

Austrian Anadi Bank AG

(Incorporated as a stock corporation in the Republic of Austria under registered number FN 245157 a)

EUR 750,000,000

Conditional Pass-Through Covered Bonds Programme

Under this programme (the "**Programme**"), Austrian Anadi Bank AG (the "**Issuer**" or "**Anadi Bank**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue conditional pass-through covered bonds with a denomination as specified in the relevant final terms (the "**Final Terms**") of at least EUR 100,000 (or its foreign currency equivalent), in the English language under Austrian law (the "**Covered Bonds**"). The Programme foresees three different options of terms & conditions under which Covered Bonds may be issued depending on the type of interest which applies to the Covered Bonds as specified in the Final Terms. Accordingly, the following types of Covered Bonds may be issued under the Programme: (i) Covered Bonds with a fixed interest rate (Option I), (ii) Covered Bonds with a floating interest rate (Option II), and (iii) Covered Bonds without periodic interest payments (Zero Coupon) (Option III).

This Base Prospectus (the "**Prospectus**") relating to the Programme has been drawn up in accordance with Annexes IX and XIII of Commission Regulation (EC) No 809/2004 dated 29 April 2004, as amended (the "**Prospectus Regulation**") and has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*, the "**FMA**") in its capacity as competent authority under the Austrian Capital Market Act (*Kapitalmarktgesetz*, 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 the KMG and the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (which includes the amendments made by the Directive 2010/73/EU, the "**Prospectus Directive**"). **The FMA examines the Prospectus only in respect of its completeness, coherence and comprehensibility pursuant to § 8a of the KMG.**

Application may be made for the Programme and/or the Covered Bonds to be admitted to the "*Amtlicher Handel*" (Official Market), the "*Geregelter Freiverkehr*" (Second Regulated Market) (together, the "**Austrian Markets**") of the *Wiener Börse* (the "**Vienna Stock Exchange**"). Application may also be made to list Covered Bonds on the official list of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and to admit to trading such Covered Bonds on the regulated market of the Luxembourg Stock Exchange (together with the Austrian Markets, the "**Markets**"). References in this Prospectus to Covered Bonds being listed (and all related references) shall mean that such Covered Bonds have been admitted to trading on any of 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**"). Application may also be made for the Programme and/or the Covered Bonds to be included in the "*Dritter Markt*" (the "**Third Market**") which is a multilateral trading facility (MTF) within the meaning of the MiFID operated by the Vienna Stock Exchange. Unlisted Covered Bonds may be issued pursuant to this Programme. The relevant Final Terms in respect of the issue of Covered Bonds will specify whether or not such Covered Bonds will be admitted to trading on any of the Markets (or any other market and/or stock exchange) or included in the Third Market.

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

Each series (a "**Series**") and, if applicable, each tranche (a "**Tranche**") of Covered Bonds will be represented by a global note in bearer form (each a "**Global Note**"). Global Notes may (or in the case of Covered Bonds listed on the Vienna Stock Exchange will) be deposited on the issue date with a common depository with or on behalf of OeKB CSD GmbH, Vienna ("**OeKB CSD**"), Clearstream Banking AG, Frankfurt ("**CBF**"), Clearstream Banking société anonyme, Luxembourg ("**CBL**") or Euroclear Bank SA/NV ("**Euroclear**") and/or the Issuer.

The Covered Bonds may be issued in a new global note form ("**NGN-form**") which will allow Eurosystem eligibility. This means that the Covered Bonds in NGN-form are intended upon issue to be deposited with one of the International Central Securities Depositories (the "**ICSDs**") as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

This Covered Bonds Programme is the first Austrian conditional pass-through covered bonds programme and as of the date of this Base Prospectus no Austrian conditional pass-through covered bonds have been used as collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. Whether or not Austrian conditional pass-through covered bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life, is not certain and will depend upon satisfaction of the Eurosystem eligibility criteria.

Tranches of Covered Bonds may be rated or unrated. Where a Tranche of Covered Bonds 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 Covered Bonds 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 Covered Bonds, but the Issuer believes that all material risks relating to an investment in the Covered Bonds have been described.

Arranger
BNP PARIBAS

Dealer
BNP PARIBAS

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NOTICE

This Prospectus should be read and understood in conjunction with any supplement thereto and with any document incorporated herein by reference. Full information on the Issuer and any tranche of Covered Bonds is only available on the basis of the combination of the Prospectus and the relevant Final Terms.

The Issuer has confirmed to the Dealer set forth on the cover page and any additional dealer appointed from time to time under the Programme (each a "**Dealer**" and together the "**Dealers**") that this Prospectus contains all information with regard to the Issuer and any Covered Bonds which is material in the context of the Programme and the issue and offering of Covered Bonds thereunder that the information contained herein is accurate in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held, that there are no other facts, the omission of which would make this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained herein.

No person has been authorised to give any information which is not contained in or not consistent with this Prospectus or any other document entered into or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by or on behalf of the Issuer or any of the Dealers.

This Prospectus is valid for 12 months after its approval. The Prospectus and any supplement hereto as well as any Final Terms reflect the status as of their respective dates of issue. The offering, sale or delivery of any Covered Bonds may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of the Issuer since such date or that any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Issuer has undertaken with the Dealers to supplement this Prospectus or to publish a new Prospectus if and when the information herein should become materially inaccurate or incomplete, and has further agreed with the Dealers to furnish a supplement to the Prospectus in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Covered Bonds.

Neither the Arranger nor any Dealer nor any other person mentioned in this Prospectus, excluding the Issuer, is responsible for the information contained in this Prospectus or any supplement thereof, or any Final Terms or any other document incorporated herein by reference and, accordingly, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in of these documents.

The distribution of this Prospectus, any document incorporated herein by reference and any Final Terms and the offering, sale and delivery of Covered Bonds in certain jurisdictions may be restricted by law.

Persons into whose possession this Prospectus and any supplement, if applicable, or any Final Terms come are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of the Prospectus or any Final Terms and other offering material relating to the Covered Bonds, in the United States of America and the European Economic Area, see "*7. Selling Restrictions*". In particular, the Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, and will include Covered Bonds in bearer form that are subject to tax law requirements of the United States of America; subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States of America or to U. S. persons. This Prospectus may only be communicated or caused to be communicated in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 ("**FSMA**") does not apply. The language of this Prospectus is English.

This Prospectus may only be used for the purpose for which it has been published.

This Prospectus and any Final Terms may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This Prospectus and any Final Terms do not constitute an offer or an invitation by or on behalf of the Issuer or the Dealers to any person to subscribe for or to purchase any Covered Bonds.

In connection with the issue of any Tranche of Covered Bonds under the Programme, the Dealer or Dealers (if any) named in the relevant Final Terms as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds 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 and conditions of the offer of the relevant Tranche of Covered Bonds is made 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 Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including Anadi Bank'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. Anadi Bank'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*", "*Austrian Anadi Bank AG as Issuer*". These sections include more detailed descriptions of factors that might have an impact on Anadi Bank'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 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.

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 Financial Statements of the Issuer for the financial year ended 31 December 2014 – Annual Report 2014 (the "Audited Financial Statements 2014")	
Balance Sheet	24 - 25
Profit and Loss Account	26 - 27
Notes to the Financial Statements for the 2014 Financial Year	28 - 47
Cash Flow Statement	52 - 53
Auditors' Report	55 - 56
English translation of the Audited Financial Statements of Hypo Alpe-Adria-Bank AG Austria (the legal predecessor of the Issuer) for the financial year ended 31 December 2013 – Annual Report 2013 (the "Audited Financial Statements 2013")	
Balance Sheet	28 - 29
Profit – and Loss Account	30 - 31
Cash Flow Statement	32 - 33
Notes to the financial statements for the 2013 financial year	34 - 56
Auditors' Report	61 - 62
English translation of the Unaudited Interim Condensed Financial Statements of the Issuer for the first half year ended 30 June 2015 – Interim Report for the First Half Year 2015 (the "Unaudited Interim Condensed Financial Statements 2015")	
Balance Sheet	9
Profit and Loss Account	10
Notes to the Half Year Financial Statements 2015	11 - 25

For the avoidance of doubt, such parts of the annual reports of the Issuer for the financial years 2014 and 2013 respectively as well as of the interim report for the first half year in 2015 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 ON DISPLAY

For the life of the Prospectus electronic versions of the following documents (or copies thereof), where applicable, may be inspected on the website of the Issuer under "www.austrian-anadi-bank.com":

- (a) the articles of association of the Issuer;
- (b) each set of Final Terms admitted to trading on a Market or on any other market or stock exchange, or included in the Third Market or in any other multi trading facility (http://austrian-anadi-bank.com/Pfandbriefe/Dokumentation_CPT_Covered_Bonds_Programme);
- (c) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus (http://austrian-anadi-bank.com/Pfandbriefe/Dokumentation_CPT_Covered_Bonds_Programme); and
- (d) the Audited Financial Statements 2014 of the Issuer and the Audited Financial Statements 2013 of Hypo Alpe-Adria-Bank AG Austria (the legal predecessor of the Issuer) as well as the Unaudited Interim Condensed Financial Statements 2015 of the Issuer incorporated by reference into this Prospectus.

1. RISK FACTORS

The following is a disclosure the principal risk factors which are material to the Covered Bonds issued under the Programme in order to assess the market risk associated with Covered Bonds. Prospective investors should consider these risk factors before deciding to purchase Covered Bonds issued under the Programme.

Prospective investors should consider all information provided in this Prospectus and consult with their own professional advisers (including their financial, accounting, legal and tax advisers) if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme. All/Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to predict the likelihood of such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme. However, the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Covered Bonds 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. Prospective investors should also read the detailed information set out elsewhere in this Prospectus carefully and reach their own views prior to making any investment decision.

Prospective investors should read the entire Prospectus. Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Prospectus have the same meanings in this section. Investing in the Covered Bonds involves certain risks.

Prospective investors should carefully consider the following investment considerations and the other information in this Prospectus before deciding whether an investment in the Covered Bonds of the Issuer is suitable. If any of the following risks actually occurs, the trading price of the Covered Bonds of the Issuer could be negatively affected and decline and an investor could lose all or part of its investment.

1.1 RISK FACTORS REGARDING ANADI BANK

General business risks

Anadi Bank is subject to different risks within its business activities. The primary risk types are the following:

Within its business activities, the Issuer may be exposed to risks which in case of realization may affect the Issuer's ability to fulfil or timely fulfil its obligations under the Covered Bonds issued under this Prospectus. These risks can cause variations of the Issuer's returns and earnings from reporting period to reporting period. Historical financial information does not allow conclusions with regard to future periods and may change significantly from one year to another.

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, its financial condition and/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 and/or of which it is not currently aware, and any of these risks could have negative effects regarding Anadi Bank's results of operations and financial condition.

Difficult macroeconomic and financial market conditions may have a material adverse effect on Anadi Bank'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 in 2011 and 2012, widespread concerns about levels of public sector debt around the world and the stability of numerous banks in certain European countries, including, in particular Spain, Greece, Portugal, Italy and Ireland and more recently Cyprus and Slovenia, and - in addition to the Eurozone - Ukraine and Russia, had a negative impact on macroeconomic conditions. By end of 2014, the Eurozone was close to stagnation with weaknesses apparent also in the core Euro area countries. Many European economies continued to face structural challenges as unemployment and structural debt levels remained high. With inflation expectations potentially falling further, the risk of Euro area deflation remains present. Since 2014 geopolitical threats, such as events in the wake of the Crimean crisis, as well as risks arising from diverging monetary policy objectives across regions and a sharp drop in oil prices, add uncertainty to the current global outlook. Furthermore, the recent and unparalleled devaluation of the Chinese Renminbi has caused jitter in markets and may affect the competitiveness as well as profitability of export-oriented European companies, thus, further dampening the economic recovery.

In response to the global financial crisis, unprecedented steps have been taken to help stabilise the financial system and increase the flow of credit in the global economy. There can be no assurances as to the actual impact that these measures and related actions will have on the financial markets, on consumer and corporate confidence generally and on Anadi Bank 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 EU countries, 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.

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. In 2012, the European Central Bank ("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. Since then, monetary policy objectives have decoupled significantly across countries: while the U.S. Federal Reserve Bank gradually reduced its bond-buying program (referred to as "tapering") and ceased its program in October 2014, eventually it is set to increase interest rates in the near-term. On the contrary, the ECB commenced the broad-based asset purchase program in March 2015, which is currently intended to last until September 2016. The current ultra-low interest environment creates further pressure on the financial sectors globally. The impact of the ECB's or any other entity's actions in the future is currently unknown and these actions may or may not result in the expected benefits for the relevant economies. Variances in monetary policy may result in increased volatility in debt and foreign exchange markets. Moreover, excesses in both advanced and particularly emerging economies, may be exposed.

Anadi Bank'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. In general, should economic conditions affecting Anadi Bank's operating markets remain subdued, Anadi Bank's results and operations may be materially and adversely affected.

Default of payment, suspension of payment or deterioration in credit-worthiness of customers or counterparties may lead to losses (credit default risk)

The Issuer faces multiple counterparty and credit default risks. Based on their scope, credit risks pose the most significant risks for Anadi Bank. Third parties who owe money, securities or other assets to the Issuer could not fulfil their obligations vis-a-vis the Issuer due to their inability to pay debts, a lack of liquidity, deteriorations in credit quality, economic downturns, operational problems, impairments of real estate or due to other reasons. 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.

The Issuer accounts for potential defaults of customers or other counterparties by making loan loss provisions when there is no longer reasonable assurance that the future cash flows associated with them will be either collected in their entirety or when due. A potential loan loss is assumed when there are indications of payment delay for a specific period, forced collection measures, pending insolvency or over-indebtedness, filing or opening bankruptcy proceedings or unsuccessful restructuring. These estimates of expected credit defaults may be incorrect due to several reasons. An unforeseen downturn of the economic conditions, unanticipated political events or a lack of liquidity in the economy may lead to credit defaults exceeding the amount of provisions taken by the Issuer or the amount of ultimate losses as expected by the risk

management. As the Issuer primarily operates in the Federal Province of Carinthia and other parts of Austria, it is particularly exposed to the risk of a general economic downturn or of another event, which increases the credit default risk in this region.

If the losses resulting from defaults of customers or other counterparties significantly exceed the amount of provisions taken by the Issuer or cause an increase of such provisions, such fact would have an adverse effect on the Issuer's results of operations, could lead to an increase in capital requirements limiting the Issuer's operational activities and could consequently affect the Issuer's ability to fulfil its payment obligations under the Covered Bonds and their market price.

The Issuer is subject to the risk that liquidity to fulfil its payment obligations may not be available to a sufficient extent or that liquidity may only be obtained at worse conditions for the Issuer (liquidity risk)

The Issuer is statutorily obliged to have available sufficient liquid assets in order to be able to service its payment obligations at any time. The Issuer relies on customer deposits to meet a substantial portion of its (statutory) funding requirements. The majority of the Issuer's deposits are retail and public deposits, a significant proportion of which are demand deposits. Such deposits are subject to fluctuation due to factors outside the Issuer's control, and the Issuer cannot provide any assurances that it will not experience a significant outflow of deposits within a short period of time. Thus, because a significant portion of the Issuer's funding comes from its deposit base, any material decrease in deposits could have a negative impact on Anadi Bank'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.

Furthermore, 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 the Issuer to traditional sources of liquidity, and may be compounded by further regulatory restrictions on capital structures and calculation of regulatory capital ratios.

The Issuer's liquidity situation can be shown by way of comparison between payment obligations and payment receipts. Due to a mismatch between payment obligations and payment receipts (e.g. due to delayed repayments, unexpected high outflow of funds, failure of follow-up financing or as a result of a lack of market liquidity) a liquidity squeeze or liquidity trap may be triggered causing the Issuer's inability to fulfil its payment obligations and the Issuer's default or the necessity to acquire liquidity at unfavourable conditions for the Issuer. This situation may have adverse effects on the earnings gained by the Issuer. It may negatively affect the Issuer's financial conditions and results of operations.

The Issuer is exposed to the risks of changes in interest rates

The Issuer derives interest from loans and other assets and pays interest to the holders of the Covered Bonds and other creditors. If the market interest rate declines, the interest derived by the Issuer from its loans or other assets as well as the interest paid to the holders of the Covered Bonds with a floating interest rate or to other creditors typically decrease. A decline of the interest income may have an adverse effect on the financial situation and the results of

operations of the Issuer and may therefore impact the Issuer's ability to service its payments obligations under the Covered Bonds. In addition, the negative short-term interest rates in CHF and EUR can also have negative impacts on the income of the Issuer.

A change in exchange rates may adversely affect the Issuer (exchange rate risk)

The exchange rate risk means the uncertainty regarding the future development of currency exchange rates. On the one hand this means the risk of an increase in foreign currency obligations and on the other hand a decrease of foreign currency claims, both caused by a change in the respective exchange rates.

As parts of the Issuer's customers are located in countries outside of the Eurozone transactions in currencies other than the Euro increase the exchange rate risk. In addition, local governments may undertake measures that affect currency levels and exchange rates and impact the Issuer's credit exposure to such currencies.

Unanticipated adverse changes of exchange rates, in particular in relation to the Swiss franc ("CHF"), may have adverse effects on the Issuer's results of operations, may adversely affect the Issuer's financial condition as well as its results of operations and may therefore affect the Issuer's ability to service its payment obligations under the Covered Bonds.

Economic or political developments and/or a downturn of the economy in the core markets of the Issuer may have adverse effects on its results of operations and financial condition

The business activities of the Issuer are primarily concentrated on the Federal Province of Carinthia and other parts of the Republic of Austria. Consequently, the Issuer is especially exposed to the political and economic developments affecting the growth of the banking sector or the credit-worthiness of its customers and other counterparties being located in these markets. The core market of the Issuer is the Federal Province of Carinthia. The Issuer's business activities are therefore highly exposed to economic or other factors influencing the growth of the banking sector in the Federal Province of Carinthia as well as the credit-worthiness of the Issuer's private and business customers in the Federal Province of Carinthia. Such factors are for example an economic downturn (recession), a deflation, a hyperinflation, high unemployment rates, terrorist threat, financial crises, increased crude oil prices or declining real estate prices. If one or several of the above mentioned or other factors occur in the markets of the Issuer's business activities, its results of operations and financial condition may be adversely affected thereby. Another example for an influencing factor is the downgrading of a federal province's rating, such as, Moody's downgrade of the Federal Province of Carinthia to B3 on 5 August 2015. Given the loan exposure Anadi Bank has towards the Federal Province of Carinthia and selective related entities, this could significantly affect the Issuer's financial position.

The Issuer operates in highly competitive markets and competes against large financial institutions as well as established local competitors

Anadi Bank faces significant competition in all aspects of its business and it is expected that competition will further increase in the future. The Issuer competes with a number of large financial institutions and local competitors. If the Issuer is unable to respond to the competitive environment with product and service offerings that are profitable, it may lose market shares in important parts of its business and/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 particular in the Federal Province of Carinthia and other parts of Austria the Issuer faces competition from established local banks which operate a large number of branches, offer customers a broad range of banking and financial products and services, and benefit from relationships with a large number of existing customers.

Anadi Bank faces strong competition in the Federal Province of Carinthia and other parts of Austria not only from local banks, but also from large national and international banks and new entrants from neighbouring countries. As a result of this competition 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 Issuer's financial condition and results of operations.

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

In response to the global financial crisis and the European sovereign debt crisis, a number of initiatives relating to the regulatory requirements applicable to European credit institutions, including Anadi Bank, have been (and are currently being) implemented, adopted, or developed. These include the following:

- *Basel III and CRD IV/CRR.* In June 2011 and January 2013, the Basel Committee on Banking Supervision ("**BCBS**") published its (final) international regulatory framework for credit institutions (known as "**Basel III**"), which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. On 27 June 2013, the "Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC" (*Capital Requirements Directive IV* - "**CRD IV**") and the "Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012" (*Capital Requirements Regulation* - "**CRR**") transposing (main parts of) Basel III into EU-law, have been published.

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

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

- *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 Anadi Bank's capital needs.
- *Bank Recovery and Resolution Legislation.* The "Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms" (*Bank Recovery and Resolution Directive - "BRRD"*) has been implemented in Austria into national law by the Austrian Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz – "BaSAG"*) which entered into force on 1 January 2015 entirely (i.e. including the bail-in tool). The BRRD/BaSAG establishes a framework for the recovery and resolution of credit institutions and, *inter alia*, requires institutions to draw up "recovery plans" which set out certain arrangements and measures that may be taken to restore the long-term viability of the financial institution in the event of a material deterioration of its financial position. In addition, institutions are required to have at all times an aggregate amount of own funds and subordinated and senior liabilities subject to the bail-in tool as defined by the resolution authority on a case-by-case basis. Measures undertaken under the BRRD/BaSAG may have a negative impact on debt instruments (in particular subordinated notes, but under certain circumstances also senior notes) by allowing resolution authorities to write-down such instruments or convert them into CET 1 instruments. Although the Covered Bonds qualifying as secured liabilities are not subject to the bail-in tool pursuant to § 86 (2)(2) in conjunction with § 2 (67) of the BaSAG, but the Issuer may be subject to national insolvency proceedings.
- *Single Resolution Mechanism for European Banks.* The Single Resolution Mechanism ("**SRM**") which will operationally start in January 2016 is one of the components of the Banking Union, alongside the Single Supervisory Mechanism ("**SSM**") and a common deposit guarantee scheme. It is set to centralise key competences and resources for managing the failure of any credit institution in the participating Member States. The SRM complements the SSM and aims to ensure that if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to taxpayers and the real economy. The interaction and cooperation among resolution and supervisory authorities is a key element of the SRM. The SSM will assist the SRM in reviewing the resolution plans, with a view to avoiding a duplication of tasks.

The SRM is governed by (i) a SRM regulation covering the main aspects of the mechanism and broadly replicating the BRRD rules on the recovery and resolution of credit institutions; and (ii) an intergovernmental agreement related to some specific aspects of the Single Resolution Fund (SRF) (the "**Fund**").

The Fund shall be constituted by contributions of all credit institutions in the participating EU-Member States. The Fund has a target level of covering at least 1% of covered deposits which shall be reached over an eight year period. During this transitional period, the Fund comprises national compartments corresponding to each participating EU-Member State. The resources accumulated in those compartments are progressively

mutualised over a period of eight years, starting with 40% of these resources in the first year (i.e. 2015).

