

## EUR 100,000,000 Perpetual Non-Cumulative Participation Capital Certificates

to be issued on a fiduciary basis by Banque de Luxembourg (incorporated as a *société anonyme* with limited liability in the Grand Duchy of Luxembourg and registered with the Register of Commerce and Companies in Luxembourg under number B.5310)

for the purpose of subscribing

## EUR 100,000,000 Perpetual Non-Cumulative Participation Capital Notes

to be issued by

## ÖSTERREICHISCHE VOLKSBANKEN-AKTIENGESELLSCHAFT

(an Austrian joint stock corporation (*Aktiengesellschaft*) incorporated under the laws of Austria)

**Issue Price: [100-105] per cent. plus accrued remuneration for the period starting on (and including) 06 May 2008 until (but excluding) 27 May 2008**

The issue price of the Perpetual Non-Cumulative Participation Capital Certificates with an aggregate nominal amount of EUR 100,000,000 and a denomination of EUR 1,000 each (the "**Participation Capital Certificates**"), to be issued on a fiduciary basis by Banque de Luxembourg, a *société anonyme* incorporated in Luxembourg (the "**Fiduciary**" or the "**Noteholder**") is [100-105] per cent. of their nominal amount plus accrued remuneration of EUR 5,73770 per Participation Capital Certificate.

With the proceeds of the issue of the Participation Capital Certificates, the Fiduciary will, in its own name but at the sole risk and for the sole benefit and account (subject to the Terms and Conditions of the Participation Capital Certificates) of the holders of the Participation Capital Certificates (the "**Certificate Holders**"), acquire EUR 100,000,000 Perpetual Non-Cumulative Participation Capital Notes (the "**Participation Capital Notes**") to be issued by Österreichische Volksbanken-Aktiengesellschaft (the "**Bank**" or "**VBAG**").

**The Participation Capital Certificates represent an increase of the issue of the EUR 400,000,000 Perpetual Non-Cumulative Participation Capital Certificates (the "Initially Issued Participation Capital Certificates") issued by the Fiduciary on 6 May 2008 having identical terms and conditions of issue as the Participation Capital Certificates in all material respects. Upon exchange of the Temporary Global Certificate for the Permanent Global Certificate in accordance with the Terms and Conditions of the Participation Capital Certificates, the Participation Capital Certificates will form a single series with the Initially Issued Participation Capital Certificates with an aggregate nominal amount of EUR 500,000,000 for the consolidated issue and will then have the same securities codes as the Initially Issued Participation Capital Certificates.**

Remuneration payable on the Participation Capital Certificates on each Remuneration Payment Date shall be equal to a *pro rata* share of Remuneration actually received by the Fiduciary under the Participation Capital Notes. Remuneration under the Participation Capital Notes will only be payable out of Distributable Profits of the Bank. Assuming the availability of sufficient Distributable Profits of the Bank, Remuneration on the Participation Capital Notes and, consequently, on the Participation Capital Certificates will be payable in arrear at a fixed rate of 10 per cent per annum until 18 June 2018. For further details, *inter alia* on the discretion of the Bank not to pay Remuneration and on the Rate of Remuneration payable after 18 June 2018, please consult the Terms on Conditions of the Participation Capital Certificates beginning on page 60 of this Prospectus.

The Participation Capital Certificates are perpetual securities and have no fixed maturity date. They will represent a *pro rata* interest in the Participation Capital Notes and all payments actually received by the Fiduciary thereunder. The Fiduciary will hold the Participation Capital Notes in its own name, on a fiduciary basis, but solely at the risk and for the account of the Certificate Holders (subject to the Terms and Conditions of the Participation Capital Certificates). The Participation Capital Certificates together evidence a fiduciary contract between the Certificate Holders and the Fiduciary (the "**Fiduciary Contract**") governed by the Luxembourg law dated 27 July 2003 relating to the trust and fiduciary contracts (the "**Trust and Fiduciary Contracts Law 2003**"), pursuant to which the Fiduciary is only obligated to pass on funds to the Certificate Holders actually received from VBAG under the Participation Capital Notes but has no other payment obligations to the Certificate Holders. The amounts of distributions under the Participation Capital Notes depend, among others, on the profits of VBAG. By purchasing Participation Capital Certificates, Certificate Holders will be deemed to have acknowledged and agreed to the terms of the Fiduciary Contract.

**Investing in the Participation Capital Certificates involves certain risks. Please review the section entitled "Risk Factors" beginning on page 48 of this Prospectus.**

The Participation Capital Certificates are issued in bearer form and are initially represented by a temporary global certificate without remuneration coupons that will be exchanged for a Permanent Global Certificate upon certification that no beneficial owner of Participation Capital Certificates is a U.S. person. The Participation Capital Certificates will be deposited on or about 27 May 2008 (the "**Issue Date**") with a common depositary for Euroclear Bank S.A./N.V., ("**Euroclear**") and Clearstream Banking société anonyme, Luxembourg ("**Clearstream Luxembourg**"), each a "**Clearing System**" and together with Euroclear the "**Clearing Systems**"), where the Participation Capital Certificates have been accepted for clearing. It is expected that delivery of the Participation Capital Certificates will be made through Euroclear and Clearstream Luxembourg against payment in immediately available funds on or about the Issue Date.

**The Participation Capital Certificates have not been, and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws and are subject to United States tax law requirements. The Participation Capital Certificates may not be offered, sold or delivered in the United States of America (including the States and the District of Columbia) and its territories and possessions, including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands (the "United States") or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S"), "U.S. Persons"), unless registered under the Securities Act or if an exemption from the registration requirements thereunder is available. The Participation Capital Certificates are being offered, sold and delivered only to non-US persons in offshore transactions outside the United States in compliance with Regulation S under the Securities Act.**

VBAG expects that, upon issuance, the Participation Capital Certificates will be assigned a rating of [●] by Moody's. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by Moody's.

Application has been made for approval of this Prospectus by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities and for publication in electronic form on the website of the Luxembourg Stock Exchange. Application has been made to list the Participation Capital Certificates on the official list of the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") and to trade them on the regulated market, as defined in Article 4(1)(14) of Directive 2004/39/EC, of the Luxembourg Stock Exchange. This Prospectus constitutes a prospectus for purposes of the internal rules and regulations of the Luxembourg Stock Exchange and for the purposes of article 5 of Directive 2003/71/EC (the "**Prospectus**") and has been drawn up in accordance with Directive 2003/71/EC and Commission Regulation 2004/809/EC.

The Bank has requested the CSSF to provide the competent authorities in the Federal Republic of Germany, the Republic of Ireland, the Netherlands, Portugal and the Kingdom of Spain with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Loi relative aux prospectus pour valeurs mobilières which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 into Luxembourg law (a "**Notification**") for the purpose of conducting public offers of the Participation Capital Certificates in such jurisdictions. The Bank may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

**DZ BANK AG**  
**(Sole Bookrunner)**

**Deutsche Bank**  
**(Joint Lead Manager)**

**UBS Investment Bank**  
**(Joint Lead Manager)**

## RESPONSIBILITY STATEMENT

The Bank, with its registered office at Kolingasse 19, 1090 Vienna, Austria, is responsible for the information given in this Prospectus except for the information contained in the section entitled "The Fiduciary". The Bank hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in all parts of this Prospectus, except for the information contained in the section entitled "The Fiduciary", is, to the best of its knowledge, in accordance with the facts and that it contains no omission likely to affect its import.

The Fiduciary accepts responsibility for the information contained in the section entitled "The Fiduciary" on page 129 of this Prospectus but does not accept responsibility for any other information contained in this Prospectus. The Fiduciary hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in the section entitled "The Fiduciary" on page 129 of this Prospectus is, to the best of its knowledge, in accordance with the facts and that it contains no omission likely to affect its import.

The previous paragraphs should be read in conjunction with the 11th paragraph on the first page of this Prospectus.

## NOTICE

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Fiduciary, the Bank, UBS Limited (a "**Joint Lead Manager**"), or DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (the "**Sole Bookrunner**") or Deutsche Bank AG, London Branch (a "**Joint Lead Manager**") as set forth on the cover page (each of UBS Limited, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and Deutsche Bank AG, London Branch, a "**Manager**" and together, the "**Managers**"). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or any of its affiliates since the date of this Prospectus, or that the information herein is correct at any time since the date of this Prospectus.

This Prospectus should be read and understood in conjunction with any supplement hereto and with any other document incorporated herein by reference.

Each investor contemplating purchasing any Participation Capital Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Bank. Investors should satisfy themselves that they understand all of the risks associated with making investments in the Participation Capital Certificates and should consult professional advisors prior to investing in the Participation Capital Certificates. This Prospectus does not constitute an offer of Participation Capital Certificates or an invitation by or on behalf of the Bank, the Managers or the Fiduciary (as defined herein) to purchase any Participation Capital Certificates. Neither this Prospectus nor any other information supplied in connection with the Participation Capital Certificates should be considered as a recommendation by the Bank, the Managers or the Fiduciary to a recipient hereof and thereof that such recipient should purchase any Participation Capital Certificates.

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.

## STABILISATION

IN CONNECTION WITH THE ISSUE OF THE PARTICIPATION CAPITAL CERTIFICATES, UBS LIMITED ("**THE STABILISING MANAGER**") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT PARTICIPATION CAPITAL CERTIFICATES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE PARTICIPATION CAPITAL CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE PROSPECTUS OF THE PARTICIPATION CAPITAL CERTIFICATES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE PARTICIPATION CAPITAL CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE

ALLOTMENT OF THE CERTIFICATES. ANY STABILISATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Prospectus contains excerpts from (i) the audited consolidated annual financial statements for the VBAG Group and (ii) the audited stand-alone financial statements for the Bank in each case for the financial years ending on 31 December 2007 and 31 December 2006 (including, in each case, the notes thereto) (each "**Audited Financial Statements**").

The Audited Financial Statements for the financial year ending 31 December 2006 were audited by KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH, Porzellangasse 51, A-1090 Vienna, Austria and the Audited Financial Statements for the financial year ending 31 December 2007 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, A-1090 Vienna, Austria .

KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH have prepared the Audited Financial Statements for the financial year ending 31 December 2006 contained herein in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft have prepared the Audited Financial Statements for the financial year ending 31 December 2007 contained herein in accordance with **IFRS**.

The auditor of the Bank for the fiscal year 2008 is KPMG KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, A-1090 Vienna, Austria.

KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH and KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft are members of the Austrian Chamber of Certified Public Accountants (*Kammer der Wirtschaftstreuhänder*).

Certain numerical information and other amounts and percentages presented in this Prospectus may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

## FORWARD-LOOKING STATEMENTS

In addition to historical information, this Prospectus includes forward-looking statements. These statements relate to the Bank's future prospects, developments and business strategies. They are based on analyses of 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 to assumptions. These statements are contained in particular (but not exclusively) in the sections entitled "*Summary*", "*Information About the Bank*" and other sections of this Prospectus.

These forward-looking statements involve risks, uncertainties and other factors that may cause the actual future results or events to be materially different from those suggested or described in this Prospectus. Many of the factors that will determine these results or events are beyond the Bank's control. Such factors include, amongst others, uncertainties in respect of the overall economic development, loan defaults, court proceedings or other proceedings, maintenance of appropriate refinancing conditions and, generally, the economic and business framework of the markets relevant for the Bank's business.

The risks described above and in the section entitled "*Risk Factors*" are not comprehensive. New risks, uncertainties and other factors may emerge from time to time and it is not possible for the Bank to predict all such risk factors, to assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results or events to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, the investor should not place undue reliance on forward-looking statements as a prediction or guarantee of actual results or events.

## TABLE OF CONTENTS

<b>I.</b>	<b>SUMMARY .....</b>	<b>6</b>
1.	Parties .....	6
2.	Summary of the Terms and Conditions of the Participation Capital Certificates .....	7
3.	Summary of the Terms and Conditions of the Participation Capital Notes .....	15
4.	Summary regarding the Risk Factors .....	22
5.	Summary regarding the Fiduciary .....	24
6.	Summary Regarding the Bank .....	24
<b>II.</b>	<b>GERMAN TRANSLATION OF THE SUMMARY .....</b>	<b>26</b>
1.	Parteien .....	26
2.	Zusammenfassung der Bedingungen für die Partizipationsschein-Zertifikate .....	27
3.	Zusammenfassung der Bedingungen für die Partizipationsscheine .....	36
4.	Zusammenfassung im Hinblick auf die Risikofaktoren .....	44
5.	Zusammenfassung im Hinblick auf den Treuhänder .....	46
6.	Zusammenfassung im Hinblick auf die Bank .....	46
<b>III.</b>	<b>RISK FACTORS .....</b>	<b>48</b>
1.	Risk Factors Regarding the Participation Capital Certificates .....	48
2.	Risks Factors regarding the Participation Capital Notes .....	53
3.	Risk Factors Regarding the Fiduciary .....	56
4.	Risk Factors regarding the Bank .....	56
<b>IV.</b>	<b>INFORMATION ABOUT THE SECURITIES .....</b>	<b>59</b>
1.	Structure .....	59
2.	Terms and conditions of the Participation Capital Certificates .....	60
3.	Summary of the provisions relating to the Participation Capital Certificates in Global Form .....	114
4.	Terms and conditions of the Participation Capital Notes .....	116
<b>V.</b>	<b>THE FIDUCIARY AND THE FIDUCIARY CONTRACT .....</b>	<b>129</b>
1.	The Fiduciary .....	129
2.	The Fiduciary Contract .....	129
<b>VI.</b>	<b>INFORMATION ABOUT THE BANK .....</b>	<b>131</b>
1.	General .....	131
2.	Business Overview .....	132
3.	Risk management .....	134
4.	Organisational structure .....	138
5.	Trend information .....	139
6.	Administrative, Management, and Supervisory Bodies .....	140
7.	Major Shareholders .....	149
8.	Financial information concerning the Bank .....	149
9.	Auditors' Report .....	154
10.	The Bank's Ratings .....	154
11.	Material Contracts .....	154

<b>VII. PARTICIPATION CAPITAL UNDER THE AUSTRIAN BANKING ACT.....</b>	<b>155</b>
<b>VIII. TAXATION.....</b>	<b>158</b>
1. Republic of Austria.....	158
2. Federal Republic of Germany .....	159
3. Republic of Ireland .....	162
4. The Grand Duchy of Luxembourg.....	163
5. Netherlands .....	165
6. Portugal.....	168
7. Kingdom of Spain.....	169
8. EU Savings Income Directive .....	170
<b>IX. SUBSCRIPTION AND SALE.....</b>	<b>171</b>
1. Admission to Trading and Dealing Arrangements.....	171
2. Terms and Conditions of the Offer .....	171
3. Selling Restrictions.....	172
<b>X. DOCUMENTS INCORPORATED BY REFERENCE .....</b>	<b>176</b>
<b>XI. GENERAL INFORMATION .....</b>	<b>177</b>
1. Subject of this Prospectus .....	177
2. Clearing Codes .....	177
3. Issue Date of the Participation Capital Certificates .....	177
4. Yield to Maturity on the Participation Capital Certificates .....	177
5. Documents on Display.....	177
6. Authorisations .....	178
7. Legend on the Global Certificates .....	178
8. Rating .....	178
9. Additional Information .....	179

## I. SUMMARY

This Summary should be read as an introduction to this Prospectus. Any decision by an investor to invest in the Participation Capital Certificates should be based on consideration of this Prospectus as a whole, including the documents incorporated by reference and any supplements thereto. Where a claim relating to the information contained in this Prospectus, including the documents incorporated by reference and any supplements thereto is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus, the documents incorporated by reference, and any supplements thereto before the legal proceedings are initiated. Civil liability attaches to the Bank who has prepared this Summary including any translation thereof and has applied or will apply for its notification, but only if this Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

The following Summary does not purport to be complete and is taken from and qualified in its entirety by the remainder of this Prospectus.

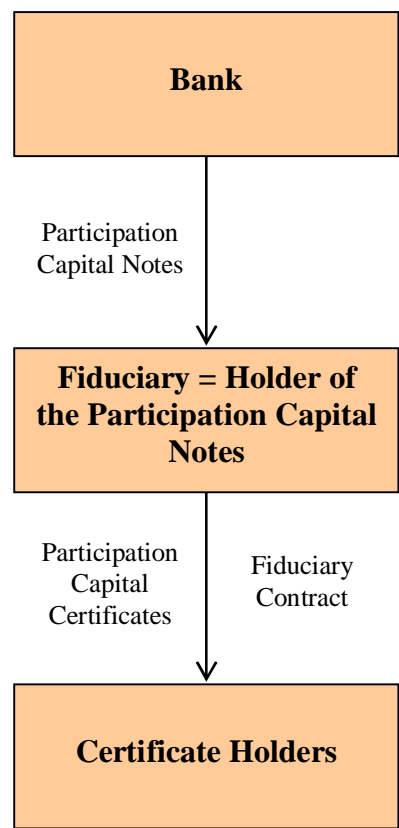
### 1. Parties

<b>Fiduciary/Noteholder</b> .....	Banque de Luxembourg, a public limited liability company ( <i>société anonyme</i> ) incorporated under the laws of the Grand Duchy of Luxembourg and with its registered office at 14, Boulevard Royal, L-2249 Luxembourg and registered with the Register of Commerce and Companies in Luxembourg under number B.5310, as issuer of the Participation Capital Certificates on a fiduciary basis.
<b>Bank or VBAG</b> .....	Österreichische Volksbanken-Aktiengesellschaft, an Austrian joint stock corporation ( <i>Aktiengesellschaft</i> ) incorporated under the laws of Austria, having its registered office at Kollingasse 19, 1090 Vienna and registered in the Austrian companies' register of the commercial court in Vienna under file number FN 116476 p.
<b>Sole Bookrunner</b> .....	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
<b>Joint Lead Managers</b>	Deutsche Bank AG, London Branch UBS Limited
<b>Luxembourg Listing and Principal Paying Agent</b> .....	Dexia Banque Internationale à Luxembourg
<b>Calculation Agent</b> .....	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

## 2. Summary of the Terms and Conditions of the Participation Capital Certificates

<b>Fiduciary / Issuer of the Participation Capital Certificates .....</b>	Banque de Luxembourg
<b>Nominal Amount.....</b>	EUR 100,000,000
	The Participation Capital Certificates represent an increase of the issue of EUR 400,000,000 Perpetual Non-Cumulative Participation Capital Certificates (the " <b>Initially Issued Participation Capital Certificates</b> ") issued by the Fiduciary on 6 May 2008 having identical terms and conditions of issue as the Participation Capital Certificates in all material respects.
<b>Denomination.....</b>	EUR 1,000 per Participation Capital Certificate.
<b>Issue Price .....</b>	[100-105] per cent. of the Nominal Amount plus accrued remuneration for the period starting on (and including) 06 May 2008 until (but excluding) 27 May 2008
<b>Issue Date of the Initially Issued Participation Capital Certificates</b>	06 May 2008
<b>Issue Date of Participation Capital Certificates.....</b>	27 May 2008
<b>Interim Securities Codes.....</b>	ISIN XS0364478262 Common Code 036447826 WKN A0Q13Y
	Upon exchange of the Temporary Global Certificate for the Permanent Global Certificate in accordance with the Terms and Conditions of the Participation Capital Certificates, the Participation Capital Certificates will form a single series with the Initially Issued Participation Capital Certificates with an aggregate nominal amount of EUR 500,000,000 for the consolidated issue and will then have the same securities codes as the Initially Issued Participation Capital Certificates.
<b>Securities Codes of the Initially Issued Participation Capital Certificates.....</b>	ISIN XS0359924643 Common Code 035992464 WKN A0TUQG
<b>Rating.....</b>	The Bank expects that, upon issuance, the Participation Capital Certificates will be assigned a rating of [●] by Moody's.
	A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by Moody's.

Structure Diagram.....



**Maturity; Redemption .....** Subject to the Terms and Conditions of the Participation Capital Notes, the Participation Capital Certificates are perpetual securities and have no scheduled maturity. The Participation Capital Certificates will be redeemed upon the redemption of the Participation Capital Notes, subject to issuance of Replacement Capital Notes, a Remarketing or On-Market Tender occurring as set out below.

**Status.....** Each Participation Capital Certificate represents a proportionate economic and beneficial interest in the Participation Capital Notes, subject to the Terms and Conditions of the Participation Capital Certificates. The Participation Capital Certificates rank pari passu without any preference among themselves.

The Participation Capital Certificates do not constitute direct debt obligations of the Fiduciary but instead shall evidence the existence of the Fiduciary Contract pursuant to which the Certificate Holders shall be deemed to have acknowledged and agreed that the Fiduciary's payment obligations under the Participation Capital Certificates are conditional upon and limited by the due performance by the Bank of its obligations under the Participation Capital Notes.

**Form.....** Initially, a Temporary Global Certificate without remuneration coupons will be issued that will be exchanged for a Permanent Global Certificate upon the later of (i) 40 days having passed since the completion of



the distribution of all the Participation Capital Certificates and (ii) certification that no beneficial owner of Participation Capital Certificates is a U.S. person. Definitive Certificates will be issued in certain limited circumstances.

**Use of Proceeds .....** The Fiduciary will apply the proceeds raised from the issue of the Participation Capital Certificates to acquire EUR 100,000,000 Participation Capital Notes issued by the Bank.

**Nature of Participation Capital Certificates** The Participation Capital Certificates are limited recourse obligations of the Fiduciary. Under the Fiduciary Contract, the Fiduciary is obliged to hold the Participation Capital Notes for the sole account and benefit and at the sole risk of the Certificate Holders. Each Participation Capital Certificate represents a *pro rata* interest in the Participation Capital Notes. The Fiduciary will pass all payments actually received under the Participation Capital Notes, if any, on to the Certificate Holders.

**Separation of Assets Held by the Fiduciary.** Assets held by the Fiduciary in its fiduciary capacity and payments actually received by it under such assets are for the benefit of the Certificate Holders. They are neither assets nor payments for the benefit and at the risk of the Fiduciary. Such assets and payments are not subject to claims by general creditors of the Fiduciary. The Fiduciary may not employ such assets for any purpose other than for fulfilling its obligations under the Participation Capital Certificates.

**Certificate Coupon Payments .....** Payments of Remuneration under the Participation Capital Certificates will be made on the same dates and to the extent payments are received by the Fiduciary from the Bank under the Participation Capital Notes.

**Enforcement Rights .....** Certificate Holders' enforcement rights against the Fiduciary are limited. Direct action against the Fiduciary as issuer of the Participation Capital Certificates may only be brought if the Fiduciary defaults on payments to the Certificate Holders of amounts actually received under the Participation Capital Notes and due to Certificate Holders. Action in relation to payment defaults under the Participation Capital Notes may only be brought by the Fiduciary and not by Certificate Holders.

The Fiduciary will only be bound to seek any such remedy if (i) it shall have been so directed either by an extraordinary resolution of the Certificate Holders and (ii) it shall have been indemnified by the relevant Certificate Holders to its reasonable satisfaction.

If the Fiduciary fails to take legal action against the Bank in respect of the Participation Capital Notes within a reasonable time, then the Certificate Holders may be entitled, subject to certain conditions of the Terms and Conditions of the Participation Capital Certificates, to institute legal actions against the Bank in respect of the Participation Capital Notes on behalf of the Fiduciary.

**Fiduciary's Voting Rights, Information Rights and Protection Against Dilution under the Participation Capital Notes.....**

The Fiduciary has no voting rights under the Participation Capital Notes. The Fiduciary has stated that it will not exercise any right (i) with respect to the protection against dilution of its investment and (ii) to take part in the general assembly (*Hauptversammlung*) of the Bank and request information about the affairs of the Bank during such meeting under Sec 23(5) of the Austrian Banking Act (*Bankwesengesetz*). However, the Fiduciary has the right to participate (in the Fiduciary's sole discretion) in a special general assembly (*Hauptversammlung*), if any, convened for holders of participation capital only and to request information about the affairs of the Bank during such meeting.

**Delivery of Replacement Participation Capital Notes.....**

The Bank may from time to time and at its sole discretion redeem or repurchase existing Participation Capital Notes (subject to all applicable legal restrictions and the Terms and Conditions of the Participation Capital Notes) provided the Bank delivers to the Fiduciary at the same time Replacement Participation Capital Notes (being defined as new Participation Capital Notes (or any other bank regulatory equity instrument eligible to be issued by the Bank at the relevant time in accordance with Austrian banking law in force at such time) with terms and conditions being in all material respects identical with those of the Participation Capital Notes, except for the time of commencement of an entitlement to receive Remuneration) and provided further that the Liquidation Entitlement has not been reduced as a consequence of the loss participation of the Participation Capital Notes. For the avoidance of doubt, the redemption or repurchase by the Bank of the Participation Capital Notes, if made against delivery of Replacement Participation Capital Notes to the Fiduciary, shall not affect the outstanding Participation Capital Certificates in any way.

**Remarketing Process .....**

The Bank may elect to remarket the Participation Capital Certificates (a "**Remarketing**") with effect as at the Reset Date (as defined below) or each Remuneration Payment Date (as defined below) thereafter subject to the Terms and Conditions of the Participation Capital Certificates. If a Remarketing becomes effective, the Rate of Remuneration under the Participation Capital Certificates will, in respect of those investors who have rendered a bid under the Remarketing or stated that they wish to continue to hold the Participation Capital Certificates or who have not made any statement, be a new rate determined by the Bank based on the relevant bids. In order to give effect to the outcome of any successful Remarketing the Fiduciary may, and shall if so instructed by the Bank, request that any Certificate Holder shall transfer all or part of its Participation Capital Certificates to such person as directed by the Bank against receipt of the Unreduced Liquidation Entitlement regardless of (i) whether they have rendered a bid under the Remarketing, or stated that they wish to continue to hold the Participation Capital Certificates or have not made any statement and (ii) irrespective of their bid rate. Any Remarketing shall only become effective under the conditions stipulated in the Terms and Conditions of the

## Participation Capital Certificates.

### **Redemption at the Bank's option through an On-Market Tender.....**

To the extent permitted by applicable law and in particular, subject to any restrictions applying on a redemption of participation capital by the Bank under all relevant laws and regulations in force at the time the Bank shall be entitled to purchase, or to designate a third party to purchase, the Participation Capital Certificates, in whole but not in part, through an On-Market Tender subject to the Terms and Conditions in the Participation Capital Certificates. In case a successful Remarketing (as described above) is not effective for all of the Participation Capital Certificates, an On-Market Tender may also be effected for such Participation Capital Certificates, for which such Remarketing is not effective.

### **Notices.....**

All notices to Certificate Holders are published at the initiation of the Bank in the daily official list of the Luxembourg Stock Exchange. In addition, notices will be given by mail, fax, or electronically to Clearstream Luxembourg and Euroclear (each a "**Clearing System**") and to the Luxembourg Paying Agent. In accordance with its published rules and regulations, each Clearing System will notify the holders of securities accounts to which any Participation Capital Certificates are credited of any such notices received by it. In addition, all notices will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

### **Place of Jurisdiction and Governing Law ...**

The Participation Capital Certificates and all matters arising from or connected with the Participation Capital Certificates are governed by, and shall be construed in accordance with, Luxembourg law and in particular by the Trust and Fiduciary Contract Law 2003.

The courts of Luxembourg have exclusive jurisdiction to settle any dispute arising from or connected with the Participation Capital Certificates.

### **Listing .....**

Application will be made to list the Participation Capital Certificates on the official list of the Luxembourg Stock Exchange and to trade them on the regulated market.

### **Further Issues .....**

The Fiduciary may from time to time, in accordance with the Terms and Conditions of the Participation Capital Certificates, but without the consent of the Certificate Holders, create and issue further fiduciary certificates having the same terms and conditions as the Participation Capital Certificates, save with respect to the date of issue, the issue price and the distribution commencement date of such fiduciary certificates, which may be consolidated and form a single series with the Participation Capital Certificates, provided that the proceeds received by the Fiduciary in connection with the subscription of further fiduciary certificates is used by the Fiduciary to acquire additional Participation Capital Notes to be held by the Fiduciary in its own name, but at the sole risk and for the exclusive benefit of the Certificate Holders and the holders of the further fiduciary certificates.

**Selling Restrictions ..... *The United States of America***

The Participation Capital Certificates have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account and benefit of, U.S. Persons except in accordance with Regulation S under the Securities Act. Each Manager has represented and agreed that neither it, its affiliates nor any person acting on its behalf have offered, sold or delivered the Participation Capital Certificates, and neither it, its affiliates nor any person acting on its behalf will offer, sell or deliver the Participation Capital Certificates within the United States or to, or for the account benefit of, a U.S. Person (a) as part of its distribution at anytime or (b) otherwise until 40 days after the completion of the distribution of all the Participation Capital Certificates (the "**Restricted Period**"), in either case in accordance with Regulation S under the Securities Act. Neither the Managers, their respective affiliates nor any person acting on behalf of any Manager or any of its affiliates have engaged or will engage in any directed selling efforts in the United States with respect to the Participation Capital Certificates, and the Managers, their respective affiliates and any person acting on behalf of any Manager or any of its affiliates have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act, including the requirements that any offer or sale be made outside the United States in an offshore transaction to a non-U.S. Person.

***European Economic Area***

In relation to each Member State of the European Economic Area (the European Union plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Participation Capital Certificates to the public in that Relevant Member state prior to the publication of a prospectus in relation to the Participation Capital Certificates which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Participation Capital Certificates to the public in that Relevant Member State at any time (a) to legal entities which are authorised or regulated to operate in the financial markets, or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last fiscal year; (ii) a total balance sheet of more than EUR 43,000,000 and

(iii) an annual turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); (d) in any other circumstances which do not require the publication by the Fiduciary or the Bank of a prospectus pursuant to Article 3 of the Prospectus Directive.

#### ***United Kingdom of Great Britain and Northern Ireland***

Each 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 an invitation or inducement to engage in investment activity (within the meaning of Sec 21 (1) of the FSMA) received by it in connection with the issue or sale of the Participation Capital Certificates in circumstances in which Sec 21 (1) of the FSMA does not apply to the Fiduciary or the Bank; 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 Participation Capital Certificates in, from or otherwise involving the United Kingdom.

#### ***Luxembourg***

According to the Law of 10 July 2005 on prospectuses for securities (the "**Law**") and implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "Prospectus Directive"), the Participation Capital Certificates may not be offered to the public in Luxembourg, except that they may be offered in Luxembourg in the following circumstances: (a) in the period beginning on the date of publication of a prospectus in relation to the Participation Capital Certificates which has been approved by the Commission de surveillance du secteur financier (CSSF) in Luxembourg or, where appropriate, approved in another relevant European Union Member State and notified to the CSSF, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication; (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000 as shown in its last annual or consolidated accounts; or (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

#### ***Republic of Ireland***

Each Manager has represented, warranted and agreed

that, to the extent applicable:

(i) it has not and will not underwrite the issue of, or place, offer or sell or otherwise act in Ireland in respect of any Participation Capital Certificates other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation; and Irish market abuse law (as defined in the Investment Funds, Companies and Miscellaneous Provisions Act, 2005), including the Market Abuse (Directive 2003/6/EC) Regulations 2005 (S.I. No. 342 of 2005) and any rules issued under section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005;

(ii) it has not underwritten and will not underwrite the issue of or place the Participation Capital Certificates otherwise than in conformity with the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21; and the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) (as amended) including, without limitation, Parts 6, 7, 9 and 12 thereof and any codes of conduct or other requirements or guidance issued in connection therewith; and

(iii) it has not underwritten and will not underwrite the issue of, or place, the Participation Capital Certificates, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942-2004 (as amended) and any codes of conduct made under Section 117 thereof.

### 3. Summary of the Terms and Conditions of the Participation Capital Notes

<b>The Bank/VBAG/ Issuer of the Participation Capital Notes.....</b>	Österreichische Volksbanken-Aktiengesellschaft, an Austrian joint stock corporation ( <i>Aktiengesellschaft</i> ) incorporated under the laws of Austria, having its registered office at Kolingasse 19, 1090 Vienna and registered in the Austrian companies' register of the commercial court in Vienna under file number FN 116476 p.
<b>Nominal Amount.....</b>	EUR 100,000,000
	The Participation Capital Notes represent an increase of the issue of EUR 400,000,000 Perpetual Non-Cumulative Participation Capital Notes (the " <b>Initially Issued Participation Capital Notes</b> ") issued by the Fiduciary on 6 May 2008 having identical terms and conditions of issue as the Participation Capital Notes in all material respects.
<b>Denomination.....</b>	EUR 1,000 per Participation Capital Note.
<b>Issue Price .....</b>	[100-105] per cent. plus accrued remuneration for the period starting on (and including) 06 May 2008 until (but excluding) 27 May 2008
<b>ISIN</b>	XS0359925889
<b>Status.....</b>	Participation Capital Notes are structured to constitute core capital ( <i>Kernkapital</i> ) of the Bank in accordance with Sec 23(14) of the Austrian Banking Act ( <i>Bankwesengesetz</i> ).
<b>Form.....</b>	The Participation Capital Notes are in bearer form in denomination of EUR 1,000 without coupons or talons attached, which will be represented by a global note ( <i>Sammelurkunde</i> ).
<b>Use of Proceeds .....</b>	The proceeds from the issue of Participation Capital Notes will be used by VBAG to strengthen the capital base of VBAG to support the continuing growth of its business. For purposes of measuring regulatory capital adequacy, VBAG expects to treat the Participation Capital Notes as core capital ( <i>Kernkapital</i> ) of VBAG in accordance with Sec 23(14) of the Austrian Banking Act ( <i>Bankwesengesetz</i> ).
<b>Maturity.....</b>	The Participation Capital Notes are perpetual securities and have no final maturity date.
<b>Issue Date of the Initially Issued Participation Capital Notes</b>	06 May 2008
<b>Issue Date of the Participation Capital Notes (Increase Date).....</b>	27 May 2008
<b>Remuneration Payment Dates.....</b>	Remuneration on the Participation Capital Notes will be paid in arrear (a) prior to 18 June 2018 (the " <b>Reset Date</b> ") on 18 June 2009 and thereafter annually and (b) from the Reset Date, semi-annually in arrear on 18 December and 18 June (each a " <b>Remuneration Payment</b> ")

**Date").**

**Rate of Remuneration.....** From and including the issue date<sup>1</sup> to but excluding the Reset Date, Remuneration in the form of interest will be payable at a rate of 10 per cent. per annum (the "**Fixed Rate**"). In the case where a Remarketing is effective, the Rate of Remuneration shall be such rate as is determined by the Bank within such Remarketing process.

As of the Reset Date, a floating rate will be payable, unless a Remarketing is effective. The floating rate will be the sum of the 6-month EURIBOR plus (i) in case of a failed on-market tender for such investors that did not accept the terms of such on-market tender zero basis points; or (ii) in all other cases the initial margin of 5.32 per cent. per annum plus 100 basis points. In the case where a Remarketing is effective, the rate of remuneration applicable as of the Reset Date will be the rate determined in such Remarketing process.

**Calculation of Remuneration Amount .....** The Calculation Agent will, as soon as practicable on the Remuneration Determination Date in relation to each Remuneration Period, calculate the amount of Remuneration (the "**Remuneration Amount**").

**Payments of Remuneration are Contingent on the Availability of Distributable Profits .** Remuneration payments will only be made on any Remuneration Payment Date out of profits available for distribution in respect of each fiscal year of the Bank, sourced from the Bank's profit or loss for the year after tax (*Jahresüberschuss*) plus any transfers made by the Bank, at its sole discretion, from that part of the Bank's retained earnings (*Gewinnrücklagen*) which represents disposable reserves (*andere Rücklagen*), all as stated in the Bank's financial statements prepared in accordance with the Austrian Banking Act (*Bankwesengesetz*), in compliance with Sec 23(4)(3) of the Austrian Banking Act (*Bankwesengesetz*) and accounting principles generally accepted in Austria, the Austrian Enterprise Code (*Unternehmensgesetzbuch*) and other applicable Austrian laws then in effect ("**Distributable Profits**"). Remuneration will be non-cumulative and will be deemed to accrue on a day by day basis.

**Remuneration Deferral.....** The Bank shall not have any obligation to pay Remuneration on any Remuneration Payment Date (irrespective of the availability of Distributable Profits) if it does not elect to do so and any such failure to pay Remuneration shall not constitute a default of the Bank or any other breach of the obligations under the Participation Capital Notes or for any other purpose. If the Bank decides not to pay the full amount of Remuneration on a Remuneration Payment Date, the Bank shall notify the Noteholder not less than 15 Business Days prior to such Remuneration Payment Date and Remuneration not paid due to such an election by the Bank shall constitute "**Unpaid Remuneration**".

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<sup>1</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Certificates.



If a regulatory event occurs, the Bank's discretionary right to defer Remuneration as set out above shall cease to exist and the Bank will be required to pay Remuneration out of Distributable Profits (to the extent available therefor).

**Dividend Pusher .....**

Notwithstanding the foregoing, the discretion of the Bank not to pay Remuneration as set out above shall not apply in the following circumstances: (i) if the Bank or any subsidiary of the Bank declares or pays any dividends or makes any other payment or other distribution on (a) any participation capital instrument issued by the Bank, (b) any instrument issued by a Subsidiary of the Bank and constituting Consolidated Tier 1 Capital of the Bank (provided that such instrument benefits from contractual support granted by the Bank), and (c) any other instrument issued by the Bank and constituting Tier 1 Capital of the Bank (excluding the bank's share capital) ("**Parity Instruments**"), Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such dividend, payment or distribution; (ii) if the Bank declares or pays any dividend or makes any other payment or distribution on any Bank Share Capital, Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such dividend, payment or distribution; or (iii) if the Bank redeems, repurchases or otherwise acquires any Parity Instruments, or Bank Share Capital for any consideration, Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such redemption, repurchase or otherwise; unless such dividend, other payment or other distribution is declared, paid or made, or (as the case may be) such redemption, repurchase or acquisition occurs in connection with (a) any present or future stock options plan (including any purchase of Participation Capital Certificates for the purposes of employee compensation), (b) a reclassification of shares for shares of another class or (c) any purchase for trading purposes only.

If the Bank makes any payment on the Participation Capital Notes pursuant to the foregoing paragraph, the Bank shall make corresponding pro rata payments on any participation capital of the Bank outstanding at the time of issue of the Participation Capital Notes ("**Existing Participation Capital**") (but always subject to Distributable Profits being available for such purpose).

**Unpaid Remuneration Settlement Mechanism .....**

The Bank may at any time (but is not obliged to) use the Unpaid Remuneration Settlement Mechanism (as described in more detail in the Terms and Conditions of the Participation Capital Notes), to make payment in full or in part of any outstanding Unpaid Remuneration upon giving notice to the Noteholder not less than 10 and not more than 15 Business Days prior to the date on which such payment will be made. There are certain circumstances when a proposal will be made to the general assembly (*Hauptversammlung*) or the Management Board (*Vorstand*) as to the use of the

Unpaid Remuneration Settlement Mechanism. Any Unpaid Remuneration not settled in accordance with the foregoing provisions will be cancelled and the Noteholder will have no rights or entitlement in respect of such amount.

**Loss Absorption .....** If the Bank incurs a loss ("**Loss**", being defined as the sum of the following amounts being negative; Bank's Profit Or Loss (*Bilanzgewinn/Bilanzverlust*); the Bank's Retained Earnings (*Gewinnrücklagen*); the Capital Reserves (*Kapitalrücklagen*); the untaxed reserves (*unversteuerte Rücklagen*); the Liability Reserve (*Haftrücklage*) set aside pursuant to Sec 23(6) Austrian Banking Act (*Bankwesengesetz*) (Sec 23(1)(2) Austrian Banking Act); and the Fund for General Banking Risks (*Fonds für allgemeine Bankrisiken*) pursuant to Sec 57(3) and (4) Austrian Banking Act (*Bankwesengesetz*) (Sec 23(1)(3) Austrian Banking Act), all as stated in the Bank's reported financial statements), the general assembly (*Hauptversammlung*) of the Bank may pass a resolution (and the Bank may take such other steps as are prescribed under Austrian corporate law) to achieve a capital reduction (*Kapitalherabsetzung*). Following such capital reduction (*Kapitalherabsetzung*) the amount outstanding under the Participation Capital Notes shall be reduced, *pro rata* with the Bank's share capital and any other instruments issued by the Bank and participating in the Bank's Loss in the same manner as share capital and the Participation Capital Notes, against simultaneous dissolution of such Loss. The Liquidation Entitlement shall be reduced accordingly, provided that the Participation Capital Notes' aggregate share in any Loss shall in no event exceed the initial Liquidation Entitlement being EUR 1,000 per Participation Capital Note (the "**Initial Liquidation Entitlement**").

Following a reduction, the Liquidation Entitlement shall be increased (to an amount no greater than the Initial Liquidation Entitlement) in the event where the Bank makes an annual balance sheet profit in subsequent fiscal years, unless such balance sheet profit is distributed.

Following a reduction, if the Bank increases the Liquidation Entitlement on the Participation Capital Notes, the Bank will make corresponding *pro rata* increases on any Existing Participation Capital. For the avoidance of doubt, this provision will apply despite any inconsistent provision in the terms and conditions of any Existing Participation Capital of the Bank, in force at the time of the issue of the Participation Capital Notes.

**Redemption .....** The Participation Capital Notes have no final maturity date. Any redemption of the Participation Capital Notes may only occur in accordance with (i) the provisions on capital reduction per analogiam under the Austrian Joint Stock Corporation Act (*Aktiengesetz*), (ii) Sec 102a of the Austrian Banking Act (*Bankwesengesetz*) or (iii) any provision superseding such provisions.

Prior to the Reset Date, the Bank may (subject to the foregoing paragraph) redeem the Participation Capital

Notes on the occurrence of a (i) tax event, (ii) gross-up event, (iii) Luxembourg gross-up event, (iv) regulatory event, (v) accounting event or (vi) capital event (being an event where there is a change by a recognised international statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Participation Capital Notes, which change results in a lower equity credit being given to the Participation Capital Notes (other than by virtue of a change to the rules prescribing the applicable limits for equity credit) as of the date of such changes than the equity credit that had been assigned to the Participation Capital Notes immediately before such date ) (each such event an "**Event**") in the cases of (ii) and (iii) at the Ordinary Redemption Price (being the Initial Liquidation Entitlement plus accrued and unpaid Remuneration for the then current Remuneration Period, the "**Ordinary Redemption Price**") and in the cases of (i), (iv), (v) and (vi) at the Ordinary Redemption Price plus the Make-Whole Coupon (as defined below), unless in each case (a) (in respect of such portion of the Ordinary Redemption Price as is constituted by accrued Remuneration, and in respect of any Make-Whole Coupon) sufficient Distributable Profits are not available, and/or (b) (in respect of such portion of the Ordinary Redemption Price as is constituted by the Initial Liquidation Entitlement) the Liquidation Entitlement has been reduced following any Loss of the Bank, in which case the Redemption Price shall be reduced accordingly.

"**Make-Whole Coupon**" means an amount, which will be determined by the Calculation Agent as equalling the higher of (A) zero and (B) the amount equalling (1) the sum of the Present Values on the relevant Redemption Date of (i) the Initial Liquidation Entitlement per Participation Capital Note and (ii) the remaining scheduled Remuneration Payments to but excluding the Reset Date, minus (2) the Initial Liquidation Entitlement as of the date when such determination is made;

"**Present Value**" means, in respect of any amount (the "**Base Amount**"), an amount determined by the Calculation Agent by discounting such Base Amount to but excluding the Reset Date on an annual basis and on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) and using the Adjusted Comparable Yield plus 2.04 per cent.;

"**Adjusted Comparable Yield**" means the internal rate of return, expressed as a percentage per annum, as determined on the third business day preceding the relevant Redemption Date, of the EUR benchmark security selected by the Calculation Agent, after consultation with the Bank, as having a maturity comparable to the remaining term of the Participation Capital Notes to but excluding the Reset Date, that would be utilised, at the time of selection and in accordance with customary banking practice, in pricing new issues of corporate debt securities of a comparable maturity;

**Purchase by Third Party at the Option of the Bank .....**

The Bank may instruct the Noteholder to sell and transfer the Participation Capital Notes to any third party purchaser other than a Subsidiary (such third party purchaser, a "**Third Party Purchaser**"), whereupon the Noteholder shall sell and transfer the Participation Capital Notes to such Third Party Purchaser, (i) prior to the Reset Date, if a Tax Event, Regulatory Event or Accounting Event has occurred, against payment to the Noteholder of the Ordinary Redemption Price plus the Make-Whole Coupon; or (ii) on the Reset Date or on any Remuneration Date thereafter, or upon a Gross-Up Event or Luxembourg Gross-Up Event having occurred at any time, against payment to the Noteholder of the Ordinary Redemption Price.

**Modification and Substitution .....**

Subject to no prior objection of the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) at that time, where an Event has occurred, the Bank may, by giving not less than 30 or nor more than 60 days notice to Holders, substitute in whole but not in part the Participation Capital Notes, or modify the terms of the Participation Capital Notes to the extent that such modification or substitution is reasonably necessary to ensure that no such Event would exist after such modification or substitution has occurred subject to the Terms and Conditions of the Participation Capital Notes provided that such modification or substitution does not provide for terms and conditions that are materially less favourable than the Participation Capital Notes as set out in more detail in the Terms and Conditions of the Participation Capital Notes.

**Rights Upon Liquidation .....**

*Liquidation Entitlement:* In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Bank, the Noteholder at the time will be entitled to receive the relevant Liquidation Entitlement in respect of the Participation Capital Notes held out of the assets of the Bank available for distribution to the Noteholder. For the avoidance of doubt, such entitlement shall not include any rights to the payment of Unpaid Remuneration.

Such entitlement shall rank *pari passu* with any entitlement of the holders of Bank Share Capital and participation capital (as defined under Austrian law) and any securities issued by the Bank ranking *pari passu* to Bank Share Capital to receive liquidation proceeds.

*Partial Payment:* If the Liquidation Entitlement cannot be made in full, it will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the Liquidation Entitlement, as adjusted if applicable, the Noteholder will have no right or claim to any of the remaining assets of the Bank. For the avoidance of doubt, the Noteholder shall, upon liquidation, in no case receive an amount exceeding the Liquidation Entitlement.

**Withholding Tax and Additional Amounts.**

All amounts payable by the Bank in respect of the Participation Capital Notes shall be made without withholding or deduction for or on account of any present

or future taxes or duties of whatever nature imposed or levied by or on behalf of Austria or any other country from or out of which the Bank makes payments, or any political subdivision or authority thereof or therein having power to tax (the "**Withholding Taxes**"), unless such withholding or deduction is required by law. In such event, the Bank shall pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Noteholder after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Participation Capital Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any such payments on the Participation Capital Notes, as stated in the Terms and Conditions of the Participation Capital Notes.

**Luxembourg Gross-Up Amount .....** If the Fiduciary is required pursuant to applicable law to make a deduction or withholding when it passes a payment received from the Bank on to the Certificate Holders the Principal Paying Agent shall advise the Bank of the amount (the "**Luxembourg Gross-Up Amount**") by which the Bank would have to increase any payment made to the Fiduciary to enable (after the Fiduciary so withholds or deducts) the Fiduciary to pay Certificate Holders, as stated in the Terms and Conditions of the Participation Capital Notes.

**Place of Jurisdiction and Governing Law ...** The Participation Capital Notes and all matters arising from or connected with the Participation Capital Notes are governed by, and shall be construed in accordance with, Austrian law.

The courts competent for the first district in Vienna, Austria have exclusive jurisdiction to settle any dispute arising from or connected with the Participation Capital Notes.

#### **4. Summary regarding the Risk Factors**

##### ***Risk Factors regarding the Participation Capital Certificates***

- The Participation Capital Certificates are not direct obligations of the Fiduciary
- Certificate Coupon Payments including any accrued remuneration paid as part of the issue price on the Participation Capital Certificates depend on the Bank's profits distributable for such purpose (limited recourse), and may not occur even where such profits are available
- An issue price in excess of 100 per cent dilutes an investor's rate of return
- Certificate Coupon Payments under the Participation Capital Certificates are not cumulative
- Any use of the Unpaid Remuneration Settlement Mechanism is at the Bank's discretion and will not lead to payment of Remuneration which the Bank had not paid previously other than in specific circumstances
- The Participation Capital Certificates have no scheduled maturity
- Claims under the Participation Capital Certificates are subordinated
- The Participation Capital Notes and consequently the Participation Capital Certificates participate in the Bank's losses in the same manner as share capital
- Redemption or purchase of the Participation Capital Notes, and consequently, the Participation Capital Certificates, is restricted by law and under the Terms and Conditions of the Participation Capital Notes, thereby decreasing the likelihood of any redemption or purchase by the Bank of the Participation Capital Notes and consequently, the Participation Capital Certificates
- Certificate Holders have only limited recourse against the Fiduciary
- An active trading market for the Participation Capital Certificates may not develop
- Failure to consolidate the Participation Capital Certificates with the Initially Issued Participation Capital Certificates may be detrimental to the investors' interests
- The Fiduciary has stated that it will not exercise certain rights under the Participation Capital Notes
- Remarketing may not occur or may leave investors in a less favourable position
- On-Market Tender: purchase of Participation Capital Certificates by the Bank and any subsidiary of the Bank is restricted and may be prevented by applicable laws and regulations
- Floating rate securities may suffer a decline in remuneration rate, potentially resulting in a reduction of the market value of such securities
- Payments under the Participation Capital Certificates will be made in Euro, potentially exposing investors to exchange rate risks and risk of exchange controls
- Investors in Participation Capital Certificates are exposed to risks associated with fixed rate bonds
- A future change of law may affect the rights of the Certificate Holders
- Potential investors in the Participation Capital Certificates should consult their tax advisors in respect of potential tax risks of any investment in the Participation Capital Certificates
- Because the Global Certificates are held by or on behalf of Euroclear and Clearstream Luxembourg, investors will have to rely on the procedures of these institutions for transfer, payment and communication with the Fiduciary

***Risk Factors regarding the Participation Capital Notes***

- Remuneration Payments including any accrued remuneration paid as part of the issue price on the Participation Capital Notes depend on the Bank's profits distributable for such purpose (limited recourse), and may not occur even where such profits are available
- An issue price in excess of 100 per cent dilutes an investor's rate of return
- Use of the Unpaid Remuneration Settlement Mechanism is at the Bank's discretion and will not lead to payment of Remuneration which the Bank had not paid previously other than in specific circumstances
- Remuneration under the Participation Capital Notes is not cumulative
- The Participation Capital Notes have no scheduled maturity
- Claims under the Participation Capital Notes are subordinated
- The Participation Capital Notes participate in the Bank's losses in the same manner as share capital
- Redemption or purchase of the Participation Capital Notes is restricted by law and under the Terms and Conditions of the Participation Capital Notes, thereby decreasing the likelihood of any such redemption or purchase
- Floating rate securities may suffer a decline in remuneration rate
- Investors in Participation Capital Notes are exposed to risks associated with fixed rate bonds
- A future change of law may affect the rights of the Noteholder

***Risk Factors regarding the Fiduciary***

- The Fiduciary does not act as note trustee on behalf of the Certificate Holders
- Certificate Holders have only limited recourse against the Fiduciary
- Substitution of the Fiduciary

***Risk Factors regarding the Bank***

- Credit risk or country risk may have a material adverse effect on VBAG's business results
- Suspension, downgrading or the withdrawal of a rating of VBAG by rating agencies might negatively affect the market value and trading price of the Participation Capital Certificates
- No assurance can be given that changes in the market will not adversely affect VBAG's profitability
- The risk of losses due to operational risk, including in particular business interruptions may cause appreciable losses
- Risk monitoring and risk management systems in place may not be (fully) effective or suitable under certain circumstances or with regard to certain risks
- The economic and political environment in the countries where VBAG is active as well as the development of the world economy have a fundamental influence on VBAG's business
- Fierce competition in the Austrian banking sector, which is expected to further intensify in the future may reduce profits and lead to a reduction in capital freely available for investments of VBAG
- Legislation as well as judicial and administrative practice in the jurisdictions where VBAG is active might change adversely in respect of VBAG
- Growing competition and increased central regulation in the European Banking Sector may reduce profit margins, increase capital costs and increase administrative costs for VBAG

- Since substantial assets, operations and customers of VBAG are located outside the Euro-zone, VBAG is exposed to currency risks
- VBAG owns substantial real estate and is therefore exposed to price risks in the real estate area
- VBAG's appeal against a tax order concerning corporate tax payments for previous years of two fully consolidated subsidiaries of VBAG might not prevail.
- As per 31 December 2007, the VBAG Group had not issued letters of comfort to non-group companies (as of 31 December 2006, VBAG Group had issued letters of comfort to non-group companies representing EUR 4,716,000)
- VBAG is responsible for ensuring that Back Office Service for Banken GmbH can meet its contractual obligations
- VBAG may incur additional costs for the recovery of positions in the market in case of the cancellation of obligations by a contracting party

## 5. Summary regarding the Fiduciary

The Fiduciary has been incorporated as a public limited liability (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg and has its registered office at 14, Boulevard Royal, L-2249 Luxembourg. It is registered with the Register of Commerce and Companies in Luxembourg under number B.5310.

The Participation Capital Certificates are issued by Banque de Luxembourg on a fiduciary basis in accordance with Luxembourg law on Fiduciary Contracts dated 27 July 2003 and, in particular, with the terms of a Fiduciary Contract between the Fiduciary and the Certificate Holders evidenced by the Participation Capital Certificates and the terms and conditions of such Participation Capital Certificates.

## 6. Summary Regarding the Bank

### *General*

VBAG is a joint stock corporation (*Aktiengesellschaft*) established under Austrian law and registered in the Austrian companies' register (*Firmenbuch*) under the name of Österreichische Volksbanken-Aktiengesellschaft, registration number 116476 p. It operates *inter alia* under the commercial name of "VBAG". The competent court for registration is the Commercial Court Vienna (*Handelsgericht Wien*). Its registered office is at Kolingasse 19, A-1090 Vienna, Austria.

The Management Board (*Vorstand*) of VBAG consists of five members. The Supervisory Board (*Aufsichtsrat*) comprises twenty-one members, seven of whom are representatives of the staff council.

### *Share capital*

VBAG's issued share capital amounts to EUR 311,095,411.82 and is divided into 42,791,666 bearer shares with a nominal value of EUR 7.27 each, as of the date of this Prospectus.

The shareholders of the voting capital of VBAG as at the date of this Prospectus are Österreichischer Volksbankenverband including Volksbanken Holding registrierte Genossenschaft mit beschränkter Haftung (58.2 per cent.), DZ BANK group (25.0 per cent. plus one share), ERGO group (Victoria insurance) (10.0 per cent.), Raiffeisen Zentralbank Österreich Aktiengesellschaft (6.1 per cent.) and other shareholders (0.7 per cent.).

### *Financial Information*

The financial information below is extracted from the audited consolidated financial statements of VBAG for the year ended 31 December 2007:

*Amounts in EUR thousand*

Total assets	78,640,829
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Net interest income	830,728
Annual result before taxes	388,121
Annual result after taxes	345,910
Profit attributable to shareholders of the parent company (Consolidated net income)	219,682

### ***Business Overview***

VBAG is a universal bank and offers banking services to private clients, corporate clients, clients from the public sector and to its partners, mainly the Austrian Volksbanken (credit co-operatives), in Austria, Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia, Cyprus, Germany, Poland, Ukraine and Malta.

VBAG's activities are organised in the following business divisions:

- § Corporate;
- § Retail;
- § Financial Markets;
- § Real estate; and
- § Public Finance.

## II. GERMAN TRANSLATION OF THE SUMMARY

Diese Zusammenfassung ist als Einleitung zu diesem Prospekt zu lesen. Jede Entscheidung zur Anlage in die Partizipationsschein-Zertifikate ist unter Berücksichtigung des gesamten Prospekts, einschließlich der durch Verweis einbezogenen Dokumente und aller Nachträge, zu treffen. Wird ein Anspruch hinsichtlich in diesem Prospekt enthaltener Informationen (einschließlich der durch Verweis einbezogenen Dokumente und aller Nachträge) gerichtlich geltend gemacht, muss der klagende Anleger unter Umständen gemäß der für ein solches Gericht geltenden Landesgesetzgebung vor Einleitung eines Gerichtsverfahrens die Kosten der Übersetzung dieses Prospekts, der durch Verweis einbezogenen Dokumente und aller Nachträge tragen. Die Bank, die diese Zusammenfassung erstellt und ihre Meldung beantragt hat oder haben wird, ist zivilrechtlich nur dann haftbar, sofern sie irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird.

Die nachfolgende Zusammenfassung erhebt keinen Anspruch auf Vollständigkeit. Sie ist in ihrer Gesamtheit dem restlichen Teil dieses Prospekts entnommen, der genauere Angaben zum Inhalt der Zusammenfassung enthält.

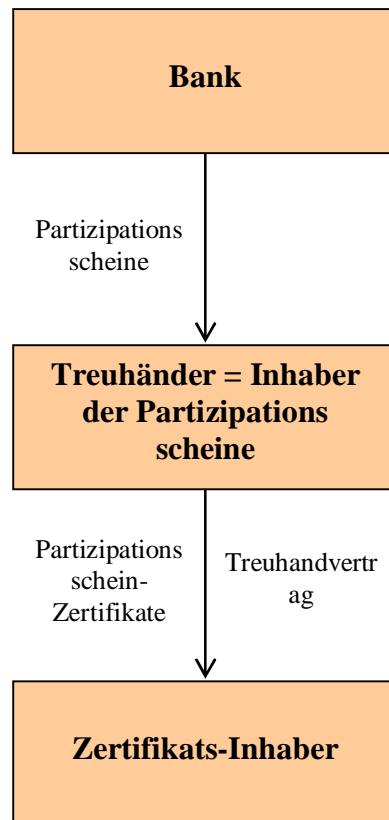
### 1. Parteien

<b>Treuhänder/Partizipationsscheininhaber....</b>	Banque de Luxembourg, eine Aktiengesellschaft mit beschränkter Haftung ( <i>société anonyme</i> ), die nach dem Recht des Großherzogtums Luxemburg errichtet und mit Sitz in L-2249 Luxembourg, 14, Boulevard Royal, im Handelsregister von Luxemburg unter der Registriernummer B.5310 eingetragen ist, als Emittent der Partizipationsschein-Zertifikate auf treuhänderischer Basis.
<b>Bank oder VBAG.....</b>	Österreichische Volksbanken-Aktiengesellschaft, eine nach österreichischem Recht errichtete österreichische Aktiengesellschaft mit Sitz in 1090 Wien, Kollingasse 19, die im österreichischen Firmenbuch des Wiener Handelsgerichts unter der Firmenbuchnummer FN 116476 p eingetragen ist.
<b>Sole Bookrunner .....</b>	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
<b>Joint Lead Manager</b>	Deutsche Bank AG, London Branch UBS Limited
<b>Börsenzulassungs- und Hauptzahlstelle in Luxemburg .....</b>	Dexia Banque Internationale à Luxembourg
<b>Berechnungsstelle .....</b>	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

## 2. Zusammenfassung der Bedingungen für die Partizipationsschein-Zertifikate

<b>Treuhänder / Emittent der Partizipationsschein-Zertifikate .....</b>	Banque de Luxembourg
<b>Nennbetrag.....</b>	EUR 100.000.000
	Die Partizipationsschein-Zertifikate repräsentieren eine Erhöhung der Emission der EUR 400.000.000 nicht kumulativen und nicht stimmberechtigten Partizipationsschein-Zertifikate ohne Laufzeitbeschränkung (die " <b>Ursprünglichen Partizipationsschein-Zertifikate</b> "), die vom Treuhänder am 6. Mai 2008 begeben wurden und in jeder wesentlichen Hinsicht identische Emissionsbedingungen wie die Partizipationsschein-Zertifikate haben.
<b>Stückelung.....</b>	EUR 1.000 je Partizipationsschein-Zertifikat.
<b>Emissionskurs .....</b>	[100-105] Prozent vom Nennbetrag zuzüglich Stückzinsen für den Zeitraum vom 06. Mai 2008 (inklusive) bis 27. Mai 2008 (exklusive).
<b>Ausgabetag der Ursprünglichen Partizipationsschein-Zertifikate .....</b>	6. Mai 2008
<b>Ausgabetag der Partizipationsschein-Zertifikate .....</b>	27. Mai 2008
<b>Interimistische Wertpapierkennnummern..</b>	ISIN XS0364478262 Common Code 036447826 WKN A0Q13Y
	Bei Austausch des vorläufigen Globalzertifikats gegen das Dauer-Globalzertifikat im Einklang mit den Bedingungen der Partizipationsschein-Zertifikate werden die Partizipationsscheinzertifikate gemeinsam mit den Ursprünglichen Partizipationsschein-Zertifikaten eine einheitliche Serie mit einem Gesamtnominal von EUR 500.000.000 für die konsolidierte Emission bilden und die gleichen Wertpapierkennnummern wie die Ursprünglichen Partizipationsschein-Zertifikate haben.
<b>Wertpapierkennnummern der Ursprünglich Emittierten Partizipationsschein-Zertifikate</b>	ISIN XS0359924643 Common Code 035992464 WKN A0TUQG
<b>Rating.....</b>	Die Bank erwartet, dass die Partizipationsschein-Zertifikate von Moody's bei der Begebung der Emission mit einem Rating von [●] bewertet werden.  Ein Rating ist keine Empfehlung zum Kauf, Verkauf oder Halten von Wertpapieren und kann jederzeit von Moody's geändert, ausgesetzt oder zurückgezogen werden.

**Strukturdiagramm.....**



**Fälligkeit; Kündigung.....**

Bei den Partizipationsschein-Zertifikaten handelt es sich nach Maßgabe der Zertifikatsbedingungen um fortwährende Wertpapiere ohne Endfälligkeitstag. Die Partizipationsschein-Zertifikate werden nach Kündigung der Partizipationsscheine vorbehaltlich der Begebung einer Emission von Ersatz-Partizipationsscheinen, eines Remarketings oder eines On-Market Tenders zurückgezahlt.

**Status.....**

Jedes Partizipationsschein-Zertifikat stellt vorbehaltlich der Bedingungen für die Partizipationsschein-Zertifikate ("**Zertifikatsbedingungen**") ein anteilmäßiges und wirtschaftliches Nutzungsrecht an den Partizipationsscheinen dar. Die Partizipationsschein-Zertifikate sind untereinander gleichrangig.

Die Partizipationsschein-Zertifikate stellen keine direkte Schuldverpflichtung des Treuhänders dar, sondern dienen stattdessen als Beweis für das Bestehen des Treuhandvertrags, gemäß dem die Zertifikats-Inhaber bestätigt und eingewilligt haben, dass die treuhänderischen Zahlungsverpflichtungen aus den Partizipationsschein-Zertifikaten von der ordnungsgemäßen Erfüllung der Verpflichtungen gemäß den Partizipationsscheinen seitens der Bank abhängig und dementsprechend beschränkt sind.

**Form.....**

Anfänglich wird ein vorläufiges Globalzertifikat ohne Zinscoupons ausgegeben, das gegen ein Dauer-

Globalzertifikat ausgetauscht wird zum jeweils später eintretenden Zeitpunkt (i) des Ablaufs von 40 Tagen seit dem Abschluss der Platzierung aller Partizipationsschein-Zertifikate oder (ii) der Zertifizierung, dass kein wirtschaftlicher Eigentümer von Partizipationsschein-Zertifikaten eine US-Person ist., Effektive Stücke der Zertifikate werden nur unter gewissen Umständen ausgegeben.

**Erlösverwendung .....** Der Treuhänder verwendet den Erlös aus der Emission der Partizipationsschein-Zertifikate zum Erwerb von EUR 100.000.000 der durch die Bank emittierten Partizipationsscheine.

**Eigenschaften der Partizipationsschein-Zertifikate .....** Bei den Partizipationsschein-Zertifikaten handelt es sich um Verpflichtungen des Treuhänders mit eingeschränktem Rückgriff. Gemäß dem Treuhandvertrag ist der Treuhänder verpflichtet, die Partizipationsscheine ausschließlich im Namen und zum alleinigen Nutzen sowie auf alleiniges Risiko der Zertifikats-Inhaber zu halten. Jedes Partizipationsschein-Zertifikat stellt eine anteilmäßige Beteiligung an den Partizipationsscheinen dar. Der Treuhänder gibt alle tatsächlich gemäß den Partizipationsschein-Zertifikaten vereinnahmten Zahlungen, soweit zutreffend, an die Zertifikats-Inhaber weiter.

**Trennung des vom Treuhänder gehaltenen Vermögens .....** Vom Treuhänder in seiner treuhänderischen Eigenschaft gehaltenes Vermögen und bei diesem bezüglich dieses Vermögens tatsächlich eingegangene Zahlungen kommen den Zertifikats-Inhabern zugute. Dabei handelt es sich weder um Vermögen des Treuhänders noch um Zahlungen zugunsten oder auf Risiko des Treuhänders. Solche Vermögenswerte und Zahlungen unterliegen nicht den Ansprüchen allgemeiner Gläubiger des Treuhänders. Der Treuhänder darf derartige Vermögenswerte nur zur Erfüllung seiner Verpflichtungen gemäß den Partizipationsschein-Zertifikaten verwenden.

**Zertifikat-Vergütungszahlungen .....** Vergütungszahlungen gemäß den Partizipationsschein-Zertifikaten werden an denselben Terminen und in demselben Umfang wie sie seitens des Treuhänders von der Bank auf Grund der Partizipationsscheine vereinnahmt werden ausgezahlt.

**Geltendmachung von Rechten.....** Die Möglichkeit der Geltendmachung der Rechte der Zertifikats-Inhaber gegen den Treuhänder sind eingeschränkt. Gegen den Treuhänder als Emittent der Partizipationsschein-Zertifikate kann eine direkte Klage nur im Falle von seiner Nichtzahlung von Beträgen erhoben werden, die tatsächlich gemäß den Partizipationsscheinen vereinnahmt wurden und den Zertifikats-Inhabern daher geschuldet werden. Rechte im Zusammenhang mit Zahlungsansprüchen aus Verzug der Partizipationsschein-Zertifikate können nur vom Treuhänder, nicht jedoch von den Zertifikats-Inhabern geltend gemacht werden.

Der Treuhänder ist zur Geltendmachung der Rechte nur dann verpflichtet, wenn er (i) durch einen

außerordentlichen Beschluss der Zertifikats-Inhaber dazu angewiesen wurde und (ii) von den entsprechenden Zertifikats-Inhabern entsprechend entschädigt wird.

Leitet der Treuhänder innerhalb eines angemessenen Zeitraums hinsichtlich der Partizipationsschein-Zertifikate keine rechtlichen Schritte gegen die Bank ein, sind die Zertifikats-Inhaber unter bestimmten Voraussetzungen der Zertifikatsbedingungen berechtigt, im Namen des Treuhänders bezüglich der Partizipationsschein-Zertifikate rechtliche Schritte gegen die Bank einzuleiten.

