maca	Commissioner for covered bonds
Erhard Moser	Vice Commissioner for covered bonds
Irene Kienzl	Trustee pursuant to the Mortgage Bank Act
Thomas Schimetschek	Deputy Trustee pursuant to the Mortgage Bank Act

Source: Internal information of Erste Group Bank

Pursuant to the Austrian Banking Act and the Articles of Association, the State Commissioner and its deputy shall be invited to the Erste Group Bank's Shareholders' Meetings and all meetings of the Supervisory Board and its committees. Furthermore, the State Commissioner or its deputy shall immediately receive all minutes of the meetings of the Supervisory Board. Resolutions of the Supervisory Board and of its committees which are passed outside a meeting shall be simultaneously communicated to the State Commissioner or its deputy who is entitled to raise written objections pursuant to sec 76(6) Austrian Banking Act.

POTENTIAL CONFLICTS OF INTEREST

Agreements (e.g. advisory contracts or loan agreements) of Erste Group Bank with the Members of its Management Board and its Supervisory Board may generate in certain circumstances conflicts of interest. Should any such conflict of interest arise, Erste Group Bank has sufficient rules and procedures in place to properly deal with such conflicts of interest in accordance with applicable laws and industry standards.

SHAREHOLDERS OF ERSTE GROUP BANK

Erste Group Bank's major shareholder, DIE ERSTE österreichische Spar-Casse Privatstiftung, is a private foundation which was created by the transformation of DIE ERSTE Österreichische Spar-Casse Anteilsverwaltungssparkasse, a special form of savings bank

holding company, with effect as of 19 December 2003. Such type of transformation is provided for under the Savings Bank Act. As of 14 March 2014, 20.2% of the shares in Erste Group Bank were attributable to DIE ERSTE Österreichische Spar-Casse Privatstiftung ("**Erste Stiftung**") which held 13.1% directly and 7.1%³ indirectly (of which all savings banks in aggregate held 1.2%). 9.1% of the shares in Erste Group Bank were held by CaixaBank, S.A.. The free float amounts to 70.6% (of which 4.1% were held by Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung, Vienna, Austria, 4.0% were held by Harbor International Fund, 53.0% by institutional investors, 8.0% by retail investors and 1.5% by Erste Group's employees) (all numbers are rounded).

³ Voting rights attributable to shares held by Sparkassen Beteiligungs GmbH & Co. KG are attributed to DIE ERSTE österreichische Spar-Casse Privatstiftung (the "**Erste Stiftung**") pursuant to sec 92 no 4 Austrian Stock Exchange Act, because Erste Stiftung is a limited partner of Sparkassen Beteiligungs GmbH & Co. KG and holds 100% of the share capital in Sparkassen Beteiligungs GmbH, the sole general partner of Sparkassen Beteiligungs GmbH & Co. KG. In addition, voting rights are attributed to Erste Stiftung pursuant to sec 92 no 4 and 7 Austrian Stock Exchange Act in connection with shares in Erste Group Bank held by Austrian savings banks, which act jointly with Erste Stiftung and are associated with Erste Group Bank through the Haftungsverbund, establishing a joint early warning system as well as a cross guarantee for certain liabilities of the member savings banks (for more information on the Haftungsverbund, see "*Description of Erste Group's business—Haftungsverbund*"), and by other syndicate members.

8. LEGAL PROCEEDINGS

Erste Group Bank and some of its subsidiaries are involved and have been involved in the twelve months preceding the date of this Prospectus in legal disputes, including governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), most of which have arisen or have been threatened in the course of its ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group and/or Erste Group Bank. Erste Group is also subject to the following ongoing proceedings:

Hungarian Holocaust litigation

In 2010 a group of plaintiffs filed a putative class action complaint, in a Federal court in Chicago, on behalf of alleged victims of the Holocaust or their heirs, alleging that several Hungarian banks improperly benefited from the seizure of assets of Jewish customers during World War II. The assets claimed total USD 2 billion in 1944 dollars. Although Erste Group Bank is not alleged to have participated in the alleged misappropriation of Jewish assets, it is nevertheless named as a defendant in the litigation, as plaintiffs allege that Erste Group Bank is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Group Bank has denied all of the material allegations against it, including, but not limited to, allegations of successorship. In January 2014 the Federal District Court entered judgment in favor of Erste Group Bank, terminating the civil case. Plaintiffs have filed an appeal. Erste Group Bank intends to continue taking all steps necessary to defend itself against this complaint.

Consumer protection claims

Several banking subsidiaries of Erste Group in 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.

9. MATERIAL CONTRACTS

Since 31 December 2013, Erste Group Bank and its subsidiaries have not entered into any material contracts, other than contracts entered into in the ordinary course of business, except for the following agreements 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 defined above), each party has a termination right. If Erste Group Bank elects to terminate the asset management agreement following such a change of control of VIG, because the new controlling shareholders of VIG no longer support the agreement, it may choose to ask for a full refund of the purchase price that it has paid for 95% of Ringturm Kapitalanlagegesellschaft m.b.H., the asset management company performing the services under the asset management agreement. The refund decreases on a linear scale down to zero from October 2013 to October 2018.