- Capital buffers.* Articles 128 to 140 of the CRD IV introduce provisions that may require institutions to maintain newly defined specific capital buffers in addition to the CET 1 capital maintained to meet the own funds requirements imposed by the CRR. In Austria, these provisions have been implemented into national law in §§ 23 to 23d of the Austrian Banking Act. Most of these buffer requirements will be gradually phased in starting from 1 January 2016 until 1 January 2019; only § 23d of the Austrian Banking Act entered into force already. For the time being, the combined buffer requirement remains unclear, as it will mainly depend on the macro-economic situation (in the 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 the case of the systemic risk buffer) or the assessment of Anadi Bank as systemically important institution (in the case of the global systemically important institution (G-SII) buffer and the other systemically important institution (O-SII) buffer). As of the date of this Prospectus, none of these apply to Anadi Bank. However, on 25 September 2015, the FMA has published a draft for the Austrian Capital Buffers Regulation (*Kapitalpuffer-Verordnung – "KP-V"*) which stipulates the determination and recognition of the countercyclical buffer rate pursuant to § 23a (3) of the Austrian Banking Act, the determination of the systemic risk buffer pursuant to § 23d (3) of the Austrian Banking Act and the more precise elaboration of the calculation basis pursuant to § 23a (3)(1) of the Austrian Banking Act and § 24 (2) of the Austrian Banking Act. The draft KP-V shall enter into force on 1 January 2016. Pursuant to the draft KP-V, for a credit institution with its seat in Austria, the countercyclical buffer rate amounts to 0.00% for significant credit exposures situated in Austria. If the competent authority of another EU-Member State or a third country determines a national countercyclical buffer rate above 2.50%, in case of a credit institution with its seat in Austria, a countercyclical buffer rate amounting to 2.50% is used for significant credit exposures situated in such foreign countries. Furthermore, the draft KP-V implements the amended recommendation of the Austrian Financial Market Stability Board (*Finanzmarktstabilitätsgremium – FMSG*) from 7 September 2015 for imposing a systemic risk buffer. According to the draft KP-V, the FMA will not impose on Anadi Bank a systemic risk buffer.

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

In the course of the global financial crisis, the rules on own funds 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 capital could (further) reduce the Issuer's CET 1-ratio or otherwise reduce the (eligible) own funds or increase the risk weighted assets (RWA) of the Issuer on an individual or a consolidated basis. There can be no assurance that, in the event of any further changes of the applicable rules, adequate grandfathering or transition periods will be implemented to allow the Issuer to repay or

replace such derecognised CET 1 or other own funds instruments in a timely fashion or on favourable terms.

The Issuer may therefore need to obtain additional own funds or other eligible capital in the future. Such funds, whether in the form of ordinary shares or other capital, may not be available on attractive terms or at all. Further, any such regulatory development may expose the Issuer to additional costs and liabilities, may require the Issuer to change how it conducts its business or otherwise have a negative impact on its business, the offered products and services as well as the value of its assets. There can be no assurance that the Issuer would be able to increase its own funds and eligible capital (the capital ratios respectively) sufficiently or on time. If the Issuer is unable to increase its capital ratios sufficiently, 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.

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. 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 up to and including 2017, a surcharge to bank tax is levied. The bank tax to be paid by the Issuer could adversely affect the financial condition of the Issuer.

Pursuant to the proposal by the European Commission for a "Council Directive implementing enhanced cooperation in the area of financial transaction tax" eleven EU Member States, *i.e.* Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, the Slovak Republic, Slovenia and Spain ("**Participating Member States**") shall charge a financial transaction tax ("**FTT**") on financial transactions as defined if at least one party to the transaction is established in the territory of a Participating Member State and a financial institution established in the territory of a Participating Member State is party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction (residency principle). In addition, the proposal contains rules pursuant to which a financial institution and, respectively, a person which is not a financial institution are deemed to be established in the territory of a Participating Member State if they are parties to a financial transaction in certain instruments issued within the territory of that Participating Member State (issuance principle). 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 at all. The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Covered Bonds (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 Covered Bonds 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

In line with the BRRD, the BaSAG requires EU-Member States to ensure that institutions meet at all times (on an individual basis and in case of EU parent undertakings 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 Covered Bonds.

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

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

Furthermore, the (recast) "Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit-guarantee schemes" (*Directive on Deposit Guarantee Schemes – "DGSD"*) stipulates financing requirements for the Deposit Guarantee Schemes ("**DGS**") for the first time since the introduction of mandatory DGS in 1994. In principle, the target level of *ex ante* financed funds for DGS is 0.8% of covered deposits to be collected from credit institutions until the final date (3 July 2024). According to the Austrian Deposit Guarantee and Investor Protection Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG*), which implements the DGSD in Austria, the deposit guarantee fund must therefore be established until 3 July 2024 (final date), whereas in 2015, an amount of a half year's contribution is payable.

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 credit institutions.

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

The obligation to contribute amounts for the establishment of the Fund and the *ex ante* funds to the DGS quite likely will result in additional financial burdens for the Issuer and thus, materially adversely affect the financial position of the Issuer and the results of its operations.

Anadi Bank's risk management strategies, techniques and internal control procedures may leave it exposed to unidentified or unanticipated risks

Anadi Bank's risk management techniques and strategies have not been, and may in the future not be, fully effective in mitigating Anadi Bank'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 Anadi Bank's risk management systems. Some of Anadi Bank's quantitative tools and metrics for managing risks are based upon its use of observed historical market behaviour. Anadi Bank 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 various asset classes, compounded by extremely limited liquidity. In this volatile market environment, Anadi Bank'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, Anadi Bank's quantitative modelling does not necessarily take all risks into account and makes numerous assumptions regarding the overall environment and/or the implicit consideration of risks in the quantification approaches, which may or may not materialise. As a result, risk exposures have arisen and could continue to arise from factors not anticipated or correctly evaluated in Anadi Bank's statistical models.

This has limited and could continue to limit Anadi Bank's ability to manage its risks, especially in light of the European sovereign debt crisis, many of the outcomes of which are currently unforeseeable. If circumstances arise that Anadi Bank 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, Anadi Bank may experience material unanticipated losses, which could have a material adverse effect on its business, financial condition and results of operations.

The Issuer is exposed to risks which may result from the inadequacy or the failure of internal processes, employees or systems (in particular IT-systems) or external events being intentionally or accidentally caused or being caused by natural circumstances (operational risk)

The Issuer is exposed to different risks resulting from potential inadequacies or the failure of internal control, processes, employees or systems or external events, being intentionally or accidentally caused or being caused by natural circumstances, which may lead to significant losses to the detriment of the Issuer. The risk of unexpected losses due to single events which may be caused by erroneous information systems, inadequate organizational structures or the failure of control mechanisms is an example for such operational risks. Such risks include the risk of an increase in costs or lost profits due to adverse macroeconomic or sectoral trends. The reputational damage of the Issuer caused by the occurrence of such events falls also within the scope of this risk category.

The operational risk forms part of all of the Issuer's activities and cannot be eliminated. In particular investors should note that the Issuer 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 the Issuer'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 the Issuer'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 the Issuer can adequately address them if they do occur. Accordingly, the occurrence of such failures or interruptions could have a material adverse effect on the Issuer'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 Anadi Bank'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.

Furthermore, the Issuer's economic development significantly depends on its ability to retain existing (key) employees and to identify and recruit additional individuals who have the necessary qualifications and level of experience in banking. Increasing competition for labour in Anadi Bank's core markets from other international financial institutions may also make it more difficult for the Issuer to attract and retain qualified employees and may lead to rising labour costs in the future. Moreover, if caps or further restrictions under CRD III or CRR/CRD IV were to be imposed on salaries or bonuses paid to executives of Anadi Bank, its ability to attract and retain high-quality personnel could be limited and could result in losses of qualified personnel. If the Issuer is unable to attract and retain new talents in its core markets or if competition for qualified employees increases its labour costs, this could have a material adverse effect on the Issuer's business, financial condition and results of operations.

The lack of control of such risks may affect the Issuer's ability to fulfil its obligations in relation to the Covered Bonds issued under this Prospectus.

Conflicts of interest and double functions may lead to decisions being not in the interest of the investors

The members of the management board as well as of the supervisory board of the Issuer exercise numerous additional functions within the Issuer or other companies. It cannot be excluded that conflicts of interest may arise from such double functions of the members of the management board and the supervisory board of the Issuer exercised in other organisations or companies which are not in the interest of the Issuer and the investors.

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

The Issuer is subject to rules and regulations regarding the prevention of money laundering, corruption and the financing of terrorism. These rules and regulations have been tightened in recent years and may be further tightened and more strictly enforced in the future. 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. The Issuer 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 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, anticorruption 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 the Issuer's business, financial condition and results of operations.

If a member institution of the Pfandbriefstelle fails to meet its obligations towards Pfandbriefstelle and/or the Pfandbriefbank (Österreich) AG or if Pfandbriefbank (Österreich) AG fails to meet its obligations, this could have negative effects on the Issuer's assets, financial position and results of operations

The Issuer is one of the member-institutions (the "**Member-Institutions**") of the Mortgage Bond Division of the Austrian State Mortgage Banks (*Pfandbriefstelle der österreichischen Landes-Hypothekenbanken*) (the "**Pfandbriefstelle**"). Pfandbriefstelle is the sole shareholder of the Pfandbriefbank (Österreich) AG (the "**Pfandbriefbank**"). Pursuant to § 2 (1) of the Austrian Mortgage Bank Act (*Bundesgesetz über die Pfandbriefstelle der österreichischen Landes-Hypothekenbanken – PfBrStG*), the current Member-Institutions are liable jointly and severally for the obligations of Pfandbriefstelle. The respective liable public authorities (*Gewährträger*) of the Member-Institutions (i.e. the respective federal provinces where each Member-Institution has its seat, each a "**Guarantor**") are liable jointly and severally for any obligations of Pfandbriefbank which were incurred up to 2 April 2003. For any obligations which were incurred after 2 April 2003 up to (and including) 1 April 2007, the Guarantor of the Member-Institutions are liable jointly and severally only if the agreed maturities are no longer than until 30 September 2017. For obligations incurred after 1 April 2007 there is no liability of the Guarantor of the Member-Institutions. Heta Asset Resolution AG ("**HETA**"), the legal successor of former (nationalised) Hypo Alpe-Adria-Bank International AG, is also one of the Member-Institutions. According to HETA's consolidated financial statements as of 31 December 2014, HETA has obligations in an aggregate amount of approximately EUR 1.2 billion towards Pfandbriefbank for notes which Pfandbriefbank (or originally Pfandbriefstelle) issued as trustee for HETA.

On 1 March 2015, the FMA, in its capacity as the Austrian resolution authority pursuant to the BaSAG, initiated the resolution of HETA: By issuing an administrative decision - in order to prepare further resolution instruments - the FMA has imposed a temporary moratorium on certain obligations of HETA until 31 May 2016 (the "**Moratorium**") which includes HETA's obligations towards Pfandbriefbank. Until 31 May 2016, obligations of HETA towards Pfandbriefbank in the amount of approximately EUR 800 million (of the approximately total EUR 1.2 billion) would become due. HETA is not obliged to honor these payment obligations due to the Moratorium. There is a risk that Pfandbriefbank will not be able to service its payment obligations in the aggregate amount of EUR 1.2 billion under the respective notes and that as a consequence the joint and several liability of the Member-Institutions (including the Issuer) and the respective Guarantor of the Member-Institutions for liabilities of Pfandbriefbank would become due.

Furthermore, there is a risk that HETA is not able to settle the part of the joint and several liability allotted to HETA in case of internal recourses (if any) of the other Member-Institutions as parties jointly and severally liable. In such case the other Member-Institutions (including the Issuer) would have to pay this amount.

Finally, there is a risk that in case of the application of the creditor bail-in tool on HETA, the receivables against HETA may be reduced in whole or in part due to recourse claims. In this case, the other Member-Institutions (including the Issuer) would be liable for such amount. Furthermore, it is uncertain, whether the application of the creditor bail-in tool would also affect the surety of the Federal Province of Carinthia and thus, such surety could be reduced. There is

the risk that the value and the definite extent of surety of the Federal Province of Carinthia cannot be estimated.

For the existing liabilities of HETA - including the liquidity made available for Pfandbriefbank - the Issuer has already made corresponding provisions in the results for 2014. As of 31 December 2014, Anadi Bank made a provision in the amount of EUR 15.7 million. In April 2015 the Issuer has entered into an agreement between all Member-Institutions and the Federal Province of Carinthia in order to honour the joint and several liabilities in accordance with § 2 (1) of the Mortgage Bank Act. Subsequently, Anadi Bank increased the provision by EUR 11.5 million to EUR 27.2 million as of 30 June 2015 and makes available EUR 77 million as part of an overall commitment to liquidity.

All of the above could have negative effects on the Issuer's assets, financial position and results of operations (Please see the section "*Recent Events*" for further information).

Risks relating to demerger liabilities

In 2011, the Issuer was restructured by means of a demerger of those segments which comprised assets and liabilities which were not part of its core business. These segments were acquired by HETA with effect from the reference date of 31 December 2011 pursuant to the provisions of the Austrian Demerger Act (*Spaltungsgesetz – SpaltG*). The Issuer is fully liable for all obligations assigned to the Issuer in connection with the demerger without limitation as to the amount of these obligations. Due to the joint and several liability stipulated by the Austrian Demerger Act, in addition, the Issuer is liable for all liabilities transferred to HETA in connection with the demerger which were incurred prior to entry of the demerger in the Austrian commercial register on 5 September 2012. This liability for obligations assigned to HETA is limited to the amount of the net assets assigned to the Issuer in the demerger. In 2014, pursuant to the Austrian Act on Recovery Measures for Hypo-Alpe-Adria-Bank International AG (*Bundesgesetz über Sanierungsmaßnahmen für die Hypo-Alpe-Adria-Bank International AG – HaaSanG*) subordinated debt related to such liabilities of HETA was declared as being lapsed. In 2015, due to the repeal of the Austrian Act on Recovery Measures for Hypo-Alpe-Adria-Bank International AG by the Austrian Constitutional Court (*Verfassungsgerichtshof*) these liabilities have been reinstated. However, the Moratorium on certain liabilities (subordinated and not subordinated debt) of HETA also includes the liabilities formerly affected by HaaSanG why until the end of the Moratorium, no payments on interest and principal are made to creditors with regard to such liabilities.

Due to the aforementioned there is the risk that the Issuer's demerger liability with regard to HETA's liabilities may not be excluded after 31 May 2016 and this could have negative effects on the Issuer's assets, financial position and results of operations. (Please see the section "*Recent Events*" for further information).

1.2 RISK FACTORS REGARDING THE COVERED BONDS

Covered Bonds may not be a suitable investment for all investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered

Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- 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 Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Covered Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- 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.

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Risks that all the Covered Bonds issued under this Programme will rank *pari passu* and the Issuer is not restricted to issue further Covered Bonds until the programme limit is reached

Covered Bonds issued under this Programme will either be fungible with an existing series of Covered Bonds or have different terms to an existing series of Covered Bonds (in which case they will constitute a new series). All Covered Bonds will rank *pari passu* and rateably without any preference or priority among themselves, irrespective of their series, except for their respective issue dates, interest commencement dates and/or issue prices. Thus, investors must bear in mind that (until the programme limit is reached) the Issuer is not restricted to issue further Covered Bonds which rank *pari passu* with existing Covered Bonds.

Only the Issuer (and no other person) is liable for the obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, the Dealer(s), the Trustee or any other party to this Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer. Only, the Issuer will be liable in its corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

Holders of Fixed Rate Covered Bonds are exposed to the risk that the price of such Covered Bonds falls as a result of changes in the market interest rate.

A Holder of Covered Bonds with a fixed interest rate ("**Fixed Rate Covered Bond**") is exposed to the risk that the price of such Covered Bonds falls as a result of changes in the market interest rate. While the nominal interest rate of Fixed Rate Covered Bonds as specified in the applicable Final Terms is fixed during the life of such Covered Bonds, the current interest rate on the capital market for issues of the same maturity ("**market interest rate**") typically changes on a daily basis. As the market interest rate changes, the price of Fixed Rate Covered Bonds also changes, but in the opposite direction. If the market interest rate increases, the price of Fixed Rate Covered Bonds typically falls, until the yield of such Covered Bonds is approximately equal to the market interest rate. If the market interest rate falls, the price of Fixed Rate Covered Bonds typically increases, until the yield of such Covered Bonds is approximately equal to the market interest rate. If the Holder of Fixed Rate Covered Bonds holds such Covered Bonds until maturity, changes in the market interest rate are without relevance to such Holder as the Covered Bond will be redeemed at a specified redemption amount, usually the principal amount of such Covered Bonds.

Holders of Floating Rate Covered Bonds are exposed to the risk of fluctuating interest rate levels which make it impossible to determine the yield of such Covered Bonds in advance, and are exposed to the risk of uncertain interest income.

Covered Bonds with floating interest rate ("**Floating Rate Covered Bonds**") tend to be volatile investments. A Holder of Floating Rate Covered Bonds is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Covered Bonds in advance.

If Floating Rate Covered Bonds are structured to include multipliers or caps or floors, or any combination of those features or other similar related features, the market value may be more volatile than those for Floating Rate Covered Bonds that do not include these features. If the amount of interest payable is determined in conjunction with a multiplier greater than one, the effect of changes in the interest rates on interest payable will be increased. The effect of a cap is that the amount of interest will never rise above and beyond the predetermined cap, so that the Holder will not be able to benefit from any actual favourable development beyond the cap. The yield could therefore be considerably lower than that of similar Floating Rate Covered Bonds without a cap.

Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of any Covered Bonds.

A Holder of Zero Coupon Covered Bonds is exposed to the risk that the price of such Covered Bonds falls as a result of changes in the market interest rate. Prices of Zero Coupon Covered Bonds are more volatile than prices of Fixed Rate Covered Bonds and are likely to respond to a greater degree to market interest rate changes than interest bearing Covered Bonds with a similar maturity.

Covered Bonds without periodic interest payments ("**Zero Coupon Covered Bonds**") do not pay current interest but are typically issued at a discount to their principal amount or on an accumulated interest basis. Instead of periodical interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A Holder of a Zero Coupon Covered Bond is exposed to the risk that the

price of such Covered Bond falls as a result of changes in the market interest rate. Prices of Zero Coupon Covered Bonds are more volatile than prices of Fixed Rate Covered Bonds and are likely to respond to a greater degree to market interest rate changes than interest bearing bonds with a similar maturity.

Risk of Early Redemption

The applicable Final Terms will indicate whether the Issuer may have the right to call the Covered Bonds prior to maturity (*optional call right*) on one or several dates determined beforehand. If the Covered Bonds become Pass-Through Covered Bonds (please see risk factor "*Risks relating to Covered Bonds becoming Pass-Through Covered Bonds*" on page 30), the Issuer (or, as the case may be, the Special Receiver) may redeem Pass-Through Covered Bonds prior to the Extended Maturity Date on each Cover Pool Payment Date, provided that such repayment is funded by one or more non-discount sales of cover pool assets and that it does not cause a breach of the contractual asset cover test and/or a breach of the statutory test (all as further described in the Terms and Conditions).

If the Issuer redeems Covered Bonds prior to their (extended) maturity, a Holder of such Covered Bonds is exposed to the risk that due to such early redemption his investment will have a lower than expected yield. The Issuer can be expected to exercise an optional call right (if any) if the yield on comparable covered bonds in the capital market has fallen which means that the investor may only be able to reinvest the redemption proceeds in comparable covered bonds with a lower yield. On the other hand, the Issuer can be expected not to exercise an optional call right (if any) if the yield on comparable covered bonds in the capital market has increased. In this event an investor will not be able to reinvest the redemption proceeds in comparable covered bonds with a higher yield. It should be noted, however, that the Issuer may exercise any optional call right irrespective of market interest rates on a call date.

Rating of the Covered Bonds

A rating of Covered Bonds (if any) may not adequately reflect all risks of the investment in such Covered Bonds. 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 rated Covered Bonds. 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.

Liquidity Risk

Application may be made to list and trade Covered Bonds in bearer form to be issued under this Programme on the Official Market (*Amtlicher Handel*) and the Second Regulated Market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange (*Wiener Börse*) as well as to list Covered Bonds on the official list of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and to admit to trading such Covered Bonds on the regulated market of the Luxembourg Stock Exchange. Application may also be made to list and include Covered Bonds in the Third Market (*Dritter Markt*) operated by the Vienna Stock Exchange. In addition, this Programme provides that Covered Bonds may not be listed at all. Regardless of whether the Covered Bonds are listed or not, there can be no assurance that a liquid secondary market for the Covered Bonds will develop or, if it does develop, that it will continue. The fact that the Covered Bonds may be listed does not necessarily lead to greater liquidity as compared to unlisted Covered Bonds. If the Covered Bonds are not listed on any stock exchange or any multilateral trading facility, pricing information for such Covered Bonds may, however, be more difficult to obtain which may affect

the liquidity of the Covered Bonds adversely. In an illiquid market, an investor might not be able to sell his Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons.

Market Price Risk

The development of market prices of the Covered Bonds depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Covered Bond. The holder of Covered Bonds is therefore exposed to the risk of an unfavourable development of market prices of its Covered Bonds which materialises if the Holder sells the Covered Bonds prior to the final maturity of such Covered Bonds. If the Holder decides to hold the Covered Bonds until final maturity the Covered Bonds will be redeemed at the amount set out in the relevant Final Terms.

Currency Risk

A Holder of Covered Bonds denominated in a foreign currency is exposed to the risk of changes in currency exchange rates which may affect the yield of such Covered Bonds. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments.

A change in the value of any foreign currency other than euro against the euro, for example, will result in a corresponding change in the euro value of Covered Bonds denominated in a currency other than euro and a corresponding change in the euro value of interest and principal payments made in a currency other than in euro in accordance with the terms of such Covered Bonds. If the underlying exchange rate falls and the value of the euro correspondingly rises, the price of the Covered Bonds and the value of interest and principal payments made thereunder expressed in euro falls.

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

Taxation Risk

Interest payments on Covered Bonds, or profits realized by an investor upon the sale or repayment of Covered Bonds, 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 investors generally is described under "5. *Taxation*".

Credit Risk

Investors are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Covered Bonds. The worse the creditworthiness of the Issuer, the higher the risk of loss (please see also "*Risk Factors regarding Anadi Bank*" above).

A materialisation of the credit risk may result in partial or total failure of the Issuer to make interest and/or redemption payments under the Covered Bonds.

Reinvestment Risk

Investors may be exposed to risks connected to the reinvestment of cash resources from the sale of any Covered Bond. The return the investor will receive from a Covered Bonds depends not only on the price and the nominal interest rate of the Covered Bond but also on whether or not the interest received during the term of the Covered Bond can be reinvested at the same or a higher interest rate than the rate provided for in the Covered Bond. The risk that the general market interest rate falls below the interest rate of the Covered Bond during its term is generally called reinvestment risk. The extent of the reinvestment risk depends on the individual features of the relevant Covered Bond.

Risks related to Transaction Costs/Charges

When Covered Bonds are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the security. These incidental costs may significantly reduce or eliminate any profit from holding the Covered Bonds. 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, investors 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 securities (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 Covered Bonds before investing in the Covered Bonds.

Clearing Risk

The Covered Bonds are purchased and sold through different clearing systems, such as the OeKB CSD, Clearstream Banking AG, Frankfurt, Clearstream Banking société anonyme, Luxembourg or Euroclear Bank SA/NV. The Issuer does not assume any responsibility as to whether the Covered Bonds are actually transferred to the securities portfolio of the relevant investor. Investors have to rely on the functionality of the relevant clearing system.

Risk connected with Purchase on Credit – Debt Financing

If a loan is used to finance the acquisition of the Covered Bonds by an investor and the Covered Bonds subsequently go into default, or if the trading price diminishes significantly, the investor 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 significantly increase the volume of a loss. Investors should not assume that they will be able to repay the loan or pay interest thereon from the profits of a transaction. Instead, investors 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.