**Stimmrechte des Treuhänders,  
Informationsrechte und Schutz vor  
Verwässerung bezüglich der  
Partizipationsschein-Zertifikate .....**

Der Treuhänder hat im Hinblick auf die Partizipationsscheine keine Stimmrechte. Der Treuhänder hat erklärt, dass er keinerlei Rechte (i) im Hinblick auf den Schutz vor Verwässerung seiner Investition und (ii) auf die Teilnahme an der Hauptversammlung der Bank sowie auf Auskunftserteilung über die Angelegenheiten der Bank während einer solchen Versammlung gemäß § 23(5) des österreichischen Bankwesengesetzes ausüben wird. Jedoch hat der Treuhänder (nach seinem alleinigen Ermessen) das Recht auf Teilnahme an einer außerordentlichen, nur für die Eigentümer von Partizipationskapital einberufenen Hauptversammlung (falls zutreffend) sowie auf Auskunftserteilung über die Angelegenheiten der Bank bei einer solchen Versammlung.

**Ausstellung von Ersatz-  
Partizipationsscheinen .....**

Die Bank kann gelegentlich und nach ihrem alleinigen Ermessen vorhandene Partizipationsschein-Zertifikate (vorbehaltlich aller rechtlichen Einschränkungen sowie der Bedingungen der Partizipationsscheine) zurücknehmen bzw. zurückkaufen; Voraussetzung hierfür ist, dass die Bank dem Treuhänder gleichzeitig Ersatz-Partizipationsscheine (die als neue Partizipationsscheine definiert werden) (oder ein sonstiges der Bankenaufsicht unterliegendes Eigenkapitalinstrument, das von der Bank zum gegebenen Zeitpunkt gemäß geltender österreichischer (Banken-) Gesetzgebung ausgegeben werden darf) zu Bedingungen, die in jeder wesentlichen Hinsicht mit denen für die Partizipationsschein-Zertifikate identisch sind, mit Ausnahme des Zeitpunkts des Beginns eines Anspruchs auf Vergütung ausstellt, sowie unter der weiteren Voraussetzung, dass das Verwertungsrecht nicht infolge der Verlustbeteiligung der Partizipationsscheine vermindert wurde. Zur Klarstellung wird darauf hingewiesen, dass die Rücknahme bzw. der Rückkauf der Partizipationsscheine durch die Bank, falls diese gegen Ausstellung von Ersatz-Partizipationsscheinen an den Treuhänder erfolgen, sich in keiner Weise auf die in Umlauf befindlichen Partizipationsschein-Zertifikate auswirken.

**Remarketingverfahren .....**

Die Bank kann beschließen, die Partizipationsschein-Zertifikate jederzeit neu zu platzieren (ein "Remarketing"), vorausgesetzt, dass jegliches Remarketing nur am (nachfolgend definierten) Reset-Tag und jedem darauf folgenden (nachfolgend definierten) Termin einer Vergütungszahlung gemäß den

Zertifikatsbedingungen wirksam werden kann. Erfolgt ein Remarketing, ist der für die Partizipationsschein-Zertifikate geltende Vergütungssatz im Hinblick auf die Anleger, die ein Angebot beim Remarketing abgegeben haben oder erklärt haben, dass sie die Partizipationsschein-Zertifikate weiter halten möchten, oder keine Erklärung abgegeben haben, ein neuer Satz, den die Bank auf Grundlage der entsprechenden Angebote festgelegt hat. Zur Durchführung eines Remarketings kann der Treuhänder – und ist auf Anweisung der Bank dazu verpflichtet – jeden Zertifikats-Inhaber aufzufordern, alle oder einen Teil seiner Partizipationsschein-Zertifikate einer vom Treuhänder designierten Person gegen Erhalt des Unverminderten Liquidationsanspruchs zu übertragen, gleichgültig ob (i) diese ein Angebot beim Remarketing abgegeben oder erklärt haben, dass sie die Partizipationsschein-Zertifikate weiter halten möchten, oder keine Erklärung abgegeben haben und (ii) ob deren Angebot den von der Bank festgelegten neuen Remarketingzinssatz übersteigt oder nicht. Ein Remarketing wird nur gemäß den Zertifikatsbedingungen wirksam.

**Rücknahme nach Wahl der Bank durch einen On-Market Tender .....**

In dem rechtlich zulässigen Umfang, insbesondere vorbehaltlich jeglicher für eine Rücknahme von Partizipationskapital durch die Bank gemäß allen maßgeblichen Gesetzen und Vorschriften geltender Beschränkungen, ist die Bank berechtigt, die Partizipationsschein-Zertifikate nur insgesamt, aber nicht teilweise durch einen On-Market Tender zu erwerben oder einen Dritten zu bestimmen die Partizipationsschein-Zertifikate zu erwerben. Im Falle eines nur teilweise erfolgreich durchgeführten Remarketings für Partizipationsschein-Zertifikate kann ein On-Market Tender auch für die noch ausstehenden Partizipationsschein-Zertifikate durchgeführt werden, für die das Remarketing nicht wirksam geworden ist.

**Mitteilungen .....**

Alle Mitteilungen an die Zertifikats-Inhaber werden auf Veranlassung der Bank in dem täglich erscheinenden Amtlichen Kursblatt der Luxemburger Börse veröffentlicht. Zusätzlich erfolgen Mitteilungen per Post, Fax oder elektronisch an Clearstream Luxembourg und Euroclear (jeweils ein "**Clearingsystem**") und die luxemburgische Zahlstelle. Jedes Clearingsystem informiert die Depotbanken, die Partizipationsschein-Zertifikate für ihre Kunden halten, entsprechend seinen veröffentlichten Regeln und Vorschriften über den Eingang derartiger Mitteilungen. Zusätzlich werden alle Mitteilungen auf der Webseite der Luxemburger Börse ([www.bourse.lu](http://www.bourse.lu)) veröffentlicht.

**Gerichtsstand und anwendbares Recht .....**

Die Partizipationsschein-Zertifikate und alle Angelegenheiten, die sich aus oder im Zusammenhang mit den Partizipationsschein-Zertifikaten ergeben, unterliegen luxemburgischen Recht, insbesondere dem Trust and Fiduciary Contracts Law 2003 und werden entsprechend ausgelegt.

Die luxemburgischen Gerichte sind für alle Streitigkeiten

aus oder im Zusammenhang mit diesen Partizipationsschein-Zertifikaten ausschließlich zuständig.

**Notierung .....** Antrag auf Notierung der Partizipationsschein-Zertifikate am Regierten Markt der Luxemburger Börse wird gestellt.

**Weitere treuhänderische Zertifikate .....** Der Treuhänder ist von Zeit zu Zeit berechtigt, ohne Zustimmung der Zertifikats-Inhaber weitere treuhänderische Zertifikate zu schaffen und auszugeben, für die außer dem Ausgabebetrag, Emissionskurs und dem ersten Kupontermin solcher treuhänderischen Zertifikate die gleichen Zertifikatsbedingungen wie die Partizipationsschein-Zertifikate gelten, und die mit den Partizipationsschein-Zertifikaten konsolidiert werden und eine einzige Serie bilden können. Vorausgesetzt, dass der vom Treuhänder im Zusammenhang mit der Zeichnung weiterer treuhänderischer Zertifikate vereinnahmte Erlös vom Treuhänder zum Erwerb zusätzlicher Partizipationsscheine verwendet wird, die vom Treuhänder im eigenen Namen, jedoch auf alleiniges Risiko und ausschließlich zugunsten der Zertifikats-Inhaber oder der Inhaber weiterer treuhänderischer Zertifikate gehalten werden.

**Verkaufsbeschränkungen .....** *Die Vereinigten Staaten von Amerika*

Eine Registrierung der Partizipationsschein-Zertifikate gemäß dem US-Wertpapiergesetz liegt weder vor noch ist eine solche künftig vorgesehen. Die Partizipationsschein-Zertifikate dürfen innerhalb der Vereinigten Staaten, an, im Namen oder zugunsten von US-Personen nur gemäß Regulation S des US Securities Act angeboten, verkauft oder zugestellt werden. Jeder Manager hat ausdrücklich zugesichert, dass weder er noch seine verbundenen Unternehmen oder in seinem Namen handelnde Dritte, Partizipationsschein-Zertifikate innerhalb der Vereinigten Staaten, an oder zugunsten einer US-Person angeboten, verkauft oder zugestellt haben oder dies künftig tun werden, und zwar (a) als Teil seiner Platzierung zu einem beliebigen Zeitpunkt oder (b) anderweitig bis 40 Tage nach Abschluss der Platzierung aller Partizipationsschein-Zertifikate (der "**Eingeschränkter Zeitraum**"), jeweils unter Einhaltung von Regulation S des US-Wertpapiergesetzes. Weder die Manager, ihre jeweiligen verbundenen Unternehmen oder im Namen eines Managers oder eines seiner verbundenen Unternehmen handelnde Dritte haben hinsichtlich der Partizipationsschein-Zertifikate eine direkte Verkaufstätigkeit in den Vereinigten Staaten weder bisher vorgenommen noch werden sie künftig solche Tätigkeiten vornehmen. Die Manager, ihre jeweiligen verbundenen Unternehmen sowie die im Namen eines Managers oder eines seiner verbundenen Unternehmens handelnde Dritte, handeln gegenwärtig und künftig unter Einhaltung der Vorschriften zur Angebotsbeschränkung gemäß Regulation S des US Securities Act, einschließlich der Vorschriften, dass alle Angebote und Verkäufe außerhalb der Vereinigten Staaten in einer Offshore-Transaktion an eine nicht-US-Person getätigt werden.



### ***Europäischer Wirtschaftsraum***

Im Bezug auf jeden Mitgliedstaat des Europäischen Wirtschaftsraums (die Europäische Union sowie Island, Norwegen und Liechtenstein), der die ProspektRichtlinie umgesetzt hat (jeweils ein "**relevanter Mitgliedstaat**"), hat jeder Manager mit entsprechender Verpflichtung zugesichert, dass er zum Wirksamkeitsdatum (einschließlich), an dem die Prospekttrichtlinie in dem Mitgliedstaat durchgeführt wird (das "**relevante Durchführungsdatum**") kein öffentliches Angebot in dem relevanten Mitgliedstaat für die Partizipationsschein-Zertifikate gemacht hat oder machen wird, bevor ein Prospekt im Hinblick auf die Partizipationsschein-Zertifikate veröffentlicht wird, der von den zuständigen Behörden des relevanten Mitgliedstaats gemäß der Prospekttrichtlinie genehmigt wurde, oder, im Falle der Veröffentlichung in einem anderen relevanten Mitgliedstaat den zuständigen Behörden in dem relevanten Mitgliedstaat gemäß Artikel 18 der Prospekttrichtlinie mitgeteilt wurde. Dies gilt mit der Ausnahme, dass er mit Wirkung ab dem relevanten Durchführungsdatum (einschließlich) jederzeit ein öffentliches Angebot für die Partizipationsschein-Zertifikate in dem relevanten Mitgliedstaat (a) an juristische Personen machen kann, die zur Teilnahme an den Finanzmärkten befugt sind oder diesbezüglich reguliert werden, oder an juristische Personen ohne derartige Befugnis oder Regulierung, sofern deren alleiniger unternehmerischer Zweck in der Wertpapieranlage besteht; (b) an alle juristischen Personen, die mindestens zwei der folgenden Voraussetzungen erfüllen: (i) durchschnittlich mindestens 250 Angestellte im letzten Geschäftsjahr; (ii) eine Gesamtbilanz von mehr als EUR 43.000.000 und (iii) einen im letzten Jahresbericht oder Konzernabschluss ausgewiesenen Jahresumsatz von mehr als EU 50.000.000; (c) an weniger als 100 natürliche oder juristische Personen (mit Ausnahme von qualifizierten Anlegern nach der Definition in der Prospekttrichtlinie); (d) in allen anderen Fällen, die keine Veröffentlichung eines Prospekts gemäß Artikel 3 der Prospekttrichtlinie durch den Treuhänder oder die Bank erfordern.

### ***Vereinigtes Königreich von Großbritannien und Nordirland***

Jeder Manager hat mit entsprechender Verpflichtung zugesichert, dass: (a) er eine Aufforderung oder einen Anreiz zur Beteiligung an Anlageaktivitäten (entsprechend der Bedeutung von sec 21 (1) des FSMA) lediglich übermittelt hat oder deren Übermittlung veranlasst hat und wird solche nur übermitteln oder deren Übermittlung veranlassen, die er im Zusammenhang mit der Emission oder dem Verkauf der Partizipationsschein-Zertifikate auf Grund von Sachverhalten empfangen hat, in denen sec 21 (1) des FSMA keine Anwendung auf den Treuhänder oder die Bank findet; und (b) er alle geltenden Vorschriften des FSMA hinsichtlich aller seiner Handlungen in Verbindung mit den

Partizipationsschein-Zertifikaten, die im oder ausgehend vom Vereinigten Königreich oder unter sonstiger Beteiligung des Vereinigten Königreiches stattfinden, eingehalten hat und einhalten wird.

### ***Luxemburg***

Gemäß dem Gesetz vom 10. Juli 2005 über Prospekte für Wertpapiere (das "**Gesetz**") und der Richtlinie 2003/71/EC des Europäischen Parlaments und des Europäischen Rats vom 4. November 2003 über Prospekte, die bei öffentlichen Angeboten oder Börsenzulassungen von Wertpapieren zu veröffentlichen sind (die "**Prospektrichtlinie**"), dürfen die Partizipationsschein-Zertifikate in Luxemburg nur unter den folgenden Umständen öffentlich angeboten werden: (a) in dem Zeitraum ab dem Veröffentlichungsdatum eines Prospekts in Bezug auf die Partizipationsschein-Zertifikate, die von der Commission de surveillance du secteur financier (CSSF) in Luxemburg gebilligt wurden, oder, falls zutreffend, in einem anderen relevanten Mitgliedstaat der Europäischen Union gebilligt und der CSSF notifiziert wurden, jeweils gemäß der Prospektrichtlinie und an dem Datum endend, das 12 Monate nach einem solchen Veröffentlichungsdatum liegt; (b) jederzeit an juristische Personen, die zur Teilnahme an den Finanzmärkten befugt sind oder diesbezüglich reguliert werden, oder an juristische Personen ohne derartige Befugnis oder Regulierung, sofern deren alleiniger unternehmerischer Zweck in der Wertpapieranlage besteht; (c) jederzeit an alle juristischen Personen, die mindestens zwei der folgenden Voraussetzungen erfüllen: (1) durchschnittlich mindestens 250 Angestellte im letzten Geschäftsjahr; (2) eine Gesamtbilanz von mehr als EUR 43,000.000 und (3) einen im letzten Jahresbericht oder Konzernabschluss ausgewiesenen Jahresnettoumsatz von mehr als EUR 50,000.000; oder (d) jederzeit in allen anderen Fällen, die keine Veröffentlichung eines Prospekts gemäß Artikel 3 der Prospektrichtlinie durch den Emittenten erfordern.

### ***Republik Irland***

Jeder Manager gewährleistet mit entsprechender Verpflichtung, dass:

(i) er, in Bezug auf die Partizipationsschein-Zertifikate, nicht deren Emission gezeichnet hat oder zeichnen wird, oder diese platzieren, anbieten oder verkaufen oder auf sonstige Weise in Irland handeln wird oder gehandelt hat, außer dies geschieht in Übereinstimmung mit der Richtlinie 2003/6/EG über Insidergeschäfte und Marktmanipulation, und des Irish market abuse law (sowie im Investment Funds, Companies and Miscellaneous Provisions Act, 2005, definiert), einschließlich der Market Abuse (Directive 2003/6/EC) Regulations 2005 (S.I. No. 342 of 2005) sowie jeglicher gemäß §34 des Investment Funds, Companies and Miscellaneous Provisions Act, 2005 erlassenen Bestimmungen;

(ii) er die Emission der Partizipationsschein-Zertifikate weder gezeichnet hat noch unterzeichnen wird, außer in Übereinstimmung mit den Bestimmungen des Irish Investor Compensation Act 1998, einschließlich, jedoch ohne Einschränkung §21 und die Vorschriften der European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No 60 of 2007) (in der jeweils geltenden Fassung), einschließlich, ohne Einschränkung der Teile 6,7,9 und 12 davon sowie jegliche Wohlverhaltensregeln oder andere Anforderungen oder Empfehlungen, die im Zusammenhang damit erlassen wurden;

(iii) er die Emission der Partizipationsschein-Zertifikate weder gezeichnet hat noch unterzeichnen wird, außer in Übereinstimmung mit den Bestimmungen des Irish Central Bank Acts 1942-2004 (in der jeweils geltenden Fassung) sowie jegliche Wohlverhaltensregeln, die im Zusammenhang mit §117 davon erlassen wurden.

### 3. Zusammenfassung der Bedingungen für die Partizipationsscheine

<b>Die Bank/VBAG/Emittent der Partizipationsscheine .....</b>	Österreichische Volksbanken-Aktiengesellschaft, eine nach österreichischem Recht errichtete, österreichische Aktiengesellschaft, mit Sitz in 1090 Wien, Kolingasse 19, eingetragen im österreichischen Firmenbuch des Wiener Handelsgerichts unter der Firmenbuchnummer FN 116476 p.
<b>Nennbetrag.....</b>	EUR 100.000.000
	Die Partizipationsscheine repräsentieren eine Erhöhung der Emission der EUR 400.000.000 nicht kumulativen und nicht stimmberechtigten Partizipationsscheine ohne Laufzeitbeschränkung (die " <b>Ursprünglichen Partizipationsscheine</b> "), die vom Treuhänder am 6. Mai 2008 begeben wurden und in jeder Hinsicht identische Emissionsbedingungen wie die Partizipationsscheine haben.
<b>Stückelung.....</b>	EUR 1,000 je Partizipationsschein.
<b>Emissionskurs .....</b>	[100-105] Prozent vom Nennbetrag zuzüglich Stückzinsen für den Zeitraum vom 06. Mai 2008 (inklusive) bis zum 27. Mai 2008 (exklusive).
<b>ISIN .....</b>	XS0359925889
<b>Status.....</b>	Die Partizipationsscheine sind so strukturiert, dass sie gemäß § 23(14) des österreichischen Bankwesengesetzes Kernkapital der Bank darstellen.
<b>Form.....</b>	Die Partizipationsscheine sind Inhaberschuldverschreibungen mit einer Stückelung von EUR 1,000 ohne Kupons oder Erneuerungsscheine (Talons), die durch eine Globalurkunde verbrieft sind.
<b>Erlösverwendung .....</b>	Der Erlös aus der Emission der Partizipationsscheine wird von der VBAG zur Stärkung der Kapitalbasis der VBAG verwendet, um das weitere Wachstum ihres Geschäftsmodells zu unterstützen. Zu Zwecken der Feststellung der regulatorischen Kapitaladäquanz erwartet die VBAG die Behandlung der Partizipationsscheine als Kernkapital der VBAG gemäß § 23(14) des österreichischen Bankwesengesetzes.
<b>Fälligkeit .....</b>	Die Partizipationsscheine sind Wertpapiere ohne Laufzeitbeschränkung und haben keinen festgelegten Endfälligkeitstermin.
<b>Ausgabetag der Partizipationsscheine.....</b>	27. Mai 2008
<b>Ausgabetag der Ursprünglichen Partizipationsscheine .....</b>	06. Mai 2008
<b>Datum der Vergütungszahlung .....</b>	Vergütung auf die Partizipationsscheine wird im Nachhinein gezahlt (a) vor dem 18. Juni 2018 (ausschließlich) (der " <b>Reset-Tag</b> ") am 18. Juni 2009 und danach jährlich (b) ab dem Reset-Tag, halbjährlich im Nachhinein am 18. Dezember und 18. Juni (" <b>Vergütungszahlungstag</b> ").

<b>Vergütungssatz .....</b>	<p>Ab dem Ausgabetag<sup>2</sup> (einschließlich), jedoch ausschließlich des Reset-Tags, ist die Vergütung in Höhe von 10 Prozent pro Jahr (der "<b>Fixzinssatz</b>") zahlbar. Im Fall der Wirksamkeit eines Remarketings gilt der Vergütungssatz, der von der Bank in diesem Remarketingverfahren festgelegt wird.</p> <p>Ab dem Reset-Tag wird eine Vergütung in Form eines variablen Zinssatzes zahlbar, es sei denn ein Remarketing ist wirksam geworden. Der variable Zinssatz setzt sich aus dem 6-Monats EURIBOR plus (i) im Falle eines unwirksamen On-Market Tenders null Basispunkte für jene Investoren, die den On-Market Tender nicht angenommen haben, und (ii) in allen anderen Fällen die ursprüngliche Zinsmarge in der Höhe von 5,32 Prozent pro Jahr zuzüglich 100 Basispunkte festgelegt. Sofern und soweit ein Remarketing wirksam geworden ist, wird der anwendbare Vergütungssatz ab dem Reset-Tag im Remarketing Prozess ermittelt.</p>
<b>Berechnung des Vergütungsbetrags.....</b>	<p>Die Berechnungsstelle berechnet, sobald es am Festsetzungsdatum der Vergütung im Hinblick auf jeden Vergütungszeitraum praktikabel ist, die Höhe der Vergütung (der "<b>Vergütungsbetrag</b>").</p>
<b>Vergütungszahlungen sind Ermessenssache und abhängig von der Verfügbarkeit verteilungsfähiger Gewinne .....</b>	<p>Es liegt im Ermessen der Bank, Vergütungen aus gesetzlich dafür zur Verfügung stehenden Mitteln zu zahlen. Dies erfolgt jedoch mit der Maßgabe, dass Vergütungszahlungen nur an Vergütungszahlungstagen aus Gewinnen erfolgen, die für jedes Geschäftsjahr der Bank zur Verteilung verfügbar sind und aus dem Jahresüberschuss der Bank zuzüglich Umbuchungen stammen, die von der Bank in ihrem alleinigen Ermessen aus dem Teil der Gewinnrücklagen der Bank vorgenommen wurden, die andere Rücklagen sind, jeweils wie im Jahresabschluss der Bank im Einklang mit dem Bankwesengesetz, § 23(4)(3) Bankwesengesetz, den in Österreich allgemein anerkannten Rechnungslegungsvorschriften, dem österreichischen Unternehmensgesetzbuch und allen anderen jeweils geltenden österreichischen Gesetzen ausgewiesen ("<b>Verteilungsfähiger Gewinn</b>"). Die Vergütung ist nicht kumulativ und gilt als auf Tagesbasis aufgelaufen.</p>
<b>Aufschub der Ausschüttung .....</b>	<p>Die Bank ist in keiner Weise zur Zahlung einer Vergütung an einem Datum der Vergütungszahlung verpflichtet (unabhängig davon, ob ausreichend Verteilungsfähiger Gewinn vorhanden ist), wenn sie beschließt, keine Vergütungszahlung vorzunehmen, und dies stellt auch keinen Verzug der Bank oder eine andere Verletzung von Pflichten aus den Partizipationsscheinen oder aus einem sonstigen Grund dar. Zahlt die Bank nicht den vollen Betrag der Vergütung an einem Vergütungszahlungstag, benachrichtigt die Bank den Partizipationsscheininhaber mindestens 15 Geschäftstage vor einem solchen Vergütungszahlungstag. Vergütungen, die auf Grund einer solchen Entscheidung seitens der</p>

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<sup>2</sup> Zum Zwecke der Bestimmung der ersten Vergütungszahlungsperiode bezeichnet der Begriff Ausgabetag den 06. Mai 2008, der der Ausgabetag der Ursprünglichen Partizipationsscheine ist.

Bank nicht gezahlt werden, stellen "**Unbezahlte Vergütungen**" dar.

Tritt ein regulatorisches Ereignis ein, erlischt das Ermessensrecht der Bank, die Zahlung von Vergütungen wie vorstehend dargelegt auszusetzen, und die Bank muss Vergütungen aus verteilungsfähigem Gewinn (im dazu verfügbaren Umfang) zahlen.

**Dividend Pusher**..... Die Bank hat eine Vergütung zu leisten, wenn: (i) die Bank oder eine ihrer Tochtergesellschaften Dividenden erklärt oder zahlt oder andere Zahlungen oder Ausschüttungen auf (a) von der Bank ausgegebene Partizipationsinstrumente, (b) von einer Tochtergesellschaft der Bank ausgegebene Wertpapiere, die konsolidiertes Tier 1-Kapital der Bank darstellen (vorausgesetzt, dass solche Wertpapiere vertraglich von der Bank unterstützt werden), und (c) auf alle anderen von der Bank ausgegebenen Wertpapiere, die konsolidiertes Tier 1-Kapital der Bank darstellen (mit Ausnahme des Aktienkapitals der Bank) ("**Gleichrangige Wertpapiere**"), vornimmt. Diese Zahlungen werden am ersten Vergütungszahlungstag gezahlt, das zeitgleich mit einer solchen Dividende, Zahlung oder Ausschüttung liegt und/oder unmittelbar auf eine solche folgt; (ii) falls die Bank eine Dividende erklärt oder zahlt oder andere Zahlungen oder Ausschüttungen auf Bank-Aktienkapital vornimmt, werden Vergütungen am ersten Vergütungszahlungstag gezahlt, das zeitgleich mit einer solchen Dividende, Zahlung oder Ausschüttung liegt und/oder unmittelbar auf eine solche folgt; oder (iii) falls die Bank Gleichrangige Wertpapiere oder Bank-Aktienkapital entgeltlich zurücknimmt, zurückkauft oder anderweitig erwirbt, wird Vergütung am ersten Vergütungszahlungstag gezahlt, das zeitgleich mit einer solchen Rücknahme, Rückkauf oder anderweitigen Transaktion liegt und/oder unmittelbar auf eine solche folgt, soweit eine solche Dividende, andere Zahlung oder Ausschüttung nicht angekündigt, gezahlt oder vorgenommen wird, bzw. eine solche Rücknahme, ein solcher Rückkauf oder Erwerb nicht im Zusammenhang mit (a) einem gegenwärtigen oder zukünftigen Aktienoptionsprogramm (inklusive jeglichem Erwerb von Partizipationsschein-Zertifikaten zum Zwecke Entlohnung von Mitarbeitern), (b) einer Neueinteilung von Aktien in Aktien einer anderen Klasse erfolgt, oder (c) jeglichem Erwerb zum ausschließlichen Zweck des Handels.

Nimmt die Bank eine Zahlung auf die Partizipationsscheine gemäß dem vorstehenden Abschnitt vor, muss sie entsprechende anteilmäßige Zahlungen auf das Partizipationskapital der Bank leisten, das zum Ausgabebetrag der Partizipationsscheine aussteht ("**bestehendes Partizipationskapital**"), (jedoch stets vorbehaltlich der Verfügbarkeit verteilungsfähiger Gewinne für solche Zwecke).

**Erfüllungsmechanismus für unbezahlte Vergütungen** ..... Die Bank ist jederzeit berechtigt, jedoch nicht verpflichtet, den (in den Bedingungen für die Partizipationsscheine detaillierter beschriebenen)

Erfüllungsmechanismus für unbezahlte Vergütungen einsetzen, um vollständige oder teilweise Zahlungen von ausstehenden, unbezahlten Vergütungen unter Einhaltung einer Mitteilungsfrist an den Partizipationsscheininhaber von mindestens 10 und höchstens 15 Geschäftstagen vor dem nächsten Zahlungstermin zu leisten. Unter gewissen Umständen wird ein Antrag an die Hauptversammlung oder an den Vorstand gestellt hinsichtlich der Anwendung des Erfüllungsmechanismus für unbezahlte Vergütungen. Unbezahlte, nicht gemäß den vorstehenden Bestimmungen beglichene Vergütungen verfallen und der Partizipationsscheininhaber hat bezüglich solcher Beträge keine Rechte oder Ansprüche.

**Verlustausgleich.....** Verlust ("**Verlust**") bedeutet, dass die Summe der folgenden Beträge negativ ist: der Bilanzgewinn/Bilanzverlust der Bank, die Gewinnrücklagen der Bank, die Kapitalrücklagen, die unsteuerten Rücklagen, die Haftrücklage, die gemäß § 23(6) Bankwesengesetz (§ 23(1)(2) Bankwesengesetz) gebildet wurde, und der Fonds für allgemeine Bankrisiken gemäß § 57(3) und (4) Bankwesengesetz, (§ 23(1)(3) Bankwesengesetz), wie dieser jeweils im Jahresabschluss der Bank ausgewiesen ist). Erleidet die Bank einen solchen Verlust kann die Hauptversammlung der Bank einen Beschluss fassen (und andere nach österreichischem Gesellschaftsrecht vorgeschriebene Schritte unternehmen), um eine Kapitalherabsetzung vorzunehmen. Nach einer solchen Kapitalherabsetzung werden die ausstehenden Partizipationsscheine anteilmäßig mit dem Aktienkapital der Bank und anderen von der Bank ausgegebenen, mit den Partizipationsscheinen gleichrangigen Wertpapieren gegen gleichzeitige Aufhebung eines solchen Verlusts reduziert, Der Liquidationsanspruch wird dementsprechend reduziert, vorausgesetzt, dass der Gesamtanteil der Partizipationsscheine an einem Verlust in keinem Fall den ursprünglichen Liquidationsanspruch in Höhe von EUR 1,000 je Partizipationsschein (der "**ursprüngliche Liquidationsanspruch**") überschreitet.

Nach einer Herabsetzung wird der Liquidationsanspruch erhöht (auf einen Betrag, der den ursprünglichen Liquidationsanspruch nicht überschreitet), falls die Bank in den nachfolgenden Geschäftsjahren einen Bilanzgewinn ausweist, soweit keine Ausschüttung des Bilanzgewinns erfolgt.

Nach einer Herabsetzung, sofern die Bank den Liquidationsanspruch der Partizipationsscheine erhöht, nimmt die Bank entsprechende anteilmäßige Erhöhungen auf das bestehende Partizipationskapital vor. Zur Klarstellung wird darauf hingewiesen, dass diese Bestimmung trotz entgegenstehender Bestimmungen in den Bedingungen für bestehendes Partizipationskapital der Bank, die zum Emissionstermin der Partizipationsscheine wirksam sind, gilt.

**Kündigungsrecht.....** Die Partizipationsscheine haben keinen Endfälligkeitstermin. Eine Kündigung der

Partizipationsscheine kann nur gemäß (i) den Bestimmungen über die Kapitalherabsetzung in Analogie zum österreichischen Aktiengesetz, (ii) § 102a des österreichischen Bankwesengesetzes oder (iii) einer anderen Bestimmung, die solche Bestimmungen ersetzen, erfolgen.

Vor dem Reset-Tag kann eine Kündigung der Partizipationsscheine seitens der Bank (vorbehaltlich des vorstehenden Abschnitts) erfolgen (i) aus Gründen eines Steuerereignisses, (ii) Gross-Up-Ereignisses, (iii) Luxemburg-Gross-Up-Ereignis, (iv) regulatorischen Ereignisses, (v) Rechnungslegungsereignisses oder (vi) Kapitalereignisses (ein Ereignis, bei dem eine Änderung durch eine anerkannte internationale statistische Rating-Organisation an ihren Kriterien zur Eigenkapitalanrechnung oder deren Interpretation oder Anwendung für Wertpapiere wie die Partizipationsscheine erfolgt und die Änderung zu einer niedrigeren, den Partizipationsscheinen (mit Ausnahme einer Änderung der Regeln, die geltende Beschränkungen für Eigenkapitalanrechnung vorschreiben) zum Termin solcher Änderungen zugewiesen Eigenkapitalanrechnung führt, als die Eigenkapitalanrechnung, die den Partizipationsscheinen unmittelbar vor einem solchen Termin zugewiesen worden war) (jedes solche Ereignis jeweils ein "**Ereignis**"), in den Fällen von (ii) und (iii) zum ordentlichen Rücknahmepreis (der ursprüngliche Liquidationsanspruch zuzüglich aufgelaufene und unbezahlte Vergütung für den dann aktuellen Vergütungszeitraum, der "**ordentliche Rücknahmepreis**") und in den Fällen von (i), (iv), (v) und (vi) zum ordentlichen Rücknahmepreis zuzüglich des (nachfolgend definierten) Speziell abgezinsten Kupons, es sei denn, dass in jedem Fall (a) (im Hinblick auf den Anteil des gewöhnlichen Rücknahmesatzes, der sich aus der aufgelaufenen Vergütung ergibt, und im Hinblick auf Speziell abgezinste -Kupons) kein ausreichender verteilungsfähiger Gewinn zur Verfügung steht, und/oder (b) dass (im Hinblick auf den Anteil des gewöhnlichen Rücknahmesatzes, der sich aus dem Liquidationsanspruch ergibt) der Liquidationsanspruch nach einem Verlust der Bank vermindert wurde, in welchem Fall der Rücknahmepreis entsprechend reduziert wird.

"**Speziell abgezinster Kupon**" bedeutet ein von der Berechnungsstelle festgelegter Betrag, der dem höheren der folgenden Beträge entspricht: (A) Null und (B) jenem Betrag, der (1) der Summe des Speziell abgezinsten Werts am jeweiligen Rücknahmedatum des (i) Ursprünglichen Liquidationsanspruchs pro Partizipationsschein und (ii) den restlichen festgelegten Vergütungszahlungen bis zum Reset-Tag (ausschließlich), abzüglich (2) des Ursprünglichen Liquidationsanspruchs zu jenem Datum, an dem diese Festlegung vorgenommen wird, entspricht;

"**Barwert**" bedeutet in Bezug auf jeden Betrag (der "**Grundbetrag**") einen von der Berechnungsstelle festgelegten Betrag, der bis zum Reset-Tag



(ausschließlich) jährlich abgezinst und aufgrund der tatsächlich abgelaufenen Anzahl an Tagen bestimmt wird, geteilt durch die tatsächliche Anzahl an Tagen (365 oder 366) und unter Verwendung der Speziell angepassten Vergleichsrendite, zuzüglich 2,04 Prozent;

**"Speziell angepasste Vergleichsrendite"** bedeutet den internen Zinsfuß, der als Prozentsatz pro Jahr des von der Berechnungsstelle ausgewählten EUR-Vergleichstitels ausgedrückt wird, wie am dritten Geschäftstag vor dem jeweiligen Rücknahmedatum nach Beratung mit der Bank festgelegt, mit einer Laufzeit, die mit der Restlaufzeit der Partizipationsscheine vergleichbar ist, jedoch unter Ausschluss des Reset-Tags, der zum Zeitpunkt der Auswahl und im Einklang mit der üblichen Bankenpraxis bei der Preisfestsetzung von Neuemissionen von Unternehmensanleihen mit vergleichbarer Laufzeit verwendet werden würde.

**Drittkäufer nach Wahl der Bank .....** Die Bank kann den Partizipationsscheininhaber anweisen, die Partizipationsscheine an einen Drittkäufer, die keine Tochtergesellschaft der Bank ist zu verkaufen und zu übertragen ("**Drittkäufer**"), wonach der Partizipationsscheininhaber die Partizipationsscheine an diese Drittkäufer verkauft und überträgt (i) vor dem Reset-Tag, falls ein Steuerereignis, regulatorisches Ereignis oder Rechnungslegungsereignis eingetreten ist, gegen Zahlung des ordentlichen Rücknahmepreises zuzüglich des Speziell abgezinsten Kupons an den Partizipationsscheininhaber oder (ii) am Reset-Tag oder jedem darauf folgenden Vergütungszahlungstag oder jederzeit, nachdem ein Gross-Up-Ereignis oder Luxemburg-Gross-Up-Ereignis eingetreten ist, gegen Zahlung des Ordentlichen Rücknahmepreises an den Partizipationsscheininhaber.

**Änderung und Ersatz.....** Vorausgesetzt, dass die österreichische Finanzmarktaufsichtsbehörde zu dem Zeitpunkt, an dem ein Ereignis eingetreten ist, keine Einwände erhebt, kann die Bank durch Mitteilung an die Inhaber mit einer Frist von mindestens 30 und höchstens 60 Kalendertagen die Partizipationsscheine vollständig, jedoch nicht teilweise ersetzen oder die Bedingungen der Partizipationsscheine in dem Maße ändern, wie eine solche Änderung oder ein Ersatz angemessenerweise notwendig ist, um zu gewährleisten, dass kein solches Ereignis nach dem Eintreten einer solchen Änderung oder eines Ersatzes vorliegen würde jeweils nach Maßgabe der Bedingungen für die Partizipationsscheine.

**Liquidation.....** *Liquidationsanspruch:* Im Fall einer freiwilligen Liquidation oder einer zwangsweisen Liquidation, Auflösung oder Abwicklung der Bank ist der jeweilige Partizipationsscheininhaber berechtigt, den entsprechenden Liquidationsanspruch in Bezug auf die gehaltenen Partizipationsscheine aus dem Vermögen der Bank zu erhalten, das zur Verteilung an den Partizipationsscheininhaber zur Verfügung steht. Zur Klarstellung wird darauf hingewiesen, dass ein solches Recht keinerlei Rechte auf Zahlung unbezahlter

Vergütungen umfasst.

Ein solches Recht ist gleichrangig mit den Rechten der Aktionäre und Partizipationskapitalinhabern (wie nach österreichischem Recht definiert) und anderen von der Bank ausgegebenen Wertpapieren, die gleichrangig mit den Aktionären einen Anspruch auf Liquidationsgewinn haben.

*Teilzahlung:* Kann der Liquidationsanspruch nicht voll ausgezahlt werden, wird es anteilig in dem Verhältnis gezahlt, in dem der zur Zahlung verfügbare Betrag zum vollen Betrag steht, der ohne eine solche Beschränkung zahlbar gewesen wäre. Nach Zahlung des ggf. angepassten Liquidationsanspruchs hat der Partizipationsscheininhaber keine Rechte bzw. Ansprüche auf das verbleibende Vermögen der Bank. Zur Klarstellung wird darauf hingewiesen, dass der Partizipationsscheininhaber im Falle einer Liquidation in keinem Fall einen Betrag erhält, der den Liquidationsanspruch übersteigt.

**Quellensteuer und Gross-Up .....** Alle von der Bank im Hinblick auf die Partizipationsscheine zahlbaren Beträge werden ohne Einbehalt oder Abzug im Rahmen gegenwärtiger oder zukünftiger Steuern oder Abgaben jeder Art geleistet, die von oder für Österreich oder von bzw. für andere Länder oder deren anderen besteuerten Gebietskörperschaften oder Behörden innerhalb oder außerhalb solcher Länder auferlegt oder erhoben werden, aus denen die Bank Zahlungen vornimmt, (die "**Quellensteuer**"), soweit solche Einbehalte oder Abzüge nicht gesetzlich vorgeschrieben sind. In einem solchen Fall bezahlt die Bank alle zusätzlichen Beträge (die "**Gross-Up**"), die erforderlich sind, damit die vom Treuhänder nach solchen Einbehalten oder Abzügen erhaltenen Nettobeträge denjenigen Beträgen entsprechen, die bei Nichtvornahme solcher Einbehalten oder Abzüge im Hinblick auf die Partizipationsscheine auszuzahlen gewesen wären. Dies gilt jedoch mit der Maßgabe, dass keine solchen zusätzlichen Beträge im Hinblick auf solche Zahlungen auf die Partizipationsscheine zahlbar sind, wie in den Bedingungen für die Partizipationsscheine dargelegt.

**Luxemburg-Gross-Up-Betrag.....** Ist der Treuhänder nach geltendem Recht bei Weiterleitung der von der Bank erhaltenen Beträge an die Zertifikats-Inhaber zur Vornahme von Abzügen oder Einbehalten verpflichtet, teilt die Hauptzahlstelle der Bank den Betrag (der "**Luxemburg-Gross-Up-Betrag**") mit, um den die Bank Zahlungen an den Treuhänder erhöhen müsste, um diesem (nach Einbehalt bzw. Abzug seitens des Treuhänders) die Bezahlung der Zertifikats-Inhaber gemäß den Bedingungen für die Partizipationsscheine zu ermöglichen.

**Gerichtsstand und anwendbares Recht.....** Die Partizipationsscheine und alle sich daraus oder im Zusammenhang mit diesen ergebenden Angelegenheiten unterliegen österreichischem Recht und werden dementsprechend ausgelegt.

Die Gerichte des Ersten Bezirks von Wien (Österreich) sind ausschließlich für alle Streitigkeiten zuständig, die aus bzw. im Zusammenhang mit den Partizipationsscheinen entstehen.

#### **4. Zusammenfassung im Hinblick auf die Risikofaktoren**

##### ***Risikofaktoren im Hinblick auf die Partizipationsschein-Zertifikate***

- Bei den Partizipationsschein-Zertifikaten handelt es sich nicht um direkte Verpflichtungen des Treuhänders
- Kuponzahlungen auf die Partizipationsschein-Zertifikate sowie Stückzinsen, die als Teil des Ausgabepreises zahlbar sind, sind abhängig von dem für solche Zwecke verteilbaren Gewinn der Bank (eingeschränkter Rückgriff) und erfolgen möglicherweise selbst dann nicht, wenn ein solcher Gewinn zur Verfügung steht
- Ein Emissionspreis, der höher als 100 Prozent ist, ist für die Rendite eines Investors nachteilig
- Kuponzahlungen auf Grund der Partizipationsschein-Zertifikate sind nicht kumulativ
- Der Einsatz des Erfüllungsmechanismus für unbezahlte Vergütungen erfolgt nach Ermessen der Bank und führt nur in ganz bestimmten Fällen zur Zahlung einer Vergütung, die von der Bank zuvor nicht bezahlt wurde
- Die Partizipationsschein-Zertifikate haben keinen festgelegten Endfälligkeitstermin
- Ansprüche aus den Partizipationsschein-Zertifikaten sind nachrangig
- Die Partizipationsscheine, und folglich die Partizipationsschein-Zertifikate, sind an den Verlusten der Bank in gleicher Weise wie Aktienkapital beteiligt
- Rücknahme oder Rückkauf der Partizipationsscheine, und folglich der Partizipationsschein-Zertifikate, sind gesetzlich und gemäß den Bedingungen für die Partizipationsscheine beschränkt, wodurch die Wahrscheinlichkeit einer Rücknahme oder eines Rückkaufs der Partizipationsscheine, und folglich der Partizipationsschein-Zertifikate, durch die Bank reduziert wird
- Zertifikats-Inhaber haben nur beschränkten Rückgriff gegen den Treuhänder
- Ein aktiver Handelsmarkt für die Partizipationsschein-Zertifikate wird sich möglicherweise nicht entwickeln
- Werden die Partizipationsschein-Zertifikate nicht mit den Ursprünglichen Partizipationsschein-Zertifikaten konsolidiert, kann dies für die Interessen der Investoren nachteilig sein.
- Der Treuhänder hat erklärt, dass er bestimmte Rechte auf Grund der Partizipationsscheine nicht ausüben wird
- Eine Remarketing erfolgt unter Umständen nicht oder versetzt die Anleger in eine ungünstigere Position
- On-Market Tender: Der Kauf von Partizipationsschein-Zertifikaten durch die Bank und deren Tochtergesellschaften ist beschränkt und ist unter Umständen auf Grund geltender Gesetze und Vorschriften untersagt
- Wertpapiere zu variablen Zinssätzen können dem Risiko einer Verminderung des Vergütungssatzes ausgesetzt sein, was potenziell zu einer Reduzierung des Marktwerts solcher Wertpapiere führt
- Zahlungen auf Grund der Partizipationsschein-Zertifikate erfolgen in Euro und setzen Anleger möglichen Wechselkursrisiken und dem Risiko von Devisenkontrollen aus
- Anleger in Partizipationsschein-Zertifikate sind den mit festverzinslichen Obligationen verbundenen Risiken ausgesetzt
- Zukünftige Gesetzesänderungen können sich auf die Rechte der Zertifikats-Inhaber auswirken
- Interessierte Anleger in Partizipationsschein-Zertifikate sollten sich im Hinblick auf mögliche steuerliche Risiken bei einer Anlage in die Partizipationsschein-Zertifikate von ihren Steuerberatern beraten lassen

- Da die Globalzertifikate von oder im Namen von Euroclear und Clearstream Luxembourg gehalten werden, müssen Anleger sich auf die Verfahren dieser Institutionen bezüglich Transfers, Zahlungen und Kommunikation mit dem Treuhänder verlassen

#### ***Risikofaktoren im Hinblick auf die Partizipationsscheine***

- Vergütungszahlungen auf die Partizipationsscheine sowie Stückzinsen, die als Teil des Ausgabepreises zahlbar sind, sind abhängig von dem für solche Zwecke verteilbaren Gewinn der Bank (eingeschränkter Rückgriff) und erfolgen möglicherweise auch dann nicht, wenn ein solcher Gewinn zur Verfügung steht
- Ein Emissionspreis, der höher als 100 Prozent ist, ist für die Rendite eines Investors nachteilig
- Der Einsatz des Erfüllungsmechanismus für unbezahlte Vergütungen erfolgt im Ermessen der Bank und führt nur in ganz bestimmten Fällen zur Zahlung einer Vergütung, die von der Bank zuvor nicht bezahlt wurde
- Vergütung gemäß den Partizipationsscheinen ist nicht kumulativ
- Die Partizipationsscheine haben keinen festgelegten Endfälligkeitstermin
- Ansprüche aus den Partizipationsscheinen sind nachrangig
- Die Partizipationsscheine sind an den Verlusten der Bank in gleicher Weise wie Aktienkapital beteiligt
- Rücknahme oder Kauf der Partizipationsscheine ist gesetzlich und gemäß den Bedingungen für die Partizipationsscheine beschränkt, wodurch die Wahrscheinlichkeit einer solchen Rücknahme oder eines solchen Rückkaufs reduziert wird
- Wertpapiere mit variablen Zinssätzen können dem Risiko einer Verminderung des Vergütungssatzes ausgesetzt sein.
- Anleger in Partizipationsscheine sind den mit festverzinslichen Obligationen verbundenen Risiken ausgesetzt
- Zukünftige Gesetzesänderungen können sich auf die Rechte des Partizipationsscheininhabers auswirken

#### ***Risikofaktoren im Hinblick auf den Treuhänder***

- Der Treuhänder handelt nicht als Treuhänder zugunsten der Zertifikats-Inhaber
- Zertifikats-Inhaber haben nur beschränkten Rückgriff gegen den Treuhänder
- Austausch des Treuhänders

#### ***Risikofaktoren im Hinblick auf die Bank***

- Kreditrisiken oder Länderrisiken können eine erhebliche negative Wirkung auf das Geschäftsergebnis der VBAG ausüben
- Aussetzung, Abwertung oder die Rücknahme eines Ratings von VBAG durch Rating-Agenturen können sich negativ auf den Marktwert und Börsenpreis der Partizipationsschein-Zertifikate auswirken
- Es kann nicht garantiert werden, dass sich Änderungen im Markt nicht negativ auf die Ertragslage der VBAG auswirken werden
- Das Verlustrisiko auf Grund operativer Risiken, insbesondere von Geschäftsunterbrechungen, kann zu erheblichen Verlusten führen
- Vorhandene Risikoüberwachungs- und Risikomanagementsysteme sind unter bestimmten Umständen und im Hinblick auf gewisse Risiken möglicherweise nicht (vollständig) wirksam oder geeignet
- Das wirtschaftliche und politische Umfeld in den Ländern, in denen die VBAG tätig ist, sowie die Entwicklung der Weltwirtschaft können sich tief greifend auf das Geschäft der VBAG auswirken

- Harter Wettbewerb im österreichischen Bankensektor, dessen weitere Intensivierung in der Zukunft erwartet wird, kann zu Gewinnreduzierung und zu einer Verringerung für Investitionen der VBAG frei verfügbaren Kapitals führen
- Gesetzgebung sowie gerichtliche und administrative Rechtsanwendung in den Ländern, in denen VBAG tätig ist, können sich zum Nachteil der VBAG ändern
- Wachsender Wettbewerb und zunehmende zentralisierte Regulierung des europäischen Bankensektors kann die Gewinnmargen reduzieren sowie Kapital- und Verwaltungskosten für die VBAG erhöhen
- Da sich erhebliche Vermögenswerte, operative Bereiche und Kunden der VBAG außerhalb der Eurozone befinden, ist die VBAG Wechselkursrisiken ausgesetzt
- Die VBAG besitzt Immobilien in erheblichem Umfang und ist daher Preisrisiken im Immobilienmarkt ausgesetzt
- Die Berufung der VBAG gegen eine Steuerverfügung betreffs der Zahlungen von Körperschaftssteuer aus Vorjahren für zwei vollständig konsolidierte Tochtergesellschaften der VBAG wird möglicherweise keinen Erfolg haben
- Die VBAG-Gruppe hat zum 31.12.2007 keine Unterstützungserklärungen an nicht-Konzerngesellschaften abgegeben (zum 31. Dezember 2006 hatte die VBAG-Gruppe finanzielle Unterstützungserklärungen an nicht-Konzerngesellschaften in Höhe von EUR 4,716 Mio. abgegeben)
- Die VBAG trägt die Verantwortung dafür, dass Back Office Service for Banken GmbH ihre vertraglichen Verpflichtungen erfüllen kann
- Der VBAG entstehen möglicherweise zusätzliche Kosten für die Wiederbeschaffung von Positionen im Markt im Fall einer Kündigung von Obligationen durch eine Vertragspartei

## **5. Zusammenfassung im Hinblick auf den Treuhänder**

Der Treuhänder ist eine Aktiengesellschaft mit beschränkter Haftung (*société anonyme*), die nach dem Recht des Großherzogtums Luxemburg errichtet und mit Sitz in 14, Boulevard Royal, L-2249 Luxembourg, im Handelsregister von Luxemburg unter der Registriernummer B.5310 eingetragen ist.

Die Partizipationsschein-Zertifikate werden von der Banque de Luxembourg auf treuhänderischer Basis gemäß dem luxemburgischen Gesetz über Treuhandverträge vom 27. Juli 2003 und insbesondere den Bedingungen eines Treuhandvertrags zwischen dem Treuhänder und den Zertifikats-Inhabern ausgegeben, der durch die Partizipationsschein-Zertifikate und die Bedingungen für solche Partizipationsschein-Zertifikate belegt wird.

## **6. Zusammenfassung im Hinblick auf die Bank**

### ***Allgemeines***

VBAG ist eine österreichische Aktiengesellschaft, die im österreichischen Firmenbuch unter der Firma "Österreichische Volksbanken-Aktiengesellschaft" zu FN 116476 p eingetragen ist. Der Emittent betreibt sein Geschäft unter anderem unter dem Handelsnamen "VBAG". Das zuständige Registergericht ist das Handelsgericht Wien. Die Geschäftsadresse der VBAG lautet Kolingasse 19, A-1090 Wien, Österreich.

Der Vorstand der VBAG besteht aus fünf Mitgliedern. Der Aufsichtsrat hat 21 Mitglieder, von denen sieben vom Betriebsrat entsendet wurden.

### ***Aktienkapital***

Das ausgegebene Aktienkapital der VBAG beträgt EUR 311.095.411,82 und ist in 42.791.666 Inhaberaktien mit einem anteiligen Betrag am Grundkapital von je EUR 7,27 aufgeteilt (am Tag dieses Dokumentes).

Die Aktionäre der VBAG mit dem Datum dieses Prospekts sind der Österreichischer Volksbankenverband inklusive der Volksbanken Holding registrierte Genossenschaft mit beschränkter Haftung (58,2 %), die DZ BANK Gruppe (25,0 % plus eine Aktie), die ERGO Gruppe (Victoria Versicherung) (10,0 %), die Raiffeisen Zentralbank Österreich Aktiengesellschaft (6,1 %) und andere Aktionäre (0,7 %).

### ***Finanzinformation***

Die nachstehenden Finanzinformationen sind dem geprüften konsolidierten Jahresabschluss der VBAG zum 31.12.2007 entnommen:

*in EUR tausend*

Summe der Aktiva	78.640.829
Zinsüberschuss	830.728
Jahresergebnis vor Steuern	388.121
Jahresergebnis nach Steuern	345.910
Konzernjahresüberschuss	219.682

### ***Geschäftsübersicht***

VBAG ist eine Universalbank und bietet Bankdienstleistungen an Privatkunden, Geschäftskunden, die öffentliche Hand und ihre Partner, insbesondere die österreichischen Volksbanken, in Österreich, der Slowakei, die tschechische Republik, Ungarn, Slowenien, Kroatien, Rumänien, Bosnien-Herzegowina, Serbien, Zypern, Deutschland, Polen, Ukraine und Malta.

Die Geschäfte der VBAG sind in den folgenden Geschäftsbereichen organisiert:

- § Unternehmen;
- § Retail;
- § Finanzmärkte;
- § Immobilien; und
- § Kommunen.

### III. RISK FACTORS

**The following statements are not exhaustive. Prospective investors should consider all information provided in this Prospectus and consult with their own professional advisors, if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another.**

**In addition to the other information set forth in this Prospectus, in particular the information contained in "Information about the Securities", prospective investors should consider carefully the information set forth below before making an investment in the Participation Capital Certificates. If these risks materialise, individually or together with other circumstances, they may have a material adverse effect on the Bank's financial condition and results of operations. The risks described below do not purport to be exhaustive and these risks do not constitute the only risks to which the Bank is exposed. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of the severity or significance of the individual risks. Furthermore, other risks and aspects may be of significance of which the Bank is currently unaware or which it does not currently consider to be material but which may also have a material adverse effect on the Bank's business and business prospects, on its financial condition and results of operations and on its ability to fulfil its obligations under the Participation Capital Certificates.**

**Words and expressions defined in the Terms and Conditions of the Participation Capital Certificates and the Terms and Conditions of the Participation Capital Notes below or elsewhere in this Prospectus have the same meanings in this section.**

#### **1. Risk Factors Regarding the Participation Capital Certificates**

##### ***The Participation Capital Certificates are not direct obligations of the Fiduciary***

The Participation Capital Certificates do not constitute direct debt obligations of the Fiduciary but instead shall evidence the existence of a Fiduciary Contract pursuant to which the Certificate Holders shall be deemed to have acknowledged and agreed that the Fiduciary's payment obligations under the Participation Capital Certificates are conditional upon and limited by the due performance by the Bank of its obligations under the Participation Capital Notes.

The Fiduciary's rights under the Participation Capital Notes are fiduciary assets of the Fiduciary and are held for the sole account and benefit and at the sole risk of the Certificate Holders (subject to the Terms and Conditions of the Participation Capital Certificates). Under the terms of the Participation Capital Certificates and the Fiduciary Contract, the Fiduciary has limited disclosure obligations to the Certificate Holders and is liable vis-à-vis Certificate Holders only in limited circumstances.

***Certificate Coupon Payments on the Participation Capital Certificates depend on whether Remuneration is paid under the Participation Capital Notes and consequently, on the Bank's profits distributable for such purpose and may not occur even where such profits are available.***

The amounts payable as Remuneration under the Participation Capital Notes to the Fiduciary for on-payment to Certificate Holders and Certificate Coupon Payments under the Participation Capital Certificates depend on the future profits of the Bank for the respective preceding financial year (determined on an after tax basis – *Jahresüberschuss*) plus any transfers made by the Bank, at its sole discretion, from that part of the Bank's retained earnings (*Gewinnrücklagen*), which represents disposable reserves. Remuneration under the Participation Capital Notes and under the Participation Capital Certificates will only be paid, as of any Remuneration Date, if and to the extent that such profits will be available to the Bank in sufficient amount.

There is no assurance that the Bank's future earnings will be sufficient so as to result in such profits for any given financial year. Even where its future earnings will be sufficient, the Bank may be obliged, or, in its discretion, may elect to apply such future earnings to its reserves, in which case no such profits may be available for distribution as payment of Remuneration. Therefore, even if the Bank records a positive net result of its operations during every financial year in which the Participation Capital Notes remain outstanding, there may still not be sufficient profits available to enable the Bank to make a payment of Remuneration in any such year, and the Bank will then not have any obligation to make such payment of Remuneration in respect of any such year.

Also, the Bank may be obliged to use any profits to fulfil (as applicable, on a *pro rata* basis) payment obligations that rank senior (or, as may be the case, *pari passu*) to payment obligations under the Participation Capital



Notes. Even when the Bank is obliged to make payments of Remuneration under the Terms and Conditions of the Participation Capital Notes, it may be barred from doing so, if regulatory requirements have not been fulfilled.

Further, under the Terms and Conditions of the Participation Capital Notes, the Bank may refrain from making Remuneration Payments in its discretion. The Bank is under no obligation to pay amounts constituting Unpaid Remuneration at any time (– please also see below "*Certificate Coupon Payments under the Participation Capital Certificates are not cumulative*"). No interest will accrue in respect of Unpaid Remuneration.

Therefore, there can be no assurance that Remuneration Payments will be made at any time during the term of the Participation Capital Notes. Consequently, there is no assurance that the portion of the issue price reflecting accrued remuneration will be recovered by investors by way of the first Remuneration Payment (or otherwise) at any time.

***An issue price in excess of 100 per cent dilutes an investor's rate of return***

An issue price in excess of 100 percent of the nominal amount of the Participation Capital Certificates leads to a decrease of the rate of return compared to an issue price of 100 percent the nominal amount of the Participation Capital Certificates.

***Certificate Coupon Payments under the Participation Capital Certificates are not cumulative***

Certificate Coupon Payments under the Terms and Conditions of the Participation Capital Certificates are not cumulative. Certificate Coupon Payments in following periods will not increase to compensate Certificate Coupon Payment shortfalls of one or more previous periods regardless of whether the Bank subsequently declared any profits.

***Use of the Unpaid Remuneration Settlement Mechanism is at the Bank's discretion and will not lead to payment of Remuneration which the Bank had not paid previously other than in specific circumstances***

The Terms and Conditions of the Participation Capital Notes provide for a mechanism under which the Bank may elect to settle Unpaid Remuneration (the "**Unpaid Remuneration Settlement Mechanism**"). The Unpaid Remuneration Settlement Mechanism applies only in respect of Remuneration previously not paid by the Bank although sufficient profits were available at the time (referred to in the Terms and Conditions of the Participation Capital Notes as "**Unpaid Remuneration**"). It does not apply where Remuneration was not paid by the Bank for other reasons, such as because the Bank did not have sufficient profits available at the time. Any use of the Unpaid Remuneration Settlement Mechanism by the Bank is discretionary and the Bank may not be able to use the Unpaid Remuneration Settlement Mechanism even where it attempts to do so, due to legal or regulatory restrictions. No interest will accrue in respect of Unpaid Remuneration. There is no obligation of the Bank to use the Unpaid Remuneration Settlement Mechanism to pay unpaid remuneration.

***The Participation Capital Certificates have no scheduled maturity***

The Participation Capital Certificates have an indefinite term and will only be redeemed if the Participation Capital Notes are redeemed by the Bank (unless Replacement Participation Capital is issued in accordance with the Terms and Conditions of the Participation Capital Certificates, in which case the Participation Capital Certificates will not be redeemed) or in certain limited other circumstances (see also "*Reduction and Redemption of Participation Capital Pursuant to the Austrian Banking Act*" in "*Participation Capital under the Austrian Banking Act*" below). Please see below for risks affecting any Remarketing or On-Market Tender.

***Claims under the Participation Capital Certificates are subordinated***

The Participation Capital Notes rank as to payment of any Liquidation Entitlement *pari passu* to the Bank's share capital and any other tier 1 instrument issued by the Bank. As to payment of Remuneration, the Participation Capital Notes rank *pari passu* to other tier 1 instruments issued by the Bank, and any obligations of the Bank in respect of support granted by it to any consolidated tier 1 instrument issued by a subsidiary of the Bank. The Participation Capital Notes rank junior to any liabilities and other obligations of the Bank.

Therefore, in liquidation or insolvency proceedings of the Bank, there is a risk that the Noteholder, and, consequently, the holders of Participation Capital Certificates will not recover their investment. Investors should also take into consideration that unsubordinated liabilities may also arise out of events that are not reflected on the Bank's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings may, in winding-up

or insolvency proceedings of the Bank become unsubordinated liabilities and will therefore be paid in full before payments are made to the Noteholder.

***Loss Participation upon the Bank's liquidation, capital reduction or redemption of the Participation Capital Notes***

The Participation Capital Certificates will be redeemed upon redemption of the Participation Capital Notes (unless Replacement Participation Capital is issued in accordance with the Terms and Conditions of the Participation Capital Notes), from funds received by the Noteholder upon such redemption. The Participation Capital Notes and consequently, the Participation Capital Certificates participate in any losses of the Bank in the same manner as the Bank's share capital. The Bank is not prohibited from redeeming the Participation Capital Notes (where such redemption is permitted under applicable law and the Terms and Conditions of the Participation Capital Notes – *please see below "Redemption of the Participation Capital Notes, and consequently, the Participation Capital Certificates, is restricted by law and under the Terms and Conditions of the Participation Capital Notes, thereby decreasing the likelihood of any redemption under applicable law of the Participation Capital Notes and consequently, the Participation Capital Certificates"*) if, due to any such loss, the Liquidation Entitlement has been reduced to less than the nominal amount of the Participation Capital Notes. Therefore, the Noteholder (and hence, the Certificate Holders) would receive a lower amount proportionate to any reduction of the Liquidation Entitlement upon any redemption of the Participation Capital Notes by the Bank, or (as may be the case) the Bank's liquidation or a capital reduction.

***Redemption of the Participation Capital Notes, and consequently, the Participation Capital Certificates, is restricted by law and under the Terms and Conditions of the Participation Capital Notes, thereby decreasing the likelihood of any redemption under applicable law of the Participation Capital Notes and consequently, the Participation Capital Certificates***

Pursuant to Sec 23(4) No. 2 of the Austrian Banking Act (*Bankwesengesetz*) the Participation Capital Notes may only be redeemed by the Bank by applying the provisions of the Austrian Joint Stock Corporation Act (*Aktiengesetz*) relating to capital reductions *per analogiam* or by way of redemption (*Einziehung*) in accordance with Sec 102a of the Austrian Banking Act (*Bankwesengesetz*) (*please see "Participation Capital under the Austrian Banking Act"*). The relevant provisions make redemption of the Participation Capital Notes subject to a legal regime, providing *inter alia* for a prior resolution by the Bank's general assembly with a majority of 75 per cent. of shareholders present and (in the case of a redemption in accordance with Sec 102a of the Austrian Banking Act (*Bankwesengesetz*)) subject to simultaneous redemption of all other outstanding non-cumulative participation capital of the Bank at the time, and a simultaneous transfer of distributable funds to the Bank's restricted reserves in the amount of the redeemed participation capital. These conditions may prevent the Bank from ever redeeming the Participation Capital Notes, and consequently, the Participation Capital Certificates at any future time.

A remarketing feature has been included in the Terms and Conditions of the Participation Capital Certificates and may be used to address these risks. As to the risks of such Remarketing feature, please see "*Remarketing may not occur or may leave investors in a less favourable position*".

***Certificate Holders have only limited recourse against the Fiduciary***

The liability of the Fiduciary to the Certificate Holders is limited to the value of its claims under the Participation Capital Notes, i.e. to the amounts received by the Fiduciary under the Participation Capital Notes. Certificate Holders have no direct right of action against the Bank. Further, Certificate Holders have no direct right of action to compel the Bank to comply with their respective obligations under the Participation Capital Notes even in the event of a failure of the Fiduciary to act. If, however, the Fiduciary has become obliged to take legal action against the Bank under or in respect of the Participation Capital Notes and has failed to take such action within a reasonable time, then the relevant Certificate Holders may, as a matter of Luxembourg law, be entitled to institute indirect legal action (*action oblique*) against the Bank in the Fiduciary's place. There can be no assurance, however, that such action under Luxembourg law would be recognised by courts in other jurisdictions, including, but not limited to Austria.

In addition, the Terms and Conditions of the Participation Capital Certificates provide that actions against the Fiduciary may only be brought in competent courts of Luxembourg. Further, under Luxembourg law, the Fiduciary might be ordered to be replaced and/or the Fiduciary Contract be extinguished in case of serious grounds by a Luxembourg court.

The entitlement of holders of the Participation Capital Certificates to receive payments in respect of the Participation Capital Certificates is entirely dependent upon the receipt by the Fiduciary of Remuneration (if any) and/or liquidation, redemption and/or other proceeds (if any) that the Fiduciary receives from its investment in the Participation Capital Notes. Certificate Holders do not possess directly enforceable rights, whether by way of a security interest or otherwise, in relation to the Participation Capital Notes themselves. Apart from the Remuneration (if any) and/or liquidation, redemption and/or other proceeds (if any) in respect of the Participation Capital Notes, none of the other assets or sources of revenue of the Bank are available to satisfy payment obligations under the Participation Capital Certificates.

The Fiduciary is not required to request, control or demand any information or document issued by or relating to the Bank, nor seek any remedy nor take any enforcement action in connection with the Participation Capital Notes unless requested to do so by the Certificate Holders and duly indemnified therefor all as more fully explained in the section "*Terms and Conditions of the Participation Capital Certificates*" below.

***An active trading market for the Participation Capital Certificates may not develop***

Application will be made to list the Participation Capital Certificates on the official list of the Luxembourg Stock Exchange. However, there can be no assurance that a liquid market for the Participation Capital Certificates will develop. Neither the Sole Bookrunner nor any other person is obliged to maintain liquidity in the Participation Capital Certificates. Further, the Participation Capital Certificates have not been, and will not be, registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons except in accordance with Regulation S under the Securities Act. The liquidity and the market for the Participation Capital Certificates can be expected to vary with changes in the securities market and economic conditions, the financial condition and prospects of the Bank and other factors, which generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Participation Capital Certificates.

***Failure to consolidate the Participation Capital Certificates with the Initially Issued Participation Capital Certificates may be detrimental to the investors' interests.***

If the Participation Capital Certificates are not consolidated with the Initially Issued Participation Capital Certificates to form a single series with the Initially Issued Participation Capital Certificates, the Participation Capital Certificates will not be fungible with the Initially Issued Participation Capital Certificates which may lead to a decreased liquidity of trading in the Participation Capital Certificates.

***Non-exercise of certain rights***

The Austrian Banking Act (*Bankwesengesetz*) provides under Sec 23(5) for rights of holders of participation capital to (i) take part in the general assembly (*Hauptversammlung*) of the Bank and request information about the affairs of the Bank during such meeting and (ii) enjoy certain protection from a dilution of their investment. The Fiduciary has stated that it will not exercise its rights to take part in the general assembly (*Hauptversammlung*) of the Bank and with respect to the protection granted to holders of participation capital from any dilution of their investment. The Fiduciary has, however, been granted the right to participate (in the Fiduciary's sole discretion) in a special general assembly (*Hauptversammlung*) convened for the holders of participation capital only and to request information about the affairs of the Bank during such meeting. There is a risk that the investment of the Certificate Holders will be diluted if the proportional relationship between participation capital issued under the Participation Capital Notes and other own funds of the Bank changes.

