

# Austrian Anadi Bank AG

(incorporated as a stock corporation in Austria under registration 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), available in the English language under Austrian law (the "**Covered Bonds**"). The Programme foresees three different options of terms and 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, as amended (the "**Prospectus Regulation**") and has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde* - "**FMA**") in its capacity as competent authority under the Austrian Capital Market Act (*Kapitalmarktgesetz* - "**KMG**") for the approval of this Prospectus. The accuracy of the information contained in this Prospectus does not fall within the scope of examination by the FMA under the KMG and the Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). **The FMA examines the Prospectus only in respect of its completeness, coherence and comprehensibility pursuant to § 8a KMG.**

Application may be made for the Programme and/or the Covered Bonds to be admitted to the Official Market (*Amtlicher Handel*) (the "**Austrian Market**") 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 Market, 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 2014/65/EU, as amended (*Markets in Financial Instruments Directive II* - "**MiFID II**"). Application may also be made for the Programme and/or the Covered Bonds to be included in the Third Market (*Dritter Markt*) (the "**Third Market**") which is a multilateral trading facility (MTF) within the meaning of MiFID II 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 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 ("**EEA**") 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 S.A., 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.

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 shall be rated. The credit rating of a Tranche of Covered Bonds will be specified in the relevant Final Terms. A credit 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 credit 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](http://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 five 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 "**1. 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

**AUSTRIAN ANADI BANK AG**

Prospectus dated 8 May 2019

## TABLE OF CONTENTS

NOTICE .....	3
FORWARD-LOOKING STATEMENTS .....	4
RESPONSIBILITY STATEMENT .....	5
DOCUMENTS INCORPORATED BY REFERENCE.....	6
DOCUMENTS ON DISPLAY .....	8
1. RISK FACTORS.....	9
1.1 RISK FACTORS REGARDING ANADI BANK .....	9
1.2 RISK FACTORS REGARDING THE COVERED BONDS .....	20
2. GENERAL DESCRIPTION OF THE PROGRAMME AND GENERAL INFORMATION .....	32
2.1 GENERAL.....	32
2.2 USE OF PROCEEDS AND REASONS FOR AN OFFER.....	33
2.3 AUTHORISATION .....	33
2.4 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER .....	33
2.5 CLEARING SYSTEMS .....	33
2.6 ADMISSION TO TRADING / LISTING INFORMATION .....	33
3. CONDITIONAL PASS-THROUGH COVERED BONDS.....	35
CHARACTERISTICS OF CONDITIONAL PASS-THROUGH COVERED BONDS .....	35
4. TERMS AND CONDITIONS OF THE COVERED BONDS.....	36
PART A – TERMS AND CONDITIONS.....	99
PART B – OTHER INFORMATION.....	100
5. AUSTRIAN ANADI BANK AG AS ISSUER.....	104
5.1 STATUTORY AUDITORS.....	104
5.2 INFORMATION ABOUT THE ISSUER.....	104
5.3 BUSINESS OVERVIEW .....	104
5.4 ORGANISATIONAL STRUCTURE .....	105
5.5 TREND INFORMATION .....	105
5.6 MANAGEMENT, SUPERVISORY BODIES AND ANNUAL MEETING OF SHAREHOLDERS.....	105
5.7 MAJOR SHAREHOLDERS.....	107
5.8 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION.....	107
5.9 RATING .....	107
5.10 LEGAL AND ARBITRATION PROCEEDINGS .....	107
5.11 MATERIAL CONTRACTS.....	108
5.12 THIRD PARTY INFORMATION .....	108
6. TAXATION.....	109
6.1 AUSTRIA .....	109
6.2 LUXEMBOURG.....	112
6.3 UNITED STATES - FATCA.....	113
7. SELLING RESTRICTIONS .....	115

## 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 will confirm to any 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 will undertake 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 will further agree 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 EEA, see "7. *Selling Restrictions*". In particular, the Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") 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 United Kingdom Financial Services and Markets Act 2000, as amended ("**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.

#### ***Benchmark Regulation Statement in relation to Administrator's Registration***

Amounts payable under the Covered Bonds may be calculated by reference to one or several specific benchmark(s), each of which is provided by an administrator.

As at the date of this Prospectus, the specific benchmark(s) are not yet determined. The Final Terms will set out the name of the specific benchmark(s) and the relevant administrator. They will further specify if the relevant administrator appears or does not appear on the register of administrators and benchmarks (the "**Register**") established and maintained by ESMA pursuant to Article 36 of the Regulation (EU) 2016/1011, as amended (the "**Benchmark Regulation**").

#### ***Prohibition of Sales to EEA Retail Investors***

The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Article 4(1)(11) of MiFID II; (ii) a customer within the meaning of Directive 2016/97/EU, as amended ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in Article 4(1)(10) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by the Regulation (EU) No 1286/2014, as amended (*Packaged Retail and Insurance-based Investment Products Regulation* – "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### ***MiFID II Product Governance / Target Market***

The relevant Final Terms in respect of any Covered Bonds may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under Commission Delegated Directive (EU) 2017/593 (the "**MiFID II Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance 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: "1. Risk Factors" and "5. 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 assumes nor the Dealers will 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.

#### **RESPONSIBILITY STATEMENT**

The Issuer with its registered office in Klagenfurt am Wörthersee, 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.

## DOCUMENTS INCORPORATED BY REFERENCE

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

Document/Heading	Page reference in the relevant financial report
<b>German language version of the Audited Financial Statements of the Issuer for the financial year ended 31 December 2018 – Annual Report 2018 (<i>Geschäftsbericht 2018</i>) (the "Audited Financial Statements 2018")<sup>1</sup></b>	
Balance Sheet ( <i>Bilanz</i> )	43 - 45
Profit and Loss Account ( <i>Gewinn- und Verlustrechnung</i> )	46
Notes to the Financial Statements for the Financial Year 2018 ( <i>Anhang für das Geschäftsjahr 2018</i> )	47 - 71
Auditors' Report ( <i>Bestätigungsvermerk</i> )	73 - 77
<b>German language version of the Audited Financial Statements of the Issuer for the financial year ended 31 December 2017 – Annual Report 2017 (<i>Geschäftsbericht 2017</i>) (the "Audited Financial Statements 2017")<sup>1</sup></b>	
Balance Sheet ( <i>Bilanz</i> )	43 - 45
Profit and Loss Account ( <i>Gewinn- und Verlustrechnung</i> )	46
Notes to the Financial Statements for the Financial Year 2017 ( <i>Anhang für das Geschäftsjahr 2017</i> )	47 - 71
Auditors' Report ( <i>Bestätigungsvermerk</i> )	73 - 77
<b>English language translation of the Audited Financial Statements of the Issuer for the financial year ended 31 December 2018 – Annual Report 2018<sup>2</sup></b>	
Balance Sheet	41 - 43
Profit and Loss Account	44
Notes to the Financial Statements for the Financial Year 2018	45 - 69
Auditors' Report	71 - 74
<b>English language translation of the Audited Financial Statements of the Issuer for the financial year ended 31 December 2017 – Annual Report 2017</b>	
Balance Sheet	41 - 43
Profit and Loss Account	44
Notes to the Financial Statements for the Financial Year 2017	45 - 69

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<sup>1</sup> The officially signed German language versions of the Issuer's Audited Financial Statements 2017 and 2018 are solely legally binding and definitive.

<sup>2</sup> The English translations of the Audited Financial Statements of the Issuer for the financial years ended 31 December 2017 and 31 December 2018 are not legally binding and for convenience purposes only.

For the avoidance of doubt, such parts of the Issuer's Audited Financial Statements 2017 and 2018, respectively, which are not explicitly listed in the tables above, are not incorporated by reference into this Prospectus as these parts are either not relevant for the investor or covered elsewhere in this Prospectus.

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

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 this Prospectus, electronic versions of the following documents (or copies thereof), where applicable, may be inspected on the Issuer's website under "www .anadibank.com" (see also the links set out below in brackets):

- (a) the Issuer's articles of association  
([www .anadibank.com/en/about/investor-relations/compliance-information](http://www .anadibank.com/en/about/investor-relations/compliance-information) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations));
- (b) each set of Final Terms admitted to trading on a Market, or included in the Third Market  
([www .anadibank.com/en/about/investor-relations/publications](http://www .anadibank.com/en/about/investor-relations/publications) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations));
- (c) a copy of this Prospectus together with any supplement to this Prospectus  
([https://anadibank.com/sites/default/files/2019-05/Anadi%20Bank\\_Covered%20Bonds%20CPT%20Prospectus\\_Final%20FMA%20Filing\\_20190508.\\_Signe....pdf](https://anadibank.com/sites/default/files/2019-05/Anadi%20Bank_Covered%20Bonds%20CPT%20Prospectus_Final%20FMA%20Filing_20190508._Signe....pdf) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations))  
([www .anadibank.com/en/about/investor-relations/publications](http://www .anadibank.com/en/about/investor-relations/publications) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations));
- (d) the Issuer's Audited Financial Statements 2017  
([https://www.anadibank.com/sites/default/files/2018-03/Jahresbericht\\_17\\_dt.pdf](https://www.anadibank.com/sites/default/files/2018-03/Jahresbericht_17_dt.pdf) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations)) and the Issuer's Audited Financial Statements 2018  
([https://anadibank.com/sites/default/files/2019-03/Jahresbericht\\_18\\_dt.pdf](https://anadibank.com/sites/default/files/2019-03/Jahresbericht_18_dt.pdf) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations)), each of them incorporated by reference into this Prospectus; and
- (e) the English language translations of the Issuer's Audited Financial Statements 2017  
([https://www.anadibank.com/sites/default/files/2018-03/Jahresbericht\\_17\\_engl.pdf](https://www.anadibank.com/sites/default/files/2018-03/Jahresbericht_17_engl.pdf) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations)) and of the Issuer's Audited Financial Statements 2018  
([https://anadibank.com/sites/default/files/2019-03/Jahresbericht\\_18\\_engl.pdf](https://anadibank.com/sites/default/files/2019-03/Jahresbericht_18_engl.pdf) or [www .anadibank.com/en](http://www .anadibank.com/en) (Investor Relations)).