Risks related to the Issue Price

The issue price in respect of any Covered Bonds specified in the relevant Final Terms may be more than the market value of such Covered Bonds as of the date of the relevant Final Terms, and the price, if any, at which the Dealer or any other person willing to purchase such Covered

Bonds in secondary market transactions may be lower than the issue price in respect of such Covered Bonds. In particular the issue price in respect of any Covered Bonds may take into account amounts with respect to commissions relating to the issue and sale of such Covered Bonds as well as amounts relating to the hedging of the Issuer's obligations under such Covered Bonds, and secondary market prices are likely to exclude such amounts. In addition, pricing models of the relevant market participants may differ or produce a different result.

The statutory prescription period to claim payments of principal provided under Austrian law will be reduced under the Terms and Conditions applicable to the Covered Bonds in which case Holders may have less time to assert claims under the Covered Bonds.

Pursuant to the Terms and Conditions of the Covered Bonds the statutory prescription period of 30 years to claim payments of principal shall lapse 10 years after the respective due date unless such claim has been filed with court before such time. Due to the abbreviation of the prescription period the likelihood that the Holder will not receive the amounts due to him increases since the Holder will have less time to assert his claims under the Covered Bonds in comparison to holders of debt instruments the terms and conditions of which do not shorten the statutory prescription period at all or to a lesser degree than the Terms and Conditions of the Covered Bonds.

An Austrian court can appoint a trustee (*Kurator*) for the Covered Bonds 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 Covered Bonds 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 Covered Bonds 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.

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

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

Risks related to FATCA

Whilst the Covered Bonds are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment

received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Covered Bonds are discharged once it has paid to the clearing systems (as bearer Holder of the Covered Bonds) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries.

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 Covered Bonds as a result of the imposition of such withholding tax (no gross-up).

Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments, as amended (the "**EU Savings Directive**") obliges EU Member States to provide to the tax authorities of other EU Member States details of payments of interest or similar income paid by a paying agent within its jurisdiction to an individual resident in that other EU Member State, except that originally Austria, Belgium and Luxembourg had instead imposed a withholding system for a transitional period (the ending of such transitional period being dependent upon the conclusion of agreements relating to information exchange with certain other countries). Belgium and Luxembourg in the meantime switched from the withholding system to the exchange of information system. A number of other non-EU countries and territories, including Switzerland, have agreed to adopt measures similar to those contained in the EU Savings Directive (a withholding system in the case of Switzerland) with effect from the adoption of the EU Savings Directive.

Pursuant to Council Directive (EU) 2015/2060 of 10 November 2015 repealing Council Directive 2003/48/EC, the latter shall in general be repealed with effect from 1 January 2016. However, pursuant to detailed grandfathering provisions, Austria shall in general continue to apply it until 31 December 2016.

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 Covered Bonds as a result of the imposition of such withholding tax.

Risks related to an extension of the maturity of the Covered Bonds

Unless previously redeemed as provided in the Terms and Conditions, the Covered Bonds of each series will be redeemed at their Final Redemption Amount on the relevant Maturity Date. If

the Issuer has failed to pay the Final Redemption Amount on the Maturity Date, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the relevant Extended Maturity Date (as indicated in the relevant Final Terms), provided that any amount representing the Final Redemption Amount (as indicated in the relevant Final Terms) due and remaining unpaid on the Maturity Date shall be paid by the Issuer on any Cover Pool Payment Date (as indicated in the relevant Final Terms) occurring thereafter up to (and including) the relevant Extended Maturity Date in accordance with and subject to the Priority of Payments (as indicated in the relevant Final Terms), and subject to the Issuer having funds available for such purpose in accordance with the Priority of Payments. Therefore, Holders should be aware that they may not receive repayment of principal at the Maturity Date, and the Issuer may pay principal at a later point in time (on any Cover Pool Payment Date) without causing an event of default, higher interest or other charges for non-payment.

Risks relating to Covered Bonds becoming Pass-Through Covered Bonds

If the Issuer fails to pay principal in respect of the Covered Bonds within a period of seven payment business days from the due date thereof, the Covered Bonds will become Pass-Through Covered Bonds. In this case there is a risk that Holders of Covered Bonds with a Maturity Date after such date, receive principal repayments prior to the Maturity Date and therefore earlier than expected, which may result in a lower yield on such Covered Bondholders' investment than expected.

If the Contractual Asset Cover Test and/or the Statutory Cover Test for a period of three subsequent months are breached, the Covered Bonds will also become Pass-Through Covered Bonds. Accordingly, there is a risk that, as a consequence of all Covered Bonds becoming Pass-Through Covered Bonds, the speed of repayment of individual series of Pass-Through Covered Bonds will be reduced, because the available funds for repayment will be appropriated pro rata with respect to all Covered Bonds, regardless of their maturity. It is likely that the repayment of Pass-Through Covered Bonds will take longer than initially expected, and in relation to Covered Bonds that are no Pass-Through Covered Bonds, the likelihood of an extension of maturity will be higher (see above, "*Risks related to an extension of the maturity of the Covered Bonds*").

Limited resources available for Pass-Through Covered Bonds

Holders must be aware that they have no claim for payments under the Pass-Through Covered Bonds against the Cover Pool Assets to the extent this would exceed Covered Bonds Available Funds in accordance with and subject to the Priority of Payments, and in the event that payments under the Pass-Through Covered Bonds have not been made out of Covered Bonds Available Funds in accordance with and subject to the Priority of Payments until the Extended Maturity Date, Holders of Pass-Through Covered Bonds shall have no further claim against the Cover Pool Assets in respect of such unpaid amounts.

Following the above, the fulfillment of the Issuer's obligations vis-à-vis the Holders of Pass-Through Covered Bonds will depend on the availability of sufficient Covered Bonds Available Funds, being in respect of any Cover Pool Payment Date, as the case may be, the aggregate of:

- (i) all cash amounts being part of the Cover Pool Assets at the immediately preceding Calculation Date;
- (ii) all amounts of interest paid on or in relation to Cover Pool Assets during the Interest Period immediately preceding such Cover Pool Payment Date;

- (iii) all amounts deriving from repayment at maturity of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (iv) all amounts deriving from a (full or partial) sale or other means of liquidation or monetarisation of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (v) all amounts (if any) paid or to be paid on or prior to such Cover Pool Payment Date by the hedging counterparties pursuant to the Hedging Agreement(s), but excluding any collateral or security received thereunder.

For the avoidance of doubt should there be any duplication in the amounts included in the different items of the Covered Bonds Available Funds above, such duplication shall be avoided when calculating the Covered Bonds Available Funds.

Accordingly, there is a risk that if until the Extended Maturity Date the Covered Bonds Available Funds from the Cover Pool Assets are not sufficient, unpaid amounts will not be repaid at all, and Holders will have no right to request payment of such unpaid amounts.

Risks related to Eurosystem eligibility - Covered Bonds in NGN form - Conditional Pass-through

The NGN form has been introduced to allow for the possibility of Covered Bonds being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time and there can be no assurance that such Covered Bonds will be recognised as such.

This Covered Bonds Programme is the first Austrian conditional pass-through covered bonds programme and as of the date of this Base Prospectus no Austrian conditional pass-through covered bonds have been used as collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. Whether or not Austrian conditional pass-through covered bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life, is not certain and will depend upon satisfaction of the Eurosystem eligibility criteria.

Conditional Pass-Through Structures for covered bonds have not been tested under Austrian law

Conditional pass-through covered bonds programmes have not been tested in the Austrian courts, and Austrian law (in particular the Pfandbriefgesetz) does not explicitly foresee such structures. To the knowledge of the Issuer, Austrian covered bonds that have been publicly issued in the past did not bear a comparable conditional pass-through structure. Therefore, potential investors should bear in mind that should a court find the conditional pass-through structure to be unenforceable, the general provisions of Austrian law, in particular those of the Pfandbriefgesetz, could become applicable *in lieu* of the conditional pass-through structure. In such case, the specifics of the conditional pass-through structure might (in whole or in part) not be applicable, in particular, *inter alia*, the extension of maturity, the payments in accordance with the Priority of Payments, the early redemption at the option of the Issuer for Pass-Through Covered Bonds, the Contractual Asset Cover Test and the Statutory Cover Test, their breaches and the legal consequences attached thereto, the limited recourse of Holders for payments

under the Pass-Through Covered Bonds against the Cover Pool Assets to the extent they would exceed Covered Bonds Available Funds, and the termination.

The Special Receiver's actions, and its diligence and endeavours are uncertain

In case of an Issuer Bankruptcy Event, the bankruptcy court (*Konkursgericht*) shall without delay appoint a Special Receiver (*besondere Verwalter*) for the administration of the Cover Pool Assets. The Special Receiver shall, in accordance with § 6 of the Pfandbriefgesetz, pay all due claims of the Holders out of the Cover Pool Assets, and shall transfer the Cover Pool Assets to a credit institution which assumes the liabilities under the Covered Bonds and the Other Covered Bonds. However, as the Special Receiver is not party to the Terms and Conditions, it cannot be legally bound to these tasks under to the Terms and Conditions. Therefore, the Special Receiver's actions, and its diligence and endeavours (e.g. in case of a sale of Cover Pool Assets) are uncertain and not predictable where the law is not entirely clear. Furthermore, investors should note that a Special Receiver could fail to comply with the law.

Risks in relation to the Contractual Asset Cover Test and the Statutory Cover Test

The Contractual Asset Cover Test and the Statutory Cover Test are foreseen to determine whether an Issuer Event has occurred. In case these tests are breached, the Covered Bonds will become Pass-Through Covered Bonds. However, it is uncertain whether these tests are sufficient and/or appropriate to determine the sufficiency of the Cover Pool Assets and there can be no assurance that these tests protect Holders from losses under the Covered Bonds. Furthermore, the Holders cannot influence the administration of the Cover Pool and thus the Holders of Covered Bonds will not be able to influence or avert breaches of these tests either. Finally, Holders depend on information made available to them voluntarily in order to ascertain whether a test has been breached,

In case of a termination of the Covered Bonds, the Cover Pool Assets may be liquidated below market or book values

If a Cover Pool Transfer is not possible and the Cover Pool Assets are not sufficient to satisfy the current and future claims of the Holders then the Special Receiver shall publish Notice of Termination. Following such publication, the Covered Bonds shall become due and payable prior to maturity and the Special Receiver shall, upon the approval of the court, liquidate all Cover Pool Assets and use the proceeds to satisfy, *pari passu* and *pro rata*, the claims of the Holders in accordance with the Pfandbriefgesetz. In such case, it is very likely that the Cover Pool Assets will be sold below market or book values, and that therefore the liquidation proceeds will be insufficient to satisfy the Holders of the Covered Bonds.

2. GENERAL DESCRIPTION OF THE PROGRAMME AND GENERAL INFORMATION

2.1 GENERAL

Under the Programme, the Issuer may from time to time issue Covered Bonds to BNP Paribas and any additional Dealer appointed under the Programme by the Issuer from time to time (each a "**Dealer**", and together, the "**Dealers**") which appointment may be for a specific issue or on an ongoing basis.

The maximum aggregate principal amount of the Covered Bonds at anyone time outstanding under the Programme will not exceed EUR 750,000,000 (or its equivalent in any other currency). The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement from time to time.

Under the Programme, the Issuer may issue Covered Bonds (i) with a fixed interest rate, (ii) with a floating interest rate, and (iii) without periodic interest payments (Zero Coupon). Covered Bonds will be issued in bearer form and as unsubordinated Notes.

Covered Bonds will be issued on a continuous basis to the Dealer and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis. Covered Bonds may be distributed by way of public offer or private placements and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each tranche will be stated in the relevant Final Terms. Covered Bonds will only be offered to qualified investors.

Covered Bonds will be issued in tranches (each a "**Tranche**"), each Tranche consisting of Covered Bonds which are identical in all respects. One or more Tranches, which are expressed to be consolidated and forming a single series and are identical in all respects, but may have different issue dates, interest commencement dates, issue prices and dates for first interest payments, may form a series ("**Series**") of Notes. Further Covered Bonds may be issued as part of existing Series. The specific terms of each Tranche will be set forth in the applicable Final Terms.

Subject to any applicable legal or regulatory restrictions and requirements of relevant central banks, monetary or other authorities, Covered Bonds may be issued in euro or any other currencies as may be agreed between the Issuer and the relevant Dealer(s).

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of the Covered Bonds will be, if in euro, at least EUR 100,000, or if in any currency other than euro, in an amount in such other currency nearly equivalent to but in any case not less than the applicable minimum denomination at the time of the issue of the Covered Bonds.

The Covered Bonds will be freely transferable.

Covered Bonds issued pursuant to the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold Covered Bonds issued under the Programme and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Covered Bonds issued under the Programme may adversely affect the market price of the Covered Bonds issued under the Programme.

Covered Bonds may be issued at an issue price which is at par or at a discount to, or premium over, par. The issue price for Covered Bonds to be issued will be determined at the time of pricing on the basis of a yield which will be determined on the basis of the orders of the investors which are received by the Dealer(s) during the offer period. Orders will specify a minimum yield and may only be confirmed at or above such yield. The resulting yield will be used to determine an issue price, all to correspond to the yield.

The yield for Covered Bonds with fixed interest rates will be calculated by the use of the ICMA method, which determines the effective interest rate of covered bonds taking into account accrued interest on a daily basis. In case of Covered Bonds with a floating interest rate due to the risk of fluctuating interest rate levels it is impossible to determine the yield of such Covered Bonds in advance. The yield for Covered Bonds without periodic interest payments (Zero Coupon) will be calculated as the difference between the issue price on the issue date and the redemption price considering the term of such Covered Bonds.

2.2 USE OF PROCEEDS AND REASONS FOR AN OFFER

The net proceeds from the issue of any Covered Bonds will be used by the Issuer for general business operations to grant loans and repay debt.

2.3 AUTHORISATION

The Issuer has obtained all necessary consents, approvals and authorisations in Austria in connection with the issue and performance of Covered Bonds. Tranches of Covered Bonds 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 Covered Bonds from 1 January 2015 until 31 December 2015 will be made in accordance with a resolution of the Management Board of the Issuer passed on 11 November 2014, and issues of Covered Bonds in 2016 will be made in accordance with a resolution of the Management Board of the Issuer which is expected to be adopted on 15 December 2015.

2.4 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Concerning interests of natural and legal persons involved in the issue/offer as well as potential conflicts of interests resulting from this, please see the information under "Interest of natural and legal persons involved in the issue/offer" under "Other information" in the relevant Final Terms.

2.5 CLEARING SYSTEMS

The Covered Bonds will be cleared through one or more clearing systems as specified in the relevant Final Terms. These clearing systems will include those operated by the Austrian Central Depository, the OeKB CSD, Clearstream Banking AG, Frankfurt (CBF), Clearstream Banking société anonyme, Luxembourg (CBL) or Euroclear Bank SA/NV (Euroclear). The International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Tranche of Covered Bonds will be set out in the relevant Final Terms. The Covered Bonds may be issued in a new global note form ("**NGN-form**") which shall allow Eurosystem eligibility. This means that the Covered Bonds in NGN-form are intended upon issue to be deposited with one of the International Central Securities Depositories (the "**ICSDs**") as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations

by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

2.6 ADMISSION TO TRADING / LISTING INFORMATION

Application may be made to admit the Programme and/or the Covered Bonds to the Markets or to include the Programme and/or the Covered Bonds to the Third Market 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 Tranche may, but need not be, listed on the Markets or the Third Market or any other market, stock exchange or multilateral trading facility.

3. CONDITIONAL PASS-THROUGH COVERED BONDS

3.1 CHARACTERISTICS OF CONDITIONAL PASS-THROUGH COVERED BONDS

Conditional pass-through covered bonds

This Programme is the first Austrian conditional pass through covered bonds programme. Therefore, on the date of this Prospectus no conditional pass through covered bonds have been issued in Austria/under Austrian law by means of a public offer, only other covered bonds have been issued which do not have any conditional pass-through structure.

One of the main differences of the conditional pass-through covered bond structure compared with other Austrian covered bond programmes is set out below under Extension Maturity Date. Investors should be aware that there are more differences compared to other existing Austrian covered bond programmes, but these are not further described in this section.

Extension Maturity Date

Austrian Anadi Bank AG Conditional Pass-Through Covered Bond Programme

The conditional pass-through structure will only become relevant after an Issuer Default of Payment Event and/or a Breach of Contractual Asset Cover Test and/or a Breach of Statutory Cover Test. In this case, the Issuer will be required to redeem each Series of Covered Bonds on the Extended Maturity Date instead of at the Maturity Date (in each case, as indicated in the relevant Final Terms), provided that any amount representing the Final Redemption Amount due and payable, but remaining unpaid on the Maturity Date shall be paid by the Issuer on any Cover Pool Payment Date occurring thereafter up to (and including) the Extended Final Maturity Date, if and to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments. The Extended Maturity Date will therefore always fall after the date on which the latest Cover Pool Assets registered in the relevant Cover Pool Register must be repaid.

Comparison to other existing Austrian covered bond programmes

In other existing Austrian covered bond programmes the obligations of the Issuer to pay principal on the covered bonds will not be deferred to any extended maturity date.

4. TERMS AND CONDITIONS OF THE COVERED BONDS

*The Terms and Conditions of the Covered Bonds (the "**Terms and Conditions**") are set forth below for three options:*

Option I comprises the set of Terms and Conditions that apply to Tranches of Covered Bonds with fixed interest rates.

Option II comprises the set of Terms and Conditions that apply to Tranches of Covered Bonds with floating interest rates.

Option III comprises the set of Terms and Conditions that apply to Tranches of Covered Bonds without periodic interest payments (Zero Coupon).

The set of Terms and Conditions for each of these Options contains certain further options, which are characterised accordingly by indicating the respective optional provision through instructions and explanatory notes set out either on the left of or in square brackets within the set of Terms and Conditions.

In the Final Terms the Issuer will determine, which of the Option I, Option II and Option III including certain further options contained therein, respectively, shall apply with respect to an individual issue of Covered Bonds, either by replicating the relevant provisions or by referring to the relevant options. To the extent that upon the approval of the Prospectus the Issuer had no knowledge of certain items which are applicable to an individual issue of Covered Bonds, this Prospectus contains placeholders set out in square brackets which include the relevant items that will be completed by the Final Terms.

OPTION I – Terms and Conditions that apply to Covered Bonds with fixed interest rates

§ 1

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination.* This Series of Covered Bonds (the "**Covered Bonds**") of Austrian Anadi Bank AG (the "**Issuer**") is being issued in [**Specified Currency**] (the "**Specified Currency**") in the aggregate principal amount [**In the case the Global Note is an NGN the following applies:**, subject to § 1(4),] of [**aggregate principal amount**] (in words: [**aggregate principal amount in words**]) in the denomination of [**Specified Denomination**] (the "**Specified Denomination**").

(2) *Form.* The Covered Bonds are in bearer form and represented by one or more global notes (each a "**Global Note**").

In the case of Covered Bonds which are represented by a Permanent Global Note the following applies (for Covered Bonds issued in compliance with the C Rules)

[(3) *Permanent Global Note.* The Covered Bonds are represented by a permanent Global Note (the "**Permanent Global Note**") without coupons. The Permanent Global Note shall be signed by authorised signatories of the Issuer, shall bear the necessary manual certification of the trustee (*Treuhänder*) (the "**Trustee**") pursuant to the Pfandbriefgesetz (as defined below) and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Covered Bonds and interest coupons will not be issued.]

In the case of Covered Bonds which are initially represented by a Temporary Global Note the following applies (for Covered Bonds issued in compliance with the D Rules)

[(3) *Temporary Global Note – Exchange.*

(a) The Covered Bonds are initially represented by a temporary Global Note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Covered Bonds in the Specified Denomination represented by a permanent Global Note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Covered Bonds and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note from a date (the "**Exchange Date**") 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Covered Bonds represented by the Temporary Global Note is not a U. S. person (other than certain financial institutions or certain persons holding Covered Bonds through such financial institutions) as required by U.S. tax law. The certification shall be in compliance with the applicable United States Treasury Regulations. Payment of interest on Covered Bonds 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 interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this subparagraph. Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4(3)).]

(4) *Clearing System.* The Permanent Global Note representing the Covered Bonds will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Covered Bonds have been satisfied. "**Clearing System**" means [In the case of more than one Clearing System the following applies: each of] the following: [OeKB CSD GmbH, Strauchgasse 1-3, 1010 Vienna, Austria ("**OeKB CSD GmbH**")] [Clearstream Banking AG, Neue Börsestraße 1, 60487 Frankfurt am Main, Federal Republic of Germany ("**CBF**")] [Clearstream Banking société anonyme, 42 Avenue JF Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**"),] [Euroclear Bank SA/NV, Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**")] [(CBL and Euroclear each an "**International Central Securities Depository**" or "**ICSD**" and together the "**ICSDs**")] and any successor in such capacity.

In the case of
Covered Bonds
kept in custody
on behalf of the
ICSDs

[The Covered Bonds are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.]

and the Global
Note is an NGN
the following
applies

The aggregate principal amount of Covered Bonds represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Covered Bonds) shall be conclusive evidence of the aggregate principal amount of Covered Bonds represented by the Global Note and, for these purposes, a statement issued by a ICSD stating the amount of Covered Bonds so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or interest payment being made in respect of, or purchase and cancellation of, any of the Covered Bonds represented by the Global Note the Issuer shall procure that details of any redemption, interest payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs. In case of redemptions and/or purchases, upon any such entry being made, the aggregate principal amount of the Covered Bonds recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Covered Bonds so redeemed or purchased and cancelled.]

In the case of
Covered Bonds

[The Covered Bonds are issued in classical global note ("**CGN**") form and are kept in custody by a common depository on behalf of both ICSDs.]

kept in custody
on behalf of the
ICSDs and the
global note is a
CGN the
following applies

(5) *Holder of Covered Bonds*. "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Covered Bonds.

§ 2 STATUS

The obligations under the Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves. The Covered Bonds are covered by the Cover Pool Assets registered in the Cover Pool Register in accordance with the Austrian Act concerning Pfandbriefe and Related Bonds of Public Law Credit Institutions (*Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten (Pfandbriefgesetz)*) and ancillary legislation, regulation and the respective provisions of the Issuer's articles of association, together the "**Pfandbriefgesetz**") and rank at least *pari passu* with all other obligations of the Issuer under Pfandbriefe which are covered by the Cover Pool Assets.

§ 3 INTEREST

(1) *Rate of Interest and Interest Payment Dates*.

If the Covered
Bonds are
endowed with a
constant interest
rate the following
applies

[The Covered Bonds shall bear interest on their aggregate principal amount at the rate of **[Rate of Interest]** per cent. *per annum* from (and including) **[Interest Commencement Date]** to (but excluding) the Maturity Date (as defined in § 5(1)). Interest shall be payable in arrears on **[Fixed Interest Date or Dates]** in each year or, upon the Covered Bonds becoming Pass-Through Covered Bonds, on each Cover Pool Payment Date (each such date, an "**Interest Payment Date**").]

If the Covered
Bonds are
endowed with a
variable fixed
interest rate the
following applies

[The Covered Bonds shall bear interest on their aggregate principal amount as follows:

from	to	
(and including)	(but excluding)	per cent <i>per annum</i>
[specified dates]	[specified dates]	[specified rates]
(the " Interest Commencement Date ")		

The first payment of interest shall be made on **[First Interest Payment**

Date] [In the case of a first short or long Calculation Period the following applies: and will amount to **[Initial Broken Amount for Specified Denomination]** for a Covered Bond in the Specified Denomination]. **[If the Maturity Date is not a Fixed Interest Date the following applies:** Interest in respect of the period from **[Fixed Interest Payment Date preceding the Maturity Date]** (inclusive) to the Maturity Date (exclusive) will amount to **[Final Broken Amount for Specified Denomination]** for a Covered Bond in the Specified Denomination.]