New Haftungsverbund agreement

On 1 January 2014, Erste Group Bank and its subsidiary Erste Bank Oesterreich entered with the savings banks into the second supplementary agreement (*Zweite Zusatzvereinbarung*) to the Haftungsverbund (“**Haftungsverbund 3**”). The cooperation between the Erste Group and the savings banks was hereby further intensified. The aim of the agreement is the intensification of the group steering, the setting up of an institutional protection scheme (Art 113 (7) CRR) and a cross-guarantee scheme (Art 4 (1)(127) CRR) in order to fulfil the requirements of Art 84 (6) CRR for being exempted from the deduction of any minority interest and thus, being entitled to recognize any minority interest arising within the cross-guarantee scheme in full as well as in light of IFRS 10 to strengthen Erste Group Bank's power in the provisions of the agreement governing the Haftungsverbund 3.

10. THE AUSTRIAN BANKING SYSTEM

Overview

Like in other European countries, the banking system Austria comprises a diverse array of financial institutions. The Austrian banking industry may be divided into five "sectors" according to the (current or former) legal form (ownership respectively) of a bank and its membership to the respective trade association (*Fachverband*): (i) savings banks (*Sparkassen*), (ii) agricultural co-operative banks (*Raiffeisenbanken*), (iii) public co-operative banks (*Volksbanken*), (iv) provincial mortgage banks (*Landes-Hypothekenbanken*), and (v) banks and bankers (*Banken und Bankiers*). Today, in principle, all banks from the different sectors engage in substantially comparable business but may pursue different business policies. Erste Group Bank is a member of the Savings Banks Sector.

The structure of Austria's banking system is characterised by a large number of small banks, a smaller number of medium to large banks and – apart from Erste Group Bank, UniCredit Bank Austria AG ("**Bank Austria**") (a subsidiary of Unicredit S.p.A.) and Raiffeisen Bank International AG – the absence of any banks with international importance. By the end of Q4 of 2013, the Austrian banking system consisted of 790 independent banks with a total of 4,359 branches and estimated total assets of EUR 929.2 billion (source: website of the OeNB reviewed on 11 March 2014).

Savings Banks

The Savings Banks Sector is the third largest of the Austrian banking sectors, accounting for approximately EUR 160 billion of total assets (excluding Bank Austria) as of 31 December 2013 (source: website of the OeNB reviewed on 11 March 2014). The Savings Banks Sector then comprised of 49 independent savings banks (excluding Bank Austria), with Erste Group Bank AG acting as the central institution (*Zentralinstitut*) of the Savings Banks Sector.

Historically, geographic restrictions on operations contributed to the development of the Savings Banks Sector characterised by a large number of small, local savings banks. Savings banks were established either by an association (*Verein*) or a municipality (*Gemeinde*). The historical role of both the *Verein* and the *Gemeinde* concerning the respective association savings bank (*Vereinssparkasse*) and municipality savings bank (*Gemeindesparkasse*) was to provide the initial capital for the savings banks required by regulatory law. A *Gemeindesparkasse* and its operating *Sparkassenaktiengesellschaft* might be somehow influenced by the respective municipality.

Further, other than in case of a *Vereinssparkasse*, creditors of a *Gemeindesparkasse* and its operating savings bank stock corporation (*Sparkassenaktiengesellschaft*) used to benefit, and to some extent, still benefit from a statutory municipal deficiency guarantee (*Gemeindeausfallhaftung*). These deficiency guarantees are gradually ceasing to exist as follows: (i) liabilities existing on 2 April 2003 will continue to be covered until their maturity; (ii) liabilities entered into after 2 April 2003 until 1 April 2007 will be covered if the concluded maturity date is no later than 30 September 2017; (iii) all liabilities entered into after 1 April 2007 are not covered. As the savings banks traditionally did not expressly use this deficiency guarantee to reduce their costs of financing, no major impact is expected to result from the expiration of this guarantee. Only 10 smaller savings banks are likely to be affected by the expiration of the guarantee.

Since 1986, savings banks may contribute their banking business into a stock corporation (*Aktiengesellschaft*) in order to enable share transfers and to facilitate to raise capital. Such contribution requires establishing a special savings bank management company (*Anteilsverwaltungssparkasse*) as holding company of the shares in the relevant operating *Sparkassenaktiengesellschaft*. Accordingly, in 1993, "DIE ERSTE oesterreichische Spar-Casse – Bank" transferred all its banking operations to "DIE ERSTE oesterreichische Spar-Casse - Bank Aktiengesellschaft", a newly founded subsidiary being the operational bank;

"DIE ERSTE oesterreichische Spar-Casse" remained as holding company and was renamed into "DIE ERSTE oesterreichische Spar-Casse Anteilsverwaltungssparkasse ("**AVS**")".

Since 1998, *Anteilsverwaltungssparkassen* may transform their legal form into a private foundation (*Privatstiftung*). For such *Gemeindesparkassen*, the deficiency guarantee is limited to liabilities entered into until the (next) balance sheet date following the registration of the transformation. In 2003, AVS was transformed into such private foundation ("**DIE ERSTE oesterreichische Spar-Casse Privatstiftung**").

Regulation and supervision

The regulatory framework for the Austrian banking system is determined by a number of (Austrian and European) rules and regulations. For the savings banks, Erste Group Bank and Erste Group, in particular the following Austrian laws (as well as respective regulations, if any) are relevant: the Austrian Financial Market Supervision Act (*Finanzmarktaufsichtsbehördengesetz - FMABG*), the Austrian Banking Act (*Bankwesengesetz – BWG*), the Austrian Savings Bank Act (*Sparkassengesetz*), the Austrian Securities Supervision Act 2007 (*Wertpapieraufsichtsgesetz 2007*), the Austrian Payment Services Act (*Zahlungsdienstegesetz - ZaDiG*), the Austrian Banking Intervention and Restructuring Act (*Bankeninterventions- und –restrukturierungsgesetz - BIRG*), the Austrian Mortgage Bank Act (*Hypothekenbankgesetz - HypBG*) and the Austrian Covered Bonds Act (*Gesetz betreffend fundierte Bankschuldverschreibungen – FBSchVG*).

