



BAWAG Group AG

(Vienna, Republic of Austria)

**EUR 175,000,000 Undated Non-Cumulative
Fixed to Reset Rate Additional Tier 1 Notes of 2020**

ISIN XS2226911928, Common Code 222691192, WKN A2812A

Issue Price: 100 per cent.

This prospectus (the "**Prospectus**") relates to the issue of the EUR 175,000,000 Undated Non-cumulative Fixed to Reset Rate Additional Tier 1 Notes with a First Reset Date on 1 April 2026 in the denomination of EUR 200,000 each (the "**Notes**"), to be issued by BAWAG Group AG (the "**Issuer**" "**BAWAG Group AG**", or "**BAWAG**"), on 9 September 2020 (the "**Issue Date**"). The issue price of the Notes is 100 per cent. of their principal amount (the "**Issue Price**").

The Notes will bear distributions on the Current Principal Amount (as defined below) at the rate of 5.125 per cent. *per annum* (the "**First Rate of Distributions**") from and including 9 September 2020 (the "**Distribution Commencement Date**") to but excluding 1 April 2026 (the "**First Reset Date**") and thereafter at the relevant Reset Rate of Distributions from and including each Reset Date to but excluding the next following Reset Date. "**Reset Date**" means the First Reset Date and each fifth anniversary thereof for as long as the Notes remain outstanding. The "**Reset Rate of Distributions**" for each reset period will be the sum of the Reference Rate, converted from an annual basis to a semi-annual basis in a commercially reasonable manner, and the Margin (both as defined in the terms and conditions of the Notes (the "**Terms and Conditions**")).

Distributions will be scheduled to be paid semi-annually in arrear on 1 April and 1 October in each year, commencing on 1 April 2021 (long first coupon).

Distribution payments are subject to cancellation, in whole or in part, and, if cancelled, are non-cumulative and distribution payments in following years will not increase to compensate for any shortfall in distribution payments in any previous year.

"**Current Principal Amount**" will mean initially EUR 200,000 (the "**Original Principal Amount**") which from time to time, on one or more occasions, may be reduced upon occurrence of a Trigger Event (as defined in the Terms and Conditions) by a write-down and, subsequent to any such reduction, may be increased by a write up, if any (up to the Original Principal Amount) subject to limitations and conditions (as defined in the Terms and Conditions). If the relevant resolution authority exercises write-down and conversion powers, the principal amount of the Notes may be (permanently) written down, including to zero, or the Notes may be converted to CET 1 instruments.

The Notes are perpetual and have no scheduled maturity date. The Notes are redeemable by the Issuer at its discretion on (i) each Business Day during the period from (and including) 1 October 2025 to (but excluding) the First Reset Date, (ii) the First Reset Date and (iii) each Distribution Payment Date following the First Reset Date, or in other limited circumstances and, in each case, subject to limitations and conditions as described in the Terms and Conditions. The "**Redemption Amount**" per Note will be the Current Principal Amount per Note.

The Notes, as to form and content, and all rights and obligations of the holders and the Issuer will be governed by the laws of the Federal Republic of Germany ("**Germany**"). The status provisions of the Notes will be governed by, and will be construed exclusively in accordance with, the laws of the Republic of Austria ("**Austria**").

The Notes will be issued in bearer form and initially be represented by a Temporary Global Note without coupons which will be exchangeable for Notes represented by a Permanent Global Note without coupons (both as defined in the Terms and Conditions).

This Prospectus does not constitute a prospectus within the meaning of Regulation (EU) No 1129/2017 of the European Parliament and of the Council of 14 June 2017 (as amended, the "**Prospectus Regulation**"). Neither the Luxembourg Financial Supervisory Authority, the *Commission de Surveillance du Secteur Financier*, nor any other "competent authority" (as defined in the Prospectus Regulation) has approved this Prospectus or reviewed information contained in this Prospectus.

This Prospectus constitutes a prospectus for the purpose of the Luxembourg Law of 16 July 2019 on Prospectuses for Securities, as amended. Application has been made for admission of the Notes to the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF market ("**Euro MTF**") operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of the Markets in Financial Instruments Directive 2014/65/EU (as amended, "**MiFID II**"), and therefore a non-EU-regulated market.

This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the Notes in any jurisdiction where such offer or solicitation is unlawful.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and are being sold pursuant to an exemption from the registration requirements of the Securities Act. Subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act).

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

Further, the Notes are not intended to be sold and must not be sold to retail clients in the EEA or the United Kingdom, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "Restrictions on Marketing and Sales to Retail Investors" for further information.

Singapore Securities and Futures Act Product Classification: *In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are (i) prescribed capital markets products (as defined in the CMP Regulations 2018) and (ii) Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. Investing in the Notes involves certain risks. Please review the section entitled "2 Risk Factors" beginning on page 23 of this Prospectus.

Manager
Goldman Sachs International

RESPONSIBILITY STATEMENT

The Issuer; having its registered office in Vienna, Austria, accepts responsibility for the information contained in this Prospectus and 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 does not omit anything likely to affect the import of such information.

The Issuer further confirms that: (i) this Prospectus contains all information with respect to the Issuer and its fully consolidated subsidiaries taken as a whole ("**BAWAG Group**" or the "**Group**") and to the Notes which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer and of the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and BAWAG Group and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, BAWAG Group and the Notes are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, BAWAG Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

NOTICE

No person is authorised to give any information or to make any representation other than that contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or the Manager (as defined in the section "*8 Subscription and Sale*").

This Prospectus should be read and understood in conjunction with any supplement hereto and with any documents incorporated herein or therein by reference.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and BAWAG Group. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Manager to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Manager to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus reflects the status as of its date. The offering sale and delivery of the Notes and the distribution of this Prospectus may not be taken as an implication that the information contained herein is accurate and complete subsequent to the date hereof or that there has been no adverse change in the financial condition of the Issuer since the date hereof.

To the extent permitted by the laws of any relevant jurisdiction, neither the Manager nor any of its affiliates nor any other person mentioned in this Prospectus, except for the Issuer, accepts responsibility for the accuracy and completeness of the information contained in this Prospectus or any document incorporated by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accept any responsibility for the accuracy and completeness of the information contained in any of these documents. The Manager has not independently verified any such information and accept no responsibility for the accuracy thereof.

This Prospectus does not constitute, and may not be used for the purposes 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 offer or solicitation.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. For a description of the restrictions see "*8 Subscription and Sale*".

In this Prospectus, all references to "€", "EUR" or "Euro" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, GOLDMAN SACHS INTERNATIONAL (THE "STABILISING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AT ANY TIME AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY SUCH STABILISATION ACTION SHALL BE CONDUCTED IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes issued pursuant to this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**"). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products ("**PRIIPs Regulation**") became directly applicable in all member states of the European Economic Area ("**EEA**") and the United Kingdom and (ii) MiFID II was required to be implemented in EEA member states and the United Kingdom by 3 January 2018. Together the PI Instrument, PRIIPs Regulation and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and the (ii) offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities such as the Notes.

The Issuer and the Manager are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase any Notes (or a beneficial interest in the Notes) from the Issuer and/or the Manager each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Manager that:

- (1) it is not a retail investor;
- (2) whether or not it is subject to the Regulations:
 - (A) it will not sell or offer the Notes (or any beneficial interest therein) to retail investors; or
 - (B) it will not communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail investor (in each case within the meaning of MiFID II). In selling or offering the Notes or making or approving communications relating to the Notes it may not rely on the limited exemptions set out in the PI Instrument; and
 - (C) if it is a person in Hong Kong, it is a "professional investor" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; and
- (3) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the United Kingdom) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

For the purposes of this provision: the expression "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation.

Each prospective investor further acknowledges that no key information document ("**KID**") under PRIIPs Regulation has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

BENCHMARKS DISCLOSURE – STATEMENT ON REGISTRATION OF BENCHMARK ADMINISTRATOR

On each Reset Date the Reset Rate of Distributions payable on the Notes is calculated by reference to the annual mid swap rate for swap transactions denominated in Euro with a term of five years, which appears on the Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" as of 11.00 a.m. (Frankfurt time) on the relevant Reset Determination Date, and which is provided by ICE Benchmark Administration Limited (the "**Administrator**"). As at the date of this Prospectus, the Administrator appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**").

The annual mid swap rate for swap transactions denominated in Euro with a term of five years, which appears on the Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" is calculated with reference to the EURIBOR, which is provided by the European Money Market Institute ("**EMMI**"). As of the date of this Prospectus, EMMI appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Issuer's and BAWAG Group'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 BAWAG Group'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. BAWAG Group'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: "*2 Risk Factors*" and "*5 Description of the Issuer*". These sections include more detailed descriptions of factors that might have an impact on BAWAG Group's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Manager assumes 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.

INFORMATION FROM THIRD PARTIES

Unless otherwise indicated, statements in this Prospectus regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which BAWAG Group operates are based on data, statistical information, sector reports and third-party studies, as well as BAWAG Group's own estimates. Management estimates – unless otherwise indicated – are based on internal market observations and/or studies by third parties.

To the extent that information has been sourced from third parties, this information has been accurately reproduced by the Issuer in this Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is, by nature, forward-looking and speculative. The source of such third-party information is cited whenever such information is used in this Prospectus. Such third-party sources include:

- Statista, "Leading banks in Austria in 2018, by total assets", 2019, available at <https://www.statista.com/statistics/693476/leading-banks-assets-austria/>;
- WIFO – Austrian Institute of Economic Research, "WIFO Quarterly National Accounts" - COVID-19 Pandemic: GDP Decline of –2.9 Percent Year-on-Year in the First Quarter of 2020, May 2020, available at https://www.wifo.ac.at/en/news/covid-19_pandemic_gdp_decline_of_29_percent_year-on-year_in_the_first_quarter_of_2020
- Oesterreichische Nationalbank (OeNB), "Report on the economic situation" - English translation of the most relevant chapters of the German publication, May 2020, available at https://www.oenb.at/dam/jcr:5d4a64fc-bd6d-440d-a82d-9ab8926f2c87/Konjunktur-aktuell_mit-engl-Kapiteln.pdf
- ifo Institute, ifo Economic Forecast Summer 2020: German Economy Heads Back Up, Special edition, July 2020, available at <https://www.ifo.de/en/node/56481>

Irrespective of the assumption of responsibility for the contents of this Prospectus by the Issuer, neither the Issuer nor the Manager has verified any figures, market data and other information used by third parties in their studies, publications and financial information, or the external sources on which the Issuer's estimates are based. Neither the Issuer nor the Manager therefore assumes any liability for and or offers any guarantee of the accuracy of the data from studies and third-party sources contained in this Prospectus and/or for the accuracy of data on which the Issuer's estimates are based.

This Prospectus also contains estimates of market and other data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on own market observations, the evaluation of industry information (from conferences, sector events, etc.) or internal assessments. The Issuer's management believes that its estimates of market and other data and the information it has derived from such data assists investors in gaining a better understanding of the industry in which BAWAG Group operates and BAWAG Group's position therein. The Issuer's own estimates have not been checked or verified externally. The Issuer nevertheless assumes that its own market observations are reliable. The Issuer gives no warranty for the accuracy of the Issuer's own estimates and the information derived therefrom. They may differ from estimates made by competitors of BAWAG Group or from future studies conducted by market research institutes or other independent sources.

Information contained on any website mentioned in this Prospectus, including the website of BAWAG Group, is not incorporated by reference in this Prospectus and is not part of this Prospectus.

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1 OVERVIEW OF THE NOTES

The following overview contains basic information about the Notes and does not purport to be complete. It does not contain all the information that is important for making a decision to invest in the Notes. For a more complete description of the Notes, please refer to the Terms and Conditions of the Notes set out in section "4 Terms and Conditions of the Notes" of this Prospectus. For more information on the Issuer, its business and its financial condition and results of operations, please refer to the section "5 Description of the Issuer" of this Prospectus. Terms used in this overview and not otherwise defined have the meaning given to them in the Terms and Conditions of the Notes.

Issuer	BAWAG Group AG, a stock corporation formed and operated under Austrian law with its business address at Wiedner Gürtel 11, 1100 Vienna, Austria, registered in the Austrian Companies Register (<i>Firmenbuch</i>) under registration number FN 269842 b.
BAWAG Group / BAWAG Regulatory Group	<p>"BAWAG Group" means the Issuer and its fully consolidated subsidiaries taken as a whole.</p> <p>"BAWAG Regulatory Group" means, from time to time, any banking group: (i) to which the Issuer belongs; and (ii) to which the own funds requirements pursuant to the Applicable Supervisory Regulations apply on a consolidated basis due to prudential consolidation.</p> <p>The term BAWAG Group therefore refers to the scope of consolidation in accordance with IFRS, while the BAWAG Regulatory Group refers to the scope of prudential consolidation of own funds which may not include all entities included in BAWAG Group.</p>
Securities offered	EUR 175,000,000 Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2020 (the " Notes ")
Definitions	References to capitalised terms not defined herein are to those terms as defined in the Terms and Conditions of the Notes.
Issue Date	9 September 2020
Specified Currency	EUR
Issue Size	EUR 175,000,000
Denomination	EUR 200,000 per Note (the " Specified Denomination " or the " Original Principal Amount ")
Issue Price	100 per cent.
Form	Bearer Notes
Custody	Euroclear and Clearstream Luxembourg
Current Principal Amount per Note	Means initially the Original Principal Amount, which from time to time, on one or more occasions, may be reduced by a Write-Down and, subsequent to any such reduction, may be increased by a Write-Up, if any (up to the Original Principal Amount).
Status in the insolvency or liquidation of the Issuer / No Petition	<p>The Notes shall qualify as AT 1 Instruments and constitute direct, unsecured and subordinated obligations of the Issuer.</p> <p>In the event of insolvency (<i>reguläres Insolvenzverfahren</i>), including bankruptcy proceedings (<i>Konkursverfahren</i>), or the liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:</p>

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

For the avoidance of doubt, the holders of Notes (the " **Holders** ") will neither participate in any reserves of the Issuer nor in liquidation profits (*Liquidationsgewinn*) within the meaning of § 8(3)(1) of the Austrian Corporate Income Tax Act 1988 (*Körperschaftsteuergesetz 1988*) in the event of the Issuer's liquidation.

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

The Holders will be entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital*) within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*) has been removed (*beseitigt*) or if, in the event of the liquidation (*Liquidation*) of the Issuer, all other creditors (other than creditors the claims of which rank or are expressed to rank *pari passu* with or junior to the Notes) of the Issuer have been satisfied first.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The claims of the Holders against the Issuer under the Notes are subordinated in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*) and the Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets; i.e. the obligations of the Issuer under the Notes, if any, will not contribute to the determination of over-indebtedness (*Überschuldung*) in accordance with § 67(3) of the Austrian Insolvency Code.

"**AT 1 Instrument**" means any (directly or indirectly issued, if applicable) capital instrument of the Issuer that qualifies as an Additional Tier 1 instrument pursuant to Article 52 CRR at the relevant time (including the Issuer's EUR 300,000,000 Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2018 with a First Reset Date on 14 May 2025, ISIN XS1806328750).

"**AT 1 Item**" means any AT 1 Instrument and any other own funds item of the Issuer that qualifies as an Additional Tier 1 item pursuant to Article 51 CRR at the relevant time, including any capital instruments that qualify as Additional Tier 1 items pursuant to transitional provisions under the CRR.

"**CET 1 Item**" means any capital instrument or item of the Issuer that qualifies as a Common Equity Tier 1 item pursuant to Article 26 CRR at the relevant time.

"**CRR**" means the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and

investment firms and amending Regulation (EU) No 648/2012 (*Capital Requirements Regulation*), as amended or replaced from time to time, in particular by the Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012; to the extent that any provisions of the CRR are amended or replaced, the reference to provisions of the CRR as used in the Terms and Conditions shall refer to such amended provisions or successor provisions from time to time.

"**Tier 2 Item**" means any (directly or indirectly issued, if applicable) capital item of the Issuer that qualifies as a Tier 2 item pursuant to Article 62 CRR at the relevant time, including any capital instrument that qualifies as a Tier 2 item pursuant to transitional provisions under the CRR.

Note on Payment Restrictions prior to an Insolvency

Even prior to the imposition of any resolution measures upon the Issuer, insolvency proceedings (*reguläres Insolvenzverfahren*), including bankruptcy proceedings (*Konkursverfahren*), or the liquidation of the Issuer, any payment of distributions on the Notes will be subject to the conditions set forth in § 3(6) being fulfilled and any redemption or repurchase of the Notes will be subject to the conditions to redemption and repurchase set forth in § 5(6) being fulfilled.

Note on the possibility of statutory resolution measures.

Prior to any insolvency or liquidation of the Issuer, under the Applicable Supervisory Regulations, the Resolution Authority may exercise the power to write down (including to zero) the obligations of the Issuer under the Notes, convert the Notes into shares or other instruments of ownership of the Issuer, in each case in whole or in part, or apply any other resolution tool or action, including (but not limited to) any deferral or transfer of the obligations to another entity, an amendment of the Terms and Conditions or a cancellation of the Notes. Please see the section "*2 Risk Factors*" for further information.

No security, no guarantee

The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes.

No arrangement that enhances the seniority of the claim under the Note

The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claims under the Notes in insolvency or liquidation.

No set-off

Claims of the Issuer are not permitted to be set-off or netted against payment obligations of the Issuer under the Notes. No contractual collateral may be provided by the Issuer or any third person for the liabilities constituted by the Notes.

Distributions

The Notes shall bear distributions on the Current Principal Amount (as defined below) at the rate of 5.125 per cent. *per annum* (the "**First Rate of Distributions**") from and including 9 September 2020 (the "**Distribution Commencement Date**") to but excluding 1 April 2026 (the "**First Reset Date**") and thereafter at the relevant Reset Rate of Distributions (as determined in accordance with § 3(4)) from and including each Reset Date to but excluding the next following Reset Date. Distributions will be scheduled to be paid semi-annually in arrear on 1 April and 1 October in each year (each such date, a "**Distribution Payment Date**"), commencing on 1 April 2021 (long first coupon).

The rate of distributions for each Reset Period (as defined in the Terms and Conditions of the Notes) (each a "**Reset Rate of Distributions**") shall be the sum of: (x) the Reference Rate (as defined below), provided that a rate expressed on an annual basis shall be converted to a semi-annual basis in a commercially reasonable manner; and (y) the Margin (as defined below), subject to a minimum of 0.00 per cent. *per annum*.

The "**Reference Rate**" for each Reset Period will be determined as follows:

- (i) For each Reset Period beginning prior to the relevant Benchmark Replacement Effective Date (as defined below), the following will apply:
 - (A) the Reference Rate will be the Original Benchmark Rate on the relevant Reset Determination Date; and
 - (B) if the Original Benchmark Rate does not appear on the Screen Page at the relevant time on the relevant Reset Determination Date, the Reference Rate on the relevant Reset Determination Date will be the Reference Bank Rate.
- (ii) For each Reset Period commencing on or after the relevant Benchmark Replacement Effective Date, the Reference Rate will be determined in accordance with § 3(4)(c) of the Terms and Conditions of the Notes.

"**Margin**" means 5.546 per cent. *per annum*.

"**Original Benchmark Rate**" in respect of each Reset Period means the annual mid-swap rate (expressed as a percentage) for swap transactions in the Specified Currency with a term of five years, which appears on the Screen Page as at 11.00 a.m. (Frankfurt time) on the relevant Reset Determination Date (as defined in § 3(4)(a) of the Terms and Conditions of the Notes).

"**Reset Date**" means the First Reset Date and each fifth (5th) anniversary thereof for as long as the Notes remain outstanding.

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

"**Screen Page**" means Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" (as such headings and captions may appear from time to time) or the successor page displayed by the same information provider or any other information provider nominated by the Issuer as the replacement information provider for the purposes of displaying the Original Benchmark Rate.

Cancellation of Distributions

The Issuer, at its full discretion, may, at all times cancel, in whole or in part, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date for an unlimited period and on a non-cumulative basis. If the Issuer makes use of such right, it shall give notice to the Holders in accordance with § 10 of the Terms and Conditions of the Notes. A notice which has not been given on or before the relevant Distribution Payment Date shall be given without undue delay thereafter. Any failure or delay to give any such notice shall not affect the validity of the decision on the cancellation, shall in no event result in an obligation of the Issuer to make a cancelled distribution payment at a later date and shall not constitute a default for any purpose.

Without prejudice to such full discretion of the Issuer pursuant to § 3(6)(a) of the Terms and Conditions of the Notes, any payment of distributions scheduled to be paid on the Notes on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent:

- (i) the Issuer is insolvent or the payment of the relevant amount would result in the insolvency of the Issuer; or
- (ii) the sum of the following amounts:
 - (A) the amount of such distribution payment scheduled to be paid together with any Additional Amounts thereon;

- (B) the total amount of any write-ups of the Notes or any other AT 1 Instruments that were made in the then current financial year or are simultaneously made on the relevant Distribution Payment Date, if any;
- (C) any payments of interest, dividends or distributions that are simultaneously planned or made or that have been made by the Issuer on other Tier 1 Instruments in the then current financial year of the Issuer; and
- (D) any other amount, payment or distribution as may be relevant under any restriction operating as a maximum distributable amount in accordance with the Applicable Supervisory Regulations as applicable to the Issuer at the time,

would exceed the amount of the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by

- (x) an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based; and
 - (y) any other amounts that may be included for the purposes of determining the amounts available for distributions on AT 1 Instruments under the Applicable Supervisory Regulations from time to time; or
- (iii) the Competent Authority orders the relevant distribution payment scheduled to be paid on the Notes to be cancelled in whole or in part; or
 - (iv) any other prohibition or restriction to make a distribution on the Notes, or to make such distribution on the Notes when aggregated with any other distribution to be taken into account for such purpose, is imposed by the Applicable Supervisory Regulations or by the Competent Authority (or any other relevant supervisory authority), including (if applicable at the relevant point in time):
 - (A) any restriction on distributions as a result of non-compliance with the combined buffer requirement (howsoever defined in the Applicable Supervisory Regulations);
 - (B) any prohibition or restriction on distributions arising out of or in connection with the calculation of, or resulting from, the Maximum Distributable Amount; or
 - (C) any other restriction operating as maximum distributable amount in accordance with the then Applicable Supervisory Regulations requiring a maximum distributable amount to be calculated if BAWAG Regulatory Group and/or the Issuer (as the case may be) is failing to meet any applicable capital adequacy or buffer requirement, such as the maximum distributable amount related to the minimum requirement for own funds and eligible liabilities (M-MDA) and the maximum distributable amount related to the leverage ratio (L-MDA), in each case if applicable to BAWAG Regulatory Group and/or the Issuer (as the case may be) at that point in time.

If any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date is so mandatorily and automatically cancelled, the Issuer shall give notice to the Holders thereof in accordance with § 10 of the Terms and Conditions of the Notes. A notice which has not been given on or before the relevant Distribution Payment Date shall be given with out undue delay thereafter. Any failure to give such notice shall not affect the validity of the cancellation shall in no event result in

an obligation of the Issuer to make a cancelled distribution payment at a later date and shall not constitute a default for any purpose.

If a Write-Down occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Write-Down Effective Date will be cancelled mandatorily and automatically in full.

The Issuer may use such cancelled payments without restrictions to meet its obligations as they fall due.

"Distributable Items" means in respect of any payment of distributions on the Notes the distributable items as defined in Article 4(1)(128) CRR in respect of each financial year of the Issuer, as at the end of the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date for which such Relevant Financial Statements are available, all as determined in accordance with the accounting principles applied by the Issuer and as derived from the most recent Relevant Financial Statements.

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

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

No restrictions on the Issuer following any cancellation of distributions

Any distribution payment cancelled in accordance with § 3(6)(a) to (c) of the Terms and Conditions of the Notes will be non-cumulative and will be cancelled permanently and no payments will be made nor will any Holder be entitled to receive any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and will not impose any restrictions on the Issuer.

Write-Down

If, at any time, it is determined (as provided in § 5(8)(b) of the Terms and Conditions of the Notes) that a Trigger Event has occurred, the Issuer will:

- (i) immediately inform the Competent Authority that the Trigger Event has occurred;
- (ii) determine the Write-Down Amount as soon as possible, but in any case before the Write-Down Effective Date and within a maximum period of one month following the determination that a Trigger Event has occurred;
- (iii) without undue delay inform the Principal Paying Agent and the Holders in accordance with § 10 of the Terms and Conditions of the Notes that a Trigger Event has occurred by publishing a notice (such notice a "**Write-Down Notice**") which will specify the Write-Down Amount as well as the new/reduced Current Principal Amount of each Note and the Write-Down Effective Date, provided that any failure to provide such Write-Down Notice shall not affect the effectiveness of, or otherwise invalidate any Write-Down or give Holders any rights as a result of such failure. Any such notice which has not been given shall be given without undue delay; and

- (iv) (without the need for the consent of Holders) reduce the then prevailing Current Principal Amount of each Note by the relevant Write-Down Amount (such reduction being referred to as a "**Write-Down**", and "**Written Down**" shall be construed accordingly) without undue delay, but not later than within one month, with effect as from the Write-Down Effective Date.

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion, each Note may be subject to a Write-Down on more than one occasion, provided, however, that the Current Principal Amount of a Note may never be reduced to below EUR 0.01 under § 5(8) of the Terms and Conditions of the Notes.

The aggregate reduction of the aggregate Current Principal Amount of all Notes outstanding on the Write-Down Effective Date will, subject as provided below, be equal to the lower of:

- (i) the amount necessary to generate sufficient Common Equity Tier 1 capital pursuant to Article 50 CRR that would restore the Group CET 1 Capital Ratio to the Trigger Level at the point of such reduction, after taking into account (subject as provided below) the *pro rata* write-down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Notes, provided that, with respect to each Loss Absorbing Instrument (if any), such *pro rata* write-down and/or conversion shall only be taken into account to the extent required to restore the Group CET 1 Capital Ratio contemplated above to the lower of: (x) such Loss Absorbing Instrument's trigger level; and (y) the Trigger Level and, in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Applicable Supervisory Regulations; and
- (ii) the amount that would result in the Current Principal Amount of a Note being reduced to EUR 0.01.

The aggregate reduction so determined shall be applied to each Note *pro rata* on the basis of its Current Principal Amount immediately prior to the Write-Down and references herein to "**Write-Down Amount**" shall mean, in respect of each Note, the amount by which the Current Principal Amount of such Note is to be Written Down accordingly.

If, in connection with the Write-Down or the calculation of the Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down and/or converted in full and not in part only (the "**Full Loss Absorbing Instruments**"), then:

- (i) the provision that a Write-Down of the Notes should be effected *pro rata* with the write-down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written Down in full solely by virtue of the fact that such Full Loss Absorbing Instruments may be written down and/or converted in full; and
- (ii) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal and/or conversion, as the case may be, among the Notes and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write-down and/or conversion, such that the write-down and/or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (x) first, the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Notes and all other Loss Absorbing Instruments to the extent necessary to restore the Group CET 1 Capital Ratio to the Trigger Level; and (y) second, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining

following (x) shall be written off and/or converted, as the case may be, with the effect of increasing the Group CET 1 Capital Ratio above the Trigger Level.

To the extent the write-down and/or conversion of any Loss Absorbing Instruments is not possible or not made for any reason, this shall not in any way prevent any Write-Down of the Notes. Instead, in such circumstances, the Notes will be Written Down and the Write-Down Amount determined as provided above but without including for this purpose any Common Equity Tier 1 capital in respect of the write-down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be or they are not for any reason, written down and/or converted.

The Issuer's determination of the relevant Write-Down Amount shall be irrevocable and binding on the Agents and the Holders.

Any Write-Down of the Current Principal Amount of a Note pursuant to the provisions above shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts Written Down, whether in the insolvency or liquidation of the Issuer or otherwise, save to the extent (if any) such amounts are subject to a Write-Up.

The Issuer shall not give a notice of redemption after a Trigger Event has occurred until the Write-Down Effective Date.

In addition, if a Trigger Event occurs after a notice of redemption but before the date on which such redemption becomes effective, the notice of redemption shall automatically be deemed revoked and shall be null and void, the relevant redemption shall not be made, and the rights and obligations in respect of Notes shall remain unchanged.

"Applicable Supervisory Regulations" means, at any time, any requirements of Austrian law or contained in the regulations, requirements, guidelines or policies of any competent authority, the European Parliament and/or the European Council, then in effect and applicable to the BAWAG Regulatory Group and/or (as the case may be) the Issuer, including but not limited to the provisions of the BWG, the CRD, the CRR, the CDR, the SRM Regulation, the BRRD, the BaSAG and the SSM Regulation, in each case as amended from time to time, or such other law, regulation or directive as may come into effect in place thereof, as applicable to BAWAG Regulatory Group and/or the Issuer (as the case may be) at the relevant time.

"BaSAG" means the Austrian Bank Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz* – BaSAG), as amended or replaced from time to time, and any references in the Terms and Conditions to any relevant provisions of the BaSAG include references to any applicable provisions of law amending or replacing such provisions from time to time.

"BRRD" means the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive), as amended or replaced from time to time, and as implemented in the Republic of Austria; to the extent that any provisions of the BRRD are amended or replaced, the reference to provisions of the BRRD as used in the Terms and Conditions shall refer to such amended provisions or successor provisions from time to time, as implemented in the Republic of Austria.

"BWG" means the Austrian Banking Act (*Bankwesengesetz* – BWG), as amended or replaced from time to time, and any references in the Terms and Conditions to any relevant provisions of the BWG include references to any applicable provisions of law amending or replacing such provisions from time to time.

"**CDR**" means the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (*Capital Delegated Regulation*), as amended or replaced from time to time, and any references in the Terms and Conditions to relevant provisions of the CDR include references to any applicable provisions of law amending or replacing such provisions from time to time.

"**CRD**" means the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time, in particular by the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, and as implemented in the Republic of Austria; to the extent that any provisions of the CRD are amended or replaced, the reference to provisions of the CRD as used in the Terms and Conditions shall refer to such amended provisions or successor provisions from time to time, as implemented in the Republic of Austria.

"**Current Principal Amount**" means initially the Original Principal Amount, which from time to time, on one or more occasions, may be reduced by a Write-Down and, subsequent to any such reduction, may be increased by a Write-Up, if any (up to the Original Principal Amount).

"**Group CET 1 Capital Ratio**" means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the BAWAG Regulatory Group on a consolidated basis, as calculated in accordance with the Applicable Supervisory Regulations.

"**Loss Absorbing Instrument**" means, at any time, any AT 1 Instrument (other than the Notes) that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted (in each case, in accordance with its terms or otherwise) on the occurrence or as a result of the Group CET 1 Capital Ratio falling below a certain trigger level.

"**Loss Absorbing Written Down Instrument**" means, at any time, any Loss Absorbing Instrument that, immediately prior to any Write-Up of the Notes, is outstanding and has a prevailing principal amount that is less than its original principal amount because all or some of its principal amount has been written down on a temporary basis, and that has terms permitting a principal write-up to occur on a basis similar to that so provided in the Terms and Conditions in the circumstances existing on the relevant Write-Up Effective Date.

"**SRM Regulation**" means the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time, and any references to relevant provisions of the SRM Regulation in the Terms and Conditions include references to any applicable provisions of law amending or replacing such provisions from time to time.

"**SSM Regulation**" means the Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (Single Supervisory Mechanism Regulation), as amended or replaced from time to time, and any references to relevant provisions of the SSM Regulation in the Terms and Conditions include references to any applicable provisions of law amending or

replacing such provisions from time to time.

"Write-Down Effective Date" means the date as is selected by the Issuer and specified as such in the Write-Down Notice to the Holders, but which shall be no later than one month (or such shorter period as the Competent Authority may require) following the occurrence of the relevant Trigger Event.

Trigger Event

A **"Trigger Event"** occurs if, at any time, the Group CET 1 Capital Ratio is lower than the Trigger Level.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority. Any such determination shall be binding on the Issuer and the Holders.

For the purposes of determining whether a Trigger Event has occurred, the Group CET 1 Capital Ratio may be calculated at any time based on information (whether or not published) available to the Issuer, including information internally reported within the Issuer pursuant to its procedures for monitoring the Group CET 1 Capital Ratio.

"Trigger Level" means 5.125 per cent.

Write-Up

The Issuer may, at its sole discretion, to the extent permitted in compliance with the Applicable Supervisory Regulations, reinstate any portion of the principal amount of the Notes which has been Written Down (such portion, the **"Write-Up Amount"**), subject to the below limitations.

The reinstatement of the Current Principal Amount (such reinstatement being referred to herein as a **"Write-Up"**, and **"Written Up"** shall be construed accordingly) may occur on more than one occasion (and each Note may be Written Up on more than one occasion), provided that the principal amount of each Note shall never be Written Up to an amount greater than its Original Principal Amount.

Write-Ups do not have priority over dividend payments and other distributions on shares and other CET 1 Instruments of the Issuer, i.e. such payments and distributions are permitted even if no full Write-Up of the Notes has been effected.

There will be no obligation for the Issuer to operate or accelerate a Write-Up under any circumstances.

If the Issuer so decides in its sole discretion, the Write-Up will occur with effect as from the Write-Up Effective Date.

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

- (a) at the time of the Write-Up, the Issuer is not insolvent and the Write-Up would not result in the insolvency of the Issuer;
- (b) at the time of the Write-Up, there must not exist any Trigger Event that is continuing; any Write-Up is also excluded if such Write-Up would give rise to the occurrence of a Trigger Event;
- (c) such Write-Up is applied on a *pro rata* basis to all Notes and on a *pro rata* basis with the write-up of all Loss Absorbing Written Down Instruments (if any); and
- (d) the sum of: (x) the aggregate amount attributed to the relevant Write-Up of the Notes on the Write-Up Effective Date and the aggregate amount of any previous Write-Up of the Notes since the end of the then previous financial

year and prior to the Write-Up Effective Date; (y) the aggregate amount of the increase in principal amount of each Loss Absorbing Written Down Instrument at the time of the relevant Write-Up and the aggregate amount of the increase in principal amount of each Loss Absorbing Written Down Instrument resulting from any previous write-up since the end of the then previous financial year and prior to the time of the relevant Write-Up; and (z) the aggregate amount of any distribution paid on the aggregate Current Principal Amount of the Notes and the aggregate amount of any distribution and any additional amounts thereon paid on Loss Absorbing Written Down Instruments as calculated at the moment the Write-Up is operated will not exceed the Maximum Write-Up Amount at any time after the end of the then previous financial year.

The amount of any Write-Up and payments of distributions on the reduced Current Principal Amount shall be treated as payment resulting in a reduction of Common Equity Tier 1 capital and shall be subject, together with other distributions on CET 1 Instruments, to any applicable restrictions described under "*Cancellation of Distributions*" above as at the time of the Write-Up.

If the Issuer elects to effect a Write-Up, it will publish a notice about the Write-Up (including the amount of the Write-Up as a percentage of the Original Principal Amount and the effective date of the Write-Up (in each case a "**Write-Up Effective Date**")) no later than 10 calendar days prior to the relevant Write-Up Effective Date to the Principal Paying Agent and, in accordance with the Terms and Conditions, to the Holders. The Write-Up shall be deemed to be effected, and the Current Principal Amount shall be deemed to be increased by the amount specified in the notice, with effect as of the Write-Up Effective Date.

Any Write-Down or Write-Up shall be reflected in the records of CBL and Euroclear as a pool factor.

"Maximum Write-Up Amount" means the Net Profit multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written Down Instruments of the BAWAG Regulatory Group (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 capital pursuant to Article 25 CRR of the BAWAG Regulatory Group as at the date the relevant Write-Up is operated, or any higher or lower amount permitted to be used under the Applicable Supervisory Regulations in effect on the date of the relevant Write-Up.

"Net Profit" means the consolidated net income for the year (*Jahresüberschuss*) recorded in the consolidated financial statements of the Issuer, in each case after such consolidated financial statements have formally been determined (*festgestellt*) by either the supervisory board (*Aufsichtsrat*) or, if so requested, the shareholders' meeting (*Hauptversammlung*) of the Issuer.

"Resolution Authority" means the resolution authority pursuant to Article 4(1)(130) CRR and/or Article 7(1) SRM Regulation which is responsible for recovery or resolution of the Issuer on an individual and/or consolidated basis.

No Fixed Maturity

The Notes will be perpetual and undated obligations of the Issuer.

They represent perpetual own funds instruments and have no scheduled maturity date.

No incentive to redeem

The Terms and Conditions of the Notes will not contain any step up or any other incentive to redeem the Notes.

No redemption at the option of the Holders

The Notes are not redeemable at the option of the Holders, and they will not otherwise be redeemed except at the option of the Issuer and subject to the Conditions to Redemption and Repurchase being met (see "*Redemption at the Option of the Issuer*" and "*Special Event Redemption*" below and "*Status in the*

insolvency and liquidation of the Issuer / No Petition" above).

Redemption at the Option of the Issuer

Subject to the Conditions to Redemption and Repurchase being met, the Issuer may call and redeem the Notes in whole, but not in part, at their Current Principal Amount on any Optional Redemption Date.

"Optional Redemption Date" means:

- (i) each Business Day during the period from (and including) 1 October 2025 to (but excluding) the First Reset Date;
- (ii) the First Reset Date; and
- (iii) each Distribution Payment Date following the First Reset Date.

The Issuer may exercise its redemption right only if the Current Principal Amount of each Note is equal to its Original Principal Amount, except in the event of a Special Event Redemption (as defined below).

Special Event Redemption

Subject to the Conditions to Redemption and Repurchase being met, the Issuer may, upon giving notice, redeem the Notes in whole, but not in part, at their Current Principal Amount at any time on the date of redemption specified in the notice, if either a Tax Event or a Regulatory Event occurs.

Conditions to Redemption and Repurchase

Any redemption and any repurchase is subject to:

- (a) (i) the Issuer not being insolvent; and (ii) the payment of the relevant amount not resulting in the insolvency of the Issuer; and
- (b) the Issuer having obtained the prior permission of the Competent Authority for such redemption or any repurchase in accordance with Article 77 et seq. CRR, if applicable to the Issuer at that point in time, whereas such permission may, *inter alia*, require that:
 - (i) either, before or at the same time as the redemption or repurchase, the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
 - (ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds or eligible liabilities of the BAWAG Regulatory Group would, following such redemption or repurchase, exceed the requirements for own funds and eligible liabilities laid down in the CRD, the CRR and the BRRD by a margin that the Competent Authority considers necessary at such time; and

provided that the Competent Authority may grant the Issuer a general prior permission to make a redemption or a repurchase for a specified period, which shall not exceed one year, after which it may be renewed, and for a certain predetermined amount as set by the Competent Authority, subject to criteria that ensure that any such future redemption or repurchase will be in accordance with the conditions set out in points (i) and (ii) above, if the Issuer provides sufficient safeguards as to its capacity to operate with own funds above the amounts required in the Applicable Supervisory Regulations; and

- (c) in the case of any redemption or repurchase prior to the fifth anniversary of the date of issuance of the Notes, if applicable to the Issuer at that point in time:
 - (i) in the case of any redemption due to a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably

foreseeable as at the date of issuance of the Notes; or

- (ii) in the case of any redemption due to a Regulatory Event, the Competent Authority considers such change to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes; or
- (iii) in case of a redemption that does not meet the conditions set forth under (c)(i) and (c)(ii) or in case of a repurchase, (x) before or at the same time of the repurchase or redemption the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and the Competent Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or (y) the Notes are repurchased for market making purposes within the limits permitted by the Competent Authority.

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

For the avoidance of doubt, any refusal of the Competent Authority (or any other relevant supervisory authority) to grant any permission, approval or other authorisation required in accordance with the Applicable Supervisory Regulations shall not constitute a default for any purpose.

In addition, even if a notice of redemption is given, the Issuer will only redeem the Notes on the date of redemption specified for this purpose if (x) the Conditions to Redemption and Repurchase as laid down above are fulfilled on said date and (y) no Trigger Event has occurred after the notice of redemption put before the date of redemption specified in the notice.

Repurchases general

Provided that all applicable regulatory and other statutory restrictions are observed, and provided further that the Conditions to Redemption and Repurchase are met, the Issuer and any of its subsidiaries may repurchase Notes in the open market or otherwise at any price. Notes repurchased by the Issuer or the subsidiary may, at the option of the Issuer or such subsidiary, be held, resold or surrendered to the Principal Paying Agent for cancellation

Gross-up/Taxation

All payments of distributions in respect of the Notes will be made by the Issuer free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by 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. If such withholding or deduction is required by law, the Issuer will pay such additional amounts in relation to distributions (but not principal) as will be necessary in order that the net amounts received by the Holders after such withholding or deduction will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (the "**Additional Amounts**"). However, no such Additional Amounts will be payable on account of any Taxes which:

- (a) are payable by any person (including the Issuer) acting as custodian bank or collecting agent on behalf of a Holder, or by the Issuer if no custodian bank or collecting agent is appointed or otherwise in any manner which does not constitute a withholding or deduction by the Issuer from payments of principal

or distributions made by it; or

- (b) are payable by reason of the Holder having, or having had, some personal or business connection with the Republic of Austria; or
- (c) are withheld or deducted pursuant to: (i) any European Union directive concerning the taxation of distributions income or (ii) any international treaty or understanding relating to such taxation and to which the Republic of Austria or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such directive, treaty or understanding; or
- (d) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction; or
- (e) are payable by reason of a change in law that becomes effective more than 30 days after the relevant distribution becomes due; or
- (f) would not be payable if the Holder can avoid such a withholding or deduction providing a certificate of residence, certificate of exemption or any other similar documents required according to the respective applicable regulations.