(2) *Accrual of Interest.* The Covered Bonds shall cease to bear interest as from the expiry of the day preceding their due date for redemption. If the Issuer shall fail to redeem the Covered Bonds when due, interest shall continue to accrue on the outstanding aggregate principal amount of the Covered Bonds beyond the due date until the expiry of the day preceding the day of the actual redemption of the Covered Bonds at the higher of the default rate of interest established by law or the rate of interest of the Covered Bonds.¹

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).

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

In the case of
Actual/Actual
(ICMA Rule 251)
with annual
interest
payments
(excluding the
case of short or
long coupons)
the following
applies

[the actual number of days in the Calculation Period divided by the actual number of days in the respective interest period.]

In the case of
Actual/Actual
(ICMA Rule 251)
with annual
interest
payments
(including the

[the actual number of days in the Calculation Period divided by the number of days in the Reference Period in which the Calculation Period falls.]

¹ The default interest rate by law is 4% *per annum* as per § 1000 (1) of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch – ABGB*). In commercial transactions between undertakings the default interest is 9.2 percentage points over the base interest rate as per § 456 of the Austrian Commercial Code (*Unternehmensgesetzbuch – UGB*).

case of short coupons) the following applies

In the case of Actual/Actual (ICMA Rule 251) is applicable and if the Calculation Period is longer than one Reference Period (long coupon) the following applies

[the sum of:

- (A) the number of days in such Calculation Period falling in the Reference Period in which the Calculation Period begins divided by **[In the case of Reference Periods of less than one year the following applies:** the product of (1)] the number of days in such Reference Period **[In the case of Reference Periods of less than one year the following applies:** and (2) the number of Interest Payment Dates that occur in one calendar year or that would occur in one calendar year if interest were payable in respect of the whole of such year]; and
- (B) the number of days in such Calculation Period falling in the next Reference Period divided by **[In the case of Reference Periods of less than one year the following applies:** the product of (1)] the number of days in such Reference Period **[In the case of Reference Periods of less than one year the following applies:** and (2) the number of Interest Payment Dates that occur in one calendar year or that would occur in one calendar year if interest were payable in respect of the whole of such year].]

The following applies for all options of Actual/ Actual (ICMA Rule 251) except for option Actual/Actual (ICMA Rule 251) with annual interest payments (excluding the case of short or long coupons)

["Reference Period" means the period from (and including) the Interest Commencement Date to, but excluding, the first Interest Payment Date or from (and including) each Interest Payment Date to, but excluding the next Interest Payment Date. **[In the case of a short first or last Calculation Period:** For the purposes of determining the relevant Reference Period only, **[deemed Interest Payment Date]** shall be deemed to be an Interest Payment Date.] **[In the case of a long first or last Calculation Period the following applies:** For the purposes of determining the relevant Reference Period only, **[deemed Interest Payment Date(s)]** shall [each] be deemed to be an Interest Payment Date.]

In the case of 30/360, 360/360 or Bond Basis the following applies

[The number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).]

In the case of

[The number of days in the Calculation Period divided by 360 (the number of

30E/360 or
Eurobond Basis
the following
applies

days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).]

§ 4 PAYMENTS

(1)(a) *Payment of Principal.* Payment of principal in respect of Covered Bonds shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System outside the United States.

(b) *Payment of Interest.* Payment of interest on Covered Bonds shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System.

In the case of
interest payable
on a Temporary
Global Note the
following applies

[Payment of interest on Covered Bonds represented by the Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided 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 Covered Bonds shall be made in the Specified Currency.

(3) *United States.* For purposes of **[In the case of TEFRA D Covered Bonds the following applies: § 1(3) and]** subparagraph (1) of this § 4, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

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

(5) *Payment Business Day.* If the date for payment of any amount in respect of any Covered Bond is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Business Day**" means

In the case of
Covered Bonds
not denominated
in EUR the
following applies

[a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in **[relevant financial centre(s)]**].][and]]

In the case the
Clearing System
and TARGET
shall be open the

[a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 ("**TARGET**") are open to effect payments.]

following applies |

(6) *References to Principal.* Reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable: the Final Redemption Amount of the Covered Bonds; **[If redeemable at the option of the Issuer the following applies:** the Call Redemption Amount of the Covered Bonds;] and any premium and any other amounts which may be payable under or in respect of the Covered Bonds.

(7) *Deposit of Principal and Interest.* The Issuer may pursuant to § 1425 of the Austrian General Civil Code deposit with the competent court principal or interest not claimed by Holders within 12 months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected, made public and the rights of withdrawal and revocation are waived, the respective claims of such Holders against the Issuer shall cease.

§ 5 REDEMPTION

(1) *Redemption at Maturity.* Unless previously redeemed or purchased and cancelled, the Covered Bonds shall be redeemed at their Final Redemption Amount on **[Maturity Date]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Covered Bond shall be its principal amount. Unless stated herein, neither the Issuer nor the Holders have a right to redeem the Covered Bonds prior to the Maturity Date.

(2) *Extended Maturity.*

(a) If the Issuer has failed to pay the Final Redemption Amount on the Maturity Date, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until **[Extended Maturity Date]** (the "**Extended Maturity Date**") and references in § 3 and § 4 to "Maturity Date" shall be replaced by references to "Extended Maturity Date", provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date shall be paid by the Issuer on any Cover Pool Payment Date occurring thereafter up to (and including) the relevant Extended Maturity Date if and to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments.

(b) The Issuer shall confirm to the Fiscal Agent and the Paying Agent as soon as reasonably practicable and in any event at least four Payment Business Days prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of the Covered Bonds on the Maturity Date. Any failure by the Issuer to notify the Fiscal Agent and the Paying Agent shall not affect the validity of effectiveness of the extension.

(c) Such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment (but, for the avoidance of doubt, such failure to pay shall constitute an Issuer Default of Payment Event if not paid within a period of seven Payment Business Days from the due date thereof).

If Covered Bonds |

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

are subject to
Early
Redemption at
the Option of the
Issuer at
specified Call
Redemption
Amounts the
following applies

- (a) The Issuer may, upon notice given in accordance with subparagraph (b), redeem the Covered Bonds (in whole but not in part) on the Call Redemption Date(s) at the Call Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the Call Redemption Date.

Call Redemption Date(s)	Call Redemption Amount(s)
[Call Redemption Date(s)]	[Call Redemption Amount(s)]
[]	[]
[]	[]

- (b) Notice of redemption shall be given by the Issuer to the Holders of the Covered Bonds in accordance with § 12. Such notice shall specify:
- (i) the securities identification numbers of the Covered Bonds subject to redemption;
 - (ii) the Call Redemption Amount at which such Covered Bonds are to be redeemed; and;
 - (iii) the Call Redemption Date, which shall be not less than **[Minimum Notice to Holders]** nor more than **[Maximum Notice to Holders]** days after the date on which notice is given by the Issuer to the Holders.]

§ 6

FISCAL AGENT, PAYING AGENT AND SERVICER

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

Fiscal Agent: **[Insert name]**
 [Insert address]

Paying Agent: **[Insert name]**
 [Insert address]

Each of the Fiscal Agent **and** the Paying 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 or the Paying Agent and to appoint another Fiscal Agent or additional or other Paying Agents. The Issuer shall at all times maintain [(i)] a Fiscal Agent **[In the case of payments in U.S. Dollars the following applies:** and (ii) if payments at or through the offices of all Paying Agents outside the United States (as defined in § 4 hereof) 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 United States dollars, a Paying Agent with a specified office in New York City]. Any variation, termination,

appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 12.

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

§ 7

TAXATION

All amounts payable in respect of the Covered Bonds shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Austria or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

§ 8

ISSUER EVENTS

(1) *Issuer Events.*

Prior to a Notice of Termination, if any of the following events (each, an "**Issuer Event**") occurs and is continuing:

- (a) an Issuer Bankruptcy Event; and/or
- (b) an Issuer Default of Payment Event; and/or
- (c) a Breach of Contractual Asset Cover Test; and/or
- (d) a Breach of Statutory Cover Test.

then:

- (i) no further Covered Bonds or Other Covered Bonds will be issued by the Issuer; and
- (ii) (A) in case of an Issuer Bankruptcy Event, the Cover Pool Assets shall constitute a special fund (*Sondermasse*) for the claims of the Holders and the holders of the Other Covered Bonds pursuant to § 48 of the Austrian Insolvency Code (*Insolvenzordnung - IO*), and the bankruptcy court (*Konkursgericht*) shall without delay appoint a Special Receiver for the administration of the Cover Pool Assets. The Special Receiver shall, in accordance with § 6 of the Pfandbriefgesetz, pay all due claims of the Holders out of the Cover Pool Assets, and shall transfer the Cover Pool Assets to a credit institution (which shall then, for the purposes hereof, become the "Issuer") which assumes the liabilities under the Covered Bonds and the Other Covered Bonds (a "**Cover Pool Transfer**"). Upon a Cover Pool Transfer being effective, all Covered Bonds that are Pass-Through Covered Bonds (if any) will cease to be Pass-Through Covered Bonds and will be due and payable for repayment in accordance with their initial terms and conditions. Should a Cover Pool Transfer not be possible, and as long as no Issuer Event other than an Issuer Bankruptcy Event occurs, the Special Receiver shall continue, in accordance with § 6 of the Pfandbriefgesetz, to pay all due claims of the Holders out of the Cover Pool Assets;

(B) in case of an Issuer Default of Payment Event, the Covered Bonds shall become Pass-Through Covered Bonds which shall be due and payable for repayment, to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments on each Cover Pool Payment Date until (x) the Pass-Through Covered Bonds are redeemed in full or, if earlier, (y) an Issuer Bankruptcy Event occurs and a Cover Pool Transfer becomes effective, in which case the Covered Bonds shall cease to be Pass-Through Covered Bonds, provided that no Issuer Event (other than an Issuer Bankruptcy Event) has occurred after the Cover Pool Transfer became effective; and/or

(C) in case of a Breach of Contractual Asset Cover Test and/or a Breach of Statutory Cover Test, the Covered Bonds shall become Pass-Through Covered Bonds, and such Pass-Through Covered Bonds shall be due and payable for repayment, to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments on each Cover Pool Payment Date until (x) the Pass-Through Covered Bonds are redeemed in full or, if earlier, (y) an Issuer Bankruptcy Event occurs and a Cover Pool Transfer becomes effective, in which case the Covered Bonds shall cease to be Pass-Through Covered Bonds, provided that no Issuer Event (other than an Issuer Bankruptcy Event) has occurred after the Cover Pool Transfer became effective.

For the avoidance of doubt, Holders shall have no claim for payments under the Pass-Through Covered Bonds for Cover Pool Assets that would exceed Covered Bonds Available Funds in accordance with and subject to the Priority of Payments, and in the event that payments under the Pass-Through Covered Bonds have not been made out of Covered Bonds Available Funds in accordance with and subject to the Priority of Payments until the Extended Maturity Date, Holders of Pass-Through Covered Bonds shall have no further claim for Cover Pool Assets in respect of such unpaid amounts.

(2) Early Redemption at the Option of the Issuer for Pass-Through Covered Bonds.

- (a) The Issuer (or, as the case may be, the Special Receiver) may, upon notice given in accordance with subparagraph (b), redeem Pass-Through Covered Bonds (in whole but not in part) on each Cover Pool Payment Date at par together with accrued interest, if any, to (but excluding) the respective Cover Pool Payment Date, provided that such repayment
 - (i) is funded by one or more Non-Discount Sales; and
 - (ii) does not cause a Breach of Contractual Asset Cover Test and/or Breach of Statutory Test.
- (b) Notice of redemption shall be given by the Issuer (or, as the case may be, the Special Receiver) to the Holders of the Pass-Through Covered Bonds in accordance with § 12, specifying the securities identification numbers of the Pass-Through Covered Bonds subject to redemption.

(3) *Priority of Payments.*

Upon the Covered Bonds becoming Pass-Through Covered Bonds, the Covered Bonds Available Funds shall be applied on each Cover Pool Payment Date in making the following payments and provisions in the following order of priority (the "**Priority of Payments**") (in each case only if and to the extent that payments of a higher priority have been made in full and provided that any such payment does not cause an Issuer Event, and subject to, and to the extent permissible by, the Pfandbriefgesetz):

- (a) *first, pari passu and pro rata* according to the respective amounts thereof to pay any fees, costs, expenses and taxes incurred under or in connection with the Pass-Through Covered Bonds and the Other Covered Bonds and/or the management of the Cover Pool Assets and/or the administration of the Cover Pool Assets (including costs of the Special Receiver and costs pursuant to § 49 of the Austrian Insolvency Code, if any) due and payable on the Cover Pool Payment Date or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date, to the extent such fees, costs, expenses and taxes are not payable or have not been paid by the Issuer or any other third party;
- (b) *second, pari passu and pro rata*, according to the respective amounts thereof (i) to pay all amounts of interest due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date on any Pass-Through Covered Bonds and Other Covered Bonds, and (ii) to pay any amounts due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date under any Hedging Agreement;
- (c) *third, pari passu and pro rata*, to pay all amounts of principal due and payable on the Cover Pool Payment Date in respect of any Pass-Through Covered Bonds and Other Covered Bonds, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date (if any) on any Pass-Through Covered Bonds and Other Covered Bonds;
- (d) *fourth*, to release any excess to the Issuer.

(4) *Definitions.*

"**Asset Percentage**" means the lower of 100 per cent. and any other figure determined by the Issuer and the Rating Agency from time to time. As of the date of this Series, the Asset Percentage is [●] per cent. The Issuer may increase or decrease the Asset Percentage but only if the Rating Agency has been notified thereof and by the seventh day after such notification, the Rating Agency has not communicated that any such increase of the Asset Percentage will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

"**Breach of Contractual Asset Cover Test**" means that the Contractual Asset Cover Test is breached for a period of one (1) month.

"**Breach of Statutory Cover Test**" means that the Statutory Cover Test is

breached for a period of three (3) subsequent months.

"Calculation Date" means, in relation to a Cover Pool Payment Date, the day falling five Payment Business Days prior to such Cover Pool Payment Date.

"Contractual Adjusted Cover Pool Balance" is calculated as follows:

$$A+C$$

Where:

A = the sum of the outstanding nominal values of all Mortgage Loans, provided that the nominal value is, for each Mortgage Loan, deemed to be the lower of: (a) the nominal value of the Mortgage Loan and (b) the nominal value of the corresponding Mortgage,

multiplied by M,

where M = 100 per cent. if such Mortgage Loan is not a Defaulted Loan and M = 0 per cent. if such Mortgage Loan is a Defaulted Loan,

provided that in the case of any Mortgage Loan that is subject to a prior ranking encumbrance, such encumbrance shall be taken into consideration,

multiplied by the Asset Percentage;

C = the sum of the balances of the Substitute Cover Pool Assets and Hedging Agreements

"Contractual Asset Cover Test" means that the Contractual Adjusted Cover Pool Balance is, calculated as of the 10th of each month, an amount at least equal to the sum of (i) the aggregate outstanding principal amount, plus (ii) accrued but unpaid interest, if any, plus (iii) the aggregate amount of all interest payments that would become payable in the future to (but excluding) the Maturity Date, each in relation to the Covered Bonds and the Other Covered Bonds.

"Cover Pool Assets" means the Mortgage Loans, the Substitute Cover Pool Assets and the Hedging Agreements which are designated to cover the Covered Bonds, the Other Covered Bonds and the claims of the hedging partners under the Hedging Agreements, all of which are registered in the Cover Pool Register.

"Cover Pool Payment Date" means the 20th day of each month and if such day is not a Payment Business Day, the first Payment Business Day thereafter;

"Cover Pool Register" means the cover pool register (*Deckungsregister*) pursuant to § 3 (1) of the Pfandbriefgesetz for mortgage covered bonds.

"Covered Bonds Available Funds" means, at any time upon or after the Covered Bonds become Pass-Through Covered Bonds, in respect of any Cover Pool Payment Date, as the case may be, the aggregate of:

- (i) all cash amounts being part of the Cover Pool Assets at the immediately preceding Calculation Date;
- (ii) all amounts of interest paid on or in relation to Cover Pool Assets during

the Interest Period immediately preceding such Cover Pool Payment Date;

- (iii) all amounts deriving from repayment at maturity of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (iv) all amounts deriving from a (full or partial) sale or other means of liquidation or monetarisation of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (v) all amounts (if any) paid or to be paid on or prior to such Cover Pool Payment Date by the hedging counterparties pursuant to the Hedging Agreement(s), but excluding any collateral or security received thereunder.

For the avoidance of doubt should there be any duplication in the amounts included in the different items of the Covered Bonds Available Funds above, such duplication shall be avoided when calculating the Covered Bonds Available Funds.

"Defaulted Loan" means any Mortgage Loan included in the Cover Pool Assets which is more than 90 days in arrears.

"Hedging Agreements" means the hedging agreements (*Sicherungsgeschäfte / Derivativerträge*) that are registered in the Cover Pool Register which have been concluded to reduce interest rate, foreign exchange or creditor risks pursuant to § 2 (5) of the Pfandbriefgesetz.

"Interest Reserve" means an amount equal to the Interest Reserve Amount which is part of the over-collateralisation (*sichernde Überdeckung*) pursuant to § 2 (1) of the Pfandbriefgesetz and which is part of, and constituted by, the Substitute Cover Pool Assets. The Interest Reserve is, subject to the Pfandbriefgesetz, to be used by the Issuer (or the Special Receiver, as the case may be) to pay interest payments when due in relation to the Covered Bonds and the Other Covered Bonds.

"Interest Reserve Amount" means an amount, as calculated on the 10th of each month (the **"Calculation Date"**), equal to the aggregate of all interest payment amounts that will become payable within three calendar months following the Calculation Date in relation to the Covered Bonds and the Other Covered Bonds.

"Issuer Bankruptcy Event" means that bankruptcy (*Konkurs*) is instituted over the assets of the Issuer as set forth in § 6 (1) of the Pfandbriefgesetz.

"Issuer Default of Payment Event" means that the Issuer (or the Special Receiver, as the case may be) fails to pay (i) any principal on the Maturity Date, or (ii) after having used the Interest Reserve, if applicable, any interest on the respective Interest Payment Date, each in respect of the Covered Bonds within a period of seven Payment Business Days from the due date thereof.

"Mortgages" means the mortgages (*Hypotheken*) in relation to the Mortgaged Property that secure the Mortgage Loans in accordance with the Pfandbriefgesetz, and **"Mortgage"** means any of them.

"Mortgage Loans" means the mortgage loan receivables registered in the

Cover Pool Register which are secured by the Mortgages in accordance with the Pfandbriefgesetz, and "**Mortgage Loan**" means any of them.

"**Mortgaged Property**" means the real estate property (including building rights (*Baurechte*)) that is subject to the Mortgages.

"**Mortgaged Property Value**" means the total value of all the Mortgaged Property as determined by the Issuer in accordance with the Issuer's articles of association, applicable laws (in particular the Austrian Real Estate Valuation Act, *Liegenschaftsbewertungsgesetz*), as well as other generally common rules and methods and internal rules for valuation of the Mortgaged Property. The Issuer must, subject to the foregoing, determine the Mortgaged Property Value using the current market price and with special regard to: (a) characteristics of the Mortgaged Property which are sustainable on a permanent or a long-term basis; (b) income achievable by a third party operating the Mortgaged Property with due care; (c) rights and encumbrances attached to the Mortgaged Property; and (d) conditions prevailing on the local real property market and anticipated development of that market. The Mortgaged Property Value cannot be higher than the current market price of the Mortgaged Property.

"**Non-Discount Sale**" means a sale of a Cover Pool Asset that is effected at a price without a discount to its par value.

"**Other Covered Bonds**" means all other bonds or notes issued by the Issuer which are secured by the same Cover Pool Assets and which are subject to a pass-through structure (but regardless, for the avoidance of doubt, of whether they have become pass-through bonds in accordance with their terms or not).

"**Other Pass-Through Covered Bonds**" means the Other Covered Bonds once they become pass-through bonds in accordance with their terms.

"**Pass-Through Covered Bonds**" means the Covered Bonds once an Issuer Event other than Issuer Bankruptcy has occurred and is continuing pursuant to § 8 (1) (ii).

"**Special Receiver**" means a special receiver (*besonderer Verwalter*) appointed upon an Issuer Bankruptcy in respect of the Cover Pool Assets according to § 6 (2) of the Pfandbriefgesetz.

"**Statutory Cover Pool Balance**" is calculated as follows:

$$B+C$$

Where:

B = the sum of the outstanding nominal values of all Mortgage Loans, provided that the nominal value is, for each Mortgage Loan, deemed to be the lower of: (a) the nominal value of the Mortgage Loan, (b) the nominal value of the corresponding Mortgage, and (c) 60% of the Mortgaged Property Value

multiplied by M,

where M = 100 per cent. if such Mortgage Loan is not a Defaulted Loan and M = 0 per cent. if such Mortgage Loan is a Defaulted Loan,

provided that in the case of any Mortgage Loan that is subject to a prior ranking encumbrance, such encumbrance shall be taken into consideration;

C = the sum of the balances of the Substitute Cover Pool Assets and Hedging Agreements

"Statutory Cover Test" means that the Statutory Cover Pool Balance is an amount at least equal to 102% of the aggregate outstanding principal amount of the Covered Bonds and the Other Covered Bonds.

"Substitute Cover Pool Assets" means substitute cover assets (*Ersatzdeckungswerte*) eligible pursuant to § 2 (3) of the Pfandbriefgesetz which are registered in the Cover Pool Register, including the Interest Reserve.

§ 9

TERMINATION

(1) *Notice of Termination.* If, upon an Issuer Bankruptcy Event, a Cover Pool Transfer is not possible and the Cover Pool Assets are not sufficient to satisfy the current and future claims of the Holders and the holders of the Other Covered Bonds, then the Special Receiver shall publish a notice (a **"Notice of Termination"**) pursuant to § 12.

For the avoidance of doubt, when determining whether the Cover Pool Assets are sufficient to satisfy the current and future claims of the Holders and the holders of the Other Covered Bonds, the Special Receiver shall take into account that the Covered Bonds will, upon the occurrence of an Issuer Event other than an Issuer Bankruptcy Event which is continuing, become Pass-Through Covered Bonds in accordance with § 8 and that Holders shall have no claim for payments under the Pass-Through Covered Bonds against the Cover Pool Assets that would exceed Covered Bonds Available Funds in accordance with and subject to the Priority of Payments, and in the event that payments under the Pass-Through Covered Bonds have not been made out of Covered Bonds Available Funds in accordance with and subject to the Priority of Payments until the Extended Maturity Date, Holders of Pass-Through Covered Bonds shall have no further claim against the Cover Pool Assets in respect of such unpaid amounts.