In addition to Austrian laws and regulations, also certain EU-regulations are directly applicable to Austrian credit institutions and banking groups.

According to the Austrian Financial Market Supervision Act, the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde – "FMA"*) is in particular responsible for (i) banking supervision, (ii) insurance and pension companies supervision as well as (iii) securities supervision in Austria.

The management board of the FMA consists of two members, one of them nominated by the Austrian Minister of Finance respectively the OeNB, and appointed by the Austrian Federal President upon proposal by the Austrian Federal Government. The FMA's supervisory board consists of eight members (two of them without voting rights) which is responsible for approving the FMA's budget, financial statements, top employees and other important matters. The expenses of the FMA are primarily borne by the supervised entities, while the Austrian Federal Government bears a minor fixed portion thereof.

The tasks of the FMA's banking supervision department include in particular the performance of licensing, authorisation and notification procedures, the performance of supervisory procedures, the official supervision of intra-bank models, commissioning the Austrian Nationalbank (*Oesterreichische Nationalbank – "OeNB"*) to carry out on-site inspections, officially monitoring action taken by the credit institution to remedy shortcomings, the interpretation of the law with regard to banking supervision, collecting and analysing qualitative information, evaluating analysis results with respect to official measures and the involvement in legislation related to banking supervision, sending departmental representatives to international bodies, supervising branches and representative offices of foreign credit institutions, as well as cross-border supervision within the scope of the consolidating supervision concept.

The FMA is entitled to undertake various supervisory measures and impose sanctions against credit institutions. In order to enable the FMA and the OeNB to fulfill their obligations, credit institutions are *inter alia* subject to regular regulatory reporting, notification and information requirements.

Since 2008, a supervisory reform in Austria has provided a new structure for cooperation between the FMA and the OeNB in banking supervisory activities and tightened the links between micro- and macro prudential supervision, that is, supervision of individual institutions and supervision at the systemic level. As a consequence, the OeNB was assigned additional operational tasks in this field. All on-site inspections relating to banking supervision are

conducted by the OeNB, as a result of an inspection order issued by the FMA. The OeNB also may request an inspection order (or expansion of an inspection order). A key element of this cooperation is the sharing of all supervisory-related data held by both institutions in a single database allowing for greater depth of data analysis and monitoring, both of individual market participants and of the financial market as a whole.

From November 2014 on, the European Central Bank ("**ECB**") will assume its new banking supervision responsibilities and take on new banking supervision tasks as part of the Single Supervisory Mechanism ("**SSM**").

Under the SSM, the ECB will directly supervise significant credit institutions (such as Erste Group Bank). In addition, the ECB will work closely with the national competent authorities (such as the FMA) to supervise all other credit institutions under the overall oversight of the ECB. Thus, all other credit institutions in the participating EU-Member States will continue to be supervised by the national competent authorities. However, the ECB can decide at any time to exercise direct supervision of any one of these credit institutions in order to ensure consistent application of high supervisory standards.

State commissioners, trustees and government commissioners

The Austrian Banking Act requires the Austrian Minister of Finance to appoint a state commissioner (*Staatskommissär*) and a deputy for all savings banks and for credit institutions with a balance sheet total exceeding EUR 1.0 billion. The state commissioners are acting as bodies of the FMA and are exclusively subject to the FMA's instructions in this function. They have to be invited to all meetings of the shareholders, the supervisory board and executive committees of the credit institution.

The state commissioners must immediately raise objections to resolutions of such bodies which they consider to violate legal or other provisions or administrative rulings (*Bescheide*) of the Federal Minister of Finance or the FMA, and report to the FMA accordingly. Such objections postpone the effectiveness of the resolution until an FMA decision is issued by the supervisory authority (within one week upon request by the credit institution), see "*ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES*".

For Erste Group Bank, a trustee (*Treuhänder*) and its deputy as well as a government commissioner (*Regierungskommissär*) was appointed by the Austrian Minister of Finance for monitoring its covered bond business. The trustee respectively the government commissioner are responsible for monitoring Erste Group Bank's compliance with legal requirements for mortgage *Pfandbriefe* (*Hypothekendarlehen*) and public *Pfandbriefe* (*Öffentliche Darlehen*) pursuant the Austrian Mortgage Bank Act, as well as for covered bonds (*fundierte Darlehen*) pursuant to the Austrian Covered Bonds Act.

New insolvency regime for banks

On 1 January 2014, the Austrian Banking Intervention and Restructuring Act aiming to introduce a new bank insolvency regime entered into force in order to further stabilize the Austrian financial market and prevent that public funds are needed in order to rescue credit institutions.

For this purpose, the FMA is entitled to intervene earlier – i.e. even before any violation of material prudential requirements such as capital and liquidity provisions or any danger for the fulfilment of obligations towards creditors occurred.

The law is deemed to anticipate parts of the Bank Recovery and Resolution Directive ("**BRRD**") which has been published on 12 June 2014. For details 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)*".