The restrictions on the payment of distributions shall apply to any Additional Amounts *mutatis mutandis*.

The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes sufficient funds for the payment of any tax that it is required by law to withhold or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or the intergovernmental agreement between the United States and the other jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

Agents

Principal Paying Agent

Citibank Europe PLC

Calculation Agent

Citibank Europe PLC

Notices

Clearing System, Stock Exchange Notice, Website of the Issuer

Amendment of the Conditions, Holder's Representative

Standard provisions subject to German law.

The applicability of the provisions of the Austrian Notes Trustee Act (*Kuratoren-gesetz*) and the Austrian Notes Trustee Supplementation Act (*Kuratoren-ergänzungsgesetz*) is explicitly excluded in relation to the Notes, to the extent legally permissible.

Governing Law

The Notes will be governed by German law, except for the status provisions which will be governed by, and will be construed exclusively in accordance with, Austrian law.

Listing and admission to trading	Euro MTF of the Luxembourg Stock Exchange, unregulated market
Rating	The Notes are expected to be rated Ba1 by Moody's Deutschland GmbH (" Moody's "). A rating is not a recommendation to buy, sell or hold the Notes and it may be revised or withdrawn by the rating agency at any time.
ISIN, Common Code	ISIN XS2226911928, Common Code 222691192, WKN A2812A.
Manager	Goldman Sachs International
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes prior to the expiration of the distribution compliance period. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in certain jurisdictions including but not limited to the United States of America, the European Economic Area, the United Kingdom, Italy, Switzerland, Hong Kong and Singapore, see " <i>8 Subscription and Sale</i> " below. In addition, further restrictions on marketing and sales of the Notes to retail investors apply, see also " <i>8 Subscription and Sale</i> " below.

2 RISK FACTORS

Before deciding to acquire any Notes, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus. Should one or more of the risks described below materialise, this may have a material adverse effect on the business, prospects, shareholders' equity, assets, financial position and results of operations (Vermögens-, Finanz- und Ertragslage) or general affairs of the Issuer and/or BAWAG Group. Moreover, if any of these risks occur, the market price of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Holders could lose all or part of their investments in the Notes. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay distributions, principal or other amounts on or in connection with the Notes for other reasons than those described below. Additional risks of which the Issuer is not presently aware could also affect the business operations of BAWAG Group and have a material adverse effect on BAWAG Group's business activities and financial condition and results of operations. Prospective investors should read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Words and expressions defined in the section "4 Terms and Conditions of the Notes" below shall have the same meanings in this section.

Potential investors should, among other things, consider the following:

2.1 Risks relating to the Issuer and BAWAG Group

2.1.1 Risks related to the business of BAWAG Group

2.1.1.1 BAWAG Group may experience severe economic disruptions induced by pandemics, epidemics, outbreaks of infectious diseases or other serious public health concerns such as the worldwide COVID-19 pandemic, which may have significant negative effects on BAWAG Group and its clients.

BAWAG Group may directly or indirectly through its clients be exposed to multiple risks in connection with pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns whether on a regional or global scale, in particular with the coronavirus (SARS-CoV-2) outbreak and the illness caused by it ("**COVID-19**") as well as actions taken or wrongly not taken by governments and competent authorities and institutions to fight the outbreak and spread of the virus. The COVID-19 pandemic, together with the restrictions on travel, imposition of quarantines and prolonged closures of workplaces, may have a material adverse effect on the global economy in general, in particular on governments, enterprises and households. The implications of such outbreaks depend on a number of factors, such as e.g. the duration and spread of the respective outbreak and the effectiveness of measures imposed to contain it.

As at the date of this Prospectus, given the ongoing uncertainty of the lasting effect of the COVID-19 pandemic, the financial impact on the global economy still cannot be determined. If the rapid spread of COVID-19 worldwide continues, it could significantly adversely affect global economies and financial markets in the medium or long term, resulting in a prolonged economic downturn and even a global recession. The COVID-19 pandemic carries supply chain implications, including limitations on the global movement of people and goods, disruption of industrial and other production, restrictions on travel and public transportation, prolonged closures of workplaces and the reduction of private consumption amongst others, which may have an indirect effect on BAWAG Group. A prolonged economic downturn resulting from new restrictions due to the COVID-19 pandemic could lead to a deterioration of BAWAG Group's customers' financial positions and could adversely affect BAWAG Group. As a result, BAWAG Group's loan portfolio quality could suffer or deteriorate, and non-performing loans may increase, because BAWAG Group's customers may not, or not timely, be able to repay their loans, and/or collateral securing these loans may become insufficient. If the economic conditions worsen, this could result in credit losses exceeding the amount of the Issuer's loan loss provisions. The effects of the COVID-19 pandemic have so far resulted in a significant increase of risk costs in the first half 2020, lower transaction levels, and a significantly reduced demand for consumer loans, which reduced fee revenues from insurance products related to the loans. The macroeconomic variables applied for Q2 2020 ECL calculations reflect BAWAG Group's conservative stance with regard to the further development of the COVID-19 pandemic, as well as the speed of economic recovery and potential setbacks from a second wave of infections. A prolonged or renewed lockdown due to such second wave could result in a further deterioration of the financial position of certain customers of BAWAG Group.

These risks could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.2 BAWAG Group's business success is dependent on the political and general macroeconomic conditions of the economies in which BAWAG Group is active and may be affected by changes to the constitution and composition of the EU and/or the Eurozone.

BAWAG Group is exposed to risks resulting from the general macroeconomic and political conditions of the economies in which it operates both generally and as they specifically affect financial institutions. The most important economies for BAWAG Group are the economies of Austria, the Federal Republic of Germany ("**Germany**"), the United Kingdom ("**U.K.**"), the United States, the Republic of Ireland ("**Ireland**") and the French Republic ("**France**"). The banking markets of Western Europe and the United States, in which BAWAG Group is active, are currently characterised by low (or even negative) interest rates coupled with high competition leading, for example, to low margins in the banking industry in general. The factors and events that could negatively influence the business success of BAWAG Group include, without limitation, a general economic downturn, increasing unemployment, inflation, hyperinflation, deflation, currency fluctuations, falling real estate prices, insolvencies, financial crises, and other the political and general macroeconomic conditions of the economies in which BAWAG Group is active. Any of these conditions may be significantly affected by various factors such as increasing energy cost/oil prices, terrorist attacks or other catastrophic events, such as serious public health concerns. Material adverse effects on the global economy could also result in substantial disruption to capital markets in the form of decreased liquidity and increased volatility. Any deterioration of the general economic climate, the economic situation of the financial services sector, the future exacerbation or expansion in geopolitical conflicts, withdrawals from the EU and/or the Eurozone, and any resulting deterioration of the financial standing of BAWAG Group's customers generally could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.3 Low prices and profitability of real estate could materially impair BAWAG Group's ability to compensate loan defaults by foreclosing on collateral.

To a large extent, BAWAG Group's collateral portfolio is comprised of real estate. A significant devaluation of commercial real estate could have adverse effects on the banking sector, including BAWAG Group, which could be particularly negatively affected by any such devaluation due to its exposure to commercial real estate in Austria, Ireland, the U.K., the United States, Germany and the Netherlands. Reduced income of its customers from commercial real estate may result in payment defaults and write-offs on assets held by BAWAG Group. Due to its heavy reliance on real estate collateral located in Austria, France, the U.K. and Ireland, BAWAG Group would also be negatively affected by devaluations of such real estate, and foreclosures could result in write-offs. Political developments, such as Brexit, may lead to devaluations of real estate prices. The COVID-19 pandemic may lead to negative developments in the real estate market and thereby adversely impact assets that serve as collateral for BAWAG Group's repayment claims. This is mainly due to the risk of high vacancies in commercial properties and potential bankruptcy of tenants, guarantors and other providers of collateral, which may impair the solvency of clients and may lead to defaults under financings provided by BAWAG Group. While 100% of the branch network remained open during the pandemic, the lockdown measures resulted in less advisory and transaction business, with the second quarter representing a trough in activity. Overall, there is still uncertainty around the scope and length of the impact of COVID-19 on the markets in which BAWAG Group operates and ultimately on BAWAG Group's business. Any of the above risks could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.4 BAWAG Group is exposed to risks concerning customer and counterparty credit quality which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

BAWAG Group is exposed to many financial products, counterparties and obligors whose credit quality can have a significant adverse impact on BAWAG Group's earnings and the value of assets on BAWAG Group's balance sheet. BAWAG Group is at risk that the economic situation of its counterparties deteriorates and that its counterparties are or become incapable to fulfil their financial obligations or such financial obligations become subject to a bail-in. Furthermore, BAWAG Group is exposed to additional risk, such as tenant risk in relation to mortgage loans, which could adversely affect a counterparty's ability to fulfil its obligations to BAWAG Group. BAWAG Group is also exposed to the risk that it may have to provide involuntary credit extensions to counterparties who are unable to attain refinancing elsewhere. BAWAG Group may fail to adequately identify or anticipate factors which could adversely affect customer or counterparty credit quality, including those factors

resulting from value changes due to country-specific political and economic conditions (country risks) and from cluster formation with regards to risk factors or counterparties. The failure of customers or counterparties to meet their commitments as they fall due may result in higher impairments on the fair value of assets or hedging derivatives and/or have a negative impact on BAWAG Group's lending portfolio and income. This could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.5 BAWAG Group's monitoring of its loan portfolio is dependent on the effectiveness, and efficient operation, of its processes including credit grading and scoring systems and there is a risk that these systems and processes may not be effective in evaluating credit quality.

BAWAG Group uses processes including credit grading and scoring systems in evaluating the credit quality of its customers and to facilitate the early identification and management of any deterioration in loan quality. Changes in credit quality information are reflected in the credit grade of the relevant borrower with the resulting grade influencing the management of that borrower's loans. BAWAG Group pays special attention to non-performing loans (NPLs), loans accounted for on a non-accrual basis, restructured loans and other loans identified as potential problem loans. However, there is a risk that BAWAG Group's credit grading and scoring systems and processes may not be effective in evaluating the credit quality of customers or in identifying changes in loan quality in a timely manner. Any such failure in the timely identification of loan impairment or its credit grading and scoring system generally could result in inadequate provisioning or have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.6 BAWAG Group is exposed to various forms of market risks, including interest rate risk and credit spread risks, which could have a material adverse effect on BAWAG Group's business, financial position and results of operations.

BAWAG Group is subject to various forms of market risks, including the risk of losses due to open risk positions and unfavourable developments in market variables such as interest rates, foreign exchange rates, share prices or volatility. Market risks can arise in connection with trading activities (the short-term purchase and sale of positions) and non-trading activities.

BAWAG Group's market risks predominantly (but not solely) relate to non-trading risk activities; particularly credit spread risks and interest rate risks. For example, the credit quality of a financial instrument held by BAWAG Group may decrease which would likely lead to a fall of such instrument's market price and have a negative effect on the assets of BAWAG Group. Market risks also arise from changes in interest rates.

Low interest rates may, for example, discourage customers from holding deposits with BAWAG Group, which could reduce the availability of funding from deposits. A persistently low interest rate environment such as the current environment may also put pressure on net interest margins of deposits across the industry and adversely affect BAWAG Group's margins. At extremely low interest rates, margins can be particularly compressed as the interest rates on loans decline while the interest rates that banks pay for deposits by law may not be lower than 0%.

An increase in interest rates may cause the market price of BAWAG Group's assets to decline. In case of a change in interest rates, BAWAG Group may not be able to re-price the interest rates of its assets and liabilities simultaneously, which may negatively affect margins and revenue, particularly if the maturity and re pricing structure of BAWAG Group's assets liabilities do not match. Furthermore, historically low interest rates have and continue to allow the financing of real estate at low costs, which may result in inflated real estate prices. Subsequent increases in interest rates could lead to a sharp increase in borrowers who are no longer able to repay their loans and to sharp falls in the value of real estate, which could have a negative impact on the value of their collateral. In addition, unfavourable market developments could adversely affect the fair market value of BAWAG Group's derivatives, assets and liabilities.

Furthermore, the COVID-19 pandemic already led to a global and significant loss and increased volatility in stock exchange prices at the end of the first half of the year 2020 as well as to a rise in spreads, which might have a negative impact on the Issuer's refinancing costs.

Due to the nature of its business activities and its exposure to market risks, an unfavourable development of market variables, such as interest rates, foreign exchange rates, share prices or volatility, could have a material adverse effect on BAWAG Group's business, financial position and results of operations, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.7 BAWAG Group is exposed to the risk of losses due to changes in foreign exchange rates, which could have a material adverse effect on BAWAG Group's business, financial position and results of operations.

BAWAG Group performs some of its business activities in non-European countries and European countries which are not Eurozone members, including originating loans and purchasing loan portfolios and may also include the expansion of BAWAG Group's business into other foreign countries. Transactions in foreign currencies, such as CHF, GBP and USD, are exposed to various risks. Revenue in other currencies may be reduced as a result of its conversion into euro, and expenses in currencies other than euro may increase due to conversion. Cash flow hedges which BAWAG Group regularly uses to address these risks may prove to be ineffective to manage these risks as they are based on certain assumptions (relating, among other things, to the repayment profile of the hedged cash flows) which may prove incorrect. Assets denominated in foreign currencies may have to be depreciated in the case of a devaluation of the currency and it cannot be ensured that hedges which BAWAG Group employs (using foreign exchange derivatives and refinancing facilities in the same currency) adequately protect it against the accompanying risks. A foreign currency exposure may also arise from the BAWAG Group's net investment in subsidiaries with a functional currency other than the euro. The risk arises from the fluctuation in spot exchange rates between the foreign currency and the euro, which causes the amount of the net investment to vary. Moreover, risk-weighted assets denominated in foreign currencies may increase in case of an appreciation of the currency in which they are denominated. The risk of increasing risk-weighted assets denominated in foreign currencies is not hedged by BAWAG Group.

These risks could have a material adverse effect on BAWAG Group's business, financial position, and results of operations, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.8 Investments of BAWAG Group may not yield a return, and the valuation of participations of BAWAG Group could make impairments necessary. The sale of participations may only be possible at a loss.

BAWAG Group holds participations in stock exchange listed and non-stock exchange listed entities in its banking book and is dependent on investment income from these participations. These participations relate, inter alia, to leasing companies, real estate companies, financial institutions, payment services providers etc. In addition to the risk that its investments may not generate income, BAWAG Group is also subject to the risks of devaluation and write-offs, because a deterioration of a participation's financial situation may lead to a depreciation in value, or loss of this participation. The participation risk encompasses possible changes in the market value of non-consolidated participations, possible depreciation requirements relating to the value of the participation and poor profitability of non-consolidated participations. The participation risk does not relate to consolidated operating subsidiaries, because the risks applicable to these differ according to the specific type of risk and are therefore already taken into consideration under these risks. BAWAG Group performs yearly valuations of its participations. Any necessity to write-off participations in non-consolidated participations could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

BAWAG Group has already disposed of several participations and is generally considering the sale of other participations. The sale price of such participations could be less than their book value, which could have a material adverse effect on BAWAG Group's profitability, business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.9 BAWAG Group is exposed to the risk of defaults of other financial institutions or sovereign debtors. Insolvencies in the financial sector or the default of sovereign debtors could, due to the worldwide interdependency of financial markets, have an adverse effect on the entire financial sector, including BAWAG Group.

The financial distress of large credit institutions, insurance undertakings, other financial institutions or sovereign debtors has the potential to adversely affect financial markets and counterparties in general. This results from the fact that the business activities of large financial institutions such as trading and clearing are closely interwoven. Uncertainty in respect of the financial stability of large financial institutions or their default may cause liquidity restrictions, losses and defaults of other market participants. Similar effects may result from the default of sovereign debtors. These systemic risks may adversely affect those financial market participants and intermediaries with whom BAWAG Group maintains business relationships, including credit institutions, investment firms, exchanges and providers of clearing services. The insolvency and non-viability of systemically important or relevant financial institutions, as occurred in the course of the financial crisis, a potential default of sovereign debtors or the materialisation of any other systemic risk could have a material adverse effect on the entire financial sector including BAWAG Group's business, financial condition, results of operations and prospects. Specifically, BAWAG Group's business is subject to the risk that borrowers and other contractual partners may not

be able to meet their obligations to BAWAG Group due to insolvency, application of resolution tools by resolution authorities, lack of liquidity, global or local economic issues, operational failure, political developments or other reasons.

Bonds issued by public sector entities have recently been exposed to considerable market price fluctuations. If the values of public sector bonds decline, undergo haircuts dictated by political decisions, or under certain circumstances even fall to zero in the event of insolvency of the public sector entities, thus generating a loss in cash value, this would lead to impairments or force BAWAG Group to realise losses if it decides to sell the relevant instrument, and will have direct adverse effects on BAWAG Group's income statement.

An insolvency of a public sector entity could also lead to general instability and contagious effects, which could lead to adverse effects on BAWAG Group's financial condition and results of operations even if BAWAG Group has no direct exposure to such entity.

BAWAG Group is also exposed to credit risk in relation to its counterparties (see also "2.1.1.4 BAWAG Group is exposed to risks concerning customer and counterparty credit quality which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects." above). In addition, some of these counterparties currently rely heavily on refinancings from central banks. Central banks could reduce their refinancing programs or introduce stricter eligibility criteria. In addition, there is no guarantee that the current quantitative easing programs will continue. A future rise in interest rates is likely to make future refinancings more expensive. Other banks, depending on the development of real estate markets in the above mentioned countries, may have to perform substantial write-downs on their real estate loan portfolios. Furthermore, the efforts of some of these countries to consolidate their national budgets are also adversely affecting their economies, which may have negative consequences for the economic situation of banks in these countries.

The realisation of one or all of the risks described above could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.10 BAWAG Group is dependent on the confidence of its customers in the banking system and the business of BAWAG Group. A loss of confidence may cause increased deposit withdrawals which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

One of the core funding strategies of BAWAG Group is stable customer deposits. In addition to BAWAG Group's ability to attract and retain customers, their availability depends on various external factors beyond its control such as the confidence of the public in the economy, the financial sector, and BAWAG Group. A change of such confidence levels, as well as an increase in general interest rates or the deterioration of economic conditions may limit the ability of BAWAG Group to maintain an adequate level of customer deposits on acceptable terms, which may have a material adverse effect on its ability to fund its operations (see also "2.1.1.19 BAWAG Group has a continuous demand for liquidity to fund its business activities and is exposed to liquidity risks, which may negatively affect its ability to fulfil its obligations."). Significant outflows of deposits could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.11 The international business of BAWAG Group is subject to credit risks, market risks, concentration risks, transfer risks, convertibility risks and political risks.

BAWAG Group also conducts certain transactions outside of Austria with key international accounts within a pre-defined risk framework. Outside of Austria, BAWAG Group focuses predominantly on Germany, other Western European countries and the United States. The business activities of BAWAG Group and its subsidiaries and associated companies outside of Austria are subject to the typical risks of international business activities which arise from, among other things, the necessary development and expansion of the business infrastructure, different economic conditions and different legal and taxation systems. For example, BAWAG Group's operating subsidiary BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft ("**BAWAG P.S.K.**") holds performing residential mortgage loan portfolios in France and the U.K. In respect of both portfolios, BAWAG Group is subject to, among others, credit risks (see also "2.1.1.4 BAWAG Group is exposed to risks concerning customer and counterparty credit quality which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects." above). In particular, the mortgages securing the loans may not be sufficient to cover losses in case real estate prices deteriorate. In addition, in view of amortisation of the loan portfolios, BAWAG Group faces the risk of failing to find reinvestment opportunities generating equivalent net interest income at an equivalent level of risk. This reinvestment pressure may cause

BAWAG Group to enter into transactions with lower margins and/or higher risk profiles. The reinvestment pressure may intensify, for example, if borrowers opt for an early repayment of their loans.

Furthermore, a large part of the loans in the residential mortgage loan portfolio in the U.K. are bullet loans, meaning principal must be repaid only at maturity. In most cases, the entire principal must either be repaid or refinanced at the end of the term, which results in repayment or refinancing risks which are greater than those of loans where the monthly instalments consist of interest and principal components. In view of the full payment falling due at maturity of the loans, bullet loans represent a higher default risk at maturity compared to amortising loans. Further, in the U.K. in particular it is common market practice for the principal to be repaid using the proceeds from the sale of the underlying real estate. Any adverse movements in the market price of the underlying real estate may increase the credit risk resulting from the gap between sales proceeds and outstanding loan amount.

The international business of BAWAG Group also exposes it to a greater degree of political, social and economic risks as described in more detail above (see risk factor "2.1.1.2 BAWAG Group's business success is dependent on the political and general macroeconomic conditions of the economies in which BAWAG Group is active and may be affected by changes to the constitution and composition of the EU and/or the Eurozone.>").

A materialisation of any of these risks could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.12 A downgrading of BAWAG P.S.K.'s credit rating or the rating relating to specific instruments (including the Notes) issued by the Issuer could increase the Issuer's refinancing costs and could have a material adverse effect on BAWAG Group's liquidity, profitability, business, financial condition, results of operations and prospects.

BAWAG Group's operating subsidiary BAWAG P.S.K. is rated by certain rating agencies with (long term) issuer ratings. In addition, some of BAWAG Group AG's and BAWAG P.S.K.'s outstanding debt instruments are rated. BAWAG P.S.K.'s credit ratings could be subject to downgrades in the future. As a precondition for assigning a certain credit rating, credit rating agencies may expect the Issuer to comply with certain criteria and covenants. Any non-compliance by BAWAG P.S.K. with these criteria and covenants may lead to rating downgrades. Such downgrades could contribute to an increase in BAWAG Group's refinancing costs and BAWAG Group is unable to predict the extent of the effects that would follow a credit downgrade of BAWAG P.S.K. These would depend on a number of factors including whether a downgrade affects financial institutions across the industry or on a regional basis, or is intended to reflect circumstances specific to BAWAG P.S.K.; any actions its senior management may take in advance of or in response to the downgrade; the willingness of counterparties to continue to do business with it; any impact of other market events and the state of the macroeconomic environment more generally. In particular, should any of the major credit rating agencies lower BAWAG P.S.K.'s credit rating to a level considered sub-investment grade, significant aspects of its business model would be materially and adversely affected.

Additionally, under many of the contracts governing derivative instruments to which BAWAG P.S.K. is a party, a downgrade could require it to post (additional) collateral, lead to terminations of contracts with accompanying payment obligations for BAWAG P.S.K. or give counterparties additional remedies. Especially, taking potential credit rating downgrades into account when conducting stress tests and drawing up the recovery plan does not guarantee that the negative effects anticipated as part of these tests and plans will not be exceeded in case of an actual credit rating downgrade.

Therefore, possible future downgrades in the financial rating of BAWAG P.S.K. could have a material adverse effect on BAWAG Group's liquidity, profitability, business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

In addition, there is no guarantee that any ratings of the Notes will be maintained following the date of this Prospectus or that one or more rating agencies other than Moody's will assign ratings to the Notes. If any rating assigned to the Notes, including any unsolicited credit rating, is assigned at a lower level than expected or subsequently is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Notes may be reduced.

2.1.1.13 *BAWAG Group is exposed to intense competition, particularly in its home market of Austria, which could have a material adverse effect on its business, financial condition, results of operations and prospects.*

The financial services industry is subject to significant competition, particularly in Austria, BAWAG Group's home market. In the corporate and public sector lending business, BAWAG Group faces competition from an increasingly diverse mix of lenders with the entry of non-bank financial institutions such as insurance companies, debt funds, sovereign wealth funds, private equity firms, high net worth individuals and family offices. In the consumer banking business, including competition to lend to consumers and competition for consumer deposits, BAWAG Group primarily competes with other banks operating in Austria and its other markets. However, continued technological advancements and developments in e-commerce make it possible for non-bank financial institutions and other new entrants to offer products and services that traditionally have been offered exclusively by banks, including competition for loans, deposits and other products and services offered by BAWAG Group. Such non-bank competitors may be subject to less or more favourable regulation than traditional banks. In particular, BAWAG Group faces growing competition from financial services technology companies (so-called 'FinTechs'). In accordance with its strategy, BAWAG Group generally strives to avoid offering low-profit or even loss-making products as currently offered by many of its competitors. However, intense competition forces BAWAG Group to continuously review the pricing of its products and it cannot be assured that BAWAG Group will be able to price its products in a manner that ensures their profitability or at least leads to cross-selling opportunities. Furthermore, customers are focusing increasingly on the various services offered in connection with banking products. Further increases in customer expectations could require BAWAG Group to increase its investments in the development of strong and efficient services in both physical and digital channels. Any failure to manage the competitive dynamics to which it is exposed could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.14 *BAWAG Group may fail to achieve its business and strategic objectives, and its historical results may not be representative of its future results.*

BAWAG Group may not be able to achieve its business and strategic objectives in the future (especially those outlined below and for example in risk factors "2.1.1.10 BAWAG Group is dependent on the confidence of its customers in the banking system and the business of BAWAG Group. A loss of confidence may cause increased deposit withdrawals which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects." and "2.1.2.3 BAWAG Group may have difficulty in integrating acquisitions or identifying and assessing risks of acquisitions, which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects."), which could lead to a material decline in profits and materially affect interest payments and the results of operations in general. This could result from developments or technological advances in the relevant markets, in particular competition from certain financial technology companies that may create disruptive competition for BAWAG Group's existing business models. The various elements of BAWAG Group's strategy may be individually unnecessary or collectively incomplete. BAWAG Group's strategy may also prove to be based on flawed assumptions regarding the pace and direction of future change across the banking sector including a misjudgement of customer behaviour and demand. BAWAG Group's management may adopt strategic decisions including the implementation of new cost-saving or efficiency programs, new product or service concepts and other types of strategic measures which may not render the anticipated returns within the expected timeframe or at all. This may lead, among others, to wasted resources or a need for further investments. Moreover, in the context of the adoption and implementation of strategic decisions, the allocation or re-allocation of financial resources and staff to one or more functions or activities may in hindsight prove to be disadvantageous for BAWAG Group, for example if a certain business area is left with insufficient qualified staff following a re-allocation of personnel. In addition, any aspect of BAWAG Group's strategy that is dependent upon the value and competitive advantage conveyed by intellectual property rights (including trademarks) may not be adequately protected or deemed to be enforceable.

BAWAG Group's financial performance also depends upon the growth of the geographical and industry markets in which it currently operates, as well as its ability to expand within these markets and into new markets. It can be difficult and costly to attract new customers within existing markets because of the reluctance of many customers to change providers, including as a result of costs directly associated with transitioning to new providers and the risk of downtime or loss of functionality. BAWAG Group's growth strategy focuses on select acquisitions intended to develop or acquire new products and services. BAWAG Group may not be able to successfully implement these strategies, and even if it does, they may not provide BAWAG Group with the value and benefits it anticipates.

The business strategy of BAWAG Group is subject to continual review. Despite its current business strategy BAWAG Group may, among other things, fail to successfully:

- identify and conclude attractive acquisitions;
- integrate acquired entities;
- expand its retail business into Germany; and
- migrate older current account models with low or negative profit margins into the new more profitable KontoBoxes models.

2.1.1.15 A termination or reduction of BAWAG Group's close cooperation with its distribution partners could have a material adverse effect on its business, financial condition, results of operations and prospects.

Partnerships play an important role for BAWAG Group. A cornerstone of its strategy is to cooperate with product providers in Austria on a long-term basis. For example:

- through BAWAG P.S.K. Versicherung AG, a joint venture company that is 25% owned by BAWAG Group and 75% owned by the Generali Group, BAWAG Group offers its customers insurance products;
- in cooperation with its partner Amundi, BAWAG Group offers its customers investment products; and
- in cooperation with its partner Wüstenrot, BAWAG Group offers building savings loans.

If any such cooperation agreement was to be terminated or its scope to be narrowed and BAWAG Group was not able to substitute such cooperations by other means (e.g., through its own distribution channels), or if the targets or plans cannot or only in part be realised, it could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the ability of the Issuer to meet its obligations under the Notes.

The termination of the cooperation agreement with Österreichische Post Aktiengesellschaft ("**Austrian Post**") may not result in the intended cost savings and may negatively impact the customer experience during the transition period or as a result of a smaller branch network resulting in the loss of customers and business opportunities or may have other adverse effects on BAWAG Group.

BAWAG P.S.K.'s network of approximately 426 branches is operated under a cooperation agreement with Austrian Post, whereby Austrian Post provides certain financial services, including cash deposits, payments and withdrawals, on behalf of BAWAG P.S.K. at branches owned or leased by Austrian Post. At the end of 2017, BAWAG Group terminated the cooperation agreement with effect as of 31 December 2020. Following the termination of the cooperation agreement by BAWAG Group, BAWAG Group and Austrian Post have agreed to work towards a materially complete separation already by the end of 2019. The separation agreement is intended to also adjust pricing for services provided by Austrian Post to market rates and based on performance for transaction services and advisory activity in the transitional period through 2019. During the transition period, BAWAG Group intends to create a standalone branch network of approximately 90 branches through the opening of approximately 25 new branches to supplement the approximate 70 branches that BAWAG P.S.K. currently owns or leases. Furthermore, BAWAG Group plans to hire and train new advisors to replace, in part, a portion of the advisors currently provided by Austrian Post, although at significantly reduced staffing levels. Currently approximately 70 of the nearly 800 advisors in the BAWAG P.S.K. network are Austrian Post employees, trained and managed by BAWAG P.S.K. All personnel in the highly dispersed network would be consolidated to the target network.

As much of BAWAG P.S.K.'s current branch network is staffed by Austrian Post personnel, the level of service provided in the branch network may be adversely affected prior to the effective date of the termination. If customer service is negatively affected during the three-year transition period, BAWAG P.S.K. may experience a loss of customers and business opportunities that is greater than anticipated.

Although BAWAG Group terminated the cooperation agreement because it believes that a smaller, focused network controlled by it would result in significantly lower costs and better customer service, the realised cost savings may be less and the loss of customers and business opportunities may be significantly greater than anticipated. The reduction in the number of branches may negatively impact customer experience and revenues, particularly if the transition of customers to online and mobile services is less rapid than expected. The streamlining of the network may also lead to greater customer loss than expected, including the loss of deposits

held by these customers, if BAWAG Group fails to retain anticipated customers numbers associated with consolidated branches.

If BAWAG Group fails to achieve its business and strategic objectives by streamlining its branch network or if its related assumptions prove to be incorrect, the termination of the cooperation agreement could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.16 An "exit" by any current member of the EU or the Eurozone may have a material adverse effect on the financial system and the general economic climate in the EU, including Austria, and a significant negative impact on BAWAG Group's business, financial condition, results of operations and prospects.

The last several years have been characterised by increased political uncertainty as Europe in particular has been impacted by the now somewhat abated sovereign debt crisis, the outcome of the withdrawal of the U.K. from the European Union ("**EU**") (so-called 'Brexit'), the refugee crisis and the increasing attractiveness to voters of populist and anti-austerity movements. BAWAG Group's business operations in the U.K. largely consist of a performing residential mortgage loan portfolio which means that it would be primarily affected if Brexit resulted in an increase of defaults of the borrowers in its residential mortgage loan portfolio or in a substantial devaluation of the GBP which could force it to write down the value of its portfolio.

Depending on the success of 'Brexit' for the U.K. other EU member states could decide to also withdraw from the EU, or threaten to leave unless certain concessions are made. The resulting uncertainty could have significant effects on the value of the euro and on the prospects for member states' financial stability, which in turn could lead to a significant deterioration of the sovereign debt market. If one or more Eurozone members default on their debt obligations or decide to leave the common currency, this would result in the reintroduction of one or more national currencies. Possible consequences of such a departure for an existing member state may also include the loss of liquidity supply by the European Central Bank (the "**ECB**"), the need to introduce capital controls and, subsequently, certificates of indebtedness, a possibility of a surge in inflation and, generally, a breakdown of its economy. Businesses and other debtors whose main sources of income are converted to a non-euro currency could be unable to repay their euro-denominated debts. This and the resulting need to restate existing contractual obligations could have unpredictable financial, legal, political and social consequences, leading not only to significant losses on sovereign debt but also on private debt in that country. Given the highly interconnected nature of the financial system within the Eurozone, and the levels of exposure BAWAG Group has to counterparties holding sovereign and private debt around Europe, its ability to plan for such a contingency in a manner that would reduce its exposure to non-material levels is limited. In the wider Eurozone, concerns over the euro's future might cause businesses to cut investment and people to cut back their spending, thus pushing the Eurozone into recession. Nervous depositors in other struggling Eurozone countries could start withdrawing their deposits or moving them to other countries, thus provoking a banking crisis. The euro could lose but also increase in value in case that existing countries are coming from the economically weaker periphery. Depending on the exact mutual development of the FX-rates embedded in the global exchange-rate regime, this might impact BAWAG Group's ability to repay its obligations. If the overall economic climate deteriorates as a result of one or more departures from the Eurozone, BAWAG Group's businesses could be materially adversely affected, and, if overall business levels decline or it is forced to write down significant exposures among its various businesses, BAWAG Group could incur substantial losses.

The decision of any Eurozone member to exit the common currency would be unprecedented, and its financial, legal, political and social consequences cannot be reliably assessed. As the financial system of the Eurozone is highly integrated, a significant systemic impact would be likely. Any negative consequences of a member state leaving the Eurozone may thus also have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects being predominantly active in the Eurozone. In particular, without limitation, it may be required to take impairments on its sovereign debt exposures and other assets in full or in part, and may suffer from a general deterioration of the economic activity both within and outside the Eurozone.

2.1.1.17 If BAWAG Group fails to promote and maintain its brands in a cost-effective manner, BAWAG Group may lose market share and its revenues may decrease.

BAWAG Group believes that developing and maintaining awareness of its brands, including "BAWAG P.S.K.", "easybank" and "Qlick", in a cost-effective manner is critical to attracting new and retaining existing customers to its online offering. The successful promotion of its brands will depend largely on the effectiveness of its marketing efforts and the experience of customers with its products and services. BAWAG Group's efforts to build its brands have involved significant expenses, and it is likely that its future marketing efforts will require it to incur significant additional expense. These brand promotion activities may not result in increased revenues and, even if they do,

any increases may not offset the expenses incurred. If BAWAG Group fails to successfully promote and maintain its brands or if BAWAG Group incurs substantial expenses in an unsuccessful attempt to promote and maintain its brands, BAWAG Group may lose its existing customers to its competitors or be unable to attract new customers, which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.18 BAWAG Group uses models across many of its activities and if these models prove to be inaccurate, its management of risk may be ineffective or compromised and/or the value of its financial assets and liabilities may be overestimated or underestimated.

BAWAG Group uses models across many, though not all, of its activities including, but not limited to, capital management, credit grading, provisioning, valuations, liquidity, pricing and stress testing. BAWAG Group also uses financial models to determine the fair value of derivative financial instruments, financial instruments through profit or loss, certain hedged financial assets and financial liabilities and financial assets classified as available for sale in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union. Since BAWAG Group uses risk measurement models based on historical observations, there is a risk that they underestimate or overestimate exposure to various risks to the extent that future market conditions deviate from historical experience. In addition, the risk measurement models may fail to take into account certain other relevant factors (both historical and current), or the models may be otherwise incomplete. In 2019, BAWAG Group introduced a holistic model risk management framework to control its model risk throughout the entire group, especially for the development and review of the models as well as the model validation. For its model risk management framework, BAWAG Group has identified a set of principles which are applied on a group-wide level: (1) accurate identification, measurement and mitigation of model risk, (2) effective processes and clear responsibilities with regards to model risk management, (3) transparency towards internal stakeholders and regulators and (4) organization, governance, policies and controls for its models. Should BAWAG Group's models not accurately estimate its exposure to various risks, it may experience unexpected losses. BAWAG Group may also incur losses as a result of decisions made based on inaccuracies in these models, including the data used to build them or an incomplete understanding of these models. If BAWAG Group's models are not, or are deemed not to be, effective in estimating its exposure to various risks or determining the fair value of its financial assets and liabilities or if its models prove to be inaccurate, its business, financial condition, results of operations and prospects could be materially adversely affected.

The realisation of any of these risks may adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.19 BAWAG Group has a continuous demand for liquidity to fund its business activities and is exposed to liquidity risks, which may negatively affect its ability to fulfil its obligations.

Liquidity risk encompasses the risk that BAWAG Group is unable to fulfil its payment obligations at the time they become due. BAWAG Group is subject to the liquidity risk of not having access to sufficient liquidity at acceptable terms as and when required (refinancing risk), and that BAWAG Group, due to insufficient market funding or due to market disruptions, is not able to, or may only at a loss, terminate or settle transactions (market liquidity risk).

BAWAG Group's funding strategy is dependent upon its stable customer deposits base (see also "2.1.1.10 BAWAG Group is dependent on the confidence of its customers in the banking system and the business of BAWAG Group. A loss of confidence may cause increased deposit withdrawals which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects."). Therefore, BAWAG Group is subject to the risk of material deposit outflows which may be outside of its control.

If BAWAG Group is unable to meet its funding requirements, it may be forced to sell liquid assets at economically unfavourable terms in order to restore its liquidity position. Market liquidity risk may materialise where inadequate market liquidity or a market disruption limit BAWAG Group's ability to monetise its assets. Refinancing risk could also result from a rollover of funding positions in connection with a longer period of increased refinancing costs. In general, BAWAG Group is exposed to the risk of higher funding costs if and to the extent its asset/liability management does not adequately address mismatches of maturities, interest rates, currencies or other parameters. In addition, external funding sources may become – possibly within a very short time period – insufficient. The ongoing extraordinary liquidity provisioning and asset purchase by the ECB may reflect continued structural problems in the refinancing markets. Furthermore, a change in the ECB's policies could affect market confidence and liquidity in Europe, destabilising the markets. Moreover, a recession in Europe could jeopardise economic recovery and lead to a loss of confidence in the stability of financial markets.

BAWAG Group also issues covered bonds as part of its funding strategy. A lack of liquidity in the market for covered bonds would therefore negatively affect BAWAG Group. Such constraints could, for example, result from

the loss of confidence following an insolvency of other issuers of covered bonds. Furthermore, the ECB's ongoing intervention, which also includes the purchase of covered bonds, has contributed to a tightening of covered bond credit spreads. These spreads may widen significantly or demand for covered bonds may decline after the ECB stops intervening.

Any deterioration in BAWAG Group's liquidity could have a material adverse effect on its business, financial position and results of operations, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.1.20 The Issuer, as a financial holding company, which is currently indirectly subject to consolidated supervision, may become subject to direct and more stringent supervision in the future.

The Issuer conducts its business via subsidiary companies, some of which qualify as credit institutions. The Issuer qualifies as a parent financial holding company and, together with its subsidiaries, constitutes a regulatory banking group (*Kreditinstitutsgruppe*) within the meaning of § 30 BWG but is not subject to prudential banking regulation and supervision itself. Pursuant to § 30(5) and (6) BWG, BAWAG P.S.K. must comply with the prudential requirements of the Austrian Banking Act (*Bankwesengesetz – BWG*) on a consolidated basis. Therefore, at present, the Issuer is under no direct obligation to comply with prudential banking regulations. It is, however, indirectly subject to consolidated supervision. The Banking Reform Package introduces, inter alia, an approval requirement to bring financial holding companies directly within the scope of the prudential regulation framework. In diverging from the current legal situation, financial holding companies will be directly responsible to comply with consolidated prudential requirements under the proposal where consolidated supervision applies. In addition, financial holding companies are required to obtain approval to operate a banking group from the ECB, which may be coupled with additional requirements in relation to the risk management and compliance system. Certain exemptions apply, inter alia, in case a financial holding company's principal activity is to acquire subsidiaries, is not designated as the resolution entity of any of its resolution groups, a subsidiary is designated as responsible to ensure the group's compliance with prudential requirements on a consolidated basis and the financial holding company does not engage in taking management, operational or financial decisions affecting its group or subsidiaries qualifying as credit institutions or financial institutions. EU member states must implement these requirements by 28 December 2020.

If the Issuer was not able to rely on an exemption from the approval requirement after implementation of the approval requirement, a direct and more stringent supervision of the Issuer could materially and adversely affect its business, financial condition, results of operations and prospects, and may therefore adversely affect the ability of the Issuer to meet its obligations under the Notes.

2.1.1.21 The Issuer's assumptions regarding the deductibility of certain items from its taxable income may prove incorrect which could lead to higher than expected tax payments.

The Issuer assumes that it will be able to deduct goodwill amortisations and tax loss carryforwards from its taxable income. For the financial years 2020 to 2021 (inclusive), the Issuer expects to deduct goodwill amortisations from the acquisition of BAWAG P.S.K., resulting in a total projected reduction of its taxable income of approximately € 151 million. If this assumption proves incorrect, the Issuer may not be able to deduct this item (in whole or in part) from its taxable income resulting in higher than expected tax payments which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects, and may therefore adversely affect the ability of the Issuer to meet its obligations under the Notes.