(2) Following the publication of a Notice of Termination, the Covered Bonds shall become immediately due and payable, and the Special Receiver shall, upon the approval of the court, liquidate all Cover Pool Assets and use the proceeds to satisfy, *pari passu* and *pro rata*, the claims of the Holders and the holders of Other Covered Bonds in accordance with the Pfandbriefgesetz.

§ 10

PRESCRIPTION, PRECLUSION

(1) *Interest.* A claim for payment of interest shall by statute be barred after expiry of three years.

(2) *Principal.* The right to claim payment of principal shall lapse ten years after the respective due date unless such claim has been filed with court before such time.

§ 11

FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single Series with the Covered Bonds, provided that (i) no Covered Bonds or Other Covered Bonds have become Pass-Through Covered Bonds or Other Pass-Through Covered Bonds, and (ii) **[Rating Agency]** (the "**Rating Agency**") has been notified of such issuance and such Rating Agency shall have confirmed that such issuance will not negatively impact the then current rating of any Covered Bonds or Other Covered Bonds then outstanding.

(2) *Purchases.* The Issuer may at any time purchase Covered Bonds in the open market or otherwise and at any price. Covered Bonds purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Covered Bonds must be made available to all Holders of such Covered Bonds alike.

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

§ 12

NOTICES

In the case of Covered Bonds which are listed on the Luxembourg Stock Exchange the following applies

[(1) *Publication.* All notices concerning the Covered Bonds will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.]

(2) *Notification to Clearing System.* So long as any Covered Bonds are listed on the Luxembourg Stock Exchange, subparagraph (1) shall apply. If the Rules of the Luxembourg Stock Exchange so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication in the newspapers set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.]

In the case of Covered Bonds which are listed on the Vienna Stock Exchange the following applies

[(1) *Publication.* All notices concerning the Covered Bonds shall be published on the website of the Issuer (http://austrian-anadi-bank.com/Pfandbriefe/Dokumentation_CPT_Covered_Bonds_Programme). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.]

In the case of
Covered Bonds
which are
unlisted the
following applies

[(1) *Notification to Clearing System.* The Issuer shall deliver all notices concerning the Covered Bonds 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 day after the day on which the said notice was given to the Clearing System.]

[(2)](3) *Form of Notice.* Notices to be given by any Holder shall be made by means of a written declaration to be sent together with an evidence of the Holder's entitlement in accordance with § 13 (3) to the Fiscal Agent. Such notice may be given through the Clearing System in such manner as the Fiscal Agent and the Clearing System may approve for such purpose.

§ 13

APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Covered Bonds, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by Austrian law excluding its conflict of laws rules where their application would lead to the applicability of a foreign law.

(2) *Submission to Jurisdiction.* The competent court in Klagenfurt shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Covered Bonds. The submission to the jurisdiction of the courts of Klagenfurt shall not (and shall not be construed so as to) limit the right of any Holder to take proceedings in any other court of competent jurisdiction (in particular, and as far as mandatorily competent, a place of consumer jurisdiction).

(3) *Enforcement.* Any Holder of Covered Bonds may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Covered Bonds on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Covered Bonds (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Covered Bonds 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 Covered Bond in global form 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 Covered Bonds.

For purposes of the foregoing, "**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 Covered Bonds and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Covered Bonds also in any other way which is admitted in the country of the Proceedings.

OPTION II – Terms and Conditions that apply to Covered Bonds with floating interest rates

§ 1

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination.* This Series of Covered Bonds (the "**Covered Bonds**") of Austrian Anadi Bank AG (the "**Issuer**") is being issued in [**Specified Currency**] (the "**Specified Currency**") in the aggregate principal amount [**In the case the Global Note is an NGN the following applies: ,subject to § 1(4),]** of [**aggregate principal amount**] (in words: [**aggregate principal amount in words**]) in the denomination of [**Specified Denomination**] (the "**Specified Denomination**").

(2) *Form.* The Covered Bonds are in bearer form and represented by one or more global notes (each a "**Global Note**").

In the case of Covered Bonds which are represented by a Permanent Global Note the following applies (for Covered Bonds issued in compliance with the C Rules)

[(3) *Permanent Global Note.* The Covered Bonds are represented by a permanent Global Note (the "**Permanent Global Note**") without coupons. The Permanent Global Note shall be signed by authorised signatories of the Issuer, shall bear the necessary manual certification of the trustee (*Treuhänder*) (the "**Trustee**") pursuant to the Pfandbriefgesetz (as defined below) and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Covered Bonds and interest coupons will not be issued.]

In the case of Covered Bonds which are initially represented by a Temporary Global Note the following applies (for Covered Bonds issued in compliance with the D Rules)

[(3) *Temporary Global Note – Exchange.*

(a) The Covered Bonds are initially represented by a temporary Global Note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Covered Bonds in the Specified Denomination represented by a permanent Global Note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Covered Bonds and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note from a date (the "**Exchange Date**") 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Covered Bonds represented by the Temporary Global Note is not a U. S. person (other than certain financial institutions or certain persons holding Covered Bonds through such financial institutions) as required by U.S. tax law. The certification shall be in compliance with the applicable United States Treasury Regulations. Payment of interest on Covered Bonds 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 interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this subparagraph. Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4(3)).]

(4) *Clearing System.* The Permanent Global Note representing the Covered Bonds will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Covered Bonds have been satisfied. "**Clearing System**" means [In the case of more than one Clearing System the following applies: each of] the following: [OeKB CSD GmbH, Strauchgasse 1-3, 1010 Vienna, Austria ("**OeKB CSD GmbH**") [Clearstream Banking AG, Neue Börsestraße 1, 60487 Frankfurt am Main, Federal Republic of Germany ("**CBF**") [Clearstream Banking société anonyme, 42 Avenue JF Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**"),] [Euroclear Bank SA/NV, Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**") [(CBL and Euroclear each an "**International Central Securities Depository**" or "**ICSD**" and together the "**ICSDs**")] and any successor in such capacity.

In the case of
Covered Bonds
kept in custody
on behalf of the
ICSDs

[The Covered Bonds are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

and the Global
Note is an NGN
the following
applies

The aggregate principal amount of Covered Bonds represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Covered Bonds) shall be conclusive evidence of the aggregate principal amount of Covered Bonds represented by the Global Note and, for these purposes, a statement issued by a ICSD stating the amount of Covered Bonds so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or interest payment being made in respect of, or purchase and cancellation of, any of the Covered Bonds represented by the Global Note the Issuer shall procure that details of any redemption, interest payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs. In case of redemptions and/or purchases, upon any such entry being made, the aggregate principal amount of the Covered Bonds recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Covered Bonds so redeemed or purchased and cancelled.]

In the case of
Covered Bonds

[The Covered Bonds are issued in classical global note ("**CGN**") form and are kept in custody by a common depository on behalf of both ICSDs.]

kept in custody
on behalf of the
ICSDs and the
global note is a
CGN the
following applies

(5) *Holder of Covered Bonds*. "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Covered Bonds.

§ 2 STATUS

The obligations under the Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves. The Covered Bonds are covered by the Cover Pool Assets registered in the Cover Pool Register in accordance with the Austrian Act concerning Pfandbriefe and Related Bonds of Public Law Credit Institutions (*Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten (Pfandbriefgesetz)*) and ancillary legislation, regulation and the respective provisions of the Issuer's articles of association, together the "**Pfandbriefgesetz**") and rank at least *pari passu* with all other obligations of the Issuer under Pfandbriefe which are covered by the Cover Pool Assets.

§ 3 INTEREST

(1) *Interest Payment Dates*.

(a) The Covered Bonds shall bear interest on their aggregate principal amount from [**Interest Commencement Date**] (inclusive) (the "**Interest Commencement Date**") to the first Interest Payment Date (exclusive) and thereafter from each Interest Payment Date (inclusive) to the next following Interest Payment Date (exclusive). Interest on the Covered Bonds shall be payable on each Interest Payment Date.

(b) "**Interest Payment Date**" means

[each [Specified Interest Payment Dates].]

In the case of
Specified Interest
Payment Dates
the following
applies

In the case of
Specified Interest
Periods the
following applies

[each date which (except as otherwise provided in these Terms and Conditions) falls [number] [weeks] [months] after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.]

(c) If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be

In the case of the
Modified
Following

[postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the immediately preceding Business Day.]

**Business Day
Convention the
following applies**

**In the case of
FRN Convention
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 (i) the payment date shall be the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls [[number] months] after the preceding applicable payment date.]

**In the case of
Following
Business Day
Convention the
following applies**

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

**In the case of
Preceding
Business Day
Convention the
following applies**

[the immediately preceding Business Day.]

(d) In this § 3 "**Business Day**" means

**In the case the
Specified
Currency is not
EUR the
following applies**

[a day (other than a Saturday or a Sunday) on which commercial banks are generally open for business in, and foreign exchange markets settle payments in [relevant financial centre(s)].][and]

**In the case the
Clearing System
and TARGET
shall be open the
following applies**

[a day on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 ("**TARGET**") are open to effect payments.]

**In the case the
reference rate is
the offered
quotation for
deposits in the
Specified
Currency is
EURIBOR the
following applies**

[(2) *Rate of Interest.* The rate of interest (the "**Rate of Interest**") for each Interest Period (as defined below) will, except as provided below, be the offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for that Interest Period which appears on the Screen Page as of 11:00 a.m. (Brussels time) on the Interest Determination Date (as defined below) [multiplied by [factor]] [[plus] [minus] the Margin (as defined below)], all as determined by the Calculation Agent.

"**Interest Period**" means each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from (and including) each Interest Payment Date to (but excluding) the following Interest Payment Date.

"**Interest Determination Date**" means the second TARGET Business Day

prior to the commencement of the relevant Interest Period. "**TARGET Business Day**" means a day which is a day on which all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 ("**TARGET**") are open to effect payments.

["**Margin**" means [●] per cent. *per annum*.]

"**Screen Page**" means Reuters screen page EURIBOR01 or any successor page.

If the Screen Page is not available or if no such quotation appears as at such time, the Calculation Agent shall request the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate *per annum*) for deposits in the Specified Currency for the relevant Interest Period and in a representative amount to leading banks in the Euro-Zone interbank market at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date. If two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of such offered quotations [multiplied by [factor]] [[plus] [minus] the Margin], all as determined by the Calculation Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by major banks in the Euro-zone interbank market, selected by the Calculation Agent acting in good faith, at which such banks were offered, as at 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period and in a representative amount to leading European banks [multiplied by [factor]] [[plus] [minus] the Margin].

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Interest Determination Date on which such quotations were offered [[plus] [minus] the Margin (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period)].

As used herein, "**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.

"**representative amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time.

As used herein, "Reference Banks" means four major banks in the interbank market in the Euro-Zone.]

In the case the reference rate is the offered quotation for deposits in the Specified Currency is LIBOR the following applies

[(2) *Rate of Interest.* The rate of interest (the "**Rate of Interest**") for each Interest Period (as defined below) will, except as provided below, be the offered quotation (expressed as a percentage rate *per annum*) for deposits in the Specified Currency for that Interest Period which appears on the Screen Page as of 11:00 a.m. (London time) on the Interest Determination Date (as defined below) [multiplied by **[factor]**] [[plus] [minus] the Margin (as defined below)], all as determined by the Calculation Agent.

"**Interest Period**" means each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from (and including) each Interest Payment Date to (but excluding) the following Interest Payment Date.

"**Interest Determination Date**" means the [first] [second] [**relevant financial centre(s)**] Business Day [prior to the commencement] of the relevant Interest Period. "**[relevant financial centre(s)] Business Day**" means a day which is a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency) in [**relevant financial centre(s)**].

"**Margin**" means [●]per cent. *per annum.*]

"**Screen Page**" means Reuters screen page [LIBOR01][LIBOR02] or any successor page.

If the Screen Page is not available or if no such quotation appears as at such time, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate *per annum*) for deposits in the Specified Currency for the relevant Interest Period and in a representative amount to leading banks in the London interbank market at approximately 11.00 a.m. (London time) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall 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 offered quotations [multiplied by **[factor]**] [[plus] [minus] the Margin], all as determined by the Calculation Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the

nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by major banks in the London interbank market, selected by the Calculation Agent acting in good faith, at which such banks were offered, as at 11.00 a.m. (London time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period and in a representative amount by leading banks in the London interbank market [multiplied by **[factor]**] [[plus] [minus] the Margin].

"**representative amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Interest Determination Date on which such quotations were offered [[plus] [minus] the Margin (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period)].

As used herein, "**Reference Banks**" means four major banks in the London interbank market.]

In the case the reference rate is determined on the basis of the euro EURIBOR Swap Rate the following applies

[(2) *Rate of Interest.* The rate of interest (the "**Rate of Interest**") for each Interest Period (as defined below) will, except as provided below, be

[In the case the reference rate is a EUR Swap Rate the following applies: the rate for euro **[maturity]** year swap rate (the middle swap rate against the 6 month EURIBOR, expressed as a percentage rate *per annum*) (the "**EUR [maturity] Year Swap Rate**") which appears on the Screen Page as of 11:10 a.m. (Frankfurt time) on the Interest Determination Date (as defined below) [multiplied by **[factor]**] [[plus] [minus] the Margin (as defined below)], all as determined by the Calculation Agent.]

[In the case the reference rate is the difference between two EUR Swap Rates the following applies: the difference between the euro **[maturity]** year swap rate which appears on the Screen Page as of 11:10 a.m. Frankfurt time (as defined below) (the "**EUR [maturity] Year Swap Rate**") and the euro **[maturity]** year swap rate (the "**EUR [maturity] Year Swap Rate**") (each the middle swap rate against the 6 month EURIBOR, expressed as a percentage rate *per annum*) [multiplied by **[factor]**] [[plus] [minus] the Margin (as defined below)], all as determined by the Calculation Agent.]

"**Interest Period**" means each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from (and including) each Interest Payment Date to (but excluding) the following Interest Payment Date.

"**Interest Determination Date**" means the second Frankfurt Business Day prior to the commencement of the relevant Interest Period. "**Frankfurt Business Day**" means a day which is a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency) in Frankfurt.

"**Margin**" means [●] per cent. *per annum*.]

"**Screen Page**" means Reuters page ISDAFIX2 or the relevant successor page on that service or on any other service as may be nominated as the information vendor for the purposes of displaying rates or prices comparable to the relevant offered quotation.

If at such time the Screen Page is not available or if no EUR [maturity] [and] [or] [EUR [maturity]] Year Swap Rate appears at that time, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its [relevant] mid-market annual swap rate quotation at approximately 11:10 a.m. (Frankfurt time) on the relevant Interest Determination Date. For this purpose, the [relevant] annual swap rate means the mean of the [relevant] bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating euro interest rate swap transaction with a [maturity] maturity [and] [or] [a [maturity] maturity] commencing on that day and in a representative amount with an acknowledged dealer of good credit in the swap market where, the floating leg (calculated on an Actual/360 day count basis), is the equivalent to the rate for deposits in euro for a period of six months ("**6-months EURIBOR**") which appears on Reuters EURIBOR01 (or any successor page). The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the [relevant] reference rate for such day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) [multiplied by [factor]] [[plus] [minus] the Margin].

"**representative amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time.

As used herein, "**Reference Banks**" means five leading swap dealers in the Frankfurt interbank market.]

In case of a
Minimum and/or
Maximum Rate of
Interest the
following applies

[(3) [Minimum] [and] [Maximum] Rate of Interest. [If the Rate of Interest in respect of any Interest Period determined in accordance with the above provisions is less than [0 per cent.] [Minimum Rate of Interest], the Rate of Interest for such Interest Period shall be [0 per cent.] [Minimum Rate of Interest].]

[If the Rate of Interest in respect of any Interest Period determined in accordance with the above provisions is greater than [Maximum Rate of Interest], the Rate of Interest for such Interest Period shall be [Maximum Rate of Interest].]

[(3)]/[(4)] *Interest Amount*. The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined,

determine the Rate of Interest and calculate the amount of interest (the "**Interest Amount**") payable on the Covered Bonds in respect of the Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to the Specified Denomination and rounding the resultant figure to the nearest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.

[(4)]/[(5)] *Notification of Rate of Interest and Interest Amount.* The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Interest Period, each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agent(s) and to the Holders in accordance with § 12 as soon as possible after their determination, but in no event later than the fourth [London] [Frankfurt] [TARGET] [**relevant financial centre(s)**] Business Day (as defined in § 3(1)(d)) thereafter, and, if required by the rules of any stock exchange on which the Covered Bonds are from time to time listed, to such stock exchange, as soon as possible after their determination, but in no event later than the first day of the relevant Interest Period. Each Interest Amount and Interest 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 Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Covered Bonds are then listed, the Paying Agent(s) and to the Holders in accordance with § 12.

[(5)]/[(6)] *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 manifest error) be binding on the Issuer, the Fiscal Agent [, the Paying Agent(s)] and the Holders.

[(6)]/[(7)] *Accrual of Interest.* The Covered Bonds shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Covered Bonds when due, interest shall continue to accrue on the outstanding aggregate principal amount of the Covered Bonds beyond the due date until actual redemption of the Covered Bonds. Interest shall continue to accrue on the outstanding aggregate principal amount of the Covered Bonds from the due date (inclusive) until the date of redemption of the Covered Bonds (exclusive) at the default rate of interest established by law.¹ This does not affect other rights that might be available to the Holders.

[(7)]/[(8)] *Day Count Fraction.* "**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Covered Bond for any period of time (the "**Calculation Period**"):

¹ The default interest rate by law is 4% *per annum* as per § 1000 (1) of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch – ABGB*). In commercial transactions between undertakings the default interest is 9.2 percentage points over the base interest rate as per § 456 of the Austrian Commercial Code (*Unternehmensgesetzbuch – UGB*).

In the case of
Actual/365
(Fixed) the
following applies

[The actual number of days in the Calculation Period divided by 365.]

In the case of
Actual/360 the
following applies

[The actual number of days in the Calculation Period divided by 360.]

§ 4 PAYMENTS

(1)(a) *Payment of Principal.* Payment of principal in respect of Covered Bonds shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System outside the United States.

(b) *Payment of Interest.* Payment of interest on Covered Bonds shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System.

In the case of
interest payable
on a Temporary
Global Note the
following applies

[Payment of interest on Covered Bonds represented by the Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided 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 Covered Bonds shall be made in the Specified Currency.

(3) *United States.* For purposes of **[In the case of TEFRA D Covered Bonds the following applies: § 1(3) and]** subparagraph (1) of this § 4, "United States" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

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

(5) *Payment Business Day.* If the date for payment of any amount in respect of any Covered Bond is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day and shall not be entitled to further interest or other payment in respect of such delay. "**Payment Business Day**" means a Business Day (as defined in § 3(1)).

(6) *References to Principal.* Reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable: the Final Redemption Amount of the Covered Bonds; **[If redeemable at the option of the Issuer the following applies: the Call Redemption Amount of the Covered Bonds;]** and any premium and any other amounts which may be payable under or in respect of the Covered Bonds.

(7) *Deposit of Principal and Interest.* The Issuer may pursuant to § 1425 of

the Austrian General Civil Code deposit with the competent court principal or interest not claimed by Holders within 12 months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected, made public and the rights of withdrawal and revocation are waived, the respective claims of such Holders against the Issuer shall cease.

§ 5 REDEMPTION

(1) *Redemption at Maturity.* Unless previously redeemed or purchased and cancelled, the Covered Bonds shall be redeemed at their Final Redemption Amount on **[Maturity Date]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Covered Bond shall be its principal amount. Unless stated herein, neither the Issuer nor the Holders have a right to redeem the Covered Bonds prior to the Maturity Date.

(2) *Extended Maturity.*

- (a) If the Issuer has failed to pay the Final Redemption Amount on the Maturity Date, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until **[Extended Maturity Date]** (the "**Extended Maturity Date**") and references in § 3 and § 4 to "Maturity Date" shall be replaced by references to "Extended Maturity Date", provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date shall be paid by the Issuer on any Cover Pool Payment Date occurring thereafter up to (and including) the relevant Extended Maturity Date if and to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments.
- (b) The Issuer shall confirm to the Fiscal Agent and the Paying Agent as soon as reasonably practicable and in any event at least four Payment Business Days prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of the Covered Bonds on the Maturity Date. Any failure by the Issuer to notify the Fiscal Agent and the Paying Agent shall not affect the validity of effectiveness of the extension.
- (c) Such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment (but, for the avoidance of doubt, such failure to pay shall constitute an Issuer Default of Payment Event if not paid within a period of seven Payment Business Days from the due date thereof).

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

- (a) The Issuer may, upon notice given in accordance with subparagraph (b), redeem the Covered Bonds (in whole but not in part) on the Call Redemption Date(s) at the Call Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the Call Redemption Date.

If Covered Bonds
are subject to
Early
Redemption at
the Option of the
Issuer at
specified Call
Redemption
Amounts the
following applies

in U.S. Dollars the following applies: and (ii) if payments at or through the offices of all Paying Agents outside the United States (as defined in § 4 hereof) 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 United States dollars, a Paying Agent with a specified office in New York City] and [(ii)]/[(iii)] a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 12.

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

§ 7

TAXATION

All amounts payable in respect of the Covered Bonds shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Austria or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

§ 8

ISSUER EVENTS

(1) *Issuer Events.*

Prior to a Notice of Termination, if any of the following events (each, an "**Issuer Event**") occurs and is continuing:

- (a) an Issuer Bankruptcy Event; and/or
- (b) an Issuer Default of Payment Event; and/or
- (c) a Breach of Contractual Asset Cover Test; and/or
- (d) a Breach of Statutory Cover Test.

then:

- (i) no further Covered Bonds or Other Covered Bonds will be issued by the Issuer; and
- (ii) (A) in case of an Issuer Bankruptcy Event, the Cover Pool Assets shall constitute a special fund (*Sondermasse*) for the claims of the Holders and the holders of the Other Covered Bonds pursuant to § 48 of the Austrian Insolvency Code (*Insolvenzordnung - IO*), and the bankruptcy court (*Konkursgericht*) shall without delay appoint a Special Receiver for the administration of the Cover Pool Assets. The Special Receiver shall, in accordance with § 6 of the Pfandbriefgesetz, pay all due claims of the Holders out of the Cover Pool Assets, and shall transfer the Cover Pool Assets to a credit institution (which shall then, for the purposes hereof, become the "Issuer") which assumes the liabilities under the Covered Bonds and the Other Covered Bonds (a "**Cover Pool Transfer**"). Upon a Cover Pool Transfer being effective, all Covered Bonds that are Pass-Through Covered Bonds (if any) will cease to be Pass-Through Covered

Bonds and will be due and payable for repayment in accordance with their initial terms and conditions. Should a Cover Pool Transfer not be possible, and as long as no Issuer Event other than an Issuer Bankruptcy Event occurs, the Special Receiver shall continue, in accordance with § 6 of the Pfandbriefgesetz, to pay all due claims of the Holders out of the Cover Pool Assets;

(B) in case of an Issuer Default of Payment Event, the Covered Bonds shall become Pass-Through Covered Bonds which shall be due and payable for repayment, to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments on each Cover Pool Payment Date until (x) the Pass-Through Covered Bonds are redeemed in full or, if earlier, (y) an Issuer Bankruptcy Event occurs and a Cover Pool Transfer becomes effective, in which case the Covered Bonds shall cease to be Pass-Through Covered Bonds, provided that no Issuer Event (other than an Issuer Bankruptcy Event) has occurred after the Cover Pool Transfer became effective; and/or

(C) in case of a Breach of Contractual Asset Cover Test and/or a Breach of Statutory Cover Test, the Covered Bonds shall become Pass-Through Covered Bonds, and such Pass-Through Covered Bonds shall be due and payable for repayment, to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments on each Cover Pool Payment Date until (x) the Pass-Through Covered Bonds are redeemed in full or, if earlier, (y) an Issuer Bankruptcy Event occurs and a Cover Pool Transfer becomes effective, in which case the Covered Bonds shall cease to be Pass-Through Covered Bonds, provided that no Issuer Event (other than an Issuer Bankruptcy Event) has occurred after the Cover Pool Transfer became effective.