Like the BRRD, the Austrian Banking Intervention and Restructuring Act mainly foresees the following measures:

Preparation and prevention: Institutions are obliged to organizationally prepare for crises situations. This in particular requires institutions to prepare recovery and resolution plans and to submit them to the FMA. In a group context, the superordinate institution is obliged to do so for itself and the whole group. Recovery plans have to set out measures envisaged by the institutions in order to re-establish the institution's financial stability in case of a significant deterioration of the financial situation by stipulating a framework including trigger events for recovery measures. Within their resolution plans, institutions have to demonstrate how a well-regulated resolution or reorganisation shall take place.

Early intervention: The FMA is obliged to undertake early intervention measures in order to early prevent crisis situations at institutions where a bank does not comply with capital or liquidity requirements or where a violation of such requirements is imminent at an early stage; those measures shall prevent crisis situations pre-emptively and allow the FMA to intervene in time in cases of emergency.

In addition to this, the BRRD will also provide the competent authority with the power to write down (or convert) capital instruments as well as four resolution tools in order to resolve an institution: (i) the sale of business tool; (ii) the bridge institution tool; (iii) the asset separation tool; and (iv) the bail-in tool.

The "bail-in tool" as well as the write down (or conversion) will allow competent authorities, *inter alia*, to write-down unsecured (including senior and subordinated) debt of an institution or to convert it into equity. Consequently, not only the owners of credit institutions, but also creditors will bear the costs of a resolution.

OeNB, ESCB and Minimum Reserves

The Eurosystem which comprises the ECB and the national central banks of the euro area of the EU-Member States conducts the monetary policy of the euro with the main objective to maintain price stability, safeguarding the value of the euro.

As the Austrian central bank, the OeNB is an integral part of the Eurosystem and of the European System of Central Banks ("**ESCB**") and legally required to support the ECB. The ECB decides on the principal monetary policies of the European and Monetary Union ("**EMU**"), whereas the OeNB executes the directives and regulations of the ECB.

The ECB requires credit institutions established in the Eurozone, such as Austrian credit institutions, to hold minimum reserves on accounts with the ECB and national central banks. In accordance with regulations of the ECB, a credit institution's reserve base should comprise deposits and debt securities issued resulting from the acceptance of funds. In December 2011, the ECB reduced the reserve ratio for certain liability categories from 2% to 1% in order to promote the provision of liquidity to counterparties to Eurosystem monetary policy operations.

Statutory deposit insurance scheme

Austrian law requires that any credit institution which receives deposits requiring a guarantee under applicable law must join the insurance scheme of its sector within the banking system. Failure of a credit institution to join the relevant insurance scheme results in the lapse of the credit institution's licence to conduct business involving the acceptance of deposits requiring a guarantee under applicable law in Austria. Payments to be made by an insurance scheme to restore insured deposits are met by contributions from each member credit institution in the relevant sector. Each bank's contribution is determined in proportion to the aggregate amount of such credit institution's deposits, subject to a maximum contribution equal to 1.5% of the assessment base for the capital requirement for credit risk plus 12.5 times of the own funds requirement for certain trading book positions (based on the most recent balance sheet date).

In the event that the aggregate maximum amount that a sector's members can be called upon to contribute is less than the payment liability under the insurance scheme, each deposit insurance scheme of the other banking sectors will contribute a *pro rata* portion of the amount remaining unpaid. The participation of each insurance scheme is determined as per the previous paragraph. If the amount contributed by all insurance schemes is insufficient to make the required payment, the insurance scheme that is primarily obligated to repay such protected deposits must issue bonds to cover any amount remaining unpaid. The Republic of Austria may accept liability for such bonds.

The insurance scheme currently insures deposits up to EUR 100,000. Investor compensation covers an amount of up to EUR 20,000; however, such compensation for legal entities are capped at 90%. Further, some deposits are excluded from deposit guarantee and investor compensation.

Haftungsverbund

Since 2002, most of the Austrian savings banks, excluding Bank Austria, formed a uniform business and market policy, an early warning system and an enhanced deposit guarantee system. The deposit guarantee system materially expanded the credit institutions' obligations beyond the legally prescribed amount per depositor. These arrangements establish a so-called "Haftungsverbund", a guarantee system that was formed on the basis of a set of agreements with the majority of the Austrian savings banks. For more details on the *Haftungsverbund*, see "*BUSINESS OVERVIEW - Haftungsverbund*".

Financial statements and audits

Austrian credit institutions are required to prepare (annual and consolidated) financial statements, and to submit them (together with the respective audit reports of the external auditor) to the FMA and the OeNB. The audited financial statements (the contents prescribed by law) must be published in the Austrian official gazette (*Amtsblatt zur Wiener Zeitung*).

Certain Austrian banks prepare consolidated financial statements (either voluntarily or mandatorily) in accordance with IFRS as adopted by the EU. IFRS differs mainly from accounting standards for consolidated financial statements applicable to Austrian banks in respect of a reduced use of fair values and less comprehensive tax deferrals.

In addition, all (annual and consolidated) financial statements of Austrian credit institutions must be audited by bank auditors (*Bankprüfers*) which are either certified external auditors or external auditing companies appointed as external auditors of financial statements or – in case of the Savings Banks sector – the savings bank auditing association (*Sparkassen-Prüfungsverband Prüfungsstelle*) as statutory bank auditor. The bank auditor must review the legal compliance of the annual financial statements. The results of such audit must include a statement on (timely and complete) compliance with all relevant regulatory banking rules and provisions and must be presented in an annex to the audit report (prudential report).

As savings bank stock corporation, the financial statements of Erste Group Bank are regularly audited by the *Sparkassen-Prüfungsverband Prüfungsstelle*. In 2010, 2011, 2012 and 2013, these audits have been (respectively will be) performed jointly with Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (elected as additional auditor by the shareholders' meeting of Erste Group Bank in the year before).