## 1. RISK FACTORS

*The following is a disclosure of 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 or 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 Issuer's inability 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 "4. 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 in different ways have a material adverse effect on the Issuer.**

The Issuer is exposed to the risk of changes in the economic and political environment in Austria and other countries of the world (in particular in Europe) as well as the development of the global economy and financial markets. The current topics refer to the further development of Europe with regard to the banking or fiscal union, Italy's confrontation with the EU Commission, the uncertainties concerning the exit of Great Britain from the EU, the increasing attractiveness of populist parties, geopolitical issues in Eastern European countries, tensions in the Middle East and East Asia. The worldwide economic situation with increasing geopolitical challenges and decreasing geopolitical commitment of the USA impacts the Eurozone and may lead to risks within the Eurozone.

The rise of populist parties and/or increased protective measures by governments within and outside of the EU may have adverse effects on the world economy and limit the international trade flows (eg increase of US import tariffs).

General uncertainties with regard to policy may result in increased volatility in debt and foreign exchange markets (e.g. Euro/Dollar exchange rate). The greater importance of emerging countries in the global economy (in particular China) also entails that the situation in these countries may be a further challenge for the European and worldwide economy.

The ongoing historical low interest rate level in connection with the requirement to increase own funds as well as the high tax burden for credit institutions reduce the earnings opportunities and increase the cost pressure. For these reasons structural improvements and increases in efficiency of credit institutions are of particular importance in the banking sector. The Issuer and its contractual partners, as well as the demand for the services and financial products offered and developed by the Issuer, could be negatively affected at any time by a disadvantageous change to the economic or political environment in Austria and/or other countries of the world, as well as a renewed and/or a worsening of the deleterious trend in the world economy and the global financial markets, which would have a detrimental impact upon the Issuer's business, asset, financial and earnings situation.

**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 credit institutions 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 it is no longer reasonable 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-indebteness, 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 could 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 credit institutions to lend to each other because of uncertainty as to the creditworthiness of the borrowing credit institution. Even a perception among market participants that a financial institution is experiencing greater liquidity risk may cause significant damage to the institution, since potential lenders may require additional collateral or other measures that further reduce the financial institution's ability to secure funding. This increase in perceived counterparty risk has led to further reductions in the Issuer's access 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 Issuer's operations 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 Swiss franc ("**CHF**") and EUR can also have negative impacts on the Issuer's income.

### **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 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 Issuer's core market may have adverse effects on its results of operations and financial condition**

The Issuer's business activities are primarily concentrated on the Federal Province of Carinthia and other parts 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 Issuer's core market is the Federal Province of Carinthia. Therefore, should the economic ramifications in the Federal Province of Carinthia continue to remain weak or even deteriorate, e.g. due to a recession and/or slowed economic growth, higher public debts, higher unemployment rates, decreased private and public investments etc, this e.g. could result in an increase of payment defaults by debtors of the Issuer and thus could have a negative impact on the Issuer's results of operations and financial condition.

As economic and other factors which occur in the Eurozone and/or in Austria likely will influence the economic and other factors in the Federal Province of Carinthia (or other regions in which the Issuer operates), the Issuer's business activities are also exposed to economic and other factors impacting the banking sector in the Eurozone and/or in Austria. Such global and national factors that could affect the Issuer's business are for example an economic downturn (recession), a deflation, a hyperinflation, high unemployment rates, terrorist threat, financial

crises, changes in exchange rates, increased crude oil prices or declining real estate prices in these regions. Another example for an influencing factor, which could significantly affect the Issuer's financial position, is the downgrading of a federal province's rating to which the Issuer has a significant exposure.

If one or several of the above mentioned or other factors occur, the Issuer's results of operations and financial condition may be adversely affected thereby.

**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 past 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 credit institutions 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 credit institutions, but also from large national and international credit institutions 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.

**The Issuer is subject to a number of strict and extensive regulatory rules and requirements.**

As Austrian credit institution, the Issuer has to comply with a number of regulatory rules and requirements at all times which continuously change and become more extensive and stricter. Compliance with these regulatory rules and requirements, in particular including the ongoing monitoring and implementation of new or amended rules and regulations cause respective significant costs and expenses for the Issuer and any (factual or even only alleged) breach of such rules and requirements may cause result in major regulatory measures and bear a main legal and reputational risk.

- **Banking Union**

The Banking Union is a system for the supervision and resolution of credit institutions on EU level which is based on EU wide rules. The Banking Union was established in response to the financial crises and currently consists of two pillars, the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism ("**SRM**"). The European Deposit Insurance Scheme (EDIS) as third pillar proposed by the EU Commission has not yet been implemented.

- Reform of the EU banking package or sector

On 16 April 2019, the European Parliament approved a set of revised rules to reduce risks to EU banks and protect taxpayers. The package, which has already been informally agreed with the EU Member States, comprises amendments of the following EU legal acts:

- (i) Directive 2013/36/EU (*Capital Requirements Directive IV* – "**CRD IV**");
- (ii) Regulation (EU) No 575/2013 (*Capital Requirements Regulation* – "**CRR**");
- (iii) Directive 2014/59/EU (*Bank Recovery and Resolution Directive* – "**BRRD**"); and
- (iv) Regulation (EU) No 806/2014 (*Single Resolution Mechanism Regulation* – "**SRMR**").

The banking package is intended to implement reforms agreed at international level following the 2007-2008 financial crisis to strengthen the banking sector and address outstanding challenges to financial stability. Presented in November 2016, they include elements agreed by the Basel Committee on Banking Supervision ("**BCBS**") and by the Financial Stability Board (FSB).

Among the core measures agreed to reduce risk in the banking system, the banking package shall enhance the framework for bank resolution. It requires global systemically important institutions (G-SIIs) to have more loss-absorbing and recapitalisation capacity by setting the minimum requirements as regards the amount and quality of own funds and eligible liabilities ("**MREL**") to ensure an effective and orderly "bail-in" process. It also provides provisional safeguards and possible additional actions for resolution authorities.

The banking package also aims to strengthen bank capital requirements to reduce incentives for excessive risk taking, by including a binding leverage ratio (LR), a binding net stable funding ratio (NSFR) and setting risk sensitive rules for trading in securities and derivatives. In addition, the banking package contains measures to improve banks' lending capacity and to facilitate a greater role for banks in the capital markets, such as: (i) reducing the administrative burden for smaller and less complex banks, linked in particular to reporting and disclosure requirements; and (ii) enhancing the capacity of banks to lend to small and medium-sized enterprises (SMEs) and to fund infrastructure projects.

The banking package also contains a framework for the cooperation and information sharing among the various authorities involved in the supervision and resolution of cross-border banking groups.

- Basel III reforms by BCBS

On 7 December 2018, the oversight body of the BCBS, the Group of Central Bank Governors and Heads of Supervision ("**GHOS**"), endorsed the outstanding Basel III reforms proposed by the BCBS (i.e. the international regulatory framework for credit institutions developed by the BCBS in response to the financial crisis 2007 – 2009). These Basel III reforms include:

- a revised standardised approach for credit risk, which will improve the robustness and risk sensitivity of the existing approach;
- revisions to the internal ratings-based approach for credit risk, where the use of the most advanced internally modelled approaches for low-default portfolios will be limited;

- revisions to the credit valuation adjustment (CVA) framework, including the removal of the internally modelled approach and the introduction of a revised standardised approach;
- a revised standardised approach for operational risk, which will replace the existing standardised approaches and the advanced measurement approaches;
- revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which will take the form of a Tier 1 capital buffer; and
- an aggregate output floor, which will ensure that risk-weighted assets ("RWAs") generated by internal models are no lower than 72.5% of RWAs as calculated by the Basel III framework's standardised approaches. Credit institutions will also be required to disclose their RWAs based on these standardised approaches.

The revised standards will take effect from 1 January 2022 and will be phased in over five years. In addition, on 14 February 2019, the GHOS endorsed the finalized revised market risk framework, which will also take effect from 1 January 2022.

Furthermore, the GHOS mandated the BCBS to review the regulatory treatment of sovereign risk in January 2015. On 7 December 2017, the BCBS published a respective discussion paper, but did not yet reach a consensus on making any changes to the regulatory treatment of sovereign exposures.

The Issuer's obligation to comply with, monitor and/or implement these, similar or other additional, stricter and/or new regulatory rules and requirements may have a negative impact on the Issuer's business operations and its assets, financial position and results of operation.