2.1.2 Operational Risks

2.1.2.1 If BAWAG Group fails to adapt to rapid technological changes its competitiveness could decline.

BAWAG Group's IT and communications systems are critical to its success. In particular, BAWAG Group relies heavily on its proprietary online banking platform, which requires constant ongoing development and investment to reflect new technological developments and changes in industry practice, including as a result of regulatory changes and innovation in products and services. If BAWAG Group is unable to manage upgrades, developments or changes to its proprietary online banking platform and other IT systems, it could be subject to operational disruption, reputational damage, regulatory scrutiny, and significant additional costs.

The online direct banking industry is subject to rapid technological change with new product and service introductions, evolving regulatory requirements and industry standards, and constantly changing merchant and consumer needs and expectations. For example, new online-based market entrants may be able to offer similar products at more attractive prices due to lower fixed costs. Furthermore, online-based market entrants may introduce new products or services, and BAWAG Group may be unable to introduce competing products quickly or at reasonable cost, or at all. BAWAG Group may also fail to accurately foresee developments in online banking or

other technologies, which could lead it to investment in technologies and products that do not gain market acceptance or generate sufficient returns. There is also a risk that BAWAG Group may not have adequate financial or technological resources, or that it may not be able to secure products and distribution channels to satisfy changing consumer demand. Any delay in the delivery of new products or services, or the failure to differentiate BAWAG Group's products and services from those of current or future competitors, could render them less desirable to its customers, or possibly even obsolete. If BAWAG Group is unable to develop technologies internally, it may have to license or acquire technologies from third parties, which may be costly or not possible at all.

Any failure to remain innovative or to introduce new or upgraded technologies that are responsive to changing consumer or regulatory requirements may have a material adverse effect on BAWAG Group's competitiveness and could cause it to lose its market position in core markets, which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.2.2 *BAWAG Group's operational systems are subject to an increasing risk of cyber-attacks and other internet crime, which could result in material losses of customer information, damage BAWAG Group's reputation and lead to regulatory penalties and financial losses.*

BAWAG Group is exposed to the risk of breaches of the security of its computer systems due to unauthorised access to network resources or other forms of cyber-attack or internet crime including the use of viruses and trojans. Such breaches could disrupt BAWAG Group's business, result in the disclosure of confidential information and create significant financial and/or legal exposure and could damage the reputation of BAWAG Group. BAWAG Group's efforts to ensure the integrity of its systems may not be sufficient to anticipate or to implement effective preventive measures against security breaches of all types, especially because the techniques used change frequently or are not recognised until launched, and because cyber-attacks can originate from a wide variety of sources, including third parties outside BAWAG Group, such as persons who are involved with organised crime or associated with external service providers or who may be linked to terrorist organisations or hostile foreign governments. If an actual or perceived breach of security occurs, customer perception of the effectiveness of BAWAG Group's security measures could be harmed which could result in the loss of customers. Actual or anticipated attacks and risks may cause BAWAG Group to incur increased costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third party experts and consultants. The realisation of any of the aforementioned risks could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.2.3 *BAWAG Group may have difficulty in integrating acquisitions or identifying and assessing risks of acquisitions, which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.*

BAWAG Group considers acquisitions from time to time to support its business objectives and complement the development of its business in its existing and new geographic markets. For example, in 2019, BAWAG Group closed the acquisitions of BFL Leasing GmbH, a Frankfurt-area based leasing company, as well as two factoring companies, namely the Hamburg, Germany, based EOS Health Honorarmanagement AG and the Swiss Zahnärztekasse AG. Such strategic transactions demand significant management attention and require BAWAG Group to divert financial and other resources that would otherwise be available for its existing business. Even though BAWAG Group reviews the companies, businesses, assets, liabilities or contracts it plans to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, BAWAG Group may fail to adequately assess risks and liabilities associated with acquired businesses and assume unanticipated liabilities. In addition, acquired businesses may not perform as well as expected, or may not achieve the expected results within the anticipated timeframe, and the benefits of an acquisition (including expected synergies) may take longer to realise than expected or may not be realised fully or at all. Moreover, the integration of acquired businesses is typically a complex, time consuming and expensive process. Such processes may take longer than anticipated or involve higher expenses than originally anticipated, and be subject to a number of uncertainties, such as costs and expenses associated with unexpected difficulties, a diversion of management's attention from BAWAG Group's daily operations and/or strategic business decisions, a potential loss of key employees and customers or an additional demand on management related to the increase in the size and scope of BAWAG Group's operations. Furthermore, acquisitions by BAWAG Group often require regulatory clearance which may delay or prevent the closing of signed acquisitions. There can be no assurance that these clearances will be obtained on a timely basis or if at all. In addition, BAWAG Group might have difficulty integrating any entity with which it combines its operations. Failure to complete announced business combinations or failure to integrate acquired businesses successfully into BAWAG Group could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its

obligations under the Notes. There can be no assurances that BAWAG Group will be able to successfully pursue, complete and integrate any future acquisition targets

2.1.2.4 Failure of BAWAG Group's IT systems could lead to a significant impairment of the business operations of BAWAG Group.

BAWAG Group's technology operations and digital & development divisions provide the majority of the IT services for its entities and product offerings, including its proprietary banking platform, in the areas of product pricing and products sales, assessing acceptable levels of risk exposure, determining product approvals, setting required levels of provisions and capital, providing and maintaining customer service (including payment services and other customer transactions) and maintaining regulatory requirements. To provide redundancy BAWAG Group uses two separate datacentres in Vienna, each of which is connected to the internet by two telecom providers via separate physical lines. However, a catastrophic event in Vienna could potentially disable both datacentres. In particular, BAWAG Group faces the risk of losses due to the instability, malfunction or outage of its IT system and IT infrastructure. Such losses could materially affect BAWAG Group's ability to perform business processes and may, for example, arise from technical failures, human error, unauthorised access, cybercrime, natural hazards or disasters, or similarly disruptive events as well as from the erroneous or delayed execution of processes as either a result of system outages or degraded services in systems and IT applications. A delay in processing a transaction, for example, could result in an operational loss if market conditions worsen during the period after the error. IT-related errors may also result in the mishandling of confidential information, damage to BAWAG Group's computer systems, financial losses, additional costs for repairing systems, reputational damage, customer dissatisfaction or potential regulatory or litigation exposure. This could have a material adverse effect on BAWAG Group's reputation, business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.2.5 Resignation or loss of key personnel, including members of the Management Board, and possible difficulties in recruiting or retaining qualified employees could adversely affect BAWAG Group's ability to execute its strategy.

BAWAG Group's key personnel, i.e. the management of BAWAG Group and other members of its senior management, have been essential in establishing and implementing BAWAG Group's key strategies. In addition, BAWAG Group needs to attract new talent to be able to compete in the national and international banking market. Limitations on the remuneration policies of credit institutions, in particular on the variable elements of remuneration under EU and Austrian banking regulation, could impede BAWAG Group's efforts to retain or recruit highly qualified personnel. Furthermore, emerging competitors from the FinTech industry as well as employers in other industries competing for talent with BAWAG Group (such as consulting firms or auditors) or employers in other jurisdictions may not be subject to these limits on remuneration policies and could therefore be able to offer more attractive remuneration packages than BAWAG Regulatory Group. If BAWAG Regulatory Group is unable to retain the services of one or more members of its management, it may not succeed in attracting individuals with equal qualifications and comparable experience within a suitable time period and at adequate terms. The loss of management or other key personnel and failure in recruiting new replacing personnel could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.2.6 Due to any inadequacy or failure of internal procedures, employees and systems or due to external events unexpected losses could occur (operational risk).

BAWAG Group is exposed to unexpected losses caused by the operational risk of inadequacy or failure of internal procedures, employees or systems or due to external risks including legal risk. This encompasses (i) internal risks including theft and fraud by employees, development and process failures, business interruptions or system failures, and lack of sufficient human resources and (ii) external risk factors such as property damage and fraud by customers. These risks increase in volatile, illiquid or in developing markets. The legal inability of BAWAG Group's counterparties to close a transaction, contractual deficiencies, incomplete documentation of transactions or legal particularities and amendments in the legal foundations of a company could lead to claims/receivables from a transaction not being legally enforceable which could result in BAWAG Group incurring losses which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

In addition, employee misconduct such as fraud is not always possible to deter or prevent. BAWAG Group is, in particular, exposed to the risk that its employees misappropriate customer funds. The precautions that BAWAG Group has taken to detect and prevent such activities may not be effective, which could subject BAWAG Group to additional liability and have a negative effect on BAWAG Group's business, financial condition, results of operations and reputation, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3 Risks relating to regulatory, legal and tax matters

In addition to BAWAG Group's risks relating to the operational business described above, the following risk factors relating to regulatory, legal and tax matters contribute to BAWAG Group's operative and financing risk, and may therefore adversely affect the ability of the Issuer to meet its obligations under the Notes.

2.1.3.1 *Increased capital and liquidity requirements, including leverage ratio requirements and enhanced supervisory powers to demand further own funds or liquidity under European banking regulation and proposed amendments may adversely affect the profitability of BAWAG Group.*

BAWAG Regulatory Group must comply with minimum capital requirements (so-called 'Pillar 1 requirements') that are primarily set forth under the Regulation (EU) No 575/2013 (the "CRR") as amended by Regulation (EU) 2019/876 (the CRR, as amended, "CRR II"). In addition, under Directive 2013/36/EU ("CRD IV") as implemented into Austrian law by the Austrian Banking Act (*Bankwesengesetz – BWG*) and the Capital Buffers Regulation (*Kapitalpuffer-Verordnung – KP-V*), certain capital buffers apply, namely (a) a countercyclical capital buffer, (b) a systemic risk buffer, (c) a buffer for global systemically important institutions (which does not apply to BAWAG Regulatory Group), and (d) a buffer for other systemically important institutions. The buffer for other systemically important institutions generally applies to BAWAG Regulatory Group, but is not materially relevant since the systemic risk buffer is equal to the buffer for other systemically important institutions and only the higher of those two buffers is currently applied. However, under a new provision of Directive (EU) 2019/878 amending the CRD IV (the CRD IV as amended, "CRD V"), which must be implemented by the EU member states by 29 December 2020, the buffer for other systemically important institutions will however be applied cumulatively with the systemic risk buffer. However, the Austrian Financial Market Stability Board (*Finanzmarktstabilitätsgremium*) issued a recommendation to reduce both the systemic risk buffer and the buffer for other systemically important institutions from 1% to 0.5% as of 29 December 2020. In addition, the regulatory authorities that oversee BAWAG Regulatory Group, in particular the ECB within the Single Supervisory Mechanism ("SSM"), may, in connection with the annual supervisory review and evaluation process ("SREP") or otherwise, conduct stress tests and have discretion to impose additional capital requirements (see "2.2.8 *The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum requirements for own funds, capital buffer requirements, additional supervisory capital requirements and eligible liabilities.*").

Also following the SREP, the ECB may communicate to individual banks or banking groups, including BAWAG Regulatory Group, (and has done so in the past) an expectation to hold further common equity tier 1 ("CET 1") capital, the so-called 'Pillar 2 guidance'. Although the Pillar 2 guidance is not legally binding and failure to meet the Pillar 2 guidance does not automatically trigger legal action, the ECB has stated that it expects banks to meet the Pillar 2 guidance. For 2020, the Pillar 2 guidance has been set at 1.0%.

The need to comply with the aforementioned existing and proposed requirements and the change in ranking of certain debt instruments issued or to be issued by BAWAG Regulatory Group could have a material adverse effect on BAWAG Group's profitability, business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes. In particular, if the above-mentioned requirements are not met, the Issuer may be required to cancel the payment of distributions on the Notes that are scheduled to be paid pursuant to the Terms and Conditions of the Notes.

2.1.3.2 *BAWAG Group is, and may in the future be, subject to a number of legal and regulatory proceedings, the outcome of which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.*

BAWAG Group is subject to a number of legal and regulatory proceedings that are often highly complex, take considerable time and are difficult to predict or estimate. Such proceedings include lawsuits with customers and consumer protection associations, such as the Chamber of Labor and the Consumer Information Association. Legal claims asserted against BAWAG Group may involve new or untested legal theories. The outcome of such proceedings is, therefore, difficult to predict or estimate until late in the proceedings, which may also last for several years. Furthermore, the volume of claims and the amount of damages and penalties claimed in litigation, arbitration and regulatory proceedings against financial institutions are generally high. Proceedings brought against BAWAG Group may result in judgments, settlements, fines, penalties, injunctions, court orders, or other results adverse to BAWAG Group, which could have a material adverse effect on BAWAG Group's reputation, organization, business, financial condition, results of operations and prospects. In general, any litigation could have a negative influence on the financial condition of BAWAG Group. The amounts ultimately incurred in relation to legal proceedings may be substantially higher or lower than the amounts reserved for by BAWAG Group and, if the amounts are higher, this could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the ability of the Issuer to meet

its obligations under the Notes. At present, BAWAG Group is party to the following proceedings which could have a significant financial impact on BAWAG Group:

- On 12 February 2007, BAWAG P.S.K. entered into a resettable CHF linked swap agreement with the City of Linz based on the Austrian framework agreement for derivatives transactions. In October 2011, the City of Linz refused to make further payments. Consequently BAWAG P.S.K. terminated the swap agreement. In November 2011, the City of Linz sued BAWAG P.S.K. asserting that the swap agreement was void alleging that the resolutions adopted by the city council did not cover such a transaction and an approval by the Austrian province of Upper Austria (*Oberösterreich*) would have been required. The City of Linz sought payment of CHF 30.6 million (equalling approximately € 24.2 million for the purposes of the court procedure) plus interest and costs. BAWAG P.S.K. rejects these claims and has filed a counter-claim seeking payment of € 417.7 million plus interest and costs. For reasons of utmost precaution, this receivable has been written down to a carrying value of approximately € 254 million in the financial year 2011 and is reported in the Corporate Center segment (risk-weighted assets ("**RWA**"): € 254 million). BAWAG P.S.K. bases its claim on costs related to the termination of the swap transaction (€ 397.7 million) and an outstanding payment due under the swap transaction (€ 20 million). The court proceedings are still pending in the first instance. After the City of Linz filed a motion for an interim judgment (*Zwischenurteil*) with respect to their CHF 30.6 million claim, the previously combined two proceedings were separated. On 7 January 2020, the court issued its interim judgment (*Zwischenurteil*) holding the swap agreement to be void. BAWAG P.S.K. appealed this decision. The interim judgment is not a decision on the mutual payment claims of BAWAG P.S.K. and the City of Linz. Further, appeals will be possible to the court of appeals and potentially also to the Austrian Supreme Court (*Oberster Gerichtshof*). Eventually, BAWAG P.S.K. could be obligated to pay the claimed amount to the City of Linz in full or in part, and/or BAWAG P.S.K. may not be awarded, in full or in part, the payment sought and would then be required to write-down its claims further. Whether and to what extent the mutual claims of the parties exist depends, among other aspects, on whether the swap agreement entered into between BAWAG P.S.K. and the City of Linz was valid. In addition, even if the courts ultimately would hold that the swap transaction was valid, BAWAG P.S.K. may still not be awarded, in full or in part, the payment sought, in which case it would also be required to further write down its claims. Finally, depending on the outcome of the proceedings, BAWAG P.S.K. may be required under statutory law to bear some or all of the court and legal fees of the City of Linz.
- BAWAG P.S.K. was joint lead manager or co-lead manager for bonds issued by ALPINE Holding GmbH from 2010 to 2012. In July 2013, insolvency proceedings were opened regarding this corporate issuer. Several claims have been filed against the banks involved in the issuance and the distribution of ALPINE Holding GmbH's bonds, among them BAWAG P.S.K. Generally, these claims allege either erroneous investment advice or prospectus liability (or both). Currently, there are claims pending in an amount of approximately € 25.6 million, which are (also) based on prospectus liability and in certain cases (amounting to an aggregate volume of € 9.3 million in dispute) are also grounded on allegedly erroneous investment advice. Based on the information shared to date, BAWAG Group believes that there is no substantiated indication that there will be a basis for a prospectus liability claim, while the outcome of the proceedings – which are still pending in the first instance – is not conclusively predictable.

On the other hand, BAWAG Group and other banks sued Austria to enforce guarantees which Austria had granted under the Act on the Strengthening of Company Liquidity (*Unternehmensliquiditätsstärkungsgesetz* – "**ULSG**") with respect to certain repayment claims of these banks against ALPINE Bau GmbH. The claims of BAWAG Group amount to approximately € 19 million. The guarantee claims are being pursued by the banks in two separate legal proceedings. On 18 August 2017 BAWAG Group and the other banks obtained a favourable judgment from the court of first instance (*Handelsgericht Wien*) in the legal proceedings referred to as "ULSG II" obliging Austria to pay an amount equal to € 7.5 million (plus default interest) to BAWAG Group. The court of appeals (*Oberlandesgericht Wien*) repealed the judgment and remitted the case to the court of first instance for judgment after a supplementary taking of evidence. The court-appointed expert in the ALPINE Holding GmbH investor litigation cases concluded in her written assessment that the banks were not aware of any unsound financial situation of ALPINE Holding GmbH's corporate group. Although the expert opinion indicates that the prospectus liability claims are not justified so far, a final judgement was not yet rendered by the court. Any detriment judgement in the ALPINE Holding GmbH investor litigation cases may also negatively impact the cases against the Republic of Austria. However, the competent court in the proceedings against the Republic of Austria appointed an expert, who has to analyse, whether ALPINE Bau GmbH fulfilled the relevant guarantee application requirements.

If these risks were to materialise, this could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.3 European and Austrian legislation regarding the resolution of banks, in particular the powers of resolution authorities to ensure resolvability and to force shareholders and creditors to participate in a situation of crisis, could, if such steps were taken to ensure that BAWAG Group or critical functions thereof continue(s) as a going concern, significantly affect BAWAG Group's business operations.

Austria participates in the SRM which centralizes at a European level the key competences and resources for managing the failure of banks in the Eurozone. The SRM is based on the SRM Regulation and the BRRD, which has been implemented in Austria by the BaSAG.

The SRM Regulation and the BaSAG grant broad powers to public authorities. For a bank or banking group directly supervised by the ECB, such as BAWAG Regulatory Group, the SRB assesses its resolvability and may require legal and operational changes to the structure of BAWAG Group to ensure its resolvability. In the event that such a bank is failing or likely to fail and certain other conditions are met, the SRB is responsible for adopting a resolution scheme for resolving the bank pursuant to the SRM Regulation. The competent resolution authorities have a set of tools available, which are the sale of the entity's business to the private sector, the establishment of a bridge institution or the transfer of assets and liabilities to an asset management vehicle (so-called 'bad bank') as well as the bail-in tool. In particular, pursuant to the SRM Regulation and the BaSAG, if certain conditions with respect to a credit institution, such as BAWAG P.S.K., or a financial holding company, such as the Issuer, are met, the SRB and the FMA are entitled to allocate losses and recapitalization needs to such entity's shareholders and creditors by the dilution of the existing shareholders of the failing entity or the cancellation of their shares outright, the write down in full or in part of the principal amount or the outstanding amount of any capital instruments that qualify as additional tier 1 capital instruments or tier 2 capital instruments, such as the Subordinated Notes, as well as any other subordinated debt instruments liabilities and finally even senior unsecured liabilities (subject to exceptions in respect of certain liabilities) or convert such capital instruments and eligible liabilities into new CET 1 instruments, in particular of the resolved entity or a bridge institution. Furthermore, pursuant to the SRM Regulation and the BaSAG, a write-down and conversion of additional tier 1 and tier 2 capital instruments, such as the Subordinated Notes, may be imposed at the "point of non-viability" before and regardless of any subsequent resolution action. In addition to the resolution tools, the SRB and the FMA hold a number of additional powers to facilitate the process in case of a resolution, including the power to potentially suspend obligations of a credit institution in resolution such as redemption or interest payment obligations under notes issued, to restrict the enforcement of security interests in relation to any assets of the institution and to suspend termination rights until the expiration of the business day following the day of publication of the notice of suspension.

Regulatory measures under the BRRD resolution framework as implemented in the BaSAG and as applicable under the SRM Regulation taken in the event of failure of the Issuer or any of its banking subsidiaries, in particular the participation of the Issuer's shareholders, holders of other relevant capital instruments and/or creditors and/or the use of any other of the available resolution tools, may severely affect the rights of the Holders as it may result in the cancellation of interest payments or payments of principal under the Notes and the write-down in full or in part of the Notes and hence in the loss of the entire investment.

2.1.3.4 Past, ongoing and uncertain future reforms and initiatives in legislation or supervision, including additional and more stringent regulation and public sector influence on the financial sector, could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

The business activities of BAWAG Group are subject to national, European and international legal frameworks as well as supervision by regulatory authorities in the relevant markets. The financial crisis has prompted the supervisory practice to act more rigorously, and the international standard setters such as, for example, the BCBS and the Financial Stability Board ("**FSB**") as well as national and European legislators, governments and regulatory authorities have adopted a variety of financial regulation reforms to improve the ability of the financial sector to withstand future crises. Further reforms are pending or may still be proposed. The wide range of laws, regulations, guidelines and other papers or current proposals includes, but is not limited to:

- early intervention and resolution powers of supervisory and resolution authorities to intervene in, and prior to, a crisis of banks, including the forced participation of creditors to bear losses and participate in a recapitalisation (so-called 'bail-in'); restrictions on the remuneration policies and practices of institutions; more stringent rules for the SREP by which the ECB assesses and measures the risks for each bank and assesses its adequacy of own funds (see also "2.1.3.1 Increased capital and liquidity requirements, including leverage ratio requirements and enhanced supervisory powers to demand further own funds or liquidity under European banking regulation and proposed amendments may adversely affect the profitability of BAWAG Group." below), liquidity, business model and internal governance and institution-wide controls and subsequently may require the banks to hold additional own funds and liquidity;

- the establishment of the SSM with the ECB as the central prudential supervisor directly supervising significant institutions and the creation of a Single Resolution Mechanism ("**SRM**") with, the SRB as the central body in charge of, inter alia, the resolvability assessment, the resolution planning and resolution of, inter alia, institutions directly supervised by the ECB, both within the Eurozone and any other EU countries that choose to participate in these mechanisms;
- on 20 May 2019, the European Union adopted legislative acts (such legislative acts together the "**Banking Reform Package**") for (1) CRD V; (2) CRR II; (3) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms as amended by Directive (EU) 2019/879 ("**BRRD II**"); and (4) Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 as amended by by Directive (EU) 2019/879 ("**SRM Regulation II**"). The Banking Reform Package came into force on 27 June 2019, with certain provisions gradually being phased-in and other provisions being subject to national implementation. The Banking Reform Package introduces, inter alia, a binding leverage ratio of 3% of Tier 1 capital in order to prevent institutions to excessively increase their leverage. In addition, it introduces a binding minimum net stable funding ratio (NSFR), more risk-sensitive capital requirements for counterparty credit risk, market risk and exposures to central counterparties and tighter regulation of large exposures, including disclosure or reporting obligations. With regard to the recovery and resolution framework, the Banking Reform Package, inter alia, aligns the FSB's standard on total loss absorbing capacity ("**TLAC**") applying to global systemically important banks with the EU's minimum requirements for own funds and eligible liabilities (MREL) under CRR II, SRM Regulation II and BRRD II and changes the ranking of unsecured debt instruments in the insolvency hierarchy by introducing a new class of unsecured non-preferred debt instruments. While BAWAG Group does not qualify as a global systemically important banking group subject to the CRR II's TLAC requirements, the SRM Regulation II and the implementation of the BRRD II will impact the MREL requirements applicable to BAWAG Regulatory Group in the future.

It is not yet fully clear if, when and how those reforms that have not yet been finalised could be implemented. Neither the final scope of the currently available proposals nor their full potential effect on BAWAG Regulatory Group may be determined at this stage. The likely possibility of other future changes of the regulatory framework causes uncertainty for BAWAG Regulatory Group and the financial sector as a whole. Likewise, recently adopted reforms such as CRD V need to be implemented on a national level. The directly applicable CRR II and SRM Regulation II include provisions that are not in force, yet. Furthermore, the exact scope of the provisions of these legislative acts is, in the absence of an established supervisory practice, difficult to predict.

In addition, regulatory authorities, in particular those with jurisdiction over BAWAG Regulatory Group, including the ECB under the SSM and the FMA for certain other matters, enjoy substantial discretion in their regulation of banks. The exercise of this discretion and the means available to the regulatory authorities, have been steadily increasing during recent years.

The aforementioned events and any other additional and/or stricter regulatory measures and requirements, as well as possibly a more stringent supervisory practice, including by the ECB, the Austrian Financial Markets Authority (*Österreichische Finanzmarktaufsichtsbehörde* – "**FMA**"), and for the Issuer's German subsidiaries, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**"), in the future may, once adopted or implemented, influence the profitability of BAWAG Regulatory Group's business activities, require adjustments of its business practices and/or increase costs, including compliance costs. Implementing the required changes may also require the attention and substantial resources of BAWAG Regulatory Group's management. BAWAG Regulatory Group may face higher financing and/or capital costs and restrictions on its growth or permitted business activities. The business model of BAWAG Group as well as individual business areas could be endangered. Any reforms of regulatory law or practice could affect the financial position, assets, profitability and business prospects of BAWAG Group, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.5 The cost incurred by BAWAG Group for compliance with anti-money laundering, anti-tax evasion, anti-corruption and anti-terrorism financing rules and regulations and sanctions is significant and may further increase. Failure to comply with these and similar rules may have severe legal and reputational consequences.

The rules and regulations applicable to the financial sector on the prevention of money laundering, tax evasion, corruption and the financing of terrorism as well as sanctions have been and are subject to ongoing tightening. This trend goes hand in hand with political initiatives to tighten measures against tax fraud to increase tax revenue. On the European level, the Fourth Anti-Money Laundering Directive (Directive (EU) 2015/849 of the

European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing) came into force in 2015. Austria has transposed this directive by adopting the Financial Market Anti Money Laundering Act (*Finanzmarkt-Geldwäschegesetz*) which became effective on 1 January 2017 as well as the Austrian Beneficial Ownership Register Act (*Wirtschaftliche Eigentümer Registergesetz*) which became fully effective on 15 January 2018. Meanwhile, Austria has set in force the Fifth EU Anti-Money Laundering Directive (Directive (EU) 2018/843 of the European Parliament) through its implementation legislation, the EU-Finance-Amendment Act 2019 (*EU-Finanz-Anpassungsgesetz 2019 – EU-FinAnpG 2019*), with effect of 10 January 2020, which brought mainly changes in the enhanced due diligence regarding business relationship and transactions with high risk countries.

BAWAG Group engages in business with customers and counterparties from a diverse background. In light of recent U.S. and EU sanctions, particularly against Russian individuals, it cannot be ruled out that some of BAWAG Group's customers or counterparties are or may become subjected to sanctions. Such sanctions may result in BAWAG Group being unable to gain or retain such customers or counterparties or receive payments from them. In addition, association with such individuals or countries may damage BAWAG Group's reputation or result in significant fines.

BAWAG Group dedicates significant funds, personnel, technical and other resources to its compliance with anti-money laundering, anti-tax evasion (including the Foreign Account Tax Compliance Act ("**FATCA**") and the Common Reporting Standard ("**CRS**", transposed into Austrian law by the Gemeinsamer Meldestandard Gesetz – GMSG), anti-corruption and anti-terrorism financing rules and sanctions and may even have to step-up these efforts in line with a future tightening of these rules.

Despite these efforts, BAWAG Group cannot guarantee that all applicable anti-money laundering anti-corruption and anti-terrorism financing rules and sanctions as well as all FATCA and CRS regulations are consistently complied with at all times and in all respects. BAWAG Group may in the future become subject to investigations by authorities alleging a violation of such rules, and failure to comply with these and similar rules, or the allegation of such failure may have severe legal, monetary and reputational consequences and could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.6 Despite BAWAG Group's risk management policies, procedures and methods, it may be exposed to unidentified or unanticipated risks, which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

BAWAG Group may be exposed to risks which are not sufficiently covered by its risk management policies. Although BAWAG Group has devoted significant resources to develop its risk management policies and intends to continue to do so in the future, there can be no guarantee that the risk management policies are fully effective in mitigating BAWAG Group's risk exposure against all types of risk, including risks that it fails to identify or anticipate or that are generally unknown. Additionally, it should be noted that some of BAWAG Group's quantitative tools and metrics are based on historical market behaviour and developments, which may limit their effectiveness at predicting future economic changes. The risk management tools used in the financial sector failed to predict a number of the losses experienced during the global financial crisis and it cannot be guaranteed that BAWAG Group's systems will be able to predict future risks accurately. The realization of any of these risks could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.7 The access of BAWAG Group to liquidity and funding may be adversely affected by a change of the collateral standards of the ECB.

Following the sovereign debt crisis, the ECB has intervened in the money market via a series of measures, including facilitating the access to low-interest loans with favourable collateral requirements for European financial institutions. Any tightening of these collateral standards (such as the rating for collateral securities) could increase the cost of funding of BAWAG Group. Any limitation imposed on BAWAG Group's access to liquidity at adequate terms could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.8 Certain aspects of the tax framework under which BAWAG Group operates, such as the Austrian stability tax, may have a substantial negative effect on BAWAG Group's business, financial condition, results of operations and prospects.

The tax framework under which BAWAG Group operates is subject to changes that could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects. Austrian banks are

subject to a stability tax to fund government-borne bank recapitalization expenditures. Any increase of the stability tax or its imposition in addition to the said *ex-ante* contributions could result in substantial additional costs for BAWAG Group and could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.9 The mandatory ex-ante funding of the Deposit Guarantee Scheme pursuant to the EU Deposit Guarantee Schemes Directive and its implementation by way of a Federal Act on the Deposit Guarantee and Investor Compensation by Credit Institutions (ESAEG), and possibly higher contributions could have an adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

The Deposit Guarantee Scheme Directive (Directive 2014/49/EU, the "**DGSD**") requires each EU member state to have in place one or more deposit guarantee schemes ("**DGS**") and further requires that, until 3 July 2024, each national DGS is provided with financial means collected through *ex-ante* contributions of the participating banks at a target level of, in general, 0.8% of covered deposits of all its member banks. The DGSD has been implemented into Austrian law through the Federal Act on the Deposit Guarantee and Investor Compensation by Credit Institutions (*Bundesgesetz über die Einlagensicherung und Anlegerentschädigung bei Kreditinstituten – "ESAEG"*). Further, in case the regular contributions to the DGS are not sufficient to cover a protection event, in total an additional contribution per calendar year of up to 0.5% – or more if approved by the FMA – of covered deposits of its members will have to be paid. Such burden could have an adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.10 BAWAG Group may fail to comply with laws and regulations with respect to private data protection.

On 25 May 2018, the Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (so-called 'General Data Protection Regulation' or "**GDPR**") came into force. The GDPR increased the maximum levels of fines. Beside the GDPR national data protection legislations like the Austrian Data Protection Act are applicable. A failure to comply with applicable laws or regulations could have an adverse impact on BAWAG Group's reputation and subject BAWAG Group to penalties or claims, which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.

BAWAG Group is also exposed to the risk that its data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection laws, by it or on its behalf. If BAWAG Group or any third party service providers on which it may rely, fails to transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, BAWAG Group could face liability under data protection laws. This could also result in the loss of its customers' goodwill and deter new customers. There is also a risk of data abuse by any of its service providers for which BAWAG Group may have to assume liability.

The realization of any of these risks could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.1.3.11 BAWAG Group has financial obligations to its employees, in particular retirement obligations, the calculations of which are based on a number of assumptions, which may differ from actual rates.

BAWAG Group and its subsidiaries operate funded and unfunded defined benefit pension schemes and defined contribution schemes for beneficiaries to which employee pension benefits are offered (as element of their overall employee benefits).

BAWAG Group's defined benefit obligations are based on certain actuarial assumptions such as discount rates, life expectancies and rates of increase in compensation levels as well as investment strategies of the pension insurance funds that can vary. BAWAG Group has recognised provisions for unfunded plans and for funded plans to the extent that such funded plans are not fully funded.

A change in actuarial assumptions with respect to, *inter alia*, discount rates, changes in salaries and pension levels, life expectancies or staff turnover, could lead to an increase in BAWAG Group's pension obligations and to the need for additional provisions. In past years, the financial and sovereign debt crisis resulted in substantially decreased interest rates in the capital markets which had negative effects on the discount rates and the funding ratio of BAWAG Group's pension plans. Changes in actuarial assumptions or under-performance of plan assets

could also adversely affect BAWAG Group's results of operation and financial position. Differences between the discount rate and actual returns on plan assets can require BAWAG Group to record additional re-measurements.

The majority of the plans' obligations are to provide benefits for the life of the member, so that increases in life expectancy will result in an increase in the plans' liabilities. Furthermore, the legal conditions governing BAWAG Group's pension obligations are subject to changes in applicable legislation or case law. BAWAG Group cannot provide any assurance that it will not, in the future, incur new or more extensive pension obligations due to changes in such legislation and case law, or that such changes will not have an impact on its previous calculations with respect to its pension obligations. Moreover, future amendments to accounting standards may affect BAWAG Group's pension obligations. Should this be the case, this could have a material adverse effect on BAWAG Group's results of operation and financial position, and may therefore adversely affect the Issuer's ability to meet its obligations under the Notes.

2.2 Risks relating to the Notes

An investment in the Notes involves certain risks associated with the characteristics of the Notes. Such risks could result in principal or distributions not being paid on time or at all by the Issuer and/or a material impairment of the market price of the Notes. The following is a description of risk factors in relation to the Notes.

2.2.1 The Notes are intended to qualify as Additional Tier 1 Instruments and as such are complex instruments, which may not be a suitable investment for all investors.

The Notes are intended to qualify as Additional Tier 1 Instruments and as such are complex instruments, in particular with regard to their deep subordination, the possibility of cancellations of distribution payments, an early redemption, a Write-Down of the Notes and the imposition of Resolution Measures. Potential investors in the Notes must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of their own circumstances and the complexity of the Notes. In particular, each potential investor should:

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

Prior to making an investment decision, each potential investor should consider carefully, in light of its own financial circumstances and investment objectives all the information contained in this Prospectus or incorporated by reference herein, and should have sufficient financial resources and liquidity to bear the risks of an investment in the Notes, including the possibility that the entire principal amount of the Notes could be lost. A potential investor should not invest in the Notes unless he/she has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of cancellation of payment of principal, payment of distributions or a write-down and the market price of the Notes, and the impact of this investment on the potential investor's overall investment portfolio.

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

There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, a Holder might not be able to sell its Notes at any time at fair market prices or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market price of Notes. The possibility to sell the Notes might additionally be restricted on country-specific grounds.

2.2.3 The Notes bear distributions at a rate that converts from an initial fixed distribution rate to a different fixed distribution rate on each Reset Date.

A holder of fixed rate securities is particularly exposed to the risk that the price of such securities falls as a result of changes in the market interest rate. While the nominal rate of distribution of the Notes is fixed until the relevant first Reset Date and will thereafter be reset on each following Reset Date the basis of the Original Benchmark Rate plus the relevant margin, the current interest rate on the capital market (the "**market interest rate**") typically changes on a daily basis. These changes of the market interest rate result in changes of the price of the Notes. If the market interest rate increases, the price of the fixed rate Notes would typically fall. If the market interest rate falls, the price of the fixed rate Notes would typically increase. Potential investors should be aware that movements in these market interest rates can adversely affect the market price of the Notes and can lead to losses for Holders seeking to sell the Notes. Unless previously redeemed, creditors of securities paying a fixed interest rate which will be reset during the term of the securities, as will be the case for the Notes, are exposed to the risk of fluctuating interest rate levels and uncertain interest income. Potential investors should be aware that the performance of the Original Benchmark Rate cannot be anticipated. Due to varying interest income and the Issuer's option to generally cancel distribution payments, potential investors are not able to determine a definite yield to maturity of the Notes at the time of purchase. Therefore, their return on investment cannot be compared with that of investments with longer fixed interest rate periods.

Potential investors in the Notes should bear in mind that neither the current nor the historical level of the Original Benchmark Rate is an indication of its future development.

Furthermore, the initial credit spread of the Issuer has not yet been determined. A credit spread is the margin payable by the Issuer to the Holder of an instrument as a premium for the assumed credit risk. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price. Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of the notes and obligations under any collateralisation or guarantee and declarations as to any preferred payment or subordination. The liquidity situation of the market, the general level of interest rates, overall economic developments, and the currency in which the relevant obligation is denominated, may also have a negative effect. Holders are exposed to the risk that the credit spread of the Issuer widens resulting in a decrease in the price of the Notes.

2.2.4 The obligations of the Issuer under the Notes constitute direct, unsecured and subordinated obligations which are subordinated to the claims of all unsubordinated and subordinated creditors (other than subordinated claims ranking *pari passu* with or junior to the Notes) of the Issuer. Irrespective of, and even prior to, the opening of insolvency proceedings against the Issuer, a prohibition on payments under the Notes may apply.

The Notes are intended to qualify with regard to BAWAG Regulatory Group's own fund requirements as Additional Tier 1 instruments pursuant to Article 52 CRR. They constitute direct, unsecured and subordinated obligations of the Issuer. In the event of insolvency proceedings (*reguläres Insolvenzverfahren*), including bankruptcy proceedings (*Konkursverfahren*), or the liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

- (A) junior to all present or future:
 - (i) unsubordinated instruments or obligations of the Issuer; and

- (ii) any obligations resulting from Tier 2 Items and instruments or obligations of the Issuer, if any, which rank *pari passu* with or senior to obligations resulting from Tier 2 Items; and
 - (iii) all other instruments or obligations of the Issuer, if any, ranking or expressed to rank subordinated to any unsubordinated instruments or obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes);
- (B) *pari passu*:
- (i) among themselves; and
 - (ii) with all other present or future obligations resulting from AT 1 Items; and
 - (iii) with all other present or future instruments or obligations of the Issuer ranking or expressed to rank *pari passu* with obligations resulting from AT 1 Items; and
- (C) senior to all present or future:
- (i) ordinary shares of the Issuer and any obligations resulting from other CET 1 Items; and
 - (ii) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank:
 - (x) subordinated to the obligations of the Issuer under the Notes; or
 - (y) *pari passu* with the ordinary shares of the Issuer and any obligations resulting from other CET 1 Items.

Further, Article 48(7) BRRD II which has been newly introduced by the Banking Reform Package provides that Member States shall ensure that all claims resulting from own fund items (such as the Notes and for as long as the Notes qualify as own fund items or other AT 1 Instruments) have, in normal insolvency proceedings, a lower priority ranking than any claim that does not result from an own funds item. Member States shall implement into national law and apply these new rules no later than 28 December 2020. Consequently, upon entry into force of the respective Austrian provisions implementing this new rule, the Notes will have a lower priority ranking than any claim that does result from a position which at the time of the issuance of the Notes qualifies as an own fund item, but which at the time when normal insolvency proceedings are initiated against the Issuer do no longer qualify as an own fund item (for whatever reason). As a result, senior ranking obligations may in the future include obligations that would rank junior to or *pari passu* with the obligations resulting from the Notes under the status provisions provided for in the Terms and Conditions of the Notes. For example, should the Issuer's EUR 300,000,000 Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2018 with a First Reset Date on 14 May 2025, ISIN XS1806328750 no longer qualify as an own fund item, the obligations under such notes would, by virtue of law, rank senior to the obligations resulting from the Notes pursuant to the respective Austrian provisions implementing the new rule. Any obligations resulting from the Notes would only be satisfied, if and to the extent any senior ranking obligations have been fully satisfied.

The Terms and Conditions of the Notes in relation to payments of principal or distributions include the conditions that, on the date on which the relevant amount is scheduled to be paid, the Issuer is not insolvent or the payment of the relevant amount would not result in the insolvency of the Issuer. Investors should note that, therefore, even prior to the imposition of any resolution measures upon the Issuer, insolvency proceedings (*reguläres Insolvenzverfahren*), including bankruptcy proceedings (*Konkursverfahren*), or the liquidation of the Issuer the Issuer may be prohibited from making payments of principal or distributions.

Therefore, in the event of the dissolution, liquidation, insolvency or composition, or any other proceedings for the avoidance of insolvency, there is a significant risk that a Holder of Notes will lose all or some of its investment.

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

2.2.5 The Notes do not contribute to the determination of over-indebtedness of the Issuer and there are no events default under the Notes. Holders will have limited ability to influence the outcome of any insolvency proceedings.

The Holders are entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital*) within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*)

has been removed (*beseitigt*) or if, in the event of the liquidation (*Liquidation*) of the Issuer, all other creditors (other than creditors whose claims rank or are expressed to rank *pari passu* with or junior to the Notes) of the Issuer have been satisfied first.

Pursuant to the Terms and Conditions, no insolvency proceedings against the Issuer are required to be opened in relation to the non-performance of any obligations of the Issuer under the Notes. The claims of the Holders against the Issuer under the Notes are subordinated in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*) and the Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets; i.e. the obligations of the Issuer under the Notes, if any, will not contribute to the determination of over-indebtedness (*Überschuldung*) within the meaning of § 67(3) of the Austrian Insolvency Code.