Prudential requirements for banks

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**") published its final standards on the revised capital adequacy framework, known as Basel III, which tightened the definition of capital and requires banks to maintain capital buffers on top of minimum capital requirements. On 27 June 2013, the Capital Requirements Directive IV (Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of

credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("**CRD IV**") and the Capital Requirements Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("**CRR**") transposing Basel III into EU-law, have been published.

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

Thus, since 2014, the prudential requirements, in particular the regulatory capital requirements applicable to Erste Group Bank and Erste Group have been substantially changed. See also "*Risk Factors related to the business of Erste Group – 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*" and "CURRENT REGULATORY TOPICS".

Under the new rules, the only capital instruments eligible as own funds are: (i) common equity tier 1 instruments ("**CET 1**"); (ii) additional tier 1 instruments ("**AT 1**") (CET 1 and AT 1 together constituting "**Tier 1**"); and tier 2 instruments ("**Tier 2**").

Institutions are required at all times satisfy the following capital ratios for own funds: (i) a CET 1 ratio of 4.5%; (ii) a Tier 1 ratio of 6%; and (iii) a total capital ratio of 8%, all expressed as a percentage of the total risk exposure amount. The total risk exposure amount basically is the sum of risk-weighted exposure amounts for credit risk, as well as the own funds requirements for market risk and operational risk

Therefore, whilst the total capital an institution needs to hold remains at 8%, the share that has to be of the highest quality (i.e. CET 1) increases from 2% to 4.5% (with respective transitional provisions).

The new rules established new capital buffers: the capital conservation buffer, the countercyclical buffer, the systemic risk buffer, the global systemic institutions buffer and the other systemic institutions buffer. On top of these own funds requirements, the competent authorities may add extra capital requirements to cover for other risks following a supervisory review and institutions may also decide to hold an additional amount of capital on their own.

The criteria for each capital instrument became more stringent; due to harmonized definitions of adjustments made to capital in order to determine the amount of regulatory capital that is prudent to recognise for regulatory purposes, the effective level of required regulatory capital has significantly been increased.

In order to calculate their risk-weighted exposure amounts, institutions shall apply either the standardised approach or (if permitted by the competent authorities) the internal ratings based approach ("**IRB**").

Based on a respective FMA-decision, since 1 January 2007, Erste Group Bank is entitled to use the IRB. In general, Erste Group is entitled to use the so-called foundation IRB ("**FIRB**") for the institution, the corporate, the sovereign and the specialised lending portfolios. This means that Erste Group Bank uses own probability of default ("**PD**") estimates and supervisory loss given default ("**LGD**") estimates. In addition, Erste Group Bank is entitled to use the so-called advanced IRB ("**AIRB**") for the retail portfolio which allows not only to use own PD estimates, but also the performance of LGD estimates. The IRB is used for Erste Group on a consolidated level, for Erste Group Bank on an unconsolidated basis and for many of the subsidiaries and the savings banks on an unconsolidated level. For the calculation the own funds requirement for operational risk, Erste Group Bank and certain of its subsidiaries also use the advanced measurement approach ("**AMA**").

Apart from the prudential requirements on own funds/regulatory capital described above, Austrian credit institutions are subject to numerous other regulatory requirements stipulated

by EU-law, including limits on large exposures, liquidity requirements, leverage ratio, as well as reporting and notification obligations.

Credit institutions have to comply with such prudential/regulatory requirements not only on a solo level, but also on a group level (i.e. by the credit institution's group; prudential consolidation).

11. TAXATION IN AUSTRIA

AUSTRIA

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects (e.g. it does not address potential capital contribution tax aspects of the issuance of the Notes) and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes (in particular from a potential qualification as equity for tax purposes instead of debt as discussed below) 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.

General remarks

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

Income taxation of the Notes

Austrian statutory law does not contain specific provisions on the qualification of Additional Tier 1 instruments for Austrian (corporate) income tax purposes. One relevant provision in this respect is sec 8(3)(1) item 2 of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), pursuant to which *jouissance* rights (*Genussrechte*) granting a right to participate in both the current profits and the liquidation profits of the issuer are qualified as equity instruments. In contrast thereto, *jouissance* rights granting a right to participate either in the current profits or in the liquidation profits of the issuer or in neither of the two categories are to be qualified as debt instruments. Sec (8)(3)(1) item 2 of the Austrian Corporate Income Tax Act is typically applied for purposes of qualifying hybrid instruments either as equity or as debt for Austrian (corporate) income tax purposes. In addition, reference has to be made to jurisprudence of the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*) pursuant to which the qualification of hybrid instruments, such as *jouissance* rights, has to be based on whether typical equity-like criteria outweigh typical debt-like criteria from a quantitative and qualitative perspective thereby taking into account the

instrument's term, the profit dependency of distributions, the participation in the issuer's substance/liquidation gain, the granting of securities, a potential subordination and the lack of typical shareholder control and voting rights.