**The Issuer has to comply with its applicable (regulatory) capital requirements at any time.**

The Issuer has to comply with certain regulatory capital requirements (on an individual and/or consolidated basis) at any time:

- In this regard, the Issuer is required to satisfy the applicable minimum capital requirements pursuant to Article 92 CRR (so-called "Pillar 1 requirements") at all times. This includes a Common Equity Tier 1 ("**CET 1**") capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%.
- In addition, the Issuer is required to satisfy at all times the capital requirements that are imposed by the FMA following the Supervisory Review and Evaluation Process ("**SREP**") (so-called "Pillar 2 requirements") (SREP ratio) in form of CET 1 capital. In addition, the Issuer is required to satisfy the so-called "Pillar 2 guidance".
- Furthermore, the Issuer is required to satisfy at all times the combined buffer requirement within the meaning of § 2(45) of the Austrian Banking Act (*Bankwesengesetz – BWG*) in form of CET 1 capital. For the Issuer, the combined buffer requirement consists of the sum of the capital buffer requirement for compliance with the capital conservation buffer of 2.5% and the countercyclical capital buffer for relevant credit exposures in Austria of 0.0%, based on the total risk exposure calculated pursuant to Article 92(3) CRR.
- Furthermore, each institution shall meet MREL in accordance with the Austrian Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz – "BaSAG"*)/the SRMR upon

request of the resolution authority. This MREL ratio 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. As of the date of this Prospectus, no MREL ratio has been set for the Issuer.

As of the date of this Prospectus, Anadi Bank's sole shareholder, Anadi Financial Holdings Pte. Ltd., Singapore, intends to convert an Additional Tier 1 instrument in the amount of EUR 65.5 million into CET 1 capital in order to strengthen Anadi Bank's CET 1 capital ratio on a consolidated basis. Applications for approval of such conversion were filed by Anadi Bank with the FMA. As Anadi Bank has not yet received the FMA's decision, the effects of such conversion on Anadi Bank's CET 1 capital ratio on a consolidated basis cannot be considered as of the date of this Prospectus.

The Issuer's obligation to comply with these, similar or other additional, stricter and/or new (regulatory) capital requirements may have a negative impact on the Issuer's business operations and its assets, financial position and results of operation.

**The Issuer is obliged to contribute to the Single Resolution Fund and to the deposit guarantee fund.**

The Single Resolution Fund ("**SRF**") has been established within the SRM and is composed of contributions by credit institutions and certain investment firms in the participating Member States of the Banking Union. The SRF shall be gradually built up during the initial period of eight years (2016 – 2023) and shall reach the target level of at least 1% of the amount of covered deposits of all credit institutions within the Banking Union by 31 December 2023.

Furthermore, the Directive 2014/49/EU (*Directive on Deposit Guarantee Schemes – "DGSD"*) stipulates a target level of the *ex ante* financed funds for the deposit guarantee schemes of 0.8% of covered deposits. According to the Austrian Deposit Guarantee and Investor Protection Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz – "ESAEG"*), which implements the DGSD in Austria, the deposit guarantee fund shall be fully funded until 3 July 2024.

The Issuer is member of the Einlagensicherung AUSTRIA Ges.m.b.H. ("**ESA**"), the statutory (Austrian) deposit guarantee scheme within the meaning of ESAEG. ESA is operative since 1 January 2019 and replaces the guarantee schemes of the associations of *Banken und Bankiers, Landes-Hypothekenbanken, Raiffeisenbanken* and *Volksbanken* which existed until 31 December 2018. If (in case of a crises of a member institution) required, the credit institutions may also be obliged to make certain (*ex post*) contributions to the SRF and the deposit guarantee fund.

The Issuer's obligation to make contributions to the SRF and the deposit guarantee fund may have a negative impact on the Issuer's business operations as well as its assets, financial position and results of operation.

**The Issuer is obliged to comply with extensive AML rules.**

The Issuer is subject to legal provisions in connection with measures to avoid money laundering, corruption and terrorism financing ("**AML Rules**") which are continuously amended and tightened, e.g. most recently by the implementation of Directive (EU) 2015/849 (so-called "4<sup>th</sup> AML Directive") and in near future by Directive (EU) 2018/843 (so-called "5<sup>th</sup> AML Directive"). The Issuer's obligation to comply with these AML Rules causes significant costs and expenses for the Issuer.



Any (factual or even only alleged) breach of the AML Rules may have substantial negative legal, financial and reputational consequences for the Issuer and the Issuer's obligation to comply with the AML Rules may have a negative impact on the Issuer's business operations and its assets, financial position and results of operation.

**If the relevant conditions are met, the resolution authority shall apply resolution actions in relation to the Issuer.**

As a common regime for the recovery and resolution of credit institutions the BRRD and the SRMR form the SRM respectively its material legal bases. According to the BaSAG, which implements the BRRD in Austria, the FMA is the national resolution authority.

If the conditions for resolution are met, the resolution authority shall take resolution actions (i.e. resolution tools and resolution powers) in relation to an institution in order to be able to exercise an orderly resolution for an institution which is failing (or likely to fail) and to preserve the financial stability. When applying the resolution tools and exercising the resolution powers, the resolution authority shall take into account the resolution objectives (*inter alia*, to ensure the continuity of critical functions, to avoid a significant adverse effect on the financial stability and to protect public funds and covered deposits of customers).

The resolution tools are:

- the sale of business tool;
- the bridge institution tool;
- the asset separation tool; and
- the bail-in tool.

By applying the bail-in tool the resolution authority may write down eligible liabilities in a cascading contribution to loss absorption of an institution or convert them into instruments of ownership. Moreover, the resolution authority can separate the performing assets from the impaired or under-performing assets in order to ensure the continuity of services and avoid adverse effects on financial stability. For this purpose the resolution authority can transfer the shares in an institution or all or part of the assets of an institution to a private purchaser or a bridge institution without the consent of the shareholders.

In addition, the resolution authority has so-called resolution powers, which it may exercise individually or in any combination in relation to or for the preparation of the application of a resolution tool. These resolution powers include in particular:

- the power to transfer to another entity rights, assets and liabilities of an institution under resolution;
- the power to reduce, including to reduce to zero, the principal amount of or outstanding amount due in respect of eligible liabilities of an institution under resolution;
- the power to convert eligible liabilities of an institution under resolution into ordinary shares or other instruments of ownership of an institution under resolution, a relevant parent institution or a bridge institution to which assets, rights or liabilities of the Issuer are transferred;

- the power to cancel debt instruments issued by an institution under resolution;
- the power to require an institution under resolution or a relevant parent institution to issue new shares, other instruments of ownership or other capital instruments, including preference shares and other contingent convertible instruments; and/or
- the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The application of resolution actions in relation to the Issuer may have a material negative impact on the Covered Bonds. Apart from that, bankruptcy proceedings over the Issuer's assets or special receivership proceedings regarding the Issuer may be opened.

**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 may in the future not be fully effective in mitigating Anadi Bank's risk exposure in any and 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 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 global 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 a similarly volatile market environment and under similar conditions of market disruption, Anadi Bank's risk management tools and metrics could fail to predict future important risk exposures. In addition, Anadi Bank's quantitative modelling may not necessarily take any and all risks into account and may make 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 may arise from factors not anticipated or correctly evaluated in Anadi Bank's statistical models.

If circumstances arise that Anadi Bank does not identify, anticipate or correctly evaluate in developing its statistical models, losses may be greater than the maximum losses envisaged under its risk management system. Furthermore, the quantifications do not take any and 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 detrimental 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 Issuer's reputational damage 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. Such failures or interruptions might occur or the Issuer might not 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, the rollout or implementation of any new systems or processes might not 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 market 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 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 market 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.

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 Issuer's management board and supervisory board exercise numerous additional functions within the Issuer or other companies and may continue or expand to do so in the future. Despite safeguards implemented, it cannot be excluded that conflicts of interest in the future may arise from such double functions of the members of the Issuer's management board and supervisory board exercised in other organisations or companies which are not in the Issuer's interest and the investors.

## 1.2 RISK FACTORS REGARDING THE COVERED BONDS

*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.*

*The 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 (if any) 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, a margin or caps or floors, or any combination of those features, the market price 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.

#### **Risks associated with the reform of LIBOR, EURIBOR and other interest rate benchmarks.**

The Euro Interbank Offered Rate (EURIBOR), the London Interbank Offered Rate (LIBOR) and other interest rates or other types of rates and indices which are deemed "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**") have become the subject of regulatory scrutiny and national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such Benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to such a Benchmark.

International proposals for reform of Benchmarks include the Benchmark Regulation which is mostly applicable, subject to certain transitional provisions, since 1 January 2018. According to the Benchmark Regulation, a Benchmark may only be used if its administrator obtains authorisation or is registered and in case of an administrator which is based in a non-EU jurisdiction, if the administrator's legal benchmark system is considered equivalent (Article 30 of the Benchmark Regulation), the administrator is recognised (Article 32 of the Benchmark Regulation) or the Benchmark is endorsed (Article 33 of the Benchmark Regulation) (subject to applicable transitional provisions). If this is not the case, Covered Bonds linked to such Benchmarks could be impacted.

The Benchmark Regulation could have a material impact on Covered Bonds linked to a Benchmark, including any of the following circumstances:

- a rate or index which is a Benchmark could not be used as such if its administrator does not obtain authorisation or is based in a non-EU jurisdiction which (subject to applicable transitional provisions) does not satisfy the 'equivalence' conditions, is not 'recognised' pending such a decision and is not 'endorsed' for such purpose. In such event, depending on the particular Benchmark and the applicable terms of the Covered Bonds, the Covered Bonds could be de-listed, adjusted, redeemed prior to maturity or otherwise impacted; and
- the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, and could lead to adjustments to the Terms and Conditions of the Covered Bonds.