For the avoidance of doubt, Holders shall have no claim for payments under the Pass-Through Covered Bonds for Cover Pool Assets that would exceed Covered Bonds Available Funds in accordance with and subject to the Priority of Payments, and in the event that payments under the Pass-Through Covered Bonds have not been made out of Covered Bonds Available Funds in accordance with and subject to the Priority of Payments until the Extended Maturity Date, Holders of Pass-Through Covered Bonds shall have no further claim for Cover Pool Assets in respect of such unpaid amounts.

- (2) *Early Redemption at the Option of the Issuer for Pass-Through Covered Bonds.*
- (a) The Issuer (or, as the case may be, the Special Receiver) may, upon notice given in accordance with subparagraph (b), redeem Pass-Through Covered Bonds (in whole but not in part) on each Cover Pool Payment Date at par together with accrued interest, if any, to (but excluding) the respective Cover Pool Payment Date, provided that such repayment
- (i) is funded by one or more Non-Discount Sales; and
 - (ii) does not cause a Breach of Contractual Asset Cover Test and/or

Breach of Statutory Test.

- (b) Notice of redemption shall be given by the Issuer (or, as the case may be, the Special Receiver) to the Holders of the Pass-Through Covered Bonds in accordance with § 12, specifying the securities identification numbers of the Pass-Through Covered Bonds subject to redemption.

(3) *Priority of Payments.*

Upon the Covered Bonds becoming Pass-Through Covered Bonds, the Covered Bonds Available Funds shall be applied on each Cover Pool Payment Date in making the following payments and provisions in the following order of priority (the "**Priority of Payments**") (in each case only if and to the extent that payments of a higher priority have been made in full and provided that any such payment does not cause an Issuer Event, and subject to, and to the extent permissible by, the Pfandbriefgesetz):

- (a) *first, pari passu and pro rata* according to the respective amounts thereof to pay any fees, costs, expenses and taxes incurred under or in connection with the Pass-Through Covered Bonds and the Other Covered Bonds and/or the management of the Cover Pool Assets and/or the administration of the Cover Pool Assets (including costs of the Special Receiver and costs pursuant to § 49 of the Austrian Insolvency Code, if any) due and payable on the Cover Pool Payment Date or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date, to the extent such fees, costs, expenses and taxes are not payable or have not been paid by the Issuer or any other third party;
- (b) *second, pari passu and pro rata*, according to the respective amounts thereof (i) to pay all amounts of interest due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date on any Pass-Through Covered Bonds and Other Covered Bonds, and (ii) to pay any amounts due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date under any Hedging Agreement;
- (c) *third, pari passu and pro rata*, to pay all amounts of principal due and payable on the Cover Pool Payment Date in respect of any Pass-Through Covered Bonds and Other Covered Bonds, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date (if any) on any Pass-Through Covered Bonds and Other Covered Bonds;
- (d) *fourth*, to release any excess to the Issuer.

(4) *Definitions.*

"**Asset Percentage**" means the lower of 100 per cent. and any other figure determined by the Issuer and the Rating Agency from time to time. As of the date of this Series, the Asset Percentage is [●] per cent. The Issuer may increase or decrease the Asset Percentage but only if the Rating Agency has been notified thereof and by the seventh day after such notification, the Rating Agency has not communicated that any such increase of the Asset

Percentage will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

"Breach of Contractual Asset Cover Test" means that the Contractual Asset Cover Test is breached for a period of one (1) month.

"Breach of Statutory Cover Test" means that the Statutory Cover Test is breached for a period of three (3) subsequent months.

"Calculation Date" means, in relation to a Cover Pool Payment Date, the day falling five Payment Business Days prior to such Cover Pool Payment Date.

"Contractual Adjusted Cover Pool Balance" is calculated as follows:

$$A+C$$

Where:

A = the sum of the outstanding nominal values of all Mortgage Loans, provided that the nominal value is, for each Mortgage Loan, deemed to be the lower of: (a) the nominal value of the Mortgage Loan and (b) the nominal value of the corresponding Mortgage,

multiplied by M,

where M = 100 per cent. if such Mortgage Loan is not a Defaulted Loan and M = 0 per cent. if such Mortgage Loan is a Defaulted Loan,

provided that in the case of any Mortgage Loan that is subject to a prior ranking encumbrance, such encumbrance shall be taken into consideration,

multiplied by the Asset Percentage;

C = the sum of the balances of the Substitute Cover Pool Assets and Hedging Agreements

"Contractual Asset Cover Test" means that the Contractual Adjusted Cover Pool Balance is, calculated as of the 10th of each month, an amount at least equal to the sum of (i) the aggregate outstanding principal amount, plus (ii) accrued but unpaid interest, if any, plus (iii) the aggregate amount of all interest payments that would become payable in the future to (but excluding) the Maturity Date, each in relation to the Covered Bonds and the Other Covered Bonds.

"Cover Pool Assets" means the Mortgage Loans, the Substitute Cover Pool Assets and the Hedging Agreements which are designated to cover the Covered Bonds, the Other Covered Bonds and the claims of the hedging partners under the Hedging Agreements, all of which are registered in the Cover Pool Register.

"Cover Pool Payment Date" means the 20th day of each month and if such day is not a Payment Business Day, the first Payment Business Day thereafter;

"Cover Pool Register" means the cover pool register (*Deckungsregister*) pursuant to § 3 (1) of the Pfandbriefgesetz for mortgage covered bonds.

"Covered Bonds Available Funds" means, at any time upon or after the

Covered Bonds become Pass-Through Covered Bonds, in respect of any Cover Pool Payment Date, as the case may be, the aggregate of:

- (i) all cash amounts being part of the Cover Pool Assets at the immediately preceding Calculation Date;
- (ii) all amounts of interest paid on or in relation to Cover Pool Assets during the Interest Period immediately preceding such Cover Pool Payment Date;
- (iii) all amounts deriving from repayment at maturity of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (iv) all amounts deriving from a (full or partial) sale or other means of liquidation or monetarisation of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (v) all amounts (if any) paid or to be paid on or prior to such Cover Pool Payment Date by the hedging counterparties pursuant to the Hedging Agreement(s), but excluding any collateral or security received thereunder.

For the avoidance of doubt should there be any duplication in the amounts included in the different items of the Covered Bonds Available Funds above, such duplication shall be avoided when calculating the Covered Bonds Available Funds.

"Defaulted Loan" means any Mortgage Loan included in the Cover Pool Assets which is more than 90 days in arrears.

"Hedging Agreements" means the hedging agreements (*Sicherungsgeschäfte / Derivativerträge*) that are registered in the Cover Pool Register which have been concluded to reduce interest rate, foreign exchange or creditor risks pursuant to § 2 (5) of the Pfandbriefgesetz.

"Interest Reserve" means an amount equal to the Interest Reserve Amount which is part of the over-collateralisation (*sichernde Überdeckung*) pursuant to § 2 (1) of the Pfandbriefgesetz and which is part of, and constituted by, the Substitute Cover Pool Assets. The Interest Reserve is, subject to the Pfandbriefgesetz, to be used by the Issuer (or the Special Receiver, as the case may be) to pay interest payments when due in relation to the Covered Bonds and the Other Covered Bonds.

"Interest Reserve Amount" means an amount, as calculated on the 10th of each month (the **"Calculation Date"**), equal to the aggregate of all interest payment amounts that will become payable within three calendar months following the Calculation Date in relation to the Covered Bonds and the Other Covered Bonds.

"Issuer Bankruptcy Event" means that bankruptcy (*Konkurs*) is instituted over the assets of the Issuer as set forth in § 6 (1) of the Pfandbriefgesetz.

"Issuer Default of Payment Event" means that the Issuer (or the Special Receiver, as the case may be) fails to pay (i) any principal on the Maturity Date, or (ii) after having used the Interest Reserve, if applicable, any interest on the respective Interest Payment Date, each in respect of the Covered Bonds within a period of seven Payment Business Days from the due date

thereof.

"Mortgages" means the mortgages (*Hypotheken*) in relation to the Mortgaged Property that secure the Mortgage Loans in accordance with the Pfandbriefgesetz, and **"Mortgage"** means any of them.

"Mortgage Loans" means the mortgage loan receivables registered in the Cover Pool Register which are secured by the Mortgages in accordance with the Pfandbriefgesetz, and **"Mortgage Loan"** means any of them.

"Mortgaged Property" means the real estate property (including building rights (*Baurechte*)) that is subject to the Mortgages.

"Mortgaged Property Value" means the total value of all the Mortgaged Property as determined by the Issuer in accordance with the Issuer's articles of association, applicable laws (in particular the Austrian Real Estate Valuation Act, *Liegenschaftsbewertungsgesetz*), as well as other generally common rules and methods and internal rules for valuation of the Mortgaged Property. The Issuer must, subject to the foregoing, determine the Mortgaged Property Value using the current market price and with special regard to: (a) characteristics of the Mortgaged Property which are sustainable on a permanent or a long-term basis; (b) income achievable by a third party operating the Mortgaged Property with due care; (c) rights and encumbrances attached to the Mortgaged Property; and (d) conditions prevailing on the local real property market and anticipated development of that market. The Mortgaged Property Value cannot be higher than the current market price of the Mortgaged Property.

"Non-Discount Sale" means a sale of a Cover Pool Asset that is effected at a price without a discount to its par value.

"Other Covered Bonds" means all other bonds or notes issued by the Issuer which are secured by the same Cover Pool Assets and which are subject to a pass-through structure (but regardless, for the avoidance of doubt, of whether they have become pass-through bonds in accordance with their terms or not).

"Other Pass-Through Covered Bonds" means the Other Covered Bonds once they become pass-through bonds in accordance with their terms.

"Pass-Through Covered Bonds" means the Covered Bonds once an Issuer Event other than Issuer Bankruptcy has occurred and is continuing pursuant to § 8 (1) (ii).

"Special Receiver" means a special receiver (*besonderer Verwalter*) appointed upon an Issuer Bankruptcy in respect of the Cover Pool Assets according to § 6 (2) of the Pfandbriefgesetz.

"Statutory Cover Pool Balance" is calculated as follows:

$$B+C$$

Where:

B = the sum of the outstanding nominal values of all Mortgage Loans, provided that the nominal value is, for each Mortgage Loan, deemed to be the lower of: (a) the nominal value of the Mortgage Loan, (b) the nominal value of the corresponding Mortgage, and (c) 60% of the

Mortgaged Property Value

multiplied by M,

where M = 100 per cent. if such Mortgage Loan is not a Defaulted Loan and M = 0 per cent. if such Mortgage Loan is a Defaulted Loan, *provided* that in the case of any Mortgage Loan that is subject to a prior ranking encumbrance, such encumbrance shall be taken into consideration;

C = the sum of the balances of the Substitute Cover Pool Assets and Hedging Agreements

"Statutory Cover Test" means that the Statutory Cover Pool Balance is an amount at least equal to 102% of the aggregate outstanding principal amount of the Covered Bonds and the Other Covered Bonds.

"Substitute Cover Pool Assets" means substitute cover assets (*Ersatzdeckungswerte*) eligible pursuant to § 2 (3) of the Pfandbriefgesetz which are registered in the Cover Pool Register, including the Interest Reserve.

§ 9

TERMINATION

(1) *Notice of Termination.* If, upon an Issuer Bankruptcy Event, a Cover Pool Transfer is not possible and the Cover Pool Assets are not sufficient to satisfy the current and future claims of the Holders and the holders of the Other Covered Bonds, then the Special Receiver shall publish a notice (a **"Notice of Termination"**) pursuant to § 12.

For the avoidance of doubt, when determining whether the Cover Pool Assets are sufficient to satisfy the current and future claims of the Holders and the holders of the Other Covered Bonds, the Special Receiver shall take into account that the Covered Bonds will, upon the occurrence of an Issuer Event other than an Issuer Bankruptcy Event which is continuing, become Pass-Through Covered Bonds in accordance with § 8 and that Holders shall have no claim for payments under the Pass-Through Covered Bonds against the Cover Pool Assets that would exceed Covered Bonds Available Funds in accordance with and subject to the Priority of Payments, and in the event that payments under the Pass-Through Covered Bonds have not been made out of Covered Bonds Available Funds in accordance with and subject to the Priority of Payments until the Extended Maturity Date, Holders of Pass-Through Covered Bonds shall have no further claim against the Cover Pool Assets in respect of such unpaid amounts.

(2) Following the publication of a Notice of Termination, the Covered Bonds shall become immediately due and payable, and the Special Receiver shall, upon the approval of the court, liquidate all Cover Pool Assets and use the proceeds to satisfy, *pari passu* and *pro rata*, the claims of the Holders and the holders of Other Covered Bonds in accordance with the Pfandbriefgesetz.

§ 10
PRESCRIPTION, PRECLUSION

(1) *Interest.* A claim for payment of interest shall by statute be barred after expiry of three years.

(2) *Principal.* The right to claim payment of principal shall lapse ten years after the respective due date unless such claim has been filed with court before such time.

§ 11
FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single Series with the Covered Bonds, provided that (i) no Covered Bonds or Other Covered Bonds have become Pass-Through Covered Bonds or Other Pass-Through Covered Bonds, and (ii) **[Rating Agency]** (the "**Rating Agency**") has been notified of such issuance and such Rating Agency shall have confirmed that such issuance will not negatively impact the then current rating of any Covered Bonds or Other Covered Bonds then outstanding.

(2) *Purchases.* The Issuer may at any time purchase Covered Bonds in the open market or otherwise and at any price. Covered Bonds purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Covered Bonds must be made available to all Holders of such Covered Bonds alike.

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

§ 12
NOTICES

In the case of
Covered Bonds
which are listed
on the
Luxembourg
Stock Exchange
the following
applies

[(1) *Publication.* All notices concerning the Covered Bonds will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(2) *Notification to Clearing System.* So long as any Covered Bonds are listed on the Luxembourg Stock Exchange, subparagraph (1) shall apply. In the case of notices regarding the Rate of Interest of, if the Rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication in the newspapers set forth in subparagraph (1) above; any such notice shall be deemed to have been

validly given on the seventh day after the day on which the said notice was given to the Clearing System.]

In the case of Covered Bonds which are listed on the Vienna Stock Exchange the following applies

[(1) *Publication*. All notices concerning the Covered Bonds shall be published on the website of the Issuer (http://austrian-anadibank.com/Pfandbriefe/Dokumentation_CPT_Covered_Bonds_Programme). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.]

In the case of Covered Bonds which are unlisted the following applies

[(1) *Notification to Clearing System*. The Issuer shall deliver all notices concerning the Covered Bonds 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 day after the day on which the said notice was given to the Clearing System.]

[(2)][(3)] *Form of Notice*. Notices to be given by any Holder shall be made by means of a written declaration to be sent together with an evidence of the Holder's entitlement in accordance with § 13 (3) to the Fiscal Agent. Such notice may be given through the Clearing System in such manner as the Fiscal Agent and the Clearing System may approve for such purpose.

§ 13

APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law*. The Covered Bonds, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by Austrian law excluding its conflict of laws rules where their application would lead to the applicability of a foreign law.

(2) *Submission to Jurisdiction*. The competent court in Klagenfurt shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Covered Bonds. The submission to the jurisdiction of the courts of Klagenfurt shall not (and shall not be construed so as to) limit the right of any Holder to take proceedings in any other court of competent jurisdiction (in particular, and as far as mandatorily competent, a place of consumer jurisdiction).

(3) *Enforcement*. Any Holder of Covered Bonds may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Covered Bonds on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Covered Bonds (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Covered Bonds 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 Covered Bond in global form 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 Covered Bonds.

For purposes of the foregoing, "**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 Covered Bonds and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Covered Bonds also in any other way which is admitted in the country of the Proceedings.

**OPTION III – Terms and Conditions that apply to Covered Bonds
without periodic interest payments (Zero Coupon)**

§ 1

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination.* This Series of Covered Bonds (the "**Covered Bonds**") of Austrian Anadi Bank AG (the "**Issuer**") is being issued in [**Specified Currency**] (the "**Specified Currency**") in the aggregate principal amount [**In the case the Global Note is an NGN the following applies:** ,subject to § 1(4),] of [**aggregate principal amount**] (in words: [**aggregate principal amount in words**]) in the denomination of [**Specified Denomination**] (the "**Specified Denomination**").

(2) *Form.* The Covered Bonds are in bearer form and represented by one or more global notes (each a "**Global Note**").

In the case of Covered Bonds which are represented by a Permanent Global Note the following applies (for Covered Bonds issued in compliance with the C Rules)

[(3) *Permanent Global Note.* The Covered Bonds are represented by a permanent Global Note (the "**Permanent Global Note**") without coupons. The Permanent Global Note shall be signed by authorised signatories of the Issuer, shall bear the necessary manual certification of the trustee (*Treuhänder*) (the "**Trustee**") pursuant to the Pfandbriefgesetz (as defined below) and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Covered Bonds and interest coupons will not be issued.]

In the case of Covered Bonds which are initially represented by a Temporary Global Note the following applies (for Covered Bonds issued in compliance with the D Rules)

[(3) *Temporary Global Note – Exchange.*

(a) The Covered Bonds are initially represented by a temporary Global Note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Covered Bonds in the Specified Denomination represented by a permanent Global Note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Covered Bonds and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note from a date (the "**Exchange Date**") 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Covered Bonds represented by the Temporary Global Note is not a U. S. person (other than certain financial institutions or certain persons holding Covered Bonds through such financial institutions) as required by U.S. tax law. The certification shall be in compliance with the applicable United States Treasury Regulations. Any such certification received on or after the 40th day after the date of issue

of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this subparagraph. Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4(3)).]

- (4) *Clearing System.* The Permanent Global Note representing the Covered Bonds will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Covered Bonds have been satisfied. "**Clearing System**" means **[In the case of more than one Clearing System the following applies:** each of] the following: [OeKB CSD GmbH, Strauchgasse 1-3, 1010 Vienna, Austria ("**OeKB CSD GmbH**") [Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Federal Republic of Germany ("**CBF**") [Clearstream Banking société anonyme, 42 Avenue JF Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**"),] [Euroclear Bank SA/NV, Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**") [(CBL and Euroclear each an "**International Central Securities Depository**" or "**ICSD**" and together the "**ICSDs**")] and any successor in such capacity.

In the case of Covered Bonds kept in custody on behalf of the ICSDs

and the Global Note is an NGN the following applies

[The Covered Bonds are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

The aggregate principal amount of Covered Bonds represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Covered Bonds) shall be conclusive evidence of the aggregate principal amount of Covered Bonds represented by the Global Note and, for these purposes, a statement issued by a ICSD stating the amount of Covered Bonds so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption being made in respect of, or purchase and cancellation of, any of the Covered Bonds represented by the Global Note the Issuer shall procure that details of any redemption or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs. In case of redemptions and/or purchases, upon any such entry being made, the aggregate principal amount of the Covered Bonds recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Covered Bonds so redeemed or purchased and cancelled.]

In the case of Covered Bonds kept in custody on behalf of the ICSDs and the global note is a

[The Covered Bonds are issued in classical global note ("**CGN**") form and are kept in custody by a common depository on behalf of both ICSDs.]

CGN the
following applies

(5) *Holder of Covered Bonds*. "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Covered Bonds.

§ 2 STATUS

The obligations under the Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves. The Covered Bonds are covered by the Cover Pool Assets registered in the Cover Pool Register in accordance with the Austrian Act concerning Pfandbriefe and Related Bonds of Public Law Credit Institutions (*Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten (Pfandbriefgesetz)*) and ancillary legislation, regulation and the respective provisions of the Issuer's articles of association, together the "**Pfandbriefgesetz**") and rank at least *pari passu* with all other obligations of the Issuer under Pfandbriefe which are covered by the Cover Pool Assets.

§ 3 INTEREST

(1) *No Periodic Payments of Interest*. There will not be any periodic payments of interest on the Covered Bonds.

(2) *Accrual of Interest*. If the Issuer shall fail to redeem the Covered Bonds when due, interest shall accrue on the outstanding **[In the case of accumulating zero coupon Covered Bonds the following applies: accumulated]** aggregate principal amount of the Covered Bonds as from the due date to the date of actual redemption at the default rate of interest established by law¹. This does not affect other rights that might be available to the Holders.

(3) *Day Count Fraction*. "**Day Count Fraction**" means, in respect of a Calculation Period (as defined in § 8 (2)):

In the case of
30/360, 360/360
or Bond Basis
the following
applies

[The number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).]

¹ The default interest rate by law is 4% *per annum* as per § 1000 (1) of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch – ABGB*). In commercial transactions between undertakings the default interest is 9.2 percentage points over the base interest rate as per § 456 of the Austrian Commercial Code (*Unternehmensgesetzbuch – UGB*).

In the case of
30E/360 or
Eurobond Basis
the following
applies

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

§ 4 PAYMENTS

(1) *Payment of Principal.* Payment of principal in respect of Covered Bonds shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System outside the United States.

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

(3) *United States.* For purposes of **[In the case of TEFRA D Covered Bonds the following applies: § 1(3) and]** subparagraph (1) of this § 4, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

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

(5) *Payment Business Day.* If the date for payment of any amount in respect of any Covered Bond is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Business Day**" means

In the case of
Covered Bonds
not denominated
in EUR the
following applies

[a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in **[relevant financial centre(s)]**][.][and]]

In the case the
Clearing System
and TARGET
shall be open the
following applies

[a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 ("**TARGET**") are open to effect payments.]

(6) *References to Principal.* Reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable: the Final Redemption Amount of the Covered Bonds; **[If redeemable at the option of the Issuer the following applies:** the Call Redemption Amount of the Covered Bonds;] and any premium and any other amounts which may be payable under or in respect of the Covered Bonds.

(7) *Deposit of Principal.* The Issuer may pursuant to § 1425 of the Austrian General Civil Code deposit with the competent court principal not claimed by Holders within 12 months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected, made public and the rights of withdrawal and revocation are waived, the respective claims of such Holders against the Issuer shall cease.

§ 5

REDEMPTION

(1) *Redemption at Maturity.* Unless previously redeemed or purchased and cancelled, the Covered Bonds shall be redeemed at their Final Redemption Amount on **[Maturity Date]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Covered Bond shall be **[[percentage]** per cent. of] its principal amount. Unless stated herein, neither the Issuer nor the Holders have a right to redeem the Covered Bonds prior to the Maturity Date.