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

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

Furthermore, the Holders will have limited ability to influence the outcome of any insolvency proceeding or a restructuring outside insolvency. Accordingly, the Holders may only affect the outcome of a restructuring to a very limited extent. Under certain circumstances, a matter may be presented by the insolvency administrator to the Holders for a vote.

2.2.6 There is no restriction on the amount or type of further instruments, including those which may rank *pari passu* with or senior to the Notes and which depend, amongst others, on the Issuer's Distributable Items, or other indebtedness that the Issuer may issue, incur or guarantee.

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

The issue or guarantee of any such instruments may reduce the amount recoverable by Holders upon the Issuer's insolvency. If the Issuer's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including cancellation of distributions and reduction of the principal amount of the Notes and, if the Issuer were liquidated, the Holders could suffer loss of their entire investment (total loss).

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

2.2.7 The Issuer may, at its full discretion, cancel payments of distributions on the Notes. If the Issuer elects to cancel distribution payments or is prevented from making such payments by law or under the Terms and Conditions of the Notes, for example due to a pre-insolvency restriction on Distributions, such cancellation will be definitive and non-cumulative.

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

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

- the Issuer is insolvent or the payment of the relevant distribution payment would result in the insolvency of the Issuer;
- the sum of: (i) the amount of such distribution payment scheduled to be paid together with any Additional Amounts thereon; (ii) the amount of any write-up of the Notes that was made in the then current financial year or is simultaneously made on the relevant Distribution Payment Date, if any; (iii) any payments of interest, dividends or distributions that are simultaneously planned or made or that have been made by the Issuer on other Tier 1 Instruments in the then current financial year of the Issuer; and (iv) any amount, payment or distribution as may be relevant under any restriction operating as a maximum distributable amount in accordance with the Applicable Supervisory Regulations as applicable to the Issuer at the time, would exceed the amount of the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by (x) an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based, and (y) any other amounts that may be included for the purposes of determining the amounts available for distributions on AT 1 Instruments under the Applicable Supervisory Regulations, as defined in the Terms and Conditions of the Notes, from time to time; or
- the Competent Authority orders the relevant distribution payment scheduled to be paid on the Notes to be cancelled in whole or in part; or another prohibition on distributions is imposed by law or by the Competent Authority (or any other relevant supervisory authority) (including any prohibition on distributions as a result of the calculation of the Maximum Distributable Amount within the meaning of Article 141(2) CRD and as currently transposed into Austrian law by § 24(2) BWG) (see also "2.2.8 *The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum requirements for own funds, capital buffer requirements, additional supervisory capital requirements and eligible liabilities.*").

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

The Distributable Items of the Issuer will, *inter alia*, depend on its profits and those of its subsidiaries, including the dividends that it receives from its subsidiaries. The profits of the Issuer also depend on the valuation of its participation in BAWAG P.S.K. The share price of BAWAG Group will be used as one factor in the valuation process and as such can influence the profits of the Issuer. If the Issuer's profits are weak or the Issuer incurs losses, and/or if it does not receive any (or only small) dividends from its subsidiaries, the Distributable Items may not be sufficient for full (or any) payment of distributions on the Notes.

The Distributable Items will be determined on the basis of (i) the audited (*geprüften*) and adopted (*festgestellten*) unconsolidated annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date; or (ii) if such audited and adopted unconsolidated annual financial statements of the Issuer are not available at the relevant Distribution Payment Date, unaudited unconsolidated *pro forma* financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements.

There is however a risk, that these *pro forma* financial statements may deviate substantially from the audited financial statements for the same accounting period, and Holders are therefore exposed to the risk that they will not receive any distributions even if the audited financial statements show sufficient Distributable Items to make payments on the Notes.

Because the Issuer is entitled to cancel distribution payments at its full discretion, it may do so even if it could make such payments without exceeding the limits described above and even if it was intrinsically profitable. Distribution payments on the Notes may be cancelled even if the Issuer's shareholders continue to receive dividends and/or distributions are made on any instruments ranking *pari passu* with or junior to, the Notes. Furthermore, even if the Issuer was willing to make distribution payments on the Notes, it could be prevented from doing so by mandatory and automatic cancellation due to regulatory provisions and/or regulatory action (see "2.2.8 *The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum requirements for own funds, capital buffer requirements,*

additional supervisory capital requirements and eligible liabilities."). In all such instances, Holders would receive no, or only reduced, distributions on the Notes.

Any actual or anticipated cancellation of distributions payments on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the distribution cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which distributions accrue that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

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

2.2.8 The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum requirements for own funds, capital buffer requirements, additional supervisory capital requirements and eligible liabilities.

Payments of distributions on the Notes will also be excluded if (and to the extent) such payments are prohibited or restricted under statutory law or by virtue of a decision of the competent supervisory authority of the Issuer. The CRR requires BAWAG Regulatory Group to meet at all times, on a consolidated basis, a minimum amount of total own funds of 8% of the risk-weighted assets and also imposes minimum requirements for Tier 1 capital of 6%, comprising of CET 1 capital of 4.5% of risk-weighted assets and additional tier 1 ("**AT 1**") capital of 1.5% of risk-weighted assets (all within the meaning of the CRR). In addition, and on the basis of the SREP, the ECB has imposed on BAWAG Regulatory Group additional individual capital requirements referred to as Pillar 2 requirements. On 12 March 2020, among other measures, the ECB announced that it would change its supervisory practice in light of the impact of the outbreak of the Coronavirus (COVID-19) epidemic on European economies to enable institutions to continue financing households and corporates. Effectively anticipating the new general principle for the capital composition of "Pillar 2" requirements under CRD V, BAWAG Regulatory Group must meet a Pillar 2 requirement of 2% own funds with at least 1.5% Tier 1 capital, thereof at least 1.125% CET 1 capital, and may consequently use 0.375% Additional Tier 1 capital and 0.5% Tier 2 capital to meet such requirement.

Under CRD and its implementation in Austria, BAWAG Regulatory Group must also meet capital buffer requirements in addition to both the minimum capital requirements set forth in the CRR and the Pillar 2 requirements set by the ECB as a result of the annual SREP. The capital buffer requirements must be met with CET 1 capital. The respective CRD requirements have been implemented into Austrian law by §§ 23 to 23d BWG and the accompanying Capital Buffers Regulation (*Kapitalpuffer-Verordnung – KP-V*). All capital buffers have to consist of CET 1 capital. The following capital buffer requirements apply:

- (a) a countercyclical capital buffer of up to 2.5% of risk-weighted assets generated in the respective EU member state;
- (b) a systemic risk buffer;
- (c) a buffer for global systemically important institutions (which does not apply to BAWAG Regulatory Group); and
- (d) a buffer for other systemically important institutions.

All applicable capital buffers are aggregated in a combined buffer requirement as set forth in § 2 no. 45 BWG. Currently, BAWAG Regulatory Group must fulfil a SREP CET 1 ratio (fully loaded) of 9.13% (comprising the 4.5%, Pillar 1 base requirement (minimum CET 1 capital ratio), the capital conservation buffer of 2.5% of risk-weighted assets, the countercyclical buffer of 0.008% (based on risk-weighted assets as of 30 June 2020), the systemic risk buffer of 1.0% and the 1.125% Pillar 2 requirement). For 2020, the Pillar 2 guidance has been set at 1.0%.

The ECB announced on 12 March 2020 that it would allow institutions subject to its supervision to operate temporarily below the level of own funds required to meet the capital conservation buffer and that it will allow banks sufficient time to build up the buffer again, which however does not affect the Maximum Distributable Amount framework.

If BAWAG Regulatory Group fails to meet the combined buffer requirement, which is the case if BAWAG Regulatory Group does not have sufficient own funds (of the required qualities, as applicable) in an amount needed to meet at the same time (a) its minimum capital requirements under the CRR, (b) any additional capital requirements, such as the Pillar 2 requirement imposed on BAWAG Regulatory Group by the ECB on the basis of the annual SREP, and (c) the sum of the capital buffers applicable to it, BAWAG Regulatory Group would be required to calculate the Maximum Distributable Amount, notify such amount to the FMA without delay in accordance with § 24(2) BWG and prepare and submit to the FMA a capital conservation plan in which BAWAG Regulatory Group needs to explain how to increase its own funds with the objective of meeting fully the combined buffer requirement. Prior to the calculation of the Maximum Distributable Amount, the Issuer would be prohibited from making any payments of distributions on the Notes. In any event, however, the Issuer may make payments of distributions on the Notes only up to the amount of its Maximum Distributable Amount if and so long as BAWAG Regulatory Group fails to meet the combined buffer requirement.

As at 30 June 2020, BAWAG Regulatory Group's CET 1 ratio was 13.4%. For the Maximum Distributable Amount calculation, the applicable Pillar 1 and Pillar 2 requirements and the combined buffer requirements are taken into account but not the Pillar 2 guidance. This results in a corresponding CET 1 requirement of 9.13%. Additionally, following the ECB's announcement on 12 March 2020 with regards to the composition of the Pillar 2 requirement, as at 30 June 2020 BAWAG Group AG has a 0.43% shortfall in respect of its AT 1 requirement and a 0.33% shortfall in respect of its Tier 2 requirement that have to be covered by CET 1 capital. Consequently, as of 30 June 2020, the Maximum Distributable Amount restriction level for the BAWAG Regulatory Group was at approximately 9.89% and the buffer to Maximum Distributable Amount restriction level was approximately 3.5% (or approximately € 0.7 billion).

In addition and under certain conditions, the ECB may restrict or prohibit all or part of the payments of distributions as set forth in Article 16(1) in connection with (2) point (i) SSM Regulation. In particular, pursuant to Article 16(1) SSM Regulation, the ECB has the powers set out in Article 16(2) SSM Regulation to require a "significant" group of credit institution under a parent financial holding company in a participating EU member state (such as BAWAG Regulatory Group) to take the necessary measures at an early stage to address relevant problems in particular (a) when the group does not meet the requirements of the CRR or the CRD IV or (b) when there is evidence that the group is likely to breach these requirements within the next twelve months. Pursuant to Article 16(2) point (i) SSM Regulation, the ECB has the power to restrict or prohibit distributions by any entity within the group to shareholders, members or holders of AT 1 instruments where the prohibition does not constitute an event of default of the entity. Relevant cases where the ECB may restrict or prohibit the Issuer from making any payment of distributions exist, for example, if BAWAG Regulatory Group does not meet the minimum own funds requirements set forth in the CRR or any additional capital requirements ordered by the ECB, such as the Pillar 2 requirements set by the ECB as a result of the annual SREP.

Accordingly, even if the Issuer is intrinsically profitable and willing to make payments of distributions on the Notes, it could be prevented from doing so by regulatory provisions and/or regulatory action. In all such instances, Holders would receive no, or reduced, payments of distributions on the relevant Distribution Payment Date.

In the future, under the BRRD II/SRM Regulation II framework, additional restrictions on distribution payments may be imposed on the Issuer in case it fails to comply with minimum requirements for own funds and eligible liabilities (see "2.2.15 Future legislative reforms may lead to additional restrictions with regard to payments of distributions on the Notes.").

2.2.9 The regulatory classification of the Notes as Additional Tier 1 instruments may change, which may adversely impact BAWAG Regulatory Group's capitalisation and entitle the Issuer to redeem the Notes for regulatory reasons.

In the opinion of the Issuer, the Notes shall qualify with regard to BAWAG Regulatory Group's own fund requirements as AT 1 Instruments pursuant to Article 52 CRR upon issue. There is the risk that there is a change in the regulatory classification of AT 1 Instruments that would be likely to result in the exclusion of the Notes from own funds or reclassification as a lower quality form of own funds. Such change in the regulatory classification may be caused not only by changes in law but also by other reasons, for example changes in the corporate structure of BAWAG Group such that the Notes are no longer eligible as own funds of the Issuer. If the Notes are reclassified as a lower quality form of own funds or even excluded from the Issuer's own funds, this can have a negative impact on the capitalisation of the Issuer, and the Issuer may call the Notes for redemption (regulatory call) (see "2.2.16 The Notes are perpetual and may not be redeemed at the option of the Holders, any rights of the Issuer to redeem or repurchase Notes are subject to the prior permission of the Competent Authority, and redemption may occur at a time when the redemption proceeds are less than the market price of the Notes. Even if the Issuer elects to redeem the Notes, the Issuer may not make such scheduled payment of principal in case a

pre-insolvency restriction on such payments applies."). A reclassification could also have a negative impact on the capitalisation of the Issuer.

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

The Notes are issued in order to meet prudential capital requirements with the intention and purpose of being eligible as own funds of BAWAG Regulatory Group.

The eligibility of the Notes to classify as AT 1 Instruments depends on a number of statutory conditions being satisfied. One of these conditions relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, under the Terms and Conditions of the Notes, if a Trigger Event has occurred, the Issuer will reduce the then prevailing Current Principal Amount (as defined in the Terms and Conditions) of each Note by the relevant Write-Down Amount. Such Trigger Event occurs, at any time, if the Group CET 1 Capital Ratio (i.e. the CET 1 capital ratio pursuant to Article 92(2)(a) CRR of the BAWAG Regulatory Group on a consolidated basis) is lower than the Trigger Level (which is determined at 5.125 per cent. in the Terms and Conditions). As of 30 June 2020, BAWAG Group's CET 1 ratio (fully loaded) amounted to 13.4%.

Holders of Notes should be aware that the composition of the BAWAG Regulatory Group, which among other things is relevant for determining whether a Trigger Event has occurred, may change from time to time for reasons such as any future changes in the Applicable Supervisory Regulations dealing with the requirements for prudential consolidation or corporate actions related to the BAWAG Regulatory Group.

For the avoidance of doubt, a Trigger Event may be determined and may occur at any time and may occur on more than one occasion and each Note may be subject to a Write-Down on more than one occasion. The occurrence of a Trigger Event, which would result in a Write-Down of the Current Principal Amount of the Notes, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. The aggregate reduction of the aggregate Current Principal Amount of all Notes outstanding on the Write-Down Effective Date, will be equal to the lower of: (i) the amount necessary to generate sufficient CET 1 capital pursuant to Article 50 CRR that would restore the Group CET 1 Capital Ratio to the Trigger Level at the point of such reduction, after taking into account (subject as provided below) the *pro rata* write-down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Notes, provided that, with respect to each Loss Absorbing Instrument (if any), such *pro rata* write-down and/or conversion shall only be taken into account to the extent required to restore the Group CET 1 Capital Ratio contemplated above to the lower of: (x) such Loss Absorbing Instrument's trigger level; and (y) the Trigger Level and, in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Applicable Supervisory Regulations; and (ii) the amount that would result in the Current Principal Amount of a Note being reduced to EUR 0.01.

Such aggregate reduction shall be applied to each Note *pro rata* on the basis of its Current Principal Amount prevailing immediately prior to the Write-Down and "**Write-Down Amount**" shall mean, in respect of each Note, the amount by which the Current Principal Amount of such Note is to be written down accordingly.

If, in connection with the Write-Down or the calculation of the Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down and/or converted in full and not in part only (the "**Full Loss Absorbing Instruments**") then:

- (i) the provision that a Write-Down of the Notes should be effected *pro rata* with the write-down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written Down in full solely by virtue of the fact that such Full Loss Absorbing Instruments (as defined in the Terms and Conditions) may be written down and/or converted in full; and
- (ii) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal and/or conversion, as the case may be, among the Notes and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write-down and/or conversion, such that the write-down and/or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (x) first, the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Notes and all other Loss Absorbing Instruments to the extent necessary to restore the Group CET 1 Capital Ratio to the Trigger Level; and (y) second, the balance (if any) of the principal amount

of such Full Loss Absorbing Instruments remaining following (x) shall be written off and/or converted, as the case may be, with the effect of increasing the Group CET 1 Capital Ratio above the Trigger Level.

To the extent the write-down and/or conversion of any Loss Absorbing Instruments is not possible or not made for any reason, this shall not in any way prevent any Write-Down of the Notes. Instead, in such circumstances, the Notes will be Written Down and the Write-Down Amount determined as provided above but without including for this purpose any CET 1 capital in respect of the write-down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be or they are not for any reason, written down and/or converted.

If a Write-Down pursuant to the Terms and Conditions occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Write-Down Effective Date (as defined in the Terms and Conditions) are cancelled. In accordance with the Terms and Conditions, the Notes shall bear distributions on the adjusted Current Principal Amount from and including the Write-Down Effective Date. A reduction of the Current Principal Amount of a Note pursuant to the provisions described above will not constitute a default of the Issuer for any purpose.

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

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

2.2.11 Upon the occurrence of a Trigger Event, there may be a Write-Down of the Notes even if other capital instruments of the Issuer are not written down or converted into Common Equity Tier 1 instruments.

The terms and conditions of other capital instruments already in issue or to be issued after the date hereof by the Issuer may vary and accordingly such instruments may not be written down at the same time as the Notes if the Notes are Written Down, or to the same extent, as the Notes, or at all. Alternatively, such other capital instruments may provide that they shall convert into CET 1 instruments, or become entitled to reinstatement of the principal amount of the Notes or other compensation in the event of a potential recovery of the Issuer and/or any other members of the BAWAG Regulatory Group or a subsequent change in the financial condition thereof. Such capital instruments may also provide for such reinstatement or compensation in different circumstances from those in which, or to a different extent to which, the principal amount of the Notes may be reinstated.

2.2.12 The Issuer is under no obligation to reinstate any written down amounts.

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

Moreover, the Issuer will, *inter alia*, only have the option to Write-Up the Current Principal Amount of the Notes subject to certain limitations set forth in the Terms and Conditions and if the Maximum Distributable Amount (if any) would not be exceeded when operating a Write-Up (see also "2.2.14 Some aspects of the manner how CRD IV/CRR is applied and/or will be amended in the future are uncertain.").

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

Furthermore, any Write-Up must be undertaken on a *pro rata* basis with all Notes and among any Loss Absorbing Written Down Instruments (as defined in the Terms and Conditions).

2.2.13 The calculation of the CET 1 capital ratios will be affected by a number of factors, many of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the interests of the Issuer may not be aligned with those of the Holders.

Pursuant to the Terms and Conditions of the Notes, a Write-Down occurs if the Group CET 1 Capital Ratio falls below the minimum CET 1 capital ratio of 5.125%. The calculation of the Group CET 1 Capital Ratio could be

affected by a wide range of factors, including, among other things, factors affecting the level of earnings or dividend payments, the mix of its businesses, its ability to effectively manage the risk-weighted assets in its ongoing businesses, losses in the context of its banking activities or other businesses, changes in BAWAG Regulatory Group's structure or organisation. The calculation of the ratios may also be affected by changes in the applicable laws and regulations (including changes to the definitions and calculations of regulatory capital ratios and their components and the regulatory output floor contemplated by the so-called 'Basel IV' reforms, which set a floor in capital requirements calculated under internal models in terms of a percentage of the capital requirements that would result under the standardised approach) or applicable accounting rules and the manner in which accounting policies are applied, including the manner in which permitted discretion under the applicable accounting rules is exercised.

The Group CET 1 Capital Ratio will also depend in part on decisions made by the Issuer and/or other members of the BAWAG Group relating to their businesses and operations, as well as the management of their capital position. The Issuer and/or other members of the BAWAG Group will have no obligation to consider the interests of Holders in connection with their strategic decisions, including in respect of capital management and the relationship among the various members of the BAWAG Group and BAWAG Group's structure. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. Moreover, in order to avoid the use of public resources, the Competent Authority may decide that the Issuer should allow a Trigger Event to occur at a time when it is feasible to avoid it. Holders will not have any claim against the Issuer and/or other members of the BAWAG Group relating to decisions that affect the capital position of the Issuer and/or BAWAG Group, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Holders to lose all or part of their investment in the Notes.

Holders are, due to the Notes being subject to Write-Down in case of the occurrence of a Trigger Event, directly exposed to any changes of the Group CET 1 Capital Ratio and will, unless and until the Notes are written-up, lose all or part of their investment in case of a redemption of the Notes or in the liquidation or insolvency of the Issuer.

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

2.2.14 Some aspects of the manner how CRD IV/CRR is applied and/or will be amended in the future are uncertain.

Many of the provisions of the Terms and Conditions of the Notes depend on the final interpretation or even implementation of CRD IV/CRR II and future CRD V framework (including any regulations promulgated thereunder) in their form after adoption of the Banking Reform Package. The CRD IV/CRR II and future CRD V framework is a complex set of rules and regulations that impose a series of new requirements, some of which are still subject to transitional provisions and others will be amended in the near future after implementation of the Banking Reform Package. Although the CRR and CRR II are directly applicable in each EU Member State and the UK, the CRR and CRR II provide for important interpretational issues to be further specified through binding technical standards and/or delegated legal acts and through guidelines and leaves certain other matters to the discretion of the Competent Authority.

In addition, the BAWAG Regulatory Group is subject to direct supervision of the ECB. The manner in which many of the concepts and requirements under CRD IV/CRR II and future CRD V framework and the amendments under the Banking Reform Package are applied to the BAWAG Regulatory Group remains somehow uncertain.

In particular, the interplay between the SREP requirements and the Maximum Distributable Amount and the determination of the Maximum Distributable Amount are complex. The Maximum Distributable Amount imposes a cap on the Issuer's ability to make discretionary payments including distribution payments on the Notes (see also "2.2.8 *The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum requirements for own funds, capital buffer requirements, additional supervisory capital requirements and eligible liabilities.*"), on the Issuer's ability to reinstate the Current Principal Amount of the Notes following a Write-Down and on its ability to redeem or repurchase Notes. There are a number of factors for such complexity, including the following:

- The Maximum Distributable Amount framework applies when certain capital buffers are not maintained (see "2.2.8 *The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum requirements for own funds, capital buffer requirements, additional supervisory capital requirements and eligible liabilities.*"). A 'capital buffer' is an amount of capital that a credit institution is required to maintain beyond the minimum amount required by applicable regulations. If the institution fails to meet the capital buffer, it becomes subject to restrictions on payments and distributions on Tier 1 instruments (including its ability to make payments on and to redeem and repurchase Additional Tier 1 instruments such as the Notes), and on the payment of certain bonuses to employees. There are several different buffers, some of which are intended to encourage countercyclical behaviour (with extra capital retained when profits are robust), and others which are intended to provide additional capital cushions for institutions whose failure would result in a significant systemic risk.
- Certain buffer rates depend and will depend on the macro-economic situation (in case of the (institution-specific) countercyclical buffer: the credit cycle and risks due to excess credit growth in an EU Member State, taking into account specificities of the national economy), the existence of systemic risks (in case of the systemic risk buffer) or because of the assessment of a credit institution/its group as a global systemically important bank ("**G-SIB**") or other systemically important institution ("**O-SII**") (in case of the G-SIB buffer and the O-SII buffer). As a result, it is difficult to predict when the Maximum Distributable Amount will apply to the Notes, and to what extent.
- The Issuer will have the discretion to determine how to allocate the Maximum Distributable Amount among the different types of payments contemplated in Article 141(2) CRD IV. Moreover, payments made earlier in the relevant period will reduce the remaining Maximum Distributable Amount available for payments later in the relevant period, and the Issuer will have no obligation to preserve any portion of the Maximum Distributable Amount for payments scheduled to be made later in a given period. Even if the Issuer attempts to do so, there can be no assurance that it will be successful, because the Maximum Distributable Amount will depend on the amount of profits earned during the course of the relevant period, which will be difficult to predict.

These issues and other possible issues of interpretation make it difficult to determine how the Maximum Distributable Amount will apply as a practical matter to limit distribution payments on the Notes, the reinstatement of the Current Principal Amount of the Notes following a Write-Down and the ability of the Issuer to redeem and repurchase Notes (see also "2.1.3.1 *Increased capital and liquidity requirements, including leverage ratio requirements and enhanced supervisory powers to demand further own funds or liquidity under European banking regulation and proposed amendments may adversely affect the profitability of BAWAG Group.*").

This uncertainty and the resulting complexity may adversely impact the trading price and the liquidity of the Notes. See also "2.2.15 *Future legislative reforms may lead to additional restrictions with regard to payments of distributions on the Notes.*" for further restrictions on distributions introduced by the Banking Reform Package.

2.2.15 Future legislative reforms may lead to additional restrictions with regard to payments of distributions on the Notes.

Financial holding companies and banking groups, such as the Issuer and BAWAG Regulatory Group, have been, and are expected to be in the future, subject to extensive regulation and it is expected that ongoing and future regulatory reforms may affect the treatment of the Notes and potentially lead to the imposition on restrictions of payments of distributions on the Notes.

The EU's Banking Reform Package (see "2.1.3.4 *Past, ongoing and uncertain future reforms and initiatives in legislation or supervision, including additional and more stringent regulation and public sector influence on the financial sector, could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects.*") includes clarifications and amendments to the Maximum Distributable Amount framework (as described in "2.2.8 *The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum requirements for own funds, capital buffer requirements, additional supervisory capital requirements and eligible liabilities.*" and "2.2.14 *Some aspects of the manner how CRD IV/CRR is applied and/or will be amended in the future are uncertain.*"). In addition, an amendment to the MREL framework under the SRM Regulation II includes certain supervisory powers conferred to the Single Resolution Board ("**SRB**") which, when into force, would allow the SRB to, for example, prohibit payments on Additional Tier 1 Instruments. Subject to the requirements under the SRM Regulation II, the SRB may impose upon the Issuer a prohibition under which it would be prohibited to distribute more than the 'maximum distributable amount related to the minimum requirement for own funds and eligible liabilities' ("**M-MDA**") pursuant to the MREL framework of the SRM Regulation II. The prohibition under the M-MDA may be imposed if the Issuer

meets the combined buffer requirement, but fails to meet the combined buffer requirement when considered in addition to the MREL requirements, and the SRB shall exercise its power in case it finds that the Issuer still fails to meet such requirement nine months after such situation has been notified. Unlike under the Maximum Distributable Amount framework of the CRD IV and the (yet to be implemented into Austrian law) CRD V, the MMDA is not triggered automatically in the first nine-month period following notification of the failure to meet such requirement, but rather may only be imposed by the SRB in its discretion.

The Banking Reform Package also introduces a new potential restriction on distributions in case an institution qualifying as a G-SIB fails to meet a newly introduced leverage buffer requirement with sufficient Tier 1 capital. In such case, the institution would have to calculate the so-called 'leverage ratio related maximum distributable amount' ("**L-MDA**") which may limit distributions on capital instruments (which would include, if applicable to the Issuer, the distribution payments on the Notes). By 30 June 2022, and every five years thereafter, the EU Commission shall review whether the leverage ratio buffer requirement should be extended to O-SIBs. Presently, the Issuer does not qualify as a G-SIB.

Once in force and (where necessary) implemented, any of the legislative acts forming the Banking Reform Package, as well as other legislative reforms in the future may impose or result in further restrictions on the Issuer's ability to make payments on the Notes or may limit the reinstatement of the principal amount of the Notes following a Write-down, which may in turn adversely impact the trading price and the liquidity of the Notes.

2.2.16 The Notes are perpetual and may not be redeemed at the option of the Holders, any rights of the Issuer to redeem or repurchase Notes are subject to the prior permission of the Competent Authority, and redemption may occur at a time when the redemption proceeds are less than the market price of the Notes. Even if the Issuer elects to redeem the Notes, the Issuer may not make such scheduled payment of principal in case a pre-insolvency restriction on such payments applies.

The Notes are perpetual and have no scheduled maturity date. The Issuer is under no obligation to redeem the Notes at any time before its liquidation or insolvency. The Issuer may, at its sole discretion, redeem the Notes at any time either for tax or regulatory reasons at the Redemption Amount plus accrued distributions, if any. In addition, the Issuer may at its sole discretion redeem the Notes, but not before 1 October 2025, on specified Optional Redemption Dates at the applicable Redemption Amount plus accrued distributions, if any. Such optional redemption features are likely to limit the market price of the Notes, as during any period when the Issuer may decide to redeem the Notes, the market price of the Notes generally will not rise substantially above the price at which they can be redeemed (see also "*2.2.10 The Issuer may be required to reduce the initial principal amount of the Notes to absorb losses, which would reduce any redemption amount and any distribution payable on the Notes while the Notes are written down.*"). If not for tax or regulatory reasons, the Issuer may exercise its right to redeem the Notes at its option only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

Any such redemption and any repurchase of the Notes (including any repurchase for market making purposes) is subject to the prior permission of the Competent Authority pursuant to Article 4(1)(40) CRR II which is responsible to supervise the BAWAG Regulatory Group and compliance with regulatory capital rules applicable from time to time to the Issuer. Under the CRR II, the Competent Authority may only permit institutions or other entities within the scope of the own funds requirements to redeem Additional Tier 1 instruments such as the Notes if certain conditions prescribed by the CRR II are complied with. These conditions, as well as a number of other technical rules and standards relating to regulatory capital requirements, should be taken into account by the Competent Authority in its assessment of whether or not to permit any redemption or repurchase. It is uncertain how the Competent Authority will apply these criteria in practice and such rules and standards may change during the term of the Notes. It is therefore difficult to predict whether, and if so, on what terms, the Competent Authority will grant its prior permission for any redemption or repurchase of the Notes.

The Issuer shall not give a notice of redemption after a Write-Down Notice has been given in respect of a relevant Trigger Event until the Write-Down Effective Date of the Write-Down. In addition, the Issuer will only redeem the Notes on the date specified in a notice of redemption if (i) the conditions for a redemption or repurchase are fulfilled on the date specified in the notice and (ii) no Trigger Event has occurred after the notice of redemption but before the date of redemption specified in the notice. Prospective investors should note that even if the Issuer elects to call the Notes for redemption, the Issuer shall not make a payment of principal if (i) the Issuer is insolvent or (ii) the payment of the relevant redemption amount would result in the insolvency of the Issuer. Such a prohibition on payment of principal may be in effect for an indefinite period of time and even permanently. The same applies to scheduled payments of distributions (see "*2.2.8 The Issuer may be required to cancel payments of distributions on the Notes for regulatory reasons, including if the Issuer fails to comply with minimum*").

requirements for own funds, capital buffer requirements, additional supervisory capital requirements and eligible liabilities.").

Furthermore, even if the Issuer would be granted the prior permission of the Competent Authority, any decision by the Issuer as to whether it will redeem the Notes will be made at the absolute discretion of the Issuer, and the Issuer may have regard to external factors such as the economic and market impact of exercising a redemption right, regulatory capital requirements and prevailing market conditions. Holders of the Notes should therefore be aware that they may be required to bear the financial risks of an investment in the Notes perpetually. Certain market expectations may exist among investors in the Notes with regard to the Issuer making use of a right to call the Notes for redemption. Should the Issuer's actions diverge from such expectations or should the Issuer be prevented from meeting such expectations for regulatory reasons, the market value of the Notes could be adversely affected and the liquidity of the Notes could be reduced.

Even if the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market price of the Notes, which may result in a crystallisation of a loss for the Holders, in particular if the Current Principal Amount is less than the Original Principal Amount. There is a risk that, due to redemption, a Holder's investment will have a lower than expected yield.

2.2.17 The Notes may be written down (without prospect of a potential Write-Up in accordance with the Terms and Conditions of the Notes) or converted into equity, and the terms of the Notes may be varied to the detriment of the Holders, by the competent resolution authority.

In addition to being subject to a possible Write-Down upon the occurrence of a Trigger Event in accordance with the Terms and Conditions of the Notes (see also "2.2.11 Upon the occurrence of a Trigger Event, there may be a Write-Down of the Notes even if other capital instruments of the Issuer are not written down or converted into Common Equity Tier 1 instruments."), the Notes may also be subject to a permanent write-down or conversion into ordinary shares or other instruments of ownership (in whole or in part) and/or to other resolution measures, in particular in circumstances where the competent authorities have determined that BAWAG Regulatory Group as a whole or in part has reached the point of non-viability and the competent resolution authority FMA has taken the decision to apply these measures to the Issuer.

The resolution measures are based on the framework for the recovery and resolution of credit institutions and investment firms of the BRRD which was transposed into Austrian law by the BaSAG (see also "2.1.3.3 European and Austrian legislation regarding the resolution of banks, in particular the powers of resolution authorities to ensure resolvability and to force shareholders and creditors to participate in a situation of crisis, could, if such steps were taken to ensure that BAWAG Group or critical functions thereof continue(s) as a going concern, significantly affect BAWAG Group's business operations."). For a banking group supervised within the framework of the SSM, such as BAWAG Regulatory Group, the SRM Regulation provides for a coherent application of the resolution rules across the eurozone under responsibility of the SRB. Within the SRM, the SRB is responsible for adopting resolution decisions in close cooperation with the ECB, the European Commission, the Council of the EU and the relevant national resolution authorities in the event that a significant credit institution or banking group directly supervised by the ECB, such as the BAWAG Regulatory Group, is failing or likely to fail as a whole or in part and where certain other conditions are met. The Austrian resolution authority FMA would implement such a resolution decision adopted by the SRB in accordance with the powers conferred on it under the BaSAG.

Due to their qualification as AT 1 instruments, the Notes are 'relevant capital instruments' as defined in Article 3(1) point (51) SRM Regulation and § 2 no. 74 BaSAG which are intended to be recognised for the purposes of meeting own funds requirements of BAWAG Regulatory Group on a consolidated basis.

Provided that the Issuer meets the applicable conditions for resolution as a member of BAWAG Regulatory Group, the resolution authority has certain resolution powers which it may exercise either individually or in any combination together with or in preparation of applying a resolution instrument. Such resolution powers include:

- the power to transfer to another entity rights, assets or liabilities of the Issuer (such as the Notes);
- the power to reduce, including to reduce to zero, the nominal value of or outstanding amount due in respect of eligible liabilities of the Issuer;

- the power to convert eligible liabilities of the Issuer into ordinary shares or other instruments of ownership of the Issuer, a relevant parent institution or a bridge institution to which assets, rights or liabilities of the Issuer are transferred;
- the power to cancel debt instruments issued by the Issuer (such as the Notes);
- the power to require the Issuer or a relevant parent institution to issue new shares or other instruments of ownership or other capital instruments, including preference shares and contingent convertible instruments; and/or
- the power to amend or alter the maturity of debt instruments (such as the Notes) and other eligible liabilities issued by the Issuer or the amount of interest payable under such debt instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The exercise of such resolution powers could have a negative impact on the Issuer and/or the Notes.

The Notes are, in particular, subject to the 'write-down and conversion of capital instruments' ("**WDCCI**") tool as set out in Article 21 SRM Regulation and § 70 BaSAG. If the ECB or the SRB determines that BAWAG Regulatory Group is failing or likely to fail as a whole or in part and where certain other conditions are met (as set forth in the SRM Regulation, the BaSAG and other applicable rules and regulations), FMA, upon a resolution scheme adopted by the SRB, has the power to write down, including to write down to zero, all claims for payment of the principal, interest or any other amount in respect of the Notes or to convert the Notes into ordinary shares or other instruments qualifying as CET 1 capital. The SRB and FMA will have to exercise the WDCCI tool in a way that results in (a) CET 1 instruments (such as ordinary shares of the Issuer) being reduced first in proportion to the relevant losses, (b) subsequently, the outstanding amount of Additional Tier 1 instruments, including the Notes, being written down on a permanent basis or converted into CET 1 instruments in order to absorb any remaining losses or to recapitalise the relevant institution to the extent necessary after step (a), and finally (c) the outstanding amount of the Issuer's T2 instruments as well as the Issuer's other "bail-inable" liabilities (unless exempted by the SRM Regulation or the BaSAG) being written down on a permanent basis or converted into CET 1 instruments in accordance with their order of priority and to the extent this is necessary after steps (a) and (b). In addition to the WDCCI tool, the SRB and FMA may apply any other resolution measure including (but not limited to) a transfer of the Notes to another entity, a variation of the Terms and Conditions of the Notes (including, but not limited to, the variation of maturity of the Notes) or a cancellation of the Notes. The WDCCI tool and each of these other resolution measures are hereinafter referred to as a "**Resolution Measure**". Generally, the SRB and FMA may apply Resolution Measures individually or in any combination. Furthermore, potential investors should be aware that, according to the BRRD, the SRM Regulation and the BaSAG, public financial support should only be granted as a last resort after having assessed and exploited, to the maximum extent practicable, the application of Resolution Measures, including the WDCCI tool, to BAWAG Regulatory Group.

In all these cases, the Holders can lose their entire or a substantial part of their investments. Consequently, any amounts so written down in respect of the Notes would be irrevocably lost and the Holders would cease to have any claims thereunder, and any conversion into CET 1 instruments of the Issuer (or a third party such as a bridge institution) with generally higher risks would be permanent, regardless whether or not BAWAG Regulatory Group's financial position is restored. Holders would have no claim against the Issuer in such cases and there would be no obligation of the Issuer to make any further payments under the Notes.

Potential investors should therefore consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest in particular if the SRB and FMA impose a write-down or conversion of the Notes into CET 1 instruments. In addition, potential investors should note that the provisions of the Terms and Conditions of the Notes relating to a Write-Up will not apply if the Notes have been subject to a Resolution Measure (see also "2.2.11 Upon the occurrence of a Trigger Event, there may be a Write-Down of the Notes even if other capital instruments of the Issuer are not written down or converted into Common Equity Tier 1 instruments.").

2.2.18 Credit ratings of Notes may not adequately reflect all risks of the investment in such Notes, credit rating agencies could assign unsolicited ratings, and ratings may be suspended, downgraded or withdrawn, all of which could have an adverse effect on the market price and liquidity of the Notes.

A rating of Notes may not adequately reflect all risks of the investment in such Notes. Credit rating agencies could decide to assign credit ratings to the Notes on an unsolicited basis. Equally, ratings may be suspended,

downgraded or withdrawn. Any such unsolicited rating, suspension, downgrading or withdrawal may have an adverse effect on the market price and trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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

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

2.2.20 The statutory presentation period provided under German law will be reduced under the Terms and Conditions applicable to the Notes in which case Holders may have less time to assert claims under the Notes.

Pursuant to the Terms and Conditions of the Notes the regular presentation period of 30 years (as provided in § 801(1) sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*)) will be reduced. In case of partial or total non-payment of amounts due under the Notes the Holder will have to arrange for the presentation of the relevant Global Note to the Issuer. Due to the abbreviation of the presentation 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 Notes in comparison to holders of debt instruments the terms and conditions of which do not shorten the statutory presentation period at all or to a lesser degree than the Terms and Conditions of the Notes.

2.2.21 The Terms and Conditions may be amended by resolution of the Holders in which a Holder may be subject to the risk of being outvoted by a majority resolution of the Holders.

The Terms and Conditions may be amended by the Issuer with consent of the Holders by way of a majority resolution in a Holders meeting or by a vote not requiring a physical meeting (*Abstimmung ohne Versammlung*) as described in §§ 5 *et seq.* of the German Act on Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – SchVG*), the Issuer may subsequently amend the Terms and Conditions with the consent of the majority of Holders as described in the Terms and Conditions, which amendment will be binding on all Holders of the Notes, even on those who voted against the change.

Therefore, a Holder may be subject to the risk of being outvoted by a majority resolution of the Holders. As such majority resolution is binding on all Holders of the Notes, certain rights of such Holder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled, which may have significant negative effects on the market price of the Notes and the return from the Notes.

In case of an appointment of a joint representative (*gemeinsamer Vertreter*) for all Holders by a majority resolution of the Holders meeting, it is possible that a Holder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions of the Notes against the Issuer, such right passing to the joint representative who is then exclusively responsible to claim and enforce the rights of all the Holders.

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

Pursuant to the Austrian Notes Trustee Act (*KuratorenGesetz – KuratorenG*) and the Austrian Notes Trustee Supplementation Act (*KuratorenErgänzungsgesetz*), 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 Notes or changes relating to the Issuer, or under other similar circumstances.

Even though the applicability of the Austrian Notes Trustee Act and the Austrian Notes Trustee Supplementation Act is excluded in the Terms and Conditions (to the extent such exclusion is permissible under Austrian law), it cannot be ruled out that an Austrian court would reject such exclusion of the applicability of the Austrian Notes

Trustee Act and the Austrian Notes Trustee Supplementation Act and appoints a trustee, because the Issuer is an Austrian company. 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 of and exercises the rights of Holders, this may conflict with or otherwise adversely affect the interests of individual or all Holders. The role of an appointed trustee may also conflict with provisions of the Terms and Conditions related to majority resolutions of the Holders pursuant to the Terms and Conditions. On the other hand, investors should not rely on the protection afforded by the Austrian Notes Trustee Act, as its application has been excluded (to the extent such exclusion is permissible under Austrian law) in the Terms and Conditions and an Austrian court may give effect to such disapplication.

2.2.23 Risks associated with the reform of interest rate benchmarks.

The EURIBOR and other interest rates or other types of rates and indices such as the annual swap rate for swap transactions which are deemed "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**"), to which the distributions on the Notes will, from and including the First Reset Date, be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented.

Recent international reforms of Benchmarks include Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). 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 benchmarks is endorsed (Article 33 of the Benchmark Regulation) (subject to applicable transitional provisions). If this is not the case, the Notes could be impacted.