Amounts payable under the Covered Bonds issued under this Programme may be calculated by reference to one or several specific Benchmark(s), each of which are provided by an administrator.

As at the date of this Prospectus, the specific Benchmark(s) are not yet determined. The Final Terms may set out the name of the specific Benchmark(s) and the relevant administrator. In such case they will further specify if the relevant administrator appears or does not appear to be on the Register established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation.

Under the Terms and Conditions certain fall-back provisions will apply in case a Benchmark used as a reference for calculation of amounts payable under the Covered Bonds issued under this Programme has ceased to be calculated or administered. The application of these fall-back provisions could result in the Independent Advisor or the Issuer (as the case may be) having to determine in its own discretion the substitute reference rate in order for the Calculation Agent to calculate amounts payable under the relevant Covered Bonds or in the relevant Covered Bonds effectively becoming fixed rate instruments.

In addition to the aforementioned Benchmark Regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Following the implementation of any such potential reforms, the manner of administration of Benchmarks may change, with the result that they may perform differently than in the past, or Benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements indicate that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Although it is uncertain whether or to what extent any of the above-mentioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of any Covered Bonds linked to the relevant Benchmark, investors should be aware that any changes to a relevant Benchmark may have a material adverse effect on the value of any Covered Bonds linked to such Benchmark.

**In the event that any Covered Bonds are redeemed prior to their 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 and that he may only be able to reinvest the redemption proceeds in covered bonds with a lower yield (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 29), 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 does not cause a breach of the Asset Cover Test (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.

**The suspension, downgrading or withdrawal of a credit rating of Covered Bonds may have an adverse effect on the market price and trading price of the rated Covered Bonds**

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

**A liquid secondary market for the Covered Bonds might not develop or, if it does develop, that it will continue. In an illiquid market, a Holder may not be able to sell his Covered Bonds at fair market prices (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*) 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, a liquid secondary market for the Covered Bonds might not 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.

**The Holder of Covered Bonds is 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 (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. A Holder 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.

**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 (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 (if any) 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 market price of the Covered Bonds and the value of interest (if any) 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 (if any) or principal than expected, or no interest (if any) or principal.

**Holders should note that the applicable tax regime may change to the disadvantage of the Holders and therefore, the tax impact of an investment in the Covered Bonds should be carefully considered (Taxation Risk)**

Interest payments on Covered Bonds (if any), or profits realized by a Holder upon the sale or repayment of Covered Bonds, may be subject to taxation in the Holder's home jurisdiction or in other jurisdictions in which the Holder is required to pay taxes. The tax consequences which generally apply to Holders may, however, differ from the tax impact on an individual Holder. Prospective investors, therefore, should contact their own tax advisors for advice on the tax impact of an investment in the Covered Bonds. Furthermore, the applicable tax regime may change to the disadvantage of the investors in the future.

**Holders are exposed to the risk of partial or total inability of the Issuer to make interest (if any) and/or redemption payments under the Covered Bonds (Credit Risk)**

Investors are subject to the risk of a partial or total inability of the Issuer to make interest (if any) and/or redemption payments that the Issuer is obliged to make under the Covered Bonds. The worse the Issuer's creditworthiness, 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 inability of the Issuer to make interest (if any) and/or redemption payments under the Covered Bonds.

**Investors may be exposed to risks connected to the reinvestment of cash resources from the sale of any Covered Bonds (Reinvestment Risk)**

Investors may be exposed to risks connected to the reinvestment of cash resources from the sale of any Covered Bonds. The return the investor will receive from a Covered Bond 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.

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

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.

**Holders have to rely on the functionality of the relevant clearing system (Clearing Risk)**

The Covered Bonds are purchased and sold through different clearing systems, such as the OeKB CSD, CBL, CBF or Euroclear. 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. There is the risk that due to the use of a clearing system any credits on the investors' account will not be processed, will not be processed within the time expected by the investor or will be delayed. Thus, the investor may suffer economic disadvantages.

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

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.

**There is the risk that the issue prices of the Covered Bonds quoted by the Issuer may considerably deviate from the fair market price of the Covered Bonds**

The issue price in respect of any Covered Bonds specified in the relevant Final Terms may be more than the market price 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 could appoint a trustee 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*) and the Austrian Notes Trustee Supplementation Act (*Kuratorenenergänzungsgesetz*), a trustee (*Kurator*) could be appointed by an Austrian court upon the request of any interested party (e.g. a Holder) or upon the initiative of a 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, the impact of any possible judicial decision or change to Austrian law or administrative practice after the date of this Prospectus is uncertain.

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

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

**In case of an insolvency of the Issuer, deposits have a higher ranking than claims of the Holders under the Covered Bonds.**

According to § 131 BaSAG, in bankruptcy proceedings opened over the Issuer's assets, the

following insolvency hierarchy applies:

- (a) The following claims have the same ranking which is higher than the ranking provided for the claims of ordinary senior unsecured and non-preferred senior unsecured creditors: (i) that part of eligible deposits from natural persons and micro, small and medium-sized enterprises which exceeds the covered deposits; and (ii) deposits that would be eligible deposits from natural persons, micro, small and medium-sized enterprises if they are not made through branches (located outside the EU) of institutions established within the EU.
- (b) The following claims have the same priority ranking, which is higher than the ranking provided for under point (a): (i) covered deposits; and (ii) deposit guarantee schemes subrogating to the rights and obligations of covered depositors in insolvency.
- (c) In addition, since 30 June 2018 a (new) ranking for certain debt instruments exists. Thus, ordinary senior unsecured claims have a higher priority ranking (i.e. are senior) in bankruptcy proceedings than that of unsecured claims resulting from debt instruments within the meaning of § 131(3) BaSAG. Such so-called "non-preferred senior debt instruments" are debt instruments that meet the following conditions: (i) the original contractual maturity of the debt instruments is of at least one year; (ii) the debt instruments contains no embedded derivatives and are not derivatives themselves; (iii) the relevant contractual documentation and, where applicable, the prospectus related to the issuance explicitly refer to the lower ranking under § 131(3) BaSAG. Such non-preferred senior debt instruments have a higher priority ranking in bankruptcy proceedings than the priority ranking of claims resulting from instruments referred to in § 90(1)(1) to (4) BaSAG (in particular Additional Tier 1 instruments, Tier 2 instruments and other subordinated debt).

Therefore, Holders should bear in mind that in case of bankruptcy proceedings and in any comparable proceedings (in particular resolution proceedings) opened in relation to the Issuer, their claims will be satisfied out of the cover pool assets which constitute a special fund pursuant to § 48 of the Austrian Insolvency Code (*Insolvenzordnung - IO*). In such proceedings, the Holders may claim from the Issuer only an amount equal to the (potential) loss, if any, resulting after the cover pool has been liquidated and used to satisfy the Holders.

Such claims would be in any case junior to the claims listed above in points (a) and (b), and, where applicable, also in point (c), and therefore the Holders will only receive payment of their claims if and to the extent that such claims (which are senior to them) have been discharged in full.

### **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; the fiftieth anniversary of the Maturity Date), 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 Asset Cover Test is continuously breached, and remains unremedied, for a period of one (1) month, 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. However, for the avoidance of doubt, Holders shall remain to have a claim against the Issuer 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 such Covered Bonds might not be recognised as such.

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 Austrian courts, and Austrian law (in particular the Austrian Act concerning Pfandbriefe and Related Bonds of Public Law Credit Institutions (*Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten* – "**Pfandbriefgesetz**") does not explicitly foresee such structures. To the Issuer's knowledge, 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 Issuer's option for Pass-Through Covered Bonds and the Asset Cover Test, its 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 Asset Cover Test**

The Asset Cover Test is foreseen to determine whether an Issuer Event has occurred. In case this test is breached, the Covered Bonds will become Pass-Through Covered Bonds. However, it

is uncertain whether this test is sufficient and/or appropriate to determine the sufficiency of the Cover Pool Assets and this test might not 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 a Dealer the appointment of which 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 a dealer agreement to be concluded (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 a Dealer the appointment of which 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 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 (if any), issue prices and dates for first interest payments, may form a Series of Covered Bonds. 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 in accordance with applicable law and the applicable rules of the relevant clearing system.

Covered Bonds issued pursuant to the Programme shall be rated. A credit 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 credit rating agency. A suspension, reduction or withdrawal of the credit 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 method of the International Capital Market Association (ICMA), 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 2019 until 31 December 2019 will be made in accordance with a resolution of the Issuer's Management Board passed on 20 November 2018, and issues of Covered Bonds in 2020 will be made in accordance with a resolution of the Issuer's Management Board which is expected to be adopted in November or December 2019.

## **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/offering*" under "*Part B - 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, CBF, CBL or 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 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.

### **3. CONDITIONAL PASS-THROUGH COVERED BONDS**

#### **CHARACTERISTICS OF CONDITIONAL PASS-THROUGH COVERED BONDS**

##### **Conditional pass-through covered bonds**

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 the heading "*Extended 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.

##### **Extended 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 Asset Cover Test. In this case, the Issuer will be required to redeem each Series of Covered Bonds on the Extended Maturity Date (i.e. the fiftieth anniversary of the 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 Issuer's obligations 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] [Clearstream Banking AG, Neue Börsestraße 1, 60487 Frankfurt am Main, Federal Republic of Germany] [Clearstream Banking S.A., 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 "**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 kept in custody on behalf of the ICSDs and the

[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.]