(2) *Extended Maturity.*

- (a) If the Issuer has failed to pay the Final Redemption Amount on the Maturity Date, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until **[Extended Maturity Date]** (the "**Extended Maturity Date**") and references in § 3 and § 4 to "Maturity Date" shall be replaced by references to "Extended Maturity Date", provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date shall be paid by the Issuer on any Cover Pool Payment Date occurring thereafter up to (and including) the relevant Extended Maturity Date if and to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments.
- (b) The Issuer shall confirm to the Fiscal Agent and the Paying Agent as soon as reasonably practicable and in any event at least four Payment Business Days prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of the Covered Bonds on the Maturity Date. Any failure by the Issuer to notify the Fiscal Agent and the Paying Agent shall not affect the validity of effectiveness of the extension.
- (c) Such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment (but, for the avoidance of doubt, such failure to pay shall constitute an Issuer Default of Payment Event if not paid within a period of seven Payment Business Days from the due date thereof).

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

- (a) The Issuer may, upon notice given in accordance with subparagraph (b), redeem the Covered Bonds (in whole but not in part) on the Call Redemption Date(s) at the Call Redemption Amount(s) set forth below, if any, to (but excluding) the Call Redemption Date.

If Covered Bonds
are subject to
Early
Redemption at
the Option of the
Issuer at
specified Call
Redemption

relationship of agency or trust to any Holder.

§ 7 TAXATION

All amounts payable in respect of the Covered Bonds shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Austria or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

§ 8 ISSUER EVENTS

(1) *Issuer Events.*

Prior to a Notice of Termination, if any of the following events (each, an "**Issuer Event**") occurs and is continuing:

- (a) an Issuer Bankruptcy Event; and/or
- (b) an Issuer Default of Payment Event; and/or
- (c) a Breach of Contractual Asset Cover Test; and/or
- (d) a Breach of Statutory Cover Test.

then:

- (i) no further Covered Bonds or Other Covered Bonds will be issued by the Issuer; and
- (ii) (A) in case of an Issuer Bankruptcy Event, the Cover Pool Assets shall constitute a special fund (*Sondermasse*) for the claims of the Holders and the holders of the Other Covered Bonds pursuant to § 48 of the Austrian Insolvency Code (*Insolvenzordnung - IO*), and the bankruptcy court (*Konkursgericht*) shall without delay appoint a Special Receiver for the administration of the Cover Pool Assets. The Special Receiver shall, in accordance with § 6 of the Pfandbriefgesetz, pay all due claims of the Holders out of the Cover Pool Assets, and shall transfer the Cover Pool Assets to a credit institution (which shall then, for the purposes hereof, become the "Issuer") which assumes the liabilities under the Covered Bonds and the Other Covered Bonds (a "**Cover Pool Transfer**"). Upon a Cover Pool Transfer being effective, all Covered Bonds that are Pass-Through Covered Bonds (if any) will cease to be Pass-Through Covered Bonds and will be due and payable for repayment in accordance with their initial terms and conditions. Should a Cover Pool Transfer not be possible, and as long as no Issuer Event other than an Issuer Bankruptcy Event occurs, the Special Receiver shall continue, in accordance with § 6 of the Pfandbriefgesetz, to pay all due claims of the Holders out of the Cover Pool Assets;
- (B) in case of an Issuer Default of Payment Event, the Covered Bonds shall become Pass-Through Covered Bonds which shall be due and payable for repayment, to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments on each Cover Pool Payment Date until (x) the Pass-Through Covered Bonds are redeemed in full or, if earlier, (y) an Issuer

Bankruptcy Event occurs and a Cover Pool Transfer becomes effective, in which case the Covered Bonds shall cease to be Pass-Through Covered Bonds, provided that no Issuer Event (other than an Issuer Bankruptcy Event) has occurred after the Cover Pool Transfer became effective; and/or

(C) in case of a Breach of Contractual Asset Cover Test and/or a Breach of Statutory Cover Test, the Covered Bonds shall become Pass-Through Covered Bonds, and such Pass-Through Covered Bonds shall be due and payable for repayment, to the extent Covered Bonds Available Funds are available for the purpose in accordance with and subject to the Priority of Payments on each Cover Pool Payment Date until (x) the Pass-Through Covered Bonds are redeemed in full or, if earlier, (y) an Issuer Bankruptcy Event occurs and a Cover Pool Transfer becomes effective, in which case the Covered Bonds shall cease to be Pass-Through Covered Bonds, provided that no Issuer Event (other than an Issuer Bankruptcy Event) has occurred after the Cover Pool Transfer became effective.

For the avoidance of doubt, Holders shall have no claim for payments under the Pass-Through Covered Bonds for Cover Pool Assets that would exceed Covered Bonds Available Funds in accordance with and subject to the Priority of Payments, and in the event that payments under the Pass-Through Covered Bonds have not been made out of Covered Bonds Available Funds in accordance with and subject to the Priority of Payments until the Extended Maturity Date, Holders of Pass-Through Covered Bonds shall have no further claim for Cover Pool Assets in respect of such unpaid amounts.

(2) Early Redemption at the Option of the Issuer for Pass-Through Covered Bonds.

- (a) The Issuer (or, as the case may be, the Special Receiver) may, upon notice given in accordance with subparagraph (b), redeem Pass-Through Covered Bonds (in whole but not in part) on each Cover Pool Payment Date at the Early Redemption Amount (as defined below), if any, to (but excluding) the respective Cover Pool Payment Date, provided that such repayment
- (i) is funded by one or more Non-Discount Sales; and
 - (ii) does not cause a Breach of Contractual Asset Cover Test and/or Breach of Statutory Test.

The "**Early Redemption Amount**" of a Pass-Through Covered Bond shall be calculated in accordance with the following formula:

$$\text{Issue Price} \times \text{Specified Denomination} \times (1 + \text{Issue Yield})^N,$$

where:

"**Issue Date**" means [*insert Issue Date*];

"**Issue Price**" means [*insert Issue Price*] per cent.;

"**Issue Yield**" means [*insert Issue Yield expressed as a percentage*] per cent. and is calculated on the basis of the issue price on the Issue

Date, and

"N" means the number of calendar days in the period from, and including, the Issue Date to, and excluding, the date on which the Notes shall become due and repayable (the "**Calculation Period**") calculated on the basis of the applicable Day Count Fraction.

- (b) Notice of redemption shall be given by the Issuer (or, as the case may be, the Special Receiver) to the Holders of the Pass-Through Covered Bonds in accordance with § 12, specifying the securities identification numbers of the Pass-Through Covered Bonds subject to redemption.

(3) *Priority of Payments.*

Upon the Covered Bonds becoming Pass-Through Covered Bonds, the Covered Bonds Available Funds shall be applied on each Cover Pool Payment Date in making the following payments and provisions in the following order of priority (the "**Priority of Payments**") (in each case only if and to the extent that payments of a higher priority have been made in full and provided that any such payment does not cause an Issuer Event, and subject to, and to the extent permissible by, the Pfandbriefgesetz):

- (a) *first, pari passu and pro rata* according to the respective amounts thereof to pay any fees, costs, expenses and taxes incurred under or in connection with the Pass-Through Covered Bonds and the Other Covered Bonds and/or the management of the Cover Pool Assets and/or the administration of the Cover Pool Assets (including costs of the Special Receiver and costs pursuant to § 49 of the Austrian Insolvency Code, if any) due and payable on the Cover Pool Payment Date or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date, to the extent such fees, costs, expenses and taxes are not payable or have not been paid by the Issuer or any other third party;
- (b) *second, pari passu and pro rata*, according to the respective amounts thereof (i) to pay all amounts of interest due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date on any Pass-Through Covered Bonds and Other Covered Bonds, and (ii) to pay any amounts due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date under any Hedging Agreement;
- (c) *third, pari passu and pro rata*, to pay all amounts of principal due and payable on the Cover Pool Payment Date in respect of any Pass-Through Covered Bonds and Other Covered Bonds, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date (if any) on any Pass-Through Covered Bonds and Other Covered Bonds;
- (d) *fourth*, to release any excess to the Issuer.

(4) *Definitions.*

"**Asset Percentage**" means the lower of 100 per cent. and any other figure determined by the Issuer and the Rating Agency from time to time. As of the

date of this Series, the Asset Percentage is [●] per cent. The Issuer may increase or decrease the Asset Percentage but only if the Rating Agency has been notified thereof and by the seventh day after such notification, the Rating Agency has not communicated that any such increase of the Asset Percentage will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

"Breach of Contractual Asset Cover Test" means that the Contractual Asset Cover Test is breached for a period of one (1) month.

"Breach of Statutory Cover Test" means that the Statutory Cover Test is breached for a period of three (3) subsequent months.

"Calculation Date" means, in relation to a Cover Pool Payment Date, the day falling five Payment Business Days prior to such Cover Pool Payment Date.

"Contractual Adjusted Cover Pool Balance" is calculated as follows:

$$A+C$$

Where:

A = the sum of the outstanding nominal values of all Mortgage Loans, provided that the nominal value is, for each Mortgage Loan, deemed to be the lower of: (a) the nominal value of the Mortgage Loan and (b) the nominal value of the corresponding Mortgage,

multiplied by M,

where M = 100 per cent. if such Mortgage Loan is not a Defaulted Loan and M = 0 per cent. if such Mortgage Loan is a Defaulted Loan,

provided that in the case of any Mortgage Loan that is subject to a prior ranking encumbrance, such encumbrance shall be taken into consideration,

multiplied by the Asset Percentage;

C = the sum of the balances of the Substitute Cover Pool Assets and Hedging Agreements

"Contractual Asset Cover Test" means that the Contractual Adjusted Cover Pool Balance is, calculated as of the 10th of each month, an amount at least equal to the sum of (i) the aggregate outstanding principal amount, plus (ii) accrued but unpaid interest, if any, plus (iii) the aggregate amount of all interest payments that would become payable in the future to (but excluding) the Maturity Date, each in relation to the Covered Bonds and the Other Covered Bonds.

"Cover Pool Assets" means the Mortgage Loans, the Substitute Cover Pool Assets and the Hedging Agreements which are designated to cover the Covered Bonds, the Other Covered Bonds and the claims of the hedging partners under the Hedging Agreements, all of which are registered in the Cover Pool Register.

"Cover Pool Payment Date" means the 20th day of each month and if such day is not a Payment Business Day, the first Payment Business Day thereafter;

"Cover Pool Register" means the cover pool register (*Deckungsregister*) pursuant to § 3 (1) of the Pfandbriefgesetz for mortgage covered bonds.

"Covered Bonds Available Funds" means, at any time upon or after the Covered Bonds become Pass-Through Covered Bonds, in respect of any Cover Pool Payment Date, as the case may be, the aggregate of:

- (i) all cash amounts being part of the Cover Pool Assets at the immediately preceding Calculation Date;
- (ii) all amounts of interest paid on or in relation to Cover Pool Assets during the period ending on such Cover Pool Payment Date and beginning on the immediately preceding Cover Pool Payment Date;
- (iii) all amounts deriving from repayment at maturity of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (iv) all amounts deriving from a (full or partial) sale or other means of liquidation or monetarisation of any Cover Pool Asset on or prior to such Cover Pool Payment Date;
- (v) all amounts (if any) paid or to be paid on or prior to such Cover Pool Payment Date by the hedging counterparties pursuant to the Hedging Agreement(s), but excluding any collateral or security received thereunder.

For the avoidance of doubt should there be any duplication in the amounts included in the different items of the Covered Bonds Available Funds above, such duplication shall be avoided when calculating the Covered Bonds Available Funds.

"Defaulted Loan" means any Mortgage Loan included in the Cover Pool Assets which is more than 90 days in arrears.

"Hedging Agreements" means the hedging agreements (*Sicherungsgeschäfte / Derivativerträge*) that are registered in the Cover Pool Register which have been concluded to reduce interest rate, foreign exchange or creditor risks pursuant to § 2 (5) of the Pfandbriefgesetz.

"Interest Reserve" means an amount equal to the Interest Reserve Amount which is part of the over-collateralisation (*sichernde Überdeckung*) pursuant to § 2 (1) of the Pfandbriefgesetz and which is part of, and constituted by, the Substitute Cover Pool Assets. The Interest Reserve is, subject to the Pfandbriefgesetz, to be used by the Issuer (or the Special Receiver, as the case may be) to pay interest payments when due in relation to the Covered Bonds and the Other Covered Bonds.

"Interest Reserve Amount" means an amount, as calculated on the 10th of each month (the **"Calculation Date"**), equal to the aggregate of all interest payment amounts that will become payable within three calendar months following the Calculation Date in relation to the Covered Bonds and the Other Covered Bonds.

"Issuer Bankruptcy Event" means that bankruptcy (*Konkurs*) is instituted over the assets of the Issuer as set forth in § 6 (1) of the Pfandbriefgesetz.

"Issuer Default of Payment Event" means that the Issuer (or the Special

Receiver, as the case may be) fails to pay (i) any principal on the Maturity Date, or (ii) after having used the Interest Reserve, if applicable, any interest on the respective Interest Payment Date, each in respect of the Covered Bonds within a period of seven Payment Business Days from the due date thereof.

"Mortgages" means the mortgages (*Hypotheken*) in relation to the Mortgaged Property that secure the Mortgage Loans in accordance with the Pfandbriefgesetz, and **"Mortgage"** means any of them.

"Mortgage Loans" means the mortgage loan receivables registered in the Cover Pool Register which are secured by the Mortgages in accordance with the Pfandbriefgesetz, and **"Mortgage Loan"** means any of them.

"Mortgaged Property" means the real estate property (including building rights (*Baurechte*)) that is subject to the Mortgages.

"Mortgaged Property Value" means the total value of all the Mortgaged Property as determined by the Issuer in accordance with the Issuer's articles of association, applicable laws (in particular the Austrian Real Estate Valuation Act, *Liegenschaftsbewertungsgesetz*), as well as other generally common rules and methods and internal rules for valuation of the Mortgaged Property. The Issuer must, subject to the foregoing, determine the Mortgaged Property Value using the current market price and with special regard to: (a) characteristics of the Mortgaged Property which are sustainable on a permanent or a long-term basis; (b) income achievable by a third party operating the Mortgaged Property with due care; (c) rights and encumbrances attached to the Mortgaged Property; and (d) conditions prevailing on the local real property market and anticipated development of that market. The Mortgaged Property Value cannot be higher than the current market price of the Mortgaged Property.

"Non-Discount Sale" means a sale of a Cover Pool Asset that is effected at a price without a discount to its par value.

"Other Covered Bonds" means all other bonds or notes issued by the Issuer which are secured by the same Cover Pool Assets and which are subject to a pass-through structure (but regardless, for the avoidance of doubt, of whether they have become pass-through bonds in accordance with their terms or not).

"Other Pass-Through Covered Bonds" means the Other Covered Bonds once they become pass-through bonds in accordance with their terms.

"Pass-Through Covered Bonds" means the Covered Bonds once an Issuer Event other than Issuer Bankruptcy has occurred and is continuing pursuant to § 8 (1) (ii).

"Special Receiver" means a special receiver (*besonderer Verwalter*) appointed upon an Issuer Bankruptcy in respect of the Cover Pool Assets according to § 6 (2) of the Pfandbriefgesetz.

"Statutory Cover Pool Balance" is calculated as follows:

$$B+C$$

Where:

B = the sum of the outstanding nominal values of all Mortgage Loans, provided that the nominal value is, for each Mortgage Loan, deemed to be the lower of: (a) the nominal value of the Mortgage Loan, (b) the nominal value of the corresponding Mortgage, and (c) 60% of the Mortgaged Property Value

multiplied by M,

where M = 100 per cent. if such Mortgage Loan is not a Defaulted Loan and M = 0 per cent. if such Mortgage Loan is a Defaulted Loan,

provided that in the case of any Mortgage Loan that is subject to a prior ranking encumbrance, such encumbrance shall be taken into consideration;

C = the sum of the balances of the Substitute Cover Pool Assets and Hedging Agreements

"Statutory Cover Test" means that the Statutory Cover Pool Balance is an amount at least equal to 102% of the aggregate outstanding principal amount of the Covered Bonds and the Other Covered Bonds.

"Substitute Cover Pool Assets" means substitute cover assets (*Ersatzdeckungswerte*) eligible pursuant to § 2 (3) of the Pfandbriefgesetz which are registered in the Cover Pool Register, including the Interest Reserve.

§ 9

TERMINATION

(1) *Notice of Termination.* If, upon an Issuer Bankruptcy Event, a Cover Pool Transfer is not possible and the Cover Pool Assets are not sufficient to satisfy the current and future claims of the Holders and the holders of the Other Covered Bonds, then the Special Receiver shall publish a notice (a **"Notice of Termination"**) pursuant to § 12.

For the avoidance of doubt, when determining whether the Cover Pool Assets are sufficient to satisfy the current and future claims of the Holders and the holders of the Other Covered Bonds, the Special Receiver shall take into account that the Covered Bonds will, upon the occurrence of an Issuer Event other than an Issuer Bankruptcy Event which is continuing, become Pass-Through Covered Bonds in accordance with § 8 and that Holders shall have no claim for payments under the Pass-Through Covered Bonds against the Cover Pool Assets that would exceed Covered Bonds Available Funds in accordance with and subject to the Priority of Payments, and in the event that payments under the Pass-Through Covered Bonds have not been made out of Covered Bonds Available Funds in accordance with and subject to the Priority of Payments until the Extended Maturity Date, Holders of Pass-Through Covered Bonds shall have no further claim against the Cover Pool Assets in respect of such unpaid amounts.

(2) Following the publication of a Notice of Termination, the Covered Bonds shall become immediately due and payable, and the Special Receiver shall, upon the approval of the court, liquidate all Cover Pool Assets and use the proceeds to satisfy, *pari passu* and *pro rata*, the claims of the Holders and the holders of Other Covered Bonds in accordance with the

Pfandbriefgesetz.

§ 10

PRESCRIPTION, PRECLUSION

The right to claim payment of principal shall lapse ten years after the respective due date unless such claim has been filed with court before such time.

§ 11

FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single Series with the Covered Bonds, provided that (i) no Covered Bonds or Other Covered Bonds have become Pass-Through Covered Bonds or Other Pass-Through Covered Bonds, and (ii) **[Rating Agency]** (the "**Rating Agency**") has been notified of such issuance and such Rating Agency shall have confirmed that such issuance will not negatively impact the then current rating of any Covered Bonds or Other Covered Bonds then outstanding.

(2) *Purchases.* The Issuer may at any time purchase Covered Bonds in the open market or otherwise and at any price. Covered Bonds purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Covered Bonds must be made available to all Holders of such Covered Bonds alike.

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

§ 12

NOTICES

In the case of
Covered Bonds
which are listed
on the
Luxembourg
Stock Exchange
the following
applies

[(1) *Publication.* All notices concerning the Covered Bonds will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(2) *Notification to Clearing System.* So long as any Covered Bonds are listed on the Luxembourg Stock Exchange, subparagraph (1) shall apply. If the Rules of the Luxembourg Stock Exchange so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication in the newspapers set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.]

In the case of
Covered Bonds
which are listed
on the Vienna
Stock Exchange
the following
applies

[(1) *Publication*. All notices concerning the Covered Bonds shall be published on the website of the Issuer (http://austrian-anadibank.com/Pfandbriefe/Dokumentation_CPT_Covered_Bonds_Programme). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.]

In the case of
Covered Bonds
which are
unlisted the
following applies

[(1) *Notification to Clearing System*. The Issuer shall deliver all notices concerning the Covered Bonds 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 day after the day on which the said notice was given to the Clearing System.]

[(2)][(3)] *Form of Notice*. Notices to be given by any Holder shall be made by means of a written declaration to be sent together with an evidence of the Holder's entitlement in accordance with § 13 (3) to the Fiscal Agent. Such notice may be given through the Clearing System in such manner as the Fiscal Agent and the Clearing System may approve for such purpose.

§ 13

APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law*. The Covered Bonds, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by Austrian law excluding its conflict of laws rules where their application would lead to the applicability of a foreign law.

(2) *Submission to Jurisdiction*. The competent court in Klagenfurt shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Covered Bonds. The submission to the jurisdiction of the courts of Klagenfurt shall not (and shall not be construed so as to) limit the right of any Holder to take proceedings in any other court of competent jurisdiction (in particular, and as far as mandatorily competent, a place of consumer jurisdiction).

(3) *Enforcement*. Any Holder of Covered Bonds may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Covered Bonds on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Covered Bonds (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Covered Bonds 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 Covered Bond in global form 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 Covered Bonds.

For purposes of the foregoing, "**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 Covered Bonds and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Covered Bonds also in any other way which is admitted in the country of the Proceedings.

FORM OF FINAL TERMS

[Date]

Final Terms**Austrian Anadi Bank AG***[Title of relevant Series of Covered Bonds]*

Series: [], Tranche []

Issue Date: []²

issued pursuant to the EUR 750,000,000 Conditional Pass-Through Covered Bonds Programme

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 Prospectus pertaining to the Covered Bonds Programme (the "**Programme**") of Austrian Anadi Bank AG (the "**Issuer**"), dated 11 December 2015 (the "**Prospectus**") and all supplements to the Prospectus. The Prospectus and any supplements thereto are available for viewing in electronic form on the website of the Issuer (http://austrian-anadi-bank.com/Pfandbriefe/Dokumentation_CPT_Covered_Bonds_Programme). Full information on the Issuer and the Covered Bonds is only available on the basis of the combination of the Prospectus, any supplements thereto and these Final Terms.

² The Issue Date is the date of payment and settlement of the Covered Bonds. In the case of free delivery, the Issue Date is the delivery date.

PART A – TERMS AND CONDITIONS

The Terms and Conditions applicable to the Covered Bonds (the "**Terms and Conditions**") are as set out below.

[In the case of Covered Bonds with a fixed interest 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 Covered Bonds with a floating interest rate the relevant provisions of Option II (including relevant further options set out therein) shall be replicated and relevant placeholders shall be completed.]

[In the case of Covered Bonds without periodic interest payments (Zero Coupon) the relevant provisions of Option III (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**

- So far as the Issuer is aware, no person involved in the issue or offering of the Covered Bonds 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 []
- Any Other Security Code []

Estimated Total Expenses []

Estimate of total expenses related to the admission to trading

PLACING AND UNDERWRITING**Method of Distribution**

- Non-Syndicated
- Syndicated

Subscription Agreement

Date of Subscription Agreement []

General Features of the Subscription Agreement **[specify details]**

Details with Regard to the Manager[s]

Manager[s] **[specify name(s) and address(es) of Manager(s)]**

- Firm Commitment
- Without Firm Commitment

Stabilising Manager **[specify details]** [Not applicable]

LISTING[S] / ADMISSION[S] TO TRADING

Listing[s] [Yes] [No]

- Vienna Stock Exchange
- Official Market
- Second Regulated Market
- Third Market
- Other Stock Exchange []
- Date of Admission[s]** []

ADDITIONAL INFORMATION

Rating

[The Covered Bonds have not been rated.]

[The Covered Bonds 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 16 September 2009 on credit rating agencies, as amended, or has applied for registration.]

Selling Restrictions

TEFRA

- TEFRA D
- Additional Selling Restrictions [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. AUSTRIAN ANADI BANK AG AS ISSUER

5.1 STATUTORY AUDITORS

Deloitte Audit Wirtschaftsprüfungs GmbH (a member of "Kammer der Wirtschaftstrehänder Österreich") with its business address at Renngasse 1/Freyung, A-1013 Vienna, Austria, have audited the German language Audited Financial Statements of Anadi Bank as of 31 December 2014 and have issued an unqualified audit opinion thereon (dated 18 May 2015).