Recently a professional interest association submitted to its members a statement received from the Austrian Ministry of Finance (*Bundesministerium für Finanzen*) which confirms that due to its structural elements, Additional Tier 1 instruments within the meaning of Article 52 of the CRR can be qualified as debt for Austrian (corporate) income tax purposes based on sec 8(3)(1) item 2 of the Austrian Corporate Income Tax Act. As a result of this qualification, distributions effected by the issuer under Additional Tier 1 instruments are generally deductible at the level of the issuer for corporate income tax purposes (unless general restrictions – which are applicable to any debt instruments – apply). This statement of the Austrian Ministry of Finance does not address any other potential Austrian tax aspects in the context of the issuance of Additional Tier 1 instruments. It has to date not yet been reflected in the Austrian Corporate Income Tax Guidelines (*Körperschaftsteuerrichtlinien*). For purposes of the following, the Issuer assumes that the Notes qualify as debt for Austrian (corporate) income tax purposes. In case of a qualification of the Notes as equity the tax consequences would substantially differ from those described below.

Pursuant to sec 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec 27(3) of the Austrian Income Tax Act, including gains from the alienation, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and broken-period interest; and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the Notes from a bank deposit (*Depotentnahme*) and circumstances leading to a loss of Austria's taxation right regarding the Notes *vis-à-vis* other countries, e.g. a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (*cf.* sec 27(6)(1) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to sec 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to withholding tax (*Kapitalertragsteuer*) of 25%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the investor's income tax return and is subject to tax at a flat rate of 25%. In both cases upon application the option exists to tax all income subject to tax at the flat rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec 27a(5) of the Austrian Income Tax Act). Sec 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives (*inter alia*, if being in the form of securities) may neither be offset against interest and other claims *vis-à-vis* credit institutions nor against income from private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*); income subject to tax at a flat rate of 25% may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to sec 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to withholding tax of 25%. 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 if being in the form of securities must be included in the investor's income tax return (nevertheless tax at a flat rate of 25%). In case of investment income without an Austrian nexus, the income must always be included in the investor's income tax return (generally tax at a flat rate of 25%). In both cases upon application the option exists to tax all income subject to tax at the flat rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec 27a(5) of the Austrian Income Tax Act). Pursuant to sec 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of sec 27(3) and (4) of the Austrian Income Tax Act, which are subject to tax at the flat rate of 25%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income (and carried forward).

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the Notes at a rate of 25%. In case of investment income with an Austrian nexus (as described above) the income is subject to withholding tax of 25%, which can be credited against the corporate income tax liability. However, under the conditions set forth in sec 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Income from the alienation of the Notes is subject to corporate income tax of 25%. Losses from the alienation of the Notes can be offset against other income (and carried forward).

Private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec 13(3) and (6) of the Austrian Corporate Income Tax Act 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). Interim tax does not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. In case of investment income with an Austrian nexus (as described above) income is in general subject to withholding tax of 25%, which can be credited against the tax falling due. Under the conditions set forth in sec 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on investment income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes as well as the income resulting from the Notes are attributable to such permanent establishment (*cf.* sec 98(1)(3) of the Austrian Income Tax Act, sec 21(1)(1) of the Austrian Corporate Income Tax Act). Under the conditions set forth in sec 94(13) of the Austrian Income Tax Act, an Austrian custodian agent or paying agent may abstain from levying 25% withholding tax. As of 1 January 2015, the above mentioned taxpayers will also be taxable on interest in the sense of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*, see below) from the Notes if 25% withholding tax is levied on such interest (this does not apply to individuals falling within the scope of the Austrian EU Withholding Tax Act; *cf.* sec 98(1)(5)(b) of the Austrian Income Tax Act, sec 21(1)(1) of the Austrian Corporate Income Tax Act).

Pursuant to sec 93(6) of the Austrian Income Tax Act, the Austrian custodian agent is obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent. If negative and at the same time or later positive income is earned, then the negative income is to be offset against the positive income. If positive and later negative income is earned, then withholding tax on the positive income is to be credited, with such tax credit being limited to 25% of the negative income. In certain cases the offsetting is not permissible. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit to the taxpayer.

EU withholding tax

Sec 1 of the Austrian EU Withholding Tax Act – implementing Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent (*Zahlstelle*) to a beneficial owner who is an individual resident in another EU member state (or in certain dependent or associated territories, which currently include Anguilla, Aruba, the British Virgin Islands, Curaçao, Guernsey, the Isle of Man, Jersey, Montserrat, Sint Maarten and the Turks and Caicos Islands) are subject to EU withholding tax (*EU-Quellensteuer*) of 35%. Sec 10 of the Austrian EU Withholding Tax Act provides for an exemption from EU withholding tax if the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her member state of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years. It is expected that changes to the EU Withholding Tax Act – implementing Council Directive 2014/48/EU of 24 March 2014 amending Directive 2003/48/EC on taxation of savings income in the form of interest payments – will enter into effect by 1 January 2017.

Tax treaties Austria/Switzerland and Austria/Liechtenstein

The Treaty between the Republic of Austria and the Swiss Confederation on Cooperation in the Areas of Taxation and Capital Markets and the Treaty between the Republic of Austria and the Principality of Liechtenstein on Cooperation in the Area of Taxation provide that a Swiss, respectively Liechtenstein, paying agent has to withhold a tax amounting to 25% on, *inter alia*, interest income, dividends and capital gains from assets booked with an account or deposit of such Swiss, respectively Liechtenstein, paying agent if the relevant holder of such assets (*i.e.* in general individuals on their own behalf and as beneficial owners of assets held by a domiciliary company (*Sitzgesellschaft*)) is tax resident in Austria. The same applies to such income from assets managed by a Liechtenstein (but not by a Swiss) paying agent if the relevant holder of the assets (*i.e.* in general individuals as beneficial owners of a transparent structure) is tax resident in Austria. For Austrian income tax purposes this withholding tax has the effect of final taxation regarding the underlying income if the Austrian Income Tax Act provides for the effect of final taxation for such income. The treaties, however, do not apply to interest covered by the agreements between the European Community and the Swiss Confederation, respectively the Principality of Liechtenstein, regarding Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The taxpayer can opt for voluntary disclosure instead of the withholding tax by expressly authorising the Swiss, respectively Liechtenstein, paying agent to disclose to the competent Austrian authority the income which subsequently has to be included in the income tax return.