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

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 Payment 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.<sup>3</sup>

(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  
case of short  
coupons) the  
following applies

[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.]

In the case of  
Actual/Actual  
(ICMA Rule 251)

[the sum of:

(A) the number of days in such Calculation Period falling in the Reference

<sup>3</sup> 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*).



is applicable and if the Calculation Period is longer than one Reference Period (long coupon) the following applies

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 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)(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

**In the case Modified Following Business Day Convention and Following Business Day Convention do not apply**

[then the Holder shall not be entitled to payment until the next Payment Business Day and shall not be entitled to further interest or other payment in respect of such delay.]

**In the case Modified Following Business Day Convention applies**

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

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

[the date for payment of such amount shall be postponed to the next calendar day which is a Payment Business Day.]

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

For these purposes, "Payment Business Day" means

[a day (other than a Saturday or a Sunday) on which commercial credit institutions and foreign exchange markets settle payments and are open for general business 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 in euro.]

In the case the amount of interest payable shall be adjusted insert

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

In the case the amount of interest payable shall not be adjusted insert

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

(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 the fiftieth anniversary of the



**[insert only if the global note is deposited with an ICSD: BNP Paribas Securities Services, Luxembourg Branch  
60 avenue J.F. Kennedy  
2085 Luxembourg  
Luxembourg] [insert other]**

Paying Agent: [Austrian Anadi Bank AG  
Domgasse 5  
A-9020 Klagenfurt am Wörthersee  
Austria]  
[BNP Paribas Securities Services, Luxembourg Branch  
60 avenue J.F. Kennedy  
2085 Luxembourg  
Luxembourg] [insert other]

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.

The Issuer is authorised to withhold or deduct from amounts payable under the Covered Bonds funds for the payment of any tax that it is required to withhold or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an

intergovernmental approach thereto.

## § 8 ISSUER EVENTS

### (1) *Issuer Events.*

Prior to a Notice of Termination, if any of the following events (the "**Issuer Events**" and 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 Asset 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 Asset 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. However, for the avoidance of doubt, Holders shall remain to have a claim against the Issuer 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 does not cause a Breach of Asset Cover 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 Cover Test"** means that the Cover Pool Balance is, calculated with effect as of the Asset Cover Test Calculation Date, an amount at least equal to the product of (i) the Asset Cover Test Percentage, multiplied by (ii) the aggregate outstanding principal amount of the Covered Bonds and the Other Covered Bonds.

**"Asset Cover Test Calculation Date"** means (i) in relation to items (a) and (b) of the definition of "A" in "Cover Pool Balance" the last day of each calendar month, and (ii) in relation to item (c) of the definition of "A" in "Cover Pool Balance" any day, provided that in any instance for purposes of remedying a Breach of Asset Cover Test, the Issuer may calculate the Cover Pool Balance on any day(s) during the applicable remedy period, which day(s) shall then be an Asset Cover Test Calculation Date.

**"Asset Cover Test Percentage"** means the higher of (i) the sum, expressed as a percentage, of (x) 100%, plus (y) the OC; and (ii) 102%.

**"Breach of Asset Cover Test"** means that the Asset Cover Test is continuously breached, and remains unremedied, for a period of one (1) month.

**"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.

**"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 Balance"** is calculated as follows:

$$A+B$$

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; (b) the nominal (or maximum) 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;

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

**"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 (or by parts of), 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 (or provide for, as the case may be) interest payments in accordance with the Priority of Payments in relation to the Covered Bonds and the Other Covered Bonds and will, subject to the Pfandbriefgesetz, be maintained following all Issuer Events.

**"Interest Reserve Amount"** means an amount, calculated with effect as of the Asset Cover Test Calculation Date, equal to the aggregate of all interest payment amounts that will become payable within three months following the Asset Cover Test 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.

**"OC"** means the overcollateralization level (expressed as a percentage) which is published from time to time by the Rating Agency on the OC Source. In case no (or no timely) publication takes place, the most recently

published overcollateralization level shall be used. The Issuer may, by notice pursuant to § 12, increase or decrease from time to time the overcollateralization level, 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 change will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

"**OC Source**" means [www .capitaliq.com] [*insert other website / public source*] or any other source the Issuer may designate, in its sole discretion, from time to time by way of a notice in accordance with § 12.

"**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 an Issuer Bankruptcy Event has occurred and is continuing pursuant to § 8 (1) (ii).

"**Rating Agency**" means [*insert the rating agency*].

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

"**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. However, for the avoidance of doubt, Holders shall remain to have a claim against the Issuer 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) the Rating Agency has been notified of such issuance and the 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](http://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 ([www.austrian-anadibank.com/Pfandbriefe/Dokumentation\\_CPT\\_Covered\\_Bonds\\_Programme](http://www.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 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

[(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.

Rules)

(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] [Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Federal Republic of Germany] [Clearstream Banking S.A., 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 "**ICSD**" and together the "**ICSDs**") and any successor in such capacity.

[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.

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 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



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

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.]

[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.]

(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 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

In the case of Specified Interest Payment Dates without a short/long first coupon

[each [**Specified Interest Payment Dates**] in each calendar year.]

the  
following  
applies

In the case  
of Specified  
Interest  
Payment  
Dates with a  
short/long  
first coupon  
the  
following  
applies

In the case  
of Specified  
Interest  
Periods the  
following  
applies

[[the [First Interest Payment Date] and thereafter [each][the] [Specified Interest Payment Date(s)] in each calendar year] [the Maturity Date].]

[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  
Business  
Day  
Convention  
the  
following  
applies

In the case  
of FRN  
Convention  
the  
following  
applies

In the case  
of Following  
Business  
Day  
Convention  
the  
following  
applies

In the case  
of Preceding  
Business

[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.]

[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.]

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

[the immediately preceding Business Day.]

Day  
Convention  
the  
following  
applies

(d) "**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 credit institutions and foreign exchange markets settle payments and are open for general business 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 in euro.]

In the case  
the  
reference  
rate is the  
offered  
quotation  
for deposits  
in the  
Specified  
Currency  
(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) (the "**Offered Quotation**") 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.

If  
Interpolatio  
n shall  
apply for a  
first  
short/long  
coupon

(This shall not apply for the Interest Period which ends with the first Interest Payment Date, for which the Rate of Interest will be the linear interpolation between the **[●]** month EURIBOR Offered Quotation and the **[●]** month EURIBOR Offered Quotation)

"**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 (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 in euro.

**["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 credit institutions in the Euro-zone interbank market, selected by the Calculation Agent acting in good faith, at which such credit institutions 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 credit institutions [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 [[multiplied by **[factor]**] [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 credit institutions in the interbank market in the Euro-Zone.]

In the case the reference rate is the offered quotation for deposits in the Specified Currency (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) (the "**Offered Quotation**") 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.

If Interpolation shall apply for a first short/long coupon

(This shall not apply for the Interest Period which ends with the first Interest Payment Date, for which the Rate of Interest will be the linear interpolation between the [●] month LIBOR Offered Quotation and the [●] month LIBOR Offered Quotation)

"**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 (other than a Saturday or Sunday) on which commercial credit institutions and foreign exchange markets settle payments and are open for general business 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 credit institutions 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 credit institutions in the London interbank market, selected by the Calculation Agent acting in good faith, at which such credit institutions 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 credit institutions 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 [[multiplied by **[factor]**] [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 credit institutions 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) (the **"Offered Quotation"**) 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*) (the "**Offered Quotation**") **[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 (other than a Saturday or Sunday) on which commercial credit institutions and foreign exchange markets settle payments and are open for general business 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 the event of a Benchmark Event: (i) the Issuer shall use reasonable endeavours to appoint an Independent Advisor to determine in the Independent

Advisor's reasonable discretion (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner (the "**Substitution Objective**")) a Substitute Offered Quotation which shall replace the original Offered Quotation affected by the Benchmark Event; or (ii) if no Independent Advisor is or can be timely appointed by the Issuer or if an Independent Advisor is appointed by the Issuer, but fails to determine a Substitute Offered Quotation, then the Issuer (in consideration of the Substitute Objective) may determine which (if any) rate has replaced the original Offered Quotation affected by the Benchmark Event. Any Substitute Offered Quotation shall apply from (and including) the Interest Determination Date determined by the Independent Advisor or the Issuer (as the case may be) in its due discretion, which shall be no earlier than the Interest Determination Date falling on or immediately following the date of the Benchmark Event, with first effect for the Interest Period for which the Rate of Interest is determined on such Interest Determination Date. The "**Substitute Offered Quotation**" shall be a rate (expressed as a percentage rate *per annum*) which corresponds to an alternative offered quotation (the "**Alternative Offered Quotation**") provided by a third party and meeting any applicable legal requirements for being used for determining the payment obligations under the Covered Bonds determined by the Independent Advisor or the Issuer (as the case may be) in its due discretion, as modified by applying the adjustments (e.g. in the form of premiums or discounts), if any, that may be determined by the Independent Advisor or the Issuer (as the case may be) in its due discretion.

Notwithstanding the generality of the foregoing, the Issuer may in particular, but without limitation implement an Official Substitution Concept, an Industry Solution or a Generally Accepted Market Practice.

If the Independent Advisor or the Issuer (as the case may be) determines a Substitute Offered Quotation, it shall also be entitled to make, in its due discretion, any such procedural determinations relating to the determination of the current Substitute Offered Quotation (e.g. the determination day, the relevant time, the relevant screen page for obtaining the Alternative Offered Quotation and the fallback provisions in the event that the relevant screen page is not available) and to make such adjustments to the definition of "Business Day" in § 3 (1)(d) and the business day convention provisions in § 4 (5) which in accordance with the generally accepted market practice are necessary or expedient to make the substitution of the Offered Quotation by the Substitute Offered Quotation operative.