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (a member of "Kammer der Wirtschaftstrehänder Österreich") with its business address at Wagramer Straße 19, A-1220 Vienna, Austria, have audited the German language Audited Financial Statements of Hypo Alpe-Adria-Bank AG Austria (the legal predecessor of Anadi Bank) as of 31 December 2013 and have issued an unqualified audit opinion thereon (dated 11 April 2014).

5.2 INFORMATION ABOUT THE ISSUER

Legal Name, Registration, Date of Incorporation

Austrian Anadi Bank AG was established as a joint-stock corporation (*Aktiengesellschaft*) under the laws of Austria and is registered in the Austrian companies register (*Firmenbuch*) at the regional court of Klagenfurt as competent commercial court ("*Landesgericht Klagenfurt als zuständiges Handelsgericht*") under the registration number FN 245157 a. Its commercial name is Austrian Anadi Bank. The registered office of Anadi Bank is at Domgasse 5, A-9020 Klagenfurt am Wörthersee, Austria, and its telephone number is +43 50202-0.

Anadi Bank was incorporated on 3 March 2004 under the legal name HYPO ALPE-ADRIA-DIENSTLEISTUNGS AG for an indefinite period of time and was later renamed into HYPO ALPE-ADRIA-BANK AG. In June 2014, the Issuer was renamed in Austrian Anadi Bank AG.

Recent Events

Pfandbriefstelle / Pfandbriefbank

Pursuant to § 1 (1) of the Austrian Mortgage Bank Act (*Bundesgesetz über die Pfandbriefstelle der österreichischen Landes-Hypothekenbanken – PfBrStG*), the Mortgage Bond Division of the Austrian State Mortgage Banks (*Pfandbriefstelle der österreichischen Landes-Hypothekenbanken*) (the "**Pfandbriefstelle**") is a corporation of public law that serves as a joint issuing institution of the Austrian State Mortgage Banks. Pfandbriefstelle was founded to issue mortgage bonds (*Hypothekentpfandbriefe*), public-sector mortgage bonds (*öffentliche Pfandbriefe*), and other debentures and thereby to procure funds for the business operations of all its member institutions (the "**Member-Institutions**").

The Member-Institutions of Pfandbriefstelle currently are HYPO-BANK BURGENLAND Aktiengesellschaft, Eisenstadt, Heta Asset Resolution AG (the legal successor of Hypo Alpe-Adria-Bank International AG) ("**HETA**"), Klagenfurt, Austrian Anadi Bank AG, Klagenfurt, HYPO NOE Landesbank AG, St. Pölten, HYPO NOE Gruppe Bank AG, St. Pölten, Oberösterreichische Landesbank AG, Linz, Salzburger Landes-Hypothekenbank AG, Salzburg, Landes-Hypothekenbank Steiermark AG, Graz, HYPO TIROL BANK AG, Innsbruck, and Vorarlberger Landes- und Hypothekenbank AG, Bregenz.

In May 2014, the governing board of the Pfandbriefstelle decided to transfer all banking operations of the Pfandbriefstelle to Pfandbriefbank (Österreich) AG (the "**Pfandbriefbank**"). According to the in-

kind contribution and transfer agreement dated 17 June 2014, the Pfandbriefstelle transferred all its banking operations with retroactive effect as of 31 December 2013 to Pfandbriefbank. The transfer was made by way of universal succession pursuant to § 92 of the Austrian Banking Act. Pfandbriefstelle is the sole shareholder of Pfandbriefbank and pursuant to § 92 (9) of the Austrian Banking Act liable with all its assets for all present and future accounts payable of Pfandbriefbank. The transfer was officially approved by the Austrian Federal Minister of Finance with a decree dated 10 July 2014 and by FMA with a decree dated 16 December 2014. The entry of Pfandbriefbank into the Austrian commercial register followed on 15 January 2015.

The Member-Institutions assume joint liability in relation to third parties for all accounts payable of Pfandbriefbank in accordance with § 2 (1) of the Austrian Mortgage Bank Act in conjunction with § 92 (6) of the Austrian Banking Act. Their respective guarantors, the federal provinces of Austria (*Gewährträger*; i.e. the relevant federal provinces of Austria where each Member-Institution has its seat) (each a "**Guarantor**"), assume joint liability in accordance with § 2 (2) of the Austrian Mortgage Bank Act in conjunction with § 92 (8) of the Austrian Banking Act. The Guarantors of the Member-Institutions are jointly and severally liable for any obligations of Pfandbriefbank which incurred up to 2 April 2003. For any obligations which were incurred after 2 April 2003 up to (and including) 1 April 2007, the Guarantors of the Member-Institutions are jointly and severally liable only if the agreed maturities are no longer than until 30 September 2017. For obligations incurred after 1 April 2007 there is no liability of the Guarantors of the Member-Institutions.

According to the audit report of Pfandbriefbank for 2014, the amount of the liabilities to be covered by the Guarantors amounted to about EUR 5.5 billion as of 31 December 2014 (as of 31 December 2013: EUR 6.2 billion). This amount is almost identical with the entire sum of liabilities (issue volume) of Pfandbriefbank as of 31 December 2014. After taking into account the funds raised by Pfandbriefstelle and forwarded to the Issuer, amounting to a total of EUR 0.47 billion (as of 31 December 2013: EUR 0.49 billion), the resulting amount which must be reported in accordance with § 238 (10) of the Austrian Commercial Code (*Unternehmensgesetzbuch – UGB*) equals EUR 5 billion (as of 31 December 2013: EUR 5.7 billion). Pursuant to § 896 of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch – ABGB*) this joint and several liability therefore results in a 1/16th *per capita* share of the Issuer (as there remain 16 Member-Institutions and Guarantors after the FMA has been imposed a temporary debt moratorium on HETA on 1 March 2015 (the "**Moratorium**")) of up to EUR 5 billion (i.e. EUR 5.3 billion in 2014).

The suspension of payments of HETA due to the Moratorium created funding requirements of up to EUR 1.2 billion on part of Pfandbriefbank. Due to default and cross default provisions in the debt instruments issued by Pfandbriefbank, any default on part of Pfandbriefbank may have resulted in the immediate falling due of the entire volume issued amounting to approximately EUR 5.5 billion. Therefore, based on its 1/16th *per capita* share of HETA's obligations towards Pfandbriefbank, which are not honored by HETA as a result of the Moratorium, the Issuer has made a commitment to make liquidity available to Pfandbriefbank, amounting to EUR 77 million (i.e. 1/16th of EUR 1.238 billion).

Demerger liabilities

In 2011, the Issuer was restructured by means of a demerger of those segments which comprised assets and liabilities which were not part of its core business. These segments were acquired by HETA with effect from the reference date of 31 December 2011. The acquisition of assets and liabilities was conducted pursuant to the provisions of the Austrian Demerger Act (*Spaltungsgesetz – SpaltG*) applying the exemptions from taxes and duties pursuant to the

Austrian Reorganisation Tax Act (*Umgründungssteuergesetz – UmgrStG*). The Issuer is fully liable for all obligations assigned to the Issuer in connection with the demerger without limitation as to the amount of these obligations. Due to the joint and several liability stipulated by the Austrian Demerger Act, in addition, the Issuer is liable for all liabilities transferred to HETA in connection with the demerger which were incurred prior to entry of the demerger in the Austrian commercial register on 5 September 2012. This liability for obligations assigned to HETA is limited to the amount of the net assets assigned to the Issuer in the demerger. With regard to such liabilities of HETA, pursuant to the Austrian Act on Recovery Measures for Hypo-Alpe-Adria-Bank International AG (*Bundesgesetz über Sanierungsmaßnahmen für die Hypo-Alpe-Adria-Bank International AG – HaaSanG*) subordinated debt amounting to approximately EUR 64 million was declared as being lapsed in 2014. In 2015, due to the repeal of the Austrian Act on Recovery Measures for Hypo-Alpe-Adria-Bank International AG by the Austrian Constitutional Court (*Verfassungsgerichtshof*) in 2015 these liabilities have now been reinstated. However, the Moratorium on certain liabilities (subordinated and not subordinated debt) of HETA also includes the liabilities formerly affected by HaaSanG. Therefore, until the end of the Moratorium no payments on interest and principal are made to creditors with regard to such liabilities and the Issuer's demerger liability with regard to HETA's liabilities may not be excluded after 31 May 2016.

Furthermore, the Issuer has entered into an agreement between all Member-Institutions of the Pfandbriefstelle and the Federal Province of Carinthia in April 2015 in order to honour the joint and several liabilities in accordance with § 2 (1) of the Austrian Mortgage Bank Act. The suspension of payments of HETA due to the Moratorium created funding requirements of up to EUR 1.2 billion on part of the Pfandbriefstelle. The Issuer committed to a contribution of EUR 77 million to Pfandbriefbank. Based on a legal opinion, the payment of these obligations of HETA towards Pfandbriefbank, which are now being honoured by the Issuer should accordingly reduce the obligations of the Issuer with regard to the demerger liability accordingly. In addition, any payment obligations of the Issuer resulting from the demerger liability are covered by an indemnity agreement between the Issuer and its sole shareholder Anadi Financial Holdings Pte. Ltd. As of 30 June 2015, in connection with the settlement of the obligations of HETA towards Pfandbriefbank the Issuer has increased its provision for potential liabilities by EUR 11.5 million from EUR 15.7 million (as of 31 December 2014) to currently EUR 27.2 million.

5.3 BUSINESS OVERVIEW

5.3.1 Principal Activities

Anadi Bank offers standardised banking services for retail customers, small and medium enterprises as well as institutional clients which are the current key business areas. Anadi Bank intends to complement these business activities in future by private banking / family office advisory as well as financial solutions for international investments in selective markets, where Anadi Bank has close connections.

Anadi Bank's current main distribution channel, the branch network, offers full banking services. The Issuer's mid-term strategy is to reshape its network in the Federal Province of Carinthia and grow out of the Federal Province of Carinthia by opening flagship branches in urban areas of Austria, next to the existing branches in Vienna, Salzburg and Graz.

5.4 ORGANISATIONAL STRUCTURE

Anadi Bank is not part of a group and has no substantial subsidiaries.

5.5 TREND INFORMATION

Except as disclosed under "Recent Events" on page 97 ff of this Prospectus and in point 5.8 of this Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2014.

5.6 MANAGEMENT, SUPERVISORY BODIES AND ANNUAL MEETING OF SHAREHOLDERS

Management Board

	Principal activities performed outside Austrian Anadi Bank AG
Mag. Christoph Raninger, CEO, Chairman of the Management Board Domgasse 5, A-9020 Klagenfurt, Austria	Member of the Supervisory Board of Pfandbriefbank (Österreich) AG Member of the Supervisory Board of Hypo-Banken-Holding Gesellschaft Member of the Supervisory Board of Hypo-Haftungs-Gesellschaft Member of the Supervisory Board of Hypo-Wohnbaubank AG
Gerhard Salzer, COMO, Deputy Chairman of the Management Board Domgasse 5, A-9020 Klagenfurt, Austria	-
Mag. Franz Reif, CRO, Member of the Management Board Domgasse 5, A-9020 Klagenfurt, Austria	-

Supervisory Board

	Principal activities performed outside Austrian Anadi Bank AG
Srinivasan Sridhar, Chairman of the Supervisory Board D905 Ashok Towers, Dr. S.S. Rao Road, Parel, 400012 Mumbai, India	Independent director and chairman of the board of directors of India Infoline Housing finance Ltd. Independent Member Trustee Board of J.P. Morgan mutual fund India Pte. Ltd. Independent Director and Chairman of the Credit Committee of DCB Bank Ltd. Independent Director and Chairman of Audit Committee of Jubilant Life

Dr. Sanjeev Kanoria,
Deputy Chairman of the Supervisory Board
19 Hendon Avenue, London N3 1UJ, United
Kingdom

Hemant Kanoria,
Member of the Supervisory Board
"Kanoria Cottage" 32Q, New Road, 700 027
Kolkata, India

Mag. Werner Wutscher,
Member of the Supervisory Board
Wolkersbergenstrasse 172/1, A-1130 Vienna,
Austria

Sciences Ltd.

Independent Director and Chairman of
Audit Committee of Strides Arcolab Ltd.

Independent Director and Chairman of
Audit Committee of Binani Cement Ltd.

Independent Director and Chairman of
Audit Committee of Binani Industires
Ltd.

Independent Director and Chairman of
Audit Committee of Shriram Transport
Finance Company Ltd.

Chairman of Advinia Health Care (UK)
Ltd.

Managing Director of Suasth Health
Care India Ltd.

Director of Advanced Oncotherapy

Chairman and Managing Director of
Srei Infrastructure Finance Limited

Vice Chairman and managing Director
of Srei Equipment Finance Limited

Director of Srei Capital Markets Limited

Director of Viom Networks Limited

Director of Texmaco Rail & Engineering
Limited

Director of Zao Srei Leasing

Director of Bhavah Enterprise Private
Limited

Director of Indian Chamber of
Commerce

Non-executive Chairman of India Power
Corporation Limited

President of the Supervisory Board of
Österreichische Bundesforste AG

Member of the Supervisory Board of
Zielpunkt GmbH

Non Executive Director of Godavari Biofineries Ltd

Managing Director of St Paul-GmbH

Mag. Gabriele Oberlercher,
Member of the Supervisory Board delegated
from worker's council
Domgasse 5, A-9020 Klagenfurt, Austria

-

Barbara Perchtold,
Member of the Supervisory Board delegated
from worker's council
Domgasse 5, A-9020 Klagenfurt, Austria

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Potential Conflicts of Interests

There are no conflicts of interests between any duties of the members of the management board of Anadi Bank and the private interest or any other duties of the persons referred to under the heading "Management Board".

With regard to the supervisory board the following conflicts of interest have to be stated:

Dr. Sanjeev Kanoria is the sole shareholder of Anadi Financial Holdings Pte. Ltd and brother of Hemant Kanoria, a member of the supervisory board.

Representatives of the Supervisory Authorities

Pursuant to the Austrian Banking Act, the Austrian Minister of Finance (*Finanzminister*) is required to appoint representatives, who monitor the Issuer's compliance with certain legal requirements. The current representatives are listed below:

Name	Position
Mag. Angelika Schlögel, MBA	State Commissioner
Mag. Stefan Wieser	Vice State Commissioner
Mag. Franz Krug	Trustee
Ing. Mag. (FH) Jakob Köhler	Deputy Trustee

Source: Internal information of the Issuer

5.7 MAJOR SHAREHOLDERS

Anadi Financial Holdings Pte. Ltd., Singapore, which is solely owned by Dr. Sanjeev Kanoria, holds 100% of the shares in Anadi Bank.

5.8 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

On 5 August 2015, Moody's downgraded the Federal Province of Carinthia to B3. Given the loan exposure Anadi Bank has towards the Federal Province of Carinthia and selective related entities, this could significantly affect the Issuer's financial position.

5.9 RATING

No credit ratings have been assigned to the Issuer or to any debt securities issued by the Anadi Bank.

5.10 LEGAL AND ARBITRATION PROCEEDINGS

Anadi Bank is not involved and has not 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), which have, or have had in the recent past, a significant negative impact on the Issuer's financial position or profitability.

5.11 MATERIAL CONTRACTS

There are no material contracts in place which were not entered in the ordinary course of the Issuer's business which could result in the Anadi Bank being under an obligation or entitlement that is material to its ability to meet its obligations to Covered Bond holders in respect of the Covered Bonds.

5.12 THIRD PARTY INFORMATION

The Issuer confirms that the information on Moody's downgrade of the rating of the Federal Province of Carinthia (as indicated in point 5.8 of this Prospectus) has been extracted from the website of Moody's Investors Service, Inc. (https://m.moody.com/mt/www.moody.com/research/Moodys-downgrades-State-of-Carinthias-rating-to-B3-outlook-remains--PR_331492) and accurately reproduced and that as far as the Issuer is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

6. TAXATION

6.1 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 Covered Bonds in Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential investors in the Covered Bonds consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Covered Bonds. Tax risks resulting from the Covered Bonds shall in any case be borne by the investor. For the purposes of the following it is assumed that the Covered Bonds 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 domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in § 26 of the Austrian Federal Fiscal Procedures Act (*Bundesabgabenordnung*), in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*), both as defined in § 27 of the Austrian Federal Fiscal Procedures Act, in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

Income taxation of the Covered Bonds

Pursuant to § 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to § 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to § 27(3) of the Austrian Income Tax Act, including gains from the alienation,

redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and broken-period interest; and

- income from derivatives (*Einkünfte aus Derivaten*) pursuant to § 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the Covered Bonds from a bank deposit (*Depotentnahme*) and circumstances leading to a loss of Austria's taxation right regarding the Covered Bonds *vis-à-vis* other countries, e.g. a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (*cf.* § 27(6)(1) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Covered Bonds as non-business assets are subject to income tax on all investment income from the Covered Bonds pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Covered Bonds with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to withholding tax (*Kapitalertragsteuer*) at a rate of 25% before 1 January 2016 and at a rate of 27.5% after 31 December 2015; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to § 97(1) of the Austrian Income Tax Act). In case of investment income from the Covered Bonds without an Austrian nexus, the income must be included in the investor's income tax return and is subject to income tax at the flat rates mentioned above. In both cases upon application the option exists to tax all income subject to income tax at the flat rates mentioned above at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). § 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may be neither offset against interest from bank accounts and other non-securitized claims *vis-à-vis* credit institutions (as of 1 January 2016, except for cash settlements and lending fees) nor against income from private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*); income subject to income tax at the flat rates mentioned above 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.

Pursuant to § 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 before 1 January 2016 and to 27.5% of the negative income after 31 December 2015. In certain cases the offsetting is not permissible. The custodian agent has to issue a written confirmation on each offsetting of losses to the taxpayer.

Individuals subject to unlimited income tax liability in Austria holding the Covered Bonds as business assets are subject to income tax on all investment income from the Covered Bonds pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Covered Bonds with an Austrian nexus, the income is subject to withholding tax at a rate of 25% before 1 January 2016 and at a rate of 27.5% after 31 December 2015. While withholding tax

has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must be included in the investor's income tax return (nevertheless income tax at the flat rates mentioned above). In case of investment income from the Covered Bonds without an Austrian nexus, the income must always be included in the investor's income tax return (generally income tax at the flat rates mentioned above). In both cases upon application the option exists to tax all income subject to income tax at the flat rates mentioned above at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). Pursuant to § 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of § 27(3) and (4) of the Austrian Income Tax Act, which are subject to income tax at the flat rates mentioned above, 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 parts of the remaining negative difference (namely 50% before 1 January 2016 and 55% after 31 December 2015) may be offset against other types of income.

Pursuant to § 7(2) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of § 27(1) of the Austrian Income Tax Act from the Covered Bonds at a rate of 25%. In the case of income in the sense of § 27(1) of the Austrian Income Tax Act from the Covered Bonds with an Austrian nexus, the income is subject to withholding tax at a rate of 25% before 1 January 2016 and at a rate of 27.5% after 31 December 2015. However, the previous 25% rate may pursuant to § 93(1a) of the Austrian Income Tax Act also be applied by the withholding agent after 31 December 2015, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the corporate income tax liability. Under the conditions set forth in § 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Losses from the alienation of the Covered Bonds can be offset against other income.

Pursuant to § 13(3)(1) in connection with § 22(2) of the Austrian Corporate Income Tax Act, private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in § 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Covered Bonds 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 from the Covered Bonds with an Austrian nexus, the income is in general subject to withholding tax at a rate of 25% before 1 January 2016 and at a rate of 27.5% after 31 December 2015. However, the previous 25% rate may pursuant to § 93(1a) of the Austrian Income Tax Act also be applied by the withholding agent after 31 December 2015, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the tax falling due. Under the conditions set forth in § 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on investment income from the Covered Bonds if they have a permanent establishment (*Betriebsstätte*) in Austria and the Covered Bonds are attributable to such permanent establishment (*cf.* § 98(1)(3) of the Austrian Income Tax Act, § 21(1)(1) of the Austrian Corporate Income Tax Act). Individuals subject to limited income tax liability in Austria are also taxable on interest in the sense of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*, see below) from the Covered Bonds if withholding tax is levied on such

interest (this does not apply, *inter alia*, to individuals falling within the scope of the Austrian EU Withholding Tax Act; cf. § 98(1)(5)(b) of the Austrian Income Tax Act).

EU withholding tax

§ 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%. § 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 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.

Pursuant to Council Directive (EU) 2015/2060 of 10 November 2015 repealing Council Directive 2003/48/EC, the latter shall in general be repealed with effect from 1 January 2016. However, pursuant to detailed grandfathering provisions, Austria shall in general continue to apply it until 31 December 2016.

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% (regarding the Treaty with Switzerland, this rate will be changed to the rates of 25% and 27.5%, as the case may be, under an adjustment mechanism as of 1 January 2016, which is also to be expected regarding the Treaty with Liechtenstein) 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 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*) if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of management in Austria. Certain exemptions apply in cases of transfers *mortis causa* of financial assets within the meaning of § 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at the flat rates mentioned above. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate generally is 2.5%, with a higher rate of 25% applying in special cases. Special provisions apply to transfers of assets to entities 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 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 Covered Bonds may trigger income tax at the level of the transferor pursuant to § 27(6)(1) of the Austrian Income Tax Act (see above).

6.2 LUXEMBOURG

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident holders of Covered Bonds.

(ii) Resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal,

premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), as amended) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Covered Bonds coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10%.

7. SELLING RESTRICTIONS

The Dealer has, in a dealer agreement dated [11] December 2015 (the "**Dealer Agreement**") agreed with the Issuer a basis upon which it may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated in the sections entitled "*Form of Final Terms*" and "*Terms and Conditions of the Covered Bonds*".

General

The 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 Covered Bonds or possesses or distributes this Prospectus or any offering material in relation to this Prospectus or the Covered Bonds and will obtain any consent, approval or permission required from it for the purchase, offer, sale or delivery by it of Covered Bonds 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 Covered Bonds and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor the Dealer represents that Covered Bonds 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 Covered Bonds, 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 Covered Bonds 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 Covered Bonds 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**")).

The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver an Instrument of any Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Covered Bonds from it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons to substantially the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the later of the date of the commencement of the Offering and the Closing Date, except in either case in accordance with the Regulation S under the Securities Act. Terms used above have the meanings given to them in Regulation S."

Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Covered Bonds of the Tranche of which such Covered Bonds are a part, an offer or sale of the Covered Bonds 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.

The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Covered Bond, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Bearer Covered Bonds 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 promulgated thereunder.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation hereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive or pursuant to any applicable national law of any Relevant Member State,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression **Prospectus Directive** means

Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in that Relevant Member State.

RESPONSIBILITY STATEMENT OF AUSTRIAN ANADI BANK AG

Austrian Anadi Bank Aktiengesellschaft with its registered office in Klagenfurt am Wörthersee, the Republic of Austria, is solely responsible for the information given in this Prospectus and for the information which will be contained in the relevant Final Terms. 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 its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Klagenfurt am Wörthersee, 11 December 2015

Austrian Anadi Bank AG
as Issuer

Gerhard Salzer
Member of the
Management Board

ppa. Mag. Hermann Wetschko
Head of
Compliance & Legal

REGISTERED OFFICE OF THE ISSUER

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