***Remarketing may not occur or may leave investors in a less favourable position***

There can be no assurance that market conditions will allow for a remarketing of the Participation Capital Certificates at any time, or that the Bank will elect to conduct a remarketing. Where a remarketing is successful, investors may as a result receive remuneration lower than the remuneration which would apply in the absence of the remarketing, or may be required to transfer their Participation Capital Certificates at par. In any remarketing, investors should carefully evaluate – depending on their investment objectives and the circumstances prevailing at the time – whether to render a bid notice or hold notice is in their best interest.

If a remarketing has not been successful and if an attempt by the Bank to conduct an On-Market Tender fails, a margin of zero will apply to the Participation Capital Certificates.

***On-Market Tender: the purchase of Participation Capital Certificates by the Bank and any subsidiary of the Bank is restricted and may be prevented by applicable laws and regulations***

Pursuant to Sec 23(16) of the Austrian Banking Act (*Bankwesengesetz*), participation capital issued by a credit institution may be repurchased by such credit institutions and its subsidiaries only by up to an amount of 10 per cent. of the total value of all participation capital issued, and is further subject to the restrictions stipulated in the Austrian Joint Stock Company Act (*Aktiengesetz*) for the purchase by a company of its own shares (*please see "Participation Capital under the Austrian Banking Act"*). The same restrictions apply to any funding provided by the credit institution or its subsidiaries for such purchase by a third party. It is therefore unlikely that the Bank will be allowed to purchase, or fund the purchase of, the Participation Capital Certificates by way of the On-Market Tender as provided under the Terms and Conditions of the Participation Capital Certificates (other than following a successful remarketing, provided that the On-Market Tender relates in that case to less than 10 per cent. of the Bank's outstanding participation capital and all necessary approvals are granted), and investors should not expect to be able to liquidate their investment in the Participation Capital Certificates through such an On-Market Tender.

An On-Market Tender will become effective for any investor accepting the terms of such On-Market Tender. Further, an On-Market Tender will be successful and, consequently, effective for all relevant investors, if 75 per cent. of the relevant investors accept the Bank's or (as applicable) the third party's offer to purchase the Participation Capital Certificates. If an On-Market Tender fails, then the rate of remuneration payable on all relevant Participation Capital Certificates held by investors that did not accept the terms of the On-Market Tender will be reduced to be the sum of the 6-month EURIBOR plus zero basis points. Investors accepting the terms of the On-Market Tender, or in case of 75 per cent. of the relevant investors accepting the terms of the On-Market Tender, all investors will be required to surrender their Participation Capital Certificates at par.

***Floating rate securities may suffer a decline in remuneration rate***

The holders of the Participation Capital Certificates may, after 18 June 2018, be exposed to coupon payments on a variable (floating) interest rate basis. A holder of a security with a floating interest rate is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such security in advance.

***Exchange rate risks and exchange controls***

Payments under the Participation Capital Certificates will be made in Euro. This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Euros would decrease (a) the Investor's currency-equivalent yield on the Participation Capital Certificates, (b) the Investor's Currency-equivalent value of the principal payable on the Participation Capital Certificates and (c) the Investor's Currency-equivalent market value of the Participation Capital Certificates.

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, investors may receive less interest or principal than expected, or no interest and/or no principal.

***Investors in Participation Capital Certificates are exposed to risks associated with fixed rate bonds***

The Participation Capital Certificates will, until 18 June 2018 (and, potentially, thereafter following a remarketing) bear remuneration on a fixed rate basis. For as long as such fixed rate basis applies, any changes in the relevant fixed interest rate on the capital markets (the market interest rate), which typically occur on a daily basis, will result in the price of the Participation Capital Certificates changing in the opposite direction. If the market interest rate increases, the price of the Participation Capital Certificates would typically fall and if the market interest rate falls, the price of the Participation Capital Certificates would typically increase. Hence, holders of Participation Capital Certificates should be aware that movements of the market interest rate can adversely affect the price of the Participation Capital Certificates and can lead to losses if holders of Participation Capital Certificates sell their holdings during the period in which the Certificate coupon payments are fixed.

### ***Change of law***

The Terms and Conditions of the Participation Capital Certificates are based on Luxembourg law and the Participation Capital Notes are governed by Austrian law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Luxembourg law or Austrian law or administrative practice after the date of this Prospectus.

### ***Taxation***

Potential investors in the Participation Capital Certificates should consult their own tax advisors as to which countries' tax laws could be relevant when acquiring, holding and disposing of the Participation Capital Certificates and receiving payments of coupons, principal and/or other amounts or delivery of securities under the Participation Capital Certificates and the consequences of such actions under the tax laws of those countries.

***Because the Global Certificates are held by or on behalf of Euroclear and Clearstream Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Fiduciary.***

Participation Capital Certificates issued under this Prospectus will be represented by one or more Global Certificate. Such Global Certificates will be deposited with a common depositary for Euroclear and Clearstream Luxembourg. Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive Participation Capital Certificates. Euroclear and Clearstream Luxembourg will maintain records of the beneficial interests in the Global Certificates. While the Participation Capital Certificates are represented by one or more Global Certificates which are deposited with a common depositary for Euroclear and Clearstream Luxembourg, investors will be able to trade their beneficial interests only through Euroclear and Clearstream Luxembourg.

While the Participation Capital Certificates are represented by one or more Global Certificates, the Fiduciary will discharge its payment obligations under the Participation Capital Certificates by making payments to the common depositary for Euroclear and Clearstream Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear and Clearstream Luxembourg to receive payments under the relevant Participation Capital Certificates. The Fiduciary has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

## **2. Risks Factors regarding the Participation Capital Notes**

***Remuneration Payments on the Participation Capital Notes depend on the Bank's profits distributable for such purpose and may not occur even where such profits are available***

The amounts payable as Remuneration under the Participation Capital Notes depend on the future profits of the Bank for the respective preceding financial year (determined on an after tax basis – *Jahresüberschuss*) plus any transfers made by the Bank, at its sole discretion, from that part of the Bank's retained earnings (*Gewinnrücklagen*), which represents disposable reserves. Remuneration under the Participation Capital Notes will only be paid, as of any Remuneration Date, if and to the extent that such profits will be available to the Bank in sufficient amount.

There is no assurance that the Bank's future earnings will be sufficient so as to result in such profits for any given financial year. Even where its future earnings will be sufficient, the Bank may be obliged or, in its discretion, may elect to apply such future earnings to its reserves, in which case no such profits may be available for distribution as payment of remuneration. Therefore, even if the Bank records a positive net result of its operations during every financial year in which the Participation Capital Notes remain outstanding, there may still be sufficient profits available to enable the Bank to make a payment of Remuneration in any such year, and the Bank will then not have any obligation to make such payment of Remuneration in respect of any such year.

Also, the Bank may be obliged to use any profits to fulfil (as applicable, on a *pro rata* basis) payment obligations that rank senior (or, as may be the case, *pari passu*) to payment obligations under the Participation Capital Notes. Even when the Bank is obliged to make payments of Remuneration under the Terms and Conditions of the Participation Capital Notes, it may be barred from doing so if regulatory requirements have not been fulfilled.

Further, under the Terms and Conditions of the Participation Capital Notes, the Bank may refrain from making Remuneration Payments in its discretion. The Bank is under no obligation to pay amounts constituting Unpaid

Remuneration at any time (– please also see below "*Certificate Coupon Payments under the Participation Capital Certificates are not cumulative*"). No interest will accrue in respect of Unpaid Remuneration.

Therefore, there can be no assurance that Remuneration Payments will be made at any time during the term of the Participation Capital Notes. Consequently, there is no assurance that the portion of the issue price reflecting accrued remuneration will be recovered by investors by way of the first Remuneration Payment (or otherwise) at any time.

***An issue price in excess of 100 per cent dilutes an investor's rate of return***

An issue price in excess of 100 percent of the nominal amount of the Participation Capital Certificates leads to a decrease of the rate of return compared to an issue price of 100 percent the nominal amount of the Participation Capital Notes.

***Use of the Unpaid Remuneration Settlement Mechanism is at the Bank's discretion and will not lead to payment of Remuneration which the Bank had not paid previously other than in specific circumstances***

The Terms and Conditions of the Participation Capital Notes provide for a mechanism under which the Bank may elect to settle Unpaid Remuneration (the "**Unpaid Remuneration Settlement Mechanism**"). The Unpaid Remuneration Settlement Mechanism applies only in respect of Remuneration previously not paid by the Bank although sufficient profits were available at the time (referred to in the Terms and Conditions of the Participation Capital Notes as "**Unpaid Remuneration**"). It does not apply where Remuneration was not paid by the Bank for other reasons, such as because the Bank did not have sufficient profits available at the time. Any use of the Unpaid Remuneration Settlement Mechanism by the Bank is discretionary and the Bank may not be able to use the Unpaid Remuneration Settlement Mechanism even where it attempts to do so, due to legal or regulatory restrictions. No interest will accrue in respect of Unpaid Remuneration. There is no obligation of the Bank to use the Unpaid Remuneration Settlement Mechanism to pay unpaid remuneration.

***Remuneration under the Participation Capital Notes is not cumulative***

Remuneration under the Terms and Conditions of the Participation Capital Notes is not cumulative. Remuneration in following periods will not increase to compensate Remuneration shortfalls of one or more previous periods regardless of whether the Bank subsequently declared any profits.

***The Participation Capital Notes have no scheduled maturity***

The Participation Capital Notes have no scheduled maturity and there is a risk that the Participation Capital Notes will not be redeemed at any time, which may result in the Participation Capital Certificates not being redeemed (see also "*Reduction and Redemption of Participation Capital Pursuant to the Austrian Banking Act*" in "*Participation Capital under the Austrian Banking Act*" below). Please also see the Risk Factors "Remarketing may fail" and "On-Market Tender: funding of a purchase of Participation Capital Certificates by the Bank is severely restricted" in relation to the Participation Capital Certificates

***Claims under the Participation Capital Notes are subordinated***

The Participation Capital Notes rank as to payment of any Liquidation Entitlement *pari passu* to the Bank's share capital and any other tier 1 instrument issued by the Bank. As to payment of Remuneration, the Participation Capital Notes rank *pari passu* to other tier 1 instruments issued by the Bank, and any obligations of the Bank in respect of support granted by it to any consolidated tier 1 instrument issued by a subsidiary of the Bank. The Participation Capital Notes rank junior to any liabilities and other obligations of the Bank.

Therefore, in liquidation or insolvency proceedings of the Bank, there is a risk that the Noteholder will not recover their investment. Investors should also take into consideration that unsubordinated liabilities may also arise out of events that are not reflected on the Bank's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings may, in winding-up or insolvency proceedings of the Bank become unsubordinated liabilities and will therefore be paid in full before payments are made to the Noteholder.

***Loss Participation upon the Bank's liquidation, capital reduction or redemption of the Participation Capital Notes***

The Participation Capital Notes and consequently, the Participation Capital Certificates participate in any losses of the Bank in the same manner as the Bank's share capital. The Bank is not prohibited from redeeming the

Participation Capital Notes (where such redemption is permitted under applicable law and the Terms and Conditions of the Participation Capital Notes – *please see below "Redemption of the Participation Capital Notes is restricted by law and under the Terms and Conditions of the Participation Capital Notes, thereby decreasing the likelihood of any redemption under applicable law of the Participation Capital Notes"*) if, due to any such loss, the Liquidation Entitlement has been reduced to less than the nominal amount of the Participation Capital Notes. Therefore, the Noteholder (and hence, the Certificate Holders) would receive a lower amount proportionate to any reduction of the Liquidation Entitlement upon any redemption of the Participation Capital Notes by the Bank, or (as may be the case) the Bank's liquidation or a capital reduction.

***Redemption of the Participation Capital Notes is restricted by law and under the Terms and Conditions of the Participation Capital Notes, thereby decreasing the likelihood of any redemption under applicable law of the Participation Capital Notes***

Pursuant to Sec 23(4) No. 2 of the Austrian Banking Act (*Bankwesengesetz*) the Participation Capital Notes may only be redeemed by the Bank by applying the provisions of the Austrian Joint Stock Corporation Act (*Aktiengesetz*) relating to capital reductions *per analogiam* or by way of redemption (*Einziehung*) in accordance with Sec 102a of the Austrian Banking Act (*Bankwesengesetz*) (*please see "Participation Capital under the Austrian Banking Act"*). The relevant provisions make redemption of the Participation Capital Notes subject to a legal regime, providing *inter alia* for a prior resolution by the Bank's general assembly with a majority of 75 per cent. of shareholders present and (in the case of a redemption in accordance with Sec 102a of the Austrian Banking Act (*Bankwesengesetz*)) subject to simultaneous redemption of all other outstanding non-cumulative participation capital of the Bank at the time, and a simultaneous transfer of distributable funds to the Bank's restricted reserves in the amount of the redeemed participation capital. These conditions may prevent the Bank from ever redeeming the Participation Capital Notes at any future time.

A remarketing feature has been included in the Terms and Conditions of the Participation Capital Certificates to address these risks. As to the risks of such Remarketing feature, please see "*Remarketing may not occur or may leave investors in a less favourable position*" in the Risk Factors regarding the Participation Capital Certificates.

***Floating rate securities may suffer a decline in remuneration rate***

Remuneration on the Participation Capital Notes, may, after 18 June 2018, be calculated on a variable (floating) interest rate basis. A holder of a security with a floating interest rate is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such security in advance.

***Investors in Participation Capital Notes are exposed to risks associated with fixed rate bonds***

The Participation Capital Notes will, until the 18 June 2018 (and, potentially, thereafter following a remarketing) bear remuneration on a fixed rate basis. For as long as such fixed rate basis applies, any changes in the relevant fixed interest rate on the capital markets (the market interest rate), which typically occur on a daily basis, will result in the price of the Participation Capital Notes changing in the opposite direction. If the market interest rate increases, the price of the Participation Capital Notes would typically fall and if the market interest rate falls, the price of the Participation Capital Notes would typically increase. Hence, holders of Participation Capital Notes should be aware that movements of the market interest rate can adversely affect the price of the Participation Capital Notes and can lead to losses if holders of Participation Capital Notes sell their holdings during the period in which the coupon payments are fixed.

***Change of law***

The Terms and Conditions of the Participation Capital Notes are based on Austrian law. No assurance can be given as to the impact of any possible judicial decision or change to Austrian law or administrative practice after the date of this Prospectus.

### **3. Risk Factors Regarding the Fiduciary**

#### ***Certificate Holders have only limited recourse against the Fiduciary***

The liability of the Fiduciary to the Certificate Holders is limited to the value of its claims under the Participation Capital Notes, i.e. to the amounts received by the Fiduciary under the Participation Capital Notes. *Please see "Certificate Holders have only limited recourse against the Fiduciary" under "Risk Factors Regarding the Participation Capital Certificates" above for further details.*

#### ***Fiduciary does not act as note trustee on behalf of Certificate Holders***

The Fiduciary is the Issuer of the Participation Capital Certificates but has not been appointed to protect the interests of the Certificate Holders in respect of their investment into, and exercise the rights of the Certificate Holders in respect of, the Participation Capital Certificates as would commonly be the case for a note trustee.

#### ***Substitution Risk of the Fiduciary***

The Fiduciary may, as set out in more detail in Condition 13 (*Resignation and Substitution*) of the Terms and Conditions of the Participation Capital Certificates, be substituted by an entity, which may not be capable of acting as fiduciary within the meaning of the Trust and Fiduciary Contracts Law 2003 (the "**SPV Substitute Issuer**"). If an SPV Substitute Issuer is appointed, which is incapable of acting as a substitute Fiduciary, the Fiduciary Contract will terminate and Certificate Holders will no longer enjoy any rights thereunder. Instead, the Certificate Holders would have a right against the SPV Substitute Issuer for on-payment to the Certificate Holders of any payments received by the SPV Substitute Issuer under the Participation Capital Notes.

If the Fiduciary is substituted by another entity capable of acting as fiduciary within the meaning of the Trust and Fiduciary Contracts Law 2003, such substitute fiduciary will assume the Fiduciary's rights and obligations under the Fiduciary Contract but there can be no assurance that such substitution will not result in additional costs or other adverse effects for the Certificate Holders. In particular, in case of an insolvency of the SPV Substitute Issuer, there can be no assurance that the Certificate Holders will be secured on, or have any other rights in respect of, the Participation Capital Certificates and may therefore suffer a total loss of their investment.

### **4. Risk Factors regarding the Bank**

Distributions on the Participation Capital Certificates depend on the Bank's Distributable Profits (see "*Risks relating to the Participation Capital Certificates*" above for further details). The following is a disclosure of material risk factors that may affect the Bank's ability to generate Distributable Profits, and/or may affect the amount of the Remuneration and the Liquidation Entitlement available to the Certificate Holders. Prospective investors should consider these risk factors before deciding to purchase Participation Capital Certificates.

The following statements are not exhaustive. Prospective investors should consider all information provided in this Prospectus and consult with their own professional advisors if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another.

The Bank is subject to the general business risks that affect an international bank which has its business focus on the corporate banking and investment banking segments. These include, amongst others:

#### ***Credit risk; country risk***

The credit risk is the risk of partial or complete loss of interest and/or redemption payment due to a default of the counterparty. It comprises in particular the non-payment risks, country risks and default risks. Any deterioration in the creditworthiness of a counterparty may lead to an increase in the credit risk. There is a distinction between migration risks (caused by deterioration in customer's ratings) and country risk. Country risk includes transfer and convertibility risks as well as political risk in relation to countries in or with which VBAG carries on business. Such credit risk or country risk may have a material adverse effect on VBAG's business results.

#### ***Rating deterioration***

There is a risk that a rating agency may suspend, downgrade or withdraw a rating of VBAG and that such action might negatively affect the market value and trading price of the Participation Capital Certificates. A downgrading by a rating agency could lead to an increase in the cost of funds on the market and could potentially involve a restriction of access to liquid funds.



### ***Market risk***

The market risk is the risk of loss arising from a change of market prices in particular due to changes of interest rates, share prices, commodity prices and foreign currency as well as price fluctuations of commodities and derivatives. This risk encompasses both trading book and banking book positions. Positions of risk are the result either of business positions taken for or in respect of customers, or of a deliberate assumption of such positions.

VBAG's market position is influenced by both external factors such as customer business and internal deliberate positions. No assurance can be given that changes in the market will not adversely affect VBAG's profitability. Since Remuneration Payments depend on the VBAG's Distributable Profits, any reduction in the profits of VBAG may affect the ability of the Fiduciary to make payments under the Participation Capital Certificates (see "*Risk Factors regarding the Participation Capital Certificates*" above).

### ***Operational risk***

There is a risk of losses due to any inadequacy or failure of internal proceedings, people, systems, or external events, whether caused deliberately or accidentally or by natural circumstances. The occurrence of such circumstances, including in particular business interruptions (for example, due to the failure of communication systems) may cause appreciable losses.

### ***Dependence upon having adequate risk-bearing capacity and upon risk control and successful risk management***

While VBAG maintains a state of the art risk monitoring and risk management systems, such systems may not be (fully) effective or suitable under certain circumstances or with regard to certain risks.

### ***Economic and political environment, receding financial markets***

The economic and political environment in the countries where VBAG is active or has operations as well as the development of the world economy have a fundamental influence on the demand for the services and financial products developed and offered by VBAG.

### ***Competition in the Austrian banking sector***

There is fierce competition in the Austrian banking sector, which is expected to further intensify in the future. This may reduce profits and thus lead to a reduction in the capital freely available for investments of VBAG.

### ***Regulatory risk***

The legislation as well as the judicial and administrative practice in the jurisdictions where VBAG is active might change adversely in respect of VBAG.

### ***The future development of the banking sector and regulation thereof***

As a result of increasing globalisation and market transparency, the European banking sector has in recent years been experiencing growing competition and increased central regulation. Both factors may reduce profit margins, increase capital costs and increase administrative costs.

### ***Currency risk***

Since substantial assets, operations and customers of VBAG are located outside the Euro-zone, VBAG is exposed to currency risks.

### ***Real estate market risk***

VBAG owns substantial real estate and is therefore exposed to price risks in the real estate area.

### ***Risk factors specifically relating to VBAG***

VBAG's appeal against a tax order concerning corporate tax payments for previous years of two fully consolidated subsidiaries of VBAG might not prevail.

As per 31 December 2007, the VBAG Group had not issued letters of comfort representing to non-group companies (as of 31 December 2006, VBAG Group had issued letters of comfort to non-group companies representing EUR 4.716 mio).

***Recovery Risks***

VBAG may incur additional costs for the recovery of positions in the market in case of the cancellation of obligations by a contracting party.

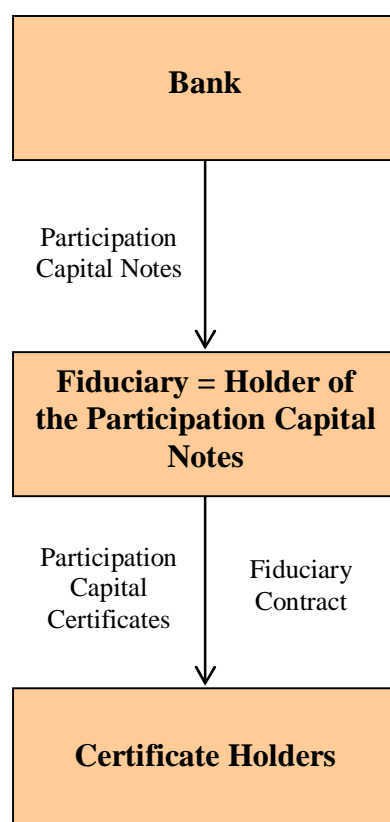
## IV. INFORMATION ABOUT THE SECURITIES

### 1. Structure

The Fiduciary, as the issuer of the Participation Capital Certificates, will apply the proceeds raised from the issue of the Participation Capital Certificates to acquire EUR 100,000,000 Participation Capital Notes issued by the Bank, held solely at the risk and for the benefit of the Certificate Holders.

Any payments under the Participation Capital Certificates will be contingent on the Fiduciary receiving such payments from the Bank under the Participation Capital Notes. Remuneration Payments under the Participation Capital Notes will be contingent on the Bank's Distributable Profits. The Participation Capital Notes may be redeemed (always in accordance either with the provisions on capital reduction *per analogiam* under the Austrian Joint Stock Corporation Act (*Aktiengesetz*) or sec 102a of the Austrian Banking Act (*Bankwesengesetz*)) (i) on the Reset Date and each Remuneration Payment Date thereafter at the Initial Liquidation Entitlement plus accrued and unpaid Remuneration for the then current Remuneration Period (defined as the "**Ordinary Redemption Price**") (as described in Condition 6(c) of the Terms and Conditions of the Participation Capital Notes) and (ii) before the Reset Date, upon the occurrence of certain events set out in Condition 6(d) of the Terms and Conditions of the Participation Capital Notes at the Ordinary Redemption Price or, as the case may be, at the Ordinary Redemption Price plus the Make-Whole Coupon.

#### *Structure Diagram*



#### *Remuneration Periods*

In accordance with the Terms and Conditions of the Participation Capital Certificates, Remuneration is payable in arrear (a) prior to the Reset Date on 18 June 2009 and thereafter annually, and (b) from the Reset Date, semi-annually on 18 December and 18 June. Thus, the first Remuneration Period from the issue date to 18 June 2009 will have a duration of more than one calendar year, while the remaining Remuneration Periods until the Reset Date will in each case have a duration of one full calendar year. After the Reset Date (18 June 2018), the Remuneration Periods will have a duration of one half of a calendar year. For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Certificates.

## 2. Terms and conditions of the Participation Capital Certificates

**THE ENGLISH TEXT OF THE TERMS AND CONDITIONS OF THE PARTICIPATION CAPITAL CERTIFICATES IS LEGALLY BINDING – THE GERMAN TRANSLATION IS FOR INFORMATION PURPOSES ONLY.**

**DER ENGLISCHE TEXT DER BEDINGUNGEN FÜR DIE PARTIZIPATIONSSCHEIN-ZERTIFIKATE IST RECHTSVERBINDLICH – DIE DEUTSCHE ÜBERSETZUNG DIENT LEDIGLICH INFORMATIONSZWECKEN.**

### 1. Terms and conditions of the Participation Capital Certificates

By subscribing to or otherwise acquiring the Participation Capital Certificates, the Certificate Holders are deemed to have knowledge of all the provisions relating to the terms and conditions of the Participation Capital Notes and the Fiduciary Contract (each as defined below) including the terms and conditions of the Participation Capital Certificates (the "**Conditions**") and to expressly accept such provisions. Terms and expressions used but not defined herein have the respective meanings given to them in the Terms and Conditions of the Participation Capital Notes (as defined below) unless the context requires otherwise.

In these Conditions the following expressions have the following meanings:

#### 1. Definitions

"**Accounting Event**" has the meaning defined in Condition 5(3)(c) (*Redemption; Early Redemption*);

"**Additional Amounts**" has the meaning defined in Condition 5(3)(c)(ii) (*Taxation*);

"**Adjusted Comparable Yield**" means the internal rate of return, expressed as a percentage per annum, as determined on the third Business Day preceding the relevant Redemption Date, of the EUR benchmark security selected by the Calculation Agent, after consultation with the Bank, as having a maturity comparable to the remaining term of the Participation Capital Notes to but excluding the Reset Date, that would be utilised, at the time of selection and in accordance with customary banking practice, in pricing new issues of corporate debt securities of a comparable maturity;

"**Agency Agreement**" has the meaning defined in Condition 2(1) (*General*);

"**Appointment Agreement**" has the meaning defined in Condition 3(4) (*Fiduciary*);

### 1. Bedingungen für die Partizipationsschein-Zertifikate

Durch die Zeichnung oder den anderweitigen Erwerb der Partizipationsschein-Zertifikate wird davon ausgegangen, dass die Zertifikats-Inhaber Kenntnisse über sämtliche Bestimmungen im Zusammenhang mit den Bedingungen der Partizipationsscheine und des Treuhandvertrags (jeweils gemäß nachstehender Definition), einschließlich der Bedingungen der Partizipationsschein-Zertifikate (die "**Bedingungen**") haben und diesen Bedingungen ausdrücklich zustimmen. Begriffe und Ausdrücke, die in diesem Dokument verwendet, jedoch nicht definiert werden, haben die jeweilige Bedeutung, die ihnen in den Bedingungen der Partizipationsscheine (gemäß nachfolgender Definition) gegeben wurden, soweit der Kontext nichts anderes verlangt.

In diesen Bedingungen haben die nachstehenden Begriffe die folgende Bedeutung:

#### 1. Definitionen

"**Rechnungslegungsereignis**" hat die in Bedingung 5(3)(c) (*Kündigung; vorzeitige Kündigung*) angegebene Bedeutung.

"**Zusätzliche Beträge**" hat die in Bedingung 5(3)(c)(ii) (*Besteuerung*) angegebene Bedeutung.

"**Speziell angepasste Vergleichsrendite**" bedeutet den internen Zinsfuß, der als Prozentsatz pro Jahr des von der Berechnungsstelle ausgewählten EUR-Vergleichstitels ausgedrückt wird, wie am dritten Geschäftstag vor dem jeweiligen Kündigungsdatum nach Beratung mit der Bank festgelegt, mit einer Laufzeit, die mit der Restlaufzeit der Partizipationsscheine vergleichbar ist, jedoch unter Ausschluss des Reset-Tags, der zum Zeitpunkt der Auswahl und im Einklang mit der üblichen Bankenpraxis bei der Preisfestsetzung von Neuemissionen von Unternehmensanleihen mit vergleichbarer Laufzeit verwendet werden würde.

"**Agency Vertrag**" hat die in Bedingung 2(1) (*Allgemeine Bestimmungen*) angegebene Bedeutung.

"**Ernennungsvertrag**" hat die in Bedingung 3(4) (*Treuhand*) angegebene Bedeutung.

**"Bank"** means Österreichische Volksbanken-Aktiengesellschaft;

**"Bank Share Capital"** means common shares and preference shares of the Bank;

**"Bid Notice"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Business Day"** means a day (i) on which the commercial banks and foreign exchange markets are open for business in Vienna, Luxembourg and Frankfurt and (ii) which is a TARGET Day;

**"Calculation Agent"** means DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main;

**"Capital Event"** has the meaning defined in Condition 5(3)(c) (*Redemption; Early Redemption*);

**"Certificate Coupon Payment"** has the meaning defined in Condition 6 (*Certificate Coupon Payments; Remarketing*);

**"Certificate Holders"** has the meaning defined in Condition 2(2) (*General*);

**"Clearing System"** means Clearstream Banking S.A. and Euroclear Bank S.A./N.V. each, together referred to as the **"Clearing Systems"**;

**"CSSF"** means the *Commission de Surveillance du Secteur Financier*

**"Definitive Certificates"** has the meaning defined in Condition 4(5) (*Form of the Participation Capital Certificates; Transferability*);

**"Consolidated Tier 1 Capital"** means any funds which constitute core capital (*Kernkapital*) on a consolidated basis under Secs 23(14)(1) and 24(2)(1) of the Austrian Banking Act (*Bankwesengesetz*);

**"Distributable Profits"** means the profits available for distribution in respect of each fiscal year of the Bank, sourced from the Bank's Profit or Loss For The Year After Tax (*Jahresüberschuss*) plus any transfers made by the Bank, at its sole discretion, from that part of the Bank's Retained Earnings (*Gewinnrücklagen*) which represents Disposable Reserves (*andere Rücklagen*), all as stated in the Bank's financial statements prepared in accordance with the Austrian Banking Act (*Bankwesengesetz*), in compliance with Sec 23(4)(3) of the Austrian Banking Act (*Bankwesengesetz*), accounting principles generally accepted in Austria, the Austrian Commercial Code (*Unternehmensgesetzbuch*) and all

**"Bank"** bedeutet Österreichische Volksbanken-Aktiengesellschaft.

**"Bank-Aktienkapital"** bedeutet Stammaktien und Vorzugsaktien der Bank.

**"Kaufmitteilung"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Geschäftstag"** bedeutet ein Tag, (i) an dem Geschäftsbanken und Devisenmärkte in Wien, Luxemburg und Frankfurt geöffnet sind und (ii) der ein TARGET-Tag ist.

**"Berechnungsstelle"** bedeutet DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.

**"Kapitalereignis"** hat die in Bedingung 5(3)(c) (*Kündigung; vorzeitige Kündigung*) angegebene Bedeutung.

**"Kuponzahlungen aus Zertifikaten"** bzw. **"Zertifikat-Kuponzahlungen"** hat die in Bedingung 6 (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Zertifikats-Inhaber"** hat die in Bedingung 2(2) (*Allgemeine Bestimmungen*) angegebene Bedeutung.

**"Clearingsystem"** bedeutet jeweils Clearstream Banking S.A. und Euroclear Bank S.A./N.V., zusammen die **"Clearingsysteme"**.

**"CSSF"** bedeutet *Commission de Surveillance du Secteur Financier*;

**"Effektive Stücke der Zertifikate"** hat die in Bedingung 4(5) (*Form der Partizipationsschein-Zertifikate; Übertragbarkeit*) angegebene Bedeutung.

**"Konsolidiertes Tier 1-Kapital"** bedeutet sämtliche Beträge, die als Kernkapital auf konsolidierter Basis gemäß §§ 23(14)(1) und 24(2)(1), Bankwesengesetz, angerechnet werden.

**"Verteilungsfähiger Gewinn"** bedeutet die für jedes Geschäftsjahr der Bank zur Verteilung verfügbaren Gewinne aus dem Jahresüberschuss (*Jahresfehlbetrag*) der Bank, zuzüglich Umbuchungen, die von der Bank in ihrem alleinigen Ermessen aus jenem Teil der Gewinnrücklagen der Bank vorgenommen wurden, die andere Rücklagen sind, jeweils wie im Jahresabschluss der Bank im Einklang mit § 23(4)(3) Bankwesengesetz, den in Österreich allgemein anerkannten Rechnungslegungsvorschriften, dem Unternehmensgesetzbuch und allen anderen jeweils geltenden österreichischen Gesetzen ausgewiesen.

other applicable Austrian laws then in effect;

**"Eligible Securities"** means securities representing Consolidated Tier 1 Capital which (a) are issued by the Bank, (b) have no stated maturity, (c) coupon payments of which are non-cumulative and which do not provide for any feature similar to the Unpaid Remuneration Settlement Mechanism, (d) which are not redeemable prior to the fifth anniversary (if such Eligible Securities do not provide for a step-up in the rate of interest applicable to them), or tenth anniversary (if such Eligible Securities provide for a step-up in the rate of interest applicable to them as at the time when they may be redeemed for the first time in accordance with their terms) of their issue date, as the case may be, and (e) provide for a mandatory cancellation of cash interest payments upon the breach of pre-defined financial ratios;

**"Euro"** and **"EUR"** means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended and whose smallest subdivision shall be one hundredth of a Euro or one "cent";

**"Exchange Date"** has the meaning defined in Condition 4(2) (*Form of the Participation Capital Certificates; Transferability*);

**"Existing Participation Capital"** means all participation capital of the Bank outstanding at the time of issue of the Participation Capital Notes;

**"Failed On-Market Tender"** has the meaning defined in Condition 5(9) (*Redemption, Repurchase and On-Market Tender of the Participation Capital Certificates*);

**"Fiduciary"** means Banque de Luxembourg;

**"Fiduciary Contract"** has the meaning defined in Condition 2(2) (*General*);

**"Fixed Rate"** means 10 per cent. per annum;

**"Floating Rate"** has the meaning defined in Condition 6(2)(d) (*Rate of Remuneration*);

**"Global Certificates"** means the Temporary Global Certificate and the Permanent Global Certificate as defined in Condition 4(1) (*Form of the Participation Capital Certificates; Transferability*);

**"Gross-Up Event"** has the meaning defined in Condition 5(3)(c) (*Redemption; Early Redemption*);

**"Qualifizierte Wertpapiere"** bedeutet Wertpapiere, die konsolidiertes Tier 1-Kapital darstellen, (a) die von der Bank emittiert werden, (b) die keine Endfälligkeit haben, (c) deren Kuponzahlungen nicht kumulativ sind und die keine Merkmale aufweisen, die dem Erfüllungsmechanismus für unbezahlte Vergütungen ähnlich sind, (d) die nicht vor dem 5. Jahrestag ihres Ausgabetags zurückgenommen werden können (wenn diese qualifizierten Wertpapiere keine Erhöhung des auf sie anwendbaren Zinssatzes vorsehen) oder dem 10. Jahrestag (wenn diese Qualifizierten Wertpapiere eine Erhöhung des auf sie anwendbaren Zinssatzes zu dem Zeitpunkt vorsehen, zu dem sie im Einklang mit ihren Bestimmungen erstmals zurückgenommen werden können), und (e) die eine obligatorische Annullierung ihrer in bar vorgenommenen Zinszahlungen vorsehen, wenn gewisse vordefinierte Finanzkennzahlen nicht eingehalten wurden.

**"Euro"** und **"EUR"** bedeutet die Währung, die zu Beginn der dritten Phase der Europäischen Wirtschafts- und Währungsunion gemäß dem vom Europäischen Rat geschlossenen Abkommen in der jeweils gültigen Fassung eingeführt wurde und deren kleinste Einheit ein Hundertstel von einem Euro oder ein "Cent" ist.

**"Umtauschdatum"** hat die in Bedingung 4(2) (*Form der Partizipationsschein-Zertifikate; Übertragbarkeit*) angegebene Bedeutung.

**"Bestehendes Partizipationskapital"** bedeutet jegliches Partizipationskapital der Bank, das sich zum Zeitpunkt der Emission der Partizipationsscheine in Umlauf befindet.

**"Fehlgeschlagener On-Market Tender"** hat die in Bedingung 5(9) (*Kündigung, Rückkauf und On-Market Tender der Partizipationsschein-Zertifikate*) angegebene Bedeutung.

**"Treuhänder"** bedeutet Banque de Luxembourg.

**"Treuhandvertrag"** hat die in Bedingung 2(2) (*Allgemeine Bestimmungen*) angegebene Bedeutung.

**"Fixzinssatz"** bedeutet 10 Prozent jährlich.

**"Variabler Zinssatz"** hat die in Bedingung 6(2)(d) (*Vergütungssatz*) angegebene Bedeutung.

**"Globalzertifikat"** bedeutet das vorläufige Globalzertifikat und das Dauer-Globalzertifikat gemäß Definition in Bedingung 4(1) (*Form der Partizipationsschein-Zertifikate; Übertragbarkeit*).

**"Gross-Up-Ereignis"** hat die in Bedingung 5(3)(c) (*Kündigung; vorzeitige Kündigung*) angegebene Bedeutung.

**"Hold Notice"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Initial Liquidation Entitlement"** means EUR 1,000;

**"Initial Margin"** means 5.32 per cent.;

**"Issue Date"** has the meaning defined in Condition 2(1) (*General*);

**"Listing Agent"** means Dexia Banque Internationale à Luxembourg;

**"Liquidation Entitlement"** means in respect of each Participation Capital Note the aggregate of (i) the Initial Liquidation Entitlement as reduced by any Loss of the Bank, provided that it shall not be reduced to less than zero; (ii) any accrued and unpaid Remuneration Payments for the then current remuneration period and (iii) any Additional Amounts and/or Noteholder Gross-Up Amounts (for the avoidance of doubt, payment of any amounts pursuant to (ii) and (iii) (to the extent that such payments arise in respect of payments made pursuant to (ii)) being subject to availability of sufficient Distributable Profits);

**"Loss"** means the sum of the following amounts being negative; the Bank's Profit Or Loss (*Bilanzgewinn/Bilanzverlust*); the Bank's Retained Earnings (*Gewinnrücklagen*); the Capital Reserves (*Kapitalrücklagen*); the untaxed reserves (*unversteuerte Rücklagen*); the Liability Reserve (*Haftrücklage*) set aside pursuant to Sec 23(6) Austrian Banking Act (*Bankwesengesetz*) (Sec 23(1)(2) Austrian Banking Act); and the Fund for General Banking Risks (*Fonds für allgemeine Bankrisiken*) pursuant to Sec 57(3) and (4) Austrian Banking Act (*Bankwesengesetz*) (Sec 23(1)(3) Austrian Banking Act), all as stated in the Bank's financial statements prepared in accordance with the Austrian Banking Act (*Bankwesengesetz*);

**"Luxembourg Gross-Up Amount"** has the meaning defined in Condition 10(2) (*Taxation*);

**"Make-Whole Coupon"** means an amount, which will be determined by the Calculation Agent as equaling the higher of (A) zero and (B) the amount equalling (1) the sum of the Present Values on the relevant Redemption Date of (i) the Initial Liquidation Entitlement per Participation Capital Note and (ii) the remaining scheduled Remuneration Payments to but excluding the Reset Date, minus (2) the Initial Liquidation Entitlement as of the date when such determination is made;

**"Haltemitteilung"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Ursprünglicher Liquidationsanspruch"** bedeutet EUR 1.000.

**"Anfangsmarge"** bedeutet 5,32 Prozent.

**"Ausgabetag"** hat die in Bedingung 2(1) (*Allgemeine Bestimmungen*) angegebene Bedeutung.

**"Listing Agent"** bedeutet Dexia Banque Internationale à Luxembourg.

**"Liquidationsanspruch"** bedeutet in Bezug auf jeden Partizipationsschein den Gesamtbetrag von (i) dem Ursprünglichen Liquidationsanspruch, jeweils reduziert um Verluste der Bank, wobei eine Reduktion auf einen Wert unter Null nicht zulässig ist, (ii) aufgelaufene und unbezahlte Vergütungszahlungen für den jeweils laufenden Vergütungszeitraum und (iii) alle zusätzlichen Beträge und/oder Bruttozinsbeträge der Partizipationsscheininhaber (der Klarheit halber wird darauf hingewiesen, dass die Bezahlung von Beträgen gemäß (ii) und (iii) (in dem Umfang, in dem diese Zahlungen gemäß (ii) vorgenommen werden) von der Verfügbarkeit ausreichender Verteilungsfähiger Gewinne abhängt).

**"Verlust"** bedeutet, dass die Summe der folgenden Beträge negativ ist: der Bilanzgewinn/Bilanzverlust der Bank, die Gewinnrücklagen der Bank, die Kapitalrücklagen, die unversteuerten Rücklagen, die Haftrücklage, die gemäß § 23(6) Bankwesengesetz (§ 23(1)(2) Bankwesengesetz) gebildet wurde, und der Fonds für allgemeine Bankrisiken gemäß § 57(3) und (4) Bankwesengesetz (§ 23(1)(3) Bankwesengesetz), wie diese jeweils im Jahresabschluss der Bank ausgewiesen, der im Einklang mit dem Bankwesengesetz erstellt wurde.

**"Luxemburg-Gross-Up Betrag"** hat die in Bedingung 10(2) (*Besteuerung*) angegebene Bedeutung.

**"Speziell abgezinster Kupon"** bedeutet ein von der Berechnungsstelle festgelegter Betrag, der dem höheren der folgenden Beträge entspricht: (A) Null und (B) der Betrag, der (1) der Summe des Barwerts am jeweiligen Kündigungsdatum des (i) Ursprünglichen Liquidationsanspruchs pro Partizipationsschein und (ii) den restlichen festgelegten Vergütungszahlungen bis zum, jedoch ausschließlich dem Reset-Tag, abzüglich (2) des Ursprünglichen Liquidationsanspruchs zu jenem Datum, an dem diese Festlegung vorgenommen wird,

	entspricht.
" <b>New Fiduciary</b> " has the meaning defined in Condition 13(2) ( <i>Resignation and Substitution</i> );	" <b>Neuer Treuhänder</b> " hat die in Bedingung 13(2) ( <i>Rücktritt und Ersatz</i> ) angegebene Bedeutung.
" <b>Nominal Amount</b> " has the meaning defined in Condition 2(1) ( <i>General</i> );	" <b>Nennbetrag</b> " hat die in Bedingung 2(1) ( <i>Allgemeine Bestimmungen</i> ) angegebene Bedeutung.
" <b>Noteholder</b> " means Banque de Luxembourg;	" <b>Partizipationsscheininhaber</b> " bedeutet Banque de Luxembourg.
" <b>On-Market Tender</b> " has the meaning defined in Condition 5(9) ( <i>Redemption, Repurchase and On-Market Tender of the Participation Capital Certificates</i> );	" <b>On-Market Tender</b> " hat die in Bedingung 5(9) ( <i>Kündigung, Rückkauf und On-Market Tender der Partizipationsschein-Zertifikate</i> ) angegebene Bedeutung.
" <b>Ordinary Redemption Price</b> " has the meaning defined in Condition 5(3)(b) ( <i>Redemption; Ordinary Redemption</i> );	" <b>Ordentlicher Kündigungspreis</b> " hat die in Bedingung 5(3)(b) ( <i>Kündigung; ordentliche Kündigung</i> ) angegebene Bedeutung.
" <b>Parity Instrument</b> " means (i) any participation capital instrument issued by the Bank, (ii) any instrument issued by a Subsidiary of the Bank and constituting Consolidated Tier 1 Capital of the Bank (provided that such instrument benefits from contractual support granted by the Bank) and (iii) any other instrument issued by the Bank and constituting Tier 1 Capital of the Bank (excluding Bank Share Capital);	" <b>Paritätsinstrument</b> " bedeutet (i) jedes von der Bank ausgegebene Partizipationskapitalinstrument, (ii) jedes Instrument, das von einer Tochtergesellschaft der Bank ausgegeben wird und Konsolidiertes Tier 1-Kapital der Bank darstellt (soweit diese Instrumente von einer vertraglichen Unterstützung profitieren, die von der Bank gewährt werden) und (iii) alle anderen von der Bank ausgegebenen Instrumente, die Tier 1-Kapital der Bank darstellen (ausschließlich von Aktienkapital der Bank).
" <b>Participation Capital Certificates</b> " has the meaning defined in Condition 2(1) ( <i>General</i> );	" <b>Partizipationsschein-Zertifikate</b> " hat die in Bedingung 2(1) ( <i>Allgemeine Bestimmungen</i> ) angegebene Bedeutung.
" <b>Participation Capital Notes</b> " has the meaning defined in Condition 2(3) ( <i>General</i> );	" <b>Partizipationsscheine</b> " hat die in Bedingung 2(3) ( <i>Allgemeine Bestimmungen</i> ) angegebene Bedeutung.
" <b>Paying Agent</b> " has the meaning defined in Condition 2(1) ( <i>General</i> );	" <b>Zahlstelle</b> " hat die in Bedingung 2(1) ( <i>Allgemeine Bestimmungen</i> ) angegebene Bedeutung.
" <b>Permanent Global Certificate</b> " has the meaning defined in Condition 4(1) ( <i>Form of the Participation Capital Certificates; Transferability</i> );	" <b>Dauer-Globalzertifikat</b> " hat die in Bedingung 4(1) ( <i>Form der Partizipationsschein-Zertifikate; Übertragbarkeit</i> ) angegebene Bedeutung.
" <b>Present Value</b> " means, in respect of any amount (the " <b>Base Amount</b> "), an amount determined by the Calculation Agent by discounting such Base Amount to but excluding the Reset Date on an annual basis and on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) and using the Adjusted Comparable Yield plus 2.04 per cent.;	" <b>Barwert</b> " bedeutet in Bezug auf jeden Betrag (der " <b>Grundbetrag</b> ") einen von der Berechnungsstelle festgelegten Betrag, der bis zur, jedoch ausschließlich des Reset-Tags jährlich abgezinst und aufgrund der tatsächlich abgelaufenen Anzahl an Tagen bestimmt wird, geteilt durch die tatsächliche Anzahl an Tagen (365 oder 366) und unter Verwendung der Bereinigten Vergleichsrendite, zuzüglich 2,04 Prozent.
" <b>Principal Paying Agent</b> " means Dexia Banque Internationale à Luxembourg, including any successor;	" <b>Hauptzahlstelle</b> " bedeutet Dexia Banque Internationale à Luxembourg sowie mögliche Nachfolger.
" <b>Proposed Investor</b> " has the meaning defined in Condition 6(5) ( <i>Certificate Coupon Payments</i> );	" <b>Potentieller Anleger</b> " hat die in Bedingung 6(5) ( <i>Kuponzahlungen aus Zertifikaten; Remarketing</i> )



*Remarketing*);

**"Rate of Remuneration"** is defined in Conditions 6(2)(c) to (f) (*Rate of Remuneration falling after the Reset Date in the Case of Third Party Purchaser*);

**"Recognized Stock Exchange"** means a stock exchange in the European Economic Area;

**"Record Date"** has the meaning defined in Condition 6(8) (*Certificate Coupon Payments; Remarketing*);

**"Redemption Date"** means the date of redemption of the Participation Capital Notes;

**"Regulatory Event"** has the meaning defined in Condition 5(3)(c) (*Redemption; Early Redemption*);

**"Reference Banks"** has the meaning defined in Condition 6(2)(d) (*Rate of Remuneration*);

**"Reference Rate"** has the meaning defined in Condition 6(2)(d) (*Rate of Remuneration*);

**"Relevant Screen Page"** means Reuters Page EURIBOR01 (or such other screen page of Reuters or such other information service, which is the successor to Reuters Page EURIBOR01 for the purpose of displaying the interest rates previously displayed on Reuters Page EURIBOR01);

**"Remarketing"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Remarketing Date"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Remarketing Investors"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Remarketing Invitation"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Remarketing Period"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Remarketing Rate"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Remuneration"** means any payment and/or entitlement to payment on the Participation Capital Notes as set out in Condition 6(2) (*Certificate Coupon Payments; Remarketing*);

**"Remuneration Amount"** has the meaning defined

angegebene Bedeutung.

**"Vergütungssatz"** ist in den Bedingungen 6(2)(c) bis (f) definiert (*Vergütungssatz, der im Falle von Drittkäufern nach dem Reset-Tag anfällt*).

**"Anerkannte Börse"** bedeutet eine Börse im Europäischen Wirtschaftsraum.

**"Stichtag"** hat die in Bedingung 6(8) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Kündigungdatum"** bedeutet das Datum der Kündigung der Partizipationsscheine.

**"Regulatorisches Ereignis"** hat die in Bedingung 5(3)(c) (*Kündigung; vorzeitige Kündigung*) angegebene Bedeutung.

**"Referenzbanken"** hat die in Bedingung 6(2)(d) (*Vergütungssatz*) angegebene Bedeutung.

**"Referenzzinssatz"** hat die in Bedingung 6(2)(d) (*Vergütungssatz*) angegebene Bedeutung.

**"Relevante Bildschirmseite"** bedeutet die Reuters-Seite EURIBOR01 (oder eine andere Bildschirmseite von Reuters oder eines anderen Informationsdiensts, der zum Zwecke der Anzeige der vorher auf der Reuters-Seite EURIBOR01 angezeigten Zinssätze Nachfolger der Reuters-Seite EURIBOR01 wird).

**"Remarketing"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Remarketing Datum"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Remarketinganleger"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Einladung zum Remarketing"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Remarketingszeitraum"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Remarketingzinssatz"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Vergütung"** bedeutet jede Zahlung bzw. jedes Anrecht auf eine Zahlung für die Partizipationsscheine gemäß Bedingung 6(2) (*Kuponzahlungen aus Zertifikaten; Remarketing*).

**"Vergütungsbetrag"** hat die in Bedingung 6(2)(h)

in Condition 6(2)(h) (*Remuneration; Calculation of Remuneration Amount*);

**"Remuneration Determination Date"** has the meaning defined in Condition 6(2)(d) (*Rate of Remuneration*);

**"Remuneration Payment"** means any payment of Remuneration;

**"Remuneration Payment Date"** has the meaning defined in Condition 6(2)(a) (*Certificate Coupon Payments; Remarketing*);

**"Remuneration Period"** has the meaning defined in Condition 6(2)(a) (*Remuneration*);

**"Replacement Participation Capital Notes"** means new Participation Capital Notes (or any other bank regulatory equity instrument eligible to be issued by the Bank at the relevant time in accordance with Austrian banking law in force at such time) with terms and conditions being in all material respects identical with those of the Participation Capital Notes, except for the time of commencement of an entitlement to receive Remuneration;

**"Reset Date"** means 18 June 2018 or any date on which a Failed On-Market Tender has occurred;

**"Reset Margin"** means the Initial Margin plus 100 basis points, unless a Failed On-Market Tender (as defined in the Participation Capital Certificates) has occurred, in which case it shall be zero basis points;

**"Restricted Period"** means a period ending 40 days after the completion of the distribution of all the Participation Capital Certificates;

**"Specified Bid Rate"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Specified Office of the Principal Paying Agent"** means 69 route d'Esch, L-2953 Luxembourg, The Grand Duchy of Luxembourg;

**"SPV Substitute Issuer"** has the meaning defined in Condition 13(5) (*Resignation and Substitution*);

**"Step-Up Notice"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*);

**"Subsidiary"** means a subsidiary within the meaning of Sec 228 para 3 of the Austrian Enterprise Code (*Unternehmensgesetzbuch*);

**"Successful Remarketing"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments;*

*Vergütung; Berechnung des Vergütungsbetrags*) angegebene Bedeutung.

**"Festsetzungsdatum der Vergütung"** hat die in Bedingung 6(2)(d) (*Vergütungssatz*) angegebene Bedeutung.

**"Vergütungszahlung"** bedeutet die Zahlung einer Vergütung.

**"Vergütungszahlungstag"** hat die in Bedingung 6(2)(a) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Vergütungszeitraum"** hat die in Bedingung 6(2)(a) (*Vergütung*) angegebene Bedeutung.

**"Ersatz-Partizipationsscheine"** bedeutet neue Partizipationsscheine (oder andere bankenregulatorische Eigenkapitalinstrumente, die die Bank zum jeweiligen Zeitpunkt im Einklang mit dem dann maßgeblichen österreichischen Bankengesetz ausstellen kann) mit Bedingungen, die im Wesentlichen denen der Partizipationsscheine entsprechen, mit Ausnahme des Zeitpunkts, an dem die Berechtigung zum Erhalt von Vergütung beginnt.

**"Reset-Tag"** bedeutet der 18. Juni 2018 oder ein Datum, an dem ein fehlgeschlagenes On-Market Tender eingetreten ist.

**"Reset-Marge"** bedeutet die Anfangsmarge, zuzüglich 100 Basispunkten, es sei denn, ein fehlgeschlagenes On-Market Tender (wie in den Partizipationsschein-Zertifikaten festgelegt) ist eingetreten; in einem solchen Fall ist die Reset-Marge null Basis Punkte.

**"Eingeschränkter Zeitraum"** bedeutet ein Zeitraum, der 40 Tage nach Beendigung der Platzierung aller Partizipationsschein-Zertifikate endet.

**"Spezifizierter Angebotspreis"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Spezifizierte Niederlassung der Hauptzahlstelle"** bedeutet 69 route d'Esch, L-2953 Luxembourg, das Großherzogtum Luxembourg.

**"SPV-Ersatzemittent"** hat die in Bedingung 13(5) (*Rücktritt und Ersatz*) angegebene Bedeutung.

**"Erhöhungsmitteilung"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten; Remarketing*) angegebene Bedeutung.

**"Tochtergesellschaft"** bedeutet eine Tochtergesellschaft im Sinne von § 228 Abs. 3 Unternehmensgesetzbuch.

**"Erfolgreiches Remarketing"** hat die in Bedingung 6(5) (*Kuponzahlungen aus Zertifikaten;*

*Remarketing*);

"**Tax Event**" has the meaning defined in Condition 5(3)(c) (*Redemption; Early Redemption*);

"**Temporary Global Certificate**" has the meaning defined in Condition 4(1) (*Form of the Participation Capital Certificates; Transferability*);

"**Terms and Conditions of the Participation Capital Notes**" means the terms and conditions of the perpetual non-cumulative non-voting participation capital notes with an aggregate nominal amount of EUR 100,000,000 and a denomination of EUR 1,000, which are issued on or about the date of these Conditions by Österreichische Volksbanken-Aktiengesellschaft;

"**Third Party Purchaser**" has the meaning defined in Condition 5(3)(d) (*Purchase by Third Party at the Option of the Bank*);

"**Tier 1 Capital**" means any funds which constitute solo core capital (*Kernkapital*) under Sec 23(14)(1) of the Austrian Banking Act (*Bankwesengesetz*);

"**Trust and Fiduciary Contracts Law 2003**" means the Luxembourg Law dated 27 July 2003 relating to the trust and Fiduciary Contracts, as amended;

"**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions;

"**Unpaid Remuneration**" has the meaning defined in Condition 6(2)(k) (*Remuneration Payments contingent on Distributable Profits; Discretionary Remuneration*);

"**Unpaid Remuneration Settlement Mechanism**" means an issue and/or sale of Bank Share Capital or Eligible Securities (seeking, where required or appropriate for such purpose, prior authorisation from its general assembly (*Hauptversammlung*)) of the Bank to raise net proceeds equal to such Unpaid Remuneration, provided that (i) proceeds from the sale of treasury shares acquired for cash within the six months preceding the payment may not be used to pay Unpaid Remuneration; (ii) proceeds from the issue of new shares (or the sale of treasury shares) may be used to pay Unpaid Remuneration only to the extent that the total number of any shares issued, or, as the case may be, sold by the Bank for such purpose in any fiscal year of the Bank does not exceed 2 per cent. of the then outstanding Bank Share Capital of the Bank; and (iii) Eligible Securities may only be issued for the purpose of raising funds to pay any Unpaid Remuneration, to the extent that the total principal amount of Eligible Securities issued while

*Remarketing*) angegebene Bedeutung.

"**Steuerereignis**" hat die in Bedingung 5(3)(c) (*Kündigung; vorzeitige Kündigung*) angegebene Bedeutung.

"**Vorläufiges Globalzertifikat**" hat die in Bedingung 4(1) (*Form der Partizipationsschein-Zertifikate; Übertragbarkeit*) angegebene Bedeutung.

"**Bedingungen der Partizipationsscheine**" bedeutet die Bedingungen der nicht kumulativen und nicht stimmberechtigten Partizipationsscheine ohne Laufzeitbeschränkung mit einer Stückelung von EUR 1.000 mit einem Gesamtnominal von EUR 100.000.000, die am oder in etwa am Datum dieser Bedingungen von der Österreichischen Volksbanken-Aktiengesellschaft ausgegeben werden.

"**Drittkäufer**" hat die in Bedingung 5(3)(d) (*Kauf durch Dritte nach Wahl der Bank*) angegebene Bedeutung.

"**Tier 1-Kapital**" bedeutet sämtliche Gelder, die gemäß § 23(14)(1) Bankwesengesetz als Kernkapital angerechnet werden.

"**Trust and Fiduciary Contracts Law 2003**" bedeutet das luxemburgische Gesetz vom 27. Juli 2003 in Bezug auf Trust- und Treuhandverträge in der jeweils gültigen Fassung.

"**Vereinigte Staaten**" bedeutet die Vereinigten Staaten von Amerika (einschließlich der Einzelstaaten derselben und des District of Columbia) und ihrer Besitzungen.

"**Unbezahlte Vergütung**" hat die in Bedingung 6(2)(k) (*Vergütungszahlungen abhängig von verteilungsfähigen Gewinnen; Ermessensvergütung*) angegebene Bedeutung.

"**Erfüllungsmechanismus für Unbezahlte Vergütungen**" bedeutet eine Emission bzw. ein Verkauf von Bank-Aktienkapital oder Qualifizierten Wertpapieren (unter Einholung der vorherigen Genehmigung von der Hauptversammlung, soweit dies für diese Zwecke notwendig oder angemessen ist) der Bank, um den Nettoerlös aufzubringen, der der unbezahlten Vergütung entspricht, soweit (i) der Erlös aus dem Verkauf von eigenen Aktien, die innerhalb von sechs Monaten vor der Zahlung erworben wurden, nicht für die Zahlung unbezahlter Vergütungen verwendet werden darf, (ii) der Erlös aus der Ausgabe neuer Aktien (oder dem Verkauf von eigenen Aktien) nur in dem Umfang für die Bezahlung unbezahlter Vergütungen verwendet werden darf, in dem die Gesamtzahl der Aktien, die von der Bank für diesen Zweck in einem Geschäftsjahr der Bank ausgegeben bzw. verkauft wurden, nicht höher ist als 2 Prozent des dann in Umlauf befindlichen Bank-Aktienkapitals der Bank,

the Participation Capital Notes are outstanding, does not exceed 25 per cent. of the Initial Liquidation Entitlement;

**"Unpaid Remuneration Settlement Date"** has the meaning defined in Condition 6(2)(m) (*Settlement of Unpaid Remuneration*).

**"Unpaid Remuneration Settlement Mechanism Period"** has the meaning defined in Condition 6(2)(m) (*Settlement of Unpaid Remuneration*);

**"Unreduced Liquidation Entitlement"** means (i) the Initial Liquidation Entitlement plus (ii) any accrued and unpaid Remuneration Payments for the then current remuneration period, (iii) (if applicable) any Make-Whole Coupon and (iv) any Additional Amounts and/or Luxembourg Gross-Up Amounts (for the avoidance of doubt, payment of any amounts pursuant to (ii), (iii) and (iv) (to the extent that such payments arise in respect of payments made pursuant to (ii) or (iii)) being subject to availability of sufficient Distributable Profits).

## 2. General

- (1) The perpetual non-cumulative non-voting participation capital certificates (the **"Participation Capital Certificates"**) with an aggregate nominal amount of EUR 100,000,000 and a denomination of EUR 1,000 each (the **"Nominal Amount"**) are issued on or about 27 May 2008 (the **"Issue Date"**) by the Fiduciary on a fiduciary basis (*treuhänderisch*). The Participation Capital Certificates are issued with the benefit of an agency agreement (the **"Agency Agreement"**) dated on or about 16 May 2008 amongst the Fiduciary, the Bank and the Principal Paying Agent, the Calculation Agent and the Listing Agent.
- (2) The Participation Capital Certificates together evidence the existence of a fiduciary contract (the **"Fiduciary Contract"**) between the holders of the Participation Capital Certificates (the **"Certificate Holders"**) and the Fiduciary in accordance with the Trust and Fiduciary Contracts Law 2003. Under the Fiduciary Contract, the Fiduciary has certain conditional obligations as more fully described in Conditions 3(2) (*Fiduciary*) and

und (iii) Qualifizierte Wertpapiere nur ausgegeben werden dürfen, um Gelder für die Bezahlung Unbezahlter Vergütungen aufzubringen, und zwar in dem Umfang, in dem der Kapitalbetrag der ausgegebenen Qualifizierten Wertpapiere, während sich die Partizipationsscheine in Umlauf befinden, nicht höher als 25 Prozent des Ursprünglichen Liquidationsanspruchs ist.

**"Erfüllungsdatum der Unbezahlten Vergütung"** hat die in Bedingung 6(2)(m) (*Erfüllung unbezahlter Vergütungen*) angegebene Bedeutung.

**"Zeitraum des Erfüllungsmechanismus der Unbezahlten Vergütung"** hat die in Bedingung 6(2)(m) (*Erfüllung unbezahlter Vergütungen*) angegebene Bedeutung.

**"Nicht herabgesetzter Liquidationsanspruch"** bedeutet (i) der Ursprüngliche Liquidationsanspruch, zuzüglich (ii) aufgelaufener und unbezahlter Vergütungszahlungen für den jeweils aktuellen Vergütungszeitraum, (iii) ggf. Speziell abgezinster Kupons und (iv) alle Zusätzlichen Beträge und/oder Luxemburg-Gross-Up-Beträge (der Klarheit halber wird darauf hingewiesen, dass die Bezahlung von Beträgen gemäß (ii), (iii) und (iv) (in dem Umfang, in dem diese Zahlungen gemäß (ii) oder (iii) vorgenommen werden) von der Verfügbarkeit ausreichender Verteilungsfähiger Gewinne abhängt).

## 2. Allgemeine Bestimmungen

- (1) Die nicht kumulativen und nicht stimmberechtigten Partizipationsschein-Zertifikate ohne Laufzeitbeschränkung (die **"Partizipationsschein-Zertifikate"**) mit einer Denominierung von jeweils EUR 1.000 (der **"Nennbetrag"**) und einem Gesamtnominal von EUR 100,000,000 werden vom Treuhänder am oder um den 27. Mai 2008 (der **"Ausgabetag"**) treuhänderisch ausgegeben. Die Partizipationsschein-Zertifikate werden aufgrund eines Agency Vertrags (der **"Agency Vertrag"**) vom oder um den 16. Mai 2008, abgeschlossen zwischen dem Treuhänder, der Bank, der Hauptzahlstelle, der Berechnungsstelle und dem Listing Agent ausgegeben.
- (2) Die Partizipationsschein-Zertifikate sind zusammen der Nachweis für das Bestehen eines Treuhandvertrags (der **"Treuhandvertrag"**) zwischen den Inhabern der Partizipationsschein-Zertifikate (die **"Zertifikats-Inhaber"**) und dem Treuhänder im Einklang mit dem Fiduciary Contracts Law 2003. Nach dem Treuhandvertrag hat der Treuhänder bestimmte bedingte Verpflichtungen, die in Bedingung 3(2) (*Treuhänder*) und 3(3)

3(3) (*Fiduciary*) below.

- (3) The Fiduciary will apply the proceeds raised from the issue of the Participation Capital Certificates without any deduction to acquire EUR 100,000,000 participation capital notes (the "**Participation Capital Notes**") issued by the Bank on or about 27 May 2008, on a fiduciary basis for the sole account and benefit and at the sole risk of the Certificate Holders. Any term defined in the Terms and Conditions of the Participation Capital Notes shall, unless otherwise defined in these Conditions, have the same meaning when used in these Conditions. The rights attaching to the Participation Capital Notes contained in the Terms and Conditions of the Participation Capital Notes shall, unless provided otherwise in these Conditions or unless the context requires otherwise, form part of these Conditions.
- (4) The rights of the Fiduciary under the Participations Capital Notes are fiduciary assets and shall be held solely at the risk and for the exclusive benefit and for the account of the Certificate Holders.
- (5) Each Participation Capital Certificate represents a proportionate economic and beneficial interest in the Participation Capital Notes, subject to these Conditions. The Participation Capital Certificates rank *pari passu* without any preference among themselves.
- (6) The Participation Capital Certificates do not constitute direct debt obligations of the Fiduciary but instead shall evidence the existence of the Fiduciary Contract pursuant to which the Certificate Holders shall be deemed to have acknowledged and agreed that the Fiduciary's payment obligations under the Participation Capital Certificates are conditional upon and limited by the due performance by the Bank of its obligations under the Participation Capital Notes.
- (7) The Participation Capital Notes constitute own funds of the Bank in accordance with Sec 23(4) and (5) of the Austrian Banking Act (*Bankwesengesetz*) as follows (and subject to the detailed provisions contained

(*Treuhänder*) unten näher beschrieben werden.

- (3) Der Treuhänder verwendet den durch die Emission der Partizipationsschein-Zertifikate entstandenen Erlös ohne Abzug für den Kauf von Partizipationsscheinen und einem Gesamtnominale von EUR 100.000.000 (die "**Partizipationsscheine**"), die am oder um den 27. Mai 2008 von der Bank ausgegeben werden, auf treuhänderischer Basis ausschließlich zugunsten und auf Rechnung sowie auf Risiko der Zertifikats-Inhaber. Begriffe, die in den Bedingungen für die Partizipationsscheine definiert wurden, haben, soweit in diesen Bedingungen keine andere Definition enthalten ist, in Bezug auf ihre Verwendung in diesen Bedingungen dieselbe Bedeutung. Die mit den Partizipationsscheinen verbundenen Rechte, die in den Bedingungen für die Partizipationsscheine enthalten sind, sind, soweit in diesen Bedingungen nichts anders Lautendes angegeben oder der Kontext nichts anderes verlangt, Teil dieser Bedingungen.
- (4) Die Rechte des Treuhänders unter den Partizipationsscheinen sind treuhänderische Vermögenswerte, die ausschließlich zu Gunsten auf Risiko und zu Gunsten der Zertifikatsinhaber gehalten.
- (5) Jedes Partizipationsschein-Zertifikat repräsentiert vorbehaltlich dieser Bedingungen einen anteilmäßigen wirtschaftlichen und materiellen Eigentumsanspruch an den Partizipationsscheinen. Die Partizipationsschein-Zertifikate sind untereinander ohne Präferenz gleichrangig.
- (6) Die Partizipationsschein-Zertifikate stellen keine direkte Zahlungsverpflichtung des Treuhänders, sondern vielmehr den Nachweis für das Bestehen des Treuhandvertrags dar, aus dem das Anerkenntnis und die Zustimmung der Zertifikats-Inhaber hervorgeht, dass die Zahlungsverpflichtung des Treuhänders gemäß den Partizipationsschein-Zertifikaten von der ordnungsgemäßen Erfüllung ihrer Pflichten durch die Bank gemäß den Partizipationsscheinen abhängt und durch diese beschränkt ist.
- (7) Die Partizipationsscheine sind im Einklang mit § 23(4) und (5) Bankwesengesetz (und vorbehaltlich der in diesen Bedingungen enthaltenen detaillierten Bestimmungen) wie folgt Eigenmittel der Bank: Diese Mittel

in these Conditions): such funds have been fully paid-in and made available for the entire duration of the Bank's existence, and the Fiduciary has waived all and any rights to ordinary or extraordinary termination; such funds may only be repaid by applying the provisions on capital reduction of the Austrian Joint Stock Corporation Act (*Aktiengesetz*) *per analogiam* or by way of redemption (*Einziehung*) in accordance with Sec 102a of the Austrian Banking Act (*Bankwesengesetz*) or any provision that supersedes the provisions on capital reduction or Sec 102a of the Austrian Banking Act (*Bankwesengesetz*); any Remuneration Payment on the Participation Capital Notes shall be contingent upon sufficient Distributable Profits being available to the Bank; each Participation Capital Note shall participate, in the same manner as Bank Share Capital and up to the amount of the Initial Liquidation Entitlement, in any losses suffered by the Bank; and the Fiduciary shall be entitled to participate in any liquidation proceeds of the Bank up to the amount of the Initial Liquidation Entitlement (subject as further provided in these Conditions), following full satisfaction of all creditors of the Bank.