"**Benchmark Event**" means:

(a) any permanent and final termination of the determination, provision or publication of the Offered Quotation by any central administrator in circumstances where no successor administrator exists, or any other permanent and final discontinuation of the existence of the Offered Quotation;

(b) a material change in the methodology of determining or calculating the Offered Quotation as compared to the methodology used at the time of the issuance of the Covered Bonds if such change results in the Offered Quotation, calculated in accordance with the new methodology, no longer representing, or being apt to represent adequately, the Offered Quotation or in terms of economic substance no longer being comparable to the Offered Quotation determined or calculated in accordance with the methodology used at the time of the issuance of the Covered Bonds;



(c) the applicability of any law or any other legal provision, or of any administrative or judicial order, decree or other binding measure, pursuant to which the Offered Quotation may no longer be used as a reference rate to determine the payment obligations under the Covered Bonds, or pursuant to which any such use is subject to not only immaterial restrictions or adverse consequences; and

(d) the administrator of the Offered Quotation becomes insolvent or insolvency, bankruptcy, restructuring or other similar proceedings (concerning the administrator) are initiated by the administrator or by the relevant supervisory or regulatory authority and the Offered Quotation is not transferred to a new administrator.

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

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

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

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

The Independent Advisor or the Issuer (as the case may be) is entitled, but not obliged, to determine, in its due discretion, a Substitute Offered Quotation pursuant to the provisions of this subparagraph several times in relation to the same Benchmark Event, provided that each later determination is better suitable than the earlier one to realise the Substitution Objective. The provisions of this subparagraph shall also apply *mutatis mutandis* in the event of a Benchmark Event occurring in relation to any Alternative Offered Quotation previously

determined by the Independent Advisor or the Issuer (as the case may be).

If the Independent Advisor or the Issuer (as the case may be) has determined a Substitute Offered Quotation following the occurrence of a Benchmark Event, it will cause the occurrence of the Benchmark Event, the Substitute Offered Quotation determined by the Independent Advisor or the Issuer (as the case may be) and any further determinations of the Independent Advisor or the Issuer (as the case may be) pursuant to this subparagraph associated therewith to be notified to the Calculation Agent and to the Holders in accordance with § 12 as soon as possible, but in no event later than the fourth Business Day following the determination of the Substitute Offered Quotation 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, but in no event later than the first day of the Interest Period to which the Substitute Offered Quotation applies for the first time.]

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 Maturity Date (as defined below) until actual redemption of the Covered Bonds. Interest shall continue to accrue on the outstanding aggregate principal amount of the Covered Bonds from the Maturity Date (inclusive) until the date of redemption of the Covered Bonds (exclusive) at the default rate of interest established by law.<sup>4</sup> 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**"):

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.

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<sup>4</sup> 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 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

In the case Modified Following Business Day Convention and Following Business Day Convention do not apply

[then the Holder shall not be entitled to payment until the next Payment Business Day and shall not be entitled to further interest or other payment in respect of such delay.]

In the case Modified Following Business Day Convention applies

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

In the case Following Business Day Convention applies

[the date for payment of such amount shall be postponed to the next calendar day which is a Payment Business Day.]

"**Payment Business Day**" means a Business Day (as defined in § 3 (1)).

In the case  
the amount  
of interest  
payable  
shall be  
adjusted  
insert

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

In the case  
the amount  
of interest  
payable  
shall not be  
adjusted  
insert

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

(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 the fiftieth anniversary of the Maturity Date (the "**Extended Maturity Date**") and references in § 3 (except in § 3 **[(6)]/[(7)]**) 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.



2085 Luxembourg  
Luxembourg] [insert other]

Paying Agent: [Austrian Anadi Bank AG  
Domgasse 5  
A-9020 Klagenfurt am Wörthersee  
Austria]  
[BNP Paribas Securities Services, Luxembourg Branch  
60 avenue J.F. Kennedy  
2085 Luxembourg  
Luxembourg] [insert other]

If the Fiscal Agent is to be appointed as Calculation Agent the following applies

[The Fiscal Agent shall also act as Calculation Agent.]

If a Calculation Agent other than the Fiscal Agent is to be appointed the following applies

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

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

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or the Paying Agent or the Calculation Agent and to appoint another Fiscal Agent or additional or other Paying Agents or another Calculation Agent. 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] 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.

The Issuer is authorised to withhold or deduct from amounts payable under the Covered Bonds funds for the payment of any tax that it is required to withhold or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

**§ 8**  
**ISSUER EVENTS**

(1) *Issuer Events.*

Prior to a Notice of Termination, if any of the following events (the "**Issuer Events**" and 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 Asset 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 Asset 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. However, for the avoidance of doubt, Holders shall remain to have a claim against the Issuer 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 does not cause a Breach of Asset Cover 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 Cover Test"** means that the Cover Pool Balance is, calculated with effect as of the Asset Cover Test Calculation Date, an amount at least equal to the product of (i) the Asset Cover Test Percentage, multiplied by (ii) the aggregate outstanding principal amount of the Covered Bonds and the Other Covered Bonds.

**"Asset Cover Test Calculation Date"** means (i) in relation to items (a) and (b) of the definition of "A" in "Cover Pool Balance" the last day of each calendar month, and (ii) in relation to item (c) of the definition of "A" in "Cover Pool Balance" any day, provided that in any instance for purposes of remedying a Breach of Asset Cover Test, the Issuer may calculate the Cover Pool Balance on any day(s) during the applicable remedy period, which day(s) shall then be an Asset Cover Test Calculation Date.

**"Asset Cover Test Percentage"** means the higher of (i) the sum, expressed as a percentage, of (x) 100%, plus (y) the OC; and (ii) 102%.

**"Breach of Asset Cover Test"** means that the Asset Cover Test is continuously breached, and remains unremedied, for a period of one (1) month.

**"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.

**"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 Balance"** is calculated as follows:

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; (b) the nominal (or maximum) 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;*

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

**"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 / Derivatverträge*) 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 (or by parts of), 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 (or provide for, as the case may be) interest payments in accordance with the Priority of Payments in relation to the Covered Bonds and the Other Covered Bonds and will, subject to the Pfandbriefgesetz, be maintained following all Issuer Events.

**"Interest Reserve Amount"** means an amount, calculated with effect as of the Asset Cover Test Calculation Date, equal to the aggregate of all interest payment amounts that will become payable within three months following the Asset Cover Test 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.

**"OC"** means the overcollateralization level (expressed as a percentage) which is published from time to time by the Rating Agency on the OC Source. In case no (or no timely) publication takes place, the most recently published overcollateralization level shall be used. The Issuer may, by notice pursuant to § 12, increase or decrease from time to time the overcollateralization level, 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 change will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

"**OC Source**" means [www.capitaliq.com] [*insert other website / public source*] or any other source the Issuer may designate, in its sole discretion, from time to time by way of a notice in accordance with § 12.

"**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 an Issuer Bankruptcy Event has occurred and is continuing pursuant to § 8 (1) (ii).

"**Rating Agency**" means [*insert the rating agency*].

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

"**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. However, for the avoidance of doubt, Holders shall remain to have a claim against the Issuer 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) the Rating Agency has been notified of such issuance and the 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](http://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 ([www.austrian-anadibank.com/Pfandbriefe/Dokumentation\\_CPT\\_Covered\\_Bonds\\_Programme](http://www.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 credit institution 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] [Clearstream Banking AG, Neue Börsestraße 1, 60487 Frankfurt am Main, Federal Republic of Germany] [Clearstream Banking S.A., 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 "**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 CGN the following applies

[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.]

- (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 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 law<sup>5</sup>. 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).]

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

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<sup>5</sup> 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*).

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

In the case  
Modified  
Following  
Business Day  
Convention and  
Following  
Business Day  
Convention do  
not apply

[then the Holder shall not be entitled to payment until the next Payment Business Day and shall not be entitled to further interest or other payment in respect of such delay.]

In the case  
Modified  
Following  
Business Day  
Convention  
applies

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

In the case  
Following  
Business Day  
Convention  
applies

[the date for payment of such amount shall be postponed to the next calendar day which is a Payment Business Day.]

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

For these purposes, "**Payment Business Day**" means

[a day (other than a Saturday or a Sunday) on which commercial credit institutions and foreign exchange markets settle payments and are open for general business 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 in euro.]

(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 the fiftieth anniversary of the 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) 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

If Covered Bonds are subject to Early Redemption at



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.

The Issuer is authorised to withhold or deduct from amounts payable under the Covered Bonds funds for the payment of any tax that it is required to withhold or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## § 8

### ISSUER EVENTS

(1) *Issuer Events.*

Prior to a Notice of Termination, if any of the following events (the "**Issuer Events**" and 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 Asset 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 Asset 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. However, for the avoidance of doubt, Holders shall remain to have a claim against the Issuer 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 does not cause a Breach of Asset Cover Test.

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

Issue Price x Specified Denomination x (1 + Issue Yield)<sup>N</sup>,

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 Covered Bonds 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 Cover Test"** means that the Cover Pool Balance is, calculated with effect as of the Asset Cover Test Calculation Date, an amount at least equal to the product of (i) the Asset Cover Test Percentage, multiplied by (ii) the aggregate outstanding principal amount of the Covered Bonds and the Other Covered Bonds.