The Benchmark Regulation could have a material impact on the Notes in any of the following circumstances:

- the Benchmark for determining the relevant Reference Rate 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, the Notes could be impacted; and
- the methodology or other terms of the Benchmark for determining the relevant Reference Rate 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 Reference Rate of the Notes, including independent adviser determination of the rate or level of such Benchmark.

On each Reset Date the Reset Rate of Distributions payable under the Notes is calculated by reference to the annual swap rate for swap transactions denominated in Euro with a term of five years, which appears on the Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" as of 11.00 a.m. (Frankfurt time) (the "**Original Benchmark Rate**") on the relevant Reset Determination Date, and which is provided by the Administrator. As at the date of this Prospectus, the Administrator appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation.

In addition to the aforementioned reform, 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, the UK Financial Conduct Authority announced that after 2021 it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark (the "**FCA Announcement**"). The FCA Announcement indicates 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. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks. Although it is uncertain whether or to what extent any of the

abovementioned changes and/or any further changes in the administration or method of determining a Benchmark could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be, and/or could have an effect on the value of the Notes, investors should be aware that they face the risk that any changes to the relevant Benchmark may have a material adverse effect on the value of and the amount payable under the Notes.

The Terms and Conditions of the Notes include fallback provisions to determine a successor rate or an alternative rate to the Original Benchmark Rate relevant to calculate the Reset Rate of Distributions under the Notes if, subject to further requirements, the relevant Benchmark for distribution rates under the Notes ceases to be published or will cease to be published, or the use of such Benchmark is prohibited or has become unlawful for any party required to calculate distribution rates under the Notes. In case there is no successor rate or alternative rate, the fallback provisions will ultimately lead to the Reset Rate of Distributions becoming fixed to the rate of the previous Reset Rate of Distributions used to calculate payments under the Notes, which could have a material adverse effect on the value of and the amount payable under Notes.

2.3 Risks relating to the market generally

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

2.3.1 Trading in the Notes may be terminated or suspended, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer

Application has been made to admit the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange.

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

2.3.2 Exchange rate risks may occur, if a Holder's financial activities are denominated in a currency or currency unit other than the Euro. Furthermore, government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate.

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

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

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

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

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

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

Among other things, there may be no authority addressing whether a Holder would be entitled to a deduction for loss at the time of a Write-Down. An investor may, for example, be required to wait to take a deduction until it is certain that no Write-Up can occur, or until there is an actual or deemed sale, exchange or other taxable disposition of the Notes. It is also possible that, if an investor takes a deduction at the time of a Write-Down, it may be required to recognise a capital or income gain at the time of a future Write-Up. Furthermore, the applicable tax regime may change to the disadvantage of the Holder in the future.

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

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

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

3 USE OF PROCEEDS

In connection with the offering of the Notes, the Issuer will receive gross proceeds of EUR 175,000,000. The Issuer intends to use the proceeds from the sale of the Notes to strengthen BAWAG Regulatory Group's regulatory capital base, which will also further strengthen the leverage ratio and MREL.

4 TERMS AND CONDITIONS OF THE NOTES

§ 1 CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

- (1) *Currency, Denomination.* This issue by BAWAG GROUP AG (the "**Issuer**") of EUR 175,000,000 Undated Fixed to Reset Rate Additional Tier 1 Notes of 2020 with a First Reset Date on 1 April 2026 (the "**Notes**") is being issued on 9 September 2020 (the "**Issue Date**") in Euro (the "**Specified Currency**") in the aggregate principal amount of EUR 175,000,000 (in words: One hundred seventy-five million euro) in the denomination of EUR 200,000 (the "**Specified Denomination**" or the "**Original Principal Amount**") each.
- (2) *Form.* The Notes are being issued in bearer form.
- (3) *Temporary Global Note – Exchange for Permanent Global Note.*
 - (a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**") without coupons. The Global Notes shall each be signed by authorised representatives of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent. Definitive Notes and coupons will not be issued.
 - (b) The Temporary Global Note shall be exchangeable for the Permanent Global Note in the form and subject to the conditions provided in § 1(3)(a) above from a date not earlier than 40 calendar days after the date of issuance of the Temporary Global Note. Such exchange shall only be made to the extent that certifications have been delivered to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note are not U.S. persons (other than certain financial institutions or certain persons holding Notes through such financial institutions) as required by U.S. tax law. Payment of distributions on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of distributions. Any such certification received on or after the 40th calendar day after the date of issuance of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this § 1(3)(b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 6(5)).
- (4) *Clearing System.* The Global Note(s) will be kept in custody by or on behalf of a Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means each of Clearstream Banking, *société anonyme*, Luxembourg, 42 Avenue J.F. Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**") and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**" and, together with CBL, the "**ICSDs**") and any successor in such capacity. The Notes shall be kept in custody by a common depository on behalf of both ICSDs.
- (5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other comparable right in the Global Note which may be transferred to a new Holder in accordance with the provisions of the Clearing System.
- (6) *Business Day.* "**Business Day**" means a calendar day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") and the Clearing Systems are open.
- (7) *Terms and Conditions.* "**Terms and Conditions**" means these terms and conditions of the Notes.

§ 2 STATUS

- (1) *Ranking.* The Notes shall qualify as AT 1 Instruments (as defined below) and constitute direct, unsecured and subordinated obligations of the Issuer.

In the event of insolvency proceedings (*reguläres Insolvenzverfahren*), including bankruptcy proceedings

(*Konkursverfahren*), or the liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

- (a) junior to all present or future: (i) unsubordinated instruments or obligations of the Issuer; (ii) obligations resulting from Tier 2 Items (as defined below) and instruments or obligations of the Issuer, if any, which rank *pari passu* with or senior to obligations resulting from Tier 2 Items (as defined below); and (iii) other instruments or obligations of the Issuer, if any, ranking or expressed to rank subordinated to any unsubordinated instruments or obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes);
- (b) *pari passu*: (i) among themselves; (ii) with all other present or future obligations resulting from AT 1 Items (as defined below); and (iii) with all other present or future instruments or obligations of the Issuer ranking or expressed to rank *pari passu* with obligations resulting from AT 1 Items; and
- (c) senior to all present or future: (i) ordinary shares of the Issuer and any obligations resulting from other CET 1 Items (as defined below); and (ii) other subordinated instruments or obligations of the Issuer ranking or expressed to rank: (x) subordinated to the obligations of the Issuer under the Notes; or (y) *pari passu* with the ordinary shares of the Issuer and any obligations resulting from other CET 1 Items.

For the avoidance of doubt, Holders will neither participate in any reserves of the Issuer nor in liquidation profits (*Liquidationsgewinn*) within the meaning of § 8(3)(1) of the Austrian Corporate Income Tax Act 1988 (*Körperschaftsteuergesetz 1988*) in the event of the Issuer's liquidation.

The rights of the Holders of the Notes to payment of principal on the Notes are at any time limited to a claim for the prevailing Current Principal Amount (as defined in § 5(11)).

- (2) *Subordination of Claims (Rangrücktritt)*. The Holders will be entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital*) within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*) has been removed (*beseitigt*) or if, in the event of the liquidation (*Liquidation*) of the Issuer, all other creditors (other than creditors the claims of which rank or are expressed to rank *pari passu* with or junior to the Notes) of the Issuer have been satisfied first.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The claims of the Holders against the Issuer under the Notes are subordinated in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*) and the Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets; i.e., the obligations of the Issuer under the Notes, if any, will not contribute to the determination of over-indebtedness (*Überschuldung*) within the meaning of § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*).

- (3) *No Set-off, Netting or Security*. Claims of the Issuer are not permitted to be set-off or netted against payment obligations of the Issuer under the Notes. No collateral may be provided by the Issuer or any third person for the liabilities constituted by the Notes. The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes. The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claims under the Notes in insolvency or liquidation.
- (4) *Certain Definitions*. In these Terms and Conditions:

"**AT 1 Instrument**" means any (directly or indirectly issued, if applicable) capital instrument of the Issuer that qualifies as an Additional Tier 1 instrument pursuant to Article 52 CRR at the relevant time (including the Issuer's EUR 300,000,000 Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2018 with a First Reset Date on 14 May 2025, ISIN XS1806328750).

"**AT 1 Item**" means any AT 1 Instrument and any other own funds item of the Issuer that qualifies as an Additional Tier 1 item pursuant to Article 51 CRR at the relevant time, including any capital instruments that qualify as Additional Tier 1 items pursuant to transitional provisions under the CRR.

"**CET 1 Item**" means any capital instrument or item of the Issuer that qualifies as a Common Equity Tier 1 item pursuant to Article 26 CRR at the relevant time.

"**CRR**" means the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU)

No 648/2012 (Capital Requirements Regulation), as amended or replaced from time to time, in particular by the Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012; to the extent that any provisions of the CRR are amended or replaced, the reference to provisions of the CRR as used in these Terms and Conditions shall refer to such amended provisions or successor provisions from time to time.

"**Tier 2 Item**" means any (directly or indirectly issued, if applicable) capital item of the Issuer that qualifies as a Tier 2 item pursuant to Article 62 CRR at the relevant time, including any capital instrument that qualifies as a Tier 2 item pursuant to transitional provisions under the CRR.

- (5) **Note on Payment Restrictions prior to an Insolvency.** *Even prior to the imposition of any resolution measures upon the Issuer, insolvency proceedings (reguläres Insolvenzverfahren), including bankruptcy proceedings (Konkursverfahren), or the liquidation of the Issuer, any payment of distributions on the Notes will be subject to the conditions set forth in § 3(6) being fulfilled and any redemption or repurchase of the Notes will be subject to the conditions to redemption and repurchase set forth in § 5(6) being fulfilled. These include the conditions that, on the date on which the relevant amount of principal or distributions is scheduled to be paid: (i) the Issuer is not insolvent; and (ii) the payment of the relevant amount would not result in the insolvency of the Issuer.*

This means that irrespective of, and even prior to, the opening of any insolvency proceedings (reguläres Insolvenzverfahren), including bankruptcy proceedings (Konkursverfahren), or the liquidation of the Issuer, the Issuer shall not make any payment of distributions or principal if: (i) the Issuer is insolvent; or (ii) the payment of the relevant amount would result in the insolvency of the Issuer. Such a prohibition on payment may be in effect for an indefinite period of time and even permanently.

- (6) **Note on the possibility of statutory resolution measures.** *Prior to any insolvency or liquidation of the Issuer, under the Applicable Supervisory Regulations, the Resolution Authority may exercise the power to write down (including to zero) the obligations of the Issuer under the Notes, convert the Notes into shares or other instruments of ownership of the Issuer, in each case in whole or in part, or apply any other resolution tool or action, including (but not limited to) any deferral or transfer of the obligations to another entity, an amendment of the Terms and Conditions or a cancellation of the Notes.*

§ 3 DISTRIBUTIONS

- (1) **Distribution Rates and Distribution Payment Dates.** The Notes shall bear distributions on the Current Principal Amount (as defined below) at the rate of 5.125 per cent. *per annum* (the "**First Rate of Distributions**") from and including 9 September 2020 (the "**Distribution Commencement Date**") to but excluding 1 April 2026 (the "**First Reset Date**") and thereafter at the relevant Reset Rate of Distributions (as determined in accordance with § 3(4)) from and including each Reset Date to but excluding the next following Reset Date. Distributions will be scheduled to be paid semi-annually in arrear on 1 April and 1 October in each year (each such date, a "**Distribution Payment Date**"), commencing on 1 April 2021 (long first coupon).

Distributions will fall due subject to the provisions set out in § 3(6) and § 4(4).

- (2) **Calculation of Amount of Distributions.** If the amount of distributions scheduled to be paid on the Notes is required to be calculated for any period of time: (i) such amount of distributions for any Distribution Period ending on or prior to the First Reset Date shall be calculated by the Calculation Agent by applying the First Rate of Distributions to the Current Principal Amount; and (ii) such amount of distributions for any Distribution Period commencing on or after the First Reset Date shall be calculated by the Calculation Agent by applying the applicable Reset Rate of Distributions to the Current Principal Amount, in each case multiplying such amount by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest full cent with EUR 0.005 being rounded upwards.

If a Write-Down (as defined in § 5(8)) occurs during any Distribution Period as a result of which unpaid distributions accrued on the Current Principal Amount to but excluding the Write-Down Effective Date (as defined in § 5(11)) are cancelled in accordance with § 3(6)(c), the Notes shall bear distributions on the

adjusted Current Principal Amount from and including the Write-Down Effective Date.

If a Write-Up (as defined in § 5(9)) occurs during any Distribution Period, the amount of distributions shall be calculated by the Calculation Agent on the basis of the adjusted Current Principal Amount from time to time so that the relevant amount of distributions is determined by reference to such Current Principal Amount as adjusted from time to time and as if such Distribution Period were comprised of two or more (as applicable) consecutive distribution periods, with distribution calculations based on the number of days for which each Current Principal Amount was applicable.

"Distribution Period" means the period from and including the Distribution Commencement Date to but excluding the first Distribution Payment Date and each successive period from and including a Distribution Payment Date to but excluding the next succeeding Distribution Payment Date.

(3) *Day Count Fraction (Actual/Actual (ICMA))*. **"Day Count Fraction"** means, in respect of the calculation of an amount of distributions on any Note for any period of time (from (and including) the first day of such period to (but excluding) the last day of such period (the **"Calculation Period"**)):

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of calendar days in such Calculation Period divided by the product of: (x) the number of calendar days in such Determination Period; and (y) the number of Determination Dates (as specified below) that would occur in any year; or
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (i) the number of calendar days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of: (x) the number of calendar days in such Determination Period; and (y) the number of Determination Periods normally ending in any year; and
 - (ii) the number of calendar days in such Calculation Period falling in the next Determination Period divided by the product of: (x) the number of calendar days in such Determination Period; and (y) the number of Determination Periods normally ending in any year.

Where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"Determination Date" means 1 April and 1 October in each year.

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

- (a) *Reset Rate of Distributions*. The rate of distributions for each Reset Period (each a **"Reset Rate of Distributions"**) shall be the sum of: (x) the Reference Rate (as defined below), provided that a rate expressed on an annual basis shall be converted to a semi-annual basis in a commercially reasonable manner; and (y) the Margin (as defined below), subject to a minimum of 0.00 per cent. *per annum*.

The Calculation Agent will determine the relevant Reference Rate in accordance with this § 3(4) for each Reset Date on the relevant Reset Determination Date.

The **"Reference Rate"** for each Reset Period will be determined as follows:

- (i) For each Reset Period beginning prior to the relevant Benchmark Replacement Effective Date (as defined below), the following will apply:
 - (A) the Reference Rate will be the Original Benchmark Rate on the relevant Reset Determination Date; and
 - (B) if the Original Benchmark Rate does not appear on the Screen Page at the relevant time on the relevant Reset Determination Date, the Reference Rate on the relevant

Reset Determination Date will be the Reference Bank Rate.

- (ii) For each Reset Period commencing on or after the relevant Benchmark Replacement Effective Date, the Reference Rate will be determined in accordance with § 3(4)(c).

"**Margin**" means 5.546 per cent. *per annum*.

"**Original Benchmark Rate**" in respect of a day means the annual mid-swap rate (expressed as a percentage) for swap transactions in the Specified Currency with a term of five years, which appears on the Screen Page (as defined below) as at 11.00 a.m. (Frankfurt time) on such day.

"**Reference Bank Rate**" means the Mid-Market Swap Rate quotation (expressed as a percentage rate) provided by the principal office of each Reference Bank (as defined below) to the Calculation Agent at approximately 11.00 a.m. (Frankfurt time) on the relevant Reset Determination Date.

Where:

"**Mid-Market Swap Rate**" means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating interest rate swap transaction in the Specified Currency with a term of five years commencing on the relevant Reset Date and in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is based on the 6-month EURIBOR rate.

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

If only two quotations are provided, the Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reference Bank Rate will be the quotation provided. If no quotation is provided, the Reference Bank Rate, subject to § 3(4)(c), will be equal to the Original Benchmark Rate on the Screen Page on the last day preceding the Reset Determination Date on which such Original Benchmark Rate was displayed.

"**Reference Banks**" means five leading swap dealers in the interbank market as selected by the Issuer.

"**Reset Date**" means the First Reset Date and each fifth (5th) anniversary thereof for as long as the Notes remain outstanding.

"**Reset Determination Date**" means the second TARGET Business Day (as defined below) prior to any Reset Date.

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

"**Screen Page**" means Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" (as such headings and captions may appear from time to time) or the successor page displayed by the same information provider or any other information provider nominated by the Issuer as the replacement information provider for the purposes of displaying the Reference Rate.

"**TARGET Business Day**" means a day on which TARGET is open.

- (b) *Notification of Reset Rate of Distributions.* The Calculation Agent will cause the Reset Rate of Distributions determined in accordance with § 3(4)(a) to be notified to the Issuer, any stock exchange on which the Notes are from time to time listed (if required by the rules of such stock exchange) and

to the Holders in accordance with § 10 as soon as possible after its determination.

(c) *Benchmark Discontinuation.*

- (i) *Independent Adviser.* If a Benchmark Event occurs in relation to the Original Benchmark Rate when the Reset Rate of Distributions (or any component part thereof) remains to be determined by reference to such Original Benchmark Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with § 3(4)(c)(ii)) and, in either case, the Adjustment Spread (in accordance with § 3(4)(c)(iii)) and any Benchmark Amendments (in accordance with § 3(4)(c)(iv)).

In the absence of gross negligence or wilful misconduct, the Independent Adviser shall have no liability whatsoever to the Issuer, the Principal Paying Agent, the Calculation Agent or the Noteholders for any determination made by it pursuant to this § 3(4)(c).

If, prior to the tenth Business Day prior to the relevant Reset Determination Date, (A) the Issuer has not appointed an Independent Adviser or (B) the Independent Adviser appointed by it has not determined a Successor Rate or, failing which, an Alternative Rate in accordance with this § 3(4)(c), has not determined the Adjustment Spread and/or has not determined the Benchmark Amendments (if required), the Reference Rate applicable to the immediately following Reset Period shall be the Reference Rate determined on the last Reset Determination Date immediately preceding the relevant Benchmark Replacement Effective Date.

If this § 3(4)(c)(i) is to be applied on the first Reset Determination Date prior to the commencement of the first Reset Period, the Reference Rate applicable to the first Reset Period shall be -0.356 per cent. *per annum*.

- (ii) *Successor Rate or Alternative Rate.* If the Independent Adviser determines in its reasonable discretion that: (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in § 3(4)(c)(iii)) subsequently be used in place of the Original Benchmark Rate to determine the Reset Rate of Distributions; or (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in § 3(4)(c)(iii)) be used in place of the Original Benchmark Rate to determine the Reset Rate of Distributions.
- (iii) *Adjustment Spread.* The Independent Adviser shall determine in its reasonable discretion the quantum of, or a formula or methodology for determining, the Adjustment Spread that is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
- (iv) *Benchmark Amendments.* If any relevant Successor Rate or Alternative Rate and, in each case, the Adjustment Spread is determined in accordance with this § 3(4)(c) and the Independent Adviser determines in its reasonable discretion (A) that amendments to these Terms and Conditions are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in each case, the Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then, subject to the Issuer giving notice thereof in accordance with § 3(4)(c)(v), such Benchmark Amendments shall apply to the Notes with effect from the date specified in such notice.
- (v) *Notices, etc.* The Issuer will notify without undue delay, but in any event not later than on the tenth Business Day prior to the relevant Reset Determination Date, any Successor Rate or (as the case may be) any Alternative Rate, the Adjustment Spread and the specific terms of the Benchmark Amendments (if required), determined under this § 3(4)(c) to the Calculation Agent, the Principal Paying Agent and, in accordance with § 10, the Noteholders. Such notice shall be irrevocable and shall specify the Benchmark Replacement Effective Date.

Together with such notice, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two authorised signatories of the Issuer:

(A)

- (a) confirming that a Benchmark Event has occurred;
- (b) specifying the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate;
- (c) specifying the Adjustment Spread and the specific terms of the relevant Benchmark Amendments (if required), in each case as determined in accordance with the provisions of this § 3(4)(c); and
- (d) specifying the Benchmark Replacement Effective Date; and

(B) certifying that any such relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate or Alternative Rate and, in each case, the Adjustment Spread.

The Successor Rate or Alternative Rate, the Adjustment Spread and the Benchmark Amendments (if required) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate, the Adjustment Spread and the Benchmark Amendments (if required) be binding on the Issuer, the Calculation Agent, the Paying Agents and the Noteholders.

- (vi) *Survival of Reference Rate.* Without prejudice to the obligations of the Issuer under § 3(4)(c)(i), (ii), (iii) and (iv), the Original Benchmark Rate and the fallback provisions provided for in the definition of the term "Reference Rate" in § 3(4)(a) will continue to apply unless and until a Benchmark Event has occurred.
- (vii) *Definitions.* As used in this § 3(4)(c):

The "**Adjustment Spread**", which may be positive, negative or zero, will be expressed in basis points and means either the spread, or the result of the operation of the formula or methodology for calculating the spread, in either case, which: (1) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Benchmark Rate with the Successor Rate by any Relevant Nominating Body; or (2) (if no such recommendation has been made, or in the case of an Alternative Rate) is applied to the Successor Rate or Alternative Rate, as applicable, in international debt capital markets (or, alternatively, the international swap markets) to produce an industry-accepted replacement reference rate for the Original Benchmark Rate; or (3) is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Benchmark Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

If the Independent Adviser does not determine such Adjustment Spread, then the Adjustment Spread will be zero.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with § 3(4)(c)(ii) is customary in market usage in the international debt capital markets (or, alternatively, the international swap markets) for the purposes of determining rates of interest (or the relevant component part thereof) in the Specified Currency.

"**Benchmark Amendments**" has the meaning given to it in § 3(4)(c)(iv).

"**Benchmark Event**" means: (1) the Reference Rate ceasing to be published for a period of at least five (5) Business Days or ceasing to exist; or (2) a public statement by the administrator of the Reference Rate that it will cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue the publication of the Reference Rate); or (3) a public statement by the supervisor of the administrator of the Reference Rate, that the Reference Rate has been or will be permanently or indefinitely discontinued; or (4) a public statement by the supervisor of the administrator of the Reference Rate as a consequence of which the Reference Rate will be

prohibited from being used either generally, or in respect of the Notes; or (5) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or any other party to calculate the Reset Rate of Distributions using the Reference Rate.

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer under § 3(4)(c)(i).

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable): (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(viii) The effective date for the application of the Successor Rate or, as the case may be, the Alternative Rate determined in accordance with this § 3(4)(c), the Adjustment Spread and the Benchmark Amendments (if required) determined under this § 3(4)(c) (the **"Benchmark Replacement Effective Date"**) will be the Reset Determination Date falling on or after the earliest of the following dates:

(A) if the Benchmark Event has occurred as a result of clause (1) of the definition of the term "Benchmark Event", the date of the occurrence of the Benchmark Event; or

(B) if the Benchmark Event has occurred as a result of clauses (2), (3) or (4) of the definition of the term "Benchmark Event", the date of cessation of publication of the Original Benchmark Rate or of the discontinuation of the Original Benchmark Rate, as the case may be; or

(C) if the Benchmark Event has occurred as a result of clause (5) of the definition of the term "Benchmark Event", the date from which the prohibition applies.

(ix) If a Benchmark Event occurs in relation to any Successor Rate or Alternative Rate, as applicable, § 3(4)(c) shall apply mutatis mutandis to the replacement of such Successor Rate or Alternative Rate, as applicable, by any new Successor Rate or Alternative Rate, as the case may be. In this case, any reference in this § 3 to the term Original Benchmark Rate shall be deemed to be a reference to the Successor Rate or Alternative Rate, as applicable, that last applied.

(x) No adjustment to the Reference Rate will be made in accordance with this § 3(4)(c) in case of a Benchmark Event if and to the extent that in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as AT 1 Instruments under the Applicable Supervisory Regulations.

If this § 3(4)(c)(x) were to be applied on the first Reset Determination Date prior to the commencement of the first Reset Period, the Reference Rate applicable to the first and each subsequent Reset Period would be -0.356 per cent. *per annum*.

If this § 3(4)(c)(x) were to be applied on a Reset Determination Date falling after the commencement of the first Reset Period, the Reference Rate applicable to the next and each subsequent Reset Period shall be the Original Benchmark Rate determined on the last preceding Reset Determination Date.

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

this § 3 by the Calculation Agent or, as the case may be, any Independent Adviser or the Issuer shall (in the absence of wilful default, bad faith, inequitableness or manifest error) be binding on the Issuer, the Paying Agents and the Holders.

- (5) *Cessation of Distribution Accrual; Default Distributions.* The Notes shall cease to bear distributions from the end of the calendar day preceding the date scheduled for redemption (if the Notes are redeemed). If the Issuer fails to redeem the Notes when due, distributions shall continue to accrue on the Current Principal Amount of the Notes from and including the date scheduled for redemption to but excluding the date of actual redemption of the Notes at the applicable rate of distributions determined pursuant to this § 3. This does not affect any additional rights that might be available to the Holders.
- (6) *Cancellation of Distributions.*
- (a) *Discretionary Cancellation of Distributions.* The Issuer, at its full discretion, may at all times cancel, in whole or in part, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date for an unlimited period and on a non-cumulative basis. If the Issuer makes use of such right, it shall give notice to the Holders in accordance with § 10. A notice which has not been given on or before the relevant Distribution Payment Date shall be given without undue delay thereafter. Any failure or delay to give any such notice shall not affect the validity of the decision on the cancellation, shall in no event result in an obligation of the Issuer to make a cancelled distribution payment at a later date and shall not constitute a default for any purpose.
- (b) *Mandatory Cancellation of Distributions.* Without prejudice to such full discretion of the Issuer pursuant to § 3(6)(a), any payment of distributions scheduled to be paid on the Notes on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent that:
- (i) the Issuer is insolvent or the payment of the relevant amount would result in the insolvency of the Issuer; or
- (ii) the sum of the following amounts:
- (A) the amount of such distribution payment scheduled to be paid together with any Additional Amounts thereon;
- (B) the total amount of any write-ups of the Notes or any other AT 1 Instruments that were made in the then current financial year or are simultaneously made on the relevant Distribution Payment Date, if any;
- (C) any payments of interest, dividends or distributions that are simultaneously planned or made or that have been made by the Issuer on other Tier 1 Instruments in the then current financial year of the Issuer; and
- (D) any other amount, payment or distribution as may be relevant under any restriction operating as a maximum distributable amount in accordance with the Applicable Supervisory Regulations as applicable to the Issuer at the time,
- would exceed the amount of the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by
- (x) an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based, and
- (y) any other amounts that may be included for the purposes of determining the amounts available for distributions on AT 1 Instruments under the Applicable Supervisory Regulations from time to time; or
- (iii) the Competent Authority orders the relevant distribution payment scheduled to be paid on the Notes to be cancelled in whole or in part; or

- (iv) any other prohibition or restriction to make a distribution on the Notes, or to make such distribution on the Notes when aggregated with any other distribution to be taken into account for such purpose, is imposed by the Applicable Supervisory Regulations or by the Competent Authority (or any other relevant supervisory authority), including (if applicable at the relevant point in time):
 - (A) any restriction on distributions as a result of non-compliance with the combined buffer requirement (howsoever defined in the Applicable Supervisory Regulations);
 - (B) any prohibition or restriction on distributions arising out of or in connection with the calculation of, or resulting from, the Maximum Distributable Amount;
 - (C) any other restriction operating as maximum distributable amount in accordance with the then Applicable Supervisory Regulations requiring a maximum distributable amount to be calculated if BAWAG Regulatory Group and/or the Issuer (as the case may be) is failing to meet any applicable capital adequacy or buffer requirement, such as the maximum distributable amount related to the minimum requirement for own funds and eligible liabilities (M-MDA) and the maximum distributable amount related to the leverage ratio (L-MDA), in each case if applicable to BAWAG Regulatory Group and/or the Issuer (as the case may be) at that point in time.

If any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date is so mandatorily and automatically cancelled, the Issuer shall give notice to the Holders thereof in accordance with § 10. A notice which has not been given on or before the relevant Distribution Payment Date shall be given without undue delay thereafter. Any failure to give such notice shall not affect the validity of the cancellation, shall in no event result in an obligation of the Issuer to make a cancelled distribution payment at a later date and shall not constitute a default for any purpose.

- (c) If a Write-Down (as defined in § 5(8)) occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Write-Down Effective Date (as defined in § 5(8)) will be cancelled mandatorily and automatically in full.
- (d) Any distribution payment cancelled in accordance with § 3(6)(a) to (c) will be non-cumulative and will be cancelled permanently and no payments will be made nor will any Holder be entitled to receive any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and will not impose any restrictions on the Issuer.
- (e) The Issuer may use such cancelled payments without restrictions to meet its obligations as they fall due.

(7) *Certain Definitions.* In these Terms and Conditions:

"BAWAG Regulatory Group" means, from time to time, any banking group: (i) to which the Issuer belongs; and (ii) to which the own funds requirements pursuant to the Applicable Supervisory Regulations apply on a consolidated basis due to prudential consolidation.

"BWG" means the Austrian Banking Act (*Bankwesengesetz – BWG*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the BWG include references to any applicable provisions of law amending or replacing such provisions from time to time.

"Competent Authority" means the competent authority pursuant to Article 4(1)(40) CRR and/or Article (9)(1) SSM Regulation, in each case, which is responsible to supervise the BAWAG Regulatory Group and/or (as the case may be) the Issuer.

"CRD" means the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time, in particular by the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, and as implemented in the Republic of Austria; to the extent that any provisions of the CRD are amended or replaced, the reference to provisions of the CRD as used in these

Terms and Conditions shall refer to such amended provisions or successor provisions from time to time, as implemented in the Republic of Austria.

"Distributable Items" means in respect of any payment of distributions on the Notes the distributable items as defined in Article 4(1)(128) CRR in respect of each financial year of the Issuer, as at the end of the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date for which such Relevant Financial Statements are available, all as determined in accordance with the accounting principles applied by the Issuer and as derived from the most recent Relevant Financial Statements.

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

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

"SSM Regulation" means the Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (Single Supervisory Mechanism Regulation), as amended or replaced from time to time, and any references to relevant provisions of the SSM Regulation in these Terms and Conditions include references to any applicable provisions of law amending or replacing such provisions from time to time.

"Tier 1 Instruments" means (i) any capital instruments qualifying as CET 1 Items or AT 1 Items; and (ii) any other instruments or obligations of the Issuer ranking *pari passu* with respect to payment of interest, dividends or distributions with obligations resulting from CET 1 Items or AT 1 Items.

§ 4 PAYMENTS

- (1) (a) *Payment of Principal.* Payment of principal on the Notes shall be made, subject to § 4(2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System.
- (b) *Payment of Distributions.* Payment of distributions on the Notes shall be made, subject to § 3(6) above and § 4(2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System and in case of payment of distributions on Notes represented by a Temporary Global Note, upon due certification as provided for in § 1(3)(b).
- (2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.
- (3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.
- (4) *Business Day Convention.* If the due date for any payment of any amount in respect of the Notes would otherwise fall on a calendar day which is not a Business Day, then the due date for such payment will be postponed and the Holders will not be entitled to such payment until the next calendar day which is a Business Day. In such case the Distribution Period will not be adjusted and the Holders will not be entitled to any compensation for any such delay.
- (5) *References to Principal and Distributions.* References in these Terms and Conditions to "principal" in respect of the Notes shall be deemed to include, as applicable: the Current Principal Amount (as defined in § 5(11)); the Redemption Amount of the Notes (as defined in § 5(7)(a)); and any premium and any other amounts (other than distributions) which may be payable on or in respect of the Notes.

References in these Terms and Conditions to "distribution(s)" in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts (as defined in § 7(1)) which may be payable under § 7(1).

§ 5 REDEMPTION AND WRITE-DOWN

- (1) *No Scheduled Maturity.* The Notes are perpetual and have no scheduled maturity date and, for the avoidance of doubt, shall not fall due other than in the cases provided for in § 5(3), § 5(4) or § 5(5) (in each case in connection with § 5(6)) or (and subject to the ranking of the Issuer's obligations under the Notes as set out in § 2(1)) in the event of insolvency proceedings (including bankruptcy proceedings) or liquidation of the Issuer.
- (2) *No Redemption at the Option of a Holder.* The Holders do not have a right to demand the redemption of the Notes.
- (3) *Redemption at the Option of the Issuer.* The Issuer may, upon giving notice in accordance with § 5(7)(a), redeem the Notes in whole, but not in part, at the Redemption Amount on any Optional Redemption Date (as defined below). In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the Optional Redemption Date specified in the notice, subject to cancellation of distributions pursuant to § 3(6). Any such redemption pursuant to this § 5(3) shall only be possible provided that the conditions to redemption and repurchase laid down in § 5(6) are met.

"Optional Redemption Date" means:

- (i) each Business Day during the period from (and including) 1 October 2025 to (but excluding) the First Reset Date;
- (ii) the First Reset Date; and
- (iii) each Distribution Payment Date following the First Reset Date.

The Issuer may exercise its redemption right pursuant to this § 5(3) only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

- (4) *Redemption for Reasons of Taxation.* If a Tax Event occurs, the Issuer may, upon giving notice in accordance with § 5(7)(a), redeem the Notes in whole, but not in part, at the Redemption Amount at any time on the date of redemption specified in the notice, provided that the conditions to redemption and repurchase laid down in § 5(6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3(6).

Where:

A "**Gross-up Event**" occurs if there is a change in the applicable tax treatment of the Notes based on a decision of the local tax authority having competence over the Issuer as a result of which the Issuer has paid, or will or would on the next Distribution Payment Date be required to pay, any Additional Amounts (as defined in § 7(1)).

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

"**Tax Event**" means a change in, or amendment to, or clarification of, the applicable tax treatment of the Notes, including without limitation, a Tax Deductibility Event or a Gross-up Event, which change or amendment or clarification: (x) subject to (y), becomes effective on or after the date of issuance of the Notes; or (y) in the case of a change, if such change is enacted on or after the date of issuance of the Notes.

- (5) *Redemption for Regulatory Reasons.* If a Regulatory Event occurs, the Issuer may, upon giving notice in accordance with § 5(7)(a), redeem the Notes in whole, but not in part, at the Redemption Amount at any time on the date of redemption specified in the notice, provided that the conditions to redemption and

repurchase laid down in § 5(6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3(6).

A "**Regulatory Event**" occurs if there is a change in the regulatory classification of the Notes under the Applicable Supervisory Regulations that would be likely to result in their exclusion in full or in part from own funds (other than as a consequence of a Write-Down) or reclassification as a lower quality form of own funds on a consolidated basis of the BAWAG Regulatory Group.

(6) *Conditions to Redemption and Repurchase.* Any redemption pursuant to this § 5 and any repurchase pursuant to § 9(2) is subject to:

- (a) (i) the Issuer not being insolvent; and (ii) the payment of the relevant amount not resulting in the insolvency of the Issuer; and
- (b) the Issuer having obtained the prior permission of the Competent Authority for such redemption or any repurchase pursuant to § 9(2) in accordance with Article 77 *et seq.* CRR, if applicable to the Issuer at that point in time, whereas such permission may, *inter alia*, require that:
 - (i) either, before or at the same time as the redemption or repurchase, the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
 - (ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds and eligible liabilities of the BAWAG Regulatory Group would, following such redemption or repurchase, exceed the requirements for own funds and eligible liabilities laid down in the CRD, the CRR and the BRRD by a margin that the Competent Authority considers necessary at such time,

provided that the Competent Authority may grant the Issuer a general prior permission to make a redemption or a repurchase for a specified period, which shall not exceed one year, after which it may be renewed, and for a certain predetermined amount as set by the Competent Authority, subject to criteria that ensure that any such future redemption or repurchase will be in accordance with the conditions set out in points (i) and (ii) above, if the Issuer provides sufficient safeguards as to its capacity to operate with own funds above the amounts required in the Applicable Supervisory Regulations; and

- (c) in the case of any redemption or repurchase prior to the fifth anniversary of the date of issuance of the Notes, if applicable to the Issuer at that point in time:
 - (i) in the case of any redemption due to a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the date of issuance of the Notes;
 - (ii) in the case of any redemption due to a Regulatory Event, the Competent Authority considers such change to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes; or
 - (iii) in case of a redemption that does not meet the conditions set forth under (c)(i) and (c)(ii) or in case of a repurchase, (x) before or at the same time of the repurchase or redemption the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and the Competent Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or (y) the Notes are repurchased for market making purposes within the limits permitted by the Competent Authority.

Notwithstanding the above conditions, if, at the time of any redemption or repurchase, the prevailing Applicable Supervisory Regulations permit the redemption or repurchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this § 5(6), the Issuer shall comply

with such other and/or, as appropriate, additional pre-conditions, if any.

For the avoidance of doubt, any refusal of the Competent Authority (or any other relevant supervisory authority) to grant any permission, approval or other authorisation required in accordance with the Applicable Supervisory Regulations shall not constitute a default for any purpose.

"**BRRD**" means the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive), as amended or replaced from time to time, and as implemented in the Republic of Austria; to the extent that any provisions of the BRRD are amended or replaced, the reference to provisions of the BRRD as used in these Terms and Conditions shall refer to such amended provisions or successor provisions from time to time, as implemented in the Republic of Austria.

(7) *Redemption Notice; Redemption Amount.*

- (a) Any notice of redemption in accordance with § 5(3), § 5(4) or § 5(5) shall be given by the Issuer to the Holders in accordance with § 10 observing a notice period of not less than 15 calendar days nor more than 30 calendar days. Such notice shall be irrevocable (subject to § 5(8)(d)) and shall specify:
- (i) in the case of a notice of redemption in accordance with § 5(3), the Optional Redemption Date, or in the case of a notice of redemption in accordance with § 5(4) or § 5(5), the date of redemption; and
 - (ii) the Redemption Amount at which the Notes are to be redeemed.

"**Redemption Amount**" per Note means the Current Principal Amount per Note.

- (b) Even if such notice of redemption is given pursuant to § 5(3), § 5(4) or § 5(5), the Issuer will only redeem the Notes on the date of redemption specified in the notice pursuant to § 5(7)(a) if (i) the conditions to redemption and repurchase laid down in § 5(6) are fulfilled on the date of redemption specified in the notice pursuant to § 5(7)(a) and (ii) no Trigger Event has occurred after the notice of redemption pursuant to § 5(7)(a) but before the date of redemption specified in the notice pursuant to § 5(7)(a).

In addition, any notice of redemption in accordance with § 5(3), § 5(4) or § 5(5) and this § 5(7)(a) will be subject to § 5(8)(d).

(8) *Write-Down.*

- (a) If, at any time, it is determined (as provided in § 5(8)(b) below) that a Trigger Event (as defined below) has occurred, the Issuer will:
- (i) immediately inform the Competent Authority that the Trigger Event has occurred;
 - (ii) determine the Write-Down Amount (as defined below) as soon as possible, but in any case before the Write-Down Effective Date and within a maximum period of one month following the determination that a Trigger Event has occurred;
 - (iii) without undue delay inform the Principal Paying Agent and the Holders in accordance with § 10 that a Trigger Event has occurred by publishing a notice (such notice a "**Write-Down Notice**") which will specify the Write-Down Amount as well as the new/reduced Current Principal Amount of each Note and the Write-Down Effective Date (as defined below), provided that any failure to provide such Write-Down Notice shall not affect the effectiveness of, or otherwise invalidate any Write-Down or give Holders any rights as a result of such failure. Any such notice which has not been given shall be given without undue delay; and
 - (iv) (without the need for the consent of Holders) reduce the then prevailing Current Principal Amount of each Note by the relevant Write-Down Amount (such reduction being referred to as a "**Write-Down**", and "**Written Down**" shall be construed accordingly) without undue delay, but not later than within one month, with effect as from the Write-Down Effective Date.

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more

than one occasion, each Note may be subject to a Write-Down on more than one occasion, provided, however, that the Current Principal Amount of a Note may never be reduced to below EUR 0.01 under this § 5(8).