(8) The Participation Capital Notes held by the Fiduciary in its fiduciary capacity and payments actually received by the Fiduciary under the Participation Capital Notes are for the benefit of the Certificate Holders (subject to Condition 3(5) (*Fiduciary*) below). Assets held by the Fiduciary in its fiduciary capacity and payments actually received by it under such assets are for the benefit of the Fiduciary Certificate Holders. They are neither assets nor payments for the benefit and at the risk of the Fiduciary. Such assets and payments are not subject to claims by general creditors of the Fiduciary. The Fiduciary may not employ such assets for any purpose other than for fulfilling its obligations under the Participation Capital Certificates.

(9) Without prejudice to any other provision of these Conditions, the Bank may from time to time and at its sole discretion (but, for the avoidance of doubt, subject to all restrictions imposed by applicable law on such redemption) redeem existing Participation Capital Notes (subject to Condition 5(e)) provided the Bank delivers to the Fiduciary

wurden in voller Höhe einbezahlt und für die Gesamtdauer des Bestehens der Bank zur Verfügung gestellt, und der Treuhänder hat auf sämtliche Rechte auf ordentliche oder außerordentliche Kündigung verzichtet; diese Mittel können nur unter sinngemäßer Zugrundelegung der Bestimmungen des Aktiengesetzes über Kapitalherabsetzungen oder durch Einziehung im Einklang mit § 102a Bankwesengesetz oder anderen Bestimmungen, die an die Stelle der Bestimmungen für Kapitalherabsetzungen oder von § 102a Bankwesengesetz treten, zurückbezahlt werden. Vergütungszahlungen auf die Partizipationsscheine hängen davon ab, dass der Bank ausreichend Verteilungsfähige Gewinne zur Verfügung stehen. Jeder Partizipationsschein nimmt auf dieselbe Weise wie Bank-Aktienkapital und bis zur Höhe des Ursprünglichen Liquidationsanspruchs an allen der Bank entstandenen Verlusten teil. Und der Treuhänder ist zur Teilnahme an Verwertungserlösen der Bank bis zur Höhe des Ursprünglichen Liquidationsanspruchs berechtigt (vorbehaltlich der weiteren Ausführungen in diesen Bedingungen), nachdem alle Gläubiger der Bank in voller Höhe befriedigt wurden.

(8) Die Partizipationsscheine, die der Treuhänder in seiner Eigenschaft als Treuhänder hält, und beim Treuhänder gemäß den Partizipationsscheinen tatsächlich eingegangene Zahlungen kommen den Zertifikats-Inhabern (vorbehaltlich Bedingung 3(5) (*Treuhänder*) unten) zugute. Vom Treuhänder in dieser Eigenschaft gehaltene Vermögenswerte und beim Treuhänder für diese Vermögenswerte tatsächlich eingegangene Zahlungen kommen den Zertifikats-Inhabern zugute. Vermögenswerte oder Zahlungen zugunsten oder auf Risiko des Treuhänders gibt es nicht. Vermögenswerte und Zahlungen unterliegen nicht den Ansprüchen der allgemeinen Gläubiger des Treuhänders. Der Treuhänder kann derartige Vermögenswerte nur für die Erfüllung seiner Verpflichtungen gemäß den Partizipationsschein-Zertifikaten verwenden.

(9) Unbeschadet anderer Bestimmungen dieser Bedingungen kann die Bank jeweils und in ihrem alleinigen Ermessen vorhandene Partizipationsscheine kündigen (vorbehaltlich von Bedingung 5(e)) (jedoch sei der Klarheit halber darauf hingewiesen, dass diese Kündigung den für die Kündigung nach maßgeblichem Recht

at the same time Replacement Participation Capital Notes and provided further that the Liquidation Entitlement has not been reduced to an amount which is below the Unreduced Liquidation Entitlement as a consequence of the loss participation of the Participation Capital Notes. For the avoidance of doubt, the redemption or repurchase by the Bank of the Participation Capital Notes, if made against delivery of Replacement Participation Capital Notes to the Fiduciary, shall not affect the outstanding Participation Capital Certificates in any way.

- (10) Where the Participation Capital Notes are modified or substituted in accordance with their terms, the Fiduciary shall hold such Participation Capital Notes as modified or substituted for the benefit of the Certificate Holders in the same way as had been the case for the Participation Capital Notes before such modification or substitution.

*For ease of reference, the following sets out when the Participation Capital Notes may be modified or substituted in accordance with their terms:*

*Subject to no prior objection of the Austrian Financial Markets Authority (Finanzmarktaufsichtsbehörde) at that time, where a Regulatory Event, Tax Event, Gross-Up Event, Luxembourg Gross-Up Event, Accounting Event or Capital Event (the "Event") has occurred, the Bank may, by giving not less than 30 nor more than 60 days notice to Fiduciary, substitute (subject to Condition 5(3) (a) (General Condition for Redemption)) in whole but not in part the Participation Capital Notes, or modify the terms of the Participation Capital Notes to the extent that such modification or substitution is reasonably necessary to ensure that no such Event would exist after such modification or substitution has occurred, provided that:*

- (i) *the Participation Capital Notes, as so modified or as substituted have terms not materially less favourable to the Certificate Holders as reasonably determined by the Bank upon having received an opinion to such effect of an independent investment bank, and*

bestehenden Beschränkungen unterliegt), soweit die Bank dem Treuhänder gleichzeitig Ersatz-Partizipationsscheine liefert und vorausgesetzt, dass der Liquidationsanspruch nicht auf einen Betrag herabgesetzt wurde, der aufgrund der Verlustbeteiligung der Partizipationsscheine unter dem Nicht Herabgesetzten Liquidationsanspruch liegt. Der Klarheit halber wird ferner darauf hingewiesen, dass die Kündigung oder der Rückkauf der Partizipationsscheine durch die Bank keinerlei Auswirkung auf die in Umlauf befindlichen Partizipationsschein-Zertifikate hat, soweit diese Kündigung oder dieser Rückkauf gegen Aushändigung von Ersatz-Partizipationsscheinen an den Treuhänder vorgenommen wird.

- (10) Wenn die Partizipationsscheine gemäß ihren Bestimmungen geändert oder ersetzt werden, hält der Treuhänder diese geänderten oder ersetzten Partizipationsscheine zugunsten der Zertifikats-Inhaber auf dieselbe Weise, auf die er die Partizipationsscheine vor dieser Änderung oder diesem Ersatz gehalten hätte.

*Zur einfacheren Bezugnahme wird nachfolgend dargelegt, wann die Partizipationsscheine gemäß ihren Bestimmungen geändert oder ersetzt werden können:*

*Soweit die Finanzmarktaufsichtsbehörde vorab keine Einwände erhebt, kann die Bank bei Eintritt eines Regulatorischen Ereignisses, Steuerereignisses, Gross-Up Ereignisses, Luxemburg-Gross-Up Ereignisses, Rechnungslegungsereignisses oder Kapitalereignisses (das "Ereignis") durch Fristsetzung von mindestens 30 und höchstens 60 Tagen an den Treuhänder die Bestimmungen der Partizipationsscheine (vorbehaltlich von Bedingung 5 (3) (a) (Allgemeine Bestimmungen für die Kündigung)) ganz, jedoch nicht teilweise in dem Umfang ersetzen, in dem diese Änderung oder dieser Ersatz vernünftigerweise erforderlich ist, um zu gewährleisten, dass ein solches Ereignis nach dieser Änderung oder diesem Ersatz nicht besteht, soweit:*

- (i) *die Bestimmungen der Partizipationsscheine, die auf diese Weise geändert oder ersetzt wurden, für die Zertifikatsinhaber gemäß der vernünftigen Feststellung der Bank nach dem Erhalt einer diesbezüglichen Bestätigung einer unabhängigen*

*provided that a certification to such effect of two directors of the Bank together with a copy of such opinion shall have been delivered to the Fiduciary prior to the issue of the relevant securities;*

- (ii) *the Participation Capital Notes, as so modified or substituted shall provide for (1) a ranking at least equal to that of the Participation Capital Notes, (2) a rate of remuneration and remuneration payment dates from time to time applying to the Participation Capital Notes, (3) the same redemption dates as the Participation Capital Notes, (4) a principal amount at least equal to the total number of Participation Capital Notes multiplied by the Liquidation Entitlement, (5) compliance with the then current legal requirements under the Austrian Banking Act (Bankwesengesetz) as interpreted by the Austrian Financial Markets Authority (Finanzmarktaufsichtsbehörde) in relation to solo core capital (Kernkapital) and (6) preservation of any existing rights under the Participation Capital Notes to any accrued remuneration which has not been paid in respect of the period from (and including) the Remuneration Payment Date immediately preceding the substitution/ modification date to (but excluding) the substitution/modification date; and*
- (iii) *are listed (or Certificates in relation to which are listed) on the Luxembourg Stock Exchange or such other stock exchange as is a Recognized Stock Exchange.*

- (11) Each Participation Capital Certificate will be subject to these Conditions.
- (12) References in these Conditions to payments to or on behalf of the Fiduciary or by and on behalf of the Fiduciary shall be interpreted as being in the manner contemplated in the Agency Agreement.

*Investmentbank nicht wesentlich ungünstiger sind und soweit vor der Ausgabe der jeweiligen Wertpapiere zwei Vorstandsmitglieder dem Treuhänder eine dahingehende Bestätigung und eine Kopie der Bestätigung der Investment Bank zugestellt haben;*

- (ii) *die so geänderten oder ersetzten Partizipationsscheine Folgendes vorsehen: (1) einen Nachrangigkeitsrang, der mindestens jenem der Partizipationsscheine entspricht, (2) einen Vergütungssatz und Daten der Vergütungszahlung, die jenen entsprechen, die jeweils auf die Partizipationsscheine anwendbar sind, (3) dieselben Kündigungstage wie die Partizipationsscheine, (4) ein Gesamtnominal, das zumindest der Gesamtzahl der Partizipationsscheine, multipliziert mit dem Liquidationsanspruch, entspricht, (5) die Einhaltung der jeweils geltenden gesetzlichen Bestimmungen des Bankwesengesetzes gemäß Auslegung durch die Finanzmarktaufsichtsbehörde in Bezug auf Kernkapital und (6) den Schutz aller unter den Partizipationsscheinen bestehenden Rechte auf aufgelaufene Vergütung, die für den Zeitraum von (und einschließlich) dem Vergütungszahlungstag nicht bezahlt wurde, das dem Ersatz-/Änderungsdatum unmittelbar vorausgeht, bis zum (jedoch ausschließlich) dem Ersatz-/Änderungsdatum; und*
- (iii) *die Partizipationsscheine (oder die Zertifikate, in Bezug auf die sie notiert sind) an der Luxemburger Börse oder einer anderen Anerkannten Börse notiert sind.*

- (11) Diese Bedingungen sind auf alle Partizipationsschein-Zertifikate anwendbar.
- (12) Bezugnahmen in diesen Bedingungen auf Zahlungen an oder namens des Treuhänders bzw. durch oder namens des Treuhänders sind auf die im Agency Vertrag vorgesehene Weise auszulegen.



### 3. Fiduciary

- (1) The sole purpose of issuing the Participation Capital Certificates is to provide funds for the Fiduciary to acquire the Participation Capital Notes from the Bank.
- (2) The Participation Capital Certificates do not constitute direct debt obligations of the Fiduciary but evidence the existence of the Fiduciary Contract between the Fiduciary and the Certificate Holders in accordance with the Trust and Fiduciary Contracts Law 2003. The Fiduciary's payment obligations under the Participation Capital Certificates are strictly conditional upon and limited by the actual receipt by or on behalf of the Fiduciary of payments from or on behalf of the Bank of the amounts required to be paid by the Bank under the Participation Capital Notes. The Fiduciary will not be obliged to make up for any payment shortfall by the Bank or make any payment in respect of the Participation Capital Certificates, other than as expressly provided herein. The Fiduciary shall not have any obligations to Certificate Holders other than those expressly assumed by it pursuant to the Fiduciary Contract.
- (3) The Fiduciary makes no representation and assumes no responsibility or liability with regard to the financial condition of the Bank or its ability to fulfil its obligations under, and shall have no responsibility for the legality, validity or, enforceability of the Participation Capital Notes.
- (4) By purchasing the Participation Capital Certificates, the Certificate Holders are deemed to have acknowledged and agreed to all the Terms and Conditions of the Participation Capital Notes, to these Conditions and the Fiduciary Contract. In a separate agreement between the Fiduciary and the Bank (the "**Appointment Agreement**"), the Fiduciary has stated that it will not exercise certain rights as described in Condition (9)(1) (*Non-Exercise of Certain Rights of the Fiduciary*) below. The agreements entered into by the Fiduciary and the Bank under the Appointment Agreement and the Terms and Conditions of the Participation Capital Notes may not in all circumstances be in the best interest of the Certificate Holders, and the Certificate

### 3. Treuhänder

- (1) Der alleinige Zweck der Ausgabe der Partizipationsschein-Zertifikate besteht in der Beschaffung von Mitteln für den Treuhänder zum Kauf von Partizipationsscheinen von der Bank.
- (2) Die Partizipationsschein-Zertifikate stellen keine direkte Zahlungsverpflichtung des Treuhänders dar, sondern vielmehr einen Nachweis für das Bestehen des Treuhandvertrags zwischen dem Treuhänder und den Zertifikats-Inhabern im Einklang mit dem Trust and Fiduciary Contracts Law 2003. Die Zahlungsverpflichtungen des Treuhänders gemäß den Partizipationsschein-Zertifikaten sind ausschließlich durch den tatsächlichen Erhalt von Zahlungen der Bank durch oder namens des Treuhänders von Beträgen, die die Bank gemäß den Partizipationsscheinen vornehmen muss, bedingt und auf diese beschränkt. Der Treuhänder ist nicht verpflichtet, Zahlungsdefizite der Bank auszugleichen oder Zahlungen in Bezug auf die Partizipationsschein-Zertifikate vorzunehmen, außer soweit dies hierin ausdrücklich dargelegt ist. Der Treuhänder hat den Zertifikats-Inhabern gegenüber nur diejenigen Verpflichtungen, die er gemäß dem Treuhandvertrag ausdrücklich übernommen hat.
- (3) Der Treuhänder macht keine Zusicherungen und übernimmt keine Verantwortung oder Haftung in Bezug auf die Finanzlage der Bank oder ihre Fähigkeit, ihren Verpflichtungen gemäß den Partizipationsscheinen nachzukommen. Des Weiteren ist er nicht für die Rechtmäßigkeit, Gültigkeit oder Durchsetzbarkeit der Partizipationsscheine verantwortlich.
- (4) Durch den Kauf der Partizipationsschein-Zertifikate wird davon ausgegangen, dass die Zertifikats-Inhaber die Bedingungen für die Partizipationsscheine, diese Bedingungen und jene des Treuhandvertrags anerkennen und ihnen zugestimmt haben. Der Treuhänder hat sich in einer separaten Vereinbarung zwischen dem Treuhänder und der Bank (der "**Ernennungsvertrag**") verpflichtet, dass er bestimmte Rechte nicht ausüben wird, wie in Bedingung (9)(1) (*Nichtausübung bestimmter Rechte des Treuhänders*) beschrieben. Die Vereinbarungen, die der Treuhänder und die Bank gemäß dem Ernennungsvertrag und den Bedingungen für die Partizipationsscheine eingegangen sind, sind ggf. nicht immer im besten Interesse der

Holders are deemed to have unconditionally and irrevocably instructed the Fiduciary to that effect and to have approved the terms of the Appointment Agreement and the Terms and Conditions of the Participation Capital Notes by subscribing for or otherwise acquiring the Participation Capital Certificates. The Certificate Holders shall be deemed to have instructed the Fiduciary to comply with such terms and the Terms and Conditions of the Participation Capital Notes and shall be prevented from giving contrary instructions to the Fiduciary in this respect.

- (5) Notwithstanding any other provision in these Conditions, the interest of the Certificate Holders in any payments or rights received or held by the Fiduciary under or in respect of the Participation Capital Notes shall, in any case, be limited to the Fiduciary's rights in respect of the Remuneration and the Liquidation Entitlement, as provided by the Terms and Conditions of the Participation Capital Notes and no further payments or other interest, if any, in respect of the Participation Capital Notes shall accrue for the benefit of the Certificate Holders, and the Certificate Holders shall not be entitled to claim any such further payments or other interest, if any, from the Fiduciary, the Bank or otherwise, under any circumstances whatsoever.
- (6) Further, by purchasing the Participation Capital Certificates, the Certificate Holders are deemed to have authorized the Fiduciary to sell and transfer the Participation Capital Notes upon a request to such effect and only after being provided all necessary instructions by the Bank, at the Unreduced Liquidation Entitlement under such conditions as is provided in Condition 5(3)(d).
- (7) Without prejudice to the right of the Fiduciary to be indemnified out of the fiduciary assets, no commission or other remuneration will be due from the Certificate Holders to the Fiduciary for the performance of its services or exercise of its rights under the Participation Capital Notes.

Pursuant to the Appointment Agreement, the

Zertifikats-Inhaber, und es wird davon ausgegangen, dass die Zertifikats-Inhaber den Treuhänder bedingungslos und unwiderruflich dahingehend instruiert und die Bestimmungen des Ernennungsvertrags und der Bedingungen der Partizipationsscheine durch Zeichnung der oder anderweitigen Erwerb der Partizipationsschein-Zertifikate genehmigt haben. Es wird davon ausgegangen, dass die Zertifikats-Inhaber den Treuhänder angewiesen haben, diese Bedingungen sowie die Bedingungen der Partizipationsscheine einzuhalten, wobei sie nicht berechtigt sind, dem Treuhänder diesbezüglich anders lautende Anweisungen zu geben.

- (5) Unbeschadet anderer Bestimmungen dieser Bedingungen ist der Anspruch der Zertifikats-Inhaber auf Zahlungen oder Rechte, die der Treuhänder gemäß oder nach den Partizipationsscheinen erhält oder inne hat, in jedem Fall auf die Rechte des Treuhänders in Bezug auf die Vergütung und den Liquidationsanspruch beschränkt, wie diese in den Bedingungen für die Partizipationsscheine vorgesehen sind, und den Zertifikats-Inhabern kommen in Bezug auf die Partizipationsscheine keine weiteren Zahlungen oder Anrechte zu. Des Weiteren sind die Zertifikats-Inhaber nicht berechtigt, derartige Zahlungen oder andere etwaige Anrechte bei dem Treuhänder, der Bank oder anderweitig, gleichgültig unter welchen Umständen, geltend zu machen.

- (6) Des Weiteren wird durch den Kauf der Partizipationsschein-Zertifikate davon ausgegangen, dass die Zertifikats-Inhaber den Treuhänder nach einer entsprechenden Aufforderung zum Verkauf und zur Übertragung der Partizipationsscheine zum Nicht Herabgesetzten Liquidationsanspruch bevollmächtigt haben, jeweils nur, nachdem die Bank dem Treuhänder alle erforderlichen Anweisungen erteilt hat und unter solchen Bedingung wie dies unter Bedingung 5(3)(d) vorgesehen ist.

- (7) Unbeschadet der Rechte des Treuhänders auf Schadloshaltung aus dem Treuhandvermögen sind die Zertifikats-Inhaber dem Treuhänder für die Erbringung seiner Dienstleistungen oder Ausübung seiner Rechte gemäß den Partizipationsscheinen nicht zur Zahlung einer Provision oder anderen Vergütung verpflichtet.

Gemäß dem Ernennungsvertrag erhält der

Fiduciary will receive reimbursement of costs, indemnification and a remuneration by the Bank. The Fiduciary will have no obligation to account to the Certificate Holders in respect thereof.

- (8) The Fiduciary and its affiliated enterprises may conduct business with the Bank and its respective affiliated enterprises without limitation and without obligation to account to the Certificate Holders, including, without limitation, the acceptance of deposits or the granting of loans or any other form of credit, without regard to the fiduciary relationship to the Certificate Holders.

The Fiduciary may conduct business with any Certificate Holder without regard to the fact that the Fiduciary is acting in a fiduciary capacity for the Certificate Holders in respect of the Participation Capital Notes.

- (9) The Fiduciary and its affiliated enterprises may be in possession of information about the Bank or their respective affiliated enterprises, which is of significance in connection with the Participation Capital Certificates but which is not known to the public or the Certificate Holders at the time when the Participation Capital Notes and the Participation Capital Certificates are issued or at a later point in time. Neither the purchase by the Fiduciary of the Participation Capital Notes nor the issuance by the Fiduciary of the Participation Capital Certificates nor any other legal transaction conducted between the Fiduciary, the Bank and the Certificate Holders or any of them in connection therewith shall obligate the Fiduciary or any of its affiliated enterprises to disclose information regarding any other business transaction with the Bank to the Certificate Holders or to provide the Certificate Holders with information about the Bank or their respective affiliated enterprises (irrespective of whether or not such business transaction or information is confidential). Neither the Fiduciary nor any of its affiliated enterprises shall be subject to any liability to Certificate Holders due to the fact that they will not disclose or make available any such business transaction or information, or that they will disclose it pursuant to any mandatory disclosure obligation under applicable law.

Treuhänder eine Kostenerstattung, Schadloshaltung und Vergütung von der Bank. Der Treuhänder ist den Zertifikats-Inhabern gegenüber diesbezüglich nicht zur Rechenschaft verpflichtet.

- (8) Der Treuhänder und seine verbundenen Unternehmen können mit der Bank und ihren jeweiligen verbundenen Unternehmen in unbeschränktem Umfang und ohne Rechenschaftspflicht gegenüber den Zertifikats-Inhabern Geschäfte tätigen, einschließlich unter anderem der Annahme von Einlagen oder der Gewährung von Darlehen oder anderer Kreditformen, und zwar ohne Rücksicht auf das Treuhandverhältnis mit den Zertifikats-Inhabern.

Der Treuhänder kann mit allen Zertifikats-Inhabern ohne Rücksicht auf die Tatsache, dass er für die Zertifikats-Inhaber bezüglich der Partizipationsscheine als Treuhänder tätig ist, Geschäfte tätigen.

- (9) Der Treuhänder oder seine verbundenen Unternehmen können im Besitz von Informationen über die Bank oder ihre jeweiligen verbundenen Unternehmen sein, die in Verbindung mit den Partizipationsschein-Zertifikaten von Bedeutung sind, die jedoch öffentlich oder den Zertifikats-Inhabern zum Zeitpunkt der Ausgabe der Partizipationsscheine und der Partizipationsschein-Zertifikate oder danach nicht bekannt sind. Der Treuhänder oder seine verbundenen Unternehmen sind weder durch den Kauf der Partizipationsscheine seitens des Treuhänders noch durch die Ausgabe der Partizipationsschein-Zertifikate seitens des Treuhänders noch durch andere gesetzliche Transaktionen zwischen dem Treuhänder, der Bank und den Zertifikats-Inhabern oder einzelnen von ihnen in Verbindung hiermit verpflichtet, den Zertifikats-Inhabern Informationen über andere geschäftliche Transaktionen mit der Bank offen zu legen oder den Zertifikats-Inhabern Informationen über die Bank oder ihre jeweiligen verbundenen Unternehmen mitzuteilen (gleichgültig, ob diese geschäftlichen Transaktionen oder Informationen vertraulich sind oder nicht). Weder der Treuhänder noch seine verbundenen Unternehmen übernehmen gegenüber den Zertifikats-Inhabern irgendeine Haftung aufgrund der Tatsache, dass sie diese geschäftlichen Transaktionen oder Informationen nicht offen legen oder zugänglich machen oder dass sie diese gemäß einer Offenlegungspflicht nach

- (10) Any liability of the Fiduciary in respect of the Participation Capital Certificates and the Fiduciary Contract and its role thereunder shall be limited to its wilful misconduct (*Vorsatz*) or gross negligence (*grobe Fahrlässigkeit*). Furthermore the Fiduciary shall not be liable for indirect damage or consequential damage of any kind whatsoever (including lost profits), regardless of whether or not such indirect damage or consequential damage was foreseeable. This limitation of liability applies to all claims, regardless of their nature or legal basis.

#### 4. Form of the Participation Capital Certificates; Transferability

- (1) The Participation Capital Certificates are issued in bearer form and are initially represented by a temporary global certificate (the "**Temporary Global Certificate**") without remuneration coupons. The Temporary Global Certificate will be exchangeable for a permanent global certificate (the "**Permanent Global Certificate**") as set out Condition 4(2) (Form of the Participation Capital Certificates; Transferability) below. The Temporary Global Certificate and the Permanent Global Certificate shall each be signed manually by an authorised signatory of the Fiduciary and shall each be authenticated by or on behalf of the Principal Paying Agent.
- (2) The Temporary Global Certificate shall be exchangeable for the Permanent Global Certificate on a date (the "**Exchange Date**") after the end of the Restricted Period. Such exchange shall only be made upon receipt by the Issuer of certifications from Euroclear or Clearstream Luxembourg to the effect that no beneficial owner of Participation Capital Certificates is a U.S. person (other than certain financial institutions or certain persons holding Participation Capital Certificates through such financial institutions). Payment of Remuneration on Participation Capital Certificates represented by a Temporary Global Certificate shall be made only after receipt by the Issuer of such certifications from Euroclear or Clearstream Luxembourg. A separate certification shall be required in respect of each such payment of Remuneration. Any such certification received on or after the end of the Restricted Period shall be treated as a request to exchange the Temporary Global Certificate pursuant to this Condition 4(2). Any

anwendbarem Recht offen legen.

- (10) Der Treuhänder haftet in Bezug auf die Partizipationsschein-Zertifikate und den Treuhandvertrag und seine demgemäße Rolle nur für Vorsatz oder grobe Fahrlässigkeit. Des Weiteren haftet der Treuhänder nicht für mittelbare Schäden oder Folgeschäden jeglicher Art (einschließlich entgangener Gewinne), ungeachtet dessen, ob diese mittelbaren Schäden oder Folgeschäden vorhersehbar waren oder nicht. Diese Haftungsbeschränkung findet auf sämtliche Ansprüche Anwendung, ungeachtet ihrer Art oder rechtlichen Grundlage.

#### 4. Form der Partizipationsschein-Zertifikate; Übertragbarkeit

- (1) Die Partizipationsschein-Zertifikate werden als Inhaberpapiere ausgegeben und anfänglich durch ein vorläufiges Globalzertifikat (das "**Vorläufige Globalzertifikat**") ohne Vergütungscoupons repräsentiert. Das Vorläufige Globalzertifikat kann gegen ein Dauer-Globalzertifikat (das "**Dauer-Globalzertifikat**") gemäß Bedingung 4(2) unten (*Form der Partizipationsscheine; Übertragbarkeit*) ausgetauscht werden. Das Vorläufige Globalzertifikat und das Dauer-Globalzertifikat werden jeweils handschriftlich vom Treuhänder unterzeichnet und durch oder namens der Hauptzahlstelle authentifiziert.
- (2) Das Vorläufige Globalzertifikat ist an einem Datum (das "**Umtauschdatum**") nach dem Ende des Eingeschränkten Zeitraums gegen das Dauer-Globalzertifikat austauschbar. Dieser Umtausch wird nur vorgenommen, wenn der Emittent von Euroclear oder Clearstream Luxembourg die Bestätigung dahingehend erhalten hat, dass kein wirtschaftlicher Eigentümer der Partizipationsschein-Zertifikate eine US-Person ist (mit Ausnahme bestimmter Finanzinstitute oder bestimmter Personen, die Partizipationsschein-Zertifikate durch diese Finanzinstitute halten). Die Zahlung einer Vergütung für die Partizipationsschein-Zertifikate, die durch ein vorläufiges Globalzertifikat repräsentiert werden, werden erst dann vorgenommen, wenn der Emittent die entsprechenden Bestätigungen von Euroclear oder Clearstream Luxembourg erhalten hat. Für jede Zahlung einer Vergütung ist eine separate Bestätigung erforderlich. Jede Bestätigung, die am oder nach dem Ende des

Participation Capital Certificates delivered in exchange for the Temporary Global Certificate shall be delivered only outside the United States.

- (3) The Global Certificates will be deposited with the Clearing Systems until all obligations of the Issuer under the Participation Capital Certificates are satisfied.
- (4) The Certificate Holders will receive proportional co-ownership participations or rights in the Global Certificates that are transferable in accordance with applicable law and applicable rules of the Clearing Systems.
- (5) The Permanent Global Certificate will become exchangeable in whole, but not in part, for Participation Capital Certificates in definitive form ("**Definitive Certificates**") in the denomination of EUR 1,000 each at the request of the bearer of the Permanent Global Certificate if Euroclear or Clearstream Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to permanently cease business, unless within 14 days of such event occurring the Participation Capital Certificates have been accepted for clearing and settlement within an equivalent international clearing and settlement system.

Whenever the Permanent Global Certificate is to be exchanged for Definitive Certificates, the Fiduciary shall procure the prompt delivery, at the charge of the Bank, failing which of the bearer of such Definitive Certificates, duly authenticated without coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Certificate to the bearer of the Permanent Global Certificate against the surrender of the Permanent Global Certificate at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Eingeschränkten Zeitraums eingeht, wird als Ersuchen um Austausch des vorläufigen Globalzertifikats gemäß dieser Bedingung 4(2) erachtet. Partizipationsschein-Zertifikate, die im Austausch gegen vorläufige Globalzertifikate ausgehändigt werden, werden nur außerhalb der Vereinigten Staaten ausgehändigt.

- (3) Die Globalzertifikate werden bei den Clearingsystemen hinterlegt, bis der Emittent sämtlichen Verpflichtungen gemäß den Partizipationsschein-Zertifikaten nachgekommen ist.
- (4) Die Zertifikats-Inhaber erhalten an den Globalzertifikaten anteilmäßige Miteigentumsanteile oder -rechte, die im Einklang mit anwendbarem Recht und den maßgeblichen Vorschriften der Clearingsysteme übertragbar sind.
- (5) Die Dauer-Globalzertifikate werden ganz, jedoch nicht teilweise für Partizipationsschein-Zertifikate in endgültiger Form ("**Effektive Stücke der Zertifikate**") in einer Stückelung von jeweils EUR 1.000 auf Ersuchen des Inhabers des Dauer-Globalzertifikats umtauschbar, wenn Euroclear oder Clearstream Luxembourg während eines ununterbrochenen Zeitraums von 14 Tagen (abgesehen aufgrund gesetzlicher Feiertage) nicht zur Geschäftstätigkeit geöffnet ist oder bekannt gibt, die Geschäftstätigkeit insgesamt einzustellen, es sei denn, die Partizipationsschein-Zertifikate werden innerhalb von 14 Tagen nach Eintritt dieses Ereignisses innerhalb eines äquivalenten internationalen Clearing- und Verrechnungssystems zum Clearing und zur Verrechnung angenommen.

Wenn das Dauer-Globalzertifikat gegen Effektive Stücke der Zertifikate umgetauscht werden soll, sorgt der Treuhänder für die unverzügliche Lieferung dieser ordnungsgemäß beglaubigten und nicht mit Coupons versehenen Effektiven Stücke der Zertifikate an den Inhaber des Dauer-Globalzertifikats mit einem Gesamtnominal, das insgesamt dem Gesamtnominal des Dauer-Globalzertifikats entspricht, gegen Aushändigung des Dauer-Globalzertifikats in der Spezifizierten Niederlassung der Hauptzahlstelle innerhalb von 30 Tagen, nachdem der Inhaber diesen Austausch verlangt. Die Lieferung wird auf Kosten der Bank durchgeführt, und soweit dies nicht möglich ist, auf Kosten des Inhabers des Dauer-Globalzertifikats.

## 5. Redemption and On-Market Tender of the Participation Capital Certificates

(1) The Participation Capital Certificates have no final maturity date and shall not be redeemed except in accordance with the provisions set out in this Condition 5. Neither the Certificate Holders nor the Fiduciary may request the redemption of the Participation Capital Certificates except as provided in this Condition 5.

(2) The Agency Agreement provides that the Principal Paying Agent will notify the Certificate Holders, in the manner specified in Condition 16 (*Notices*), of matters relating to the redemption of the Participation Capital Certificates including the amount to be paid in any redemption thereof and the date of any such redemption as such information is provided to the Principal Paying Agent. In the event that the Participation Capital Notes are redeemed at the option of the Bank in accordance with the Terms and Conditions of the Participation Capital Notes, such notice shall be made at least 10 Business Days prior to the redemption of the Participation Capital Certificates.

(3) Without prejudice and subject to Conditions 2(8) and 2(9) (*General*) above, on the date on which the Participation Capital Notes are due to be redeemed (or, as the case may be, purchased by any party) in accordance with the Terms and Conditions of the Participation Capital Notes, the Participation Capital Certificates will become due for redemption.

*For ease of reference, the following sets out when the Participation Capital Notes are due to be redeemed or purchased by a Third Party Purchaser in accordance with the Terms and Conditions of the Participation Capital Notes:*

(a) *General Condition for Redemption. Any redemption or purchase by a Third Party Purchaser of the Participation Capital Notes in accordance with Clauses 6(b) to 6(e) may only take place in accordance with either:*

(i) *the provisions on capital reduction per analogiam under the Austrian Joint Stock Corporation Act (Aktiengesetz); or*

(ii) *sec 102a of the Austrian Banking*

## 5. Kündigung und On-Market Tender der Partizipationsschein-Zertifikate

(1) Die Partizipationsschein-Zertifikate haben kein Endfälligkeitsdatum und können nur im Einklang mit den in dieser Bedingung 5 enthaltenen Bestimmungen gekündigt werden. Die Zertifikats-Inhaber und der Treuhänder können die Kündigung der Partizipationsschein-Zertifikate nur wie in dieser Bedingung 5 vorgesehen verlangen.

(2) Der Agency Vertrag sieht vor, dass die Hauptzahlstelle die Zertifikats-Inhaber auf die in Bedingung 16 (*Mitteilungen*) vorgesehene Form über die Angelegenheiten im Zusammenhang mit der Kündigung der Partizipationsschein-Zertifikate benachrichtigt, einschließlich des Betrags, der für die Kündigung derselben zahlbar ist, und des Datums dieser Kündigung, sobald der Hauptzahlstelle diese Informationen bekannt werden. Sollte die Bank die Kündigung der Partizipationsscheine gemäß den Bedingungen der Partizipationsscheine vornehmen, hat diese Mitteilung mindestens zehn Geschäftstage vor der Kündigung der Partizipationsschein-Zertifikate zu erfolgen.

(3) Unbeschadet und vorbehaltlich der Bedingungen 2(8) und 2(9) oben (*Allgemeine Bestimmungen*) werden die Partizipationsschein-Zertifikate an dem Tag zur Kündigung fällig, an dem die Partizipationsscheine im Einklang mit den Bedingungen für die Partizipationsscheine zur Kündigung (oder ggf. zum Kauf durch eine Partei) fällig werden.

*Zur einfacheren Orientierung wird nachfolgend erläutert, wann die Partizipationsscheine gemäß den Bedingungen der Partizipationsscheine zur Kündigung oder zum Kauf durch einen Drittkäufer fällig sind:*

(a) *Allgemeine Kündigungsbedingungen. Jegliche Kündigung der Partizipationsscheine oder der Rückkauf derselben durch einen Drittkäufer im Einklang mit den Bedingungen 6(b) bis 6(e) sind lediglich unter Einhaltung der folgenden Bestimmungen zulässig:*

(i) *den (sinngemäßen) Bestimmungen zur Kapitalherabsetzung nach dem Aktiengesetz; oder*

(ii) *§ 102a Bankwesengesetz; oder*

Act (Bankwesengesetz), or

- |   |  |
|---|--|
| <p>(iii) any provision that supersedes the provisions outlined in (i) or (ii).</p>  | <p>(iii) Bestimmungen, die an die Stelle der in (i) oder (ii) genannten Bestimmungen treten.</p>   |
| <p>(b) <i>Ordinary Redemption.</i> The Participation Capital Notes may be redeemed by the Bank on the Reset Date, and on each Remuneration Payment Date thereafter at the Initial Liquidation Entitlement plus accrued and unpaid Remuneration for the then current Remuneration Period (the "<b>Ordinary Redemption Price</b>").</p>   | <p>(b) <i>Ordentliche Kündigung.</i> Die Bank kann die Partizipationsscheine am Reset-Tag und an jedem Vergütungszahlungstag danach in der Höhe des Ursprünglichen Liquidationsanspruchs, zuzüglich aufgelaufener und unbezahlter Vergütung für den jeweils aktuellen Vergütungszeitraum kündigen (der "<b>Ordentliche Kündigungspreis</b>").</p>  |
| <p>(c) <i>Early Redemption.</i> Before the Reset Date, the Bank may not redeem the Participation Capital Notes, unless:</p>   | <p>(c) <i>Vorzeitige Kündigung.</i> Vor dem Reset-Tag kann die Bank die Partizipationsscheine nicht kündigen, es sei denn:</p>   |
| <p>(i) Remuneration Payments cease to be fully deductible for income tax purposes for the Bank ("<b>Tax Event</b>");</p>  | <p>(i) die Vergütungszahlungen sind für die Bank für Steuerzwecke nicht mehr voll abzugsfähig ("<b>Steuerereignis</b>");</p>   |
| <p>(ii) the Bank is obliged to pay Additional Amounts (as defined below) ("<b>Gross-Up Event</b>"); All amounts payable by the Bank in respect of the Participation Capital Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Austria or any other country from or out of which the Bank makes payments, or any political subdivision or authority thereof or therein having power to tax (the "<b>Withholding Taxes</b>"), unless such withholding or deduction is required by law. In such event, the Bank shall pay such additional amounts (the "<b>Additional Amounts</b>") as shall be necessary in order that the net amounts received by the Fiduciary after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Participation Capital Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any such payments on the Participation Capital Notes:</p> | <p>(ii) die Bank ist zur Zahlung zusätzlicher Beträge (siehe nachfolgende Definition) ("<b>Gross-Up Ereignis</b>") verpflichtet. Sämtliche von der Bank in Bezug auf Partizipationsscheine zahlbaren Beträge werden ohne Einbehaltung oder Abzug für oder zugunsten derzeitiger oder künftiger Steuern oder Abgaben jeglicher Art vorgenommen, die von oder namens der Republik Österreich oder anderer Länder erhoben oder auferlegt werden, von oder aus denen die Bank Zahlungen vornimmt, oder von Gebietskörperschaften oder Behörden derselben, die zur Erhebung von Steuern berechtigt sind (die "<b>Quellensteuern</b>"), es sei denn, eine solche Einbehaltung oder ein solcher Abzug sind gesetzlich vorgeschrieben. In einem solchen Fall bezahlt die Bank solche zusätzlichen Beträge (die "<b>Zusätzlichen Beträge</b>"), die erforderlich sind, damit die vom Treuhänder nach dieser Einbehaltung oder diesem Abzug erhaltenen Nettobeträge den jeweiligen Beträgen entsprechen, die dieser ohne diesen Einbehalt oder diesen Abzug ansonsten für die Partizipationsscheine erhalten hätte, wobei in Bezug auf Zahlungen auf die Partizipationsscheine diese</p> |

(1) *to the Fiduciary (i) who is liable to any Withholding Taxes by reason of his having some connection with Austria or any other jurisdiction from or out of which the Bank makes payments other than the mere holding of the Participation Capital Notes or (ii) who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority or by presenting the relevant Participation Capital Note to another paying agent designated by the Bank and notified to the Fiduciary at least ten (10) Business Days before the relevant payment date, in accordance with Condition 11 (Notices), in a member state of the European Union other than the jurisdiction from or out of which the Bank makes payments, but fails to do so;*

(2) *by any person acting as custodian bank or collecting agent on behalf of the Fiduciary, or otherwise in any manner which does not constitute a deduction or withholding by the Bank from payments of principal or interest made by it, or*

(3) *where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November 2000 or any other conclusions*

*zusätzlichen Beträge nicht zahlbar sind:*

(1) *an den Treuhänder, (i) der zur Zahlung von Quellensteuern verpflichtet ist, weil er einen Inlandsbezug zu Österreich oder einem anderen Rechtsraum hat, von dem aus die Bank Zahlungen, abgesehen von der reinen Aufbewahrung der Partizipationsscheine, vornimmt, oder (ii) der einen Einbehalt oder Abzug umgehen kann, indem er an die zuständigen Steuerbehörden eine Erklärung abgibt, dass er keinen steuerpflichtigen Wohnsitz in dem jeweiligen Land hat, oder der einen sonstigen Antrag auf Steuerbefreiung stellen kann oder der den jeweiligen Partizipationsschein einer anderen von der Bank benannten Zahlstelle in einem Mitgliedstaat der Europäischen Union, bei dem es sich nicht um den Rechtsraum handelt, aus dem die Bank Zahlungen vornimmt, vorlegt, wobei die Zahlstelle dem Treuhänder mindestens zehn (10) Geschäftstage vor dem jeweiligen Zahlungsdatum im Einklang mit Bedingung 11 (Mitteilungen) mitgeteilt werden muss, dies jedoch versäumt;*

(2) *durch eine Person, die namens des Treuhänders als Depotstelle oder Inkassostelle fungiert oder ansonsten auf eine Art und Weise, die nicht als Abzug oder Einbehaltung durch die Bank von Zahlungen des Kapitalbetrags oder der Zinsen gilt, die von ihr vorgenommen werden, oder*

(3) *wenn ein solcher Einbehalt oder ein solcher Abzug bei einer Zahlung an eine natürliche Person auferlegt wird und gemäß der Richtlinie 2003/48/EG oder einer anderen Richtlinie durchgeführt werden muss, mit der die Schlussfolgerungen des ECOFIN-Rates aus der Sitzung vom 26. bis 27. November 2000 oder anderer Schlussfolgerungen oder Beschlüsse in Bezug auf das*



	<p>or decisions relating to the outcome of that meeting or any law implementing or complying with, or introduce in order to conform to, such directive; or</p>	<p>Ergebnis der Sitzung umgesetzt werden, oder in Bezug auf ein Gesetz, mit dem diese Richtlinie umgesetzt oder eingehalten oder zur Einhaltung eingeführt wird, oder</p>
	<p>(4) more than 30 days after the date on which the payment in question first becomes due;</p>	<p>(4) mehr als 30 Tage nach dem Datum, an dem die fragliche Zahlung erstmals fällig wird;</p>
(iii)	<p>the Bank is obliged to pay a Luxembourg Gross-Up Amount ("<b>Luxembourg Gross-Up Event</b>");</p>	<p>(iii) die Bank ist verpflichtet, den Luxemburg--Gross-Up Betrag ("<b>Luxemburg--Gross-Up Ereignis</b>") zu bezahlen;</p>
(iv)	<p>the Participation Capital Notes cease to qualify as solo core capital (Kernkapital) for Austrian capital adequacy purposes ("<b>Regulatory Event</b>"), including by virtue of a change to the rules prescribing the applicable limits for Participation Capital to qualify as solo core Tier 1 capital;</p>	<p>(iv) die Partizipationsscheine erfüllen nicht mehr die Voraussetzungen von Kernkapital für österreichische Kapitaladäquanzzwecke ("<b>regulatorisches Ereignis</b>"), einschließlich kraft einer Änderung der Vorschriften, die die maßgeblichen Beschränkungen festlegen, damit Partizipationskapital die Voraussetzungen von Tier 1-Kernkapital erfüllt;</p>
(v)	<p>the Participation Capital Notes cease to qualify as a financial liability under IFRS, or an accounting regime following IFRS ("<b>Accounting Event</b>"); or</p>	<p>(v) die Partizipationsscheine erfüllen nicht mehr die Voraussetzungen einer finanziellen Verbindlichkeit gemäß IFRS oder eines Rechnungslegungssystems nach IFRS ("<b>Rechnungslegungsereignis</b>") oder</p>
(vi)	<p>a change by a recognised international statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Participation Capital Notes, which change results in a lower equity credit being given to the Participation Capital Notes (other than by virtue of a change to the rules prescribing the applicable limits for equity credit) as of the date of such changes than the equity credit that had been assigned to the Participation Capital Notes immediately before such date ("<b>Capital Event</b>").</p>	<p>(vi) eine Änderung der Kriterien für die Anerkennung als Equity Credit durch eine anerkannte internationale statistische Ratingagentur oder der Auslegung oder Anwendung derselben auf Wertpapiere wie die Partizipationsscheine, wobei diese Änderung zum Datum dieser Änderung zu einer niedrigeren Equity Credit-Anerkennung der Partizipationsscheine führen (abgesehen aufgrund einer Änderung der Vorschriften, mit denen die anwendbaren Beschränkungen für Equity Credit festgelegt werden) als die Anerkennung für Equity Credit die für Partizipationsscheine unmittelbar vor diesem Datum galten ("<b>Kapitalereignis</b>").</p>

The redemption price (1) under condition (ii) and (iii) above, shall be the Ordinary Redemption Price, and (2) under condition (i), (iv), (v) and (vi) above, shall be the Ordinary Redemption Price plus the Make-Whole Coupon, unless in each case (a) (in respect of such portion of the Ordinary Redemption Price as is constituted by accrued Remuneration, and in respect of any Make-Whole Coupon) sufficient Distributable Profits are not available, and/or (b) (in respect of such portion of the Ordinary Redemption Price as is constituted by the Initial Liquidation Entitlement) the Liquidation Entitlement has been reduced following any Loss of the Bank, in which case the redemption price shall be reduced accordingly.

(d) Purchase by Third Party at the Option of the Bank. The Bank may (to the extent permitted under applicable law) instruct the Fiduciary to sell and transfer the Participation Capital Notes to any third party purchaser other than a Subsidiary (the "**Third Party Purchaser**"), whereupon the Fiduciary shall sell and transfer the Participation Capital Notes such Third Party Purchaser,

(i) prior to the Reset Date, if a Tax Event, Regulatory Event, Capital Event or Accounting Event has occurred, against payment to the Fiduciary of the Ordinary Redemption Price plus the Make-Whole Coupon; or

(ii) as of the Reset Date or any Remuneration Date thereafter, or upon a Gross-Up Event or Luxembourg Gross-Up Event having occurred at any time, against payment to the Fiduciary of the Ordinary Redemption Price.

(e) Replacement of the Participation Capital Notes: Notwithstanding paragraphs (b) through (d) of this Clause 6 above, the Bank may, at any time, redeem the Participation Capital Notes in full, but not in part, in order to issue Replacement Participation Capital Notes in accordance with Clause 2(9).

(4) On the date on which the Participation Capital Certificates are due to be redeemed, the Fiduciary will redeem the Participation Capital Certificates by paying an amount equal to the amount at which the Participation Capital Notes are being redeemed in accordance with their terms

Der Kündigungspreis (1) unter Bedingung (ii) und (iii) oben ist der Ordentliche Kündigungspreis und (2) unter Bedingung (i), (iv), (v) und (vi) oben der Ordentliche Kündigungspreis zuzüglich des Speziell abgezinsten Kupons, außer in den Fällen (a) (in Bezug auf einen Teil des Ordentlichen Kündigungspreises, der durch aufgelaufene Vergütung zustande kommt, und in Bezug auf einen Speziell abgezinsten Kupon) dass keine ausreichenden Verteilungsfähigen Gewinne vorhanden sind bzw. (b) (in Bezug auf den Teil des ordentlichen Kündigungspreises, der durch den Ursprünglichen Liquidationsanspruch zustande kommt) dass der Liquidationsanspruch nach einem Verlust der Bank herabgesetzt wurde, wobei in einem solchen Fall der Kündigungspreis entsprechend herabgesetzt wird.

(d) Kauf durch Dritte nach Wahl der Bank. Die Bank kann (soweit dies nach dem anwendbaren Recht zulässig ist) den Treuhänder anweisen, die Partizipationsscheine an einen Drittkäufer mit Ausnahme einer Tochtergesellschaft (der "**Drittkäufer**") zu verkaufen und zu übertragen, woraufhin der Treuhänder die Partizipationsscheine an den Drittkäufer verkauft oder überträgt,

(i) vor dem Reset-Tag, wenn ein Steuerereignis, ein Regulatorisches Ereignis, ein Kapitalereignis oder ein Rechnungslegungsereignis eintritt, gegen Zahlung des Ordentlichen Kündigungspreises an den Treuhänder, zuzüglich des Speziell abgezinsten Kupons, oder

(ii) zum Reset-Tag oder einem Vergütungsdatum danach oder bei Eintritt eines Gross-Up-Ereignisses oder Luxemburg- Gross-Up-Ereignisses, gleichgültig, zu welchem Zeitpunkt, gegen Zahlung des Ordentlichen Kündigungspreises an den Treuhänder.

(e) Ersatz der Partizipationsscheine: Ungeachtet der Abschnitte (b) und (d) dieser Bedingung 6 oben kann die Bank die Partizipationsscheine jederzeit vollständig, jedoch nicht teilweise, zurücknehmen, um im Einklang mit Bedingung 2(9) Ersatz-Partizipationsscheine auszugeben.

(4) An dem Datum, an dem die Partizipationsschein-Zertifikate zur Kündigung fällig sind, nimmt der Treuhänder die Partizipationsschein-Zertifikate durch Zahlung eines Betrags zurück, der dem Betrag entspricht, zu dem die Partizipationsscheine entsprechend ihren

(such amount not to exceed the Liquidation Entitlement plus, if applicable, the Make-Whole Coupon under any circumstances, as provided in Condition 3(5) (*Fiduciary*) above), *pro rata* amongst the Participation Capital Certificates.

- (5) To the extent that moneys received by or on behalf of the Fiduciary (in the manner contemplated in the Agency Agreement) on the due date for redemption of the Participation Capital Certificates (or any later date) are in aggregate less than the amount by which the Participation Capital Notes ought to be redeemed in accordance with their terms, the Participation Capital Certificates will be repaid, on any such date of receipt, in any amount equal to the amounts received by or on behalf of the Fiduciary on such date, on a *pro rata* basis amongst the Participation Capital Certificates. If at any time thereafter the Fiduciary determines (on the basis of and in reliance on the opinion of a qualified third party[, the costs of which shall be borne out of the proceeds of the Participation Capital Notes or may be requested from Certificate Holders on a *pro rata* basis]) that no further amounts are recoverable by it under the Participation Capital Notes or that the costs of recovering amounts under the Participation Capital Notes would exceed the amounts, which could be recovered, then the Fiduciary shall cancel the Participation Capital Certificates.

- (6) The full and final redemption and cancellation of the Participation Capital Certificates will occur either upon receipt of the amount which the Fiduciary considers to be the last payment to it under the Participation Capital Notes in respect of the Liquidation Entitlement (including, if applicable, the Make-Whole Coupon) by payment of such amount to the Certificate Holders or, if the determination mentioned in the last sentence of the preceding paragraph occurs after payment to the Certificate Holders of the amount which the Fiduciary considers to be the last payment to it under the Participation Capital Notes in respect of the Liquidation Entitlement (including, if applicable, the Make-Whole Coupon), on the date of such determination, without any payment at all.

- (7) Notwithstanding this Condition 5, no

Bestimmungen zurückgenommen wurden (wobei ein solcher Betrag keinesfalls höher sein darf als der Liquidationsanspruch, zuzüglich des etwaigen Speziell abgezinsten Kupons, wie in Bedingung 3(5) (*Treuhänder*) oben vorgesehen), und zwar anteilmäßig unter den Partizipationsschein-Zertifikaten.

- (5) In dem Umfang, in dem von dem oder für den Treuhänder (in der im Agency Vertrag vorgesehenen Weise) am Fälligkeitsdatum für die Kündigung der Partizipationsschein-Zertifikate (oder einem späteren Datum) eingegangene Gelder insgesamt niedriger sind als der Betrag, zu dem die Partizipationsscheine im Einklang mit ihren Bestimmungen zurückzunehmen wären, werden die Partizipationsschein-Zertifikate am Datum des Erhalts in einer Höhe zurückbezahlt, die den Beträgen entspricht, die von dem oder für den Treuhänder an dem Datum eingegangen sind, und zwar anteilmäßig zwischen den Partizipationsschein-Zertifikaten. Stellt der Treuhänder danach (auf Basis der und im Vertrauen auf die Meinung eines qualifizierten Dritten, deren Kosten aus den Erlösen der Partizipationsscheine beglichen werden oder von den Zertifikateinhabern auf *pro rata* Basis verlangt werden können) fest, dass er in Bezug auf die Partizipationsscheine keine weiteren Beträge einziehen kann oder dass die Kosten für die Eintreibung von Beträgen in Bezug auf die Partizipationsscheine die eingezogenen Beträge übersteigen würden, der Treuhänder die Partizipationsschein-Zertifikate.

- (6) Die vollständige und endgültige Kündigung und Ungültigmachung der Partizipationsschein-Zertifikate tritt entweder bei Erhalt des Betrags ein, den der Treuhänder als letzte Zahlung an ihn für die Partizipationsscheine in Bezug auf den Liquidationsanspruch betrachtet (einschließlich ggf. des Speziell abgezinsten Kupons), durch Zahlung dieses Betrags an die Zertifikats-Inhaber oder, sollte die im letzten Satz des vorstehenden Abschnitts genannte Feststellung nach der Zahlung des Betrags an die Zertifikats-Inhaber, den der Treuhänder als letzte Zahlung an ihn für die Partizipationsscheine in Bezug auf den Liquidationsanspruch betrachtet (einschließlich ggf. des Speziell abgezinsten Kupons), eintreten, am Datum dieser Feststellung, ohne Vornahme irgendeiner Zahlung.

- (7) Ungeachtet dieser Bedingung 5 muss der

amounts will be payable by the Fiduciary in redemption of the Participation Capital Certificates unless and until the same has been received by or on behalf of the Fiduciary in accordance with the Agency Agreement.

- (8) If upon redemption of the Participation Capital Notes the respective amount due in respect of the Initial Liquidation Entitlement (including, if applicable, the Make-Whole Coupon) is, in accordance with the Participation Capital Notes, less than the aggregate nominal amount of the Participation Capital Certificates, then the nominal amount of each Participation Capital Certificate will automatically be reduced by an amount equal to the difference between the aggregate nominal amount of the Participation Capital Certificates and the aggregate amount redeemed in respect thereof, divided by the number of Participation Capital Certificates outstanding.

- (9) *On-Market Tender.* To the extent permitted by applicable law and in particular, subject to any restrictions applying on a redemption of participation capital by the Bank under all relevant laws and regulations in force at the time, the Bank shall be entitled to make an irrevocable offer to purchase, or to designate a third party to make an irrevocable offer to purchase, the Participation Capital Certificates, in whole but not in part (or in the case of a Successful Remarketing, to make an irrevocable offer to purchase, or to designate a third party to make an irrevocable offer to purchase such Participation Capital Certificates in respect of which such Successful Remarketing is not effective), (i) on the Reset Date or on any Remuneration Payment Date falling thereafter at the Ordinary Redemption Price or (ii) (in circumstances where the Participation Capital Notes would be redeemable in accordance with Condition 5(3)(c) above), on any Remuneration Payment Date falling prior to the Reset Date, against payment of such amount as would have become payable upon redemption of the Participation Capital Notes at such time in accordance with the Terms and Conditions of the Participation Capital Notes, provided in each case that a majority of the Certificate Holders representing at least 75 per cent. of the aggregate Liquidation Entitlement of all Participation Capital Certificates (or in the case of a Successful Remarketing, of such Participation Capital Certificates in respect

Treuhänder für die Kündigung der Partizipationsschein-Zertifikate keine Zahlungen leisten, bis dieselben beim oder namens des Treuhänders gemäß dem Agency Vertrag eingegangen sind.

- (8) Wenn bei der Kündigung der Partizipationsscheine der in Bezug auf den Ursprünglichen Liquidationsanspruch fällige Betrag (einschließlich ggf. des Speziell abgezinsten Kupons) im Einklang mit den Partizipationsscheinen niedriger ist als der Gesamtnennbetrag der Partizipationsschein-Zertifikate, wird der Nennbetrag eines jeden Partizipationszertifikats automatisch um den Betrag herabgesetzt, der der Differenz zwischen dem Gesamtnennbetrag der Partizipationsschein-Zertifikate und dem diesbezüglich zurückgenommenen Gesamtbetrag entspricht, geteilt durch die Anzahl der in Umlauf befindlichen Partizipationsschein-Zertifikate.

- (9) *On-Market Tender.* In dem gesetzlich zulässigen Umfang und insbesondere vorbehaltlich der Beschränkungen, die auf die Kündigung von Partizipationskapital durch die Bank gemäß allen jeweils maßgeblichen Gesetzen und Bestimmungen anwendbar sind, ist die Bank berechtigt, ein unwiderrufliches Angebot, die Partizipationsschein-Zertifikate ganz, jedoch nicht teilweise zu kaufen oder einen Dritten für deren Kauf zu benennen (oder im Falle eines Erfolgreichen Remarketing jene Partizipationsschein-Zertifikate zu kaufen oder einen Dritten zu deren Kauf zu benennen, in Bezug auf welche ein solches Erfolgreiches Remarketing nicht wirksam geworden ist), zu stellen, und zwar (i) am Reset-Tag oder einem darauf folgenden Vergütungszahlungstag zum Ordentlichen Kündigungspreis oder (ii) (unter Umständen, bei denen die Partizipationsscheine im Einklang mit Bedingung 5(3)(c) oben zurücknehmbar wären) an einem Vergütungszahlungstag, der vor dem Reset-Tag liegt, gegen Zahlung des Betrages, der bei Kündigung der Partizipationsscheine zu diesem Zeitpunkt im Einklang mit den Bedingungen für die Partizipationsscheine zahlbar geworden wäre, soweit in jedem der Fälle jeweils eine Mehrheit der Zertifikats-Inhaber, die mindestens 75 Prozent des Liquidationsanspruchs insgesamt aller Partizipationsschein-Zertifikate repräsentieren (oder im Falle eines erfolgreichen Remarketing von jenen

of which such Successful Remarketing is not effective) shall have accepted the Bank's or, as applicable, the third party's offer to effect such purchase (the "**On-Market Tender**"). For the avoidance of doubt the On-Market Tender will become effective for any Certificate Holder accepting such irrevocable offer to purchase such Participation Capital Certificate. In the event that, and at such time as, a majority of the Certificate Holders representing at least 75 per cent. of the aggregate Liquidation Entitlement of all Participation Capital Certificates (or in the case of a Successful Remarketing, of such Participation Capital Certificates in respect of which such Successful Remarketing is not effective) have given their consent to such purchase, such purchase shall become effective in respect of all outstanding Participation Capital Certificates (or in the case of a Successful Remarketing, of such Participation Capital Certificates in respect of which such Successful Remarketing is not effective) regardless of whether or not a Certificate Holder may have withheld its consent to such purchase.

In its offer to purchase the Participation Capital Certificates, the Bank or, as applicable, the third party may stipulate that a failure by the necessary quorum of Certificate Holders (as described in the preceding paragraph) to accept the terms of the On-Market Tender (the "**Failed On-Market Tender**") will result in a substitution of the Rate of Remuneration by a new Rate of Remuneration for Participation Capital Certificates held by such Certificate Holders that did not accept the terms of the On-Market Tender (which shall be the sum of the 6-month EURIBOR plus zero basis points), including the date as from which such new Rate of Remuneration shall become effective, provided that in the case of a Successful Remarketing, if the On-Market Tender only extends to such Participation Capital Certificates in respect of which such Successful Remarketing is not effective, the Rate of Remuneration shall only be substituted by such new Rate of Remuneration in respect of such Participation Capital Certificates. The Fiduciary shall immediately notify the Certificate Holders of the conditions of any On-Market Tender, by publication of a notice in accordance with Condition 16 (*Notices*) setting forth (without limitation)

Partizipationsschein-Zertifikaten, hinsichtlich welcher dieses Erfolgreiche Remarketing nicht wirksam geworden ist) das Angebot der Bank oder eines Dritten, diesen Kauf durchzuführen, akzeptiert hat (der "**On-Market Tender**"). Zur Klarstellung wird festgehalten, dass ein On-Market Tender für alle Zertifikatsinhaber wirksam wird, die ein solches unwiderrufliches Angebot zum Kauf der Partizipationsschein-Zertifikate annehmen. Im Falle, dass und zu dem Zeitpunkt, zu dem die Mehrheit der Zertifikats-Inhaber, die mindestens 75 Prozent des Liquidationsanspruchs aller Partizipationsschein-Zertifikate (oder im Falle eines Erfolgreichen Remarketing dieser Partizipationsschein-Zertifikate in Bezug auf die dieses erfolgreiche Remarketing nicht wirksam geworden ist) repräsentieren, diesem Kauf zugestimmt hat, wird dieser Kauf in Bezug auf alle im Umlauf befindlichen Partizipationsschein-Zertifikate wirksam (oder im Falle eines Erfolgreichen Remarketing dieser Partizipationsschein-Zertifikate in Bezug auf die dieses Erfolgreiche Remarketing nicht wirksam geworden ist), ungeachtet dessen, ob ein Zertifikats-Inhaber seine Zustimmung zu diesem Kauf gegeben hat oder nicht.

In ihrem Angebot zum Kauf der Partizipationsschein-Zertifikate kann die Bank bzw. der Dritte festlegen, dass eine nicht zustande gekommene Mehrheit der Zertifikats-Inhaber (wie im vorhergehenden Abschnitt beschrieben) für die Genehmigung der Bedingungen des On-Market Tender (der "**Fehlgeschlagene On-Market Tender**") zur Einführung eines neuen Vergütungssatzes anstelle des bisherigen Vergütungssatzes führt für alle Partizipationsschein-Zertifikate, die von Zertifikatsinhaber gehalten wurden, die die Bedingungen des On-Market Tenders nicht angenommen haben, (wobei es sich um die Summe des 6-Monats-EURIBOR, zuzüglich null Basispunkten handelt), einschließlich des Datums, ab dem dieser neue Vergütungssatz wirksam ist, wobei im Falle eines erfolgreichen Remarketing – wenn sich der On-Market Tender nur auf jene Partizipationsschein-Zertifikate bezieht, bei denen dieses erfolgreiche Remarketing unwirksam ist – der Vergütungssatz nur in Bezug auf diese Partizipationsschein-Zertifikate durch einen solchen neuen Vergütungssatz ersetzt wird. Der Treuhänder unterrichtet die Zertifikats-Inhaber durch Veröffentlichung einer Mitteilung im Einklang mit Bedingung 16

(i) the conditions and procedures for consenting to the repurchase by the Bank or, as applicable, the purchase of the third party and (ii) (if applicable) the date on which the new Rate of Remuneration shall become effective.

(Mitteilungen) unverzüglich über die Bestimmungen des On-Market Tender, wobei in dieser Mitteilung (ohne Einschränkung) (i) die Bestimmungen und Vorgehensweisen für die Zustimmung zum Rückkauf durch die Bank bzw. den Kauf durch den Dritten und (ii) (soweit zutreffend) das Datum, an dem der neue Vergütungssatz wirksam wird, enthalten sein müssen.

## 6. Certificate Coupon Payments; Remarketing

- (1) The Agency Agreement provides that the Principal Paying Agent will notify the Certificate Holders and the Luxembourg Stock Exchange, in the manner specified in Condition 16 (*Notices*), of matters relating to the payment of Remuneration and any additional amounts under the Terms and Conditions of the Participation Capital Notes and the date of any such payment, in each case as such information is provided to the Principal Paying Agent.
- (2) Certificate Coupon Payments under the Participation Capital Certificates will be made in accordance with the provisions of Condition 7 (*Payments; Paying Agent*) and the Agency Agreement on the same dates and to the extent payments are received by the Fiduciary from the Bank under the Participation Capital Notes.

*For ease of reference, the following sets out when remuneration payments are to be made under the Participation Capital Notes in accordance with their terms:*

- (a) *Remuneration. Subject to Condition 6(2)(b) (Prohibitions on Remuneration Payments) and Condition 6(2)(k) (Remuneration contingent on Distributable Profits; Discretionary Remuneration) below, the Participation Capital Notes bear non-cumulative Remuneration in the form of interest payable in arrear (a) prior to the Reset Date on 18 June 2009 and thereafter annually, and (b) from the Reset Date, semi-annually on 18 December and 18 June (each a "Remuneration Payment Date"). Each period beginning on (and including) the issue date<sup>3</sup> or any Remuneration Payment*

## 6. Kuponzahlungen aus Zertifikaten; Remarketing

- (1) Gemäß Agency Vertrag informiert die Hauptzahlstelle die Zertifikats-Inhaber und die Luxemburger Börse in der in Bedingung 16 (*Mitteilungen*) angegebenen Weise über Angelegenheiten, die sich auf die Zahlung der Vergütung und der zusätzlichen Beträge gemäß den Bedingungen für die Partizipationsscheine sowie auf das Datum solcher Zahlungen beziehen, jeweils sobald solche Informationen der Hauptzahlstelle zugänglich sind.
- (2) Kuponzahlungen aus Zertifikaten gemäß den Partizipationsschein-Zertifikaten werden im Einklang mit den Bestimmungen von Bedingung 7 (*Zahlungen; Zahlstelle*) und dem Agency Vertrag an den gleichen Tagen und in dem Umfang durchgeführt, wie der Treuhänder Zahlungen von der Bank gemäß den Partizipationsscheinen erhält.

*Zur vereinfachten Bezugnahme wird nachfolgend dargelegt, wann Vergütungszahlungen gemäß den Partizipationsscheinen im Einklang mit ihren Bestimmungen vorgenommen werden müssen:*

- (a) *Vergütung. Vorbehaltlich der Bedingung 6(2)(b) (Verbot der Vornahme von Vergütungszahlungen) und der Bedingung 6(2)(k) (Vergütungszahlungen abhängig von Verteilungsfähigen Gewinnen; Ermessensvergütung) tragen die Partizipationsscheine eine nicht kumulative Vergütung in Form von im Nachhinein zahlbaren Zinsen (a) bis zum Reset-Tag am 18. Juni 2009 und danach jeweils jährlich, sowie (b) ab dem Reset-Tag halbjährlich am 18. Dezember und am 18. Juni (jeweils ein "Vergütungszahlungstag"). Jeder Zeitraum, der an dem Ausgabetag<sup>4</sup> oder an einem*

<sup>3</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Notes.