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 are subject to foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in cases of transfers *mortis causa* of financial assets within the meaning of sec 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at the flat rate of 25%. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases. Special provisions apply to transfers of assets to non-transparent foundations and similar vehicles (*Vermögensstrukturen*) falling within the scope of the tax treaty between Austria and Liechtenstein.

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 effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation 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 sec 27(6)(1) of the Austrian Income Tax Act (see above).

12. SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 23 June 2014 (the "**Programme Agreement**") agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated in the sections entitled "*Form of Final Terms*" and "*Terms and Conditions of the Notes*".

GENERAL

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus or any offering material in relation to the Prospectus or the Notes and will obtain any consent, approval or permission required from it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries of Notes and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such sale.

With regard to each Tranche of Notes, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be specified in the relevant Final Terms.

UNITED STATES

The Notes have not been and will not be registered under the Securities Act. Except in certain transactions exempt from the registration requirements of the Securities Act, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver an Instrument of any Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes of the Tranche of which such Notes are a part, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Bearer Notes which are subject to U.S. tax law requirements may not be offered, sold or delivered in the United States or its possessions or to a 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, as amended, 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**"). Accordingly, each Dealer has represented and agreed, and each further Dealer to be appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 relevant laws and regulations of Japan.

UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to 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.

SINGAPORE

Each Dealer has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed and each further Dealer to be appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six

months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

HONG KONG

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that (i) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (a) to "professional investors" (as defined in the SFO and any rules made under the SFO); or (b) in other circumstances which do not result in this Prospectus being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance, and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

RESPONSIBILITY STATEMENT OF ERSTE GROUP BANK AG

Erste Group Bank AG, with its registered office at Graben 21, A-1010 Vienna, Austria, is responsible for the information given in this Prospectus.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect its import.

Vienna, 23 June 2014

Erste Group Bank AG

as Issuer

●
●

●
●

GLOSSARY AND LIST OF ABBREVIATIONS

For ease of reference, the glossary below sets out certain abbreviations and meanings of certain terms used in the Prospectus. Readers of the Prospectus should always have regard to the full description of a term contained in the Prospectus.

AT 1	Additional Tier 1
Audited Consolidated Financial Statements 2012	English translation of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2012
Audited Consolidated Financial Statements 2013	English translation of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2013
Austrian Banking Act	Austrian Banking Act (<i>Bankwesengesetz - BWG</i>)
Austrian Savings Banks Sector	the Austrian Savings Banks Sector which comprises all savings banks in Austria, excluding Bank Austria
Bank Austria	UniCredit Bank Austria AG
BCBS	Basel Committee on Banking Supervision
BCR	Banca Comercială Română S.A.
BIRG	Austrian Banking Intervention and Restructuring Act (<i>Bankeninterventions- und restrukturierungsgesetz - BIRG</i>)
BRRD	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
CEE	Central Eastern Europe
Česká spořitelna	Česká spořitelna, a.s.
CET 1	Common Equity Tier 1
CHF	Swiss Francs
CNB	Czech National Bank
CRA Regulation	Regulation (EC) No 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies

(Credit Rating Agency Regulation)

CRD IV	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (<i>Capital Requirements Directive IV</i>)
CrNB	Croatian National Bank
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (<i>Capital Requirements Regulation</i>)
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EEA	European Economic Area
EFSF	European Financial Stability Facility
EIB	European Investment Bank
EMU	European Monetary Union
Erste Bank Croatia	Erste & Steiermärkische Bank, d.d.
Erste Bank Hungary	Erste Bank Hungary Zrt.
Erste Bank Oesterreich	Erste Bank der oesterreichischen Sparkassen AG
Erste Bank Serbia	Erste Bank a.d., Novi Sad
Erste Bank Ukraine	JSC Erste Bank
Erste Group	consists of Erste Group Bank, together with its subsidiaries and participations, including Erste Bank Oesterreich in Austria, Česká spořitelna in the Czech Republic, Banca Comercială Română in Romania, Slovenská sporiteľňa in the Slovak Republic, Erste Bank Hungary in Hungary, Erste Bank Croatia in Croatia, Erste Bank Serbia in Serbia and, in Austria, Salzburger Sparkasse, Tiroler Sparkasse, s-Bausparkasse, other savings banks of the Haftungsverbund, Erste Group Immorent, and others
Erste Group Bank	Erste Group Bank AG
Erste Stiftung	DIE ERSTE Österreichische Spar-Casse Privatstiftung
ESM	European Stability Mechanism
ESMA	European Securities and Markets Authority