(b) *Write-Down Amount.*

- (i) The aggregate reduction of the aggregate Current Principal Amount of all Notes outstanding on the Write-Down Effective Date will, subject as provided below, be equal to the lower of:
 - (A) the amount necessary to generate sufficient Common Equity Tier 1 capital pursuant to Article 50 CRR that would restore the Group CET 1 Capital Ratio to the Trigger Level at the point of such reduction, after taking into account (subject as provided below) the *pro rata* write-down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Notes, provided that, with respect to each Loss Absorbing Instrument (if any), such *pro rata* write-down and/or conversion shall only be taken into account to the extent required to restore the Group CET 1 Capital Ratio contemplated above to the lower of: (x) such Loss Absorbing Instrument's trigger level; and (y) the Trigger Level and, in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Applicable Supervisory Regulations; and
 - (B) the amount that would result in the Current Principal Amount of a Note being reduced to EUR 0.01.
- (ii) The aggregate reduction determined in accordance with § 5(8)(b)(i) shall be applied to each Note *pro rata* on the basis of its Current Principal Amount immediately prior to the Write-Down, and references herein to "**Write-Down Amount**" shall mean, in respect of each Note, the amount by which the Current Principal Amount of such Note is to be Written Down accordingly.
- (iii) If, in connection with the Write-Down or the calculation of the Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down and/or converted in full and not in part only (the "**Full Loss Absorbing Instruments**"), then:
 - (A) the provision that a Write-Down of the Notes should be effected *pro rata* with the write-down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written Down in full solely by virtue of the fact that such Full Loss Absorbing Instruments may be written down and/or converted in full; and
 - (B) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal and/or conversion, as the case may be, among the Notes and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write-down and/or conversion, such that the write-down and/or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (x) first, the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Notes and all other Loss Absorbing Instruments to the extent necessary to restore the Group CET 1 Capital Ratio to the Trigger Level; and (y) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (x) shall be written off and/or converted, as the case may be, with the effect of increasing the Group CET 1 Capital Ratio above the Trigger Level.
- (iv) To the extent the write-down and/or conversion of any Loss Absorbing Instruments for the purpose of § 5(8)(b)(i)(A) is not possible or not made for any reason, this shall not in any way prevent any Write-Down of the Notes. Instead, in such circumstances, the Notes will be Written Down and the Write-Down Amount determined as provided above but without including for the purpose of § 5(8)(b)(i)(A) any Common Equity Tier 1 capital in respect of the write-down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be or they are not for any reason, written down and/or converted.

- (v) The Issuer's determination of the relevant Write-Down Amount shall be irrevocable and binding on the Holders.
- (c) Any Write-Down of the Current Principal Amount of a Note pursuant to this § 5(8) shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts Written Down, whether in the insolvency or liquidation of the Issuer or otherwise, save to the extent (if any) such amounts are subject to a Write-Up in accordance with § 5(9).
- (d) The Issuer shall not give a notice of redemption after a Trigger Event has occurred until the Write-Down Effective Date.

In addition, if a Trigger Event occurs after a notice of redemption but before the date on which such redemption becomes effective, the notice of redemption shall automatically be deemed revoked and shall be null and void, the relevant redemption shall not be made and the rights and obligations in respect of the Notes shall remain unchanged, all as set forth in § 5(7)(b).

- (9) *Write-Up.* The Issuer may, at its sole discretion, to the extent permitted in compliance with the Applicable Supervisory Regulations, reinstate any portion of the principal amount of the Notes which has been Written Down (such portion, the "**Write-Up Amount**"), subject to the below limitations. The reinstatement of the Current Principal Amount (such reinstatement being referred to herein as a "**Write-Up**", and "**Written Up**" shall be construed accordingly) may occur on more than one occasion (and each Note may be Written Up on more than one occasion), provided that the principal amount of each Note shall never be Written Up to an amount greater than its Original Principal Amount.

Write-Ups do not have priority over dividend payments and other distributions on shares and other CET 1 Instruments of the Issuer, i.e. such payments and distributions are permitted even if no full Write-Up of the Notes has been effected.

There will be no obligation for the Issuer to operate or accelerate a Write-Up under any circumstances.

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

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

- (a) at the time of the Write-Up, the Issuer is not insolvent and the Write-Up would not result in the insolvency of the Issuer;
- (b) at the time of the Write-Up, there must not exist any Trigger Event that is continuing; any Write-Up is also excluded if such Write-Up would give rise to the occurrence of a Trigger Event;
- (c) such Write-Up is applied on a *pro rata basis* to all Notes and on a *pro rata basis* with the write-up of all Loss Absorbing Written Down Instruments (if any); and
- (d) the sum of: (x) the aggregate amount attributed to the relevant Write-Up of the Notes on the Write-Up Effective Date (as defined below) and the aggregate amount of any previous Write-Up of the Notes since the end of the then previous financial year and prior to the Write-Up Effective Date; (y) the aggregate amount of the increase in principal amount of each Loss Absorbing Written Down Instrument at the time of the relevant Write-Up and the aggregate amount of the increase in principal amount of each Loss Absorbing Written Down Instrument resulting from any previous write-up since the end of the then previous financial year and prior to the time of the relevant Write-Up; and (z) the aggregate amount of any distribution and any Additional Amounts thereon paid on the aggregate Current Principal Amount of the Notes and the aggregate amount of any distribution and any additional amounts thereon paid on Loss Absorbing Written Down Instruments as calculated at the moment the Write-Up is operated will not exceed the Maximum Write-Up Amount at any time after the end of the then previous financial year.

The amount of any Write-Up and payments of distributions on the reduced Current Principal Amount shall be treated as payment resulting in a reduction of Common Equity Tier 1 capital and shall be subject, together with other distributions on CET 1 Instruments, to any applicable restrictions described in § 3(6)(b) as at the time of the Write-Up.

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

(10) *Records of the Clearing Systems.* Any Write-Down or Write-Up shall be reflected in the records of CBL and Euroclear as a pool factor.

(11) *Certain Definitions.* In these Terms and Conditions:

"Applicable Supervisory Regulations" means, at any time, any requirements of Austrian law or contained in the regulations, requirements, guidelines or policies of any competent authority, the European Parliament and/or the European Council, then in effect and applicable to the BAWAG Regulatory Group and/or (as the case may be) the Issuer, including but not limited to the provisions of the BWG, the CRD, the CRR, the CDR, the SRM Regulation, the BRRD, the BaSAG and the SSM Regulation, in each case as amended from time to time, or such other law, regulation or directive as may come into effect in place thereof, as applicable to BAWAG Regulatory Group and/or the Issuer (as the case may be) at the relevant time.

"BaSAG" means the Austrian Bank Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz – BaSAG*), as amended or replaced from time to time, and any references in these Terms and Conditions to any relevant provisions of the BaSAG include references to any applicable provisions of law amending or replacing such provisions from time to time.

"CDR" means the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (*Capital Delegated Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant provisions of the CDR include references to any applicable provisions of law amending or replacing such provisions from time to time.

"Current Principal Amount" means initially the Original Principal Amount, which from time to time, on one or more occasions, may be reduced by a Write-Down and, subsequent to any such reduction, may be increased by a Write-Up, if any (up to the Original Principal Amount).

"Group CET 1 Capital Ratio" means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the BAWAG Regulatory Group on a consolidated basis, as calculated in accordance with the Applicable Supervisory Regulations.

"Loss Absorbing Instrument" means, at any time, any AT 1 Instrument (other than the Notes) that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted (in each case, in accordance with its terms or otherwise) on the occurrence or as a result of the Group CET 1 Capital Ratio falling below a certain trigger level.

"Loss Absorbing Written Down Instrument" means, at any time, any Loss Absorbing Instrument, that immediately prior to any Write-Up of the Notes, is outstanding and has a prevailing principal amount that is less than its original principal amount because all or some of its principal amount has been written down on a temporary basis, and that has terms permitting a principal write-up to occur on a basis similar to that provided in § 5(9) in the circumstances existing on the relevant Write-Up Effective Date.

"Maximum Write-Up Amount" means the Net Profit multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written Down Instruments of the BAWAG Regulatory Group (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 capital pursuant to Article 25 CRR of the BAWAG Regulatory Group as at the date the relevant Write-Up is operated, or any higher or lower amount permitted to be used under the Applicable Supervisory Regulations in effect on the date of the relevant Write-Up.

"Net Profit" means the consolidated net income for the year (*Jahresüberschuss*) recorded in the consolidated financial statements of the Issuer, in each case after such consolidated financial statements have formally been determined (*festgestellt*) by either the supervisory board (*Aufsichtsrat*) or, if so

requested, the shareholders' meeting (*Hauptversammlung*) of the Issuer.

"Resolution Authority" means the resolution authority pursuant to Article 4(1)(130) CRR and/or Article 7(1) SRM Regulation which is responsible for recovery or resolution of the Issuer on an individual and/or consolidated basis.

"SRM Regulation" means the Regulation (EU) No 806/2014, as amended or replaced from time to time, and any references to relevant provisions of the SRM Regulation in these Terms and Conditions include references to any applicable provisions of law amending or replacing such provisions from time to time.

A **"Trigger Event"** occurs if, at any time, the Group CET 1 Capital Ratio is lower than the Trigger Level.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority. Any such determination shall be binding on the Issuer and the Holders.

For the purposes of determining whether a Trigger Event has occurred, the Group CET 1 Capital Ratio may be calculated at any time based on information (whether or not published) available to the Issuer, including information internally reported within the Issuer pursuant to its procedures for monitoring the Group CET 1 Capital Ratio.

"Trigger Level" means 5.125 per cent.

"Write-Down Effective Date" means the date as is selected by the Issuer and specified as such in the Write-Down Notice to the Holders, but which shall be no later than one month (or such shorter period as the Competent Authority may require) following the occurrence of the relevant Trigger Event.

§ 6 PRINCIPAL PAYING AGENT AND CALCULATION AGENT

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

Principal Paying Agent:

Citibank Europe PLC
1 N Wall Quay, North Dock
Dublin, Ireland

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

Calculation Agent:

Citibank Europe PLC
1 N Wall Quay, North Dock
Dublin, Ireland

The Paying Agent(s) and the Calculation Agent (together the **"Agents"** and each an **"Agent"**) reserve the right at any time to change their respective specified office to some other specified office in the same country.

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

- (3) *Agents of the Issuer.* The Agents act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Holder.
- (4) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Terms and Conditions by any Agent shall (in the absence of wilful default, bad faith, inequitableness or manifest error) be binding on the Issuer, all other Agents and the Holders.
- (5) *United States.* For purposes of these Terms and Conditions, "**United States**" or "**U.S.**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).
- (6) *Independent Adviser.* If the Issuer appoints an Independent Adviser in accordance with § 3(4), the provisions in § 6(3) and (4) shall apply *mutatis mutandis* to the Independent Adviser.

§ 7 TAXATION

- (1) *General Taxation.* All payments of distributions in respect of the Notes will be made by the Issuer free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by 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. If such withholding or deduction is required by law, the Issuer will pay such additional amounts in relation to distributions (but not principal) as will be necessary in order that the net amounts received by the Holders after such withholding or deduction will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (the "**Additional Amounts**"). However, no such Additional Amounts will be payable on account of any Taxes which:
 - (a) are payable by any person (including the Issuer) acting as custodian bank or collecting agent on behalf of a Holder, or by the Issuer if no custodian bank or collecting agent is appointed or otherwise in any manner which does not constitute a withholding or deduction by the Issuer from payments of principal or distributions made by it; or
 - (b) are payable by reason of the Holder having, or having had, some personal or business connection with the Republic of Austria; or
 - (c) are withheld or deducted pursuant to: (i) any European Union directive concerning the taxation of distributions income; or (ii) any international treaty or understanding relating to such taxation and to which the Republic of Austria or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such directive, treaty or understanding; or
 - (d) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction; or
 - (e) are payable by reason of a change in law that becomes effective more than 30 days after the relevant distribution becomes due; or
 - (f) would not be payable if the Holder can avoid such a withholding or deduction providing a certificate of residence, certificate of exemption or any other similar documents required according to the respective applicable regulations.

The restrictions on the payment of distributions set forth in § 3(6) shall apply to any Additional Amounts *mutatis mutandis*.

- (2) *U.S. Foreign Account Tax Compliance Act (FATCA).* The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes sufficient funds for the payment of any tax that it is required by law to withhold or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or the intergovernmental agreement between the United States and the other

jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

§ 8 PRESENTATION PERIOD

The presentation period provided in § 801(1) sentence 1 German Civil Code is reduced to ten years for the Notes.

§ 9 FURTHER ISSUES OF NOTES, REPURCHASES AND CANCELLATION

- (1) *Further Issues of Notes.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms as the Notes in all respects (or in all respects except for the issue date, issue price, Distribution Commencement Date and/or first Distribution Payment Date) so as to form a single series with the Notes.
- (2) *Repurchases.* Provided that all applicable regulatory and other statutory restrictions are observed, and provided further that the conditions to redemption and repurchase laid down in § 5(6) are met, the Issuer or any of its subsidiaries may repurchase Notes in the open market or otherwise at any price. Notes repurchased by the Issuer or any of its subsidiaries may, at the option of the Issuer or such subsidiary, be held, resold or surrendered to the Principal Paying Agent for cancellation.
- (3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 10 NOTICES

- (1) *Notices of the Issuer.* All notices of the Issuer concerning the Notes shall be published in electronic form on the website of the Issuer (www.bawaggroup.com) and, as long as the Notes are listed on the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or on such other website or other medium for the publication of notices as is required by the rules and regulations of the Luxembourg Stock Exchange. Any notice so given will be deemed to have been validly given on the third calendar day following the date of such publication.
- (2) *Publication of Notices of the Issuer via the Clearing System.* In addition to the publication of notices pursuant to § 10(1) the Issuer will deliver the relevant notices to the Clearing System, for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the calendar day on which said notice was given to the Clearing System.
- (3) Any notice so given pursuant to § 10(1) and (2) above will be deemed to have been given, if published more than once, on the day following the date on which the first such publication is deemed to be made.

§ 11 AMENDMENTS TO THE TERMS AND CONDITIONS, JOINT REPRESENTATIVE

- (1) *Amendment of the Terms and Conditions.* Subject to compliance with the Applicable Supervisory Regulations for the Notes to qualify as AT 1 Instruments, the Issuer may amend the Terms and Conditions with the consent of a majority resolution of the Holders pursuant to §§ 5 *et seqq.* of the SchVG and the consent by the Competent Authority, to the extent then required under prevailing Applicable Supervisory Regulations. There will be no amendment of the Terms and Conditions without the Issuer's consent.

In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5(3) of the SchVG by resolutions passed by such majority of the votes of the Holders as stated under § 11(2) below. A duly passed majority resolution will be binding upon all Holders.

"**SchVG**" means the German Debt Securities Act (*Gesetz über Schuldverschreibungen aus*

Gesamtemissionen – SchVG), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the SchVG include references to any applicable provisions of law amending or replacing such provisions from time to time.

- (2) *Majority requirements.* Except as provided by the following sentence and provided that the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3)(1) through (9) of the SchVG, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch – HGB*)) or are being held for the account of the Issuer or any of its affiliates.
- (3) *Resolutions.* Resolutions of the Holders will be made either in a Holders' meeting in accordance with § 11(3)(a) or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 11(3)(b), in either case convened by the Issuer or a joint representative, if any.
 - (a) Resolutions of the Holders in a Holders' meeting will be made in accordance with §§ 9 *et seqq.* of the SchVG. The convening notice of a Holders' meeting will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders in the agenda of the meeting.
 - (b) Resolutions of the Holders by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) will be made in accordance with § 18 of the SchVG. The request for voting as submitted by the chairman (*Abstimmungsleiter*) will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders together with the request for voting.
- (4) *Second Holders' meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to § 11(3)(b), the chairman (*Abstimmungsleiter*) may convene a meeting, which shall be deemed to be a second meeting within the meaning of § 15(3) sentence 3 of the SchVG.
- (5) *Registration.* The exercise of voting rights is subject to the registration of the Holders. The registration must be received at the address stated in the request for voting no later than the third day prior to the meeting in the case of a Holders' meeting (as described in § 11(3)(a) or § 11(4)) or the beginning of the voting period in the case of voting not requiring a physical meeting (as described in § 11(3)(b)), as applicable. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of their respective depositary bank hereof in text form and by submission of a blocking instruction by the depositary bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting or day the voting period ends, as the case may be.
- (6) *Joint representative.* The Holders may by majority resolution provide for the appointment or dismissal of a joint representative, the duties and responsibilities and the powers of such joint representative, the transfer of the rights of the Holders to the joint representative and a limitation of liability of the joint representative. Appointment of a joint representative may only be passed by a Qualified Majority if such joint representative is to be authorised to consent to a material change in the substance of the Terms and Conditions in accordance with § 11(1) hereof.

The joint representative shall have the duties and powers provided by law or granted by majority resolutions of the Holders. The joint representative shall comply with the instructions of the Holders. To the extent that the joint representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The joint representative shall provide reports to the Holders on its activities. The provisions of the SchVG apply with regard to the recall and the other rights and obligations of the joint representative.

Unless the joint representative is liable for wilful misconduct (*Vorsatz*) or gross negligence (*grobe Fahrlässigkeit*), the joint representative's liability shall be limited to ten times the amount of its annual remuneration.

- (7) *Notices.* Any notices concerning this § 11 will be made in accordance with §§ 5 *et seqq.* of the SchVG and

§ 10.

- (8) *Exclusion of the Applicability of the Austrian Notes Trustee Act.* To the extent legally permissible, the applicability of the provisions of the Austrian Notes Trustee Act (*Kuratoren-gesetz*) and the Austrian Notes Trustee Supplementation Act (*Kuratoren-ergänzungsgesetz*) is explicitly excluded in relation to the Notes.

§ 12
APPLICABLE LAW,
PLACE OF JURISDICTION
AND ENFORCEMENT

- (1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by, and shall be construed exclusively in accordance with, German law, *provided that* the status provisions in § 2 shall be governed by, and shall be construed exclusively in accordance with, Austrian law.
- (2) *Place of Jurisdiction.* Subject to any exclusive court of venue for specific legal proceedings in connection with the SchVG, the District Court (*Landgericht*) in Frankfurt am Main, Federal Republic of Germany, shall have exclusive jurisdiction for any action or other legal proceedings (the "**Proceedings**") arising out of or in connection with the Notes.
- (3) *Enforcement.* Any Holder may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in its own name its rights arising under such Notes on the basis of: (a) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes: (i) stating the full name and address of the Holder; (ii) specifying the aggregate principal amount of the Notes credited to such securities account on the date of such statement; and (iii) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (i) and (ii); and (b) a copy of the Global Note certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such Proceedings of the actual records or the Global Note representing the Notes. Each Holder may, without prejudice to the foregoing, protect and enforce its rights under the Notes also in any other way which is admitted in the country of the Proceedings.

"**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System.

5 DESCRIPTION OF THE ISSUER

5.1 Information about the Issuer

5.1.1 General information about the Issuer

The Issuer's legal name is "BAWAG Group AG". The Issuer is registered in the Austrian Companies Register (*Firmenbuch*, the "**Companies Register**") under registration number FN 269842 b as a stock corporation formed and operated under Austrian law with unlimited duration. Its business address is Wiedner Gürtel 11, A-1100 Vienna, Austria. The Issuer is the holding company of BAWAG Group. BAWAG Group AG's Legal Entity Identifier (LEI) is 529900S9YO2JHTIIDG38.

BAWAG Group's business is primarily conducted by BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft ("**BAWAG P.S.K.**") and its material subsidiaries (see "*6.8 Structure of BAWAG Group*"). For a description of business activities of BAWAG Group, see "*6.1 Principal areas of activity*".

The Issuer may be reached at its business address as well as by phone (+43 (0) 599 05) or by e-mail under office@bawaggroup.com. BAWAG Group's website is <https://www.bawaggroup.com>. The information on this website, unless incorporated by reference elsewhere in this Prospectus, is not part of this Prospectus.

5.1.2 Corporate history and development of the Issuer

The Issuer was first registered in the Companies Register on 16 November 2005 as Pa-Zweiundfünfzigste WTP Beteiligungsverwaltungs GmbH, a limited liability company under Austrian law. With effect as of 5 October 2007, the Issuer's name was changed to "BAWAG Holding GmbH". In August 2017, the Issuer was transformed into a stock corporation established under Austrian law (*Aktiengesellschaft*) for an indefinite period of time. In the course of this transformation, the Issuer's name was changed to BAWAG Group AG. Both the transformation and the name change became effective on 19 August 2017. Since 25 October 2017, the Issuer's shares are listed on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange.

5.1.3 Statutory purpose and share capital of the Issuer

The purpose of the Issuer according to section 2 of its articles of association is (a) the acquiring, holding, managing and disposing of participations in existing companies and businesses and/or companies and businesses to be established within Austria and abroad, including banks, indifferent in which corporate form; (b) the exercise of the management and holding functions in respect of participations pursuant to (a) as well as companies and businesses of BAWAG Group, including on the basis of corporate law, or on the basis of contractual agreements with companies and businesses of BAWAG Group, including the activity as and exercise of the functions of a financial holding; and (c) the provision of management services of any kind with respect to participations in companies and business of BAWAG Group as well as contracts and other business relationships of the BAWAG Group with domestic and foreign contract partners.

The Issuer is entitled to enter into any transactions and to take all steps which are in connection with or appear to be directly or indirectly suitable to promote its purpose. The Issuer may establish branches and subsidiaries within Austria and abroad. The Issuer may undertake all legal transactions that could be useful in achieving or promoting the purposes of the Issuer.

The Issuer may limit the actual scope of its activities to one or several parts of its corporate purpose.

The Issuer is not entitled to engage directly in business activities that require a license pursuant to the Austrian Banking Act, the Austrian Securities Supervision Act, the Austrian Insurance Supervision Act or any other license that must be obtained prior to the Issuer's registration in the commercial register; activities reserved for Public Accountants and Tax Advisors are also excluded.

The Issuer's registered share capital amounts to € 89,142,237.00 and is divided into 89,142,237 non-par-value shares, which carry equal participation interest in the share capital of the Issuer. All shares are bearer shares. The share capital of the Issuer is fully paid in.

5.1.4 Statutory auditors

The independent auditor of BAWAG is KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1090 Vienna, Austria ("**KPMG**"), a member of the Austrian Chamber of Tax Advisors and Auditors (*Kammer der Steuerberater und Wirtschaftsprüfer*). KPMG audited the German-language originals of the audited consolidated annual financial statements as of and for the financial year ended 31 December 2019 (the "**Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019**") and the German-language originals of the audited consolidated annual financial statements as of and for the financial years ended 31 December 2018 (the "**Audited Consolidated Annual Financial Statements of BAWAG Group AG 2018**"), prepared in accordance with IFRS as adopted by the EU. In each case, KPMG issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*).

5.1.5 Any recent events particular to the Issuer that are to a material extent relevant for the evaluation of its solvency.

The Issuer is not aware of any recent events particular to BAWAG Group (i.e. occurring after the most recent published audited consolidated annual financial statements of the Issuer as of and for the financial year ended 31 December 2019) that are to a material extent relevant to the evaluation of its solvency.

6 BUSINESS OVERVIEW OF BAWAG GROUP

6.1 Principal areas of activity

BAWAG Group is one of Austria's largest banks, serving over 2.4 million customers online and through its branch network as of 30 June 2020. BAWAG Group offers a wide range of banking products and services, from retail banking to corporate lending and direct banking, and distributes a range of insurance, investment and other financial products offered by its third-party partners.

6.2 Bank transformation

In 2012, BAWAG Group began executing a transformational initiative to improve and restructure its operations that would improve its financial strength and efficiency and profitability metrics. The key pillars of the transformation included (1) re-focusing on core geographic markets and products, (2) driving cost efficiency through disciplined cost management and simplified processes, (3) deleveraging the balance sheet to increase capital and liquidity and (4) rebuilding the capital base by redeeming all non-sustainable capital instruments.

The following table shows an overview of BAWAG Group's successful transformation by certain key financial metrics as of and for the financial years 2012 to 2019 (unaudited):

	2012	2013	2014	2015	2016	2017	2018	2019
	BAWAG P.S.K. ¹⁾					BAWAG		
Return on tangible common equity ^{2), 3)}	3%	11%	15%	17%	18%	16%	15%	16%
Cost-Income Ratio ²⁾	70%	68%	54%	48%	46% ⁵⁾	47% ^{7), 8)}	44%	43%
NPL ratio ⁴⁾	3.5% ⁶⁾	2.5% ⁶⁾	2.0% ⁶⁾	1.9% ⁶⁾	1.7% ⁶⁾	1.8% ⁸⁾	1.7%	1.7%
Risk Cost Ratio (in bps) ²⁾	77	36	32	17	15	17	12	18

¹⁾ For the years 2012 – 2016, the figures relate to BAWAG P.S.K. group.

²⁾ The number or ratio is an APM, for a definition, see "6.6.3 Alternative performance measures" below.

³⁾ Number or ratio has been adjusted from the figure originally reported by BAWAG Group due to the adjustment of the definition of Return on tangible common equity in 2020.

⁴⁾ For a definition see "6.7.1 Minimum capital requirements and regulatory ratios" below.

⁵⁾ 2016 figures were adjusted from the figures originally reported due to the finalisation of the preliminary purchase price allocation according to IFRS 3.45 from the acquisition of start:bausparkasse Austria and IMMO-BANK.

⁶⁾ Number has been adjusted from the number originally reported by BAWAG P.S.K. due to the adjustment of the definition of the NPL ratio in 2017.

⁷⁾ In 2017, BAWAG Group initiated a LTIP for members of the Management Board and the senior leadership team. The performance-vested part (75%) was recognized in 2017. This recognition is included in the calculation of the Cost-Income Ratio.

⁸⁾ Numbers have been adjusted from the numbers originally reported by BAWAG Group.

Source: BAWAG Group's financial statements and Issuer information. Strategy

BAWAG Group's strategy is centred around the following core strategic pillars: (1) Organic and inorganic growth in its core developed markets; (2) Making customers' lives easier by offering simple, transparent and easy-to-understand retail and corporate products; (3) Drive efficiency through a disciplined cost management approach and continued investments in technology; and (4) Safety and security by maintaining a low-risk, low-leverage and well-capitalised balance sheet.

6.2.1 Organic and inorganic growth in core markets

BAWAG Group's focus is growth in its home country of Austria and more broadly the DACH region (i.e. Germany, Austria and Switzerland), both organically and inorganically via acquisitions. It aims to grow its market share in core products in Austria, establish a meaningful presence in Germany and build a best-in-class customer franchise throughout the DACH region. Additionally, BAWAG Group is also regularly reviewing expansion opportunities in other mature and politically and economically stable markets, i.e., Western Europe and North America.

This strategy has the following key elements:

- *Capitalising on long-standing customer relationships in Austria.* BAWAG Group's strategy for Austria is based on several key pillars, including integrated branch and digital platforms, an efficient customer-focused

organisation and its direct banking facility easybank. BAWAG Group's branch network, particularly in key urban growth areas of Austria, tailors advisory services to customers seeking financial planning and product advice. Its long-standing customer relationships in Austria are important platforms for its cross-selling activities and for attracting new customers. In addition, BAWAG Group plans to further consolidate its organisational structure in order to continue to improve its customer service across Austria. In order to target the growing number of potential customers who do not require full access to the services provided in its branches, BAWAG Group relies on its direct banking brand easybank, which attracts a customer base which is largely complementary to the customer base of its BAWAG P.S.K. retail segment.

- *Expanding into Western European Markets, with a primary focus on the DACH region.* Furthermore, BAWAG Group intends to use its capabilities and experience to drive cross-border retail expansion into Western European markets, with a primary focus on the DACH region. The DACH region benefits from a common culture and language, with a stable legal system and credit environment. The region traditionally has low levels of indebtedness, home ownership and digital penetration. Beyond the DACH region BAWAG Group is also looking for business opportunities in markets showing the same economic and political stability and soundness as the DACH region, Strategy in these markets is to enter into partnerships with local sales networks and to get access to platform business, serving the same type of customers with the same kind of products as in the core markets of BAWAG Group.
- *Growth opportunities in the international corporate and real estate financing business.* BAWAG Group's DACH retail and corporate lending business is complemented by its international corporate lending and international real estate financing business in Western Europe and the United States, which BAWAG Group aims to grow further. This strategy provides BAWAG Group with an avenue for earnings diversification and growth opportunities without the risks that could arise from expansion into countries lacking stable geopolitical and macroeconomic fundamentals.
- *Attractive opportunities for growing inorganically in the DACH region.* BAWAG Group believes that there are attractive opportunities to grow inorganically in the DACH region. Currently, the DACH region has a highly fragmented banking landscape with a high share of savings and cooperative banks. BAWAG Group believes that the low profitability of DACH retail banks can be best addressed with technological investments, fixing structural cost imbalances and implementing a focused business strategy. This strategy is evidenced by BAWAG Group's strong track record of acquisitions in the DACH region: In 2019, BAWAG P.S.K. closed the acquisitions of the Germany-based dental factoring businesses EOS Health Honorarmanagement AG and Switzerland-based Zahnärztekasse AG as well as of the Germany-based financial leasing provider BFL Leasing GmbH. In 2018, BAWAG P.S.K. closed the acquisition of Deutscher Ring Bausparkasse AG (now renamed to start:bausparkasse AG). The acquisition of Germany-based SÜDWESTBANK AG was closed in 2017. Important past acquisitions in the Austrian market are the acquisitions of PayLife by easybank AG, start:bausparkasse AG, IMMO-BANK Aktiengesellschaft and VB Leasing Finanzierungsgesellschaft mbH by BAWAG P.S.K. BAWAG Group believes that its track record in improving cost efficiency through business simplification and investment in technology makes it well positioned to make synergistic bank acquisitions in the DACH region.
- *M&A deal pipeline.* BAWAG Group is continuously evaluating its M&A deal pipeline. The strategic rationales for acquisition opportunities in its current deal pipeline include: (i) Acquire new sales channels for retail, small and medium sized enterprises and corporates across the DACH region but also grow international retail businesses in selected markets, and (ii) consistent with its focus on technology BAWAG Group is looking into acquisition opportunities which would enable it to scale its digital / direct banking franchise and grow its customer base while ensuring disciplined pricing and profitable product penetration.

6.2.2 Making customers' lives easier

BAWAG Group is dedicated to offering customers the best, most convenient experience when conducting their banking through its digital and physical channels. Its digital initiatives aim at increasing convenience and satisfaction for its customers, including by providing clear, transparent and easy to understand banking products and services on a 24/7 basis. The strategy has the following key elements:

- *Focus on product simplicity.* BAWAG Group focuses on product simplicity and consistency of offerings, by providing clear, fair and transparent banking products and services across all of its distribution channels. This is assisted by big data and predictive analytics systems which enable BAWAG Group to personalise and customise product offerings. BAWAG Group continues to strengthen its partnerships and build new ones mainly in the digital area to continue to develop its retail franchise and enhance customer connectivity and its product offerings and services.

- *Focus on digital offerings.* BAWAG Group aims to be a leader in digital offerings to its customers, enhancing its customers' experience with new e-banking and mobile features. Its new security application and one-touch security functions are designed to enable its customers to purchase products or perform transactions anytime and anywhere, safely and securely. BAWAG Group is targeting active online customers, who it believes to be more engaged and profitable than purely offline customers.
- *Improvement of customer experience.* BAWAG Group has improved and streamlined its customer experience in the onboarding process, by partnering to acquire new technologies. BAWAG Group invests in all its distribution channels to offer its customers attractive savings, lending, leasing, insurance, building society and investment products and services wherever and whenever they want. In order to ensure that all of its customers benefit from its improving product offering, BAWAG Group offers upgrades to products previously offered by BAWAG Group. BAWAG Group continues to provide a range of products for its customers' needs and phase out the legacy versions which are often at higher cost with lower functionality for the customer. Digitisation also serves to streamline BAWAG Group's relationships with distribution partners creating faster response times to end customers of BAWAG Group. BAWAG Group maintains a platform that allows for its chosen distribution partners and brokers to directly connect with its back end servicing operations, thereby creating a streamlined online application and approval process that it believes to be unique in Austria for mortgages. This straight through processing provides BAWAG Group's partners with a more efficient approval process and serves as an important channel for new customer acquisition, and will serve as BAWAG Group's origination channel with start:bausparkasse Austria and start:bausparkasse Germany for building society products as well.

6.2.3 Focus on efficiency and operational excellence

The overall banking industry across Europe is still facing several headwinds driven by moderate economic growth, a multi-year low-interest rate environment, continued pricing pressure, increased regulatory requirements and structurally inefficient business models. Additionally, as more and more companies from outside the traditional financial services industry (FinTechs and e-commerce platforms) are entering the market, taking market share or negatively impacting margins and attacking the traditional revenue streams of banks and financial institutions, the competitive pressure BAWAG Group is confronted with continues to increase.

BAWAG Group is convinced that in this challenging environment, banks have to change their overall business models and cost structure to be more efficient in their operations. Over the counter transactional needs are much reduced, as customers expect to conduct simple transactions at ATMs and digitally. In addition, the need for physical proximity to the customer through disbursed branch coverage is becoming less relevant as customers interface with their financial accounts primarily through mobile or other online solutions. Customers continue to value financial advice and simplification. BAWAG Group has anticipated this challenge and is addressing it by focusing on optimising processes and driving operational excellence and technological innovation. BAWAG Group plans to further consolidate its branch network and continues to invest in its branches, employees and digital capabilities, in order to create advisory-focused branches. This requires a concentration of resources into fewer, larger branches focused on financial service with an integrated digital customer experience, resulting in better advisory capability and enhanced customer relationships and services. As part of this vision, BAWAG Group believes it is critical that its current branch count be reduced and resources reallocated.

The key elements of BAWAG Group's process optimisation and efficiency approach are to:

- automate and simplify processes as BAWAG Group transitions to a fully digital world, enhancing computing and analytical capabilities and improving the overall customer experience. Its multi-year technology IT roadmap allows BAWAG Group to continually upgrade its infrastructure and leverage new technologies as they are introduced to enhance the focus on customers;
- streamline and standardise products, services and processes, both online and in branches, which benefits customers, reduces costs and focuses BAWAG Group's branch network on providing value-added advisory services;
- continue to closely evaluate all of BAWAG Group's operations to identify those that could be more efficiently implemented through leveraging intragroup platforms or centralising services and processes across BAWAG Group or through third-party partnerships; and
- maintain strict cost control throughout the organisation.

6.2.4 Safe and secure

BAWAG Group's management is committed to operating the business in a safe and secure way. A strong capital position, stable deposits and low and predictable risk costs across its products are fundamental cornerstones for the execution of its business strategy. BAWAG Group regularly engages in a detailed analysis of appropriate risk-adjusted returns on its capital utilisation in each business unit and new product initiative. Evidence of this strategy is that BAWAG Group has no relevant exposure to Central and Eastern European or emerging markets, no exposure to the Turkish and Russian markets and no operations in jurisdictions with increased money laundering and terrorism financing risks. A key element of its strategy is to retain strong common equity tier 1 ("**CET 1**") capital and total capital positions and a conservative leverage ratio as BAWAG Group aims to maintain its position as one of the best capitalised banks in Austria and Europe measured by the fully loaded CET 1 ratio.

BAWAG Group presently targets a fully loaded CET 1 ratio of 13% over time, which it believes to be a prudent level to manage through various economic cycles and to provide BAWAG Group with the flexibility to consistently support all of its growth initiatives, both organic as well as inorganic.

Following the ECB's announcement on 12 March 2020 with regards to the composition of the Pillar 2 requirement, as at 30 June 2020 BAWAG Group AG has a 0.43% shortfall in respect of its AT 1 requirement and a 0.33% shortfall in respect of its Tier 2 requirement that have to be covered by CET 1 capital, while the minimum CET 1 capital requirement was 9.13%. Consequently, as of 30 June 2020, the Maximum Distributable Amount restriction level for the BAWAG Regulatory Group is at approximately 9.89% and the buffer to Maximum Distributable Amount restriction level is approximately 3.5% (or approximately € 0.7 billion). BAWAG Group's management intends to fill the Pillar 2 requirement in the coming quarters with AT 1 and Tier 2 capital resulting in an updated target for the fully loaded CET 1 ratio of 12.25%.

As of 31 December 2019, BAWAG Group had a RWA density (calculated as risk-weighted assets divided by total assets) of approximately 45%.

BAWAG Group's capital base is complemented by a broad funding structure. Retail and corporate deposits historically have been the core part of its funding strategy and will continue to be the dominant source of funding for its balance sheet. BAWAG Group supplements its deposits with a diversified strategy of wholesale and own issue funding. It has issued senior unsecured bonds, subordinated bonds, covered bonds (i.e. securities backed by cash flow from mortgages or public sector loans) and residential mortgage backed securities.

BAWAG Group's long-term goal is to maintain a stable deposit base along with diversified wholesale and own issue funding.

6.3 Segments of BAWAG Group

BAWAG Group operates one of Austria's largest retail banks (source: Statista, Leading banks in Austria in 2019, by total assets, 2019) serving, as of 30 June 2020, over 2.4 million customers. BAWAG Group is a major player in the Austrian direct banking market through its brand easybank and online and mobile platforms, and it also operates a centralised branch network with a focus on key urban growth areas of Austria, particularly in Vienna. The geographic focus of the business is placed on the DACH region (comprising Austria, Germany and Switzerland), and in particular on BAWAG Group's home market of Austria and, to a lesser extent, Germany. However, BAWAG Group also has corporate and commercial real estate lending and portfolio financing activities in Western Europe outside the DACH region and in the United States.

BAWAG Group has two reportable business segments, namely Retail & SME and Corporates & Public. Further reportable segments are Treasury and Corporate Center.

6.3.1 Overview of segments

6.3.1.1 Retail & SME

The Retail & SME segment includes savings, payment, card and lending activities, investment and insurance services for our domestic private customers, small business lending and BAWAG Group's social housing activities as well as own issues covered with retail assets and Wohnbaubank bonds. It also includes direct banking brand easybank with a full online product offering, e.g., savings, payments, card and lending activities for private and small business customers, along with auto, mobile and real estate leasing platforms, building society loans and savings in Austria and Germany. The private and small business activities (including 'Qlick') of Südwestbank and the factoring business in Germany and Switzerland are also included in this segment. The segment services 2.4 million private and small business customers through a centrally managed branch network, online and mobile

sales channels, supported by a customer care center and complemented by strategic long-term retail partnerships. The segment also includes lending portfolios to international retail borrowers, including own issues covered with an international mortgage portfolio.

6.3.1.2 Corporates & Public

The Corporates & Public segment includes lending activities to international corporates as well as international real estate financing activities. It also includes BAWAG Group's corporate, mid-cap and public lending business and other fee-driven financial services for mainly Austrian and German customers. Furthermore, the Corporates & Public segment has established an originate-to-sell platform in the public sector space focused on insurance companies to generate additional fee income. Own issues covered with corporate or public assets are included in this segment as well.

6.3.1.3 Treasury

BAWAG Group's Treasury segment includes any treasury activities associated with providing trading and investment services such as certain asset-liability management transactions (including secured and unsecured funding) and the investment results of the portfolio of financial securities of BAWAG Group.

6.3.1.4 Corporate Center

The Corporate Center segment includes unallocated items related to support functions for the entire BAWAG Group such as legal services and risk management and group liability management, accounting positions (e.g., market values of derivatives), tangible and intangible assets as well as selected results related to subsidiary and participation holdings and reconciliation positions.

6.3.2 Asset decomposition and asset split by region

The assets of BAWAG Group's business segment Retail & SME largely comprise housing loans, consumer and SME loans and portfolios and are predominantly located in the DACH region. The assets of BAWAG Group's business segment Corporates & Public largely comprise corporate loans, asset-backed loans and loans to public clients. They are located in the DACH region as well as in Western Europe and the United States of America.

Asset decomposition in the financial years ended 31 December 2019 and 31 December 2018

The following table provides an overview of the asset decomposition of BAWAG Group's segments Retail & SME and Corporates & Public:

Asset decomposition	As of				
	31 December 2018	31 March 2019	30 June 2019	30 September 2019	31 December 2019
(in € million)			(unaudited)		
Retail & SME					
Housing loans	10,221	10,200	10,191	10,299	10,429
Consumer and SME	4,597	4,634	5,363	5,472	5,608
Portfolios	2,087	2,024	1,892	1,882	2,118
Total	16,905	16,858	17,446	17,653	18,155
Corporates & Public					
Corporate lending	6,835	6,393	6,475	6,566	5,188
Asset-backed lending	4,220	4,424	4,520	4,467	4,602
Public clients	3,112	3,108	3,202	3,347	3,351
Total	14,167	13,925	14,196	14,380	13,141

Source: Issuer information.

Asset decomposition as of 31 March 2020 and 30 June 2020

The following table provides an overview of the asset decomposition of BAWAG Group's segments Retail & SME and Corporates & Public:

Asset decomposition	31 March 2020	30 June 2020
(in € million)	(unaudited)	
Retail & SME		
Housing loans	10,672	11,030
Consumer and SME	5,588	5,547
Portfolios	2,048	1,916
Total	18,308	18,493
Corporates & Public		
Corporate lending	4,858	4,483
Asset-backed lending	4,921	5,055
Public clients	3,675	4,364
Total	13,454	13,902

Source: Issuer information.

Asset split by region in the financial years ended 31 December 2019 and 31 December 2018

The following table provides an overview of the asset split by region of BAWAG Group's segments Retail & SME and Corporates & Public:

Asset split by region	As of				
	31 December 2018	31 March 2019	30 June 2019	30 September 2019	31 December 2019
(in € million)	(unaudited)				
Retail & SME					
DACH	14,777	14,770	15,505	15,706	16,110
thereof: Austria	12,656	12,638	12,765	12,999	13,102
Germany / CH	2,121	2,132	2,740	2,707	3,008
Western Europe / USA	2,128	2,088	1,941	1,947	2,045
Total	16,905	16,858	17,446	17,653	18,155
Corporates & Public					
DACH	7,531	6,935	7,191	7,229	6,656
thereof: Austria	4,379	4,436	4,561	4,727	4,604
Germany / CH	3,152	2,499	2,630	2,502	2,052
Western Europe / USA	6,636	6,990	7,005	7,151	6,485
Total	14,167	13,925	14,196	14,380	13,141

Source: Issuer information.