<sup>4</sup> Zum Zwecke der Bestimmung der ersten Vergütungszahlungsperiode bezeichnet der Begriff *Ausgabetag* den 06. Mai 2008, der der Ausgabetag der Ursprünglichen Partizipationsscheine ist.

*Date and ending on (but excluding) the next following Remuneration Payment Date is herein called a "**Remuneration Period**" and shall be unadjusted. Remuneration will be deemed to accrue on a day by day basis.*

*Vergütungszahlungstag (jeweils einschließlich) beginnt und am nächsten Vergütungszahlungstag (ausschließlich) endet, wird hierin als "**Vergütungszeitraum**" bezeichnet und bleibt unangepasst. Die Vergütung gilt als auf täglicher Basis aufgelaufen.*

*(b) Prohibitions on Remuneration Payments: Notwithstanding anything in this Condition 6(2), no payments of Remuneration will be made nor will the Unpaid Remuneration Settlement Mechanism be applied:*

*(b) Verbot der Vornahme von Vergütungszahlungen: Ungeachtet des in Bedingung 6(2) Vereinbarten werden weder Vergütungszahlungen vorgenommen, noch wird der Erfüllungsmechanismus für unbezahlte Vergütungen eingesetzt:*

*(i) if restricted by Austrian law (including the Austrian Banking Act) as applicable to core capital (Kernkapital) under Sec 23(14)(1) of the Austrian Banking Act (Bankwesengesetz); or*

*(i) wenn dies nach österreichischem Recht (einschließlich des österreichischen Bankwesengesetzes) in Bezug auf das Kernkapital gemäß § 23(14)(1) des Bankwesengesetzes eingeschränkt ist; oder*

*(ii) in case of an order or similar measure by the Austrian Financial Markets Authority (Finanzmarktaufsichtsbehörde) prohibiting such payment or use of the Unpaid Remuneration Settlement Mechanism.*

*(ii) im Fall einer Verfügung oder ähnlichen Maßnahme der österreichischen Finanzmarktaufsichtsbehörde, durch die eine solche Zahlung oder die Verwendung des Erfüllungsmechanismus für unbezahlte Vergütungen untersagt wird.*

*(c) Rate of Remuneration prior to the Reset Date. The Participation Capital Notes bear Remuneration, from and including the issue date<sup>5</sup> to but excluding the Reset Date, in the form of interest and will be payable at the Fixed Rate.*

*(c) Vergütungssatz vor dem Reset-Tag. Die Partizipationsscheine tragen Vergütung vom und einschließlich des Ausgabetags<sup>6</sup> bis, jedoch ausschließlich des Reset-Tags, und zwar in Form von Zinsen, die zum Fixzinssatz zahlbar sind.*

*(d) Rate of Remuneration falling after the Reset Date to the extent any Remarketing is not effective. To the extent a Remarketing is not effective the Rate of Remuneration applicable to the Participation Capital Notes for each Remuneration Period falling after the Reset Date (the "**Floating Rate**") will be determined by the Calculation Agent on the following basis:*

*(d) Bestimmung des nach dem Reset-Tag anwendbaren Vergütungssatzes in dem Umfang, in dem ein Remarketing nicht wirksam geworden ist. In dem Umfang, in dem ein Remarketing nicht wirksam geworden ist, wird der Vergütungssatz, der für die Partizipationsscheine für jeden Vergütungszeitraum nach dem Reset-Tag gilt (der "**Variable Zinssatz**"), von der Berechnungsstelle auf folgender Basis bestimmt:*

*(i) the Floating Rate will be payable at the rate equal to the sum of 6-month EURIBOR (the "**Reference***

*(i) der variable Zinssatz ist zu dem Satz zahlbar, der der Summe des 6-Monats-EURIBOR (der*

<sup>5</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Notes.

<sup>6</sup> Zum Zwecke der Bestimmung der ersten Vergütungszahlungsperiode bezeichnet der Begriff *Ausgabetag* den 06. Mai 2008, der der Ausgabetag der Ursprünglichen Partizipationsscheine ist.

*Rate") plus the Reset Margin (as defined in Condition 1 (Definitions);*

(ii) *the Calculation Agent will determine the Reference Rate, which appears on the Relevant Screen Page as of 11 a.m. Brussels time, on the second TARGET Day before the first day of the relevant Remuneration Period (the "Remuneration Determination Date") for the next following Remuneration Period;*

(iii) *in the event that the Reference Rate does not appear on the Relevant Screen Page in each case and at such time, the Calculation Agent shall request five banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page (the "Reference Banks") selected by it to provide the Calculation Agent with its offered quotation at a spot rate. The relevant offered quotations shall be those offered at approximately 11 a. m. (Brussels time) on the Remuneration Determination Date. If at least three quotations are provided, the Reference Rate for that Remuneration Determination Date will be the arithmetic mean of the quotations, without regard to the quotations with the highest and lowest value. For this purpose, if more than one quotation has the same highest or lowest value, then one such quotation shall be disregarded. If exactly two quotations are provided, the Reference Rate for that Remuneration Determination Date will be the arithmetic mean of the quotations. If only a single quotation is provided, the Reference Rate for that Remuneration Determination Date will be such quotation. If no quotation is provided, the Reference Rate for that Remuneration Determination Date will be the same rate as the Reference Rate for the preceding Remuneration Determination Date;*

*"Referenzzinssatz"), zuzüglich der Reset-Marge (wie in Bedingung 1 (Definitionen) definiert) entspricht;*

(ii) *die Berechnungsstelle bestimmt den Referenzzinssatz, der auf der Relevanten Bildschirmseite um 11.00 Uhr Brüsseler Zeit am zweiten TARGET-Tag vor dem ersten Tag des relevanten Vergütungszeitraums (das "Festsetzungsdatum der Vergütung") für den nächsten folgenden Vergütungszeitraum erscheint;*

(iii) *in dem Fall, dass der Referenzzinssatz nicht auf der relevanten Bildschirmseite in jedem Fall und zu einer solchen Zeit erscheint, ersucht die Berechnungsstelle fünf von ihr ausgewählte Banken, deren Briefkurs zur Feststellung einer solchen Notierung verwendet wurde, als eine solche Notierung zuletzt auf der Bildschirmseite erschien (die "Referenzbanken"), darum, der Berechnungsstelle ihre Notierung als Kassakurs zu nennen. Die relevanten Notierungen sind die, die ungefähr um 11.00 Uhr (Brüsseler Zeit) am Festsetzungsdatum der Vergütung bekannt gegeben werden. Wenn mindestens drei Notierungen genannt werden, ist der Referenzzinssatz für dieses Festsetzungsdatum der Vergütung der arithmetische Mittelwert der Notierungen, unter Ausschluss der Notierungen mit dem höchsten und dem niedrigsten Wert. Sollte mehr als eine Notierung denselben höchsten oder niedrigsten Wert aufweisen, wird eine dieser Notierungen nicht berücksichtigt. Werden lediglich zwei Notierungen angegeben, bestimmt sich der Referenzzinssatz für den Feststellungstermin der Vergütung durch den arithmetischen Mittelwert der beiden Notierungen. Wird nur eine einzige Notierung angegeben, ist diese Notierung der Referenzzinssatz für den Feststellungstermin der Vergütung. Wird keine Notierung angegeben, ist der Referenzzinssatz für den Feststellungstermin der Vergütung derselbe Satz wie der*



Referenzzinssatz für den vorangehenden Feststellungstermin der Vergütung.

- |  |   |
|--|---|
| <p>(e) <i>Rate of Remuneration falling after the Reset Date, to the extent the Remarketing is effective. In the case where a Remarketing is effective, the Rate of Remuneration applicable to the Participation Capital Notes for each Remuneration Period falling after the Reset Date will be the Remarketing Rate determined in accordance with Condition 6(5) (Certificate Coupon Payments; Remarketing) of the Terms and Conditions of the Participation Capital Certificates;</i></p>  | <p>(e) <i>Bestimmung des nach dem Reset-Tag fallenden Vergütungssatzes in dem Umfang, in dem ein Remarketing wirksam ist. In dem Umfang, wie eine Remarketing wirksam ist, ist der Vergütungssatz, der für die Partizipationsscheine für jeden Vergütungszeitraum nach dem Reset-Tag gilt, derjenige Remarketingzinssatz, der im Einklang mit Bedingung 6(5) (Kuponzahlungen aus Zertifikaten; Remarketing) der Bedingungen für die Partizipationsschein- Zertifikate bestimmt wird;</i></p>  |
| <p>(f) <i>Rate of Remuneration falling after the Reset Date in the case of Third Party Purchaser. In the event of, and subject to, a transfer to a Third Party Purchaser as per Condition 6(d) (Purchase by Third Party at the Option of the Bank), the Rate of Remuneration applicable to the Participation Capital Notes for each Remuneration Period falling after the Reset Date will be such rate as the Bank and such Third Party Purchaser may mutually agree;</i></p>  | <p>(f) <i>Bestimmung des nach dem Reset-Tag fallenden Vergütungssatzes bei Drittkäufern. Im Falle und vorbehaltlich einer Übertragung an einen Drittkäufer gemäß Bedingung 6(d) (Kauf durch Dritte nach Wahl der Bank) ist der Vergütungssatz, der für die Partizipationsscheine für jeden Vergütungszeitraum, der nach dem Reset-Tag liegt, gilt, derjenige Satz, auf den die Bank und ein solcher Drittkäufer sich einigen;</i></p>   |
| <p>(g) <i>Make-Whole Coupon. In addition to any Remuneration payable under the preceding paragraphs, the Make-Whole Coupon shall become payable under the Participation Capital Notes as stipulated under Condition 5(3)(c) and 5(3) (d)(i). Such Make-Whole Coupon shall (subject to sufficient Distributable Profits being available) be paid together with any Ordinary Redemption Price payable at such time.</i></p>  | <p>(g) <i>Speziell abgezinster Kupon. Zusätzlich zu der gemäß den vorstehenden Abschnitten zahlbaren Vergütung wird der Speziell abgezinste Kupon gemäß den Partizipationsscheinen, wie in Bedingung 5(3)(c) und 5(3)(d)(i) festgelegt, zahlbar. Ein solcher Speziell abgezinster Kupon wird (vorbehaltlich ausreichender Verteilungsfähiger Gewinne) gemeinsam mit dem zu diesem Zeitpunkt zahlbaren Ordentlichen Kündigungsbetrag zahlbar.</i></p>  |
| <p>(h) <i>Calculation of Remuneration Amount. The Calculation Agent will, as soon as practicable on the Remuneration Determination Date in relation to each Remuneration Period, calculate the amount of Remuneration (the "Remuneration Amount") payable in respect of each Participation Capital Note for such Remuneration Period. The Remuneration Amount will be calculated by multiplying the Rate of Remuneration for such Remuneration Period with the Initial Liquidation Entitlement, (a) from and including the issue date<sup>7</sup> to but excluding the</i></p> | <p>(h) <i>Berechnung des Vergütungsbetrags. Die Berechnungsstelle berechnet, sobald am Festsetzungsdatum der Vergütung im Hinblick auf jeden Vergütungszeitraum praktikabel, die Höhe der Vergütung (der "Vergütungsbetrag"), die im Hinblick auf jeden Partizipationsschein für einen solchen Vergütungszeitraum zahlbar ist. Der Vergütungsbetrag wird durch Multiplikation des Vergütungssatzes für einen solchen Vergütungszeitraum mit dem Ursprünglichen Liquidationsanspruch berechnet, (a) vom und einschließlich des Ausgabtags<sup>8</sup> bis, jedoch ausschließlich des</i></p> |

<sup>7</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Notes.

<sup>8</sup> Zum Zwecke der Bestimmung der ersten Vergütungszahlungsperiode bezeichnet der Begriff *Ausgabetag* den 06. Mai 2008, der der Ausgabetag der Ursprünglichen Partizipationsscheine ist.

*Reset Date, on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) and (b) thereafter on the basis of the actual number of days elapsed, divided by 360.*

(i) *Notification. The Calculation Agent will cause each Rate of Remuneration and Remuneration Amount determined by it, together with the relevant Remuneration Payment Date, to be notified to the Fiduciary and the Bank. The Calculation Agent will be entitled to recalculate any Remuneration Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Remuneration Period.*

(j) *Binding Effect of Notifications. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6(2) by the Calculation Agent will (in the absence of manifest error) be binding on the Bank and the Fiduciary and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.*

(k) *Remuneration Payments contingent on Distributable Profits; Discretionary Remuneration.*

(i) *Remuneration Payments will only be made on any Remuneration Payment Date out of Distributable Profits for the preceding fiscal year. Irrespective of whether or not sufficient Distributable Profits are available, the Bank has the discretion to elect not to pay Remuneration.*

(ii) *If the Bank decides not to pay the full amount of Remuneration on a Remuneration Payment Date, the Bank shall notify the Fiduciary in accordance with Condition 11 (Notices) not less than 15 Business Days prior to such Remuneration Payment Date. Any Remuneration*

*Reset-Tags, auf der Basis der tatsächlich verstrichenen Anzahl an Tagen, dividiert durch die tatsächliche Anzahl der Tage (365 oder 366), und (b) danach auf der Grundlage der tatsächlich verstrichenen Anzahl an Tagen, dividiert durch 360.*

(i) *Benachrichtigung. Die Berechnungsstelle sorgt dafür, dass jeder von ihr festgestellte Vergütungssatz und Vergütungsbetrag, gemeinsam mit dem relevanten Vergütungszahlungstag, dem Treuhänder und der Bank mitgeteilt werden. Die Berechnungsstelle hat das Recht, jeden Vergütungsbetrag (auf Basis der vorangehenden Bestimmungen) ohne Benachrichtigung im Falle einer Verlängerung oder Verkürzung des relevanten Vergütungszeitraums neu zu berechnen.*

(j) *Bindungswirkung von Benachrichtigungen. Alle Benachrichtigungen, Stellungnahmen, Feststellungen, Bestätigungen, Berechnungen, Notierungen und Entscheidungen, die zu Zwecken dieser Bedingung 6(2) von der Berechnungsstelle (in Abwesenheit eines offensichtlichen Fehlers) gegeben, ausgedrückt, vorgenommen oder erhalten werden, sind für die Bank und den Treuhänder verbindlich, und (vorbehaltlich des Vorstehenden) haftet die Berechnungsstelle keiner dieser Personen gegenüber im Zusammenhang mit der Ausübung oder Nichtausübung ihrer Befugnisse, Pflichten und Ermessen zu solchen Zwecken.*

(k) *Vergütungszahlungen abhängig von verteilungsfähigen Gewinnen; Ermessensvergütung.*

(i) *Vergütungszahlungen werden an jedem Vergütungszahlungstag nur aus verteilungsfähigen Gewinnen des vorangehenden Geschäftsjahres vorgenommen. Ungeachtet dessen, ob ausreichende verteilungsfähige Gewinne zur Verfügung stehen oder nicht, liegt es im Ermessen der Bank zu entscheiden, keine Vergütung zu zahlen.*

(ii) *Falls die Bank entscheidet, an einem Vergütungszahlungstag nicht den vollen Betrag der Vergütung zu zahlen, benachrichtigt die Bank den Treuhänder diesbezüglich im Einklang mit Bedingung 11 (Mitteilungen) mindestens 15 Geschäftstage vor einem solchen*

not paid due to such an election by the Bank shall constitute "**Unpaid Remuneration**". Unpaid Remuneration will not bear interest.

- (iii) If either a Regulatory Event occurs, the Bank's discretionary right to defer Remuneration shall cease to exist and the Bank will be required to pay Remuneration out of Distributable Profits.
- (iv) For the avoidance of doubt so long as Distributable Profits are available, the Bank will be able to pay the full Rate of Remuneration even if the Liquidation Entitlement has been written down pursuant to Condition 6(2)(o) (Loss Absorption).
- (l) Non- Discretionary Remuneration: The discretion of the Bank not to pay Remuneration as set out in Condition 6(2)(k)(i), shall not apply in the following circumstances:
  - (i) if the Bank or any Subsidiary declares or pays any dividends or makes any other payment or other distribution on any Parity Instruments, Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such dividend, payment or distribution;
  - (ii) if the Bank declares or pays any dividend or makes any other payment or distribution on any Bank Share Capital, Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such dividend, payment or distribution; or
  - (iii) if the Bank redeems, repurchases or otherwise acquires any Parity Instruments, or Bank Share Capital for any consideration, Remuneration will be paid on the

Vergütungszahlungstag. Vergütung, die aufgrund einer solchen Entscheidung durch die Bank nicht gezahlt wird, stellt eine "**Unbezahlte Vergütung**" dar. Unbezahlte Vergütungen tragen keine Zinsen.

- (iii) Tritt ein Regulatorisches Ereignis ein, erlischt das Ermessensrecht der Bank, die Vergütung aufzuschieben, und die Bank ist verpflichtet, die Vergütung aus Verteilungsfähigen Gewinnen zu zahlen.
- (iv) Der Klarheit halber wird darauf verwiesen, dass die Bank, solange verteilungsfähige Gewinne zur Verfügung stehen, in der Lage ist, den vollen Vergütungssatz zu zahlen, selbst wenn der Liquidationsanspruch gemäß Bedingung 6(2)(o) (Verlustrücklage) herabgesetzt wurde.
- (l) Nicht im Ermessen der Bank liegende Vergütung: Das Ermessen der Bank, keine Vergütung wie in Bedingung 6(2)(k)(i) dargelegt zu zahlen, gilt unter folgenden Umständen nicht:
  - (i) sollte die Bank oder eine Tochtergesellschaft Dividenden festsetzen oder zahlen oder andere Zahlungen oder Ausschüttungen auf Gleichrangige Wertpapiere vornehmen, wird Vergütung am ersten Vergütungszahlungstag gezahlt, die zeitgleich mit einer solchen Dividende, Zahlung oder Ausschüttung liegt und/oder unmittelbar auf eine solche folgt;
  - (ii) sollte die Bank Dividenden festsetzen oder zahlen oder andere Zahlungen oder Ausschüttungen auf Bank-Aktienkapital vornehmen, wird die Vergütung am ersten Vergütungszahlungstag gezahlt, die zeitgleich mit einer solchen Dividende, Zahlung oder Ausschüttung liegt und/oder unmittelbar auf eine solche folgt; oder
  - (iii) sollte die Bank Gleichrangige Wertpapiere oder Bank-Aktienkapital zurücknehmen, zurückkaufen oder anderweitig für eine Gegenleistung erwerben wird

*first Remuneration Payment Date falling contemporaneously with and/or immediately following such redemption, repurchase or otherwise;*

*unless such dividend, other payment or other distribution is declared, paid or made, or (as the case may be) such redemption, repurchase or acquisition occurs in connection with any (a) any present or future stock options plan (including any purchase of Participation Capital for the purposes of employee compensation), (b) a reclassification of shares for shares of another class, or (c) any purchase for trading purposes only.*

*If the Bank makes any payment on the Participation Capital Notes pursuant to this Condition 6(2)(l), the Bank shall make corresponding pro rata payments on any Existing Participation Capital, calculated by reference to the Relevant Payment Date and to be paid within one year of the Relevant Payment Date. For the avoidance of doubt, this provision shall apply (to the extent that it operates for the benefit of the holders of Existing Participation Capital of the Bank) despite any inconsistent provision in the terms and conditions of any Existing Participation Capital of the Bank, in force at the time of issue of the Participation Capital Notes.*

**(m) Settlement of Unpaid Remuneration.**

*The Bank may at any time use the Unpaid Remuneration Settlement Mechanism (subject to the conditions set forth below), to make payment in full or in part of any outstanding Unpaid Remuneration upon giving notice to the Fiduciary in writing and delivered to the registered office of the Noteholder at 14, Boulevard Royal, L-2449 Luxembourg, not less than 10 and not more than 15 Business Days prior to the date on which such payment will be made. Such notice shall state the date and the amount of the voluntary make-up payment. Such notice shall be irrevocable and shall oblige the Bank to make the relevant payment on the date specified in such notice, provided that*

*die Vergütung am ersten Vergütungszahlungstag gezahlt, die zeitgleich mit einer solchen Kündigung, einem solchen Rückkauf oder einem anderweitigen Erwerb liegt und/oder unmittelbar auf eine solche bzw. einen solchen folgt;*

*es sei denn, eine solche Dividende, andere Zahlung oder andere Ausschüttung wird festgesetzt, gezahlt oder vorgenommen, bzw. eine solche Kündigung, ein solcher Rückkauf, oder ein solcher Erwerb erfolgt im Zusammenhang mit (a) einem gegenwärtigen oder zukünftigen Aktienoptionsprogramm (inklusive einem Kauf von Partizipationkapital zum Zwecke der Mitarbeitervergütung), (b) einer Neueinteilung von Aktien in Aktien einer anderen Klasse oder (c) jegliche Kauf zum ausschließlichen Zweck des Handels.*

*Nimmt die Bank gemäß dieser Bedingung 6(2)(l) eine Zahlung auf die Partizipationsscheine vor, muss sie entsprechende anteilige Zahlungen auf das Bestehende Partizipationskapital der Bank durchführen, die durch Bezug auf den Relevanten Zahlungstermin berechnet werden und innerhalb eines Jahres des Relevanten Zahlungstermins zahlbar sind. Der Klarheit halber wird darauf verwiesen, dass diese Bestimmung auch bei entgegenstehenden Bestimmungen in den Bedingungen für das bestehende Partizipationskapital der Bank, die zum Zeitpunkt der Ausgabe der Partizipationsscheine wirksam sind, (in dem Umfang, wie dies den Inhabern des bestehenden Partizipationskapitals der Bank zugute kommt) gilt.*

**(m) Erfüllung unbezahlter Vergütungen.**

*Die Bank kann jederzeit (vorbehaltlich der nachfolgend dargelegten Bedingungen) den Erfüllungsmechanismus für unbezahlte Vergütungen einsetzen, um vollständige oder teilweise Zahlungen von unbeglichenen Unbezahlten Vergütungen vorzunehmen, nachdem der Treuhänder mindestens 10 und höchstens 15 Geschäftstage vor dem Termin, an dem eine solche Zahlung erfolgen soll, schriftlich durch Zustellung an die eingetragene Geschäftsstelle des Partizipationsscheininhabers in L-2449 Luxembourg, 14, Boulevard Royal, benachrichtigt wurde. Eine solche Benachrichtigung muss das Datum und den Betrag der freiwilligen Ausgleichszahlung beinhalten. Eine solche Benachrichtigung ist*

*the Bank has sufficient Distributable Profits.*

*A proposal will be made either to the Management Board or the General Assembly (as appropriate) of the Bank as to the use of the Unpaid Remuneration Settlement Mechanism to make payment (in full and not in part) of any Unpaid Remuneration at the earlier of the following dates (each, an Unpaid Remuneration Settlement Date):*

- (i) the date on which the Bank has declared, paid or made a dividend or other distribution on, or in respect of, Bank Share Capital or Parity Instruments;*
- (ii) the next following scheduled Remuneration Payment Date in relation to which the Bank makes a Remuneration Payment (in whole or part);*
- (iii) any date on which the Participation Capital Notes are redeemed;*
- (iv) one calendar day before the fifth anniversary of the Remuneration Payment Date on which such amounts were initially due and payable but the payment of which was not made by the Bank;*
- (v) the date on which the Bank redeems, repurchases or otherwise acquires any of the Participation Capital Certificates (in whole or in part), Bank Share Capital or Parity Instruments against any consideration therefore, except in connection with (a) any present or future stock options plan (including any purchase of Participation Capital for the purposes of employee compensation), (b) a reclassification of shares for shares of another class, or (c) any purchase for trading purposes only.*

*unwiderrufbar und verpflichtet die Bank dazu, die relevante Zahlung an dem in einer solchen Benachrichtigung angegebenen Datum vorzunehmen, vorausgesetzt, die Bank verfügt über ausreichende verteilungsfähige Gewinne.*

*Ein Vorschlag wird entweder dem Vorstand oder der Hauptversammlung (soweit erforderlich) der Bank dahingehend unterbreitet, wie der Erfüllungsmechanismus für unbezahlte Vergütungen eingesetzt werden kann, um eine (vollständige, jedoch nicht teilweise) Zahlung von Unbezahlter Vergütung zum jeweils früheren der folgenden Termine (jeweils ein Erfüllungsdatum für unbezahlte Vergütungen) vorzunehmen:*

- (i) dem Datum, an dem die Bank eine Dividende oder Ausschüttung auf oder im Hinblick auf Bank-Aktienkapital oder Gleichrangige Wertpapiere festgesetzt, gezahlt oder vorgenommen hat;*
- (ii) dem nächstfolgenden, festgelegten Vergütungszahlungstag, in Bezug auf das die Bank eine (vollständige oder teilweise) Vergütungszahlung vornimmt;*
- (iii) einem Datum, an dem die Partizipationsscheine zurückgenommen werden;*
- (iv) einem Kalendertag vor dem fünften Jahrestag des Vergütungszahlungstags, an dem solche Beträge ursprünglich fällig und zahlbar waren, die Zahlung jedoch von der Bank nicht vorgenommen wurde;*
- (v) dem Datum, an dem die Bank die Partizipationsschein-Zertifikate (vollständig oder teilweise), das Bank-Aktienkapital oder die Gleichrangige Wertpapiere für irgendeine Gegenleistung zurücknimmt, zurückkauft oder anderweitig erwirbt, es sei denn, dies erfolgt im Zusammenhang mit (a) einem gegenwärtigen oder zukünftigen Aktienoptionsprogramm (inklusive einem Kauf von Partizipationkapital zum Zwecke der Mitarbeitervergütung), (b) einer Neueinteilung von Aktien in Aktien einer anderen Klasse oder (c) jeglicher Kauf zum*

ausschließlichen Zweck des Handels.

*The application of the Unpaid Remuneration Settlement Mechanism is at the sole discretion of the Bank (including, as the case may be, the Bank's General Assembly) and under no circumstances shall the Bank be obliged to use the Unpaid Remuneration Settlement Mechanism to make payment of any Unpaid Remuneration at any time. Any Unpaid Remuneration not settled in accordance with the foregoing provisions will be cancelled and the Noteholder and, consequently, the Certificate Holders will have no rights or entitlement in respect of such amount.*

*To the extent that the Bank has given notice to the Noteholder that it will pay Unpaid Remuneration in accordance with this Condition 6(2)(m), but is not able to satisfy such Unpaid Remuneration on the Unpaid Remuneration Settlement Date, partially or in full, such Unpaid Remuneration shall remain outstanding and the Bank will attempt to settle such Unpaid Remuneration by way of the Unpaid Remuneration Settlement Mechanism up to a period of one (1) year ("Unpaid Remuneration Settlement Period") following the relevant Unpaid Remuneration Settlement Date. If at the end of any Unpaid Remuneration Settlement Period the Bank is not able to satisfy all Unpaid Remuneration, such Unpaid Remuneration shall be cancelled.*

*In the case of the occurrence of a Market Disruption Event, the Unpaid Remuneration Settlement Mechanism Period shall be extended by a period equal to the time during which the Market Disruption Event exists plus 60 Business Days. The Bank shall give notice pursuant to Condition 11 (Notices) of both the occurrence of a Market Disruption Event and the date on which the Market Disruption Event no longer exists. No interest whatsoever shall be payable by the Bank due to the occurrence of a Market Disruption Event.*

*Die Anwendung des Erfüllungsmechanismus für unbezahlte Vergütungen liegt im alleinigen Ermessen der Bank (einschließlich je nach Sachlage der Hauptversammlung der Bank), und unter keinen Umständen ist die Bank zu irgendeiner Zeit verpflichtet, den Erfüllungsmechanismus für unbezahlte Vergütungen einzusetzen, um die Zahlung der unbezahlten Vergütung vorzunehmen. Alle unbezahlten Vergütungen, die nicht im Einklang mit den vorstehenden Bestimmungen abgewickelt werden, werden gestrichen, und der Partizipationsscheininhaber, und, folgedessen, auch der Zertifikatsinhaber wird diesbezüglich keinerlei weiteren Rechte oder Ansprüche haben.*

*In dem Umfang, in dem die Bank den Partizipationsscheininhaber benachrichtigt hat, dass sie im Einklang mit dieser Bedingung 6(2)(m) eine Unbezahlte Vergütung zahlen wird, jedoch nicht in der Lage ist, eine solche Unbezahlte Vergütung am Erfüllungsdatum der Unbezahlten Vergütungen teilweise oder vollständig zu leisten, bleibt eine solche Unbezahlte Vergütung offen, und die Bank wird versuchen, eine solche Unbezahlte Vergütung anhand des Erfüllungsmechanismus für unbezahlte Vergütungen innerhalb von einem (1) Jahr ("Erfüllungszeitraum für unbezahlte Vergütungen") nach dem relevanten Erfüllungsdatum der Unbezahlten Vergütungen vorzunehmen. Ist die Bank zum Ende eines Erfüllungszeitraums für unbezahlte Vergütungen nicht in der Lage, alle unbezahlten Vergütungen zu leisten, werden diese gestrichen.*

*Bei Eintritt eines Marktstörungsereignisses wird der Zeitraum des Erfüllungsmechanismus der unbezahlten Vergütungen um einen Zeitraum verlängert, der der Zeit entspricht, während der das Marktstörungsereignis bestand, zuzüglich 60 Geschäftstage. Gemäß Bedingung 11 (Mitteilungen) ist die Bank sowohl zur Mitteilung über den Eintritt eines Marktstörungsereignisses als auch über das Datum, an dem das Marktstörungsereignis nicht länger besteht, verpflichtet. Infolge des Eintretens eines Marktstörungsereignisses sind keinerlei Zinsen seitens der Bank zahlbar.*

(n) Pro Rata Remuneration Payments: When, by (n) Anteilige Vergütungszahlungen: Wenn aufgrund

reason of any limitation described in Condition 6(2)(k) (Remuneration Payments contingent on Distributable Profits; Discretionary Remuneration) or Condition 6(2)(l) (Non-Discretionary Remuneration) above, Remuneration is not paid in full on the Participation Capital Notes and any Parity Instrument, all Remuneration payable upon the Participation Capital Notes and any such Parity Instrument will be payable pro rata in the proportion that the amounts available for payment on the Participation Capital Notes and any such Parity Instrument on the due date of payment shall bear to the full amount that would have been payable on the Participation Capital Notes and such Parity Instrument but for such limitation.

- (o) If the Bank incurs a Loss in any fiscal year ("Loss" being defined as the sum of the following amounts being negative; Bank's Profit Or Loss (Bilanzgewinn/Bilanzverlust); the Bank's Retained Earnings (Gewinnrücklagen); the Capital Reserves (Kapitalrücklagen); the untaxed reserves (unversteuerte Rücklagen); the Liability Reserve (Hafrücklage) set aside pursuant to Sec 23(6) Austrian Banking Act (Bankwesengesetz) (Sec 23(1)(2) Austrian Banking Act); and the Fund for General Banking Risks (Fonds für allgemeine Bankrisiken) pursuant to Sec 57(3) and (4) Austrian Banking Act (Bankwesengesetz) (Sec 23(1)(3) Austrian Banking Act), all as stated in the Bank's reported financial statements), then the general assembly (Hauptversammlung) of the Bank may pass a resolution (and the Bank may take such other steps as are prescribed under Austrian corporate law) to achieve a capital reduction (Kapitalherabsetzung) by virtue of which the amount outstanding under the Participation Capital Notes shall be reduced, pro rata with Bank Share Capital, any Existing Participation Capital and any other instruments issued by the Bank ranking pari passu with the Participation Capital Notes, by an amount equal to such Loss. The Liquidation Entitlement shall be reduced accordingly, provided that the Participation Capital Notes' aggregate share in the Loss shall in no event exceed the Liquidation Entitlement.

Following a reduction, the Liquidation Entitlement shall be increased (to an amount no greater than the Initial Liquidation

einer in der Bedingung 6(2)(k) (Vergütung abhängig von verteilungsfähigen Gewinnen; Ermessensvergütung) oder der Bedingung 6(2)(l) (Nicht im Ermessen der Bank liegende Vergütung) oben enthaltenen Einschränkung eine Vergütung auf die Partizipationsscheine und die Paritätsinstrumente nicht vollständig gezahlt wird, ist die gesamte Vergütung, die auf die Partizipationsscheine und Gleichrangige Wertpapiere zahlbar ist, anteilig zahlbar, und zwar in dem Verhältnis, dass die zur Zahlung auf die Partizipationsscheine und Gleichrangige Wertpapiere am Fälligkeitsdatum der Zahlung verfügbaren Beträge dem vollen Betrag entsprechen, der bei Abwesenheit einer solchen Einschränkung auf die Partizipationsscheine und Gleichrangige Wertpapiere zahlbar gewesen wäre.

- (o) Falls die Bank in einem Geschäftsjahr einen Verlust erleidet (ein "Verlust" liegt vor, wenn die Summe der folgenden Beträge negativ ist: der Bilanzgewinn/Bilanzverlust der Bank, die Gewinnrücklagen der Bank, die Kapitalrücklagen der Bank, die un versteuerten Rücklagen der Bank, die Hafrücklage, die gemäß § 23(6) österreichisches Bankwesengesetz gebildet wurde (§ 23(1)(2) österreichisches Bankwesengesetz), und der Fonds für allgemeine Bankrisiken gemäß § 57(3) und (4) österreichisches Bankwesengesetz (§ 23(1)(2) österreichisches Bankwesengesetz), wie dies jeweils im Jahresabschluss der Bank ausgewiesen ist), kann die Hauptversammlung der Bank den Beschluss fassen (und die Bank kann andere, nach österreichischem Gesellschaftsrecht vorgeschriebene Schritte unternehmen), eine Kapitalherabsetzung vorzunehmen, durch die der gemäß den Partizipationsscheinen offene Betrag anteilig mit dem Bank-Aktienkapital, dem Bestehenden Partizipationskapital und anderen, von der Bank ausgegebenen, mit den Partizipationsscheinen gleichberechtigten Instrumenten um einen Betrag reduziert wird, der einem solchen Verlust entspricht. Der Liquidationsanspruch ist dementsprechend zu reduzieren, vorausgesetzt, dass der Gesamtanteil der Partizipationsscheine an dem Verlust in keinem Fall den Liquidationsanspruch übersteigt.

Nach einer Reduzierung wird der Liquidationsanspruch (auf einen Betrag, der den Ursprünglichen Liquidationsanspruch

*Entitlement) in subsequent years in the event where the Bank makes a Profit For The Year After Tax (as stated in the Bank's financial statements prepared in accordance with the Austrian Banking Act (Bankwesengesetz) and net of any distributions in relation to such fiscal year). Such increase in the Liquidation Entitlement will be pro rata with any Bank Share Capital together with any Existing Participation Capital and any other instruments issued by the Group ranking pari passu with the Participation Capital Notes.*

*If the Bank increases the Liquidation Entitlement on the Participation Capital Notes, the Bank will make corresponding pro rata increases on any Existing Participation Capital. For the avoidance of doubt, this provision will apply despite any inconsistent provision in the terms and conditions of any Existing Participation Capital of the Bank, in force at the time of the issue of the Participation Capital Notes.*

- (3) Each *Certificate* Coupon Payment will be calculated, (a) on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) from and including the issue date<sup>9</sup> to but excluding the Reset Date and (b) thereafter on the basis of the actual number of days elapsed, divided by 360, by reference to a nominal amount of EUR 1,000 per Participation Capital Certificate.
- (4) If no Remuneration is paid to the Fiduciary in respect of the Participation Capital Notes in any Remuneration Period then the right of the Certificate Holder to receive Certificate Coupon Payments (or any proportion thereof) in respect of the Remuneration Period ending on the relevant Remuneration Payment Date will be extinguished and the Fiduciary will have no obligation to pay the Certificate Coupon Payments accrued for such Remuneration Period or to pay any Remuneration thereon, whether or not Certificate Coupon Payment on the

*nicht übersteigt) in den Folgejahren in dem Fall erhöht, dass die Bank einen Jahresüberschuss nach Abzug von Steuern erwirtschaftet (wie im Jahresabschluss der Bank im Einklang mit dem österreichischen Bankwesengesetz ausgewiesen und abzüglich von Ausschüttungen in Bezug auf das betreffende Geschäftsjahr). Eine solche Erhöhung des Liquidationsanspruchs erfolgt anteilig mit dem Bank-Aktienkapital, zusammen mit dem Bestehenden Partizipationskapital und anderen von der Gruppe ausgegebenen Instrumenten, die mit den Partizipationsscheinen gleichberechtigt sind.*

*Sollte die Bank den Liquidationsanspruch der Partizipationsscheine erhöhen, verpflichtet sie sich zur Vornahme entsprechender anteiliger Erhöhungen auf das Bestehende Partizipationskapital. Der Klarheit halber wird darauf verwiesen, dass diese Bestimmung auch bei entgegenstehenden Bestimmungen in den Bedingungen für das Bestehende Partizipationskapital der Bank, die zum Zeitpunkt der Ausgabe der Partizipationsscheine wirksam sind, gilt.*

- (3) Jede Zertifikat-Kuponzahlung wird (a) auf Basis der tatsächlichen Anzahl an verstrichenen Tagen, dividiert durch die tatsächliche Anzahl an Tagen (365 oder 366) vom und bis einschließlich des Ausgabetags<sup>10</sup> bis, jedoch ausschließlich des Reset-Tags und (b) danach auf der Grundlage der tatsächlichen Anzahl der verstrichenen Tage, dividiert durch 360, durch Bezug auf einen Nominalwert von EUR 1.000 je Partizipationszertifikat berechnet.
- (4) Wird in einem Vergütungszeitraum im Hinblick auf die Partizipationsscheine keine Vergütung an den Treuhänder gezahlt, erlischt das Recht des Zertifikats-Inhabers auf Erhalt einer Zertifikat-Kuponzahlung (oder eines Anteils davon) in Bezug auf den Vergütungszeitraum, der an dem relevanten Vergütungszahlungstag endet, und der Treuhänder ist nicht zur Zahlung der Zertifikat-Kuponzahlungen, die für einen solchen Vergütungszeitraum aufgelaufen sind, oder zur Zahlung irgendeiner sonstigen diesbezüglichen Vergütung verpflichtet.

<sup>9</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Certificates.

<sup>10</sup> Zum Zwecke der Bestimmung der ersten Vergütungszahlungsperiode bezeichnet der Begriff *Ausgabetag* den 06. Mai 2008, der der Ausgabetag der Ursprünglichen Partizipationsschein-Zertifikate ist.



Participation Capital Certificates is paid for any future Remuneration Period.

- (5) *Remarketing.* The Bank may elect to remarket the Participation Capital Certificates (a "**Remarketing**") provided that any Remarketing may only take effect as at the Reset Date and each Remuneration Payment Date thereafter. To initiate a Remarketing, the Bank shall issue an invitation to the Certificate Holders (which shall be communicated by the Fiduciary in accordance with Condition 16 (*Notices*)), and will also invite new investors (each such new investor, a "**Proposed Investor**") (the "**Remarketing Invitation**"), in such manner as the Bank deems appropriate in its discretion and in accordance with all applicable rules and regulations, proposing an adjustment of the Rate of Remuneration and proposing a new Reset Date, amongst other things.

The Remarketing Invitation shall not be sent earlier than 60 Business Days and no later than 20 Business Days prior to the date on which the Remarketing is to take effect (the "**Remarketing Period**").

In response to the Remarketing Invitation, each Certificate Holder and Proposed Investor may, within the time period specified therein, deliver to the Fiduciary either:

- (i) a bid notice, stating that such Certificate Holder (or, as the case may be, Proposed Investor) wishes to continue to hold (or, as the case may be, to buy) the Participation Capital Certificates only if the Remarketing Rate is at least equal to the rate of remuneration specified by such Certificate Holder or Proposed Investor in such bid notice (such bid notice, the "**Bid Notice**" and such specified rate, the "**Specified Bid Rate**"); or
- (ii) (in respect of Certificate Holders only) a hold notice, stating that such Certificate Holder wishes to

Dabei ist unerheblich, ob eine Zertifikat-Kuponzahlung auf die Partizipationsschein-Zertifikate für einen späteren Vergütungszeitraum vorgenommen wird oder nicht.

- (5) *Remarketing.* Die Bank hat das Recht zu beschließen, die Partizipationsschein-Zertifikate neu zu platzieren (ein "**Remarketing**"), vorausgesetzt, dass ein solches Remarketing nur am Reset-Tag und jedem darauf folgenden Vergütungszahlungstag wirksam werden kann. Um ein Remarketing vorzunehmen, gibt die Bank an die Zertifikats-Inhaber eine Einladung heraus (die vom Treuhänder im Einklang mit Bedingung 16 (*Mitteilungen*) mitgeteilt wird) und lädt ebenfalls neue Anleger ein (jeder derartiger neue Anleger ein "**Vorgeschlagener Anleger**") (die "**Remarketingseinladung**"), und zwar in einer solchen Weise, wie die Bank nach eigenem Ermessen für geeignet hält, sowie gemäß allen maßgeblichen Regeln und Bestimmungen, wobei sie unter anderem eine Anpassung des Vergütungssatzes und einen neuen Reset-Tag vorschlägt, .

Die Remarketingseinladung darf nicht früher als 60 Geschäftstage und nicht später als 20 Geschäftstage vor dem Wirksamkeitsdatum des Remarketing versandt werden (der "**Remarketingszeitraum**").

In Erwiderung der Remarketingseinladung kann jeder Zertifikats-Inhaber und Vorgeschlagene Anleger innerhalb des darin angegebenen Zeitraums eines der folgenden Dokumente an den Treuhänder übermitteln:

- (i) eine Angebotsmitteilung, aus der hervorgeht, dass ein solcher Zertifikats-Inhaber (bzw. vorgeschlagener Anleger) die Partizipationsschein-Zertifikate nur dann weiterhin halten (bzw. kaufen) möchte, wenn der Remarketingzinssatz mindestens genauso hoch ist wie der Vergütungssatz, der von einem solchen Zertifikats-Inhaber oder vorgeschlagenen Anleger in einer derartigen Angebotsmitteilung angegeben wird (eine solche Angebotsmitteilung wird als "**Angebotsmitteilung**" und der so angegebene Satz als "**Angegebener Angebotssatz**" bezeichnet); oder
- (ii) (nur im Hinblick auf Zertifikats-Inhaber) eine Haltemitteilung, aus der hervorgeht, dass dieser

continue to hold the Participation Capital Certificates irrespective of the level of the Remarketing Rate (the "**Hold Notice**").

A Certificate Holder who gives no notice within the time specified above, shall be deemed to have given a Hold Notice (such Hold Notice being a "**Deemed Hold Notice**").

The Remarketing shall become effective (a "**Successful Remarketing**") only if:

- (a) a quorum of Certificate Holders and/or Proposed Investors representing at least 75 per cent. of the aggregate Liquidation Entitlement of all Participation Capital Certificates rendered a Bid Notice or a Hold Notice other than a Deemed Hold Notice (the "**Remarketing Quorum**");
- (b) the Bank has determined a remarketing rate (the "**Remarketing Rate**"); and
- (c) the Bank instructs the Fiduciary to notify the Remarketing Rate to the Certificate Holders in accordance with Condition 16 (*Notices*), and the Fiduciary effects such notification, at the latest, 10 Business Days prior to the Reset Date or, as the case may be, Remuneration Payment Date following the Reset Date as of which the Remarketing is to take effect (the "**Remarketing Date**"),

provided that any Remarketing Rate shall take effect only in respect of those Certificate Holders and Proposed Investors who have rendered a Bid Notice equal to, or lower than, the Remarketing Rate, or who have rendered a Hold Notice or Deemed Hold Notice (the "**Remarketing Investors**"), and shall not become effective in respect of any other Certificate Holders.

For the avoidance of doubt, no On-Market Tender shall be made after a Remarketing

Zertifikats-Inhaber die Partizipationsschein-Zertifikate ungeachtet der Höhe des Remarketingzinssatzes weiter halten möchte (die "**Haltemitteilung**").

Macht ein Zertifikats-Inhaber innerhalb des oben angegebenen Zeitraums keine Mitteilung, wird davon ausgegangen, dass er eine Haltemitteilung gemacht hat (eine solche Haltemitteilung jeweils eine "**Angenommene Haltemitteilung**").

Das Remarketing wird nur dann wirksam (ein "**Erfolgreiches Remarketing**"), wenn:

- (a) eine Mehrheit an Zertifikats-Inhabern und/oder vorgeschlagenen Anlegern, die mindestens 75 Prozent des gesamten Liquidationsanspruchs aller Partizipationsschein-Zertifikate darstellt, eine Angebotsmitteilung oder eine Haltemitteilung, jedoch keine Angenommene Haltemitteilung, übermittelt hat (die "**Remarketingmehrheit**"),
- (b) die Bank den Remarketingzinssatz (der "**Remarketingzinssatz**") festgelegt hat, und
- (c) die Bank den Treuhänder anweist, den Zertifikats-Inhabern den Remarketingzinssatz im Einklang mit Bedingung 16 (*Mitteilungen*) mitzuteilen, und der Treuhänder eine solche Mitteilung spätestens 10 Geschäftstage vor dem Reset-Tag bzw. vor dem Vergütungszahlungstag, das auf den Reset-Tag folgt, zu dem das Remarketing wirksam werden soll (der "**Remarketingtag**"), vornimmt;

dies jedoch unter der Voraussetzung, dass der Remarketingzinssatz nur im Hinblick auf diejenigen Zertifikats-Inhaber und Vorgeschlagenen Anleger wirksam wird, die eine Angebotsmitteilung, welche genauso hoch wie oder niedriger als der Remarketingzinssatz ist, oder die eine Haltemitteilung oder eine Angenommene Haltemitteilung (die "**Remarketinganleger**") abgegeben haben, und nicht im Hinblick auf andere Zertifikats-Inhaber wirksam wird.

Der Klarheit halber wird darauf hingewiesen, dass nach Abgabe einer

Invitation has been rendered and until such time as the Remarketing has either been completed or cancelled (if such cancellation is permitted in the Remarketing Invitation).

In order to give effect to the outcome of any Successful Remarketing, the Fiduciary may, and shall if so instructed by the Bank, request that any Certificate Holder shall transfer all or part of its Participation Capital Certificates to such person as directed by the Bank against receipt of the Unreduced Liquidation Entitlement regardless of (i) whether they have provided a Bid Notice, a Hold Notice or a Deemed Hold Notice and (ii) irrespective of their Specified Bid Rate.

To the extent the Remarketing is not effective or only Hold Notices (including Deemed Hold Notices) have been received, the Rate of Remuneration to apply from the Reset Date will be the Floating Rate.

(6) Notwithstanding anything in this Condition 6, no amounts will be payable by the Fiduciary in respect of Certificate Coupon Payments, unless and until the respective payment of Remuneration has been received by or on behalf of the Fiduciary in accordance with the Agency Agreement.

(7) Under the Terms and Conditions of the Participation Capital Notes, Remuneration will be paid on each Remuneration Payment Date or, if any of these dates is not a Business Day on the next following Business Day, subject to sufficient Distributable Profits being available to the Bank as provided in more detail in Condition 6(2)(b) and (i).

(8) The Agency Agreement provides that the Paying Agent shall on behalf of the Fiduciary via the respective Clearing Systems pay all Remuneration received by or on behalf of the Fiduciary to those persons who held the Participation Capital Certificates on the relevant record date as determined by the relevant Clearing System, (each such date a "**Record Date**"), irrespective of whether, when payment is actually made by the relevant Paying Agent, the person so entitled to such payment is no

Remarketingeinladung und bis zu dem Zeitpunkt, an dem das Remarketing entweder abgeschlossen oder abgebrochen wurde, (falls ein solcher Abbruch in der Remarketingeinladung vorgesehen ist) kein On-Market Tender erfolgt.

Damit das Ergebnis eines Erfolgreichen Remarketing wirksam wird, kann der Treuhänder – und ist, wenn ihn die Bank dazu anweist dazu verpflichtet – jeden Zertifikats-Inhaber aufzufordern alle oder einen Teil seiner Partizipationsschein-Zertifikate einer vom Treuhänder designierten Person gegen Erhalt des Unverminderten Liquidationsanspruchs zu übertragen, gleichgültig ob (i) diese eine Angebotsmitteilung, eine Haltemitteilung oder eine Angenommene Haltemitteilung abgegeben haben und (ii) ohne Rücksicht auf ihren Angegebenen Angebotssatz.

Sofern das Remarketing nicht wirksam ist oder nur Haltemitteilungen (einschließlich Angenommener Haltemitteilungen) eingegangen sind, ist der Vergütungssatz, der vom Reset-Tag an gültig ist, der variable Zinssatz.

(6) Ungeachtet der in dieser Bedingung 6 dargelegten Bestimmungen sind keine Beträge im Hinblick auf die Kuponzahlungen aus Zertifikaten durch den Treuhänder zahlbar, es sei denn und nicht bevor die entsprechende Zahlung der Vergütung durch oder im Namen des Treuhänders gemäß dem Agency Vertrag entgegen genommen wurde.

(7) Gemäß den Bedingungen für die Partizipationsscheine wird an jedem Vergütungszahlungstag eine Vergütung gezahlt oder, falls einer dieser Tage kein Geschäftstag ist, am darauf folgenden Geschäftstag, vorbehaltlich, dass der Bank ausreichende Verteilungsfähige Gewinne, wie in Bedingung 6(2)(b) und (i) ausführlicher dargelegt, zur Verfügung stehen.

(8) Gemäß Agency Vertrag zahlt die Zahlstelle im Namen des Treuhänders über die jeweiligen Clearingsysteme alle vom oder im Namen des Treuhänders entgegen genommenen Vergütungen an diejenigen Personen, die die Partizipationsschein-Zertifikate am relevanten Stichtag gehalten haben, wie von dem relevanten Clearingsystem jeweils festgestellt (jedes solche Datum ein "**Stichtag**"), und zwar ungeachtet dessen, ob zum Zeitpunkt der Zahlungsvornahme durch die relevante

longer the holder of the Participation Capital Certificate to which such payment relates.

## 7. Payments; Paying Agent

- (1) So long as the Participation Capital Certificates are listed on the official list of the Luxembourg Stock Exchange and will be traded on the regulated market of the Luxembourg Stock Exchange, the Bank shall (in accordance with the terms of the Agency Agreement) ensure that there always is a principal paying agent with offices located in Luxembourg. The Fiduciary or the Bank may at any time, by giving not less than 30 days' notice in accordance with Condition 16 (*Notices*) and the Agency Agreement, appoint, subject to the approval of the Bank or the Fiduciary (as the case may be) which shall not be unreasonably withheld, one or more additional paying agents or replace the principal paying agent or a paying agent by one or more other banks or financial institutions which assume such functions, provided that no paying agent shall be appointed in the United States and no paying agent shall make payments from within the United States or its possessions. Should the paying agent located in Luxembourg be replaced by another paying agent located in Luxembourg, the Luxembourg Stock Exchange will be notified by the Fiduciary, or by the Principal Paying Agent on its behalf, and such notice will be published in the daily official list of the Luxembourg Stock Exchange. The Paying Agent shall act solely as agent for the Fiduciary and shall not have any trustee or agency relationship with the Certificate Holders.

- (2) Payments in respect of the redemption of, and of Certificate Coupon Payments on, the Participation Capital Certificates, will be made by the Paying Agent as directed by the Fiduciary pursuant to the terms of the Agency Agreement to the holder on the relevant Record Date or if such day is not a Business Day, to the holder of the Participation Capital Certificates on the immediately preceding Business Day.

All payments in respect of the Temporary Global Certificate and the Permanent Global Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon)

Zahlstelle die zu einer solchen Zahlung berechnigte Person nicht länger der Inhaber der Partizipationsschein-Zertifikate ist, auf die sich eine solche Zahlung bezieht.

## 7. Zahlungen; Zahlstelle

- (1) Solange die Partizipationsschein-Zertifikate an der *Official List* der Luxemburger Börse notiert sind und am geregelten Markt der Luxemburger Börse gehandelt werden, gewährleistet die Bank (im Einklang mit den Bedingungen des Agency Vertrags), dass stets eine Hauptzahlstelle vorhanden ist, die eine Geschäftsstelle in Luxemburg unterhält. Der Treuhänder oder die Bank kann jederzeit mit einer Frist von mindestens 30 Tagen gemäß Bedingung 16 (*Mitteilungen*) und dem Agency Vertrag, vorbehaltlich der Genehmigung durch die Bank bzw. den Treuhänder, die nicht grundlos vorenthalten werden darf, eine oder mehrere zusätzliche Zahlstellen bestimmen oder die Hauptzahlstelle oder eine Zahlstelle durch eine oder mehrere andere Banken oder Finanzinstitute ersetzen, welche diese Funktion übernehmen; dies gilt mit der Maßgabe, dass keine solche Zahlstelle sich in den Vereinigten Staaten befinden darf und keine Zahlungen aus den Vereinigten Staaten oder deren Besitzungen vorgenommen werden dürfen. Wird die in Luxemburg gelegene Zahlstelle durch eine andere Zahlstelle mit Standort in Luxemburg ersetzt, benachrichtigt der Treuhänder oder die Hauptzahlstelle in seinem Namen die Luxemburger Börse, und eine solche Benachrichtigung wird in dem täglich erscheinenden amtlichen Kursblatt der Luxemburger Börse veröffentlicht. Die Zahlstelle handelt lediglich als Vertreter des Treuhänders und steht zu den Zertifikats-Inhabern in keiner Treuhänder- oder Vertretungsbeziehung.

- (2) Zahlungen im Zusammenhang mit der Kündigung von Partizipationsschein-Zertifikaten sowie Zertifikat-Kuponzahlungen auf Partizipationsschein-Zertifikate werden von der Zahlstelle auf Anweisung des Treuhänders gemäß den Bedingungen des Agency Vertrag am relevanten Stichtag oder, falls ein solcher Tag kein Geschäftstag ist, an dem unmittelbar vorhergehenden Geschäftstag, an den Zertifikatsinhaber vorgenommen.

Alle Zahlungen im Zusammenhang mit dem Vorläufigen Globalzertifikat und dem Dauer-Globalzertifikat werden gegen Vorlage und (bei Zahlung der gesamten Kapitalsumme sowie aller darauf

surrender of the Temporary Global Certificate or (as the case may be) the Permanent Global Certificate at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Fiduciary in respect of the Participation Capital Certificates. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Certificate or (as the case may be) the Permanent Global Certificate, the Fiduciary shall procure that the same is noted in a schedule thereto.

- (3) On the date on which payments described in Condition 6(1) (*Certificate Coupon Payments; Remarketing*), are payable under the Terms and Conditions of the Participation Capital Notes to the Fiduciary in accordance with their respective terms, such amounts will be payable to the Certificate Holders by or on behalf of the Fiduciary, *pro rata*, on the Participation Capital Certificates, subject to actual receipt of such amounts by or on behalf of the Fiduciary.

If the due date for payment of any amount in respect of the Participation Capital Notes is not a Business Day in the place of presentation, the Fiduciary shall not be entitled to payment of the amount due until the next following Business Day in such place and shall not be entitled to any further Remuneration or other payment in respect of any such delay.

- (4) All payments shall be made outside the United States and its possessions. No demand for payment of Certificate Coupon Payments may be made within the United States or its possessions. No Certificate Coupon Payments may be paid into an account within or mailed to an address within in the United States.
- (5) Payments will be made in the case of a Permanent Global Certificate, by wire transfer in immediately available funds to EUR accounts maintained by each Clearing System or their respective nominee on or before the Record Date.

aufgelaufener Zinsen) Übergabe des Vorläufigen Globalzertifikats bzw. des Dauer-Globalzertifikats in der jeweils Angegebenen Niederlassung der Zahlstelle vorgenommen und erfüllen sowie entbinden den Treuhänder von seinen entsprechenden Pflichten im Zusammenhang mit den jeweiligen Partizipationsschein-Zertifikaten. Jedes Mal, wenn eine Zahlung der Kapitalsumme oder der Zinsen im Zusammenhang mit dem Vorläufigen Globalzertifikat bzw. dem Dauer-Globalzertifikat vorgenommen wird, sorgt der Treuhänder dafür, dass diese in einem diesbezüglichen Verzeichnis eingetragen wird.

- (3) An dem Datum, an dem die in Bedingung 6(1) (*Kuponzahlungen aus Zertifikaten; Remarketing*) beschriebenen Zahlungen gemäß den Bedingungen für die Partizipationsscheine an den Treuhänder im Einklang mit ihren jeweiligen Bedingungen zahlbar sind, sind solche Beträge an die Zertifikats-Inhaber durch oder im Namen des Treuhänders anteilig auf die Partizipationsschein-Zertifikate vorbehaltlich des tatsächlichen Erhalts solcher Beträge durch oder im Namen des Treuhänders zahlbar.

Wenn das Fälligkeitsdatum für die Zahlung eines Betrags im Zusammenhang mit den Partizipationsscheinen an dem Ort der Vorlage kein Geschäftstag ist, ist der Treuhänder bis zum nächst folgenden Geschäftstag an einem solchen Ort nicht zum Empfang der Zahlung des fälligen Betrags sowie zu keiner weiteren Vergütung oder sonstigen Zahlung im Zusammenhang mit einer solchen Verzögerung berechtigt.

- (4) Alle Zahlungen werden außerhalb der Vereinigten Staaten und ihren Besitzungen vorgenommen. Aufforderungen zur Vornahme von Zertifikat-Kuponzahlungen dürfen innerhalb der Vereinigten Staaten oder deren Besitzungen nicht erfolgen. Ferner dürfen keine Zertifikat-Kuponzahlungen auf ein Konto innerhalb der Vereinigten Staaten eingezahlt oder an eine in den Vereinigten Staaten gelegene Anschrift gesandt werden.
- (5) Zahlungen im Zusammenhang mit Dauer-Globalzertifikaten werden am oder vor dem Stichtag durch Überweisung in unmittelbar zur Verfügung stehenden Mitteln auf Euro-Konten vorgenommen, die von jedem Clearingsystem oder deren jeweiligen Bevollmächtigten unterhalten werden.

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|---|---|
| <p>(6) None of the Fiduciary, the Bank and the Paying Agent will have any responsibility or liability for (i) any aspects of the records maintained by the Clearing Systems or their respective nominee or any of their direct or indirect participants relating to or payments made on account of beneficial interests in a Permanent Global Certificate or (ii) any aspect of the records relating to or payments made on account of beneficial ownership interests in a Permanent Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. As set out in a letter of representations from the Fiduciary to the Clearing Systems and accepted by the Clearing Systems, the Clearing Systems or their respective nominee, upon receipt of any payment in respect of the redemption of and Certificate Coupon Payments on a Permanent Global Certificate, will immediately credit the respective participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Permanent Global Certificate, as shown on their respective records. Pursuant also to such letter payments by participants to owners of beneficial interests in a Permanent Global Certificate held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for the customers. Such payments will be the responsibility of the participants.</p> | <p>(6) Weder der Treuhänder, noch die Bank oder die Zahlstelle tragen die Verantwortung oder haften für (i) irgendwelche Aspekte hinsichtlich der von den Clearingsystemen oder ihren jeweiligen Beauftragten bzw. sonstigen direkten oder indirekten Teilnehmern aufgezeichnete Unterlagen über Zahlungen oder die Zahlungen selbst, die in Bezug auf das wirtschaftliche Eigentum an einem Dauer-Globalzertifikat vorgenommen werden, oder für (ii) irgendwelche Aspekte hinsichtlich der Unterlagen über Zahlungen oder die Zahlungen selbst, die in Bezug auf das wirtschaftliche Eigentum an einem Dauer-Globalzertifikat vorgenommen werden, oder hinsichtlich der Aufbewahrung, Überwachung oder Überprüfung von Unterlagen, die sich auf das wirtschaftliche Eigentum beziehen. Wie in der schriftlichen Erklärung des Treuhänders an die Clearingsysteme dargelegt und von diesen akzeptiert, schreiben die Clearingsysteme oder deren jeweilige Beauftragte nach Erhalt von Zahlungen im Zusammenhang mit der Kündigung von und Kuponzahlungen aus Zertifikaten auf ein Dauer-Globalzertifikat den Konten der jeweiligen Teilnehmer die Zahlungen in Beträgen unmittelbar gut, die ihrem jeweiligen wirtschaftlichen Eigentum an der Kapitalsumme eines solchen Dauer-Globalzertifikats (wie in den jeweiligen Unterlagen ausgewiesen) entsprechen. Ebenfalls gemäß einer solchen Erklärung unterliegen Zahlungen von Teilnehmern an Inhaber mit wirtschaftlichem Eigentum an einem Dauer-Globalzertifikat, das von den Teilnehmern gehalten wird, Daueranweisungen sowie den üblichen Praktiken, welche bei Wertpapieren zum Einsatz kommen, die im Namen von Kunden gehalten werden, jedoch auf die Namen deren Bevollmächtigten eingetragen sind. Solche Zahlungen liegen in der Verantwortung der Teilnehmer.</p> |
| <p>(7) All payments made by or on behalf of the Fiduciary to, or to the order of the Principal Paying Agent for payment to the Certificate Holders in accordance with this Condition 7 shall discharge the Fiduciary from its obligations with respect to the Participation Capital Certificates to the extent of the sums paid to the Principal Paying Agent.</p>  | <p>(7) Alle Zahlungen, die vom oder im Namen des Treuhänders an oder an die Order der Hauptzahlstelle zur Zahlung an die Zertifikats-Inhaber im Einklang mit dieser Bedingung 7 vorgenommen werden, entbinden den Treuhänder von seinen Pflichten im Zusammenhang mit den Partizipationsschein-Zertifikaten in dem Umfang der an die Hauptzahlstelle gezahlten Beträge.</p>   |
| <p>(8) For the avoidance of doubt, Certificate Holders will not be entitled to any payment in respect of the Participation Capital Certificates other than payment of</p>   | <p>(8) Der Klarheit halber wird darauf hingewiesen, dass die Zertifikats-Inhaber zu keinen Zahlungen im Zusammenhang mit den Partizipationsschein-Zertifikaten</p>  |

redemption of the Participation Capital Certificates (as provided for in Condition 5 (*Redemption and On-Market Tender of the Participation Capital Certificates*)) and Certificate Coupon Payments (as provided for in Condition 6 (*Certificate Coupon Payments; Remarketing*)) subject, in each case, to the Fiduciary having actually received payments from the Bank and subject to any deductions of whatever nature, including but not limited to withholding Taxes under Condition 9 (*Taxation*) of the Terms and Conditions of the Participation Capital Notes.

## 8. Enforcement of Claims

- (1) Certificate Holders' enforcement rights against the Fiduciary are limited. Direct action against the Fiduciary as issuer of the Participation Capital Certificates may only be brought if the Fiduciary defaults on payments to the Certificate Holders of amounts actually received under the Participation Capital Notes and due to Certificate Holders.
- (2) Action in relation to payment defaults under the Participation Capital Notes may only be brought by the Fiduciary and not by Certificate Holders.
- (3) Upon a default with respect to any amounts owed to the Fiduciary by the Bank, the Fiduciary may seek at any time at its discretion and without notice any remedy available to it under applicable law.
- (4) Under the Terms and Conditions of the Participation Capital Certificates, the Fiduciary will only be bound to seek any such remedy if (i) it shall have been so directed either by an extraordinary resolution of the Certificate Holders and (ii) it shall have been indemnified by the relevant Certificate Holders to its reasonable satisfaction.
- (5) The terms of the Participation Capital Certificates provide that an action against the Fiduciary may only be brought in the district court of Luxembourg. If the Fiduciary fails to take legal action against the Bank in respect of the Participation Capital Notes within a reasonable time, then the Certificate Holders may be entitled,

berechtigt sind, außer Zahlungen bei Kündigung der Partizipationsschein-Zertifikate (wie in Bedingung 5 (*Kündigung und On-Market Tender der Partizipationsschein-Zertifikate*) dargelegt) sowie Zahlungen bezüglich Kuponzahlungen aus Zertifikaten (wie in Bedingung 6 (*Kuponzahlungen aus Zertifikaten; Remarketing*) dargelegt); dies jedoch in jedem Fall unter der Voraussetzung, dass der Treuhänder von der Bank tatsächlich Zahlungen erhalten hat nach Berücksichtigung von jeglichen Abzügen inklusive etwaiger Quellensteuer gemäß Bedingung 9 (*Besteuerung*) der Bedingungen für die Partizipationsscheine.

## 8. Geltendmachung von Ansprüchen

- (1) Die Rechte auf Geltendmachung von Ansprüchen der Zertifikats-Inhaber gegen den Treuhänder sind beschränkt. Gegen den Treuhänder als Emittent der Partizipationsschein-Zertifikate können direkte Klagen nur im Falle von dessen Nichtzahlung von Beträgen erhoben werden, die tatsächlich gemäß den Partizipationsscheinen vereinnahmt wurden und den Zertifikats-Inhabern geschuldet werden.
- (2) Klagen im Zusammenhang mit Nichtzahlungen auf Grund der Partizipationsscheine können nur vom Treuhänder, nicht jedoch von den Zertifikats-Inhabern erhoben werden.
- (3) Befindet sich die Bank im Hinblick auf dem Treuhänder geschuldete Beträge in Verzug, kann der Treuhänder jederzeit nach eigenem Ermessen und ohne Mitteilung gemäß geltendem Recht die ihm zur Verfügung stehenden Rechtsbehelfe einsetzen.
- (4) Der Treuhänder ist gemäß den Bedingungen der Partizipationsschein-Zertifikate zur Einlegung solcher Rechtsbehelfe jedoch nur dann verpflichtet, wenn er (i) entweder durch außerordentlichen Beschluss der Zertifikats-Inhaber dazu angewiesen und (ii) von den entsprechenden Zertifikats-Inhabern in der ihm genügenden Weise entschädigt wurde.
- (5) Gemäß den Bedingungen der Partizipationsschein-Zertifikate können Klagen gegen den Treuhänder nur vor dem Bezirksgericht von Luxemburg erhoben werden. Leitet der Treuhänder innerhalb eines angemessenen Zeitraums hinsichtlich der Partizipationsscheine keine rechtlichen Schritte gegen die Bank ein, sind die

subject to certain conditions, to institute legal actions against the Bank in respect of the Participation Capital Notes on behalf of the Fiduciary.

- (6) Any action or refraining from taking any action by the Fiduciary pursuant to this Condition 8 will be for the account of and at the cost of the Certificate Holders and, notwithstanding anything that may be provided to the contrary in these Conditions, the Fiduciary will only be liable in respect of any such action or omission constituting gross negligence (*grobe Fahrlässigkeit*), or wilful misconduct (*Vorsatz*) on its part.