EU	European Union
EU-Commission	European Commission
EUR	Euro
EURIBOR	Euro Inter-bank Offered Rate
FATCA	U.S. Foreign Account Tax Compliance Act
Final Terms	Final Terms setting forth the applicable terms and conditions for Notes issued under this Prospectus, a form of which is included in this Prospectus
Financial Intermediaries	credit institutions pursuant to Directive 2013/36/EU (the CRD IV) acting as financial intermediaries subsequently reselling or finally placing the Notes
Fitch	Fitch Ratings Ltd
Fixed to Fixed Rate Notes	Notes which initially bear a fixed rate income followed by another fixed rate income which shall be determined on the basis of a reference rate once prior to the date on which the distribution rate changes
Fixed to Floating Rate Notes	Notes which initially bear a fixed rate income followed by a floating rate income which shall be determined for each floating distribution period on the basis of a reference or reference distribution rate
FMA	Austrian Financial Markets Authority (<i>Finanzmarktaufsichtsbehörde</i>)
FTT	financial transaction tax, the introduction of which has been proposed by the European Commission in September 2011
GCIB	Group Corporate and Investment Banking
GDP	gross domestic product
Giro Credit	GiroCredit Bank Aktiengesellschaft der Sparkassen
G-SII buffer	capital buffer applicable to global systemically important institutions (G-SIIs)
Haftungsverbund	The guarantee system that was formed on the basis of a set of agreements (<i>Grundsatzvereinbarung</i>) with the majority of the Austrian savings banks
ICMA	International Capital Markets Association
IMF	International Monetary Fund
ISDA	International Swaps and Derivatives Association, Inc.
Issuer	Erste Group Bank AG

KMG	Austrian Capital Market Act (<i>Kapitalmarktgesetz - KMG</i>)
Liquidity Reserve	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 Austrian Banking Act
Management Board	the management board (<i>Vorstand</i>) of the Issuer
Markets	the Official Market (<i>Amtlicher Handel</i>) and the Second Regulated Market (<i>Geregelter Freiverkehr</i>) of the Vienna Stock Exchange (<i>Wiener Börse</i>)
MiFID	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</i>)
Moody's	Moody's Deutschland GmbH
NBSE	National Bank of Serbia
Notes	Notes issued under the Programme
NPL	non-performing loans
OeKB	Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, A-1011 Vienna, Austria
OeNB	Austrian National Bank (<i>Oesterreichische Nationalbank</i>)
O-SII buffer	capital buffer relating to other (i.e. other than G-SIIs) systemically important institutions (O-SIIs)
Participating Member States	the Member States participation in the enhanced cooperation in the area of financial transaction tax pursuant to the proposal for a "Council Directive implementing enhanced cooperation in the area of financial transaction tax", dated 14 February 2013
pro forma financial statements	unaudited unconsolidated pro forma financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements
Programme	the Programme of Erste Group Bank AG for the issuance of Additional Tier 1 Notes which is established by this Prospectus
Prospectus	this Prospectus
Prospectus Directive	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, as amended

Prospectus Regulation		Commission Regulation (EC) No 809/2004 of 29 April 2004, as lastly amended by Commission Regulation (EU) No 759/2013 dated 30 April 2013 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
QIS		Quantitative Impact Study
RWA		risk weighted assets
Salzburger Sparkasse		Salzburger Sparkasse Bank AG
SB		supervisory board
s-Bausparkasse		Bausparkasse der österreichischen Sparkassen AG
Savings Sector	Banks	the 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
Securities Act		United States Securities Act of 1933
Series		Series of the Notes as specified in the Final Terms
Slovenská sporiteľňa		Slovenská sporiteľňa, a.s.
SME		small and medium enterprises
SRM		Single Resolution Mechanism
SSM		Single Supervisory Mechanism
Standard & Poors		Standard & Poor's Credit Market Services Europe Ltd. (Niederlassung Deutschland)
Steering Company		Haftungsverbund GmbH
Supervisory Board		the supervisory board (<i>Aufsichtsrat</i>) of the Issuer
TARGET		Trans-European Automated Real-time Gross Settlement Express Transfer System 2
Terms and Conditions	and	the terms and conditions of the Notes which are set out on pages 52 <i>et seqq.</i> of this Prospectus
Tiroler Sparkasse		Tiroler Sparkasse Bankaktiengesellschaft Innsbruck
Tranche		a Tranche of a Series of Notes
Unaudited Condensed	Interim	English translation of the unaudited interim condensed consolidated financial statements of Erste Group for the first

**Consolidated
Financial Statements
31 March 2014**

quarter year ended 31 March 2014

USD

the currency of the United States of America

**U.S. Foreign
Account Tax
Compliance Act**

Sections 1471-1474 of the U.S. Internal Revenue Code

**Vienna Stock
Exchange**

Wiener Börse

VIG

Vienna Insurance Group

REGISTERED OFFICE OF THE ISSUER

Graben 21
A-1010 Vienna
Austria

ARRANGER

Barclays Bank PLC
5 the North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

DEALERS

Barclays Bank PLC
5 the North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Erste Group Bank AG
Graben 21
A-1010 Vienna
Austria

FISCAL AGENT AND PAYING AGENT

**BNP Paribas Securities Services,
Luxembourg Branch**
33, rue de Gasperich, Howald-Hesperange
L-5826 Luxembourg

AUDITORS

Sparkassen-Prüfungsverband Prüfungsstelle
Grimmelshausengasse 1
A-1030 Vienna
Austria

**Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.**
Wagramer Straße 19
A-1220 Vienna
Austria

LEGAL ADVISERS

To Erste Group Bank as to Austrian law

**WOLF THEISS
Rechtsanwälte GmbH & Co KG**
Schubertring 6
A-1010 Vienna
Austria

*To the Arranger
as to Austrian law*

Schönherr Rechtsanwälte GmbH
Tuchlauben 17
A-1010 Vienna
Austria

*To the Arranger
as to German law*

Linklaters LLP
Mainzer Landstraße 16
D-60325 Frankfurt am Main
Germany