Asset split by region as of 31 March 2020 and 30 June 2020

The following table provides an overview of the asset split by region of BAWAG Group's segments Retail & SME and Corporates & Public:

Asset split by region	31 March 2020	30 June 2020
(in € million)	(unaudited)	
Retail & SME		
DACH	16,081	15,977
thereof: Austria	13,065	12,942
Germany / CH	3,016	3,035
Western Europe / USA	2,227	2,516
Total	18,308	18,493
Corporates & Public		
DACH	6,770	7,055
thereof: Austria	4,732	5,118
Germany / CH	2,038	1,937
Western Europe / USA	6,684	6,847
Total	13,454	13,902

Source: Issuer information.

6.4 Trends affecting BAWAG Group

BAWAG P.S.K. Group's results of operation and financial position, and by extension BAWAG Group's results of operation and financial position, are in general affected by a number of factors. BAWAG Group believes that, in particular, the following key factors have affected BAWAG Group's results of operations and financial position since 1 January 2020. On this basis, BAWAG Group expects that these factors continue to affect its business and some have impacted and continue to impact the banking sector in general:

- Earnings of banks in general and also of BAWAG Group are significantly dependent on the net interest income which is particularly affected by the development of interest rates. Changes in market interest rates may lead to temporary repricing gaps between BAWAG Group's interest-earning assets and interest-earning liabilities, which can also affect net interest income. Interest-earning assets of BAWAG Group consist principally of (1) consumer loans, retail mortgage loans and consumer leases relating to vehicles and other moveable assets, which are provided by the Retail & SME segment, and (2) corporate and public sector loans (including real estate loans) provided, and corporate and public sector bonds held, by the Corporates & Public segment.
- The banking sector in general and BAWAG Group in particular are affected by developments of the regulatory environment applicable to financial institutions. BAWAG Group operates in an industry that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies. The ongoing development of regulatory requirements has had and will likely continue to have an impact on BAWAG Group's results of operations in a number of ways.
- The banking sector is intensely competitive and BAWAG Group is subject to intense competition by traditional banks and new financial technology companies (so-called 'FinTechs') in both its retail and non-retail businesses.
- BAWAG Group's results depend on its ability to maintain and grow customer deposits as well as on its access to wholesale funding. Its results depend on its ability to maintain and grow customer deposits as well as access wholesale funding. Retail and corporate deposits have historically been the core part of BAWAG Group's funding strategy and are expected to continue to be the primary source of funding. BAWAG Group supplements its deposit funding with a diversified strategy of wholesale funding. BAWAG Group raises wholesale funding mainly from various institutional investors, and BAWAG Group has issued unsecured bonds, covered bonds secured by mortgage and public sector collateral, and residential mortgage-backed securities (RMBS).

- BAWAG Group has to adapt to emerging technologies and changes in customer behavior driven by increasing digitalisation of the banking business. In recent years, the share of banking transactions conducted via internet or mobile banking platforms on smartphones or tablets in the markets in which BAWAG Group operates has grown and is expected to grow further. The digitalization trend is particularly relevant for direct banking but is also significantly reshaping retail banking. The ongoing shift to digital and self-service channels is also a key factor for the Retail & SME segment and the migration of customers towards digital and customer care channels has progressed significantly.
- BAWAG Group's operations and results were and are significantly impacted by the integration of various acquired businesses.

6.5 Employees

The following tables show, as of the end of the financial years ended 31 December 2019 and 2018, the number of employees as well as the full-time equivalent employees of BAWAG Group.

Headcount – salaried employees	As of and for the financial year ended 31 December	
	2019	2018
	(unaudited)	
Number of employees on reporting date.....	4,353	4,141
Average number of employees	4,367	4,108

Source: Issuer information.

Full-time equivalents – salaried employees	As of and for the financial year ended 31 December	
	2019	2018
	(unaudited)	
Number of employees on reporting date.....	3,696	3,474
Average number of employees	3,694	3,439
Active employees ¹⁾	3,249	2,999

¹⁾ Excluding employees on any form of temporary leave or who have entered into an agreement under a social compensation scheme.

Source: Issuer information.

6.6 Financial Information

6.6.1 Historical financial information

6.6.1.1 Financial years ended 31 December 2019 and 31 December 2018

The Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019 together with the auditors' report thereon are incorporated by reference into this Prospectus (see "10.1 Documents Incorporated by Reference" below).

The Audited Consolidated Annual Financial Statements of BAWAG Group AG 2018 together with the auditors' report thereon are incorporated by reference into this Prospectus (see "10.1 Documents Incorporated by Reference" below).

6.6.1.2 Six-month period ended 30 June 2020

The Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020 are incorporated by reference into this Prospectus (see "10.1 Documents Incorporated by Reference" below).

6.6.2 Selected financial information

6.6.2.1 Selected financial information for the financial years ended 31 December 2019 and 31 December 2018

The following tables show selected financial information of BAWAG Group that are, in the case of financial information shown as 'audited', taken from the Audited Consolidated Financial Statements of BAWAG Group AG 2019, or based on such statements or taken from the internal reporting of BAWAG Group:

Financial position	As of				
	31 December 2018	31 March 2019	30 June 2019	30 September 2019	31 December 2019
(in € million)	(audited, unless otherwise stated)	(unaudited)	(unaudited)	(unaudited)	(audited, unless otherwise stated)
Total assets					
Cash reserves	1,069	2,342	803	750	1,424
Financial assets held for trading	351	368	409	451	353
Financial assets at fair value through profit or loss	504	499	537	867	740
Fair value through other comprehensive income	3,039	2,959	3,069	3,362	3,631
Financial assets at amortised cost	38,334	38,737	37,631	38,672	37,556
thereof: Customers	30,482	30,197	31,062	30,737	30,467
Debt instruments	3,512	3,354	2,955	2,264	1,369
Credit institutions	4,340	5,186	3,614	5,671	5,720
Valuation adjustment on interest rate risk hedged portfolios	1	3	4	7	5
Hedging derivatives	401	410	494	473	397
Tangible non-current assets	234 ¹⁾	496	637	644	707 ¹⁾
Intangible non-current assets	505 ¹⁾	540	569	556	569 ¹⁾
Tax assets for current taxes	15	10	12	11	15
Tax assets for deferred taxes	75	53	26	9	8
Other assets	170 ¹⁾	171	272	168	257 ¹⁾
Total assets	44,698	46,588	44,463	45,970	45,662
Average interest-bearing assets	38,532¹⁾	37,983	38,392	38,610	37,621¹⁾
Total liabilities and equity					
Total liabilities	40,693¹⁾	42,483	40,477	41,869	41,834¹⁾
Financial liabilities designated at fair value through profit or loss	576	527	515	483	369
Financial liabilities held for trading	301	353	348	424	334
Financial liabilities at amortised cost	38,325	39,555	37,696	38,322	38,543
thereof: Customers	30,195	30,535	30,089	30,245	30,378
Issued bonds, subordinated and supplementary capital	3,849	4,220	4,682	4,680	5,080
Credit institutions	4,281	4,800	2,925	3,397	3,085
Financial liabilities associated with transferred assets	150	155	99	602	729
Valuation adjustment on interest rate risk hedged portfolios	156	272	390	484	337
Hedging derivatives	104	169	39	207	116
Provisions	465	471	476	471	480
Tax liabilities for current taxes	8	13	18	24	34

Financial position	As of				
	31 December 2018	31 March 2019	30 June 2019	30 September 2019	31 December 2019
(in € million)	(audited, unless otherwise stated)	(unaudited)	(unaudited)	(unaudited)	(audited, unless otherwise stated)
Tax liabilities for deferred taxes.....	11	11	16	25	54
Other obligations.....	597	957	880	827	838
Total equity.....	4,005	4,105	3,986	4,101	3,828^{1) 2)}
thereof: Equity attributable to the owners of the parent (ex AT 1 capital).....	3,706	3,806	3,688	3,803	3,527
AT 1 capital.....	298	298	297	297	297
Non-controlling interests.....	1	1	1	1	4
Total liabilities and equity.....	44,698	46,588	44,463	45,970	45,662

¹⁾ Unaudited.

²⁾ Total equity accounts for the effect of the share buyback of € 400 million in the fourth quarter 2019.

Source: Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019 or Issuer information.

	As of				
	31 December 2018	31 March 2019	30 June 2019	30 September 2019	31 December 2019
(in € million, unaudited)					
Customer deposits and own issues ¹⁾	34,620	35,282	35,286	35,408	35,827

¹⁾ Calculated by adding the line items 'financial liabilities designated at fair value through profit or loss', 'financial liabilities – at amortised costs – customers' and 'financial liabilities – at amortised costs – issued bonds, subordinated and supplementary capital' from BAWAG Group's financial statements or internal reporting.

Source: Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019 or Issuer information

Profit and loss statement	For the 3-month period ended 31 December 2018	For the financial year ended 31 December 2018	For the 3-month period ended				For the financial year ended 31 December 2019
			31 March 2019	30 June 2019	30 September 2019	31 December 2019	
(in € million)	(unaudited)	(audited, unless otherwise stated)		(unaudited)			(audited, unless otherwise stated)
Net interest income	216.3	840.5	214.5	220.6	220.0	223.9	879.0
Net fee and commission income	70.2	282.8	72.5	70.0	70.8	70.0	283.5
Core Revenues¹⁾	286.5	1,123.3³⁾	287.1	290.6	290.8	293.9	1,162.5³⁾
Gains and losses on financial instruments and other operating income and expenses ²⁾	3.4	47.4 ³⁾	11.2	22.4	24.1	20.4	78.0 ³⁾
Operating income	289.9	1,170.7³⁾	298.3	313.0	314.9	314.3	1,240.5³⁾
Operating expenses²⁾	(136.4)	(517.9³⁾	(126.4)	(136.0)	(133.4)	(133.9)	(529.7³⁾
Regulatory charges ²⁾	1.5	(40.1) ³⁾	(34.2)	(2.9)	(2.1)	(3.2)	(42.4) ³⁾
Total risk costs	(13.2)	(45.1)	(11.9)	(15.3)	(17.1)	(25.0)	(69.3)
Share of the profit or loss of associates accounted for using the equity method	1.2	5.1	1.2	1.2	1.2	1.6	5.2
Profit before tax	143.0	572.7	127.0	160.0	163.5	153.8	604.3

Profit and loss statement	For the 3-month period ended 31 December 2018	For the financial year ended 31 December 2018	For the 3-month period ended				For the financial year ended 31 December 2019
			31 March 2019	30 June 2019	30 September 2019	31 December 2019	
(in € million)	(unaudited)	(audited, unless otherwise stated)	(unaudited)				(audited, unless otherwise stated)
Income taxes	(34.4)	(136.2)	(30.2)	(38.3)	(39.1)	(37.4)	(145.0)
Net profit	108.6	436.5	96.8	121.7	124.4	116.1	459.1

¹⁾ The number or ratio is an APM. For a definition, see "6.6.3 Alternative performance measures" below.

²⁾ In accordance with IFRS, the item 'Other operating income and expenses', as shown in the Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019, also includes regulatory charges. The item 'Operating expenses' includes regulatory charges as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown separately.

³⁾ Unaudited.

Source: Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019 or Issuer information.

The following tables show selected financial information from the segment reporting of BAWAG Group for its business segments Retail & SME and Corporates & Public:

Retail & SME	For the 3-month period ended 31 December 2018	For the financial year ended 31 December 2018	For the 3-month period ended				For the financial year ended 31 December 2019
			31 March 2019	30 June 2019	30 September 2019	31 December 2019	
(in € million)	(unaudited)	(unaudited)	(unaudited)				(unaudited)
Net interest income	146.5	575.4	147.0	156.8	158.7	163.6	626.0
Net fee and commission income	58.2	236.1	61.6	60.5	60.3	59.9	242.2
Core Revenues¹⁾	204.7	811.5	208.5	217.2	219.1	223.4	868.3
Operating income	213.4	830.0	208.9	217.5	220.1	224.2	870.8
Operating expenses	(90.5)	(350.9)	(87.1)	(98.2)	(97.4)	(90.3)	(372.9)
Regulatory charges	3.1	(26.0)	(23.2)	(0.8)	(1.4)	(1.7)	(27.0)
Total risk costs	(19.2)	(62.3)	(15.2)	(17.0)	(18.1)	(25.9)	(76.3)
Profit before tax	106.8	390.9	83.5	101.4	103.2	106.4	394.6
Net profit	80.1	293.2	62.6	76.1	77.4	79.8	295.9

¹⁾ The number or ratio is an APM. For a definition, see "6.6.3 Alternative performance measures" below.

Source: Issuer information.

Corporates & Public	For the 3-month period ended 31 December 2018	For the financial year ended 31 December 2018	For the 3-month period ended				For the financial year ended 31 December 2019
			31 March 2019	30 June 2019	30 September 2019	31 December 2019	
(in € million)	(unaudited)	(unaudited)	(unaudited)				(unaudited)
Net interest income	63.8	250.4	64.7	61.3	61.7	61.4	249.1
Net fee and commission income	12.4	48.6	11.6	10.1	10.8	10.5	43.0
Core Revenues¹⁾	76.2	299.0	76.3	71.4	72.5	71.9	292.1

Corporates & Public	For the 3-month period ended 31 December 2018	For the financial year ended 31 December 2018	For the 3-month period ended				For the financial year ended 31 December 2019
			31 March 2019	30 June 2019	30 September 2019	31 December 2019	
(in € million)	(unaudited)	(unaudited)			(unaudited)		(unaudited)
Operating income	83.4	309.8	76.6	71.0	71.4	73.3	292.3
Operating expenses	(29.2)	(120.0)	(27.1)	(25.7)	(25.0)	(22.3)	(100.1)
Regulatory charges	(1.0)	(8.9)	(7.1)	(1.4)	(0.6)	(0.9)	(10.0)
Total risk costs	7.1	17.8	4.6	3.8	(0.2)	(0.6)	7.6
Profit before tax	60.2	198.7	47.0	47.7	45.7	49.4	189.8
Income taxes	(15.1)	(49.7)	(11.8)	(11.9)	(11.4)	(12.4)	(47.5)
Net profit	45.1	149.0	35.3	35.8	34.2	37.1	142.4

¹⁾ The number or ratio is an APM. For a definition, see "6.6.3 Alternative performance measures" below.

Source: Issuer information.

6.6.2.2 Selected financial information for the six-month period ended 30 June 2020

The following tables show selected financial information of BAWAG Group that are taken from the Unaudited Consolidated Interim Statements of BAWAG Group AG 2020, or based on such statements or taken from the internal reporting of BAWAG Group:

Financial position	31 March 2020	30 June 2020
(in € million)	(unaudited)	
Cash reserves.....	535	843
Financial assets held for trading.....	364	375
Financial assets at fair value through profit or loss.....	831	811
Fair value through other comprehensive income.....	4,378	5,140
Financial assets at amortised cost.....	38,256	42,135
thereof: Customers.....	31,110	31,372
Debt instruments.....	2,051	2,500
Credit institutions.....	5,095	8,263
Valuation adjustment on interest rate risk hedged portfolios.....	6	17
Hedging derivatives.....	609	423
Tangible non-current assets.....	704	501
Intangible non-current assets.....	565	555
Tax assets for current taxes.....	14	13
Tax assets for deferred taxes.....	8	7
Other assets.....	240	260
Total assets.....	46,510	51,278
Average interest-bearing assets	38,095	40,414
Total liabilities.....	42,708	47,319
Financial liabilities designated at fair value through profit or loss.....	350	332
Financial liabilities held for trading.....	357	355
Financial liabilities at amortised cost.....	39,381	43,504
thereof: Customers.....	29,632	30,249
Issued bonds, subordinated and	5,401	5,277

Financial position	31 March 2020	30 June 2020
(in € million)	(unaudited)	
supplementary capital.....		
Credit institutions.....	4,348	7,978
Financial liabilities associated with transferred assets.....	875	918
Valuation adjustment on interest rate risk hedged portfolios.....	366	387
Hedging derivatives.....	94	61
Provisions.....	443	457
Tax liabilities for current taxes.....	36	44
Tax liabilities for deferred taxes.....	36	78
Other obligations.....	770	1,183
Total equity.....	3,802	3,959
thereof: Equity attributable to the owners of the parent (ex AT 1 capital).....	3,501	3,657
AT 1 capital.....	297	297
Non-controlling interests.....	4	4
Total liabilities and equity.....	46,510	51,278

Source: Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020 or Issuer information.

	31 March 2020	30 June 2020
(in € million)	(unaudited)	
Customer deposits and own issues ¹⁾	35,383	35,858

¹⁾ Calculated by adding the line items 'financial liabilities designated at fair value through profit or loss', 'financial liabilities – at amortised costs – customers' and 'financial liabilities – at amortised costs – issued bonds, subordinated and supplementary capital' from BAWAG Group's financial statements or internal reporting.

Source: Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020 or Issuer information.

Profit and loss statement	For the 3-month period ended		For the 6-month period ended	
	31 March 2020	30 June 2020	30 June 2019	30 June 2020
(in € million)	(unaudited)		(unaudited)	
Net interest income	219.9	227.8	435.1	447.7
Net fee and commission income	71.9	55.8	142.6	127.7
Core Revenues¹⁾	291.8	283.6	577.7	575.4
Gains and losses on financial instruments and other operating income and expenses ²⁾	3.8	0.6	33.6	4.4
Operating income	295.6	284.2	611.3	579.8
Operating expenses²⁾	(125.0)	(124.7)	(262.3)	(249.6)
Regulatory charges ²⁾	(36.4)	(2.5)	(37.1)	(38.8)
Total risk costs	(55.0)	(74.6)	(27.2)	(129.6)
Share of the profit or loss of associates accounted for using the equity method	1.3	(1.6)	2.4	(0.4)

Profit and loss statement	For the 3-month period ended		For the 6-month period ended	
	31 March 2020	30 June 2020	30 June 2019	30 June 2020
(in € million)	(unaudited)		(unaudited)	
Profit before tax	80.5	80.8	287.1	161.3
Income taxes	(19.3)	(19.3)	(68.5)	(38.6)
Net profit	61.2	61.2	218.6	122.3

¹⁾ The number or ratio is an APM. For a definition, see "6.6.3 Alternative performance measures" below.

²⁾ In accordance with IFRS, the item 'Other operating income and expenses', as shown in the Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020, also includes regulatory charges. The item 'Operating expenses' includes regulatory charges as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown separately.

³⁾ Unaudited.

Source: Issuer information.

The following tables show selected financial information from the segment reporting of BAWAG Group for its business segments Retail & SME and Corporates & Public:

Retail & SME	For the 3-month period ended		For the 6-month period ended	
	31 March 2020	30 June 2020	30 June 2019	30 June 2020
(in € million)	(unaudited)		(unaudited)	
Net interest income	168.1	166.2	303.7	334.3
Net fee and commission income	61.8	47.7	122.0	109.4
Core Revenues¹⁾	229.9	213.8	425.8	443.7
Operating income	232.4	215.6	426.4	447.9
Operating expenses	(90.1)	(90.0)	(185.3)	(180.1)
Regulatory charges	(25.2)	(0.7)	(24.0)	(25.9)
Total risk costs	(42.2)	(35.7)	(32.2)	(77.9)
Profit before tax	74.9	89.1	184.9	164.0
Net profit	56.2	66.8	138.7	123.0

¹⁾ The number or ratio is an APM. For a definition, see "6.6.3 Alternative performance measures" below.

Source: Issuer information.

Corporates & Public	For the 3-month period ended		For the 6-month period ended	
	31 March 2020	30 June 2020	30 June 2019	30 June 2020
(in € million)	(unaudited)		(unaudited)	
Net interest income	58.4	59.5	126.0	117.9
Net fee and commission income	10.7	8.9	21.6	19.6
Core Revenues¹⁾	69.1	68.4	147.7	137.5
Operating income	70.7	68.7	147.7	139.3
Operating expenses	(21.3)	(20.5)	(52.8)	(41.8)
Regulatory charges	(6.5)	(1.0)	(8.5)	(7.5)
Total risk costs	(11.9)	(28.3)	8.4	(40.2)
Profit before tax	31.0	18.9	94.8	49.9
Net profit	23.3	14.2	71.1	37.4

¹⁾ The number or ratio is an APM. For a definition, see "6.6.3 Alternative performance measures" below.

Source: Issuer information.

6.6.3 Alternative performance measures

Monitoring and management at BAWAG Group are based on a consistent and integrated key performance indicator system (KPI system), which assists executives in the management of BAWAG Group. The KPI system comprises the dimensions of profitability, growth in the segments, risk limitation, liquidity and capital. As is customary in BAWAG Group's industry, some of these figures are based on IFRS, whereas others are used in addition to the IFRS financial measures and measures under Austrian generally accepted accounting principles, in order to evaluate, monitor and manage the business ("**APM**").

Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this Prospectus. Investors are cautioned not to place undue reliance on these APMs and are also advised to review them in conjunction with the financial statement and related notes included elsewhere in this Prospectus. The following list includes explanations of the definitions of certain APMs based on BAWAG Group's financial statements, as well as information regarding such APMs relevance:

APM	Definition	Relevance of its use / reasons for changes to the definition
Common equity less dividend accruals ("Common equity less dividend accruals")	Calculated as the line item 'equity attributable to the owners of the parent' set forth in the financial statements (" IFRS Equity ") less dividend accruals.	Common equity and Tangible common equity are viability indicators for banks and facilitate the comparison of equity figures. Tangible common equity excludes intangible assets. BAWAG Group AG believes that the deduction of dividend accruals to reflect the Issuer's dividend policy will provide investors with a more accurate performance metric.
Tangible common equity less dividend accruals ("Tangible common equity less dividend accruals ")	Calculated as the line item 'equity attributable to the owners of the parent' less the carrying amount of intangible non-current assets as set forth in the financial statements (" Tangible common equity ") less dividend accruals.	
Return on common equity ("Return on common equity")	Calculated by dividing net profit by the average Common equity less dividend accruals. The average Common equity less dividend accruals is calculated by adding the respective end values of the current and the preceding period and dividing the sum by two. Before 1 January 2020, the figure was calculated on the basis of average IFRS Equity.	These metrics provide a profitability measure for both management and investors by expressing the net profit as presented in the financial statements as a percentage of the respective underlying. Return on common equity and Return on tangible common equity demonstrate profitability of the bank on the equity invested by its shareholders and thus the success of their investment. BAWAG Group AG believes that the deduction of dividend accruals to reflect the Issuer's dividend policy will provide investors with a more accurate performance metric.
Return on Tangible Common Equity ("Return on Tangible Common Equity" or "RoTCE")	Calculated by dividing net profit by the average Tangible common equity less dividend accruals. The average Tangible common equity less dividend accruals is calculated by adding the respective end values of the current and the preceding period and dividing the sum by two. Before 1 January 2020, the figure is was calculated on the basis of average Tangible	

APM	Definition	Relevance of its use / reasons for changes to the definition
	common equity.	
Net Interest Margin ("Net Interest Margin")	The line item net interest income divided by average interest-earning assets. The average balance of interest-earning assets is calculated by adding the balance at the end of each month of the financial year and dividing the sum by 12.	Net Interest Margin is a performance measure and is expressed as a percentage of what BAWAG Group earns on loans and other interest-earning assets in a time period less the interest it pays on deposits and other liabilities during such period divided by average interest-earning assets. It is used for external comparison with other banks as well as internal profitability measurement of products and segments.
Cost-Income Ratio ("Cost-Income Ratio")	Calculated by dividing operating expenses by operating income. Numbers for operating expenses do not include certain regulatory charges that are otherwise included in the line item other operating income and expenses reported on the level of BAWAG Group in the financial statements. Consequently, such regulatory charges are disregarded for the calculation of the cost-income-ratio. The Cost-Income Ratio is also shown on the segment level of BAWAG Group for the business segments Retail & SME and Corporates & Public.	Shows operating expenses in relation to operating income, so giving a view of operation efficiency. Management uses the Cost-Income Ratio as a measure of BAWAG Group's efficiency and to compare its efficiency with other financial institutions.
Core Revenues ("Core Revenues")	Calculated as the sum of net interest income and net fee and commission income. Core Revenues are also shown on the segment level of BAWAG Group for the business segments Retail & SME and Corporates & Public.	Core Revenues demonstrate the success of the bank in its core activities.
Risk Cost Ratio ("Risk Cost Ratio")	Calculated by dividing total risk costs by total interest bearing assets.	This ratio is a measure for the quality of credit risk management and the loan portfolio itself. It provides a relative view of the risk costs for the period based on the average interest bearing assets and allows benchmarking with other banks. Low risk costs may result from a high collateralization and/or a close monitoring of the credit rating of the customers. As a result, this implies that there are only few actual credit losses and little need for provisioning.

6.6.3.1 Financial years ended 31 December 2019 and 31 December 2018

The tables below sets out certain APMs that are based on the Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019 and 2018 and on internal reporting, including segment reporting, of BAWAG Group:

	As of				
	31 December 2018	31 March 2019	30 June 2019	30 September 2019	31 December 2019
	(unaudited)				
BAWAG Group					
Common equity less dividend accruals (in € million)	3,491	3,542	3,579	3,632	3,297
Tangible common equity less dividend accruals (in € million)	2,987	3,003	3,009	3,076	2,728

Source: Issuer information.

	For the 3- month period ended 31 Decemb er 2018	For the financial year ended 31 Decemb er 2018	For the 3-month period ended				For the financial year ended 31 December 2019
			31 March 2019	30 June 2019	30 September 2019	31 December 2019	
	(unaudited)	(unaudited)	(unaudited)				(unaudited)
BAWAG Group							
Return on common equity	12.5%	12.7%	11.0%	13.7%	13.8%	13.4%	13.5%
Return on tangible common equity	14.5%	14.8%	12.9%	16.2%	16.4%	16.0%	16.1%
Net Interest Margin	2.25%	2.21%	2.26%	2.30%	2.28%	2.36%	3.60%
Cost-Income Ratio	47.1%	44.2%	42.4%	43.5%	42.4%	42.6%	42.7%
Core Revenues (in € million)	286.5	1,123.3	287.1	290.6	290.8	293.9	1,162.5
Risk Cost Ratio	0.14%	0.12%	0.13%	0.16%	0.18%	0.27%	0.18%
Retail & SME							
Return on tangible common equity	25.0%	22.7%	20.0%	23.5%	23.1%	24.6%	23.5%
Core Revenues (in € million)	204.7	811.5 ¹⁾	208.5	217.2	219.1	223.4	868.3
Cost-Income Ratio	42.4%	42.3%	41.7%	45.1%	44.3%	40.3%	42.8%
Corporates & Public							
Return on tangible common equity	16.1%	13.4%	12.8%	13.6%	13.2%	15.6%	14.4%
Core Revenues (in € million)	76.2	299.0 ¹⁾	76.3	71.4	72.5	71.9	292.1
Cost-Income Ratio	35.0%	38.7%	35.4%	36.2%	35.0%	30.4%	34.2%

Source: Issuer information.

6.6.3.2 Six-month period ended 30 June 2020

The tables below sets out certain APMs that are based on the Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020 and on internal reporting, including segment reporting, of BAWAG Group:

	31 March 2020	30 June 2020
	(unaudited)	
BAWAG Group		
Common equity less dividend accruals (in € million)	3,240	3,366
Tangible common equity less dividend accruals (in € million)	2,675	2,811

Source: Issuer information.

	For the 3-month period ended		For the 6 month period ended	
	31 March 2020	30 June 2020	30 June 2019	30 June 2020
	(unaudited)		(unaudited)	
BAWAG Group				
Return on common equity	7.5%	7.4%	12.5%	7.3%
Return on tangible common equity	9.1%	8.9%	14.6%	8.8%
Net Interest Margin	2.32%	2.27%	2.28%	2.28%
Cost-Income Ratio	42.3%	43.9%	42.9%	43.0%
Core Revenues (in € million)	291.8	283.6	577.7	575.4
Risk Cost Ratio	0.58%	0.74%	0.14%	0.66%
Retail & SME				
Return on tangible common equity	18.3%	22.1%	21.3%	19.8%
Core Revenues (in € million)	229.9	213.8	425.8	443.7
Cost-Income Ratio	38.8%	41.7%	43.5%	40.2%
Corporates & Public				
Return on tangible common equity	11.1%	6.7%	13.2%	8.7%
Core Revenues (in € million)	69.1	68.4	147.7	137.5
Cost-Income Ratio	30.1%	29.8%	35.7%	30.0%

Source: Issuer information.

6.7 Capital position and requirements

6.7.1 Minimum capital requirements and regulatory ratios

BAWAG Regulatory Group must satisfy certain minimum capital requirements under EU banking regulation, in particular under Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("**CRD IV**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("**CRR**"), as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (the CRR as amended by Regulation (EU) 2019/876, the "**CRR II**").

The minimum capital requirements (so-called 'Pillar 1 requirements') for EU and thus Austrian credit institutions are primarily set forth in the CRR II. The CRR II requires each credit institution to maintain an adequate level of regulatory capital in relation to its risks. Relevant risks include, in particular, credit risk, market risk and operational risk (including, among other things, risks related to certain external factors, as well as to technical errors and errors of employees). CET 1 capital forms the key component of a credit institution's regulatory capital for compliance with the capital requirements under the CRR. CET 1 capital primarily consists of share capital, retained earnings and other reserves, subject to certain regulatory adjustments. Another component of regulatory capital is Additional Tier 1 ("**AT 1**") capital, which includes, for example, certain unsecured subordinated perpetual capital instruments and related share premium accounts. Generally, the terms and conditions of all instruments recognised as AT 1 capital must require that the principal amount of the instruments will be written down, or converted into CET 1 capital when the CET 1 capital ratio of the relevant institution falls below a minimum of 5.125% (or such higher level as the issuing institution may determine), although regulators may require a higher trigger, for example for stress-testing purposes. CET 1 capital and AT 1 capital together constitute "Tier 1" capital. Tier 1 capital requirements are aimed at ensuring the ability to absorb losses on a "going concern" basis. Tier 2 capital forms the lower tier of the regulatory capital and generally consists of long-term subordinated debt instruments with loss absorption capacity only on a "gone concern" basis. Tier 1 capital and tier 2 capital together

constitute the "own funds" of a credit institution. The CRR II gradually excludes certain existing capital instruments (which have been issued in the past) from their eligibility as own funds (so-called 'phasing out') or reclassifies those instruments to a lower own funds quality. For example, existing hybrid capital instruments will, over time, be phased out as AT 1 capital.

The minimum requirements for Tier 1 capital amount to 6% since 1 January 2015. The total capital ratio without capital buffers has remained at 8% of risk-weighted assets.

The introduction of capital buffers is addressed in the CRD IV and implemented into Austrian law by the BWG and the Capital Buffers Regulation (*Kapitalpuffer-Verordnung – KP-V*). All capital buffers have to consist of CET 1 capital. The BWG requires Austrian credit institutions to have a permanent capital conservation buffer of 2.5% of risk-weighted assets. Furthermore, the following additional capital buffers may be prescribed by national legislators or supervisory authorities:

- a countercyclical capital buffer of up to 2.5% of risk-weighted assets generated in the respective EU member state (for Austria and Germany, the relevant national countercyclical capital buffer rates have been set by the FMA and the BaFin at 0% as of 2019, respectively. The countercyclical capital buffer is hence expected to fluctuate from time to time. For example, prior to the outbreak of the Coronavirus pandemic, BaFin set a national countercyclical capital buffer of 0.25%, which would have applied from 1 July 2020. However, due to the outbreak of the Coronavirus pandemic, BaFin reduced the national countercyclical capital buffer to 0% until 31 December 2020. This time limit may be extended and will be followed by a phase-in period of 12 months such that the reduction is expected to remain effective at least until early 2022. Also, other countries reduced the respective national countercyclical capital buffer requirements. Presently, a countercyclical buffer of 0.008% (based on risk-weighted assets as of 30 June 2020) applies to BAWAG Regulatory Group;
- a systemic risk buffer (for Austrian credit institutions, the systemic risk buffer may be set between 1 and 2% and is relevant since 1 January 2016; for BAWAG Regulatory Group, a systemic risk buffer has been set by the FMA at 1%);
- a buffer for global systemically important institutions (which does not apply to BAWAG Regulatory Group); and
- a buffer for other systemically important institutions (which generally applies to BAWAG Regulatory Group, but is currently not materially relevant since the systemic risk buffer is equal to the buffer for other systemically important institutions and only the higher of those two buffers is applied; under CRD V, which must be implemented by the EU member states by 29 December 2020, the buffer for other systemically important institutions will however be applied cumulatively with the systemic risk buffer).

The Austrian Financial Market Stability Board (*Finanzmarktstabilitätsgremium*) issued a recommendation to reduce both the systemic risk buffer and the buffer for other systemically important institutions from 1% to 0.5% as of 29 December 2020.

In addition, the regulatory authorities that oversee BAWAG Regulatory Group, in particular the ECB within the SSM, may, in connection with the SREP or otherwise, conduct stress tests and have discretion to impose additional capital requirements for risks that are not otherwise recognised in the statutory capital requirements or other surcharges depending on the individual situation of the bank and may also take or require to be performed, other measures such as restrictions on or changes to a bank's business. In this context, the ECB has imposed and is expected to impose in the future on an annual basis on BAWAG Regulatory Group individual capital requirements resulting from the SREP which are referred to as 'Pillar 2 requirements'. With regard to the Pillar 2 requirement, on 12 March 2020, the ECB announced that it would change its supervisory practice in light of the impact of the outbreak of the Coronavirus pandemic on European economies to enable institutions to continue financing households and corporates. Effectively anticipating the new general principle for the capital composition of "Pillar 2" requirements under CRD V, BAWAG Regulatory Group must meet a Pillar 2 requirement of 2% own funds with at least 1.5% Tier 1 capital, thereof at least 1.125% CET 1 capital, and may consequently use 0.375% AT 1 capital and 0.5% Tier 2 capital to meet such requirement. Furthermore, the ECB announced that it would allow institutions subject to its supervision to operate temporarily below the level of own funds required to meet the capital conservation buffer and that it will allow banks sufficient time to build up the buffer again.

Also following the SREP, the ECB may communicate to individual banks or banking groups, including BAWAG Regulatory Group, (and has done so in the past) an expectation to hold further CET 1 capital, the so-called 'Pillar 2 guidance'. Although the Pillar 2 guidance is not legally binding and failure to meet the Pillar 2 guidance

does not automatically trigger legal action, the ECB has stated that it expects banks to meet the Pillar 2 guidance. However, in light of the impact of the Coronavirus pandemic on banks, it announced on 12 and 20 March 2020, that it allows banks to operate below the Pillar 2 guidance until further notice and that it will not attach any negative judgment to banks making use of such relief measure.

6.7.1.1 BAWAG Regulatory Group's regulatory capital requirements

BAWAG Regulatory Group must fulfil a SREP CET 1 ratio of 9.13% (comprising the 4.5%, Pillar 1 base requirement (minimum CET 1 capital ratio), the capital conservation buffer of 2.5% of risk-weighted assets, the countercyclical buffer of 0.008% (based on risk-weighted assets as of 30 June 2020), the systemic risk buffer of 1.00% and the 1.125% Pillar 2 requirement). For 2020, the Pillar 2 guidance has been set at 1.0%.

As of 30 June 2020, BAWAG Group's CET 1 ratio (fully loaded) amounted to 13.4%, including deductions for the approximately € 230 million dividend earmarked for the financial year 2019 and accruals of approximately € 61 million for the six-month period ended 30 June 2020 (dividend accrual in line with BAWAG Group's dividend policy of 50% payout ratio of net profits) having a combined effect of approximately -140 bps on BAWAG Group's CET 1 ratio. BAWAG Group's CET 1 ratio of 13.4% as of 30 June 2020 represents a distance of approximately 8.3% (equivalent to approximately € 1.7 billion CET 1 capital) to the level of 5.125% at which a Trigger Event (as defined in the Terms and Conditions of the Notes) resulting in a partial or full Write-Down (as defined in the Terms and Conditions of the Notes) of the Notes would have occurred.

6.7.1.2 Regulatory figures and ratios for the financial years ended 31 December 2019 and 31 December 2018

The following table shows key regulatory figures and ratios of BAWAG Regulatory Group, including information for the business segments Retail & SME and Corporates & Public:

Regulatory figures and ratios ¹⁾	As of				
	31 December 2018	31 March 2019	30 June 2019	30 September 2019	31 December 2019
	(unaudited)				
BAWAG Group					
Common Equity Tier 1 capital (in € million)	2,974	3,043	3,132	3,244	2,705
Own funds (in € million).....	3,347	3,823	3,915	4,015	3,468
Total risk-weighted assets (in € million)	20,465	20,458	20,727	20,612	20,385
Common equity tier 1 (CET 1) ratio (fully loaded)	14.5%	14.9%	15.1%	15.7%	13.3%
Total capital ratio.....	16.3%	18.7%	18.9%	19.5%	17.0%
Leverage ratio (fully loaded) ¹⁾	7.1%	7.0%	7.4%	7.2%	6.5%
Liquidity coverage ratio ²⁾	179%	209%	148%	143%	146%
NPL ratio ³⁾	1.7%	1.8%	1.8%	1.9%	1.7%
Retail & SME					
NPL ratio ³⁾	1.9%	2.0%	1.9%	2.0%	1.9%
Corporates & Public					
NPL ratio ³⁾	1.2%	1.3%	1.2%	1.6%	1.0%

¹⁾ Calculated in accordance with regulatory requirements.

¹⁾ The leverage ratio is calculated pursuant to Article 429 CRR as an institution's capital measure divided by that institution's total exposure measure, expressed as a percentage, and is designed to discourage the build-up of excessive leverage by the Issuer.

²⁾ Calculated in accordance with Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions. The liquidity coverage ratio, according to Article 412 (1) CRR, is designed to promote short-term resilience of the BAWAG Regulatory Group's liquidity risk profile and aims to ensure that the Issuer has an adequate stock of unencumbered high quality liquid assets (HQLA) to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

³⁾ Calculated as the sum of non-performing loans and advances divided by total gross loans and advances (exposure) in accordance with the European Banking Associations' Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

Source: Issuer information.

6.7.1.3 Regulatory figures and ratios for the six-month period ended 30 June 2020

The following table shows key regulatory figures and ratios of BAWAG Regulatory Group, including information for the business segments Retail & SME and Corporates & Public:

Regulatory figures and ratios ¹⁾	As of	
	31 March 2020	30 June 2020
	(unaudited)	
BAWAG Group		
Common Equity Tier 1 capital (in € million) ⁴⁾	2,648	2,777
Own funds (in € million) ⁴⁾	3,408	3,528
Total risk-weighted assets (in € million)	20,881	20,750
Common equity tier 1 (CET 1) ratio (fully loaded)	12.7%	13.4%
Tier 1 ratio	14.1%	14.8%
Total capital ratio	16.3%	17.0%
Leverage ratio (fully loaded) ¹⁾	6.3%	5.9%
Liquidity coverage ratio ²⁾	135%	209%
NPL ratio ³⁾	1.6%	1.6%
Retail & SME		
NPL ratio ³⁾	1.9%	2.1%
Corporates & Public		
NPL ratio ³⁾	1.0%	1.1%

¹⁾ Calculated in accordance with regulatory requirements.

¹⁾ The leverage ratio is calculated pursuant to Article 429 CRR as an institution's capital measure divided by that institution's total exposure measure, expressed as a percentage, and is designed to discourage the build-up of excessive leverage by the Issuer.

²⁾ Calculated in accordance with Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions. The liquidity coverage ratio, according to Article 412 (1) CRR, is designed to promote short-term resilience of the BAWAG Regulatory Group's liquidity risk profile and aims to ensure that the Issuer has an adequate stock of unencumbered high quality liquid assets (HQLA) to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

³⁾ Calculated as the sum of non-performing loans and advances divided by total gross loans and advances (exposure) in accordance with the European Banking Associations' Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

⁴⁾ Includes deductions of approximately € 230 million dividend earmarked for the financial year 2019 and accruals of approximately € 61 million for the six-month period ended 30 June 2020 (dividend accrual in line with BAWAG Group's dividend policy of 50% payout ratio of net profits).

Source: Issuer information.

6.7.2 Minimum requirement for own funds and eligible liabilities

In order for banks to have available sufficient amounts of equity and debt eligible to absorb losses in resolution and to be utilised in case of a bail-in so that resolution can occur without recourse to public financial support, banks are required under the SRM Regulation and the Austrian Federal Act on the Recovery and Resolution of Banks (*Bundesgesetz über die Sanierung und Abwicklung von Banken – "BaSAG"*) to meet minimum requirements for eligible liabilities ("MREL") at all times. MREL requirements are determined on case-by-case basis for each institution or banking group by the competent resolution authority, which in the case of BAWAG Regulatory Group is the SRB. Under the legal regime after Regulation (EU) 2019/877 ("SRM Regulation II") coming into force and implementation of the amendments of the BRRD by Directive (EU) 2019/879 (the BRRD, as amended, "BRRD II"), MREL ratios, which are currently expressed as a percentage of the total liabilities and own funds of the relevant institution, will be expressed as percentages of the total risk exposure amount and the leverage ratio exposure measure. The SRB as the competent resolution authority for BAWAG Regulatory Group under the current SRM Regulation and future changes introduced by the Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms may also require that such percentage is wholly or partially composed of own funds or of a specific type of liabilities.