- (7) No demand for payment on the Participation Capital Certificates may be made within the United States or its possessions.

**9. Non-Exercise of Certain Rights of the Fiduciary under the Participation Capital Notes**

- (1) The Fiduciary has stated that it will not exercise any right (i) with respect to the protection against dilution of its investment and (ii) to take part in the general assembly (*Hauptversammlung*) of the Bank and request information about the affairs of the Bank during such meeting under Sec 23(5) of the Austrian Banking Act (*Bankwesengesetz*). The Bank, however, has granted the Fiduciary the right to participate (in the Fiduciary's sole discretion) in a special general assembly (*Hauptversammlung*), if any, convened for holders of participation capital only and to request information about the affairs of the Bank during such meeting.

- (2) The Fiduciary will not exercise any rights as holder of the Participation Capital Notes other than (a) when such action relates to enforcement of rights in accordance with Condition 8 (*Enforcement of Claims*), (b) when such actions are contemplated by the Terms and Conditions of the Participation Capital Notes or (c) otherwise, unless it has been instructed to do so by an Extraordinary Resolution (as defined in the Agency Agreement) of Certificate Holders and it has been indemnified to its reasonable satisfaction by the Certificate Holders (including, in relation to (c), in the event of and in regard to its participation in a special general assembly (*Hauptversammlung*) of participation capital holders as referenced in

Zertifikats-Inhaber unter bestimmten Voraussetzungen berechtigt, im Namen des Treuhänders bezüglich der Partizipationsscheine rechtliche Schritte gegen die Bank einzuleiten.

- (6) Alle Handlungen, die der Treuhänder gemäß dieser Bedingung 8 vornimmt oder unterlässt, erfolgen im Namen und auf Kosten der Zertifikats-Inhaber, und ungeachtet etwaiger gegenteiliger Bestimmungen in diesen Bedingungen ist der Treuhänder nur für Handlungen oder Unterlassungen haftbar, die auf grobe Fahrlässigkeit oder Vorsatz zurückgeführt werden können.

- (7) Aufforderungen zur Zahlung im Rahmen der Partizipationsschein-Zertifikate dürfen innerhalb der Vereinigten Staaten oder ihren Besitzungen nicht erfolgen.

**9. Nichtausübung bestimmter Rechte des Treuhänders aus den Partizipationsscheinen**

- (1) Der Treuhänder hat erklärt, dass er keine Rechte ausübt, (i) in Bezug auf den Schutz gegen Verwässerung seiner Investition (ii) zur Teilnahme an der Hauptversammlung der Bank und zur Auskunftserteilung über die Angelegenheiten der Bank im Verlauf solcher Hauptversammlungen gemäß § 23 Absatz (5) des Bankwesengesetzes. Die Bank hat dem Treuhänder jedoch (nach dessen alleinigem Ermessen) das Recht eingeräumt, ggf. an außerordentlichen Hauptversammlungen teilzunehmen, die lediglich für die Inhaber von Partizipationskapital einberufen werden und im Verlauf solcher Versammlungen Auskunft über die Angelegenheiten der Bank zu verlangen.

- (2) Der Treuhänder übt keine Rechte als Inhaber der Partizipationsscheine aus, es sei denn, (a) solche Handlungen beziehen sich auf die Durchsetzung der Rechte gemäß Bedingung 8 (*Durchsetzung von Ansprüchen*), (b) solche Handlungen sind in den Bedingungen der Partizipationsscheine vorgesehen oder (c) es liegen andere Gründe vor, vorausgesetzt, er wird im Rahmen eines (im Agency Vertrag festgelegten) außerordentlichen Entschlusses der Zertifikats-Inhaber dazu angewiesen und zu seiner angemessenen Zufriedenheit von den Zertifikats-Inhabern entschädigt (einschließlich in Bezug auf (c) im Falle von und in Bezug auf die Teilnahme an einer außerordentlichen Hauptversammlung der Inhaber von Partizipationskapital wie in



Condition 3(4) (*Fiduciary*)).

- (3) No Certificate Holder shall be authorized to exercise any of the Fiduciary's rights described in Condition 9(1) under any circumstances.
- (4) The Fiduciary will accept any notice or confirmation or other statement from or on behalf of the Bank as to any calculation or determination made pursuant to the Terms and Condition of the Participation Capital Notes and shall not be liable in respect thereof or be obliged to make any verification in respect thereof.

**10. Taxation**

- (1) All payments in respect of the Certificates shall be made by the Fiduciary without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the Grand Duchy of Luxembourg or by or on behalf of any political subdivision or authority therein or thereof having power to tax, unless such deduction or withholding is required by law.
- (2) If the Fiduciary, or the Principal Paying Agent making payments on behalf of the Fiduciary, is required pursuant to Condition 10(1) to make a deduction or withholding when it passes a payment received from the Bank on to the Certificate Holders the Principal Paying Agent shall advise the Bank of the amount (the "**Luxembourg Gross-Up Amount**") by which the Bank would have to increase any payment made to the Fiduciary to enable (after the Fiduciary so withholds or deducts) the Fiduciary to pay Certificate Holders an amount equal to the payment which would have been due if the Fiduciary or the Principal Paying Agent, making payments on behalf of the Fiduciary, would not so withhold or deduct and furnish the Bank with documentation evidencing the deduction or withholding obligation and the Luxembourg Gross-Up Amount. The Fiduciary shall pay an amount equal to such Luxembourg Gross-Up Amount to the Certificate Holders to the extent only that the Fiduciary receives an equivalent amount from the Bank under the Terms and Conditions of the Participation Capital Notes and provided that no such Luxembourg Gross-Up Amount shall be payable with respect to any payment on a

Bedingung 3(4) angegeben (*Treuhänder*)).

- (3) Zertifikats-Inhaber sind unter keinen Umständen befugt, die in Bedingung 9 (1) beschriebenen Rechte des Treuhänders auszuüben.
- (4) Der Treuhänder nimmt Mitteilungen, Bestätigungen oder sonstige Erklärungen, die von der Bank oder in deren Namen in Bezug auf die Berechnung oder Bestimmung gemäß den Bedingungen der Partizipationsscheine gemacht werden, entgegen und ist für diese weder haftbar noch zu deren Bestätigung verpflichtet.

**10. Besteuerung**

- (1) Alle Beträge in Bezug auf die Zertifikate sind ohne Abzüge oder Einbehalte für oder auf Grund derzeitiger oder künftiger Steuern, Zollgebühren oder Abgaben, die vom, im oder namens des Großherzogtums Luxemburg, dessen steuerungsberechtigten Gebietskörperschaften oder Behörden auferlegt, erhoben oder eingezogen werden, vom Treuhänder zu zahlen, soweit solche Abzüge bzw. Einbehalte nicht gesetzlich vorgeschrieben sind.
- (2) Falls der Treuhänder oder die Hauptzahlstelle, die im Namen des Treuhänders Zahlungen vornimmt, gemäß Bedingung 10(1) verpflichtet ist, Abzüge oder Einbehalten vorzunehmen, wenn eine von der Bank erhaltene Zahlung an die Zertifikats-Inhaber weitergeleitet wird, so teilt die Hauptzahlstelle der Bank den Betrag mit (der "**Luxembourg- Gross-Up Betrag**"), um den die Bank die an den Treuhänder geleisteten Zahlungen erhöhen müsste, damit der Treuhänder (nach Abzug oder Einbehalt seitens des Treuhänders) dem Zertifikats-Inhaber einen Betrag auszahlen kann, der dem Betrag entspricht, der fällig gewesen wäre, wenn der Treuhänder oder die Hauptzahlstelle, die im Namen des Treuhänders Zahlungen vornimmt, keine Abzüge oder Einbehalte vorgenommen hätte, und stellt der Bank Unterlagen zur Verfügung, welche die Verpflichtung zum Abzug bzw. zum Einbehalt und den Luxembourg-Gross-Up Betrag nachweisen. Der Treuhänder zahlt den Zertifikats-Inhabern diesen dem Luxembourg-Gross-Up Betrag entsprechenden Betrag nur in dem Umfang, in dem der Treuhänder den entsprechenden Betrag von der Bank gemäß den Bedingungen der Partizipationsscheine erhält und unter der Voraussetzung, dass Luxembourg- Gross-Up Betrag nicht in

Certificate:

- (a) to, or to a third party on behalf of, a Certificate Holder who is subject to taxation in respect of Certificates by reason of this having some connection with Luxembourg or any other country from or out of which the Fiduciary or the Principal Paying Agent on behalf of the Fiduciary, makes payments, other than the mere holding of Certificates;
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November, 2000 or any other conclusions or decisions relating to the outcome of that meeting or any law implementing or complying with, or introduce in order to conform to, such directive;
- (c) presented for payment by or on behalf of a Certificate Holder who would have been able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority or by presenting the relevant Certificate to another paying agent in another EU Member State but fails to do so,
- (d) by any person acting as custodian bank or collecting agent on behalf of a Certificate Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Fiduciary from payments of principal or interest made by it, or
- (e) more than 30 days after the date on which the payment in question first becomes due.

(3) The Fiduciary will have no obligation to pay

Bezug auf folgende Zahlungen auf Zertifikate zahlbar sind:

- (a) Zahlungen an einen Zertifikats-Inhaber oder an Dritte im Namen eines Zertifikats-Inhabers, der auf Grund einer Verbindung mit Luxemburg oder anderen Ländern in Bezug auf die Zertifikate steuerlich veranlagt wird, von bzw. aus denen der Treuhänder oder die Hauptzahlstelle im Namen des Treuhänders Zahlungen leistet, ausgenommen die ledigliche Verwahrung der Zertifikate;
- (b) wenn solche Abzüge oder Einbehalte für Zahlungen an natürliche Personen vorgeschrieben und gemäß Richtlinie 2003/48/EG oder einer anderen Richtlinie zu leisten sind, mit der die Beschlüsse des ECOFIN-Treffens am 26. bis 27. November 2000 oder andere Beschlüsse oder Entscheidungen in Bezug auf das Ergebnis dieses Treffens oder sonstige Gesetze umgesetzt oder eingehalten bzw. zur Befolgung der Richtlinien eingeführt werden;
- (c) die vom oder im Namen eines Zertifikats-Inhabers zur Zahlung vorgelegt werden, der solche Abzüge oder Einbehalte bei Abgabe einer Erklärung zur Nichtansässigkeit oder zu einem sonstigen Befreiungsanspruch gegenüber den zuständigen Steuerbehörden oder bei Vorlage des jeweiligen Zertifikats bei einer anderen Zahlstelle in einem anderen EU-Mitgliedstaat hätte vermeiden können, dies aber unterlässt, oder
- (d) im Falle von juristischen Personen, die als Depotbank oder Inkassobeauftragte im Namen eines Zertifikats-Inhabers handeln oder anderweitig in einer Art und Weise tätig sind, die keinen Abzug oder keinen Einbehalt durch den Treuhänder aus von ihm geleisteten Kapital- oder Zinszahlungen erforderlich macht, oder
- (e) mehr als 30 Tage nach dem Datum, an dem die jeweilige Zahlung fällig wird.

(3) Der Treuhänder ist nicht verpflichtet,

amounts by way of gross-up with respect to any amounts withheld or deducted other than to pass on Luxembourg Gross-Up Amounts (less amounts which must be deducted or withheld) received by or on behalf of the Fiduciary pursuant to the Principal Paying Agency Agreement to Certificate Holders. Luxembourg Gross-Up Amounts received in such manner will be paid *pro rata* on the Participation Capital Certificates.

Zahlungen in Bezug auf Bruttozinsen hinsichtlich abzogener oder einbehaltener Beträge zu zahlen, außer zur Weiterleitung luxemburgischer Bruttozinsbeträge (abzüglich einbehalt- oder abzugspflichtiger Beträge) und die vom oder im Namen vom Treuhänder gemäß dem Agency Vertrag mit der Hauptzahlstelle an die Zertifikats-Inhaber gezahlt werden. Die so erhaltenen luxemburgischen Bruttozinsbeträge werden *anteilsmäßig* auf die Partizipationsschein-Zertifikate ausgezahlt.

## 11. Preservation of Regulatory Capital

By purchasing the Participation Capital Certificates, the Certificate Holders are deemed to acknowledge and agree that the Fiduciary is permitted to refrain from paying them any payment received by it from the Bank in respect of the Participation Capital Notes if the Fiduciary reasonably believes that such payment has been made otherwise than in accordance with the Terms and Conditions of the Participation Capital Notes. The Fiduciary shall not incur any liability, if such determination is made based on the opinion of counsel of recognized standing selected by the Fiduciary.

## 11. Erhaltung der Eigenkapitalausstattung

Durch den Kauf von Partizipationsschein-Zertifikaten erklären sich die Zertifikats-Inhaber damit einverstanden, dass der Treuhänder befugt ist, keine von der Bank in Bezug auf die Partizipationsscheine erhaltenen Beträge an sie auszuzahlen, wenn der Treuhänder begründet davon ausgeht, dass die Zahlung nicht gemäß den Bedingungen der Partizipationsscheine geleistet wurde. Der Treuhänder ist nicht haftbar, wenn eine solche Feststellung auf Grundlage der Rechtsansicht eines vom Treuhänder ausgewählten, anerkannten Rechtsanwalts getroffen wird.

## 12. Set-Off

- (1) The Certificate Holders may not set-off any claims arising under the Participation Capital Certificates against any claims of the Fiduciary or the Bank.
- (2) The Fiduciary will not be obliged to exercise, for its own or the Certificate Holders' benefit, any rights of set-off, banker's lien or to combine accounts of counter-claim that may arise out of other transactions between the Fiduciary and the Bank.

## 12. Aufrechnung

- (1) Die Zertifikats-Inhaber sind nicht berechtigt, Ansprüche aus den Partizipationsschein-Zertifikaten gegen Ansprüche des Treuhänders oder der Bank aufzurechnen.
- (2) Der Treuhänder ist nicht verpflichtet, zu eigenen Gunsten oder zugunsten der Zertifikats-Inhaber Rechte hinsichtlich der Aufrechnung von Bankenpfandrechten auszuüben oder Gegenansprüche zusammenzulegen, die sich aus anderen Transaktionen zwischen dem Treuhänder und der Bank ergeben können.

## 13. Resignation and Substitution

- (1) By subscribing to, or otherwise acquiring the Participation Capital Certificates the Certificate Holders expressly consent to the substitution of the Fiduciary and to the release of the Fiduciary from any and all obligations in respect of the Participation Capital Certificates and any relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof.
- (2) The Bank may, individually and without the consent of the Certificate Holders or the Fiduciary, at any time, substitute another

## 13. Rücktritt und Ersatz

- (1) Mit der Zeichnung oder dem sonstigen Erwerb der Partizipationsschein-Zertifikate erklären sich die Zertifikats-Inhaber ausdrücklich mit der Substitution des Treuhänders und der Entbindung des Treuhänders von allen Pflichten in Bezug auf die Partizipationsschein-Zertifikate und allen entsprechenden Verträgen einverstanden. Der Ersatz und die damit verbundenen Folgen gelten von den Zertifikats-Inhabern als ausdrücklich angenommen.
- (2) Die Bank kann den Treuhänder eigenständig und ohne Zustimmung der Zertifikats-Inhaber oder des Treuhänders jederzeit

financial institution (the "**New Fiduciary**") for the Fiduciary, as the Fiduciary, and, in the event of an insolvency and/or liquidation of the Fiduciary, is obliged to use its best efforts to substitute the Fiduciary with a New Fiduciary, provided however, in each case, that (a) the Participation Capital Notes do not form part of the New Fiduciary's estate available for the satisfaction of the New Fiduciary's preferred and general creditors under applicable liquidation and insolvency laws and are not available for attachment or otherwise by or for such creditors, (b) the New Fiduciary assumes all rights and obligations (if any), with respect to the Fiduciary Contract, the Participation Capital Notes and the Participation Capital Certificates, (c) the New Fiduciary has obtained all necessary regulatory and other approvals for the substitution, (d) the New Fiduciary qualifies as a fiduciary under the Trust and Fiduciary Contracts Law 2003, (e) the substitution does not result in the obligation to pay any Additional Amounts under or in respect of any payments made under the Participation Capital Notes, and (f) the substitution does not result in any violation of law.

(3) Upon any substitution pursuant to Condition 13(2), Condition 13(5) or Condition 13(6), the Fiduciary shall be released from all of its obligations under the Fiduciary Contract, the Participation Capital Notes and the Participation Capital Certificates and any reference in these Conditions and in the Terms and Conditions of the Participation Capital Notes to the Fiduciary shall be deemed to refer to the New Fiduciary (or, as the case may be, the SPV Substitute Issuer as defined below), and any reference to Luxembourg in Condition 10 (*Taxation*) shall be deemed to refer to the jurisdiction in which the New Fiduciary (or, as the case may be, the SPV Substitute Issuer) is organised or resident for tax purposes.

(4) No termination, resignation and/or substitution of the Fiduciary will be effective pursuant to Condition 13(2), Condition 13(5) or Condition 13(6), unless and until (i) 30 days' prior notice thereof has been given to the Certificate Holders specifying the name, address and fax number of the New Fiduciary or, as the case may be, the SPV Substitute Issuer and (ii)

durch anderes Finanzinstitut ersetzen (der "**Neue Treuhänder**") und ist im Falle der Zahlungsunfähigkeit und/oder Liquidierung des Treuhänders verpflichtet, sich nach Kräften um den Ersatz des Treuhänders durch einen neuen Treuhänder zu bemühen; dies jeweils mit der Maßgabe, dass (a) die Partizipationsscheine nicht Teil des Vermögens des Neuen Treuhänders sind, das für die Befriedigung der bevorrechtigten und nicht bevorrechtigten Gläubiger des Neuen Treuhänders gemäß geltenden Gesetzen zu Liquidierung und Insolvenz zur Verfügung steht und nicht verpfändet oder auf sonstige Weise von oder für solche Gläubiger in Anspruch genommen werden kann (b) der Neue Treuhänder alle Rechte und (ggf.) Pflichten in Bezug auf den Treuhandvertrag, die Partizipationsscheine und die Partizipationsschein-Zertifikate übernimmt, (c) der neue Treuhänder alle notwendigen aufsichtsbehördlichen und sonstigen Genehmigungen für den Ersatz eingeholt hat, (d) der neue Treuhänder unter dem Trust and Fiduciary Contracts Law 2003 als Treuhänder qualifiziert, (e) der Ersatz nicht dazu führt, dass Zusätzliche Beträge unter oder in Bezug auf die im Zusammenhang mit den Partizipationsscheinen geleisteten Zahlungen anfallen und (f) der Ersatz keine Gesetze verletzt.

(3) Nach einem Ersatz gemäß Bedingung 13(2), Bedingung 13(5) oder Bedingung 13(6) wird der Treuhänder von allen Pflichten gemäß dem Treuhandvertrag, den Partizipationsscheinen und den Partizipationsschein-Zertifikaten entbunden. Alle Bezugnahmen in diesen Bedingungen und in den Bedingungen der Partizipationsscheine auf den Treuhänder beziehen sich dann auf den Neuen Treuhänder (bzw. auf den nachfolgend definierten SPV-Ersatzemittenten) und Bezugnahmen auf Luxemburg in Bedingung 10 (*Besteuerung*) beziehen sich dann auf jenes REchssystem, in dem der neue Treuhänder (bzw. der SPV-Ersatzemittent) eingetragen bzw. im steuerrechtlichen Sinne ansässig ist.

(4) Kündigung, Rücktritt und/oder Ersatz des Treuhänders gemäß Bedingung 13(2), Bedingung 13(5) oder Bedingung 13(6) werden erst dann wirksam, wenn (i) diese den Zertifikats-Inhabern mit einer Frist von 30 Tagen unter Angabe von Namen, Adresse und Faxnummer des Neuen Treuhänders bzw. des SPV-Ersatzemittenten mitgeteilt wurden und (ii) der Neue

the New Fiduciary or, as the case may be, the SPV Substitute Issuer, has effectively assumed the rights and obligations of the Fiduciary under these Conditions and under the Terms and Conditions of the Participation Capital Notes.

- (5) Subject always to Condition 13(4), the Fiduciary may, with effect as of the Reset Date or any Remuneration Payment Date falling after the Reset Date, resign upon giving not less than one year's prior written notice to the Bank. In addition, in case the Fiduciary is considered to be an "issuer" as defined in Article 2(1)(d) of Directive 2004/109/EC (the "**Transparency Directive**") by binding decision of the CSSF or any other competent authority solely due to the fact that the Fiduciary is the issuer of the Participation Capital Certificates and is thus obliged to comply with the disclosure requirements set out in the Transparency Directive, the Fiduciary may, with effect as of 18 June 2009 resign upon giving not less than twelve month's prior written notice to the Bank. In case of a resignation of the Fiduciary the Bank shall appoint a New Fiduciary in accordance with Condition 13(2), provided that the Fiduciary shall inform the Certificate Holders of such resignation within ten (10) Business Days thereof, and the Bank shall inform the Certificate Holders of such appointment no later than ten (10) Business Days before such appointment takes effect, all in accordance with Condition 16 (Notices). If no New Fiduciary is appointed by the Bank in accordance with Condition 13(2) during a period of six months following delivery of the Fiduciary's resignation notice to the Bank, the Fiduciary shall have the right to appoint a New Fiduciary, which shall, however, meet the same requirements as stipulated in Condition 13(2)(a) to (f). If the Fiduciary determines, in its sole discretion, that it is unable to identify a New Fiduciary, it may appoint any entity (whether or not such entity meets the requirements stipulated in Condition 13(2)(a) to (f) to substitute the Fiduciary as issuer of the Participation Capital Certificates (such entity, the "**SPV Substitute Issuer**") and transfer all Participation Capital Notes to the SPV Substitute Issuer, in which case the Fiduciary Contract shall (upon such appointment taking effect) terminate and the rights of the Certificate Holders under the Fiduciary Contract shall be replaced by a right against the SPV Substitute Issuer for on-payment to the Certificate Holders of any payments received by the SPV Substitute

Treuhänder bzw. SPV-Ersatzemittent die Rechte und Pflichten des Treuhänders gemäß diesen Bedingungen und den Bedingungen der Partizipationsscheine wirksam übernommen hat.

- (5) Vorbehaltlich von Bedingung 13(4) kann der Treuhänder mit Wirkung vom Reset-Tag oder einem Vergütungszahlungstag nach dem Reset-Tag mit einer Frist von mindestens einem Jahr der Bank gegenüber schriftlich kündigen. ; Zusätzlich kann der Treuhänder für den Fall, dass dieser durch eine rechtlich verbindliche Entscheidung der CSSF oder einer anderen zuständigen Behörde als "Emittent" gemäß der Definition des Artikels 2(1)(d) unter der Richtlinie 2004/109/EC (die "**Transparenzrichtlinie**") angesehen wird, alleine aufgrund der Tatsache, dass der Treuhänder der Emittent der Partizipationsschein-Zertifikate ist, und daher verpflichtet ist, die Veröffentlichungspflichten der Transparenzrichtlinie einzuhalten, mit Wirksamkeit des 18 Juni 2009 kündigen unter Einhaltung einer Kündigungsfrist von nicht weniger als 12 Monaten und vorheriger schriftlicher Bekanntgabe der Kündigung an die Bank. In diesem Fall ernannt die Bank gemäß Bedingung 13(2) einen neuen Treuhänder, vorausgesetzt, dass der Treuhänder die Zertifikats-Inhaber innerhalb von zehn (10) Geschäftstagen nach der Kündigung von derselben unterrichtet und die Bank die Zertifikats-Inhaber mindestens zehn (10) Geschäftstage vor Inkrafttreten der Ernennung von einer solchen Ernennung unterrichtet, wobei jeweils die Bestimmungen von Bedingung 16 (*Mitteilungen*) einzuhalten sind. Ernennet die Bank gemäß Bedingung 13(2) innerhalb einer Frist von sechs Monaten nach Zustellung der Kündigung des Treuhänders an die Bank keinen neuen Treuhänder, hat der Treuhänder das Recht, einen neuen Treuhänder zu ernennen, der jedoch die gleichen Bedingungen wie in Bedingung 13(2)(a) bis (f) festgelegt, erfüllen muss. Stellt der Treuhänder im alleinigen Ermessen fest, dass er zur Benennung eines neuen Treuhänders nicht in der Lage ist, kann er eine beliebige juristische Person ernennen (unabhängig davon, ob diese juristische Person die Bedingungen wie in Bedingung 13(2)(a) bis (f) festgelegt erfüllt), die als Ersatz für den Treuhänder als Emittent der Partizipationsschein-Zertifikate (diese juristische Person wird als "**SPV-Ersatzemittent**" bezeichnet) auftritt und alle

Issuer under the Participation Capital Notes. When appointing the SPV Substitute Issuer, the Bank shall procure that the SPV Substitute Issuer will secure such right through a pledge or equivalent security right over the Participation Capital Notes and (to the extent legally feasible) all other assets of the SPV Substitute Issuer, to be granted by the SPV Substitute Issuer to a security trustee for the benefit of the Certificate Holders. For the avoidance of doubt, and irrespective of the termination of the Fiduciary Contract upon the appointment of the SPV Substitute Issuer becoming effective, these Conditions shall (except where the context requires otherwise) remain unaffected by the appointment of the SPV Substitute Issuer.

- (6) The Certificate Holders may by passing a resolution with a majority of 75 per cent. in a meeting of Certificate Holders in accordance with Condition 15 (*Meetings of Certificate Holders; Modifications; Increase*) and upon giving not less than three months' prior written notice to the Bank and the Fiduciary terminate the appointment of the Fiduciary, in which case the Bank shall appoint a New Fiduciary in accordance with Condition 13(2) (and subject to Condition 13(4)). If no New Fiduciary is appointed by the Bank within a period of three months following the date of such resolution, the Certificate Holders will have the right to appoint a New Fiduciary, which shall, however meet the same requirements as stipulated in Condition 13(2)(a).

- (7) This Condition 13 shall operate as a contract for the benefit of a third party with respect to the rights granted to the Bank by it.

#### 14. Financial Information

The Agency Agreement provides that the Principal Paying Agent will make available to the Certificate Holders all copies of the latest published annual reports and other financial information of the Bank that it receives.

Partizipationsscheine an diesen SPV-Ersatzemittenten übertragen; in diesem Fall endet der Treuhandvertrag (mit dem Inkrafttreten der Ernennung) und die Rechte der Zertifikats-Inhaber aus dem Treuhandvertrag werden durch ein Recht gegenüber dem SPV-Ersatzemittenten auf Auszahlung von Zahlungen an die Zertifikats-Inhaber, die der SPV-Ersatzemittent auf Grund der Partizipationsscheine erhält. Bei der Ernennung eines SPV-Ersatzemittenten verlangt die Bank eine Zusicherung, dass der SPV-Ersatzemittent dieses Recht durch ein Pfand oder ähnliches Sicherungsrecht an den Partizipationsscheinen sichert und (im gesetzlich zulässigen Umfang) dass alle anderen Vermögenswerte des SPV-Ersatzemittenten vom Ersatzemittenten einem Sicherheitstreuhänder zugunsten der Zertifikats-Inhaber übereignet werden. Zur Klarstellung und ungeachtet der Kündigung des Treuhandvertrages bei Wirksamwerden der Ernennung des SPV-Ersatzemittenten bleiben diese Bedingungen von der Ernennung des SPV-Ersatzemittenten unberührt (soweit der Zusammenhang keine andere Regelung erfordert).

- (6) Die Zertifikats-Inhaber können durch Beschluss mit einer Mehrheit von 75 Prozent im Rahmen einer Versammlung der Zertifikats-Inhaber gemäß Bedingung 15 (*Versammlungen der Zertifikats-Inhaber; Änderungen; Erhöhungen*) und mit einer Frist von mindestens drei Monaten gegenüber der Bank und dem Treuhänder die Ernennung des Treuhänders schriftlich kündigen; in diesem Fall ernennt die Bank gemäß Bedingung 13(2) (und vorbehaltlich von Bedingung 13(4)) einen neuen Treuhänder. Ernennet die Bank innerhalb von drei Monaten nach dem Datum des entsprechenden Beschlusses keinen neuen Treuhänder, haben die Zertifikats-Inhaber das Recht, einen neuen Treuhänder zu ernennen, der jedoch die gleichen in Bedingung 13(2)(a) festgelegten Bedingungen erfüllen muss.

- (7) Diese Bedingung 13 gilt als Vertrag zugunsten Dritter in Bezug auf die Rechte, die der Bank damit eingeräumt werden.

#### 14. Finanzielle Informationen

Der Agency Vertrag sieht vor, dass die Hauptzahlstelle den Zertifikats-Inhabern die ihr vorliegenden Kopien der jüngsten veröffentlichten Geschäftsberichte und der sonstigen finanziellen Informationen der Bank zur Verfügung stellt.

15. Meetings of Certificate Holders; Modifications; Increase	15. Versammlungen der Zertifikats-Inhaber; Änderungen, Erhöhungen
(1) Except as otherwise provided for herein, meetings of the Certificate Holders shall be held in accordance with Luxembourg law applicable to the convening and conduct of meetings of bondholders and the Agency Agreement.	(1) Soweit hierin keine andere Regelung getroffen wird, finden die Versammlungen der Zertifikats-Inhaber gemäß luxemburgischem Recht über die Einberufung und Durchführung von Versammlungen von Anleiheinhabern und gemäß dem Agency Vertrag statt.
(2) Any resolution properly passed at any meeting of the Certificate Holders will be binding on all the Certificate Holders (whether or not they were present or represented at the meeting at which such resolution was passed).	(2) Im Rahmen von Versammlungen der Zertifikats-Inhaber ordnungsgemäß gefasste Beschlüsse sind für alle Zertifikats-Inhaber unabhängig von ihrer Anwesenheit oder Vertretung bei der die Beschlüsse fassenden Versammlung verbindlich.
(3) The Fiduciary will not agree to any modification to these Conditions and to the Terms and Conditions of the Participation Capital Notes unless authorised to do so by a resolution of the Certificate Holders or pursuant to this Condition 15.	(3) Der Treuhänder erklärt sich nur dann mit Änderungen dieser Bedingungen und der Bestimmungen der Partizipationsscheine einverstanden, wenn diese auf der Grundlage eines Beschlusses der Zertifikats-Inhaber oder gemäß dieser Bedingung 15 bewilligt wurden.
(4) The Fiduciary may agree, without the consent of the Certificate Holders, to (i) any modification of these Conditions or the Terms and Conditions of the Participation Capital Notes if the Fiduciary determines that any such modification, waiver or authorisation does not materially prejudice the interests of the Certificate Holders, (ii) any modification of these Conditions or the Terms and Conditions of the Participation Capital Notes necessary or advisable in the case of the issuance of further Participation Capital Certificates and a corresponding increase of the aggregate Nominal Amount of the Participation Capital Certificates or (iii) authorise any modification of these Conditions or the Terms and Conditions of the Participation Capital Notes which is of formal, minor or technical nature or to correct a manifest error.	(4) Der Treuhänder kann ohne Zustimmung der Zertifikats-Inhaber: (i) Änderungen dieser Bedingungen bzw. von Bestimmungen der Partizipationsscheine zustimmen, falls der Treuhänder zum Schluss gelangt, dass eine solche Änderung, ein solcher Verzicht oder eine solche Befugnis die Interessen der Zertifikats-Inhaber nicht wesentlich beeinträchtigt, (ii) Änderungen dieser Bedingungen bzw. der Bedingungen der Partizipationsscheine, die im Falle der Ausgabe weiterer Partizipationsschein-Zertifikate und einer entsprechenden Erhöhung des Gesamtnennbetrages der Partizipationsschein-Zertifikate notwendig oder ratsam sind, zustimmen, oder (iii) formelle, geringfügige oder technische Änderungen dieser Bedingungen oder von den Bedingungen der Partizipationsscheine bzw. zur Korrektur von offensichtlichen Fehlern autorisieren.
(5) In exercising its powers and discretions, if any, the Fiduciary shall have regard to the best interests of the Certificate Holders as a class and shall not have regard to the consequences of the exercise of its powers or discretion for individual Certificate Holders.	(5) Im Rahmen der Ausübung von Befugnissen und Ermessen muss der Treuhänder das beste Interesse der Zertifikats-Inhaber als Klasse, ohne Rücksicht auf die Folgen einer solchen Ermessens- oder Befugnisausübung auf einzelne Zertifikats-Inhaber berücksichtigen.
(6) Any modification, waiver or authorisation made in accordance with the preceding conditions shall be binding on the Certificate Holders and any modification shall be notified to the Certificate Holders as soon as practicable thereafter by publication in	(6) Änderungen, Verzichtserklärungen oder Befugnisse gemäß den vorstehenden Bedingungen sind für die Zertifikats-Inhaber verbindlich und werden diesen anschließend sobald wie möglich mittels Veröffentlichung gemäß Bedingung 16 ( <i>Mitteilungen</i> )

accordance with Condition 16 (*Notices*).

## 16. Notices

Subject to this Condition 16 (*Notices*), all notices to the Certificate Holders are published in the daily official list of the Luxembourg Stock Exchange. In addition, notices will be given by mail, fax or electronically to Clearstream Luxembourg and Euroclear and to the Principal Paying Agent. In accordance with its published rules and regulations, each Clearing System will notify the holders of securities accounts to which any Participation Capital Certificates are credited of any such notices received by it. In addition, all notices will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## 17. Prescription

- (1) Claims for principal shall become void unless the relevant Participation Capital Certificates are presented for payment within ten (10) years of the date on which such principal first became due.
- (2) Claims for Certificate Coupon Payments and/or Additional Amounts shall become void unless the relevant Participation Capital Certificates are presented for payment within three (3) years of the date on which such Certificate Coupon Payment first became due.

## 18. Governing Law; Jurisdiction

- (1) The Participation Capital Certificates and all matters arising from or connected with the Participation Capital Certificates are governed by, and shall be construed in accordance with, Luxembourg law and in particular by the Trust and Fiduciary Contracts Law 2003.
- (2) The courts of Luxembourg have exclusive jurisdiction to settle any dispute arising from or connected with the Participation Capital Certificates.

## 19. Replacement of Certificates, Coupons and Talons

If the Permanent Global Certificate, any Definitive Certificate, Coupon or Talon (if any) is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the costs and

mitgeteilt.

## 16. Mitteilungen

Vorbehaltlich dieser Bedingung 16 (*Mitteilungen*) werden alle Mitteilungen an die Zertifikats-Inhaber auf dem täglich erscheinenden amtlichen Kursblatt der Luxemburger Börse veröffentlicht. Außerdem werden Mitteilungen auf dem Postweg, per Fax oder auf elektronischem Weg an Clearstream Luxembourg und Euroclear sowie an die Hauptzahlstelle übermittelt. Jedes Clearingsystem informiert die Inhaber von Wertpapierkonten, denen die Partizipationsschein-Zertifikate gutgeschrieben werden, gemäß ihren jeweiligen veröffentlichten Bestimmungen von allen entsprechenden Mitteilungen, die beim Clearingsystem eingehen. Außerdem werden alle Mitteilungen auf der Website der Luxemburger Börse veröffentlicht ([www.bourse.lu](http://www.bourse.lu)).

## 17. Verjährung

- (1) Ansprüche auf das Kapital verfallen, wenn die entsprechenden Partizipationsschein-Zertifikate nicht innerhalb von zehn (10) Jahren ab Fälligkeit des Kapitals zur Auszahlung vorgelegt werden.
- (2) Ansprüche auf Kuponzahlungen aus Zertifikaten und/oder Zusätzliche Beträge verfallen, wenn die entsprechenden Partizipationsschein-Zertifikate nicht innerhalb von drei (3) Jahren ab Fälligkeit der Kuponzahlung aus Zertifikaten zur Auszahlung vorgelegt werden.

## 18. Geltendes Recht, Zuständigkeit

- (1) Die Partizipationsschein-Zertifikate und alle Angelegenheiten, die sich aus oder im Zusammenhang mit den Partizipationsschein-Zertifikaten ergeben, unterliegen luxemburgischen Recht, insbesondere dem Trust and Fiduciary Contracts Law 2003 und werden entsprechend ausgelegt.
- (2) Die luxemburgischen Gerichte sind für alle Streitigkeiten aus oder im Zusammenhang mit diesen Partizipationsschein-Zertifikaten ausschließliche zuständig.

## 19. Ersatz von Zertifikaten, Coupons und Talons

Falls das Dauer-Globalzertifikat, Effektive Stücke der Zertifikate, Coupons bzw. Talons verloren gehen, gestohlen, beschädigt, unkenntlich gemacht oder vernichtet werden, können sie an der angegebenen Niederlassung jeder Zahlstelle, vorbehaltlich aller geltenden Gesetze und Börsenbestimmungen und



expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Paying Agent may reasonably require. Mutilated or defaced Permanent Global Certificates, Definitive Certificates, Coupons or Talons (if any) must be surrendered before replacements will be issued. The replacement of Certificates, Coupons and Talons in the case of loss or of theft is subject to the procedure of the Luxembourg Law dated 3 September 1996 on the involuntary dispossession of bearer securities.

## **20. Further Issues**

The Fiduciary may from time to time, without the consent of the Certificate Holders but in accordance with these Conditions, create and issue further fiduciary certificates having the same terms and conditions as the Participation Capital Certificates, save with respect to the date of issue, the issue price and the distribution commencement date of such fiduciary certificates, which may be consolidated and form a single series with the Participation Capital Certificates, provided that the proceeds received by the Fiduciary in connection with the subscription of further fiduciary certificates is used by the Fiduciary to acquire additional Participation Capital Notes to be held by the Fiduciary in its own name, but at the sole risk and (subject to Condition 3(5) above) for the exclusive benefit of the Certificate Holders and the holders of the further fiduciary certificates.

nach Zahlung der im Zusammenhang mit dem Ersatz angefallenen Kosten und Ausgaben durch den Antragsteller und vorbehaltlich der Erfüllung der Bedingungen hinsichtlich Nachweis, Sicherheit, Schadloshaltung und sonstiger von der Zahlstelle angemessen geforderter Bedingungen ersetzt werden. Beschädigte oder unkenntlich gemachte Dauer-Globalzertifikate, Effektive Stücke der Zertifikate, Coupons bzw. Talons müssen vor der Ausgabe von Ersatzurkunden zurückgegeben werden. Der Ersatz von Zertifikaten, Coupons und Talons im Falle von Verlust oder Diebstahl unterliegt dem im Luxemburger Gesetz vom 3. September 1996 zum unfreiwilligen Eigentumsverlust von Inhaberpapieren beschriebenen Verfahren.

## **20. Weitere Emissionen**

Der Treuhänder ist von Zeit zu Zeit berechtigt, ohne Zustimmung der Zertifikats-Inhaber, aber in Übereinstimmung mit diesen Bedingungen weitere treuhänderische Zertifikate zu schaffen und auszugeben, für die außer dem Ausgabebetrag, Emissionskurs und dem Anfangstermin für die Ausschüttung solcher treuhänderischen Zertifikate die gleichen Bedingungen wie für die Partizipationsschein-Zertifikate gelten, und die mit den Partizipationsschein-Zertifikaten konsolidiert werden und mit diesen eine einzige Serie bilden können; dies gilt mit der Maßgabe, dass der vom Treuhänder im Zusammenhang mit der Zeichnung weiterer treuhänderischer Zertifikate vereinnahmte Erlös vom Treuhänder zum Erwerb zusätzlicher Partizipationsscheine verwendet wird, die vom Treuhänder im eigenen Namen, jedoch auf alleiniges Risiko und (vorbehaltlich der vorstehenden Bedingung 3(5)) ausschließlich zugunsten der Zertifikats-Inhaber und der Inhaber weiterer treuhänderischer Zertifikate gehalten werden.

### 3. Summary of the provisions relating to the Participation Capital Certificates in Global Form

The Participation Capital Certificates will initially be in the form of the Temporary Global Certificate which will be deposited on or around the Issue Date with a common depositary for Euroclear and Clearstream Luxembourg. The Temporary Global Certificate shall be exchangeable for the Permanent Global Certificate on a date (the "**Exchange Date**") after the end of the Restricted Period. Such exchange shall only be made upon receipt by the Issuer of certifications from Euroclear or Clearstream Luxembourg to the effect that no beneficial owner of Participation Capital Certificates is a U.S. person (other than certain financial institutions or certain persons holding Participation Capital Certificates through such financial institutions). Payment of remuneration on Participation Capital Certificates represented by a Temporary Global Certificate shall be made only after receipt by the Issuer of such certifications from Euroclear or Clearstream Luxembourg. A separate certification shall be required in respect of each such payment of remuneration. Any such certification received on or after the end of the Restricted Period shall be treated as a request to exchange the Temporary Global Certificate. Any Participation Capital Certificates delivered in exchange for the Temporary Global Certificate shall be delivered only outside the United States.

The Permanent Global Certificate will become exchangeable in whole, but not in part, for Participation Capital Certificates in definitive form ("**Definitive Certificates**") in the denomination of EUR 1,000 each at the request of the bearer of the Permanent Global Certificate if Euroclear or Clearstream Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to permanently cease business, unless within 14 days of such event occurring the Participation Capital Certificates have been accepted for clearing and settlement within an equivalent international clearing and settlement system.

Whenever the Permanent Global Certificate is to be exchanged for Definitive Certificates, the Fiduciary shall procure the prompt delivery (free of charge to the bearer) of such Definitive Certificates, duly authenticated without coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Certificate to the bearer of the Permanent Global Certificate against the surrender of the Permanent Global Certificate at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Certificates have not been delivered by 5.00 p.m. (Luxembourg time) on the 30<sup>th</sup> day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Certificates; or
- (b) the Permanent Global Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions or the date for final redemption of the Participation Capital Certificates has occurred and, in either case, payment in full of the amount of principal falling due with all accrued remuneration thereon has not been made to the bearer in accordance with the terms of the Permanent Global Certificate on the due date for payment,

then the Permanent Global Certificate (including the obligation to deliver Definitive Certificates) will become void at 5.00 p.m. (Luxembourg time) on such 30<sup>th</sup> day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Certificate will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Certificate or others may have under a deed of covenant dated 27 May 2008 (the "**Deed of Covenant**") executed by the Fiduciary). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream Luxembourg as being entitled to an interest in the Permanent Global Certificate will acquire directly against the Fiduciary all those rights to which they would have been entitled if, immediately before the Permanent Global Certificate became void, they had been the holders of Definitive Certificates in an aggregate principal amount equal to the principal amount of Participation Capital Certificates they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream Luxembourg.

In addition, the Temporary Global Certificate and the Permanent Global Certificate will contain provisions which modify the Terms and Conditions of the Participation Capital Certificates as they apply to the Temporary Global Certificate and the Permanent Global Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Temporary Global Certificate and the Permanent Global Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Certificate or (as the case may be) the Permanent Global Certificate at the Specified Office of the Principal Paying Agent and will be effective to satisfy and discharge the

corresponding liabilities of the Fiduciary in respect of the Participation Capital Certificates. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Certificate or (as the case may be) the Permanent Global Certificate, the Fiduciary shall procure that the same is noted in a schedule thereto.

*Notices:* Notwithstanding Condition 16 (*Notices*) of the Terms and Conditions of the Participation Capital Certificates, while all the Participation Capital Certificates are represented by the Permanent Global Certificate (or by the Permanent Global Certificate and/or the Temporary Global Certificate) and the Permanent Global Certificate is (or the Permanent Global Certificate and/or the Temporary Global Certificate are) deposited with a common depositary for Euroclear and Clearstream Luxembourg, notices to Certificate Holders may be given by delivery of the relevant notice to Euroclear and Clearstream Luxembourg, and, in any case, such notices shall be deemed to have been given to the Certificate Holders in accordance with Condition 16 (*Notices*) of the Terms and Conditions of the Participation Capital Certificates on the date of delivery to Euroclear and Clearstream Luxembourg; provided, however, that, so long as the Participation Capital Certificates are listed on the Luxembourg Stock Exchange and its rules and regulations so require, notices will also be published in the daily official list of the Luxembourg Stock Exchange and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), and notices published on the website shall be deemed to have been given to the Certificate Holders.

#### 4. Terms and conditions of the Participation Capital Notes

The perpetual non-cumulative non-voting participation capital notes (the "**Participation Capital Notes**"), with an aggregate nominal amount of EUR 100,000,000 and a denomination of EUR 1,000 are issued by Österreichische Volksbanken-Aktiengesellschaft (the "**Issuer**" or the "**Bank**") to Banque de Luxembourg (the "**Noteholder**") on or about 27 May 2008 (the "**Issue Date**").

In these terms and conditions of the Participation Capital Notes ("**Conditions**") the following expressions have the following meanings:

##### 1. Definitions

"**Accounting Event**" has the meaning defined in Condition 6(d) (*Redemption; Early Redemption*);

"**Additional Amounts**" has the meaning defined in Condition 9 (*Taxation*);

"**Adjusted Comparable Yield**" means the internal rate of return, expressed as a percentage per annum, as determined on the third Business Day preceding the relevant Redemption Date, of the EUR benchmark security selected by the Calculation Agent, after consultation with the Bank, as having a maturity comparable to the remaining term of the Participation Capital Notes to but excluding the Reset Date, that would be utilised, at the time of selection and in accordance with customary banking practice, in pricing new issues of corporate debt securities of a comparable maturity;

"**Bank**" means Österreichische Volksbanken-Aktiengesellschaft;

"**Bank Share Capital**" means common shares and preference shares of the Bank;

"**Business Day**" means a day (i) on which the commercial banks and foreign exchange markets are open for business in Vienna, Luxembourg and Frankfurt, and (ii) which is a TARGET Day;

"**Calculation Agent**" means DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main;

"**Capital Event**" has the meaning defined in Condition 6(d) (*Redemption*);

"**Consolidated Tier 1 Capital**" means any funds which constitute core capital (*Kernkapital*) on a consolidated basis under Secs 23(14)(1) and 24(2)(1) of the Austrian Banking Act (*Bankwesengesetz*);

"**Distributable Profits**" means the profits available for distribution in respect of each fiscal year of the Bank, sourced from the Bank's Profit Or Loss For The Year After Tax (*Jahresüberschuss*) plus any transfers made by the Bank, at its sole discretion, from that part of the Bank's Retained Earnings (*Gewinnrücklagen*) which represents Disposable Reserves (*andere Rücklagen*), all as stated in the Bank's financial statements prepared in accordance with the Austrian Banking Act (*Bankwesengesetz*), in compliance with Sec 23(4)(3) of the Austrian Banking Act (*Bankwesengesetz*) and accounting principles generally accepted in Austria, the Austrian Enterprise Code (*Unternehmensgesetzbuch*) and other applicable Austrian laws then in effect;

"**Eligible Securities**" means securities representing Consolidated Tier 1 Capital which (a) are issued by the Bank, (b) have no stated maturity, (c) coupon payments of which are non-cumulative and which do not provide for any feature similar to the Unpaid Remuneration Settlement Mechanism, (d) which are not redeemable prior to the fifth anniversary (if such Eligible Securities do not provide for a step-up in the rate of interest applicable to them), or tenth anniversary (if such Eligible Securities provide for a step-up in the rate of interest applicable to them as at the time when they may be redeemed for the first time in accordance with their terms) of their issue date, as the case may be, and (e) provide for a mandatory cancellation of cash interest payments upon the breach of pre-defined financial ratios;

"**Euro**" and "**EUR**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended and whose smallest subdivision shall be one hundredth of a Euro or one "cent";

"**Existing Participation Capital**" means all participation capital of the Bank outstanding at the time of issue of the Participation Capital Notes;

**"Fixed Rate"** means 10 per cent. per annum;

**"Floating Rate"** has the meaning as defined in Condition 4(d) (*Rate of Remuneration falling after the Reset Date*);

**"Gross-Up Event"** has the meaning defined in Condition 6(d) (*Redemption; Purchase by Third Party Purchaser; Early Redemption*);

**"Group"** means the Bank and any Subsidiary of the Bank;

**"Initial Liquidation Entitlement"** means EUR 1,000;

**"Initial Margin"** means 5.32 per cent.;

**"Liquidation Entitlement"** means in respect of each Participation Capital Note the aggregate of (i) the Initial Liquidation Entitlement as reduced by any Loss of the Bank, provided that it shall not be reduced to less than zero; (ii) any accrued and unpaid Remuneration Payments for the then current remuneration period and (iii) any Additional Amounts and/or Noteholder Gross-Up Amounts (for the avoidance of doubt, payment of any amounts pursuant to (ii) and (iii) (to the extent that such payments arise in respect of payments made pursuant to (ii)) being subject to availability of sufficient Distributable Profits);

**"Loss"** means the sum of the following amounts being negative: the Bank's Profit Or Loss (*Bilanzgewinn/Bilanzverlust*); the Bank's Retained Earnings (*Gewinnrücklagen*); the Capital Reserves (*Kapitalrücklagen*); the Untaxed Reserves (*unversteuerte Rücklagen*); the Liability Reserve (*Haftrücklage*) set aside pursuant to Sec 23(6) Austrian Banking Act (*Bankwesengesetz*) (Sec 23(1)(2) Austrian Banking Act); and the Fund for General Banking Risks (*Fonds für allgemeine Bankrisiken*) pursuant to Sec 57(3) and (4) Austrian Banking Act (*Bankwesengesetz*) (Sec 23(1)(3) Austrian Banking Act), all as stated in the Bank's financial statements prepared in accordance with the Austrian Banking Act (*Bankwesengesetz*);

**"Luxembourg Gross-Up Amount"** means as defined in Condition 9 (*Taxation*);

**"Make-Whole Coupon"** means an amount, which will be determined by the Calculation Agent as equalling the higher of (A) zero and (B) the amount equalling (1) the sum of the Present Values on the relevant Redemption Date of (i) the Initial Liquidation Entitlement per Participation Capital Note and (ii) the remaining scheduled Remuneration Payments to but excluding the Reset Date, minus (2) the Initial Liquidation Entitlement as of the date when such determination is made;

**"Market Disruption Event"** means (i) the occurrence or existence of any suspension of or limitation imposed on trading at one of the Primary Exchanges of the Bank (by reason of movements in price exceeding limits permitted by such exchange (and/or its electronic trading platform) or otherwise) or on settlement procedures for transactions in the shares of the Bank on a Primary Exchange (and/or its electronic trading platform); or (ii) a change in Austrian or international political or economic conditions or financial markets as are reasonably likely to prejudice materially the success of the issuance and/or sale of Bank Share Capital of the Bank and/or sale of Eligible Securities;

**"New Noteholder"** has the meaning defined in Condition 2(c) (*Transfer of the Participation Capital Notes*);

**"Ordinary Redemption Price"** has the meaning defined in Condition 6(c) (*Redemption; Purchase by Third Party Purchaser; Ordinary Redemption*);

**"Parity Instrument"** means (i) any participation capital instrument issued by the Bank, (ii) any instrument issued by a Subsidiary of the Bank and constituting Consolidated Tier 1 Capital of the Bank (provided that such instrument benefits from contractual support granted by the Bank), and (iii) any other instrument issued by the Bank and constituting Tier 1 Capital of the Bank (excluding Bank Share Capital);

**"Present Value"** means, in respect of any amount (the **"Base Amount"**), an amount determined by the Calculation Agent by discounting such Base Amount to but excluding the Reset Date on an annual basis and on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) and using the Adjusted Comparable Yield plus 2.04 per cent.;

**"Primary Exchange"** means each exchange on which the shares of the Bank are admitted to the regulated market;

**"Principal Paying Agent"** means Dexia Banque Internationale à Luxembourg;

**"Rate of Remuneration"** is defined in Conditions 4(c) (*Rate of Remuneration prior to the Reset Date*) to 4(f) (*Rate of Remuneration falling after the Reset Date in the case of Third Party Purchaser*);

**"Recognized Stock Exchange"** means a stock exchange in the European Economic Area;

**"Redemption Date"** means the date of redemption of the Participation Capital Notes;

**"Reference Banks"** has the meaning defined in Condition 4(d) (*Rate of Remuneration falling after the Reset Date*);

**"Reference Rate(s)"** has the meanings defined in Condition 4(d) (*Rate of Remuneration falling after the Reset Date*);

**"Registered Office of the Principal Paying Agent"** means 69 route d'Esch, L-2953 Luxembourg, The Grand Duchy of Luxembourg;

**"Regulatory Event"** has the meaning defined in Condition 6(d) (*Redemption; Purchase by Third Party Purchaser; Early Redemption*);

**"Relevant Screen Page"** means Reuters Page EURIBOR01 (or such other screen page of Reuters or such other information service, which is the successor to Reuters Page EURIBOR01 for the purpose of displaying the interest rates previously displayed on Reuters Page EURIBOR01);

**"Remarketing Rate"** has the meaning defined in Condition 6(5) (*Certificate Coupon Payments; Remarketing*) of the Terms and Conditions of the Participation Capital Certificates;

**"Remuneration"** means any payment and/or entitlement to payment on the Participation Capital Notes pursuant to Condition 4 (*Remuneration*);

**"Remuneration Amount"** has the meaning defined in Condition 4(h) (*Remuneration; Calculation of Remuneration Amount*);

**"Remuneration Determination Date"** has the meaning defined in Condition 4(d) (ii) (*Remuneration*);

**"Remuneration Payment"** means any payment of Remuneration;

**"Remuneration Payment Date"** has the meaning defined in Condition 4(a) (*Remuneration*);

**"Remuneration Period"** has the meaning defined in Condition 4(a) (*Remuneration*);

**"Reset Date"** means 18 June 2018 or any date on which a Failed On-Market Tender has occurred;

**"Reset Margin"** means the Initial Margin plus 100 basis points, unless a Failed On-Market Tender (as defined in the Participation Capital Certificates) has occurred, in which case it shall be zero basis points;

**"Subsidiary"** means a subsidiary within the meaning of Sec 228 para 3 of the Austrian Commercial Code (*Unternehmensgesetzbuch*);

**"TARGET"** means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) system;

**"TARGET Day"** means a day on which TARGET is operating;

**"Tax Event"** has the meaning defined in Condition 6(d) (*Redemption; Purchase by Third Party Purchaser; Early Redemption*);

**"Terms and Conditions of the Participation Capital Certificates"** means the terms and conditions of the fiduciary perpetual non-cumulative non-voting participation capital certificates with an aggregate

nominal amount of EUR 100,000,000 and a denomination of EUR 1,000 each, which are issued on or about the date of these Conditions by the Noteholder on a fiduciary basis (*treuhänderisch*);

**"Tier 1 Capital"** means any funds which constitute solo core capital (*Kernkapital*) under Sec 23(14)(1) of the Austrian Banking Act (*Bankwesengesetz*);

**"Third Party Purchaser"** has the meaning defined in Condition 6(e) (*Purchase by Third Party at the Option of the Bank*);

**"Unpaid Remuneration"** has the meaning defined in Condition 4(k) (*Remuneration; Payments contingent on Distributable Profits; Discretionary Remuneration*);

**"Unpaid Remuneration Settlement Mechanism"** means an issue and/or sale of Bank Share Capital or Eligible Securities (seeking, where required or appropriate for such purpose, prior authorisation from its general assembly (*Hauptversammlung*)) of the Bank to raise net proceeds equal to such Unpaid Remuneration, provided that (i) proceeds from the sale of treasury shares acquired for cash within the six months preceding the payment may not be used to pay Unpaid Remuneration; (ii) proceeds from the issue of new shares (or the sale of treasury shares) may be used to pay Unpaid Remuneration only to the extent that the total number of any shares issued, or, as the case may be, sold by the Bank for such purpose in any fiscal year of the Bank does not exceed 2 per cent. of the then outstanding Bank Share Capital of the Bank; and (iii) Eligible Securities may only be issued for the purpose of raising funds to pay any Unpaid Remuneration, to the extent that the total principal amount of Eligible Securities issued while the Participation Capital Notes are outstanding, does not exceed 25 per cent. of the Initial Liquidation Entitlement;

**"Unpaid Remuneration Settlement Date"** has the meaning defined in Condition 4(m) (*Settlement of Unpaid Remuneration*).

**"Unpaid Remuneration Settlement Mechanism Period"** has the meaning defined in Condition 4(m) (*Settlement of Unpaid Remuneration*);

**"Withholding Taxes"** has the meaning defined in Condition 9 (*Taxation*).

Terms and expressions used but not defined herein have the respective meanings given to them in the Terms and Conditions of the Participation Capital Certificates, unless the context requires otherwise.

## 2. Form, Denomination, Title and Transfer

- (a) *Form of the Participation Capital Notes.* The Participation Capital Notes are in bearer form in denominations of EUR 1,000 without coupons or talons attached, which will be solely represented by a global note (*Sammelurkunde*). The Noteholder shall not be entitled to demand issuance of individual Participation Capital Notes.
- (b) *Title to the Participation Capital Notes.* Title to the Participation Capital Notes will pass by delivery. The Noteholder shall (except as otherwise required by law) be treated as the absolute owner for all purposes (whether or not they are overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.
- (c) *Transfer of the Participation Capital Notes.* By virtue of subscribing to the Participation Capital Notes, the Noteholder shall be deemed to undertake not to transfer the Participation Capital Notes to any person or entity, except (i) if any Participation Capital Notes are repurchased by the Bank, or (ii) to any person or entity who is a New Fiduciary or SPV Substitute Issuer, each as defined in Condition 13 of the Participation Capital Certificates; or (iii) if the Bank has instructed the Noteholder to sell and transfer the Participation Capital Notes to a Third Party Purchaser in accordance with Condition 6(e) (*Purchase by Third Party at the Option of the Bank*), to such Third Party Purchaser, provided that in case of (ii) and (iii), such New Fiduciary or, as the case may be, Third Party Purchaser shall be considered to be the new holder of the Participation Capital Notes (the **"New Noteholder"**) and any reference under these Conditions and under the Terms and Conditions of the Participation Capital Certificates to the Noteholder shall forthwith be deemed to refer to the New Noteholder.

### 3. Status

- (a) *Status of the Participation Capital Notes.* The Participation Capital Notes constitute own funds of the Bank in accordance with Sec 23(4) and (5) of the Austrian Banking Act (*Bankwesengesetz*) as follows (and subject to the detailed provisions contained in these Conditions): such funds have been fully paid-in and made available for the entire duration of the Bank's existence, and the Noteholder has declared to waive all and any rights to ordinary or extraordinary termination; such funds may only be repaid by applying the provisions on capital reduction of the Austrian Joint Stock Corporation Act (*Aktiengesetz*) *per analogiam* or by way of redemption (*Einziehung*) in accordance with Sec 102a of the Austrian Banking Act (*Bankwesengesetz*) or any provision that supersedes the provisions on capital reduction or Sec 102a of the Austrian Banking Act (*Bankwesengesetz*); any Remuneration Payment on the Participation Capital Notes shall be contingent upon sufficient Distributable Profits being available to the Bank; each Participation Capital Note shall participate in any losses suffered by the Bank, in the same manner as Bank Share Capital and up to the amount of the Initial Liquidation Entitlement; and the Noteholder shall be entitled to participate in any liquidation proceeds of the Bank up to the amount of the Initial Liquidation Entitlement (subject as further provided in these Conditions), following full satisfaction of all creditors of the Bank.
- (b) *Ranking.* The Participation Capital Notes rank as to payment of Liquidation Entitlement (i) *pari passu* to Bank Share Capital and any other participation capital (as defined under Austrian law) and any securities issued by the Bank ranking *pari passu* to Bank Share Capital or participation capital, and (ii) junior to any liabilities of the Bank, including Consolidated Tier 1 Capital and any other Tier 1 Capital issued by the Bank and expressed to rank senior to participation capital as to Liquidation Entitlement.

### 4. Remuneration

- (a) *Remuneration.* Subject to Condition 4(b) (*Prohibitions on Remuneration Payments*) and Condition 4(k) (*Remuneration contingent on Distributable Profits; Discretionary Remuneration*) below, the Participation Capital Notes bear non-cumulative Remuneration in the form of interest payable in arrear (a) prior to the Reset Date on 18 June 2009 and thereafter annually, and (b) from the Reset Date semi-annually on 18 December and 18 June (each a "**Remuneration Payment Date**"). Each period beginning on (and including) the issue date<sup>11</sup> or any Remuneration Payment Date and ending on (but excluding) the next following Remuneration Payment Date is herein called a "**Remuneration Period**" and shall be unadjusted. Remuneration will be deemed to accrue on a day by day basis.
- (b) *Prohibitions on Remuneration Payments:* Notwithstanding anything in this Condition 4, no payments of Remuneration will be made nor will the Unpaid Remuneration Settlement Mechanism be applied:
  - (i) if restricted by Austrian law (including the Austrian Banking Act) as applicable to core capital (*Kernkapital*) under Sec 23(14)(1) of the Austrian Banking Act (*Bankwesengesetz*); or
  - (ii) in case of an order or similar measure by the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) prohibiting such payment or use of the Unpaid Remuneration Settlement Mechanism.
- (c) *Rate of Remuneration prior to the Reset Date.* The Participation Capital Notes bear Remuneration, from and including the issue date<sup>12</sup> to but excluding the Reset Date, in the form of interest and will be payable at the Fixed Rate.
- (d) *Rate of Remuneration falling after the Reset Date, to the extent any Remarketing is not effective.* To the extent a Remarketing is not effective the Rate of Remuneration applicable to

<sup>11</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Notes.

<sup>12</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Notes.



the Participation Capital Notes for each Remuneration Period falling after the Reset Date (the "**Floating Rate**") will be determined by the Calculation Agent on the following basis:

- (i) the Floating Rate will be payable at the rate equal to the sum of 6-month EURIBOR (the "**Reference Rate**") plus the Reset Margin (as defined in Condition 1 (*Definitions*));
  - (ii) the Calculation Agent will determine the Reference Rate, which appears on the Relevant Screen Page as of 11 a.m. Brussels time, on the second TARGET Day before the first day of the relevant Remuneration Period (the "**Remuneration Determination Date**") for the next following Remuneration Period;
  - (iii) in the event that the Reference Rate does not appear on the Relevant Screen Page in each case and at such time, the Calculation Agent shall request five banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page (the "**Reference Banks**") selected by it to provide the Calculation Agent with its offered quotation at a spot rate. The relevant offered quotations shall be those offered at approximately 11 a. m. (Brussels time) on the Remuneration Determination Date. If at least three quotations are provided, the Reference Rate for that Remuneration Determination Date will be the arithmetic mean of the quotations, without regard to the quotations with the highest and lowest value. For this purpose, if more than one quotation has the same highest or lowest value, then one such quotation shall be disregarded. If exactly two quotations are provided, the Reference Rate for that Remuneration Determination Date will be the arithmetic mean of the quotations. If only a single quotation is provided, the Reference Rate for that Remuneration Determination Date will be such quotation. If no quotation is provided, the Reference Rate for that Remuneration Determination Date will be the same rate as the Reference Rate for the preceding Remuneration Determination Date;
- (e) *Rate of Remuneration falling after the Reset Date, to the extent the Remarketing is effective.* In the case where a Remarketing is effective, the Rate of Remuneration applicable to the Participation Capital Notes for each Remuneration Period falling after the Reset Date will be the Remarketing Rate determined in accordance with Condition 6(5) (*Certificate Coupon Payments; Remarketing*) of the Terms and Conditions of the Participation Capital Certificates;
- (f) *Rate of Remuneration falling after the Reset Date in the case of Third Party Purchaser.* In the event of, and subject to, a transfer to a Third Party Purchaser as per Condition 6(e) (*Purchase by Third Party at the Option of the Bank*), the Rate of Remuneration applicable to the Participation Capital Notes for each Remuneration Period falling after the Reset Date will be such rate as the Bank and such Third Party Purchaser may mutually agree;
- (g) *Make-Whole Coupon.* In addition to any Remuneration payable under the preceding paragraphs, the Make-Whole Coupon shall become payable under the Participation Capital Notes as stipulated under Condition 6(d) and 6(e)(i). Such Make-Whole Coupon shall (subject to sufficient Distributable Profits being available) be paid together with any Ordinary Redemption Price payable at such time.
- (h) *Calculation of Remuneration Amount.* The Calculation Agent will, as soon as practicable on the Remuneration Determination Date in relation to each Remuneration Period, calculate the amount of Remuneration (the "**Remuneration Amount**") payable in respect of each Participation Capital Note for such Remuneration Period. The Remuneration Amount will be calculated by multiplying the Rate of Remuneration for such Remuneration Period with the Initial Liquidation Entitlement, (a) from and including the issue date<sup>13</sup> to but excluding the Reset Date, on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) and (b) thereafter on the basis of the actual number of days elapsed, divided by 360.

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<sup>13</sup> For the purpose of determining the first Remuneration Period, the term *issue date* shall refer to 06 May 2008, which is the issue date of the Initially Issued Participation Capital Notes.

- (i) *Notification.* The Calculation Agent will cause each Rate of Remuneration and Remuneration Amount determined by it, together with the relevant Remuneration Payment Date, to be notified to the Noteholder and the Bank. The Calculation Agent will be entitled to recalculate any Remuneration Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Remuneration Period.
- (j) *Binding Effect of Notifications.* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent will (in the absence of manifest error) be binding on the Bank and the Noteholder and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (k) *Remuneration Payments contingent on Distributable Profits; Discretionary Remuneration.*
  - (i) Remuneration Payments will only be made on any Remuneration Payment Date out of Distributable Profits for the preceding fiscal year. Irrespective of whether or not sufficient Distributable Profits are available, the Bank has the discretion to elect not to pay Remuneration.
  - (ii) If the Bank decides not to pay the full amount of Remuneration on a Remuneration Payment Date, the Bank shall notify the Noteholder in accordance with Condition 11 (*Notices*) not less than 15 Business Days prior to such Remuneration Payment Date. Any Remuneration not paid due to such an election by the Bank shall constitute "**Unpaid Remuneration**". Unpaid Remuneration will not bear interest.
  - (iii) If a Regulatory Event occurs, the Bank's discretionary right to defer Remuneration shall cease to exist and the Bank will be required to pay Remuneration out of Distributable Profits.
  - (iv) For the avoidance of doubt so long as Distributable Profits are available, the Bank will be able to pay the full Rate of Remuneration even if the Liquidation Entitlement has been written down pursuant to Condition 5 (*Loss Absorption*).
- (l) *Non- Discretionary Remuneration:* The discretion of the Bank not to pay Remuneration as set out in Condition 4(k)(i) shall not apply in the following circumstances:
  - (i) if the Bank or any Subsidiary declares or pays any dividends or makes any other payment or other distribution on any Parity Instruments, Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such dividend, payment or distribution;
  - (ii) if the Bank declares or pays any dividend or makes any other payment or distribution on any Bank Share Capital, Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such dividend, payment or distribution; or
  - (iii) if the Bank redeems, repurchases or otherwise acquires any Parity Instruments, or Bank Share Capital for any consideration, Remuneration will be paid on the first Remuneration Payment Date falling contemporaneously with and/or immediately following such redemption, repurchase or otherwise;

unless such dividend, other payment or other distribution is declared, paid or made, or (as the case may be) such redemption, repurchase or acquisition occurs in connection with (a) any present or future stock options plan (including any purchase of Participation Capital for the purposes of employee compensation), (b) a reclassification of shares for shares of another class, or (c) any purchase for trading purposes only.