**"Asset Cover Test Calculation Date"** means (i) in relation to items (a) and (b) of the definition of "A" in "Cover Pool Balance" the last day of each calendar month, and (ii) in relation to item (c) of the definition of "A" in "Cover Pool Balance" any day, provided that in any instance for purposes of remedying a Breach of Asset Cover Test, the Issuer may calculate the Cover Pool Balance on any day(s) during the applicable remedy period, which day(s) shall then be an Asset Cover Test Calculation Date.

**"Asset Cover Test Percentage"** means the higher of (i) the sum, expressed as a percentage, of (x) 100%, plus (y) the OC; and (ii) 102%.

**"Breach of Asset Cover Test"** means that the Asset Cover Test is continuously breached, and remains unremedied, for a period of one (1) month.

**"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.

**"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 Balance"** is calculated as follows:

$$A+B$$

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; (b) the nominal (or maximum) 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;

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

**"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 (or by parts of), 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 (or provide for, as the case may be) interest payments in accordance with the Priority of Payments in relation to the Covered Bonds and the Other Covered Bonds and will, subject to the Pfandbriefgesetz, be maintained following all Issuer Events.

**"Interest Reserve Amount"** means an amount, calculated with effect as of the Asset Cover Test Calculation Date, equal to the aggregate of all interest payment amounts that will become payable within three months following the Asset Cover Test 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.

**"OC"** means the overcollateralization level (expressed as a percentage) which is published from time to time by the Rating Agency on the OC Source. In case no (or no timely) publication takes place, the most recently

published overcollateralization level shall be used. The Issuer may, by notice pursuant to § 12, increase or decrease from time to time the overcollateralization level, 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 change will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

"**OC Source**" means [www .capitaliq.com] [*insert other website / public source*] or any other source the Issuer may designate, in its sole discretion, from time to time by way of a notice in accordance with § 12.

"**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 an Issuer Bankruptcy Event has occurred and is continuing pursuant to § 8 (1) (ii).

"**Rating Agency**" means [*insert the rating agency*].

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

"**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. However, for the avoidance of doubt, Holders shall remain to have a claim against the Issuer 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 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) 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](http://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 ([www.austrian-anadibank.com/Pfandbriefe/Dokumentation\\_CPT\\_Covered\\_Bonds\\_Programme](http://www.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 credit institution 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

**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended ("MiFID II"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended ("MiFID II")] [MiFID II]; (ii) a customer within the meaning of Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation, as amended (*Insurance Mediation Directive*), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended (*Prospectus Directive*). Consequently, no key information document required by Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products, as amended ("PRIIPs Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[Date]

## Final Terms

### Austrian Anadi Bank AG

[Title of relevant Series of Covered Bonds]

Series: [ ], Tranche [ ]

Issue Date: [ ]<sup>6</sup>

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 Prospectus Directive 2003/71/EC, as amended and must be read in conjunction with the Prospectus pertaining to the EUR 750,000,000 Conditional Pass-Through Covered Bonds Programme (the "**Programme**") of Austrian Anadi Bank AG (the "**Issuer**"), dated 8 May 2019 (the "**Prospectus**") and all supplements to the Prospectus. The Prospectus and any supplements thereto are available for viewing in electronic form on the Issuer's website ([www.austrian-anadi-bank.com/Pfandbriefe/Dokumentation\\_CPT\\_Covered\\_Bonds\\_Programme](http://www.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.

**[Warning:** The Prospectus dated 8 May 2019 is expected to be valid until 7 May 2020. Thereafter the Issuer intends to publish an updated and approved prospectus on the website of the Issuer ([www.austrian-anadi-bank.com/Pfandbriefe/Dokumentation\\_CPT\\_Covered\\_Bonds\\_Programme](http://www.austrian-anadi-bank.com/Pfandbriefe/Dokumentation_CPT_Covered_Bonds_Programme)) and from that point in time the Final Terms must be read in conjunction with the new prospectus.]

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<sup>6</sup> 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 [ ]

#### Issue Yield

[The issue yield cannot be determined in advance.] [ ]

#### 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]<sup>7</sup>

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

- Firm Commitment

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<sup>7</sup> Manager(s) means the institution(s) that is/are specified as manager(s) for a Series or Tranche of Covered Bonds underwriting or placing the Covered Bonds. Dealer(s) may also act as Manager(s) for a Series or Tranche of Covered Bonds.

Without Firm Commitment

Stabilising Manager

[*specify details*] [Not applicable]

## LISTING[S] / ADMISSION[S] TO TRADING

**Listing[s]**

[Yes] [No]

- Vienna Stock Exchange
  - Official Market
  - Third Market
- Luxembourg Stock Exchange
  - Regulated Market

**Date of Admission[s]**

[ ]

## ADDITIONAL INFORMATION

**Credit Rating**

The Covered Bonds have been rated as follows:

[ ]

***[Insert details on whether the relevant credit rating agency is established in the European Union 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](http://www.esma.europa.eu))) pursuant to Regulation (EC) No 1060/2009, as amended, or has applied for registration.]***

**Selling Restrictions**

**TEFRA**

- TEFRA D
- Additional Selling Restrictions

[Not applicable] [*specify detail*]

**New Global Note**

[Yes] [No]

**[Eurosysteem Eligibility of the Covered Bonds Intended]**

Intended to be held in a manner which would allow Eurosysteem eligibility

[Yes] [No]

[Yes. Note that the designation "yes" means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [or registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosysteem monetary policy and intra-day credit operations by the Eurosysteem either upon issue or at any or all times during their life.

Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common Safekeeper)]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

### **[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.]

**[Statement on benchmarks according to Article 29 (2) of the Benchmark Regulation:** [The amount(s) payable under the Covered Bonds is/are calculated by reference to **[specify benchmark(s): ●]**, which is/are provided by **[insert administrator(s) legal name: ●]**. As at the date of these Final Terms, **[insert administrator(s) legal name: ●]** is/are [not] included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of the Regulation (EU) 2016/1011. [As at the date of these Final Terms, **[insert administrator(s) legal name: ●]** is/are not included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Regulation (EU) 2016/1011.]]

[As far as the Issuer is aware, **[[insert benchmark(s): ●]** does/do not fall within the scope of the Regulation (EU) 2016/1011 by virtue of Article 2 of that regulation] [and/or] [the transitional provisions in Article 51 of the Regulation (EU) 2016/1011 apply], such that **[insert names(s) of administrator(s): ●]** is/are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).] **[insert alternative statement on benchmarks according to Article 29 (2) of the Benchmark Regulation, if applicable: ●]]**

Signed on behalf of the Issuer

By:

Duly authorised

By:

Duly authorised

## **5. AUSTRIAN ANADI BANK AG AS ISSUER**

### **5.1 STATUTORY AUDITORS**

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (a member of "Kammer der Steuerberater und Wirtschaftsprüfer") with its business address at Porzellangasse 51, A-1090 Vienna, Austria, have audited the German language audited financial statements of Anadi Bank as of 31 December 2017 and as of 31 December 2018 and have issued unqualified audit opinions for the Audited Financial Statements 2017 (dated 12 March 2018) and the Audited Financial Statements 2018 (dated 26 March 2019).

The Issuer's financial year is the calendar year.

### **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**

Anadi Bank's sole shareholder, Anadi Financial Holdings Pte. Ltd., Singapore, intends to convert an Additional Tier 1 instrument in the amount of EUR 65.5 million into CET 1 capital in order to strengthen Anadi Bank's CET 1 capital ratio on a consolidated basis. Applications for approval of such conversion were filed by Anadi Bank with the FMA; the FMA's decision is expected to be received soon.

Other than that there are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

### **5.3 BUSINESS OVERVIEW**

#### **Principal Activities**

Anadi Bank is a mid-sized Austrian multi-channel hybrid credit institution active in the business segments retail banking, corporate banking and public finance. The Issuer offers to its customers innovative digital services, a mobile sales team and a focused branch network. With regard to its experience in residential real estate financing Anadi Bank advises private customers in all financing issues. As partner of the Federal Province of Carinthia, the Issuer has managed granting of subsidized mortgage loans for many years. Anadi Bank is the principal credit institution for small and medium-sized companies in retail, industry, real estate and a product specialist for companies in the import and export sector. The Issuer has 337 employees serving more than 58,000 clients at 15 locations in the Federal Provinces of Carinthia, Styria and Vienna.



## 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 104 of this Prospectus, there has been no material adverse change in the Issuer's prospects since 31 December 2018.

## 5.6 MANAGEMENT, SUPERVISORY BODIES AND ANNUAL MEETING OF SHAREHOLDERS

### Management Board

	Principal activities performed outside Austrian Anadi Bank AG
<b>Mag. Christoph Raninger</b> , Chief Executive Officer (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
<b>Ganesh Kumar Krishnamoorthi</b> , Member of the Management Board Domgasse 5, A-9020 Klagenfurt, Austria	-
<b>Mag. Franz Reif</b> , Chief Risk Officer (CRO), Member of the Management Board Domgasse 5, A-9020 Klagenfurt, Austria	-

### Supervisory Board

	Principal activities performed outside Austrian Anadi Bank AG
<b>Srinivasan Sridhar</b> , Chairman of the Supervisory Board D905 Ashok Towers, Dr. S.S. Rao Road, Parel, 400012 Mumbai, India	Independent Director and Chairman of the Credit Committee of DCB Bank Ltd.  Independent Director and Chairman of Audit Committee of Jubilant Life Sciences Ltd.  Independent Director and Chairman of Audit Committee of Strides Shasun Ltd.