In the second calendar quarter of 2019, SRB set the first formal MREL requirement for BAWAG Group at 11.94% of Total Liabilities and Own Funds (TLOF). The MREL requirement is applicable on the consolidated level of BAWAG P.S.K. It is based on a single point of entry resolution strategy with BAWAG P.S.K. as the resolution entity. It was calibrated to equate to approximately 25.6% of risk-weighted assets (RWA), based on BAWAG P.S.K.'s financial statements as of 31 December 2017. This MREL decision does not contain a subordination requirement.

As of 31 December 2019, BAWAG Group reported MREL eligible instruments amounting to 13.7% of TLOF (or 30.2% of risk-weighted assets (RWA)) and was therefore in full compliance with the MREL requirement, based on the then applicable MREL decision.

In February 2020, a new MREL requirement of 11.93% of TLOF was set, superseding the previous MREL requirement. This equates to approximately 25.7% of risk-weighted assets (RWA), based on BAWAG P.S.K.'s financial statements as of 31 December 2018. In line with the Issuer's expectations, the new decision imposes a subordination requirement set at 8.19% of TLOF or approximately 17.6% of risk-weighted assets (RWA) (of which up to 2.2 percentage points can be met with non-subordinated instruments) and applies the "hybrid approach" restricting the MREL eligibility to instruments issued by BAWAG P.S.K. only (i.e., the point of entry). Own funds instruments (i.e., CET 1 instruments, AT 1 and Tier 2 instruments) remain eligible on a consolidated basis. The MREL requirements must be met by the second calendar quarter of 2023, with no binding interim targets set during the transitional period.

Based on BAWAG P.S.K.'s financial statements as of 30 June 2020 and applying the hybrid approach, an additional € 0.9 billion of MREL instruments would be necessary to meet the new 11.93% MREL requirement, which is only binding from the second calendar quarter of 2023.

On 20 May 2020, the SRB issued a new MREL policy, which it will apply under BRRD II and SRM Regulation II. This could lead to more stringent MREL requirements applicable to BAWAG Regulatory Group in 2021. However, the changes resulting from this new MREL policy are not yet fully foreseeable.

In line with BAWAG Group's overall capital management approach, BAWAG Group aims to proactively take measures to address MREL requirements on an accelerated basis.

6.7.3 Available Distributable Items

Available Distributable Items of the Issuer as at 31 December 2019 amounted to € 3,022 million. This figure is based on audited UGB/BWG (local Austrian accounting standard) accounts.

Based on the the minimum CET 1 capital requirement of 9.13% and the AT 1 capital shortfall of 0.43% as well as the Tier 2 shortfall of 0.33%, resulting in BAWAG Group having to satisfy portions of the Pillar 2 requirement with higher quality CET 1 capital, the effective CET 1 ratio at which BAWAG would be required to calculate the Maximum Distributable Amount (as defined in the Terms and Conditions of the Notes) stood at approximately 9.89% as of 30 June 2020. Compared with BAWAG Group's CET 1 ratio of 13.4% as of 30 June 2020, this represented a buffer to such threshold of approximately 3.5% (or approximately € 0.7 billion). Assuming no AT 1 capital and Tier 2 capital shortfalls as set out above, such buffer would have been approximately 4.3% (or approximately € 0.9 billion) as of 30 June 2020.

When making distributions (including distributions on the Notes) from Available Distributable Items, if any, the Issuer presently intends to give due consideration to the capital hierarchy and to preserve the seniority of claims. However, the Issuer may, at its full discretion, cancel payments in respect of the Notes at any time even if sufficient Available Distributable Items are available and despite the Issuer making payments on claims that rank *pari passu* or even junior to the claims under the Notes (see "2.2.7 The Issuer may, at its full discretion, cancel payments of distributions on the Notes. If the Issuer elects to cancel distribution payments or is prevented from making such payments by law or under the Terms and Conditions of the Notes, for example due to a *pre-insolvency restriction on Distributions, such cancellation will be definitive and non-cumulative.*"). Furthermore, no assurance can be made as to, and investors should not rely on, the availability of Available Distributable Items in the future.

6.8 Structure of BAWAG Group

BAWAG Group AG is the parent company of BAWAG Group. The following table provides an overview of major and other important direct and indirect subsidiaries of BAWAG Group AG as of the date of this Prospectus:

List of Main Operating Subsidiaries

Registered Office

BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft	Vienna
BFL Leasing GmbH	Eschborn
easyleasing GmbH	Vienna
Health Coevo AG	Hamburg
start:bausparkasse AG	Hamburg
start:bausparkasse AG	Vienna
SÜDWESTBANK Aktiengesellschaft ¹⁾	Stuttgart

¹⁾ Intended to be merged into BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (as absorbing entity).

6.9 Trend Information

6.9.1 Statement of no material adverse change / significant changes

Except for the adverse market conditions described in "6.9.2 *Recent developments and outlook*", there have been no material adverse changes in the prospects of BAWAG Group AG since the date of its last published audited financial statements, 31 December 2019.

There has been no significant change in the financial performance of BAWAG Group since 30 June 2020, the end of the last financial period for which interim financial information has been published, to the date of this Prospectus.

6.9.2 Recent developments and outlook

Economic Developments

Macro trends

Governments around the globe have implemented measures to counter the coronavirus (COVID-19) pandemic, which has resulted in subdued social and economic activity in various regions across the world that have had adverse effects on global economic growth. In addition, uncertainty about the future has resulted in a significant deterioration in market confidence during the first six months of 2020. Central banks, including the European Central Bank ("**ECB**"), the United States Federal Reserve and the Bank of England have implemented further expansionary monetary policy ranging from interest rate cuts, asset purchases and significant liquidity facilities for commercial banks. Additionally, governments have implemented stimulus measures to support the hardest hit sectors of the economy.

Governments with relatively balanced public finances and overall moderate debt levels before the pandemic acted quickly to support their national economies. Austria and Germany, introduced sizable stimulus packages totaling to 13% of GDP in Austria and approximately 30% of GDP in Germany.

The lockdown from 15 March to 14 April 2020 and the gradual restart of social and economic activity afterwards had a significant impact on most macroeconomic indicators in Austria. Austria's real gross domestic product (GDP) decreased by 2.6% in the first quarter 2020 versus the fourth quarter 2019, representing a less pronounced impact than in the Euro area, where GDP decreased by 3.6% versus the fourth quarter 2019. Leisure activities, tourism, restaurants and retail trade were most impacted by the lockdown while construction remained relatively stable. Manufacturing activity decreased due to the drag from international trade.

Unemployment peaked in April 2020 with more than half a million unemployed and recovered again in May. The government-funded short-time work initiative was utilised by up to 1.4 million people receiving close to full time equivalent compensation. As of July 2020, the number of employees under this initiative decreased to well below half a million. The unemployment rate of currently 5.4% (May 2020, Eurostat definition) is forecasted at 6.8% on average for the year 2020.

In Germany, GDP decreased by 2.2% in Q1 2020 versus Q4 2019. The uncertainty surrounding international trade relations during the pandemic led to a significant decrease of investments in equipment (*sources: ifo, Economic Forecast Summer 2020, July 2020; WIFO – Austrian Institute for Economic Research, WIFO Quarterly National Accounts, May 2020*).

Market developments

The challenging economic environment resulted in decreasing loan demand from private households for consumer loans on the Austrian lending market with outstanding volume decreasing by 5% since year-end 2019 and new business volume dropping (*source*: OeNB, Report on the economic situation, May 2020). Deposits from Austrian households increased during the COVID-19 pandemic despite the low interest rate environment. Loan demand from Austrian corporations was stable to increasing, with an increase in demand for short-term loans.

Recent funding activities

In January 2020, BAWAG's subsidiary BAWAG P.S.K. issued a mortgage covered bond with a volume of EUR 500 million.

Outlook

The unprecedented crisis is causing a high degree of uncertainty with regards to the economic outlook, triggering frequent revisions to forecasts that differ among various institutions. However, the scenarios of major forecasting institutions call for GDP decline in 2020 to be more pronounced than the contraction in the wake of the global economic and financial crisis of 2008/09. The ECB expects Euro Area GDP to decrease by 8.7% in 2020 under its baseline scenario and by 12.6% under its severe scenario of a prolonged pandemic and a second wave of infections. For comparison, in 2009 Euro Area GDP decreased by 4.5%, German GDP decreased by 5.7% and the Austrian GDP decreased by 3.8% (*source*: WIFO – Austrian Institute for Economic Research, WIFO Quarterly National Accounts, May 2020).

In the medium term, BAWAG Group targets a Return on tangible common equity (RoTCE) of more than 15% and a Cost-Income Ratio of less than 40%.

As of the date of this Prospectus, BAWAG Group targets a CET 1 ratio of 13.0% but intends to fill the portions of the Pillar 2 requirement that can be satisfied with AT 1 and Tier 2 capital in the coming quarters with own funds of such quality within the permitted limits resulting in an updated target for the fully loaded CET 1 ratio of 12.25%.

With a strong customer deposit base and a maturity profile of own issuances that BAWAG Group believes to be comfortable, BAWAG Group expects to take on any additional debt funding only in favorable conditions.

Regulatory Developments

The ECB continued its direct oversight of the Eurozone's main credit institutions, including BAWAG Group, under the Single Supervisory Mechanism ("**SSM**"). The main supervisory priorities in the first half 2020 were continuing balance sheet repair (including follow-ups on non-performing loans ("**NPL**") guidance, on internal ratings-based models and trading risk and asset valuations), strengthening future resilience (including credit underwriting criteria and exposure quality, capital and liquidity management, ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) and further integration into the Supervisory Review and Evaluation Process, business model sustainability, IT and cyber risk, EU-wide (biennial) and/or ECB stress test exercises and governance) and other topics like the follow-up on Brexit work.

Due to the withdrawal of the United Kingdom ("**UK**") from the European Union ("**EU**"), uncertainties exist not only on the financial markets about the future status of the UK, but also within the regulatory environment. In order to assess the impact of Brexit on the UK operations and to reflect potential risks, BAWAG Group has established a Brexit team, supported by external advisers in Austria and in the UK. The UK left the EU on 31 January 2020 and entered a transition period. During the transition period, EU law applies in the UK and passporting continues. The so-called temporary permissions regime ("**TPR**") will enable relevant firms which passport into the UK to continue operating in the UK when the passporting regime falls away at the end of the transition period. The transitional period is due to end on 31 December 2020. According to the withdrawal agreement, the period can be extended until end of 2022. The regime is expected to be in place for a maximum of three years, within which time firms will be required to obtain authorisation or recognition in the UK, if required. BAWAG Group applied for the TPR and the competent authorities in the UK confirmed TPR for BAWAG Group. Due to the size of the UK branch of BAWAG Group and the fact that business activities in the UK are carried out by the branch as an agent for BAWAG P.S.K., even the effects without the TPR will have a minor organizational impact.

In June 2019, the so-called 'Banking Reform Package' was published in the Official Journal of the EU and has been partly applicable since June 2019. Changes in the CRR and CRD IV include the introduction of the leverage ratio, the net stable fund ratio, a revised SME supporting factor and amendments of the buffer regime. While parts

of CRR II are already applicable, other chapters will apply as of 28 June 2021. CRD V on the other hand has to be implemented by all EU member states by 28 December 2020. While the already applicable parts were implemented by BAWAG Group, the Issuer finalised a gap analysis and expect only a de minimis impact of the further amendments.

In June 2019, the European Banking Association ("**EBA**") launched a consultation on the guidelines on loan origination and monitoring in the EU. The guidelines were finalised in May 2020 and will be applicable as of 30 June 2021. The guidelines specify the internal governance arrangements for granting and monitoring of credit facilities throughout their life cycle. The guidelines apply to the risk management practices, policies, processes and procedures for loan origination and for monitoring of performing exposures, along with their integration into the overall management and risk management framework.

On 24 June 2020, the EBA published final draft comprehensive implementing technical standards ("**ITS**") on institutions' Pillar 3 disclosures and revised final draft ITS on supervisory reporting. The disclosure ITS implement the new requirements introduced by CRR II and aim to reinforce market discipline by increasing the consistency and comparability of institutions' public disclosures. The updated reporting framework reflects changes in the CRR and introduces new reporting requirements on net stable funding ratio and counterparty credit risk. At its 24th meeting on 15 June 2020, the Austrian Financial Market Stability Board (FMSB) focused on the effects of the COVID-19 crisis on financial market stability in Austria and decided to update the recommendations on structural macroprudential capital buffers. In addition, the committee recommended that the countercyclical capital buffer should be kept at 0%. With the introduction of the CRD V, systemic risk buffers and O-SII buffers will be added from the end of 2020. The higher of the two buffers will apply until year-end 2020. However, in its recommendation on buffer requirements from the end of 2020, the Committee has taken into account the high degree of uncertainty about the further course of the crisis. Therefore, the overall buffer requirements remain essentially unchanged.

On 27 June 2020, the Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic came into force, including an extension of the transitional provisions applicable to the effects of the implementation of IFRS 9 on CET 1 capital, the acceleration of an exemption of certain software assets from capital deductions and an acceleration of the revised SME supporting factor and the infrastructure supporting factor relating to the calculation of own funds requirements. With regard to CET 1 capital requirements, BAWAG Group expects to use the impact from the acceleration of the implementation of the revised SME supporting factor to offset organic growth and expects an impact of +25-30 bps on its CET 1 ratio to be recognized in the second half of the financial year 2020. BAWAG Group will not apply the extended transitional provisions for IFRS 9 as it applied IFRS 9 already in the financial year 2018.

Certain supervisory authorities such as the European Central Bank, the European Banking Association and the Single Resolution Board have also introduced mitigating measures. For example, the European Central Bank allows banks to temporarily operate below the level of regulatory capital required for the so-called "Pillar 2 guidance", the capital conservation buffer and the countercyclical capital buffer and introduced supervisory flexibility regarding the treatment of non-performing loans.

Due to the global COVID-19 pandemic and the economic impact on the banking industry, the ECB published on 27 March 2020, recommendations on dividend distributions during the coronavirus pandemic. In the communication, which was updated 28 July 2020, the ECB recommended to banks not to pay dividends or conduct share buy-backs until 1 January 2021.

On 7 July 2020, the European Commission published an update with respect to changes in the financial sector after Brexit has occurred. Pursuant to this update, any solution after the transition period ending 31 December 2020 has become unlikely and therefore EU passporting will possibly no longer be used as of 1 January 2021.

6.10 Administrative, Management and Supervisory Bodies

In accordance with Austrian law, the Issuer, a stock corporation (*Aktiengesellschaft*) under Austrian law, has a two-tier board structure comprising of the management board ("**Management Board**") and the supervisory board ("**Supervisory Board**"). The Management Board is responsible for the executive management and represents the Issuer vis-à-vis third parties. The Supervisory Board is responsible for supervising the management and internal controls of the Issuer. Members of the Management Board are appointed by the Supervisory Board. Members of the Supervisory Board are elected by the shareholders' meeting or delegated by shareholders afforded such a delegation right in the Articles of Association. Under Austrian co-determination rules, a stock corporation's works council has the right to delegate one works council representative to the Supervisory Board for every two shareholders' representatives at the Supervisory Board. The corporate bodies of the company are bound in

particular by the Articles of Association, the rules of procedure for the Management Board (*Geschäftsordnung für den Vorstand*), the rules of procedure for the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*) (each as adopted by the Supervisory Board) and the Austrian Corporate Governance Code.

6.10.1 Members of the administrative, management and supervisory bodies of the Issuer

The members of Issuer's Management Board and Supervisory Board may be contacted at BAWAG Group AG's business address at Wiedner Gürtel 11, A-1100 Vienna, Austria.

6.10.1.1 Current members of the Management Board

The following table lists the positions of the members of the Management Board of BAWAG Group AG, the year they were first appointed, the expiration of their current term and activities outside of BAWAG Group where these are significant with respect to BAWAG Group AG:

Name	Position / Area of Responsibility	Year first appointed	End of Current Term	Activities outside BAWAG Group
Anas Abuzaakouk	Chief Executive Officer	2017	2021	–
Enver Sirucic.....				Member of the management board of Verband österreichischer Banken und Bankiers; member of the supervisory board of Einlagensicherung AUSTRIA Ges.m.b.H.
	Chief Financial Officer	2017	2021	
Stefan Barth	Chief Risk Officer	2017	2021	Member of the management board of Österreichische Bankwissenschaftliche Gesellschaft
David O'Leary.....	Austrian Retail & SME	2017	2021	Member of the supervisory board of Amundi Austria GmbH
Andrew Wise.....	Chief Investment Officer, International Lending excl. DACH	2017	2021	–
Sat Shah	Western Europe Retail	2017	2021	–

Source: Issuer information.

6.10.1.2 Current members of the Supervisory Board

The following table lists the positions of the current members of the Supervisory Board of BAWAG Group AG and in each case the year they were first appointed as members of the Supervisory Board of BAWAG Group AG, the expiration of their current term, to the extent applicable as well as the principal activities performed by the members of the Supervisory Board of BAWAG Group AG outside the BAWAG Group where these are significant with respect to BAWAG Group AG:

Name	Position	Year first appointed	End of Current Term	Activities outside BAWAG Group
Egbert Fleischer	Chairperson	2017	2023	Member of the supervisory board Wiener Börse AG
Kim Fennebresque....		2017	2023	Member of the board of directors of Ally Financial Inc.; non-executive chairman of the board of directors of Bluelinx Holdings; member of the board of directors of Albertsons Companies Inc.
	Deputy Chairperson			
Frederick Haddad.....	Member ¹⁾	2017	n/a	Executive committee member and portfolio manager of GoldenTree Asset Management LP
Adam Rosmarin.....	Member	2017	2023	–
Ingrid Streibel-Zarfl....	Member ²⁾	2017	n/a	–
Verena Spitz.....	Member ²⁾	2017	n/a	–

¹⁾ Delegated by the GoldenTree Shareholders (cf. "6.11 Major Shareholders").

²⁾ Works council representative.

Source: Issuer information.

6.10.2 Administrative, management and supervisory bodies' potential conflicts of interest

Agreements of BAWAG Group AG with the members of its Management Board and its Supervisory Board may generate in certain circumstances conflicts of interest. Should any such conflict of interest arise, BAWAG Group AG has sufficient rules and procedures, compliance rules and industry standards in place regulating the

management of conflicts of interest and the ongoing application of such guidelines and rules. No potential conflicts of interest arising out of such agreements have been identified with respect to the members of BAWAG Group AG's Management Board or of its Supervisory Board where internal procedures or measures would not be sufficient to resolve any conflicts of interest.

On the date of this Prospectus, the Management Board and the Supervisory Board of BAWAG Group AG comprise the same persons as the Management Board and the Supervisory board of BAWAG P.S.K., respectively (see "6.10.1.1 Current members of the Management Board" and "6.10.1.2 Current members of the Supervisory Board" below).

6.11 Major Shareholders

As at the date of this Prospectus, major shareholders of BAWAG Group AG are several funds and accounts under management of the investor GoldenTree ("**GoldenTree Shareholders**") as well as several funds and accounts under management of the T. Rowe Price Group, Inc. holding percentages of BAWAG Group AG's total number of outstanding shares as shown in the table below, based on the most recent major shareholder notifications. The GoldenTree Shareholders and BAWAG Group AG entered into a deconsolidation agreement (Entherrschungsvertrag, "**Deconsolidation Agreement**"). In essence, under the Deconsolidation Agreement, the GoldenTree Shareholders undertake vis-à-vis BAWAG Group AG to a level of self-restraint regarding the use of their voting rights in BAWAG Group AG in order to ensure that they will not be able to carry a vote on their own in respect to the election and dismissal of supervisory board members, any vote of non-confidence (*Misstrauensvotum*) and management matters (*Geschäftsführungsmaßnahmen*) that are brought before the shareholders' meeting of BAWAG Group AG.

The following table shows BAWAG Group AG's major shareholders as at the date of this Prospectus:

Major Shareholders ^{*)}	Shareholding in %
GoldenTree Shareholders	21.82
<i>GoldenTree HoldCo Lux 1 S.à r.l.</i>	4.66
<i>GoldenTree HoldCo Lux 2 S.à r.l.</i>	4.58
<i>GoldenTree HoldCo Lux 3 S.à r.l.</i>	3.81
<i>GoldenTree Asset Management Dutch BV.</i>	6.70
<i>GN3 SIP LP</i>	2.04
<i>Stichting PGGM Depositary</i>	0.03
T. Rowe Price Group, Inc.	5.61

^{*)} This information is based on the most recent major shareholder notifications indicating a shareholding above the initial notification threshold of 4% BAWAG Group AG has published pursuant to § 135(2) of the Austrian Stock Exchange Act 2018 (*Börsegesetz 2018 – BörseG 2018*) or the relevant preceding law. According to § 130(1) sentence 1 of the Austrian Stock Exchange Act 2018, if natural persons or legal entities (irrespective of whether domestic or foreign), directly or indirectly, acquire or sell shares in a stock corporation for which Austria is the home member state and the shares of which are listed on the Official Market or the Second Regulated Market of the Vienna Stock Exchange, then these persons or entities are obliged to notify the FMA, the Vienna Stock Exchange as well as BAWAG Group AG within two trading days after the acquisition or disposal of a major shareholding, provided that the proportion of the voting rights held reaches, exceeds or falls below a threshold of 4%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 75% or 90%, respectively, as a consequence of the acquisition or disposal. The articles of association of a listed company can lower the reporting threshold to 3%. However, the Articles of Association of BAWAG Group AG do not provide for such reduced threshold. The notification period commences when the shareholder of a major shareholding gains, or should have gained, knowledge of the acquisition or sale. § 133 of the Austrian Stock Exchange Act 2018 sets out certain cases in which voting rights are attributed to another person or entity.

There are no arrangements known to BAWAG Group AG, the operation of which may at a subsequent date result in a change in control of BAWAG Group AG.

6.12 Legal and Arbitration Proceedings

BAWAG Group is involved in legal and administrative proceedings as part of its ordinary business activities. Such proceedings in particular include lawsuits with customers and consumer protection associations such as the Chamber of Labour and the Consumer Information Association. Similar disputes and proceedings are also likely to arise in the future.

It is impossible to reliably determine or predict the outcome of proceedings pending or threatened. Other than the proceedings described below, during a period covering the previous twelve months, no legal or administrative proceedings (including any proceedings which are pending or threatened of which BAWAG Group AG is aware) may have or have had in the recent past significant effects on BAWAG Group's financial position or profitability.

6.13 Significant Change in the Financial Position of the Group

No significant change in the financial position of BAWAG Group has occurred since 30 June 2020.

A serious assessment of the effects of the COVID-19 pandemic is, however, not possible at this stage. Further developments will be closely monitored so that BAWAG Group can take appropriate measures and precautions at any time.

6.14 Material Contracts

In the ordinary course of its business, members of BAWAG Group enter into a variety of contracts with various other entities. Within the past two years, BAWAG Group has not, however, entered into any material contracts outside the ordinary course of its business which could result in any group member being under an obligation or entitlement that has a material adverse impact on the Issuer's ability to meet its obligations under the Notes.

6.15 Ratings of BAWAG Group AG

Moody's Deutschland GmbH ("**Moody's**")¹⁾ has assigned a rating* of Ba1²⁾ to BAWAG Group AG with respect to the category "Additional Tier 1".

¹⁾ A credit rating assesses the creditworthiness of an entity and informs an investor therefore about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

¹⁾ Moody's Deutschland GmbH is a credit rating agency with establishments in the European Union and registered pursuant to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). The European Securities and Markets Authority ("**ESMA**") publishes on its website (www.esma.europa.eu) a list of credit rating agencies registered in accordance with the CRA Regulation, which includes Moody's.

²⁾ According to the definitions published by Moody's Investors Services Inc. on its website "obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category." See https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

7 TAXATION

7.1 Taxation Warning

THE TAX LEGISLATION APPLICABLE TO PROSPECTIVE PURCHASERS OF NOTES AND THE ISSUER'S RESPECTIVE COUNTRY OF INCORPORATION MAY HAVE AN IMPACT ON THE INCOME RECEIVED FROM THE NOTES. PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS APPLICABLE IN THE REPUBLIC OF AUSTRIA, GERMANY, THE GRAND DUCHY OF LUXEMBOURG, AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS OR OTHERWISE SUBJECT TO TAXATION.

7.2 Taxation in Austria

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain principles of Austrian tax law which may be of significance in connection with the purchase, holding or sale of the Notes in Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes (in particular from a potential qualification as equity for tax purposes instead of debt) shall in any case be borne by the investor. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

7.2.1 General remarks

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in § 26 of the Austrian Federal Fiscal Code (*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 in Austria 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 Code, 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 in Austria only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Tax considerations which may be potentially relevant to investors subject to a special tax regime, such as for example governmental authorities, charities, foundations or investment or pension funds, and special tax regimes that may apply, for example, where an investor holds the Notes via an entity which qualifies as an Austrian or non-Austrian investment fund for tax purposes are not addressed herein.

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

7.2.2 Income taxation of the Notes

Austrian statutory law does not contain specific provisions on the qualification of Additional Tier 1 instruments for Austrian (corporate) income tax purposes. However, pursuant to § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), which is typically applied for purposes of qualifying hybrid instruments either as equity or as debt for Austrian (corporate) income tax purposes, *jouissance* rights and other financial instruments (*Genussrechte und sonstige Finanzierungsinstrumente*) granting a right to participate in both the current profits and the liquidation profits of the issuer are to be qualified as equity instruments. In contrast thereto,

jouissance rights and other financial instruments granting a right to participate in either the current profits or the liquidation profits of the issuer or in neither of the two categories are to be qualified as debt instruments. In addition, reference has to be made to jurisprudence of the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*) pursuant to which the qualification of hybrid instruments, such as jouissance rights, has to be based on whether typical equity-like criteria outweigh typical debt-like criteria from a quantitative and qualitative perspective, thereby taking into account the instrument's term, the profit dependency of distributions, the participation in the issuer's substance/liquidation profit, the granting of securities, a potential subordination and the lack of typical shareholder control and voting rights.

In the Austrian Corporate Income Tax Guidelines (*Körperschaftsteuerrichtlinien*), the Austrian Federal Ministry of Finance stated the following: Instruments qualify as equity-type jouissance rights and other financial instruments in the meaning of § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act if they grant a right to participate in the current profits and the liquidation profits of a corporation. Both prerequisites mentioned in the statute must be fulfilled. In case no participation in the current profits, in the liquidation profits, or in both types of profits exists, an instrument qualifies as a debt-type jouissance right (i.e. as debt); consequently, payments under such an instrument are tax deductible. Jouissance rights and other financial instruments fulfilling the prerequisites of § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act are to be qualified as equity for income tax purposes; all kinds of distributions under such instruments qualify as tax-neutral use of income. Further, according to the statement of the Austrian Federal Ministry of Finance in the Austrian Corporate Income Tax Guidelines, the qualification of Additional Tier 1 instruments and Tier 2 instruments in the meaning of Articles 51 and 62 of the CRR, as equity or debt for tax purposes would follow the criteria outlined in § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act; on that basis, according to the Austrian Federal Ministry of Finance, such instruments would usually qualify as debt for tax purposes.

For purposes of the following, the Issuer assumes that the Notes qualify as debt for Austrian (corporate) income tax purposes. In case of a qualification of the Notes as equity, the tax consequences would substantially differ from those described below.

Pursuant to § 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 base 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 base 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 base amounts to the sales proceeds or the redemption amount minus the acquisition costs (§ 27a(3)(3)(c) of the Austrian Income Tax Act).

Also, the withdrawal of the Notes from a securities account (*Depotentnahme*) and circumstances leading to a restriction of Austria's taxation right regarding the Notes vis-à-vis other countries, e.g., a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (cf. § 27(6)(1) and (2) of the Austrian Income Tax Act). In this case, the tax base amounts to the fair market value minus the acquisition costs (§ 27a(3)(2)(b) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus for withholding tax purposes (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to withholding tax (*Kapitalertragsteuer*) at a flat rate of 27.5%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to § 97(1) of the Austrian Income Tax Act). In case of investment income from the Notes without such Austrian nexus for withholding tax purposes, the income must be included in the investor's income tax return and is subject to

income tax at the flat rate of 27.5% In both cases, upon application, the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the applicable lower progressive income tax rate (option for regular taxation (*Regelbesteuerungsoption*) 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 with a direct economic nexus to income subject to a flat income tax rate pursuant to § 27a(1) of the Austrian Income Tax Act, 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 for 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-securitised claims vis-à-vis credit institutions (except for cash settlements and lending fees) nor against income from private foundations, employee participation foundations, foreign private law foundations and other comparable legal estates (*Privatstiftungen, Belegschaftsbeteiligungsstiftungen, 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 for regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income. The Austrian custodian agent has to effect the offsetting of losses by taking into account all of a taxpayer's securities accounts with the custodian agent, in line with § 93(6) of the Austrian Income Tax Act, and to issue a written confirmation to the taxpayer to this effect.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus for withholding tax purposes as described above, the income is subject to withholding tax at a flat rate of 27.5% While withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must be included in the investor's income tax return (nevertheless, such income is taxed at the flat rate of 27.5%). In case of investment income from the Notes without an Austrian nexus for withholding tax purposes, the income must always be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5% In both cases, upon application, the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the applicable lower progressive income tax rate (option for 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 with a direct economic nexus to income subject to a flat income tax rate pursuant to § 27a(1) of the Austrian Income Tax Act, 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 for 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 sale, 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, corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes at a rate of 25%. In the case of income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes with an Austrian nexus for withholding tax purposes (see above), the income is subject to withholding tax at a flat rate of 27.5% However, pursuant to § 93(1a) of the Austrian Income Tax Act, a 25% rate may be applied by the withholding agent, if the debtor of the withholding tax is a corporation. Such withholding tax may be credited against the corporate income tax liability. Under the conditions set forth in § 94(5) of the Austrian Income Tax Act (exemption declaration; *Befreiungserklärung*), withholding tax is not levied in the first place. Losses from the sale of the Notes can be offset against other income.

Pursuant to § 13(3)(1) in connection with § 22(2) of the Austrian Corporate Income Tax Act, private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in § 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Notes as non-business assets are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives (*inter alia*, if the latter are in the form of securities). Pursuant to the Austrian tax authorities' view, the acquisition costs must not include ancillary acquisition costs. Expenses such as bank charges and custody fees must not be deducted (§ 12(2) of the Austrian Corporate Income Tax Act). Interim tax is generally not triggered insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. In case of investment income from the Notes with an Austrian nexus for withholding tax

purposes, the income is in general subject to withholding tax at a flat rate of 27.5%. However, pursuant to § 93(1a) of the Austrian Income Tax Act, a 25% rate may be applied by the withholding agent if the debtor of the withholding tax is a corporation. Such withholding tax may be credited against the corporate income tax liability. Under the conditions set forth in § 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on investment income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes as well as the income from the Notes are attributable to such permanent establishment (cf. § 98(1)(3) of the Austrian Income Tax Act, § 21(1)(1) of the Austrian Corporate Income Tax Act). In addition, individuals subject to limited income tax liability in Austria are also taxable on Austrian interest in the meaning of § 27(2)(2) of the Austrian Income Tax Act and Austrian accrued interest in the meaning of § 27(6)(5) of the Austrian Income Tax Act from the Notes if withholding tax is levied on such (accrued) interest. An exemption applies, *inter alia*, to (accrued) interest received by individuals resident in a state with which Austria maintains automatic exchange of information (residence in such state must be proven by presentation of a certificate of residence). Austrian (accrued) interest within the present context is generally constituted if the debtor of the interest has a residence, place of management or legal seat in Austria or is an Austrian branch of a non-Austrian credit institution, or the securities are 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 (electronic pre-notification requirements may apply).

7.2.3 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 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 base is the fair market value of the assets transferred minus any debts which are economically linked to the assets transferred, calculated at the time of transfer. The tax rate generally is 2.5%, with a higher rate of 25% applying in special cases. Special provisions apply to transfers of assets to non-transparent foundations and similar vehicles (*Vermögensstrukturen*) falling within the scope of the Treaty between the Republic of Austria and the Principality of Liechtenstein on Cooperation in the Area of Taxation.

In addition, there is a special notification obligation for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Transfer Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may trigger fines of up to 10% of the fair market value of the assets transferred.

Further, gratuitous transfers of the Notes may trigger income tax at the level of the transferor pursuant to § 27(6) of the Austrian Income Tax Act (see above).

8 SUBSCRIPTION AND SALE

8.1 General

Pursuant to a subscription agreement to be dated 7 September 2020 (the "**Subscription Agreement**") among the Issuer and Goldman Sachs International (the "**Manager**"), the Issuer has agreed to sell to the Manager, and the Manager has agreed, subject to certain customary closing conditions, to purchase, the Notes on 9 September 2020. The Issuer has furthermore agreed to pay certain commissions to the Manager and to reimburse the Manager for certain expenses incurred in connection with the issue of the Notes.

The Subscription Agreement provides that the Manager will under certain circumstances be entitled to terminate the Subscription Agreement. In such event, no Notes will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Manager against certain liabilities in connection with the offer and sale of the Notes.

The Manager and its affiliates may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Manager or certain of its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Manager or such affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

There are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

8.2 Selling Restrictions

The Manager has represented, warranted and undertaken that it has compiled and will comply with all applicable laws and regulations in force in any country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes, or publishes this Prospectus or any offering material in relation to this Prospectus or the Notes, in all cases at its own expense, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any country or jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries of Notes and neither the Issuer nor the Manager shall have any responsibility therefor. Other persons into whose hands this Prospectus comes are required by the Issuer and the Manager to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

8.2.1 United States of America and its Territories

The Notes have not been and will not be registered under the Securities Act. Except in certain transactions exempt from the registration requirements of the Securities Act, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (the "**Regulation S**")).

The Manager has represented and agreed that it will not offer, sell or deliver the Notes: (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 sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons 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 Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Manager has represented and agreed 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 Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Bearer Notes which are subject to U.S. tax law requirements may not be offered, sold or delivered in the United States or its possessions or to a United States 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.

8.2.2 European Economic Area and the United Kingdom

In relation to each member state of the EEA and the UK (each, a "**Relevant State**"), the Manager has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant State other than to any legal entity which is a qualified investor as defined in the Prospectus Regulation, provided that no such offer of Notes shall require the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

8.2.3 United Kingdom of Great Britain and Northern Ireland

The Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended from time to time, or any successor legislation, ("**FSMA**")) received by it in connection with the issue or sale of any Notes which are the subject of the offering contemplated by this Prospectus in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

8.2.4 Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

The Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Prospectus or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Notes who are acting outside of the course of their business or profession.

8.2.5 Switzerland

The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

8.2.6 Hong Kong

The Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

8.2.7 Singapore

The Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Manager has represented and agreed that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and that it has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

Securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law; or
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities-based Derivatives Contracts) Regulations 2018.

Singapore Securities and Futures Act Product Classification: *In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are (i) prescribed capital markets products (as defined in the CMP Regulations 2018) and (ii) Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

9 GENERAL INFORMATION

9.1 Authorisations

The issue of the Notes described in this Prospectus as well as the entering by the Issuer of all relevant documents in connection therewith has been duly approved by a resolution of the Management Board dated 26 August 2020.

9.2 Expenses of the Admission to Trading

The expenses for the listing of the Notes and admission to trading are expected to amount to approximately EUR 15,200.

9.3 Clearing System

Payments and transfers of the Notes will be settled through Euroclear Bank SA/NV and Clearstream Banking, société anonyme, Luxembourg.

The Notes have the following securities codes: ISIN: XS2226911928; Common Code: 222691192; WKN: A2812A.

9.4 Listing and Admission to Trading

Application has been made for admission of the Notes to the official list of the Luxembourg Stock Exchange and for admission for trading on the Euro MTF in accordance with the rules of that exchange.

9.5 Documents on Display

For so long as any Note is outstanding, copies of the following documents may be inspected in physical form during normal business hours at the business address of the Issuer at Wiedner Gürtel 11, 1100 Vienna, Austria:

- (a) the Articles of Association (Satzung) of the Issuer;
- (b) this Prospectus; and
- (c) any documents incorporated by reference in this Prospectus.

This Prospectus and the documents incorporated by reference in this Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The day of such first publication is deemed to be the valid day of publication.

9.6 Yield to Maturity

There is no explicit yield to maturity. The Notes do not carry a fixed date for redemption and the Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate.

9.7 Websites

For the avoidance of doubt the content of any website referred to in this Prospectus does not form part of this Prospectus, except where expressly stated otherwise.

9.8 Rating of the Notes

The Notes are expected to be rated Ba1¹⁾ by Moody's. Moody's is listed in ESMA's register of rating agencies registered under the CRA Regulation.

¹⁾ According to the definitions published by Moody's Investors Services Inc. on its website "obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category;

the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category."
See https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

10 DOCUMENTS INCORPORATED BY REFERENCE

10.1 Documents Incorporated by Reference

The following documents which have previously been published or are published simultaneously with this Prospectus shall be incorporated by reference in, and form part of, this Prospectus to the extent set out in the paragraph entitled "10.2 Cross-Reference List of Documents Incorporated by Reference" below:

- (a) the English translation of the audited consolidated annual financial statements of BAWAG Group AG as of and for the financial year ended 31 December 2019, available at <https://www.bawaggroup.com/linkableblob/BAWAGGROUP/501986/7276e75a633a2a14bd3080692488daec/full-year-financial-report-2019-data.pdf> (the "**Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019**") and the English translation of the respective Auditor's Opinion;
- (b) the English translation of the audited consolidated annual financial statements of BAWAG Group AG as of and for the financial year ended 31 December 2018, available at <https://www.bawaggroup.com/linkableblob/BAWAGGROUP/451030/2e6c710c7fe28fbbb9480a86c36c71ea/consolidated-annual-report-2018-data.pdf> (the "**Audited Consolidated Annual Financial Statements of BAWAG Group AG 2018**") and the English translation of the respective Auditor's Opinion;
- (c) the unaudited consolidated interim financial statements of BAWAG Group AG as of and for the six-month period ended 30 June 2020, available at <https://www.bawaggroup.com/linkableblob/BAWAGGROUP/508496/ff4da0136828017f2d7c5fc61a8e1735/halbjahresfinanzbericht-h1-2020-data.pdf> (the "**Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020**").

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein 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. For the avoidance of doubt, the content of any website referred to in this Prospectus does not form part of this Prospectus.

10.2 Cross-Reference List of Documents Incorporated by Reference

1. The following information is set forth in the **Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019** and the respective Auditor's Opinion:

	Page(s)
Consolidated Profit or Loss Statement	71–72
Consolidated Statement of Comprehensive Income	73
Consolidated Statement of Financial Position	74–75
Consolidated Statement of Changes in Equity	76–77
Consolidated Statement of Cash Flows	78–81
Notes to the Consolidated Financial Statements	82–244
Auditor's Opinion	245–249

2. The following information is set forth in the Audited Consolidated Annual Financial Statements of BAWAG Group AG 2018 and the respective Auditor's Opinion:

	Page(s)
Consolidated Profit or Loss Statement	59–60
Consolidated Statement of Comprehensive Income	61
Consolidated Statement of Financial Position	62–63
Consolidated Statement of Changes in Equity	64–65
Consolidated Statement of Cash Flows	66–68
Notes to the Consolidated Financial Statements	69–237
Auditor's Opinion	238–244

3. The following information is set forth in the Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020:

	Page(s)
Financial Review	11–25
Consolidated Accounts	29–35
Notes	36–92

The respective parts of the (i) Audited Consolidated Annual Financial Statements of BAWAG Group AG 2019, the (ii) Audited Consolidated Annual Financial Statements of BAWAG Group AG 2018, and the (iii) Unaudited Consolidated Interim Financial Statements of BAWAG Group AG 2020 that are not listed in the cross-reference list above are not incorporated by reference and are not relevant for investors.

Issuer

BAWAG Group AG
Wiedner Gürtel 11
1100 Vienna, Republic of Austria

Manager

Goldman Sachs International
Plumtree Court
25 Shoe Lane
London EC4A 4AU
United Kingdom

Principal Paying Agent and Calculation Agent

Citibank Europe PLC
1 N Wall Quay, North Dock
Dublin, Ireland

Auditors

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Porzellangasse 51
1090 Vienna, Republic of Austria

Legal Advisers

To the Issuer as to German law

Hengeler Mueller
Partnerschaft von Rechtsanwälten mbB
Bockenheimer Landstraße 24
60323 Frankfurt am Main
Federal Republic of Germany

To the Issuer as to Austrian law

Eisenberger & Herzog
Rechtsanwalts GmbH
Vienna Twin Tower,
Wienerbergstraße 11,
1100 Vienna
Republic of Austria

To the Manager as to German law

Linklaters LLP
Taunusanlage 8
60329 Frankfurt am Main
Federal Republic of Germany