If the Bank makes any payment on the Participation Capital Notes pursuant to this Condition 4(l), the Bank shall make corresponding *pro rata* payments on any Existing Participation Capital, calculated by reference to the Relevant Payment Date and to be paid within one year of the Relevant Payment Date. For the avoidance of doubt, this provision shall apply (to the extent that it operates for the benefit of the holders of Existing Participation Capital of the Bank) despite any

inconsistent provision in the terms and conditions of any Existing Participation Capital of the Bank, in force at the time of issue of the Participation Capital Notes.

(m) *Settlement of Unpaid Remuneration.*

The Bank may at any time use the Unpaid Remuneration Settlement Mechanism (subject to the conditions set forth below), to make payment in full or in part of any outstanding Unpaid Remuneration upon giving notice to the Noteholder in accordance with Condition 11 (*Notices*) not less than 10 and not more than 15 Business Days prior to the date on which such payment will be made. Such notice shall state the date and the amount of the voluntary make-up payment. Such notice shall be irrevocable and shall oblige the Bank to make the relevant payment on the date specified in such notice, provided that the Bank has sufficient Distributable Profits.

A proposal will be made either to the Management Board or the General Assembly (as appropriate) of the Bank to use the Unpaid Remuneration Settlement Mechanism to make payment (in full and not in part) of any Unpaid Remuneration at the earlier of the following dates (each, an Unpaid Remuneration Settlement Date):

- (i) the date on which the Bank has declared, paid or made a dividend or other distribution on, or in respect of, Bank Share Capital or Parity Instruments;
- (ii) the next following scheduled Remuneration Payment Date in relation to which the Bank makes a Remuneration Payment (in whole or part);
- (iii) any date on which the Participation Capital Notes are redeemed;
- (iv) one calendar day before the fifth anniversary of the Remuneration Payment Date on which such amounts were initially due and payable but the payment of which was not made by the Bank;
- (v) the date on which the Bank redeems, repurchases or otherwise acquires any of the Participation Capital Certificates (in whole or in part), Bank Share Capital or Parity Instruments against any consideration therefore, except in connection with (a) any present or future stock options plan (including any purchase of Participation Capital for the purposes of employee compensation), (b) a reclassification of shares for shares of another class, or (c) any purchase for trading purposes only.

**The application of the Unpaid Remuneration Settlement Mechanism is at the sole discretion of the Bank (including, as the case may be, the Bank's General Assembly) and under no circumstances shall the Bank be obliged to use the Unpaid Remuneration Settlement Mechanism to make payment of any Unpaid Remuneration at any time. Any Unpaid Remuneration not settled in accordance with the foregoing provisions will be cancelled and the Noteholder will have no rights or entitlement in respect of such amount.**

To the extent that the Bank has given a notice to the Noteholder in accordance with Condition 11 (*Notices*) that it will pay Unpaid Remuneration pursuant to this Condition 4(m) but is not able to satisfy such Unpaid Remuneration on the Unpaid Remuneration Settlement Date, partially or in full, such Unpaid Remuneration shall remain outstanding and the Bank will attempt to settle such Unpaid Remuneration by way of the Unpaid Remuneration Settlement Mechanism up to a period of one (1) year ("**Unpaid Remuneration Settlement Period**") following the relevant Unpaid Remuneration Settlement Date. If at the end of any Unpaid Remuneration Settlement Period the Bank is not able to satisfy all Unpaid Remuneration, such Unpaid Remuneration shall be cancelled.

In the case of the occurrence of a Market Disruption Event, the Unpaid Remuneration Settlement Mechanism Period shall be extended by a period equal to the time during which the Market Disruption Event exists plus 60 Business Days. The Bank shall give notice pursuant to Condition 11 (*Notices*) of both the occurrence of a Market Disruption Event and the date on which the Market Disruption Event no longer exists. No interest whatsoever shall be payable by the Bank due to the occurrence of a Market Disruption Event.

- (n) *Pro Rata Remuneration Payments:* When, by reason of any limitation described in Condition 4(k) (*Remuneration Payments contingent on Distributable Profits; Discretionary Remuneration*) or Condition 4(l) (*Non- Discretionary Remuneration*) above, Remuneration is not paid in full on the

Participation Capital Notes and any Parity Instrument, all Remuneration payable upon the Participation Capital Notes and any such Parity Instrument will be payable *pro rata* in the proportion that the amounts available for payment on the Participation Capital Notes and any such Parity Instrument on the due date of payment shall bear to the full amount that would have been payable on the Participation Capital Notes and such Parity Instrument but for such limitation.

If Remuneration is not paid in full in accordance with these Conditions, the Noteholder will be notified in accordance with Condition 11 (*Notices*).

## 5. Loss Absorption

If the Bank incurs a Loss in any fiscal year, then the general assembly (*Hauptversammlung*) of the Bank may pass a resolution (and the Bank may take such other steps as are prescribed under Austrian corporate law) to achieve a capital reduction (*Kapitalherabsetzung*) by virtue of which the amount outstanding under the Participation Capital Notes shall be reduced, *pro rata* with Bank Share Capital, any Existing Participation Capital and any other instruments issued by the Bank ranking *pari passu* with the Participation Capital Notes, by an amount equal to such Loss. The Liquidation Entitlement shall be reduced accordingly, provided that the Participation Capital Notes' aggregate share in the Loss shall in no event exceed the Liquidation Entitlement.

Following a reduction, the Liquidation Entitlement shall be increased (to an amount no greater than the Initial Liquidation Entitlement) in subsequent years in the event where the Bank makes a Profit For The Year After Tax (as stated in the Bank's financial statements prepared in accordance with the Austrian Banking Act (*Bankwesengesetz*) and net of any distributions in relation to such fiscal year). Such increase in the Liquidation Entitlement will be *pro rata* with any Bank Share Capital together with any Existing Participation Capital and any other instruments issued by the Group ranking *pari passu* with the Participation Capital Notes.

If the Bank increases the Liquidation Entitlement on the Participation Capital Notes, the Bank will make corresponding *pro rata* increases on any Existing Participation Capital. For the avoidance of doubt, this provision will apply despite any inconsistent provision in the terms and conditions of any Existing Participation Capital of the Bank, in force at the time of the issue of the Participation Capital Notes.

## 6. Redemption; Purchase by Third Party Purchaser

- (a) *No Scheduled Maturity.* The Participation Capital Notes have no final maturity date and shall not be redeemed except in accordance with the provisions set out in this Condition 6 (*Redemption; Purchase by Third Party Purchaser*).
- (b) *General Condition for Redemption.* Any redemption or purchase by a Third Party Purchaser of the Participation Capital Notes in accordance with Clauses 6(c) to 6(f) may only take place in accordance with either:
  - (i) the provisions on capital reduction *per analogiam* under the Austrian Joint Stock Corporation Act (*Aktiengesetz*); or
  - (ii) sec 102a of the Austrian Banking Act (*Bankwesengesetz*), or
  - (iii) any provision that supersedes the provisions outlined in (i) or (ii).
- (c) *Ordinary Redemption.* The Participation Capital Notes may be redeemed by the Bank on the Reset Date, and on each Remuneration Payment Date thereafter at the Initial Liquidation Entitlement plus accrued and unpaid Remuneration for the then current Remuneration Period (the "**Ordinary Redemption Price**").
- (d) *Early Redemption.* Before the Reset Date, the Bank may not redeem the Participation Capital Notes, unless:
  - (i) Remuneration Payments cease to be fully deductible for income tax purposes for the Bank ("**Tax Event**");
  - (ii) the Bank is obliged to pay Additional Amounts ("**Gross-Up Event**");

- (iii) the Bank is obliged to pay a Luxembourg Gross-Up Amount ("**Luxembourg Gross-Up Event**");
- (iv) the Participation Capital Notes cease to qualify as solo core capital (*Kernkapital*) for Austrian capital adequacy purposes ("**Regulatory Event**"), including by virtue of a change to the rules prescribing the applicable limits for Participation Capital to qualify as Tier 1 Capital;
- (v) the Participation Capital Notes cease to qualify as a financial liability under IFRS, or an accounting regime following IFRS ("**Accounting Event**"); or
- (vi) there is a change by a recognised international statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Participation Capital Notes, which change results in a lower equity credit being given to the Participation Capital Notes (other than by virtue of a change to the rules prescribing the applicable limits for equity credit) as of the date of such changes than the equity credit that had been assigned to the Participation Capital Notes immediately before such date ("**Capital Event**").

The redemption price (1) under condition (ii) and (iii) above, shall be the Ordinary Redemption Price, and (2) under condition (i), (iv), (v) and (vi) above, shall be the Ordinary Redemption Price plus the Make-Whole Coupon, unless in each case (a) (in respect of such portion of the Ordinary Redemption Price as is constituted by accrued Remuneration, and in respect of any Make-Whole Coupon) sufficient Distributable Profits are not available, and/or (b) (in respect of such portion of the Ordinary Redemption Price as is constituted by the Initial Liquidation Entitlement) the Liquidation Entitlement has been reduced following any Loss of the Bank, in which case the redemption price shall be reduced accordingly.

- (e) *Purchase by Third Party at the Option of the Bank.* The Bank may (to the extent permitted under applicable law) instruct the Noteholder to sell and transfer the Participation Capital Notes to any third party purchaser other than a Subsidiary (the "**Third Party Purchaser**"), whereupon the Noteholder shall sell and transfer the Participation Capital Notes to the Bank or (as the case may be) such Third Party Purchaser,
  - (i) prior to the Reset Date, if a Tax Event, Regulatory Event, Capital Event or Accounting Event has occurred, against payment to the Noteholder of the Ordinary Redemption Price plus the Make-Whole Coupon; or
  - (ii) as of the Reset Date or any Remuneration Date thereafter, or upon a Gross-Up Event or Luxembourg Gross-Up Event having occurred at any time, against payment to the Noteholder of the Ordinary Redemption Price.
- (f) *Replacement of the Participation Capital Notes:* Notwithstanding paragraphs (c) through (e) of this Clause 6 above, the Bank may, at any time, redeem the Participation Capital Notes in full, but not in part, in order to issue Replacement Participation Capital Notes in accordance with Clause 2(9) of the Terms and Conditions of the Participation Capital Certificates.

## 7. Modification and Substitution

Subject to no prior objection of the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) at that time, where a Regulatory Event, Tax Event, Gross-Up Event, Luxembourg Gross-Up Event, Accounting Event or Capital Event (the "**Event**") has occurred, the Bank may, by giving not less than 30 nor more than 60 days notice to the Noteholder, substitute (subject to Condition 5(3)(a) (*General Condition for Redemption*) of the Terms and Conditions of the Participation Capital Certificates) in whole but not in part the Participation Capital Notes, or modify the terms of the Participation Capital Notes to the extent that such modification or substitution is reasonably necessary to ensure that no such Event would exist after such modification or substitution has occurred, provided that:

- (i) the Participation Capital Notes, as so modified or as substituted, have terms not materially less favourable to the holders of the Participation Capital Certificates as reasonably determined by the Bank upon having received an opinion to such effect of an independent investment bank, and

provided that a certification to such effect of two directors of the Bank together with a copy of such opinion shall have been delivered to the Fiduciary prior to the issue of the relevant securities;

- (ii) the Participation Capital Notes, as so modified or substituted, shall provide for (1) a ranking at least equal to that of the Participation Capital Notes, (2) a rate of remuneration and remuneration payment dates from time to time applying to the Participation Capital Notes, (3) the same redemption dates as the Participation Capital Notes, (4) be issued in a principal amount at least equal to the total number of Participation Capital Notes multiplied by the Liquidation Entitlement, (5) comply with the then current legal requirements under the Austrian Banking Act (*Bankwesengesetz*) as interpreted by the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) in relation to Tier 1 Capital and (6) preserve any existing rights under the Participation Capital Notes to any accrued remuneration which has not been paid in respect of the period from (and including) the Remuneration Payment Date immediately preceding the substitution/ modification date to (but excluding) the substitution/modification date;
- (iii) the Participation Capital Notes, as so modified or substituted are listed (or Certificates in relation to which are listed) on the Luxembourg Stock Exchange or such other stock exchange as is a Recognized Stock Exchange.

Any reference in these Conditions to the Participation Capital Notes shall be deemed to include a reference to such Participation Capital Notes as amended or modified in accordance with this Condition 7.

## 8. Payments

- (a) *Payments* shall be made by transfer to a EUR account (or other account to which EUR may be credited or transferred) maintained by or on behalf of, and notified to the Principal Paying Agent by, the Noteholder with a bank which has access to the TARGET system, only against presentation and (in the case of redemption) surrender of Participation Capital Notes at the Registered Office of the Principal Paying Agent.
- (b) *Payments Subject to Fiscal Laws.* All payments in respect of the Participation Capital Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).
- (c) *Payments on Business Days.* If the due date for payment of any amount in respect of the Participation Capital Notes is not a Business Day in the place of presentation, the Noteholder shall not be entitled to payment of the amount due until the next following Business Day in such place and shall not be entitled to any further Remuneration or other payment in respect of any such delay.
- (d) No payments shall be made within the United States or its possessions.

## 9. Taxation

- (a) All amounts payable by the Bank in respect of the Participation Capital Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Austria or any other country from or out of which the Bank makes payments, or any political subdivision or authority thereof or therein having power to tax (the "**Withholding Taxes**"), unless such withholding or deduction is required by law. In such event, the Bank shall pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Noteholder after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Participation Capital Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any such payments on the Participation Capital Notes:
  - (i) to the Noteholder (i) who is liable to any Withholding Taxes by reason of his having some connection with Austria or any other jurisdiction from or out of which the Bank makes payments other than the mere holding of the Participation Capital Notes or (ii) who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority or by

presenting the relevant Participation Capital Note to another paying agent designated by the Bank and notified to the Noteholder at least ten (10) Business Days before the relevant payment date, in accordance with Condition 11 (*Notices*), in a member state of the European Union other than the jurisdiction from or out of which the Bank makes payments, but fails to do so;

- (ii) by any person acting as custodian bank or collecting agent on behalf of the Noteholder, or otherwise in any manner which does not constitute a deduction or withholding by the Bank from payments of principal or interest made by it, or
  - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November 2000 or any other conclusions or decisions relating to the outcome of that meeting or any law implementing or complying with, or introduce in order to conform to, such directive; or
  - (iv) more than 30 days after the date on which the payment in question first becomes due.
- (b) If the Fiduciary is required pursuant to applicable law to make a deduction or withholding when it passes a payment received from the Bank on to the Certificate Holders the Principal Paying Agent shall advise the Bank of the amount (the "**Luxembourg Gross-Up Amount**") by which the Bank would have to increase any payment made to the Fiduciary to enable (after the Fiduciary so withholds or deducts) the Fiduciary to pay Certificate Holders an amount equal to the payment which would have been due if the Fiduciary would not so withhold or deduct and furnish the Bank, with documentation evidencing the deduction or withholding obligation and the Luxembourg Gross-Up Amount, in which case the Bank shall pay such Luxembourg Gross-Up Amount to the Noteholder subject to these Conditions.

## 10. Rights upon Liquidation

- (a) *Liquidation Entitlement.* In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Bank, the Noteholder at the time will be entitled to receive the relevant Liquidation Entitlement in respect of the Participation Capital Notes held out of the assets of the Bank available for distribution to the Noteholder. For the avoidance of doubt, such entitlement shall not include any rights to the payment of Unpaid Remuneration.

Such entitlement shall rank *pari passu* with any entitlement of the holders of Bank Share Capital and any participation capital (as defined under Austrian law) and any securities issued by the Bank ranking *pari passu* to Bank Share Capital, to receive liquidation proceeds.

- (b) *Partial Payment.* If the Liquidation Entitlement cannot be made in full, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the Liquidation Entitlement, as adjusted if applicable, the Noteholder will have no right or claim to any of the remaining assets of the Bank.

For the avoidance of doubt, the Noteholder shall, upon liquidation, in no case receive an amount exceeding the Liquidation Entitlement.

## 11. Notices

Notices to the Noteholder shall be made in writing and delivered to the registered office of the Noteholder at 14, Boulevard Royal, L-2449 Luxembourg, The Grand Duchy of Luxembourg.

## 12. Prescription

Claims on account of Liquidation Entitlement shall become void unless the relevant Participation Capital Notes are presented for payment within ten (10) years of the date on which such sum first became due. Claims for Remuneration and/or Additional Amounts shall become void unless the relevant Participation Capital Notes are presented for payment within three (3) years of the date on which such Remuneration first became due.

**13. Governing Law and Jurisdiction**

- (a) *Governing Law:* The Participation Capital Notes and all matters arising from or connected with the Participation Capital Notes are governed by, and shall be construed in accordance with, Austrian law.
- (b) *Jurisdiction:* The courts competent for the first district in Vienna, Austria have exclusive jurisdiction to settle any dispute arising from or connected with the Participation Capital Notes.



## V. THE FIDUCIARY AND THE FIDUCIARY CONTRACT

### 1. The Fiduciary

The Fiduciary was incorporated as a *société en nom collectif*, registration number RC Luxembourg B 5 310 under the laws of Luxembourg on 31 March 1937 under the denomination "Banque Mathieu Frères". The Fiduciary was converted to a *société anonyme* on 4 April 1953. On 24 May 1977, the Fiduciary changed its name to "Banque de Luxembourg". The registered office of Banque de Luxembourg is at 14, boulevard Royal, L- 2449 Luxembourg.

Each Participation Capital Certificate is one of a series of the Participation Capital Certificates issued on a fiduciary basis by Banque de Luxembourg as fiduciary.

The Participation Capital Certificates will together evidence the existence of the Fiduciary Contract on the terms described in the Terms and Conditions of the Participation Capital Certificates between the Certificate Holders and the Fiduciary dated the Issue Date, pursuant to which the Fiduciary's sole obligation will be to account to the Certificate Holders for payments made by the Bank in relation to the Participation Capital Notes, when, as and if actually received by or for the account of the Fiduciary pursuant to either the Participation Capital Notes.

The Certificate Holder, by subscribing to and accepting any Participation Capital Certificates, has agreed to, and is deemed to have expressly acknowledged and accepted all the provisions of the Fiduciary Contract applicable to it including the Terms and Conditions of the Participation Capital Certificates as well as the Terms and Conditions of the Participation Capital Notes.

With the proceeds from the issue of the Participation Capital Certificates, the Fiduciary will in its own name but at the sole risk and for the sole benefit of the Certificate Holders, acquire the Participation Capital Notes in the amount of EUR 100,000,000. See the "*Terms and Conditions of the Participation Capital Notes*" on page 116.

The Fiduciary will hold the Participation Capital Notes on a fiduciary basis in its own name, but solely at the risk and for the account and benefit of the Certificate Holders.

### 2. The Fiduciary Contract

The Fiduciary Contract is a "*contrat fiduciaire*" governed by the Law of 27 July 2003 on the trust and fiduciary contracts (the "**Trust and Fiduciary Contracts Law 2003**"). Each of the Certificate Holders by accepting Participation Capital Certificates has agreed to all the provisions of the Fiduciary Contract applicable to it. The Terms and Conditions of the Participation Capital Certificates form part of the Fiduciary Contract. They set out the rights of the Certificate Holders under the Fiduciary Contract and certain duties, rights, powers and discretions of the Fiduciary. The Terms and Conditions of the Participation Capital Certificates include summaries of, and are subject to, the detailed provisions of, and definitions in, the Agency Agreement with the benefit of which the Participation Capital Certificates are issued.

As a fiduciary under a Luxembourg law-governed "*contrat fiduciaire*", the Fiduciary does not and cannot represent the Certificate Holders. The Fiduciary is under no obligation to the Certificate Holders other than that of faithful performance of its undertakings, duties, rights and powers under the Fiduciary Contract and, in the event of a default under the Participation Capital Notes, shall be under no obligation to apply the proceeds resulting from exercise of any rights of setoff, banker's lien or counterclaim arising out of other transactions between the Fiduciary and the Bank, as the case may be, in payment under the Participation Capital Certificates.

Pursuant to the Trust and Fiduciary Contracts Law 2003, the fiduciary assets are segregated from all other assets of the Fiduciary (including from all other fiduciary assets it may hold under fiduciary contracts with third parties) and are not available to meet the claims of creditors of the Fiduciary other than creditors (including Certificate Holders in their capacity as such) whose rights derive from the fiduciary assets. In a liquidation of the Fiduciary, pursuant to the Trust and Fiduciary Contracts Law 2003, the fiduciary assets may only be attached by persons whose rights exist as a result of the creation and existence of the fiduciary assets.

Neither the Fiduciary nor any of its affiliates will be precluded from making any contracts or entering into any business transactions in the ordinary course of their respective business with the Bank or any person directly or indirectly associated with the Bank or from owning in any capacity any Participation Capital Certificates, and neither the Fiduciary nor any of its affiliates will be accountable to the Certificate Holders for any profit resulting therefrom.

Consistent with the Trust and Fiduciary Contracts Law 2003, Certificate Holders have no direct right of action against the Bank to enforce their rights under the Participation Capital Certificates or right to compel the Bank, as the case may be, to comply with their respective obligations under the Participation Capital Notes even in the case of the Fiduciary's failure to act (subject as set out in Condition 8 of the Terms and Conditions of the Participation Capital Certificates) or the insolvency of the Fiduciary.

The Fiduciary will, as legal owner thereof, have the benefit of its rights under the Participation Capital Notes and will hold all payments actually received by it in respect of principal and interest or otherwise under the Participation Capital Notes as fiduciary assets for the exclusive benefit of the Certificate Holders.

Pursuant to the Fiduciary Contract, the Participation Capital Certificates do not constitute direct debt obligations of the Fiduciary and the Certificate Holders shall be deemed to have acknowledged and agreed (by the acceptance of the Participation Capital Certificates) that the Fiduciary's payment obligation under the Participation Capital Certificates is conditional upon the due performance by the Bank of its obligations under the Participation Capital Notes. Thus, in the event that the Bank does not make each payment in full as required under the Participation Capital Notes, the Fiduciary shall not be obligated to make up for any such shortfall from its funds or otherwise, and in no event shall the Fiduciary be liable to make any payment in respect of the Participation Capital Certificates other than as expressly provided in the Terms and Conditions of the Participation Capital Certificates.

Without prejudice to the Fiduciary's right to be indemnified out of the fiduciary assets, no commission or other remuneration will be due from the Certificate Holders to the Fiduciary for the performance of services in respect of the Participation Capital Certificates. The Fiduciary makes no representation or warranty and assumes no liability for the legality, validity or enforceability of the Participation Capital Notes and the performance and observance by the Bank of its obligations in respect of the Participation Capital Notes or its recoverability of any sums due or to become due from the Bank under the Participation Capital Notes.

The terms and conditions of the Participation Capital Certificates and of the Participation Capital Notes are contained in "*Terms and Conditions of the Participation Capital Certificates*" on page 60 and "*Terms and Conditions of the Participation Capital Notes*" on page 116 of this Prospectus, respectively.

## VI. INFORMATION ABOUT THE BANK

### 1. General

#### *Business history and business development of VBAG*

On 4 November 1922, the "Österreichische Zentralgenossenschaftskasse registrierte Genossenschaft mit beschränkter Haftung", a co-operative with limited liability, was - in an effort to implement the ideas of Hermann Schulze Delitzsch - established as the umbrella organisation for regional credit co-operatives and primary banks, which were members of the Federation of Austrian Credit Co-operatives (*Fachverband der Kreditgenossenschaften nach dem System Schulze-Delitzsch*). It was renamed "Zentralkasse der Volksbanken Österreichs" on 10 December 1956 and was merged into VBAG in 1974, which was founded in 1974 specifically for this purpose. VBAG is now the central institution of the Austrian Volksbanken (as defined below) as well as an independent commercial bank.

VBAG and its subsidiaries (the "**VBAG Group**") offer their customers and partners, mainly the Austrian Volksbanken and SMEs, a range of financial services both in Austria and other Central and Eastern European countries ("**CEE**") and Malta.

At 31.12.2007, the VBAG Group had 493 branch offices (including 444 in CEE outside Austria) and 7,705 employees (including 5,411 in CEE outside Austria).

#### *Legal form, name and registration of VBAG*

VBAG is organised as an Austrian joint stock corporation registered in the Austrian companies' register of the commercial court in Vienna under file number FN 116476 p under the legal name "Österreichische Volksbanken-Aktiengesellschaft". It operates *inter alia* under the commercial name of "VBAG".

#### *Date of incorporation and term or duration*

VBAG was founded on 8 July 1974 for the purpose of continuing the "Österreichische Zentralgenossenschaftskasse registrierte Genossenschaft mit beschränkter Haftung", a company founded in 1922, which was merged into VBAG. It is set up for an indefinite term.

#### *Office, business address and applicable law*

VBAG's registered office and principal business address is Kolingasse 19, A-1090 Vienna, Austria. The phone number is +43 (0) 50 4004 - 0.

VBAG's constitutional documents are subject to Austrian law.

#### *Recent developments*

At the beginning of 2005, the French banking group Banque Fédérale des Banques Populaires and the German banks DZ BANK together with WGZ Bank participated in a capital increase of Volksbank International AG, a consolidated subsidiary of VBAG, acquiring interests of 24.5 per cent. each. The remaining 51.0 per cent. in Volksbank International AG are held by VBAG. This participation is expected to assist the VBAG Group in its expansion outside of its principal Austrian market (see "*Business Overview – Principal markets*").

Today, Volksbank International AG, which is based in Vienna, manages a successful and expanding Bank Network in nine CEE countries: Slovakia, Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia and in Ukraine, where Volksbank International AG acquired OJSC Electron Bank at the beginning of 2007. Equally, Volksbank International AG finalised the acquisition of Zepher Komerc Banka a.d. in Bosnia-Herzegovina in July 2007. This acquisition is aimed to expand Volksbank International AG's regional presence in the area of "Republika Srpska" within the territory of Bosnia-Herzegovina.

In 2005, VBAG acquired all of the shares in Investkredit Bank AG, which is engaged in providing financial products to corporate customers, local governmental authorities and real estate investors. Investkredit is now a wholly owned subsidiary of VBAG (see also [www.investkredit.at](http://www.investkredit.at)). The predominant feature in the fiscal year 2006 was the integration of the Investkredit Bank AG.

In 2006, VBAG transferred the assets comprising the business's commercial and syndicate units (*Kommerz- und Konsortialgeschäft*) to Investkredit to improve synergy.

In July 2006, VBAG agreed in principal with the province of Lower Austria (*Land Niederösterreich*) to sell VBAG's entire participation of approximately 41 per cent. of the shares in Niederösterreichische Landes-Hypothekenbank Aktiengesellschaft to the province of Lower Austria for EUR 115,000,000 and further ancillary measures, such as the entering into a co-operation agreement pursuant to which VBAG and its subsidiaries will continue to be available as business partners for the province of Lower Austria. The transfer of the shares has become effective on 1 July 2007.

In line with VBAG's internal corporate governance model, Europolis AG's role has been redefined: by the end of 2007, Europolis AG has become (via VIBE-Holding GmbH, which itself is held 100 per cent. by VBAG) a 100 per cent. subsidiary company of VBAG; and in January 2008, Europolis AG has been accorded banking status by the Austrian Financial Market Authority. There were no further relevant material developments in the first calendar quarter of 2008.

## **2. Business Overview**

### ***Principal fields of activity***

VBAG is a universal bank and offers, directly or through its subsidiaries, comprehensive banking services to private clients, corporate clients, clients from the public sector and to its partners. In addition, the VBAG Group offers investment funds, real estate and leasing products and related services.

According to its articles of association, the principal corporate purpose of VBAG is to further the interests both of the Austrian Volksbanken and their members as well as those of SMEs. Furthermore, VBAG's objective as the central institution of the Austrian Volksbanken is to engage in all types of banking operations domestically and internationally, including performing the following tasks for the Austrian Volksbanken:

- managing and investing liquidity funds, especially the liquidity reserves of the Austrian Volksbanken;
- granting loans to the Austrian Volksbanken, providing them with technical support in their lending operations and offering temporary liquidity support, as well as facilitating money and business transactions between them and with third parties;
- making cash free payment transfers and providing other banking services, ensuring such transfers and services and their further technological development and advertising for such payment transfers and banking services; and issuing covered bonds.

### ***Description of main business segments***

VBAG's activities are organised in the following business segment:

#### ***Corporate***

Corporate customers of the VBAG Group are mainly serviced by Investkredit Bank AG and its subsidiaries. In detail, the said subsidiaries of Investkredit Bank AG include in particular Investkredit Investmentbank AG, Investkredit International Bank p.l.c., Invest Mezzanine Capital Management GmbH as well as other companies that manage investment transactions on behalf of corporate customers.

This business division is responsible for servicing SMEs, multi-national corporations and large corporate clients. It aims to provide tailor-made and adequate solutions to the ever-diversifying, increasingly sophisticated financial and business strategy needs of domestic and international corporate clients.

Corporate banking provides an integrated range of products such as - but not limited to - corporate and commercial banking, trade finance, leasing, syndication, securitisation, real estate finance, acquisition finance and factoring.

The services are provided primarily through Investkredit Bank AG and its subsidiaries.

## ***Retail***

This business division provides a wide range of banking and related financial product and services to individuals and corporate clients, especially SMEs.

Such products and services include, amongst others, money transfers, savings and loan facilities, credit cards and mortgages.

Domestic clients are serviced primarily by the branches of Volksbank Wien AG and Volksbank Linz-Mühlviertel registrierte Genossenschaft mit beschränkter Haftung. Services for international retail customers are provided within the VBAG Group by Volksbank International AG and its subsidiaries. Co-operation between Volksbank International AG, which has its headquarters in Vienna, and its subsidiaries in nine Central and Eastern European countries is the key success factor for this positive business development. One of the particular strengths of the Volksbank International AG team is the unbureaucratic group-wide exchange of know-how and ideas. The staff of the Volksbanks operating in Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina and Serbia – and since 2007 also in Ukraine – have devoted all their efforts to successfully servicing their customers.

IMMO-BANK Aktiengesellschaft, a subsidiary of VBAG, is responsible for financing real estate for private customers and non-profit organisations.

Bank für Ärzte und Freie Berufe Aktiengesellschaft, also a subsidiary of VBAG, which specialises in servicing medical doctors.

VB Leasing Finanzierungsgesellschaft m.b.H. and VB Leasing International Holding GmbH offer a wide range of leasing products such as vehicle-, equipment-, vendor- and real estate leasing to their customers.

## ***Financial Markets***

This segment comprises VBAG treasury, fixed income and derivatives, structured investments, CEE-treasury, VB consulting and capital markets.

It focuses on the generation of liquidity in money and capital markets and on medium to long-term strategic investments in national and international markets. Treasury services include, amongst others, trading in cash and derivative instruments in interest rate, foreign exchange and money markets as well as bond origination.

In addition, VBAG offers to its customers, standard as well as tailored innovative cash and capital market products in the context of treasury sales to meet the needs of the customers.

The treasury division also comprises the investment fund activities for VBAG's institutional and private clients provided through Volksbank Invest Kapitalanlagegesellschaft m.b.H. and Immo Kapitalanlage AG.

VBAG's investment banking activities are carried out by its subsidiary Investkredit Investmentbank AG. Investkredit Investmentbank AG is a financial service provider for domestic and international customers in local and cross-border transactions involving structured finance, mergers and acquisitions and issuances of securities.

## ***Real estate***

The competence centre for real estate within VBAG and the VBAG Group (VBAG and regional Volksbanks) is bundled in Investkredit Bank AG and the Europolis AG which has become a sister company of Investkredit Bank AG with the end of the year 2007. To be exact, real estate leasing for real estate partners is handled for real estate partners by Immoconsult Leasinggesellschaft m.b.H., real estate development by PREMIUMRED Real Estate Development GmbH and investment and asset management by Europolis Real Estate Asset Management GmbH.

VBAG's real estate division provides a wide range of commercial real estate products and services including construction, interim "bridge" financing, short and medium term sized commercial real estate loans, project and leasing financing, real estate development and real estate investments and management to commercial real estate clients, investors, developers and owners in Austria and the CEE, especially in Bulgaria, Romania, the Czech Republic, Slovakia, Hungary, Poland and Croatia. The services are provided through Immoconsult Leasinggesellschaft m.b.H. and its subsidiaries as well as through Europolis Real Estate Asset Management GmbH.

Europolis Real Estate Asset Management GmbH has further secured its position as one of the most important companies for commercial real estate in the CEE and SEE region. The activities of Europolis concentrate on office properties, shopping centres and logistics parks. The properties meet international investment standards and are selected with a focus on long-term secured revenues. For this reason, the quality of location, quality of the buildings, creditworthiness of the tenants and the long-term contractual safeguarding of rental payments are particularly important.

### ***Public finance***

The local government financing division is serviced by Kommunalkredit Austria AG ("***Kommunalkredit***"), a majority owned subsidiary of VBAG. Kommunalkredit is a special purpose bank whose primary fields of business include the financing and support of municipals' investments, including those of an environmental nature, the management of the environmental support schemes of the federal government (by Kommunalkredit Public Consulting GmbH), treasury operations, (international) project management and international consulting projects. The services include financing public sector infrastructure investments (in Austria, Switzerland, the member states of the European Union, and some other selected countries in CEE), treasury management, local government leasing, public sector consulting and the management of the environmental support schemes of the Republic of Austria and the *Umwelt- und Wasserwirtschaftsfonds* (environment and water management fund).

Kommunalkredit also provides fund management services as a public-sector trustee.

## **3. Risk management**

### ***Risk report***

Over the last year VBAG has implemented the required organisational steps to meet the requirements for modern risk management. Especially a clear distinction is made between units generating business for the bank and those units whose aim is to evaluate, measure and monitor the risks connected to the banking business.

In 2006, the risk reporting framework was significantly enhanced by introducing a general risk report covering all relevant risk sources within the VBAG group. The report is presented to the management board and senior management on a quarterly basis. It currently comprises measures for credit risk, market risk, interest rate risk, liquidity risk and operational risk.

### ***Market risk***

Within the VBAG Group, the independent group market risk management department, which is part of the strategic risk management division, is in charge of controlling and monitoring the risks arising from treasury operations. Apart from the preparation of daily risk and earnings reports and the definition of the limit structure on the basis of the economic capital made available by the Management Board and the monitoring of limits, the department's main tasks comprise the administration of front-office systems, collateral management, the further development of risk systems and methods and the monitoring of market risk and counterparty limits.

Daily estimates of the potential losses that could result from unfavourable market developments constitute the core element in risk monitoring. These value at risk calculations are made using the historical simulation method on the basis of the internationally recognised KVaR+ software. These calculations are based on a confidence interval of 99 per cent. and a holding period of one day.

In December 2004, the Financial Market Authority approved the model devised by VBAG for calculating own funds requirements for covering trading book market risks. The value at risk calculations are carried out to assess the general position risk in interest based instruments, the foreign exchange and gold position risk, the general position risk in equities and the risk in commodity positions. On the basis of the positive results of the examination of the model, a multiplier of three was fixed for calculating VBAG's own funds for market risks in the trading book.

The daily limit for the value at risk ("VaR") of the trading book on a confidence interval of 99 per cent. and a holding period of one day is currently 3.51 million. The average utilisation ratio in the first quarter was around 50 per cent.

The plausibility and reliability of risk measures is monitored daily by means of back testing. The back testing results so far have confirmed the quality of the internal model. Therefore, the best possible multiplier of three remains in place for the calculation of own funds requirements pursuant to the provisions of the Austrian Banking Act (*Bankwesengesetz*) and the relevant regulations there under.

The central element in market risk control is formed by a structured system of limits approved by the Management Board. In addition to the value at risk, a range of other key risk figures are calculated daily up to departmental level. Basically, these consist of interest rate sensitivities and risk measures for options (delta, gamma, vega, rho). Volume limits for all currencies and product groups also restrict the liquidity risk, while management action triggers and stop loss limits are also retained. In the fiscal year 2007, the overall limits were never exceeded.

As the impact of extreme situations on the results cannot be assessed by means of the value at risk calculations, stress tests based on approximately 80 historical and portfolio-linked worst case scenarios are carried out at regular intervals. The findings are analysed at least quarterly by a body of experts, which sets out adjustments, if needed.

Streamlined and efficient processes and procedures represent an important element in risk management. A special factor in this connection is the process covering the introduction of new products, which is also the responsibility of the market risk management department.

All rules and organisational processes governing the measurement and monitoring of market risks are described in VBAG's market risk manual. The structure of limits and escalation procedures, which are applied whenever limits are exceeded, are also explained in such manual.

The market risk management department also monitors counterparty, issuer and country limits. These limits are recorded separately for on-balance-sheet and off-balance-sheet products as well as for different maturity ranges in Kondor + (Credit Net). The computations for the purpose of determining limits utilisation naturally take place in real-time. Reports on utilisation and overdrafts are made available to the relevant credit departments on a daily basis.

#### ***Market risks in the banking book controlled through asset-liability management***

The risks from the balance sheet structure and from the off balance sheet transactions are managed in the VBAG by the VBAG asset liability committee ("**ALCO**") respectively by the asset liability committee of the subsidiary. VBAG ALCO is supported by the "group asset liability management support" department responsible for monitoring and controlling of the banking book risks and the asset liability management "**ALM**" unit, which prepares suggestions for ALCO, assesses the balance sheet structure and is involved in the ongoing improvement of ALM processes within the VBAG Group. ALCO is responsible for optimising the VBAG Group's balance sheet structure and the management of long-term interest rate, foreign exchange and liquidity risks.

The implementation of the SAP banking software, in cooperation with the ARZ Allgemeines Rechenzentrum GmbH, for the measurement of interest rate risks was finished in the middle of 2006. The validation of gap analyses, simulations and stress tests has been concluded. The creation of so called GAP reports, NPV-reports which include various simulations like parallel shifts and rotations of interest curves as well as liquidity analyses is conducted for VBAG, Volksbank Wien AG, Bank für Ärzte und Freie Berufe AG, Volksbank Linz-Mühlviertel registrierte Genossenschaft mit beschränkter Haftung, IMMO-Bank Aktiengesellschaft and Volksbank International AG on a monthly basis. This reporting represents the basis for every ALCO and thus for the management of interest rate risk. The measurement of interest rate risk is carried out in the VBAG Group on a local level. It is planned that the inclusion of the subsidiaries of Volksbank International AG will be finished in 2008. The reporting of the Investkredit group and the Kommunkredit group is effected in the respective unit of the subsidiary.

The VBAG Group employs derivatives as a central instrument for the hedging of interest rate risks and managing the balance-sheet structure. Interest rate swaps (IRS) and futures are used as the primary hedging instruments for the VBAG Group's own fixed interest rate issues. IRS's are also employed in order to safeguard the market value of fixed-income investments in fixed interest-bearing securities, as well as customer receivables.

Furthermore, cross currency swaps, forward exchange transactions, FX options and FX swaps serve as a hedge of interest rate and currency risks in connection with receivables and liabilities from and to credit institutions and customers and issuances, which are denominated in foreign currencies.

### ***Credit risk***

Credit risk is defined as imminent losses due to default or deterioration of the financial standing of business partners. Control of this risk is ensured by organisational as well as methodological (which includes rating systems and parameter estimation models such as probability of default or loss given default) means. However individual involvement approach.

Amongst other measures and in line with Basel II requirements an independent credit monitoring unit has been established in the group which is responsible for the development, validation and back testing of models for the assessment of credit risk parameters. In addition, this unit undertakes stress tests and performs management information tasks jointly with the controlling/financial reporting/taxes division.

Credit risk management also demands the creation of mature models and systems, tailored to individual bank portfolios. On the one hand, the aim is to organise and improve the credit approval and monitoring process, while on the other, these instruments and the related results form the basis for a proper management of the entire credit portfolio.

In 2006, special emphasis was placed to validate and if necessary further develop the existing rating models on the basis of back testing results. Amongst other methods, back testing employs statistical processes using an in-house rating database, which contains all the data relevant to the ratings prepared within the VBAG Group.

Furthermore, additional rating systems for insurance and leasing companies, as well as a behavioural rating for retail customers were developed and introduced throughout the VBAG Group in the course of 2006.

All rating systems employ the Volksbanken master scale, which comprises a total of 25 rating levels and is linked to a probability-of-default ("PD") band. This approach does not only facilitate a comparison of internal ratings with the classifications of external rating agencies, but also a comparison of ratings across countries and customer segments.

The VBAG Group-wide application of credit risk assessment tools and the consistency of the methods used constitute the basis for calculating expected losses. As a result of the systematic gathering of default and recovery information, an increasing number of models are validated and backtested by statistical means on a regular basis. Though the ongoing monitoring of the model quality a high quality of the expected loss estimation is ensured.

The application of credit risk assessment methods and instruments primarily serves the purpose of avoiding losses by trying to identify risks as early as possible. However, special attention is also paid to the fact that these systems should serve as a decision-making aid for the VBAG Group staff. Therefore, in addition to the quality of the methods, importance is attached to employee training, qualifications and experience.

All decisions on individual cases are taken with due regard for the principle of dual control, whereby all loans exceeding the decision-making authority of the customer service desks of VBAG and/or the foreign subsidiaries have to be submitted to the risk management team. Depending on the amount of the loan, the risk management team takes decisions independently, or makes comments and submits the relevant applications to the Management Board in cases where the decision-making authority is vested in lending departments reporting directly to the Management Board.

The loan assessment procedure not only takes into consideration the direct risks of a borrowers default but also country risks in general. In an effort to limit such risks, VBAG has devised an in-house system of credit ceilings, which is modelled along the standards of international rating agencies.

In 2007 the VBAG Group has successfully applied for the use of internal ratings in its measurement of credit risk. With March 2008 the group has received supervisory approval to use the Basel II foundation approach for credit risk internal ratings. In order to fulfil the related statutory requirements concerning supervision, a modern risk management system landscape has been created, which was largely finished in 2005. Apart from rating systems and parameter estimation models (probability of default, loss given default, exposure at default), this contains a central data pool, a Basel II calculation core and a web-based reporting instrument.

The VBAG Group's exposure in different sectors can be inferred from the notes Nos 16 and 23 to the audited consolidated financial statements of VBAG for the financial year ended 31 December 2007 showing loans and advances to, and amounts owed to, customers.



### ***The implementation of Basel II in the VBAG Group***

The harmonisation of relevant legal provisions has brought members of the Group ever more closely together. This trend was accelerated by the implementation of the legal provisions of the Basel II Capital Accord.

To the VBAG Group this meant a change of vital core processes on the part of all Group companies and affiliates. Therefore, the decision was taken to work out an implementation programme which comprises a project's market risk, operational risk, interest risk and credit risk.

The objectives of the Basel II implementation programme as defined in the resolution of the Managing Board were not only in compliance with the minimum capital requirements but also the implementation of internal models, with due regard to profitability, in order to improve the risk management systems for all types of risks on an on-going basis. To this end, the following targets were set for the individual projects:

- IRB basic approach for credit risk measurement
- The standard approach for operational risk measurement from 1 January 2008
- The net present value approach for interest rate risk measurement on the basis of SAP introduced (exception: new acquisition in 2007 – OSSC Electron Bank and Volksbank a.d. Banja Luka)
- Internal model for the calculation of equity for market risk measurement in the trading book applied since 1 January 2005.

The Basel II implementation programme was completed following the positive recommendation made by the Austrian Central Bank to apply the IRB approach starting 4/2008.

### ***Operational risk***

VBAG defines operational risk as "potential losses which could result from inadequate or failed internal procedures, people, systems or external events". The VBAG Group interprets the definition of the term "operational risk" more widely than that given in the Basel Accord, as it also takes into account reputational risks.

With regard to own funds requirements, all necessary preparations have been completed for the calculation and reporting of own funds starting in 2007, in accordance with the regulations governing risk-oriented reporting to the Austrian National Bank.

The risk management target defined in the course of risk strategy is the optimisation of the risk portfolio through the determination of the accepted residual risk, taking into account the cost of risk prevention in proportion to the sum involved in the case of damages.

In the risk-management process, operational risks are assessed by means of standardised procedures, which are intended to ensure the realistic and holistic measurement of operational risks. The tools employed for this purpose include:

*The "RiskMap"*: Based on the nationally and internationally used framework issued by the Risk Management Association, risks are assessed in a three dimensional matrix (process, product and risk category) and documented in a concise RiskMap (Risk Landscape).

*"Risk and Control Assessments"*: Based on the findings in the RiskMap critical risk points and further threats are assessed in more detail. Already implemented controls are evaluated, gaps identified and additional actions (risk responses) formulated as well as previously adopted ones monitored. Annualised loss expectancy is determined by means of likelihood and impact of imminent losses.

*"The event database"*: Since 2004, operational losses are VBAG Group-wide uniformly recorded in this web-based application.

In addition, VBAG lies special emphasis throughout the group on awareness trainings for all staff members, the securing of confidentiality, availability and integrity of customer and enterprise data as well the business continuity management, the segregation of duties and the four-eyes-principle. Those controls are integrated in the processes of the bank and assure a reasonable and accepted risk level.

In the course of the continuous improvement of the operational risk processes the focus lies currently on key risk indicators and risk scenarios. A close cooperation with economic capital calculation/ risk governance is guaranteed by the organisational structure of VBAG.

The efficiency of operational risk management is proved by a periodic and independent audit function.

### ***Principal markets***

VBAG's principal geographic markets are Austria, Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia, Cyprus, Germany, Poland, Malta and Ukraine.

### ***Competitive position***

The following ranking shows that based on (aggregate) balance sheet figures, VBAG was the sixth largest bank including Österreichische Kontrollbank Aktiengesellschaft in Austria at mid-year 2007. Excluding Österreichische Kontrollbank Aktiengesellschaft, which has a special role (e.g. as Austria's Export Credit Agency, it acts as the agent of the Republic of Austria), and which is jointly owned by a certain number of Austrian banks, VBAG would be the fifth largest Austrian bank as of that date:

<b>Rank</b>	<b>Name of Bank</b>
1	Bank Austria Creditanstalt AG
2	Erste Bank der österreichischen Sparkassen AG
3	Raiffeisen Zentralbank Österreich Aktiengesellschaft
4	BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft
5	Österreichische Kontrollbank Aktiengesellschaft
6	Österreichische Volksbanken-Aktiengesellschaft
7	Hypo Alpe-Adria-Bank International AG
8	Kommunalkredit Austria AG
9	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
10	Raiffeisenlandesbank Niederösterreich-Wien AG

(Source: Österreichische Nationalbank, "Statistiken, Daten und Analysen", Q1/2008)

## **4. Organisational structure**

### ***Group***

VBAG is the central institution of the 68 independent Austrian credit institutions and credit cooperatives (the "***Austrian Volksbanken***"). In its role as the central institution, VBAG provides certain services to the Austrian Volksbanken such as the management and the investment of liquidity funds, especially the liquidity reserves of the Austrian Volksbanken, the granting of loans to the Austrian Volksbanken, the provision of technical support in their lending operations and the offering of temporary liquidity support, as well as the facilitation of money and business transactions between the Austrian Volksbanken and third parties (see also "***Principal fields of activity***").

The 58 regional banks and the 7 special purpose credit co-operatives are the so called primary cooperatives. Their members are mostly natural persons. 550.000 Austrians are members of the regional Volksbanken. Each primary credit co-operative is not only legally independent but likewise autonomous in its management, taking the mandate of member promotion as its basis. They, therefore, require a management like that of any other commercial bank which is in the position to act in a manner of accountable self-responsibility. In this regard bank management is subject to special governmental-public control (the Financial Market Authority) and internal control.

The advantage of the primary Volksbanken is rooted in the customer's proximity to the decision-making process. The Volksbanken group is a vertical organized system in which the independent entities work together and on the basis of common goals withdraw certain individual functions from their autonomous decision-making realm and transfer them to other members of the group to be fulfilled. Consequently, subsidiary is a principle of competence which regulates the relationship between decentralized units (the regional Volksbanken) and centralized units (Österreichischer Genossenschaftsverband, VBAG). The centralized units' function is conceived as supplemental help for the (decentralized) members.

In addition to the governmental Deposit Insurance Fund, which guarantees every customer in the case of bankruptcy of a bank EUR 20.000 for his deposits, the Volksbanken have established a voluntary institutional protection-system. The purpose of the so called Joint Security Fund is the assistance in form of cash grants and management know how in situations of impending or existing economic hardship. The Fund is essentially created through the dues raised among the member banks. Although, no member bank has a legal claim to be assisted, in practice all occurring losses were always covered. Therefore, no depositor or customer was suffering a loss of his deposits.

All financial institutions within the Volksbanken group must be a member of the Österreichische Genossenschaftsverband (Schulze-Delitzsch) ("**OeGV**"), the Association of Austrian Co-operatives, founded 1872, which also has non-financial (industrial and commercial) cooperatives as its members. The 'credit division' of OeGV, which consists of the group's financial institutions, has a key position in co-ordinating the group and also manages the group's support funds.

In addition to its function as the central institution, VBAG holds interests in banks in Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia, Cyprus, Germany, Ukraine and Poland indirectly through Volksbank International AG and/or Investkredit and directly in a bank in Malta.

VBAG, Investkredit, Kommunalkredit and the Austrian Volksbanken present themselves as the Volksbank Group ("**Volksbank Gruppe**").

#### ***Dependence within the group***

VBAG is a joint stock corporation and dependent on its shareholders (see "*Major Shareholders*"). The Austrian Volksbanken are (indirectly) shareholders of VBAG and therefore have the possibility of exercising influence over VBAG to a certain extent, amongst other things, by appointing or dismissing members of the supervisory board or by changing the articles of association in shareholders' meetings.

### **5. Trend information**

#### ***Statement***

Since the end of the period covered by the latest consolidated audited financial statements as of 31 December 2007, no material changes have occurred which could have a negative impact on the prospects of VBAG. VBAG takes the view that at the time being there is no need to make material provisions for potential losses with regards to VBAG's exposure to the US Sub Prime markets. VBAG strongly believes that the provisions taken in 2007 for transactions with US Subprime Exposure are sufficient to cover any losses that may occur in these transactions in the future. In optimising its business model VBAG is constantly revising any options it may have regarding its material shareholdings.

#### ***Material influences on the prospects of VBAG***

In July 2005, VBAG acquired approximately 94 per cent. of Investkredit Bank AG. The remaining shares of Investkredit were acquired in December 2005 by VBAG. It expects that this acquisition will strengthen its profiles in the commercial, leasing and real estate business segments. The predominant feature in the 2006 accounts was the integration of Investkredit Bank AG.

Following completion of the acquisition of Investkredit, VBAG indirectly holds 50.78 per cent. of Kommunalkredit's ordinary share capital, the biggest financing company for municipalities in Austria (Source: [www.kommunalkredit.at](http://www.kommunalkredit.at)).

#### ***Profit forecasts or estimates***

No profit forecasts or profit estimates are being included in the Prospectus.

## 6. Administrative, Management, and Supervisory Bodies

### *Members of the administrative, management and supervisory bodies*

#### **Name**

#### **Activities outside VBAG**

#### **Management Board (*Vorstand*)**

##### **Franz PINKL**

Chairman of the Management Board

##### **Supervisory Board**

ARZ Allgemeines Rechenzentrum GmbH  
Dexia Kommunalkredit Bank AG  
Investkredit Bank AG (Chairman)  
Kommunalkredit Austria AG (Chairman)  
Raiffeisen Zentralbank Österreich Aktiengesellschaft  
VICTORIA-VOLKSBANKEN  
Versicherungsaktiengesellschaft  
Volksbank-Quadrat Bank AG  
Volksbanken-Beteiligungsgesellschaft m.b.H.  
Schulze-Delitzsch-Haftungsgenossenschaft reg. GnmBH  
Volksbank Niederösterreich Süd  
D.A.S. Österreichische Allgemeine Rechtsschutz-  
Versicherungs-AG

##### **Advisory Council**

DZ BANK AG, Deutsche Zentral-Genossenschaftsbank,  
Frankfurt am Main

##### **Staff Council**

Dexia Kommunalkredit Bank AG  
Kommunalkredit Austria AG  
ARZ Allgemeines Rechenzentrum GmbH

##### **Credit Committee**

Dexia Kommunalkredit Bank AG  
Investkredit Bank AG (Chairman)  
Kommunalkredit Austria AG

##### **Erich HACKL**

Member of the Management Board

##### **Supervisory Board**

Allgemeine Bausparkasse reg.Gen.m.b.H.  
Bank für Ärzte und Freie Berufe Aktiengesellschaft  
(Chairman)  
PayLife Bank GmbH (Chairman)  
Investkredit Bank AG  
Schulze-Delitzsch-Haftungsgenossenschaft registrierte  
Genossenschaft mit beschränkter Haftung  
VB Partner-Kapital Beteiligungs AG (Chairman)  
Venture for Business Beteiligungs AG (Chairman)  
Verwaltungsgenossenschaft der Volksbank Wien, registrierte  
Genossenschaft mit beschränkter Haftung  
Verwaltungsgenossenschaft der Volksbank in Wien und  
Klosterneuburg registrierte Genossenschaft mit beschränkter  
Haftung  
VICTORIA-VOLKSBANKEN Mitarbeitervorsorgekasse  
AG  
VICTORIA-VOLKSBANKEN  
Versicherungsaktiengesellschaft  
Volksbank Linz-Mühlviertel reg.Gen.m.b.H. (Chairman)  
Volksbank, Gewerbe- und Handelsbank Kärnten

Aktiengesellschaft  
Volksbank Wien AG (Chairman)  
Volksbanken – Versicherungsdienst – Gesellschaft m.b.H.  
Volksbanken-Beteiligungsgesellschaft m.b.H.  
Volksbank-Quadrat Bank AG  
Gefinag-Holding AG

**Advisory Council**

Back Office Service für Banken GmbH (Chairman)  
VICTORIA-VOLKSBANKEN  
Versicherungsaktiengesellschaft  
Volksbank-Reisen GmbH  
ARZ Allgemeines Rechenzentrum GmbH  
Volksbankenakademie

**Working Committee**

Volksbank Wien AG (Chairman)

**Credit Committee**

Volksbank, Gewerbe- und Handelsbank Kärnten  
Aktiengesellschaft  
Investkredit Bank AG

**Staff Council**

Volksbank, Gewerbe- und Handelsbank Kärnten AG

**Manfred KUNERT**

Member of the Management Board

**Supervisory Board**

Investkredit Bank AG  
Verwaltungsgenossenschaft der Volksbank Wien, registrierte  
Genossenschaft mit beschränkter Haftung  
VICTORIA-VOLKSBANKEN Mitarbeitervorsorgekasse  
AG  
VICTORIA-VOLKSBANKEN Pensionskassen  
Aktiengesellschaft (Chairman)  
Wiener Börse AG  
Volksbank Donau-Weinland reg.Gen.m.b.H.  
Zertifikate Forum Austria  
Gefinag-Holding AG (Chairman)

**Advisory Council**

Volksbank Invest Kapitalanlagegesellschaft m.b.H.  
(Chairman)  
Finance Trainer Research Institute

**Credit Committee**

Investkredit Bank AG

**Liquidator**

B.P. Invest Consult GmbH in Liquidation

**Managing Director**

Myrrha Beteiligung GmbH

**President**

ACI-Austria The Financial Markets Association

**Wolfgang PERDICH**

Member of the Management Board

**Supervisory Board**

Dexia Kommunalkredit Bank AG  
Kommunalkredit Austria AG  
VB Factoring Bank Aktiengesellschaft (Chairman)  
VB-Holding Aktiengesellschaft (Chairman)  
VB-Leasing International Holding GmbH (Chairman)  
Victoria – Volksbanken Életbiztosító Rt.  
Victoria – Volksbanken Pojistovna a.s. (CZ)  
Victoria – Volksbanken Poistovna a.s. (SK)  
Volksbank International AG (Chairman)  
Europolis AG  
DZ BANK Polska S.A.

**Credit Committee**

Dexia Kommunalkredit Bank AG

**Working Committee**

Volksbank International AG (Chairman)

**Managing Director**

ETECH Management Consulting GmbH  
VIBE- Holding GmbH

**Advisory Council**

Immoconsult Leasinggesellschaft m.b.H. (Chairman)

**Management Board**

Member of the Management Board of Investkredit Bank AG

**Wilfried STADLER**

Member of the Management Board

**Management Board**

Chairman of Investkredit Bank AG  
Jubiläumstiftung der Wirtschaftsuniversität Wien  
Privatstiftung  
Schweighofer Privatstiftung

**Supervisory Board**

Investkredit Investmentbank AG  
Salzburg Winterspiele 2014 GmbH in Liquidation  
Telekom Austria AG  
Wienstrom GmbH;  
Trodat Holding GmbH – Walter Just Verwaltungs GmbH  
Die Furche Zeitschriftenbetriebs GmbH & Co. KG  
(Chairman)  
ATP Planungs- und Beteiligungs AG (Chairman)  
"Academia Scientiarum et Artium Europaea" Privatstiftung  
Walter Just Verwaltungs GmbH

**Supervisory Board (*Aufsichtsrat*)**

**Walter ZANDANELL**

Chairman

**Management Board**

Chairman of the Management Board of Volksbank Salzburg  
eG  
Chairman of the Management Board of Schulze-Delitzsch  
Privatstiftung  
Chairman of the Management Board of Volksbanken  
Holding registrierte Genossenschaft mit beschränkter  
Haftung

**Supervisory Board**

ARZ Allgemeines Rechenzentrum GmbH  
Volksbanken-Beteiligungsgesellschaft m.b.H.  
Volksbank-Quadrat Bank AG  
Schulze-Delitzsch-Haftungsgenossenschaft registrierte  
Genossenschaft mit beschränkter Haftung  
Volksbank Graz-Bruck

**Advisory Council**

ARZ Allgemeines Rechenzentrum GmbH

**Gerald WENZEL**

First deputy chairman

**Management Board**

Chairman of the Management Board of VOLKSBANK  
BADEN e.Gen.  
Volksbanken Holding registrierte Genossenschaft mit  
beschränkter Haftung

**Supervisory Board**

Volksbanken Versicherungsdienst

**Advisory Council**

Chairman of the Marketing Committee of the Volksbanks  
("Marketingausschuss der Volksbanken")  
Member of the Advisory Council of the ARZ Allgemeines  
Rechenzentrum  
Chairman of the Advisory Council of Victoria-Volksbanken  
Versicherung

**Franz FRISCHLING**

Second deputy chairman

**Management Board**

Chairman of the Management Board of Volksbank  
Vöcklamarkt-Mondsee registrierte Genossenschaft mit  
beschränkter Haftung  
Volksbanken Holding registrierte Genossenschaft mit  
beschränkter Haftung

Members:

**Harald BERGER**

**Management Board**

Chairman of the Management Board of Volksbank  
Südburgenland registrierte Genossenschaft mit beschränkter  
Haftung  
Member of the Management Board of Volksbanken Holding  
registrierte Genossenschaft mit beschränkter Haftung

**Supervisory Board**

Volksbank Wien AG  
Volksbanken-Beteiligungsgesellschaft m.b.H.  
Volksbank-Quadrat Bank AG  
Schulze-Delitzsch-Haftungsgenossenschaft reg.GenmbH

**Edwin REITER**

**Management Board**

VOLKSBANK OBERKÄRNTEN registrierte  
Genossenschaft mit beschränkter Haftung  
Member of the Management Board of Volksbanken Holding  
registrierte Genossenschaft mit beschränkter Haftung

**Supervisory Board**  
Gabor Gesellschaft m.b.H.

**Hans HOFINGER**

**Management Board**  
- CEO of the Association of Austrian Cooperatives (Österreichischer Genossenschaftsverband (Schulze-Delitzsch) and Association counsellor  
Volksbank-Quadrat Bank AG

**Supervisory Board**  
Vice President of Volksbank International AG  
Volksbanken-Beteiligungsgesellschaft m.b.H.  
Vice President of the governing board of the European Association of Co-operative Banks with headquarters in Brussels

**Executive Committee**  
Vice President of Confédération Internationale des Banques Populaires

**Daniel von BORRIES**

**Supervisory Board**  
VICTORIA-VOLKSBANKEN  
Versicherungsaktiengesellschaft

**Management Board**  
ERGO Versicherungsgruppe AG

**Herbert HUBMANN**

**Management Board**  
Deputy Chairman ADEG Österreich Großeinkauf der Kaufleute registrierte Genossenschaft mit beschränkter Haftung  
Volksbanken Holding registrierte Genossenschaft mit beschränkter Haftung

**Supervisory Board**  
ADEG Markt GmbH  
ADEG Österreich Handelsaktiengesellschaft  
ADEG Verbrauchermärkte GmbH  
C & C Abholgroßmärkte Gesellschaft m.b.H.

**Wolfgang KIRSCH**

**Management Board**  
Chief Executive Officer of DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

Member of the Management Board of Banco Cooperativo Espanol S.A.

**Supervisory Board**  
Bausparkasse Schwäbisch Hall AG (Chairman)  
R + V Versicherung AG (Chairman)  
Union Asset Management Holding AG (Chairman)  
Südzucker AG

**Thomas BOCK**

**Management Board**  
VOLKSBANK VORARLBERG e.Gen.



**Managing Director**

Volksbank Vorarlberg Anlagen-Leasing GmbH  
Volksbank Vorarlberg Marketing und Beteiligungs-GmbH  
Volksbank Vorarlberg Privat-Leasing GmbH  
Volksbank Vorarlberg Versicherungs-Makler GmbH

**Supervisory Board**

Volksbank International AG  
Volksbank-Quadrat Bank AG  
Volksbanken-Beteiligungsgesellschaft m.b.H.

**Rainer KUHNLE**

**Management Board**

Chairman of the Management Board der Volksbank Krems-Zwettl Aktiengesellschaft  
Verwaltungsgenossenschaft of Volksbank Krems-Zwettl  
registrierte Genossenschaft mit beschränkter Haftung

**Supervisory Board**

VICTORIA-VOLKSBANKEN Pensionskassen  
Aktiengesellschaft

**Managing Director**

VB – REAL Volksbank Krems-Zwettl Immobilien- und  
Vermögensstreuhandgesellschaft m.b.H.

**Thomas DUHNKRACK**

**Management Board**

DZ BANK AG, Deutsche Zentral-Genossenschaftsbank,  
Frankfurt am Main

**Supervisory Board**

DVB Bank AG, Frankfurt am Main  
DZ BANK Polska S.A., Warschau  
DZ Equity Partner GmbH, Frankfurt am Main  
EDEKABANK Aktiengesellschaft, Hamburg  
VR-Leasing AG  
Deutsche Genossenschafts-Hypothekenbank AG

**Member of the board of Directors**

Cassa Centrale Banca Credito Cooperativo del Nord Est SpA

**Walter ROTHENSTEINER**

**Management Board**

Chairman of the Management Board of Raiffeisen  
Zentralbank Österreich Aktiengesellschaft  
Österreichische Raiffeisen-Einlagensicherung registrierte  
Genossenschaft mit beschränkter Haftung

**Supervisory Board**

Casinos Austria Aktiengesellschaft  
Casinos Austria International Holding GmbH  
Kathrein & Co. Privatgeschäftsbank Aktiengesellschaft  
KURIER Redaktionsgesellschaft m.b.H.  
KURIER Zeitungsverlag und Druckerei Gesellschaft m.b.H.  
LEIPNIK-LUNDENBURGER INVEST Beteiligungs  
Aktiengesellschaft  
Österreichische Kontrollbank Aktiengesellschaft

Österreichische Lotterien Gesellschaft m.b.H.  
ÖVK Vorsorgekasse AG  
Raiffeisen Bausparkasse Gesellschaft m.b.H.  
Raiffeisen Centrobank AG  
Raiffeisen International Bank-Holding AG  
UNIQA Versicherungen AG  
Wiener Staatsoper GmbH  
ÖPAG Pensionskassen Aktiengesellschaft

**Managing Director**

Cembra Beteiligung GmbH  
Raiffeisen International Beteiligung GmbH

**General Council**

Member of the General Council of the Austrian National Bank

**Thomas WIESER**

**Management Board**

Chairman of the Management Board of Allgemeine Bausparkasse registrierte Genossenschaft mit beschränkter Haftung

State commissioners (*Staatskommissäre*)

**Doris RADL**

**Viktor LEBLOCH**

Members delegated by the Staff Council to the Supervisory Board

**Hans LANG**

**Christian WERNER**

**Richard PREISSLER**

**Rosa PROHASKA**

**Christian RUDORFER**

**Dieter SEYSER**

**Matthäus THUN-HOHENSTEIN**

**ADVISORY COUNCIL**

**Werner EIDHERR**

Chairman of the advisory council

**President (*Präsident*)**

President of Österreichischer Genossenschaftsverband (Schulze-Delitsch)

**Management Board**

Chairman of the board of Volksbank Kufstein registrierte Genossenschaft mit beschränkter Haftung

**Supervisory Board**

Investkredit Bank AG  
Volksbanken-Beteiligungsgesellschaft m.b.H.  
Volksbank-Quadrat Bank AG  
Allgemeine Bausparkasse reg.Gen.m.b.H.

**Johannes FLEISCHER**

**Management Board**

Chairman of the board of Weinviertler Volksbank registrierte  
Genossenschaft mit beschränkter Haftung

**Hermann GEISSLER**

**Management Board**

GAJA Mittelstandsfinanzierungs AG  
APK Holding Privatstiftung  
Privatstiftung zur Bärenhöhle  
Selah Privatstiftung

**Supervisory Board**

Volksbank Wien AG  
Deputy Chairman of KARNALI Projektentwicklung AG

**Johannes JELENIK**

Deputy chairman of the advisory  
council

**Management Board**

Volksbank Kärnten Süd registrierte Genossenschaft mit  
beschränkter Haftung

**Managing Director**

VB Kärnten Süd Leasing GmbH  
VB Realitäten Gesellschaft m.b.H.

**Supervisory Board**

Volksbank Quadrat Bank AG

**Franz KNOR**

**Management Board**

Volksbank Südburgenland registrierte Genossenschaft mit  
beschränkter Haftung

**Michael PESCHKA**

**Management Board**

Chairman of the Management Board of Volksbank Eferding-  
Grieskirchen registrierte Genossenschaft mit beschränkter  
Haftung

**Gerhard REINER**

**Management Board**

Chairman of the Management Board of Volksbank Graz-  
Bruck registrierte Genossenschaft mit beschränkter Haftung

**Supervisory Board**

Volksbank, Gewerbe- und Handelsbank Kärnten  
Aktiengesellschaft

**Othmar SCHMID**

**Management Board**

Österreichischer Apothekerbank registrierte Genossenschaft  
mit beschränkter Haftung

**Managing Director**

APO-Holding Gesellschaft m.b.H.