	Independent Director and Member of Audit Committee at National Securities Depository Company Ltd.
	Independent Director of Tourism Finance Corporation of India Ltd.
	Independent Director and Chairman of Audit Committee of Shriram Transport Finance Company Ltd.
	Non-independent Non-executive Director of Strategic Research Information and Capital Services Pvt Ltd.
	Director/Karta of S.Sridhar HUF (Family entity)
<b>Dr. Sanjeev Kanoria,</b> Deputy Chairman of the Supervisory Board 19 Hendon Avenue, London N3 1UJ, United Kingdom	Chairman of Advinia Health Care Ltd.  Managing Director of Suasth Health Care India Ltd.
<b>Hemant Kanoria,</b> Member of the Supervisory Board "Kanoria Cottage" 32Q, New Road, 700 027 Kolkata, India	Director of Anadi Financial Holdings Pte. Ltd.  Chairman and Managing Director of SREI Infrastructure Finance Limited  Chairman and Managing Director of SREI Equipment Finance Limited  Non Executive Chairman of India Power Corporation Limited
<b>Dr.jur. Franz Markus Nestl,</b> Member of the Supervisory Board Kärntnerring 4, A-1010 Vienna, Austria	Managing Director of GRAFF NESTL & PARTNER Rechtsanwälte GmbH  Managing Director of TiLU Projektentwicklungs und Beteiligungs GmbH
<b>Mag. Gabriele Oberlercher,</b> Member of the Supervisory Board delegated from worker's council Domgasse 5, A-9020 Klagenfurt, Austria	-
<b>Barbara Perchtold,</b> Member of the Supervisory Board delegated from worker's council Domgasse 5, A-9020 Klagenfurt, Austria	-

## 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 Issuer's supervisory board.

## Representatives of the Supervisory Authorities

Pursuant to the Austrian Banking Act and the Pfandbriefgesetz, 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. Renate Platzer	State Commissioner
Mag. Stefan Wieser	Vice State Commissioner
Mag. Natascha Nehammer	Trustee pursuant to the Pfandbriefgesetz
Ing. Mag. (FH) Jakob Köhler	Deputy Trustee pursuant to the Pfandbriefgesetz

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.

Anadi Financial Holdings Pte. Ltd., Singapore, as sole shareholder of the Issuer is able to adopt majority resolutions and to control the Issuer. To the best of the knowledge of the Issuer, there are measures (applicable corporate governance regulations of Anadi Financial Holdings Pte. Ltd., Singapore, and a yearly operative control by the auditors of Anadi Financial Holdings Pte. Ltd., Singapore) to ensure that such control over the Issuer is not abused. The Issuer is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Issuer.

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

Except as disclosed under "*Recent Events*" on page 104 of this Prospectus, there has been no significant change in the Issuer's financial position since 31 December 2018.

## 5.9 RATING

No credit ratings have been assigned to the Issuer. Single issuances of Covered Bonds have been rated.

## 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**

No statement or report attributed to a third party is included in this Prospectus.

## 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

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

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to § 27(2) of the Austrian Income Tax Act, including dividends and interest; the tax basis is the amount of the earnings received (§ 27a(3)(1) of the Austrian Income Tax Act);
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to § 27(3) of the Austrian Income Tax Act, including gains from the alienation, redemption and other realisation of assets that lead to income from the letting of capital

(including zero coupon bonds); the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs, in each case including accrued interest (§ 27a(3)(2)(a) of the Austrian Income Tax Act); and

- income from derivatives (*Einkünfte aus Derivaten*) pursuant to § 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates (the mere exercise of an option does not trigger tax liability); e.g., in the case of index certificates, the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs (§ 27a(3)(3)(c) of the Austrian Income Tax Act).

Also the withdrawal of the Covered Bonds from a securities account (*Depotentnahme*) and circumstances leading to a restriction 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) and (2) of the Austrian Income Tax Act). The tax basis amounts to the fair market value minus the acquisition costs (§ 27a(3)(2)(b) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Covered Bonds as non-business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. 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*), is subject to withholding tax (*Kapitalertragsteuer*) at a flat rate of 27.5%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to § 97(1) of the Austrian Income Tax Act). Investment income from the Covered Bonds without an Austrian nexus must be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The acquisition costs must not include ancillary acquisition costs (*Anschaffungsnebenkosten*; § 27a(4)(2) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. § 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may be neither offset against interest from bank accounts and other non-securitized claims *vis-à-vis* credit institutions (except for cash settlements and lending fees) nor against income from private foundations, foreign private law foundations and other comparable legal estates (*Privatstiftungen, ausländische Stiftungen oder sonstige Vermögensmassen, die mit einer Privatstiftung vergleichbar sind*); income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income. The Austrian custodian agent has to effect the offsetting of losses by taking into account all of a taxpayer's securities accounts with the custodian agent in line with § 93(6) of the Austrian Income Tax Act, and to issue a written confirmation to the taxpayer to this effect.

Individuals subject to unlimited income tax liability in Austria holding the Covered Bonds as business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. Investment income from the Covered Bonds with an Austrian

nexus is subject to withholding tax at a flat rate of 27.5%. While withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must be included in the investor's income tax return (nevertheless income tax at the flat rate of 27.5%). Investment income from the Covered Bonds without an Austrian nexus must always be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The flat tax rate does not apply to income from realised increases in value and income from derivatives if realising these types of income constitutes a key area of the respective investor's business activity (§ 27a(6) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. Pursuant to § 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of § 27(3) and (4) of the Austrian Income Tax Act, which are subject to income tax at the flat rate of 27.5%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets within the same business unit (*Wirtschaftsgüter desselben Betriebes*); only 55% of the remaining negative difference may be offset against other types of income.

Pursuant to § 7(2) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of § 27(1) of the Austrian Income Tax Act from the Covered Bonds at a rate of 25%. Income in the sense of § 27(1) of the Austrian Income Tax Act from the Covered Bonds with an Austrian nexus is generally subject to withholding tax at a flat rate of 27.5%. However, pursuant to § 93(1a) of the Austrian Income Tax Act the withholding agent may apply a 25% rate 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). Pursuant to the Austrian tax authorities' view, the acquisition costs must not include ancillary acquisition costs. Expenses such as bank charges and custody fees must not be deducted (§ 12(2) of the Austrian Corporate Income Tax Act). Interim tax is generally not triggered insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. Investment income from the Covered Bonds with an Austrian nexus is generally subject to withholding tax at a flat rate of 27.5%. However, pursuant to § 93(1a) of the Austrian Income Tax Act the withholding agent may apply a 25% rate if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the tax triggered. Under the conditions set forth in § 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on income from the 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). In addition, individuals subject to limited income tax liability in Austria are also taxable on interest in the sense of § 27(2)(2) of the Austrian Income Tax Act and accrued interest (including from zero coupon bonds) in the sense of § 27(6)(5) of the Austrian Income Tax Act from the Covered Bonds if the (accrued) interest has an Austrian nexus and if withholding tax is levied on such (accrued) interest. This does not apply to individuals being resident in a state with which automatic exchange of information exists, if a certificate of residence issued by such state has been provided by the individual to the withholding agent. Interest with an Austrian nexus is interest the debtor of which has its place of management and/or its legal seat in Austria or is an Austrian branch of a non-Austrian credit institution; accrued interest with an Austrian nexus is accrued interest from securities issued by an Austrian issuer (§ 98(1)(5)(b) of the Austrian Income Tax Act). Under applicable double taxation treaties, relief from Austrian income tax might be available. However, Austrian credit institutions must not provide for such relief at source; instead, the investor may file an application for repayment of tax with the competent Austrian tax office.

### **Inheritance and gift taxation**

Austria does not levy inheritance or gift tax.

Certain gratuitous transfers of assets to private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer Tax Act (*Stiftungseingangssteuergesetz*) if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat and/or their place of management in Austria. Certain exemptions apply in cases of transfers *mortis causa* of financial assets within the meaning of § 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate generally is 2.5%, with higher rates applying in special cases.

In addition, there is a special notification obligation for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles if the donor and/or the donee have a domicile, their habitual abode, their legal seat and/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) and (2) 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 Covered Bonds, 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 20%. 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 20%.

## **6.3 UNITED STATES - FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Austria) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to

payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional covered bonds (as described under "*Terms and Conditions of the Covered Bonds—Further Issues, Purchases and Cancellation*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

## 7. SELLING RESTRICTIONS

Any future Dealer will in the Dealer Agreement agree 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 "*4. Terms and Conditions of the Covered Bonds*".

### General

Any Dealer 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 represents nor any Dealer will represent 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 (the "**Regulation S**")).

Any Dealer will be required to represent and agree that, except as it will be permitted by the Dealer 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.

Any Dealer 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 (EEA)**

In relation to each member state of the EEA<sup>8</sup> which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each 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 any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Directive, provided that no such offer of Covered Bonds 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, and includes any relevant implementing measure in that Relevant Member State. Please also refer to the section "*Restrictions on Marketing and Sales to Retail Investors*" below.

### **Restrictions on Marketing and Sales to Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:

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<sup>8</sup> The European Economic Area is the EU plus Iceland, Norway and Liechtenstein.

- (i) a retail client as defined in Article 4 (1) (11) MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in Article 4 (1) (10) MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression "**offer**" includes 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.

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