**Gerhard SCHWAIGER**

**Management Board**

Chairman of the board of Volksbank Tirol Innsbruck-

Schwaz AG  
HAGEBANK Tirol Holding, registrierte Genossenschaft mit  
beschränkter Haftung

**Supervisory Board**

ARZ Allgemeines Rechenzentrum GmbH

**Managing Director**

Meinhardgarage Gesellschaft m.b.H.  
Volksbank Immobilien Ges.m.b.H.  
Volksbank Tirol Innsbruck-Schwaz Versicherungsservice  
GmbH

**Peter SEKOT**

**Management Board**

Deputy Chairman of the board of VOLKSBANK  
MARCHFELD e.Gen.

**Supervisory Board**

Volksbanken-Beteiligungsgesellschaft m.b.H.  
Volksbank-Quadrat Bank AG  
Schulze-Delitsch-Haftungsgenossenschaft reg.GenmbH

**Bernd SPOHN**

**Management Board**

Deputy chairman of the board of the Österreichischer  
Genossenschaftsverband (Schulze-Delitzsch)  
Vereinigung österreichischer Revisionsverbände

**Supervisory Board**

Volksbanken – Versicherungsdienst – Gesellschaft m.b.H.  
Volksbanken-Beteiligungsgesellschaft m.b.H.  
Schulze-Delitsch-Haftungsgenossenschaft reg.GenmbH

**Managing Director**

TREUGENO Steuerberatungs- und  
Wirtschaftsprüfungsgesellschaft mbH

**Josef TREML**

**Management Board**

Chairman of the board of VOLKSBANK  
VÖCKLABRUCK-GMUNDN e.Gen.

**Sonja ZWAZL**

**President**

Chairwoman of the Wirtschaftskammer Niederösterreich

**Management Board**

RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN  
registrierte Genossenschaft mit beschränkter Haftung

**Supervisory Board**

NÖ Bürgschaften GmbH  
NÖ Kulturwirtschaft GesmbH

The business address for all members of the Management Board, the Supervisory Board and the Advisory Council is Kolingasse 19, A-1090 Vienna, Austria.

**Conflicts of interest**

V 3.1.

VBAG is not aware of any potential conflict of interest between the duties to VBAG by the persons listed above and his or her private duties and/or other duties. There are no family ties between members of the Management Board and the Supervisory Board.

**7. Major Shareholders****Shareholder structure**

VBAG shareholder structure as of the date of 31 December 2007:

<b>Shareholder</b>	<b>Shareholding in per cent.</b>
Österreichischer Volksbankenverband incl. Volksbanken Holding registrierte Genossenschaft mit beschränkter Haftung ("Volksbanken Holding rGenmbH")	58.2
DZ BANK group	25.0 plus 1 share
Raiffeisen Zentralbank Österreich Aktiengesellschaft	6.1
ERGO group (Victoria insurance)	10
Others	0.7
<b>Total</b>	<b>100.0</b>

The shares in Volksbanken Holding rGenmbH are held by 59 (regional) Austrian Volksbanken (altogether 93.70 per cent.), Österreichischer Genossenschaftsverband (Schulze-Delitzsch) (1.01 per cent.), Volksbanken-Beteiligungsgesellschaft m.b.H. (2.73 per cent.), eleven goods co-operative societies (*Warengenossenschaften*) (altogether 0.60 per cent.), and Allgemeine Bausparkasse rGenmbH (1.95 per cent.).

Other shareholdings in VBAG are direct shareholdings.

**8. Financial information concerning the Bank****Historical financial information**

The audited consolidated annual financial statements for the fiscal years which ended on 31.12.2007 and 31.12.2006, in each case with the audit report thereon, are incorporated by reference in the Prospectus relating to the Bank.

Extracts from the audited consolidated annual financial statements and the auditors' reports for the financial years ending on 31.12.2007 and 31.12.2006 are included below without material adjustments.

**Consolidated Balance Sheet of the Bank**

	<b>31 December 2007</b>	<b>31 December 2006</b>
	<i>(in EUR 1,000)</i>	<i>(in EUR 1,000)</i>
<b>Assets</b>		
1. Liquid funds	3,200,392	1,199,865
2. Loans and advances to credit institutions	11,367,838	6,019,658
3. Loans and advances to customers	39,047,815	31,109,599
4. Risk provisions	-502,414	-442,758
5. Trading assets	1,008,738	1,109,894
6. Financial investments	18,195,539	17,172,195
7. Assets for operating lease	1,417,796	971,493
8. Investments in associates measured at equity	103,091	84,892

9. Participations	249,417	232,379
10. Intangible fixed assets	455,087	410,367
11. Tangible fixed assets	308,409	262,152
12. Tax assets	141,291	122,425
13. Other assets	3,647,829	3,077,635
14. Assets of a disposal group	0	6,099,521
<b>Total assets</b>	<b>78,640,829</b>	<b>67,429,317</b>
<b>Liabilities and equity</b>		
1. Amounts owed to credit institutions	24,200,454	13,382,971
2. Amounts owed to customers	10,850,921	8,087,131
3. Debts evidenced by certificates	33,108,714	30,845,675
4. Trading liabilities	329,024	243,236
5. Provisions	203,763	165,925
6. Tax liabilities	160,770	101,286
7. Other liabilities	4,873,324	4,071,476
8. Liabilities of a disposal group	0	5,868,299
9. Subordinated liabilities	1,966,480	1,817,489
10. Equity	2,947,380	2,845,829
Shareholders' equity	1,600,384	1,516,790
Minority interests	1,346,996	1,329,039
<b>Total liabilities and equity</b>	<b>78,640,829</b>	<b>67,429,317</b>

**Consolidated Income Statement of the Bank**

	<b>1-12 / 2007</b>	<b>1- 12 /2006</b>
	<i>(In EUR 1,000)</i>	<i>(In EUR 1,000)</i>
1. Interest and similar income and expenses	804,339	656,183
2. Income from associates measured at equity	26,389	6,742
<b>I. Net interest income</b>	<b>830,728</b>	<b>662,925</b>
3. Risk provisions	-89,915	-61,729
<b>4. Net fee and commission income</b>	<b>191,603</b>	<b>135,317</b>
6. Net trading income	57,489	70,597
7. General administrative expenses	-622,313	-507,361
8. Other operating result	762	-1,197
9. Income from financial investments	234	-12,457
10. Income of a disposal group	19,533	23,336
<b>II. Annual result before taxes</b>	<b>388,121</b>	<b>309,433</b>
11. Income taxes	-41,085	-47,925
12. Tax of a disposal group	-1,126	1,268
<b>III. Annual result after taxes</b>	<b>345,910</b>	<b>262,776</b>
13. Profit attributable to shareholders of the parent company (Consolidated net income)	219,682	155,159
Profit attributable to minority interest (Minority interests)	126,228	107,617

**Balance Sheet of the Bank (stand-alone)**

	<b>31 December 2007</b>	<b>31 December 2006</b>
	<i>(in EUR )</i>	<i>(in EUR)</i>
<b>Assets</b>		
1. Cash in hand, balances with central banks	1,349,782,438.42	123,306,062.91
2. Treasury bills and other bills eligible for refinancing with central banks	1,065,435,706.63	901,882,707.94
3. Loans and advances to credit institutions	13,452,167,012.53	9,750,546,865.40
4. Loans and advances to customers	3,761,011,421.14	3,582,596,054.42
5. Debt securities including fixed-income securities	4,549,243,694.36	3,487,862,241.13
6. Shares and other variable yield-securities	454,678,436.49	284,699,096.12
7. Participating interests	45,801,777.95	91,598,533.04
8. Shares in affiliated undertakings	2,234,185,259.85	2,067,163,012.35
9. Intangible fixed assets	1,356,728.77	1,362,785.29

10. Tangible assets	7,595,384.38	5,656,965.43
11. Own shares as well as shares in a controlling company or in a company holding a majority of shares	17,489,569.36	16,943,956.60
12. Other assets	2,313,710,986.86	2,212,371,737.71
13. Subscribed capital called but not paid	233,307,932.36	193,098,880.36
<b>Total assets</b>	<b>29,485,766,349.10</b>	<b>22,719,088,898.70</b>

<b>Off-balance-sheet items</b>		
Foreign assets	9,164,089,247.84	8,041,395,577.44

<b>Liabilities</b>		
1. Liabilities to credit institutions	11,783,957,062.05	9,582,181,376.46
2. Liabilities to customers	1,969,387,160.67	1,262,720,056.65
3. Secured liabilities	11,036,412,237.87	7,639,709,704.99
4. Other liabilities	2,106,323,995.43	1,794,848,372.20
5. Accruals and deferred income	8,694,302.40	7,823,718.98
6. Provisions	121,191,999.69	117,638,341.80
7. Subordinated liabilities	557,980,532.33	477,709,932.33
8. Supplementary capital	568,800,000.00	568,800,000.00
9. Subscribed capital	345,173,065.29	345,173,065.29
10. Capital reserves-committed	508,318,481.78	508,318,481.78
11. Retained earnings	298,522,438.10	236,955,279.10
12. Liability reserve pursuant to Article 23 para 6 BWG	142,292,731.03	139,558,731.03
13. Net profit or loss for the year	38,712,342.46	37,651,838.09
14. Untaxed reserves	0.00	0.00
<b>Total liabilities</b>	<b>29,485,766,349.10</b>	<b>22,719,088,898.70</b>

<b>Off-balance-sheet items</b>		
1. Contingent liabilities		
liabilities from guarantees and gurantees from collateral	2,870,462,132.67	1,691,054,013.44
2. Credit risks	6,295,635,268.80	2,217,474,679.86
Of which liabilities from repurchasing transactions	117,942,268.00	181,035,679.86
3. Liabilities from fiduciary transactions	32,370.94	49,117,620.34
4. Eligible qualifying capital acc. to § 23 para.14 BWG	2,467,670,243.49	2,316,788,853.23
5. Capital requirement acc. to § 22 para. 1	1,030,741,172.54	1,009,295,276.45



## BWG

6. Foreign liabilities	4,663,599,820.54	4,108,245,775.59
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**Income Statement of the Bank (stand-alone)**

	<b>31 December 2007</b>	<b>31 December 2006*</b>
	(in EUR)	(in EUR)
1. Interest receivable and similar income	940,986,973.03	575,618,653.35
2. Interest payable and similar expenses	-945,464,808.99	-568,507,835.45
<b>I. Net interest income</b>	<b>-4,477,835.96</b>	<b>7,110,817.90</b>
3. Income from securities and participating interests	100,974,258.19	169,786,511.39
4. Commissions receivable	49,165,849.33	51,297,735.37
5. Commissions payable	-12,300,414.35	-10,467,529.50
6. Net profit or net loss on financial operations	46,226,455.28	51,504,139.75
7. Other operating income	183,826.70	208,995.34
<b>II. Operating income</b>	<b>179,772,139.19</b>	<b>269,440,670.25</b>
8. General administrative expenses	-106,148,759.53	-106,374,465.02
9. Value adjustments in respect of asset items 9 and 10	-2,539,970.57	-2,749,914.14
10. Other operating expenses	-167,469.73	-14,953.80
<b>III. Operating Expenses</b>	<b>-108,856,199.83</b>	<b>-109,139,332.96</b>
<b>IV. Operating Result</b>	<b>70,915,939.36</b>	<b>160,301,337.29</b>
11. Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	-58,329,245.52	-105,068,896.52
12. Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	55,558,218.45	20,572,192.52
13. Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	-22,194,885.46	-817,455.59
14. Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	54,405,516.60	112,761,817.37
<b>V. Profit or Loss on ordinary activities</b>	<b>100,355,543.43</b>	<b>187,748,995.07</b>
15. Tax on profit or loss	1,563,689.15	-16,013,758.56
16. Other taxes not reported under item 15	-476,510.51	-429,763.06
<b>VI. Profit or loss for the year after tax</b>	<b>101,442,722.07</b>	<b>171,305,473.45</b>
17. Changes in reserves, showing	-64,301,159.00	-134,684,962.87

<b>VII. Net income for the year</b>	<b>37,141,563.07</b>	<b>36,620,510.58</b>
18. Profit or loss brought forward	1,570,779.39	1,031,327.51
<b>VIII. Net Profit or Loss for the year</b>	<b>38,712,342.46</b>	<b>37,651,838.09</b>

## 9. Auditors' Report

The auditors' reports on the audited consolidated financial statements of the Bank for the financial years ending on 31 December 2007 and 31 December 2006 are incorporated by reference.

Other than these auditors' reports of the Bank, no report has been produced by the auditors in connection with this Prospectus.

### *No significant change to the financial position of VBAG*

Save as disclosed herein, there have been no significant changes in the financial position of the VBAG Group taken as a whole since 31 December 2007, being the date of the latest audited published consolidated financial statements of VBAG with the exception of a valuation loss of securities for fair market adjustments of approximately EUR 6,800,000.

### *Legal and arbitration proceedings*

In June 2002, VBAG was fined by the European Commission for alleged participation in agreements and concerted practices with regard to prices, charges and advertising measures for the purpose of limiting competition on the market for bank products and bank services in Austria. The fine amounted to EUR 7.59 million. In December 2006, the Court of First Instance of the European Communities rejected VBAG's action for annulment against the European Commission's decision. VBAG appealed against this judgement in March 2007. The proceedings before the European Court of Justice are still pending and the result cannot be predicted with certainty. VBAG is of the opinion that the imposed fine will not negatively influence its financial position or its profitability, since the fine has already been paid.

In addition to the proceedings described above, VBAG is involved in various proceedings relating to its business activity on a regular basis, which it does not believe will have a material impact on its economic position.

Save as disclosed herein, neither VBAG nor any of its subsidiaries are or have been involved in any legal or arbitration proceedings which may have or have had during the twelve months prior to the date hereof, a significant effect on the financial position or the profitability of VBAG or its subsidiaries. Furthermore, VBAG is not aware of any such proceedings pending or threatening.

## 10. The Bank's Ratings

The Bank currently has the following credit ratings issued by Moody's Investors Service, Inc.:

Bank Deposits:	Aa3/P-1
Bank Financial Strength:	C
Issuer Rating:	Aa3
Senior Unsecured:	Aa3
Senior Subordinate -Dom Curr:	A1
Jr Subordinate -Dom Curr:	A1
Other Short Term -Dom Curr:	P-1

## 11. Material Contracts

VBAG is not party to any material contracts that are entered into in its course of business and which could result in any member of the Group being under an obligation or entitlement that is material to VBAG's ability to meet its obligations to Noteholders in respect of the Notes being issued.

## VII. PARTICIPATION CAPITAL UNDER THE AUSTRIAN BANKING ACT

The Participation Capital Notes represent participation capital (*Partizipationskapital*) of the Bank under the Austrian Banking Act (*Bankwesengesetz*).

### ***Legal nature of participation capital***

The procedures for the issuance and redemption and the characteristics of participation capital are regulated in Secs 23, 102 and 102a of the Austrian Banking Act (*Bankwesengesetz*). Participation capital participates in losses of the issuing bank in the same manner as share capital, but the holders of participation capital do not have any voting rights. For the issuance of participation capital, as for an ordinary capital increase, a resolution by the shareholders' meeting (*Hauptversammlung*) is required, whereby a majority of 75 per cent. of the share capital present at the shareholders' meeting is required. The issuing bank's articles of association (*Satzung*) may stipulate other majorities and additional requirements for such a resolution. Once issued and if all other conditions (as outlined below) are met, participation capital constitutes own funds (*Eigenmittel* in accordance with Sec 23(1) of the Austrian Banking Act (*Bankwesengesetz*)) of the bank. If issued without obligation of cumulative payment of dividends (*ohne Dividendennachzahlungsverpflichtung*), participation capital qualifies as core capital (*Kernkapital* under Sec 23(14) No. 1 of the Austrian Banking Act (*Bankwesengesetz*)) without any limitation by amount or percentage as compared to other funds constituting core capital.

### ***Waiver of extraordinary and ordinary cancellation***

Pursuant to Sec 23(4) No. 1 of the Austrian Banking Act (*Bankwesengesetz*), participation capital is placed at the disposal of the bank for the duration of the company, under waiver of extraordinary and ordinary cancellation by its holders. The waiver of extraordinary and ordinary cancellation has to be unconditional and may not be altered by means of a contractual agreement.

### ***Loss participation***

Pursuant to Sec 23(4) No. 4 of the Austrian Banking Act (*Bankwesengesetz*), participation capital fully participates in any loss by the bank, in the same manner as share capital. In case of a reduction of the Liquidation Entitlement under the Terms and Conditions of the Participation Capital Notes, the value of the Participation Capital Certificates in the books of the Bank will not be written down unless and until a formal capital reduction (*Kapitalherabsetzung*) of the Bank takes place.

### ***Certificate Coupon payments on participation capital contingent on the bank's profits distributable for such purpose; determination of the bank's profits distributable for such purpose***

The Austrian Banking Act (*Bankwesengesetz*) provides that any coupon payments on participation capital are dependent upon the bank's net income for the respective preceding financial year. Pursuant to part 2 of annex 2 to Sec 43 of the Austrian Banking Act (*Bankwesengesetz*) a bank's profits distributable for such purpose is calculated by determining the net income of the bank for the respective preceding financial year (determined on an after tax basis – *Jahresüberschuss*) plus any transfers made by the bank, at its sole discretion, from the bank's retained earnings (*Gewinnrücklagen*), or, as applicable, minus allocations made by the bank, in its sole discretion, to its retained earnings (*Gewinnrücklagen*), all in compliance with Sec 23(4)(3) of the Austrian Banking Act (*Bankwesengesetz*) and accounting principles generally accepted in Austria, the Austrian Enterprise Code (*Unternehmensgesetzbuch*) and other applicable Austrian laws then in effect. Whereas any such transfers from and allocations to in respect of restricted (*gebundene*) reserves are subject to detailed accounting provisions and may only be effected to cover any loss (or as the case may be, to provide for future losses), transfers and allocations in respect of disposable (*nicht gebundene*) reserves may, at the bank's discretion, be effected for other purposes, such as (in the case of transfers) an increase or (in the case of allocations) a decrease in the bank's profits distributable for such purpose. Any coupon may only be paid to the holders of participation capital to the extent that it is covered by the bank's profits distributable for such purpose.

The bank's profits will be determined as follows: With respect to any financial year of the bank, the bank's management board (*Vorstand*) prepares draft financial statements, which include a proposal for the application of the bank's profits (if any), and/or (as the case may be) a proposal as to whether reserves (if any) should be dissolved in order to increase the bank's profits or (as the case may be) whether an allocation should be made to reserves, reducing any profits of the bank. Such draft financial statements are then submitted to the bank's supervisory board (*Aufsichtsrat*) for approval. If the supervisory board approves of the draft financial statements, these become final (unless the management board and the supervisory board refer the draft financial statements to the bank's shareholders' meeting for confirmation). If the supervisory board does not approve of the draft

financial statements, such financial statements have to be confirmed by the bank's shareholders' meeting. Furthermore, the financial statements cannot be adopted prior to having obtained an auditor's opinion.

### ***Rights upon liquidation***

Sec 23 (4) No. 5 of the Austrian Banking Act (*Bankwesengesetz*) provides that participation capital is connected with the right to participate in the liquidation proceeds and may only be repaid after satisfaction of or providing security to all creditors. The rights of the holders of participation capital to participate in the liquidation proceeds rank junior to all other creditors. If, upon liquidation of the bank, the amount, remaining after satisfaction of all creditors, falls short of the combined principal amounts of share capital and participation capital, the holders of participation capital will suffer a proportionate loss of their investment.

### ***Reduction and Redemption of Participation Capital Pursuant to the Austrian Banking Act***

#### ***(i) Analogous Application of the Provisions of the Austrian Stock Corporation Act Relating to Capital Reductions***

Pursuant to the Austrian Banking Act (*Bankwesengesetz*), participation capital may also be repaid by analogous application of the rules for reduction of capital as set forth in the Austrian Stock Corporation Act (*Aktiengesetz*). Whereas, any reduction of participation capital with the obligation of retroactive payment of dividends has to be reported, without delay, in writing to the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*), no such requirement exists for participation capital without the obligation of subsequent payment of dividends. A reduction in the participation capital may only be passed by a majority of 75 per cent. of the nominal capital represented at the adoption of the resolution. The articles of association may, however, replace such majority by a greater capital majority and may provide for additional requirements. Due to the provisions on creditor protection pursuant to Sec 178 of the Austrian Stock Corporation Act (*Aktiengesetz*), whereby holders of participation capital can demand to be paid security within six months after an announcement to this end, a reduction of participation capital by analogous application of the provisions of the Austrian Stock Corporation Act (*Aktiengesetz*) relating to capital reductions is commonly regarded as a relatively complicated and, potentially, time-consuming procedure.

#### ***(ii) Redemption of Participation Capital Pursuant to Sec 102a of the Austrian Banking Act (Bankwesengesetz)***

The Austrian Banking Act (*Bankwesengesetz*) provides that participation capital may be redeemed pursuant to Sec 102a of the Austrian Banking Act (*Bankwesengesetz*), according to which the entire participation capital outstanding at the relevant time may be redeemed by the bank upon a motion by the shareholders' meeting of the bank approving such redemption (but provided that participation capital which provides for cumulative dividend payments, and participation capital not so providing, may be redeemed separately). The resolution resolving on the redemption of participation capital requires a majority of at least 75 per cent. of the share capital present at the shareholders' meeting. If the redemption is resolved by the shareholders' meeting of the bank, holders of participation capital are entitled to receive adequate cash compensation (*Barabfindung*) as further determined in the redemption plan (*Einziehungsplan*). Furthermore, the shareholders' meeting must also resolve on the appointment of a trustee, which shall administrate any payments with respect to participation capital, which may not be allocated to holders of participation capital by the bank.

The decision to redeem participation capital must be published for a minimum of six months and only thereafter may the cash compensation be paid by the bank to the holders of participation capital. Upon publication of the resolution of the shareholders' meeting of the bank, participation capital is deemed to be redeemed and holders of participation capital are granted an obligatory claim vis-à-vis the bank. One month after the publication of the decision to redeem participation capital, holders of participation capital are entitled to request the review of the cash compensation offered by the bank. The amount offered may, if so decided by the competent court, be determined anew upon such request.

Upon any redemption of participation capital under Sec 102a of the Austrian Banking Act (*Bankwesengesetz*), an allocation corresponding to the amount of the redeemed participation capital must be made to the bank's restricted reserves (using retained earnings or free reserves).

### ***Restrictions on the Repurchase of Participation Capital***

Pursuant to Sec 23(16) of the Austrian Banking Act (*Bankwesengesetz*), participation capital issued by a credit institution may be repurchased by such credit institution and its subsidiaries up to a maximum amount of 10 per cent. of the total value of participation capital issued. In addition, the restrictions stipulated in Secs 65 to 66a of

the Austrian Stock Corporation Act (*Aktiengesetz*) on the repurchase of own shares by a company apply to participation capital *mutatis mutandis*.

Pursuant to Sec 65 of the Austrian Stock Corporation Act (*Aktiengesetz*), any repurchases of shares may only be effected for a permitted purpose set out in Sec 65(1) of the Austrian Stock Corporation Act (*Aktiengesetz*). Such purposes are, amongst others, (a) if the acquisition is made on purchase commission for the account of a third party by a credit institution (No 2); (b) the repurchase of shares of a credit institution for the purpose of securities trading if a prior approval by the general assembly (*Hauptversammlung*) has been obtained up to a maximum of 5 per cent. of the nominal amount at the end of each trading day (No 7); and (c) the repurchase of shares listed on a regulated market subject to the prior approval by the general assembly (*Hauptversammlung*) (No 8), for a purpose other than trading in own shares.

Sec 66(1) No 2 of the Austrian Stock Corporation Act (*Aktiengesetz*), which also applies to participation capital, additionally extends this prohibition to third parties, who act in their own name, but on behalf of the shareholding or a subsidiary. Further, Sec 66a of the Austrian Stock Corporation Act (*Aktiengesetz*) prohibits the financing (whether by way of a provision of a loan or posting of security collateral) of the purchase by a third party of a company's own shares, except where such financing occurs in the ordinary course of a credit institution's business (provided however that in the latter case, certain reserves prescribed by law are made).

### ***Dilution Protection of Participation Capital***

The Austrian Banking Act (*Bankwesengesetz*) provides that if by any measure the existing ratio between the property rights of the holders of participation capital and those connected with other own funds of the bank is changed, an appropriate compensation should be provided for. The same applies to the issuing of shares and of bonds and profit participation rights (*Genussrechte*) pursuant to Sec 174 of the Austrian Stock Corporation Act (*Aktiengesetz*). Thus, if the rights of the holders were to be proportionally reduced (as may be the case of a capital increase, the issuing of new participation capital or other profit participation rights), an appropriate dilution protection should be put in place. According to the law such protection may be offered by excluding the subscription right of existing shareholders.

### ***Information Rights of Holders of Participation Capital***

Holders of participation capital do not have any voting rights. However, pursuant to the Austrian Banking Act (*Bankwesengesetz*), they have the right to take part in the shareholders' meeting and request information subject to the provisions of the Austrian Stock Corporation Act (*Aktiengesetz*). The disclosure of such information may only be declined to the extent that such disclosure would be significantly damaging to the company or an affiliate. Leading Austrian legal scholars have held that holders of participation capital may be offered the right to attend a special meeting instead of the shareholders' meeting.

Pursuant to the Terms and Conditions of the Participation Capital Certificates, the Fiduciary will not exercise its rights to take part in the shareholders' meeting and request information and enjoy protection from any dilution of the Fiduciary's investment in the Participation Capital Notes.

### ***Shareholders may not declare a dividend to the extent this would jeopardise the bank's ability to pay remuneration under the Participation Capital Notes***

Payments of Remuneration by the Bank are (even where sufficient profits distributable for such purpose are available) discretionary, unless the Bank, *e.g.*, makes a dividend payment to its shareholders, in which case the Bank would be required, under the Terms and Conditions of the Participation Capital Notes, to (also) make a payment of Remuneration on the Remuneration Payment Date falling contemporaneously with and/or immediately following such dividend payment.

To the extent a shareholder resolution of a stock corporation (*Aktiengesellschaft*), such as the Bank, provides for a dividend, and as a consequence of the payment of such dividend the funds available for distribution would – together with any claims for remuneration payable from funds available for distribution senior to participation capital – not suffice to make (full) payment of remuneration under the participation capital, the executive board of directors (*Vorstand*) would not be entitled to give effect to such shareholder resolution. In such case, the payment of the dividend implementing such shareholder resolution would constitute a forbidden return of equity (*Einlagenrückgewähr*) to the shareholders. Consequently, the members of the executive board of directors (*Vorstand*) would become personally liable for such payment. Insofar as the holders of Participation Capital Notes had a claim for Remuneration under the Terms and Conditions of the Participation Capital Certificates, such claim would remain valid despite such shareholder resolution.

## VIII. TAXATION

**The statements below regarding taxation are based on the law and practice of the relevant specified jurisdiction at the date of this Prospectus and are subject to any subsequent changes in law or practice (which could be made on a retroactive basis). The following statements do not constitute tax advice and do not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Participation Capital Certificates and may not apply equally to all persons. Prospective purchasers of the Participation Capital Certificates are advised to consult their own tax advisors concerning the tax consequences of their purchase, ownership and disposition of the Participation Capital Certificates.**

### 1. Republic of Austria

The comments below are of a general nature based on current law and practice in Austria, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences. The following is a general description of certain tax considerations relating to the Participation Capital Certificates and their underlying Participation Capital Notes. It does not purport to be a complete analysis of all tax considerations relating to the Participation Capital Certificates and Participation Capital Notes and so should be treated with appropriate caution.

**Prospective investors of the Participation Capital Certificates are advised to consult their own tax advisors as to the possible tax consequences of the purchase, the ownership and disposition of the Participation Capital Certificates, including the effect of any state or local taxes, under the tax laws in Austria and under the applicable laws of their country of citizenship, residence or domicile.**

This information is based on Austrian law as amended in May 2007 and as applied by the Austrian administrative court and fiscal authorities. Either may be amended or altered by subsequent legislation, court decision, rulings or practice of Austrian fiscal authorities even retroactively.

#### **General Characterisation of the Participation Capital Notes and the Participation Capital Certificates**

The Participation Capital Certificates evidence the existence of the Fiduciary Contract between the Certificate Holders and the Fiduciary in accordance with the Trust and Fiduciary Contracts Law 2003. The Participation Capital Notes will be acquired with the proceeds of the issue of the Participation Capital Certificates by the Fiduciary who is acting on a fiduciary basis for the sole risk and exclusive benefit of the Certificate Holders. The Fiduciary's payment obligations under the Participation Capital Certificates are strictly conditional upon actual receipt by or on behalf of the Fiduciary of payments from or on behalf of the Bank of the amounts required to be paid by the Bank under the Participation Capital Notes and therefore represent a proportionate economic and beneficial interest in the Participation Capital Notes issued by the Bank. On the due date of any payments the Fiduciary will pay an amount equal to the sum of the payments under the Participation Capital Notes, *pro rata*, under the Participation Capital Certificates.

Hence, in substance and nature the payment under the Participation Capital Certificates conforms to the payment under the Participation Capital Notes, since the Fiduciary will only pass the respective payment in an intermediate step to the Certificate Holders as payment made under the Participation Capital Certificates. The characterisation of the underlying payment made under the Participation Capital Notes to the Fiduciary is therefore decisive for the tax treatment of the payment made to the Certificate Holders. For income tax purposes there is a direct flow of income from the Bank to the Certificate Holders.

The Participation Capital Notes are qualified as Participation Capital under Sec 23(4) of the Austrian Banking Act (*Bankwesengesetz*, "**BWG**"). However, in substance the respective Participation Capital Notes are structured as debt instrument and therefore qualify as securities (*Forderungswertpapiere*) within the meaning of Sec 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*, "**EStG**"). For Austrian tax purposes income derived from the Participation Capital Notes (through the Participation Capital Certificates) is interest income under Sec 27(1)(4) EStG. The treatment of the Participation Capital Notes as debt instrument has been confirmed by the competent Austrian Tax Authority.

#### **Austrian Residents**

##### *Individual Certificate Holder*

Income received by an individual Certificate Holder tax resident in Austria (therefore subject to unlimited income tax liability in Austria) is taxable under the Austrian Income Tax Act. In the case of a private Certificate

Holder, income tax is levied at the time the interest is received, i.e. according to the settled practice of Austrian tax authorities at the end of the calculation period or upon the alienation of the Capital Participation Certificate with respect to any difference in the amount realised at maturity or alienation.

If the payments to the private Certificate Holder tax resident in Austria are made by a non-Austrian Paying Agent, no Austrian withholding tax is triggered on the payment. However, the private Certificate Holder must file an income tax return and include the interest received in the respective calendar year. In this case, income tax will be levied in Austria at a special rate of 25 per cent. (Sec 37(8) EStG). Expenses directly connected to the interest income subject to the special rate of 25 per cent. (Sec 37(8) EStG) are not deductible for tax purposes (Sec 20(2) EStG).

Income from a Capital Participation Certificate held as a business asset constitutes business income in Austria. In the absence of an Austrian resident, Paying Agent income tax at a special rate of 25 per cent. will be levied. Expenses directly connected to the interest income subject to the special rate of 25 per cent. (Sec 37(8) EStG) are not deductible for tax purposes (Sec 20(2) EStG).

#### *Corporate Certificate Holder*

A corporation subject to unlimited corporate income tax liability in Austria receiving such income will be subject to Austrian corporate income tax at the flat rate of 25 per cent.

#### **Non-Austrian Residents**

Provided that a non-Austrian resident Certificate Holder does not maintain a permanent establishment in Austria to which the Participation Capital Certificates are attributable individual Certificate Holders are not taxable with income from the Participation Capital Certificates, since income within the meaning of Sec 93(3) EStG is not within the scope of the limited income tax liability in Austria (Sec 98(1)(5) EStG). Austrian capital withholding tax (*Kapitalertragsteuer*) will only be levied, if the return on the Participation Capital Certificates is paid by an Austrian Paying Agent (Austrian credit institution or by an Austrian branch of a non-Austrian resident credit institution). In the present case it is expected that there is no Austrian resident Paying Agent, therefore capital withholding tax should not be triggered.

Provided a non-Austrian resident corporate Certificate Holder does not maintain an Austrian permanent establishment to which the Participation Capital Certificates are attributable, the return should not be subject to corporate income tax in Austria since income from securities within the meaning of Sec 93(3) EStG is not within the scope of limited corporate income tax liability in Austria (Sec 21(1)(1) KStG in connection with 98(1)(5) EStG). Since it is expected that the respective interest payment will not be made by an Austrian resident Paying Agent Austrian capital withholding tax should not be triggered.

## **2. Federal Republic of Germany**

The following is a summary of some important German fiscal provisions that are relevant in connection with the acquisition, the holding and the sale, the assignment or redemption of the Participation Capital Certificates. The Summary is based on the German tax law and their interpretation on the date of this Prospectus, which may be amended at short notice, even with retroactive effect. The summary will also outline the amendments regarding the new tax regime of investment income and capital gains as it will come into effect from 1 January 2009. This summary is not intended to be a comprehensive and complete representation of all aspects that could be relevant to investors under German tax law. It is not a substitute for tax advice.

**Prospective purchasers of Participation Capital Certificates are advised to consult their own tax advisors for the tax consequences of the purchase, the ownership and the disposition of Participation Capital Certificates, including the effect of any state or local taxes under the tax laws of the Federal Republic of Germany as well as in each other country of which they are residents.**

#### **German tax resident Certificate Holders**

##### *Interest Payments*

All interest payments, including interest having accrued up to the disposition of a Participation Capital Certificate and credited separately ("**Accrued Interest**" – "*Stückzinsen*") paid to a Certificate Holder being tax resident in Germany (persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to income or corporate tax plus the solidarity surcharge in the amount of 5.5 per cent. of the relevant income or corporate tax liability. If Participation Capital Certificates are

held as assets of a German commercial business, these interest payments are also subject to trade tax (*Gewerbsteuer*). If Participation Capital Certificates are held as a non-business asset, any Accrued Interest paid by an individual upon the acquisition of Participation Capital Certificates may give rise to negative income and may, therefore, reduce such Certificate Holder's personal income tax liability.

*a) Withholding tax*

If Participation Capital Certificates are held in a custodial account maintained with the German branch of a German or non-German bank or financial services institution ("**Disbursing Agent**" – *inländische Zahlstelle*), withholding tax (*Zinsabschlagsteuer*) in the amount of 30 per cent. (plus a 5.5 per cent. solidarity surcharge thereon, i.e. a total of 31.65 per cent.) will be withheld from the gross amount of interest, including Accrued Interest, paid to a Certificate Holder. With effect from 1 January 2009 the amount of withholding tax to be imposed will be reduced to 25 per cent. plus 5.5 per cent. solidarity surcharge for both corporate and private investors.

No tax is withheld by the Disbursing Agent, if the Certificate Holder is an individual who has filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent and the Participation Capital Certificate held by such individual are not part of a German commercial business property or generate income from the letting and leasing of property. However, this exemption applies only to the extent that the aggregate interest income derived from the Participation Capital Certificates after deduction of Accrued Interest paid upon the purchase of the Participation Capital Certificates together with individual's other investment income administered by the Disbursing Agent, does not exceed the amount of EUR 801 (for individuals) respectively EUR 1,602 for married couples filing a joint assessment. There is also no withholding obligation, if the Certificate Holder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authority. Therefore, the Issuer of the Participation Capital Certificates is obliged to deduct any withholding tax on interest payments under German tax law unless one of the aforementioned exemptions applies or the Issuer does not qualify as Disbursing Agent.

*b) Assessment of final income tax liability*

Tax withheld by the Disbursing Agent (until 31 December 2008) will be credited as an advanced payment against the final German income or corporate tax liability of the respective Certificate Holder. Any potential surplus for the benefit of the Certificate Holder will be paid out to the respective Certificate Holder.

However, if the interests on the Participation Capital Certificates will be paid after 31 December 2008 the withholding tax is definite (flat tax; *Abgeltungssteuer*) with respect to private Certificate Holders holding the Participation Capital Certificates as non-business assets. Private Certificate Holder having a lower personal income tax rate may include the capital investment income in their personal income tax return to achieve a lower tax rate. Income not subject to a definite withholding tax (e.g. since there is no Disbursing Agent) will be subject to a special tax rate of 25 per cent. (plus solidarity surcharge) upon assessment. Moreover, private Certificate Holders are not allowed to deduct their expenses relating to the total investment in a calendar year but, instead, are entitled to deduct an annual lump sum of EUR 801 (for individuals) and EUR 1,602 (for married couples filing a joint assessment). In terms of business Certificate Holders any withholding tax withheld is credited against the Certificate Holders' personal or corporate income tax liability in the course of the tax assessment procedure. Any potential surplus for the benefit of the Certificate Holders will be paid out to the Certificate Holders.

*Sale or Redemption of Participation Capital Certificates*

The Bank believes that the Participation Capital Certificates qualify as financial innovation (*Finanzinnovation*) in the meaning of § 20 (2) clause 1 no. 4 of the German Income Tax Act (*Einkommensteuergesetz*). This qualification results in a tax treatment as set out in this summary. However, it is not possible to predict reliably whether or not the competent tax authorities will share this view. If the tax authorities should not consider the Participation Capital Certificates as financial innovation a different tax treatment may apply.

Capital gains from the sale, assignment or redemption of the Participation Capital Certificates, including the capital gains achieved by a second or subsequent purchaser, are considered as interest income. Therefore, they are subject to personal or corporate income tax plus 5.5 per cent. solidarity surcharge thereon under German tax law. If Participation Capital Certificates are held as part of a German commercial business, such profits are also subject to trade tax. The taxable capital gain from the sale, assignment or redemption of Participation Capital Certificates is calculated as the difference between the proceeds from the sale, assignment or redemption and the issue or purchase price of the Participation Capital Certificates (so-called *Marktrendite*). The tax authorities hold



the view, that if financial innovations are held as non-business assets, losses are deductible as negative investment income in principle. However, the Federal Fiscal Court (*Bundesfinanzhof*) denied the deduction of losses from the disposal or redemption of financial innovations or the taxation of gains from financial innovations in the case that the amount of remuneration for the use of capital and the change of the value of the securities can be separated without major difficulties, cf. BFH of 13.12.2006 VIII R 79/03, DStR 2007 p. 286; BFH of 20.11.2006 VIII R 97/02, DStRE 2007 p. 601; BFH of 13.12.2006 VIII R 62/04, DStR 2007 p. 338; BFH of 11.07.2006 VIII R 67/04, DStR 2007 p. 106. The tax authorities have joined this view in principle. However, the overall consequences of these decisions for the taxation of the Participation Capital Certificates are currently unclear. With effect from 1 January 2009 onward capital gains from the sale or redemption of the Participation Capital Certificates qualify as investment income pursuant to § 20 (2) clause 1 no. 7 EStG under the new tax regime.

#### *a) Withholding tax*

For Participation Capital Certificates held in a custodial account maintained with a Disbursing Agent since the acquisition of the Participation Capital Certificates, the Disbursing Agent will be required to withhold tax in the amount of 30 per cent. (plus a 5.5 per cent. solidarity surcharge) of the excess of the proceeds from the sale or redemption over the purchase price paid for the Participation Capital Certificates. If the Disbursing Agent has changed since the acquisition of the Participation Capital Certificates, tax is withheld in the amount of 30 per cent. (plus a 5.5 per cent. solidarity surcharge) of the sale or redemption proceeds. With effect from 1 January 2009 the withholding tax rate will be reduced to 25 per cent. plus 5.5 per cent. solidarity surcharge thereon, i.e. in total a withholding tax rate of 26.375 per cent. will be imposed irrespective of whether the Certificate Holder qualifies as a private or a corporate holder. If custody has changed since the acquisition and the acquisition costs have not been certified by the bank or the financial services institution located in Germany or another EC or EEA country which has held the Participation Capital Certificates before the change of custody, the tax at a rate of 25 per cent. (plus solidarity surcharge) will be imposed on the proceeds from the sale or redemption of the Participation Capital Certificates. In computing the tax to be withheld, the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest previously paid during the calendar year by the Certificate Holder to the Disbursing Agent. No tax will be withheld, if the Certificate Holder is an individual whose Participation Capital Certificate does not form part of the property of a German business nor gives rise to income from the letting and leasing of property and who filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent to the extent that the interest income derived from the Participation Capital Certificate together with other investment income does not exceed the maximum exemption amount shown on this certificate (see above Interest Payments). The same applies if the Certificate Holder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authority. Therefore, the Issuer of the Participation Capital Certificates is obliged to deduct any withholding tax on capital gains from the sale or redemption of the Participation Capital Certificates under German tax law unless one of the aforementioned exemptions applies or the Issuer does not qualify as Disbursing Agent.

#### *b) Assessment of final tax liability*

The tax withheld (until 31 December 2008, see above) will be credited against the Certificate Holder's annual income or corporate tax liability.

However, the withholding tax imposed (see above) on private Certificates Holders holding the Participation Capital Certificate as private asset after 31 December 2008, if any, will be definite and can not be credited against the final tax liability of the investor in principle. This result ensues from the newly implemented flat tax regime which taxes exclusively investment income in the hand of private investors where the asset is held as private asset at a rate of 25 per cent. plus 5.5 per cent. solidarity surcharge plus church tax (if any). However, private Certificate Holders having a lower personal income tax rate may include the capital investment income in their personal income tax return to achieve a lower tax rate. Losses from the sale or redemption of the Participation Capital Certificates can only be off-set against other investment income. In the event that an off-set is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be off-set against investment income generated in future assessment periods. Moreover, private Certificate Holders are not allowed to deduct their expenses relating to the total investment in a calendar year but, instead, are entitled to deduct an annual lump sum of EUR 801 and EUR 1,602 (for married couples filing a joint assessment).

Corporate holders will remain entitled to credit the withholding tax paid on their final tax liability. Moreover, corporate investors can deduct all expenses relating to the investment and can off-set losses from investment income with profits/gains from other income.

### **Non-resident Certificate Holders**

Interest, including Accrued Interest, paid to a Certificate Holder and capital gains from the sale or redemption realized by a Certificate Holder not being resident in Germany will generally not be taxable in Germany and no tax will be withheld (even if the Participation Capital Certificates are kept with a Disbursing Agent). However, German withholding tax has to be imposed, if (i) the Participation Capital Certificates are held as a business asset of a permanent German establishment or by a permanent representative of the non-resident Certificate Holder, if (ii) the interest income of such Participation Capital Certificates does otherwise constitute German source income (e.g. income from the letting and leasing of specific real estate located in Germany or income from over-the-counter transactions) and if (iii) the non-resident Certificate Holder does not comply with the procedural rules to prove his status as a non-tax resident. In these cases, the Certificate Holder not resident in Germany will be subject to a tax regime similar to that described above under "*German tax resident investors*".

### **Inheritance and Gift Tax**

The transfer of Participation Capital Certificates in case of succession upon death, or by way of a gift among living persons is subject to German inheritance and/or gift tax, if the deceased, donor and/or the recipient is a German resident. German inheritance and gift tax is also triggered, if neither the deceased, the donor nor the recipient of the Participation Capital Certificates are German residents, if the Participation Capital Certificates are attributable to German business activities and if for such business activities a German permanent establishment is maintained or a permanent representative is appointed in Germany. In specific situations, also German expatriates that have been tax resident in Germany may be subject to inheritance and gift tax. Double taxation treaties may provide for exceptions to the German inheritance and gift tax regulations.

The Inheritance and Gift Tax Act is also currently subject to a reform. The outcome and implications hereof are remote from being clear.

## **3. Republic of Ireland**

**The following is a general description of certain tax consequences of Irish resident investors purchasing, owning and disposing of the Participation Capital Certificates. Prospective purchasers of the Participation Capital Certificates should consult their own tax advisors as to the applicable tax consequences of the ownership of the Participation Capital Certificates based on their particular circumstances.**

### **Irish Tax Considerations**

The statements herein regarding taxation in the Republic of Ireland ("**Ireland**") are based on the laws in force in the Ireland as of the date of this Prospectus and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Participation Capital Certificates. Each prospective holder or beneficial owner of Participation Capital Certificates should consult its tax advisor as to the Irish tax consequences of the ownership, holding and disposition of the Participation Capital Certificates.

### **Withholding tax on interest**

Under Irish tax law there is no obligation on the Fiduciary to operate any withholding tax on payments of interest on the Participation Capital Certificates except where the interest has an Irish source. The interest could be considered to have an Irish source, where for example, interest is paid out of funds maintained in Ireland or where the notes are secured on Irish situate assets. The mere offering of the Participation Capital Certificates to Irish investors will not cause the interest to have an Irish source.

In certain circumstances collection agents and other persons receiving interest on securities in Ireland on behalf of an Irish resident investor, will be obliged to operate a withholding tax (Encashment Tax).

### **Taxation of Irish Residents**

#### *Irish Resident Individuals*

Such investors will be liable to tax at the marginal rate of income tax currently 41 percent (plus health and/or social levies depending on a person's personal circumstances) on such interest income and any gain (calculated without the benefit of indexation relief) accruing to such investor upon the sale or on the disposal of the Participation Capital Certificates will also be charged to tax at the standard rate of income tax (currently 20 percent)

Where Luxembourg withholding tax is imposed under the Savings Directive, the investor can (i) avail of a procedure which permits Irish residents, who receive interest payments from Luxembourg, to apply to their local tax districts for a Certificate for Non-Deduction of Withholding Tax (subject to supplying and obtaining certain information) or alternatively (ii) an individual not in possession of a Certificate for Non-Deduction of Withholding Tax in any given year, may claim a credit for the tax withheld by way of an end of year review on her/his annual tax return form.

#### *Irish Resident Companies*

If the income does not form part of the company's trading income then any income received by the company would be taxable at the passive rate of tax in Ireland (currently 25 percent). Gains (calculated without the benefit of indexation relief) on the sale of the Securities (if any) should be liable to tax at 20 percent.

If however, the income forms part of the companies trading income then income and gains (calculated without the benefit of indexation relief) received thereon would be subject to the trading rate of tax (currently 12.5 percent) in Ireland.

#### *Special Regimes*

Attention is drawn to the fact that the above rules may not be relevant to particular types of investors (such as financial institutions, treasury companies, pension funds, etc), which may be subject to special rules.

### **Other Taxes**

#### *Stamp Duty*

There is no Irish registration tax, stamp duty or any other similar tax or duty payable in Ireland by holders of the Participation Capital Certificates as a consequence of the purchase of the Participation Capital Certificates. However, where any subscription for, redemption, exchange, etc of the Participation Capital Certificates is satisfied by the in specie transfer of other Irish securities, property or other types of assets, Irish stamp duty may arise on the transfer of such assets.

#### *Value Added Tax*

There is no Irish value added tax payable in respect of the receipt of interest or principal under the Participation Capital Certificates or the transfer of the Participation Capital Certificates. Nevertheless, the purchase of these Participation Capital Certificates may affect the VAT recovery position of the Irish investor.

#### *Capital Acquisitions Tax*

A gift or inheritance comprising of the Participation Capital Certificates will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, is currently levied at 20 percent.) if the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date.

## **4. The Grand Duchy of Luxembourg**

### **Non-Residents**

Under the existing laws of Luxembourg and except as provided for by the Luxembourg law of 21 June 2005 implementing European Union Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments ("**EU Savings Tax Directive**"), there is no withholding tax on the payment of interest on, or reimbursement of principal of, the Participation Capital Certificates made to non-residents of Luxembourg.

Under the Luxembourg law of 21 June 2005 implementing the EU Savings Tax Directive and as a result of ratification by Luxembourg of certain related Accords with the relevant dependent and associated territories, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual or certain residual entities as defined by the law, who, as a result of an identification procedure implemented by the paying agent, are identified as residents or are deemed to be residents of an EU Member State other than Luxembourg or certain of those dependent or associated territories, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying

agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her country of residence or deemed residence or has provided a tax certificate from his/her fiscal authority in the format required by law to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15 per cent. during the first three-year period starting 1 July 2005, at a rate of 20 per cent. for the subsequent three-year period and at a rate of 35 per cent. thereafter.

When used in the preceding paragraph "interest", "paying agent" and "residual entity" have the meaning given thereto in the Luxembourg law of 21 June 2005 (or the relevant Accords). "**Interest**" will include accrued or capitalised interest at the sale, repayment or redemption of the Participation Capital Certificates. "**Paying agent**" is defined broadly for this purpose and in the context of the Participation Capital Certificates means any economic operator established in Luxembourg who pays interest on the Participation Capital Certificates to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Fiduciary or is instructed by the beneficial owner to collect such payment of interest.

Payments of interest or similar income under the Participation Capital Certificates to the Clearing Systems and payments by or on behalf of Clearstream Banking, société anonyme, Luxembourg, to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

## **Residents**

### *Individuals*

Under the Luxembourg law of 23 December 2005 introducing withholding tax, acting in full discharge of the tax liabilities, on certain interest payments derived from savings income, interest on Participation Capital Certificates paid by a Luxembourg paying agent to an individual Certificate Holder who is a resident of Luxembourg or to a foreign residual entity securing the payment for the benefit of such holder will be subject to a withholding tax of 10 per cent. which will operate a full discharge of income tax due on such payments.

Upon redemption or exchange of the Participation Capital Certificates, the portion of the redemption or exchange price corresponding to accrued but unpaid interest is also subject to the aforementioned 10 percent withholding tax.

An individual Certificate Holder who is a resident of Luxembourg not holding the Participation Capital Certificates as business assets will not be subject to taxation on capital gains upon the disposal of the Participation Capital Certificates, unless the disposal occurs within six months of their date of acquisition.

Interest on Participation Capital Certificates paid by a Luxembourg paying agent to an individual Certificate Holder who is a resident of Luxembourg holding the Participation Capital Certificates as business assets and capital gains realized upon the disposal of the Participation Capital Certificates by such Certificate Holder are subject to Luxembourg tax as described in the paragraph "*Companies established in Luxembourg*" here below. If the aforementioned 10 per cent. withholding tax has been withheld, it can be credited against the overall tax liability.

### *Companies established in Luxembourg*

Interest on Participation Capital Certificates paid by a Luxembourg paying agent to Certificate Holders who are not individuals will not be subject to any withholding tax.

Save where the Certificate Holder is exempt from taxation under Luxembourg law, a corporate holder who is a resident of Luxembourg, or a non-resident corporate holder who has a permanent establishment in Luxembourg with which the holding of the Participation Capital Certificates is connected, must, for corporate tax purposes, include in his taxable income (i) any interest received or accrued on the Participation Capital Certificates and (ii) the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Participation Capital Certificates sold or redeemed.

## **Other Taxes**

Save where the Certificate Holder is exempt from taxation under Luxembourg law, Luxembourg net wealth tax will not be levied on such Certificate Holder, unless the holder is a company resident in Luxembourg; or the Participation Capital Certificates are attributable to an enterprise or part thereof that is carried on through a permanent establishment in Luxembourg.

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg in respect of or in connection with the execution and delivery of the Participation Capital Certificates.

## **Fiduciary**

Any payments received by the Fiduciary on behalf of the Certificate Holders under or in connection with the Participation Capital Certificates will not be subject to any taxes, duties, assessments or charges of whatever nature imposed or levied by or on behalf of Luxembourg or any political subdivision or authority thereof or therein.

## **5. Netherlands**

**The following summary outlines certain Netherlands tax consequences to Certificate Holders in connection with the acquisition, ownership and disposal of Participation Capital Certificates and their underlying Participation Capital Notes. The summary does not purport to present any comprehensive or complete picture of all Netherlands tax aspects that could be of relevance to a (prospective) Certificate Holder who may be subject to special tax treatment.**

**The summary does not apply to legal and other entities that hold alone or together with certain related parties an interest in the Bank that qualifies as a participation for purposes of the participation exemption as provided for in article 13 Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).**

**The summary is based on the tax laws and practice of the Netherlands as in effect on the date of this Prospectus, which are subject to changes that could prospectively or retrospectively affect the stated tax consequences.**

**Prospective Certificate Holders should consult their own professional advisor with respect to the tax consequences of any acquisition, ownership or disposal of Participation Capital Certificates in their individual circumstances.**

## **Withholding Tax**

All payments under the Participation Capital Certificates and the Participation Capital Notes may be made free of withholding or deduction of or for any taxes of whatever nature imposed, levied withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

## **Taxes on Income and Capital Gains**

### *Certificate Holders resident in the Netherlands: individuals*

The summary does not address the tax consequences of a Certificate Holder who is an individual resident in the Netherlands and who has a substantial interest in the Bank. Generally, a Certificate Holder will have a substantial interest in the Bank if he, whether alone or together with his spouse or partner and/or certain other close relatives, holds directly or indirectly,

- (a) (x) the ownership of, (y) certain other rights, such as usufruct, over, or (z) rights to acquire (whether or not already issued), shares representing 5 per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Bank; or
- (b) (x) the ownership of, or (y) certain other rights, such as usufruct over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent. or more of the annual profit of the Bank or to 5 per cent. or more of the liquidation proceeds of the Bank.

In addition, a Certificate Holder has a substantial interest in the Bank if he, whether alone or together with his spouse or partner and/or certain other close relatives, has the ownership of, or other rights over, shares in, or profit certificates issued by, the Bank that represent less than 5 per cent. of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights there over have been, or are deemed to have been, partially disposed of, or (b) have been acquired, as part of a transaction that qualified for non-recognition of gain treatment.

A Certificate Holder, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Netherlands income tax purposes, will be subject to regular

Netherlands income tax on the income derived from and the gains realised upon the Participation Capital Certificates by the holder thereof, if:

- (a) such Certificate Holder has an enterprise or an interest in an enterprise to which the Participation Capital Certificates are attributable; and/or
- (b) such income or capital gain forms "a benefit from miscellaneous activities" (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Participation Capital Certificates exceed "normal active asset management" (*normaal, actief vermogensbeheer*).

If neither of the abovementioned conditions (a) or (b) applies, the Certificate Holder who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident of the Netherlands, will not be subject to taxes on income and capital gains in the Netherlands. Instead, such individual is taxed at a flat rate of 30 per cent. on deemed income from "savings and investments" (*sparen en beleggen*). This deemed income amounts to 4 per cent. of the average of the individual's "yield basis" (*rendementsgrondslag*), generally, at the beginning of the calendar year and the individual's "yield basis" at the end of the calendar year (minus a tax-free threshold).

*Certificate Holders resident in the Netherlands: corporate entities*

A Certificate Holder that is resident or deemed to be resident in the Netherlands for corporate income tax purposes, and that is:

- (a) a corporation;
- (b) another entity with a capital divided into shares;
- (c) a cooperative (association); or
- (d) another legal entity that has an enterprise or an interest in an enterprise to which the Participation Capital Certificates are attributable,

but which is not:

- (e) a qualifying pension fund;
- (f) a qualifying investment fund (*fiscale beleggingsinstelling*); or
- (g) another entity exempt from corporate income tax,

will in general be subject to corporate income tax, generally levied at a rate of 25.5 per cent. (20 per cent. over profits up to EUR 40,000 and 23 per cent. over profits between EUR 40,000 and EUR 200,000) over income derived from and gains realised upon the Participation Capital Certificates by the holder thereof.

*Certificate Holders outside the Netherlands: individuals*

A Certificate Holder, who is an individual, not resident or deemed to be resident of the Netherlands, and who has not elected to be taxed as a resident of the Netherlands for Netherlands income tax purposes, will not be subject to any Netherlands taxes on any income derived from and capital gain realised upon the Participation Capital Certificates, unless:

- (a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Participation Capital Certificates are attributable; and/or
- (b) such income or capital gain forms a "benefit from miscellaneous activities" (*resultaat uit overige werkzaamheden*) in the Netherlands which, for instance, would be the case if the activities with respect to the Participation Capital Certificates exceed "normal active asset management" (*normaal, actief vermogensbeheer*).

If either of the above-mentioned conditions (i) or (ii) applies, income derived from and/or capital gains realised upon the Participation Capital Certificates will in general be subject to Netherlands income tax at the progressive rates up to 52 per cent.

*Certificate Holders resident outside the Netherlands: legal and other entities*

A Certificate Holder that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands for Netherlands corporate income tax purposes, will not be subject to any Netherlands taxes on income or capital gains realised upon the Participation Capital Certificates, unless such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Participation Capital Certificates are attributable.

**Gift, Estate and Inheritance Taxes**

*Certificate Holders resident in the Netherlands*

Gift tax may be due in the Netherlands with respect to an acquisition of Participation Capital Certificates by way of a gift by a Certificate Holder who is resident, deemed to be resident in the Netherlands or is treated (at the request of the beneficiary(y)(ies) of the gift or estate) as a resident of the Netherlands. Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Participation Capital Certificates by way of an inheritance or bequest on the death of a Certificate Holder who is resident, deemed to be resident in the Netherlands or is treated (at the request of the beneficiary(y)(ies) of the estate or bequest) as a resident of the Netherlands, or by way of a gift within 180 days before his death by an individual who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Netherlands gift and inheritance tax, an individual with the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be a resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

*Certificate Holders resident outside the Netherlands*

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition or deemed acquisition of Participation Capital Certificates by way of a gift by, or on the death of, a Certificate Holder who is neither resident, deemed to be resident nor treated (at the request of the beneficiary(y)(ies) of the gift or estate) as resident in the Netherlands for Netherlands inheritance and gift tax purposes, unless:

- (a) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Participation Capital Certificates are or were attributable; or
- (b) in the case of a gift of Participation Capital Certificates by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

**Turnover Tax**

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue of Participation Capital Certificates or with respect to any payment by the Fiduciary or the Bank of principal, interest or premium (if any) on the Participation Capital Certificates.

**Other Taxes**

No Netherlands registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the Courts of the Netherlands) of the documents relating to the issue of Participation Capital Certificates or the performance by the Fiduciary or the Bank of its obligations thereunder or under the Participation Capital Certificates or the Participation Capital Notes.

## 6. Portugal

**The following summary of certain general Portuguese taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law (and the interpretation and application thereof) and practice occurring after such date, which may have a retroactive effect. No changes are currently foreseen but it is not possible to overrule such possibility.**

**This summary is not a complete analysis or listing of all possible tax consequences relating to an investment in the Participation Capital Certificates and it does not address all tax considerations that may be relevant to all categories of potential investors or potential tax regimes, some of whom may be subject to special rules, namely those applicable to investment funds.**

**Prospective investors in the Participation Capital Certificates are urged to consult their tax lawyers or advisors regarding the applicable tax consequences of the investment in the Participation Capital Certificates, including the impact of tax law and practice of any other jurisdictions, based on their particular circumstances.**

### **Classification of income**

Portuguese law adopts a formalistic approach regarding the classification of income arising from financial instruments. Although the Participation Capital Certificates do not constitute direct debt obligations of the Fiduciary – but instead evidence that the holders are entitled to payments conditional upon and limited by the due performance by the Bank of its obligations under the Participation Capital Notes – they nonetheless qualify as debt for securities for Portuguese tax purposes, as they do not represent an issue of share capital.

Portuguese law also does not look through the Fiduciary to consider the underlying entitlement of the holders to the distributions under the Participation Capital Notes. However, even if it did, the fact that the Participation Capital Notes represent core capital but not share capital of the Bank would lead to the same conclusion.

The following comments take therefore into consideration the classification of the Participation Capital Certificates as debt securities or assimilated instruments for Portuguese tax purposes.

### **Portuguese resident individuals**

#### *Personal Income Tax (“Imposto sobre o Rendimento das Pessoas Singulares”) (“IRS”)*

Income arising to Portuguese resident individuals from the holding or redemption of the Participation Capital Certificates, as well as income accrued but not yet due at the date of a transfer of the Participation Capital Certificates, should qualify as “interest”, within the broader investment income category, and be subject to IRS at a final flat 20 per cent. rate.

In case interest arising from the Participation Capital Certificates is paid by a Portuguese paying agent, IRS at a 20 per cent. flat rate will be withheld. In this case, a Portuguese resident individual, unless deriving such income in the capacity of an entrepreneur with organised accounts, may choose to declare such income in his or her tax return, together with the remaining items of income derived. If such election is made, all income of the same category must be declared and subject to IRS according to the relevant tax brackets, up to 42 per cent., and the domestic withholding tax suffered will constitute a payment in advance of such final IRS liability. Foreign withholding tax suffered, if any, will be considered as a tax credit against the final IRS liability. Otherwise, the 20 per cent. withholding suffered constitutes the final liability and the income does not need to be disclosed in the tax return.

In case investment income in connection with the Participation Capital Certificates is not paid by a Portuguese paying agent, no Portuguese withholding tax will apply. A Portuguese resident individual must declare the relevant income in his or her tax return and either subject it to the final flat 20 per cent. rate or aggregate it with the remaining elements of income (in which case all income of the same category should be aggregated) and subject the global amount to IRS according to the relevant tax brackets, up to 42 per cent.. Only in this latter alternative may any foreign withholding tax suffered be considered as a tax credit against the final IRS liability.

Since the Participation Capital Certificates should qualify as debt securities under Portuguese law, capital gains arising from their transfer or exchange (computed as the gain, deducted of interest accrued but not yet due at the date of a transfer) are not subject to IRS. Should the Portuguese tax authorities challenge such qualification, IRS would apply at a final flat 10 per cent. rate. In such case, Portuguese resident individuals might opt for aggregating the capital gains with the remaining income, in which case said income would be subject to IRS



according to the relevant tax brackets, up to 42 per cent.. No Portuguese withholding tax is levied on capital gains.

#### *Stamp Duty ("Imposto do Selo")*

Since the law is not entirely clear, the Portuguese tax authorities may take the view that Portuguese resident individuals who acquire ownership or other rights over Participation Capital Certificates by inheritance, gift or legacy are subject to Stamp Duty at a maximum rate of 10 per cent., although some exemptions apply, namely to spouses, descendants and ancestors.

#### **Portuguese resident corporate and other legal entities**

##### *Corporate Income Tax ("Imposto sobre o Rendimento das Pessoas Colectivas") ("IRC")*

Any income derived by Portuguese corporate and other legal entities in relation with the Participation Capital Certificates will be included in their IRC taxable income in accordance with applicable IRC legislation. The general IRC rate is of 25 per cent., and a municipal surcharge of up to 1.5 per cent., depending on the municipality, may be imposed (thus resulting in a maximum aggregate rate of 26.5 per cent.). **Foreign withholding tax suffered, if any, will be considered as a tax credit against the final IRC liability.**

Since the Fiduciary is not a Portuguese resident entity, no Portuguese withholding tax on account of the final IRC liability of Portuguese corporate investors will be levied.

#### *Stamp Duty ("Imposto do Selo")*

Portuguese corporate and other legal entities are in general not subject to Stamp Duty on free acquisitions. Instead, net variations in worth arising to Portuguese corporate and legal entities as a result of receiving Participation Capital Certificates through a restructuring, gift or legacy will be taxed under IRC, on the market value of the Participation Capital Certificates.

#### **Non-resident investors**

Portuguese withholding tax does not apply on interest not due by a Portuguese entity and arising to a non-resident holder of Participation Capital Certificates, even if the payment is made through a Portuguese paying agent.

### **7. Kingdom of Spain**

**The following summary describes the material Spanish tax considerations relating to an investment in the Participation Capital Certificates by the Certificate Holders resident in Spain. This summary does not purport to be a comprehensive discussion of all tax considerations relevant to a Certificate Holder resident in Spain. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular investor. This summary is based on Spanish laws and regulations currently in force and as applied on the date of this Prospectus, which are subject to change. Prospective holders of Participation Capital Certificates should consult their own tax advisors to determine the tax consequences to them of acquiring, holding and disposing the Participation Capital Certificates.**

#### *Spanish resident individuals*

Both interest received periodically and income derived from the transfer, redemption or repayment of the Participation Capital Certificates constitute a return on investment obtained from the transfer of own capital to third parties for Individual Income Tax purposes, and must be included in the investor's Individual Income Tax savings taxable base and taxed at a flat rate of 18 per cent..

As regards income obtained by Spanish resident individuals under the Participation Capital Certificates, no Spanish withholding taxes should be deducted by the Fiduciary if it is a Luxembourgian tax resident entity which does not have a permanent establishment in Spain. In such case, the withholding tax regime will be as follows:

- (i) Interest paid to holders of the Participation Capital Certificates who are Spanish resident individuals will be subject to Spanish withholding tax at 18 per cent. to be deducted by the custodian entity of the Participation Capital Certificates or the entity in charge of collecting the income derived thereunder, if

different, provided such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory.

- (ii) Income obtained upon transfer of the Participation Capital Certificates will be subject to Spanish withholding tax at 18 per cent. to be deducted by the financial entity acting on behalf of the seller, provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.
- (iii) Income and interest accrued and paid upon redemption of the Participation Capital Certificates will be subject to Spanish withholding tax at 18 per cent. to be deducted by the financial entity appointed by the Fiduciary (if any) for redemption of the Participation Capital Certificates provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.

#### *Spanish resident corporations*

Both interest received and income derived from the transfer or repayment of the Participation Capital Certificates are subject to the Corporate Income Tax at a rate of 30 per cent..

Taking into account that the Participation Capital Certificates will be listed on an OECD market, income obtained thereunder by Spanish resident corporations will be exempt from Spanish withholding taxes.

#### *Spanish Net Wealth Tax*

Spanish resident individual holders of the Participation Capital Certificates are subject to Spanish Net Wealth Tax at rates ranging from 0.2 per cent. to 2.5 per cent. on their worldwide net wealth. The Net Wealth Tax is assessed following the rules established in corresponding regulations (qualifying debts or liabilities would be deductible for these purposes) as of 31 December of each year. Such assessment would include the value of the Participation Capital Certificates. Notwithstanding the foregoing, and unless otherwise regulated by the relevant region (*Comunidad Autónoma*) of residence, Individual Holders will be exempt from any Spanish Net Wealth Tax on the first EUR 108,182.18 of their net wealth.

#### *Transfer Tax, Stamp Duty and Capital Duty*

Transfers of Participation Capital Certificates will be exempt from any Spanish Transfer Tax or Value Added Tax. Additionally, no Spanish Stamp Duty will be levied on such transfers.

### **8. EU Savings Income Directive**

Under Council Directive 2003/48/EC on the taxation of savings income Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual in that other Member State. However, for a transitional period Austria, Belgium and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding tax in relation to such payments. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will be required where the bondholder authorises the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. A number of third countries (including Switzerland) have adopted equivalent measures (a withholding system in the case of Switzerland) and certain British and Dutch dependent or associated territories have adopted the same measures with effect from the same date. The attention of holders of the Participation Capital Certificates is drawn to paragraph 10(2)(b) of the Terms and Conditions of the Participation Capital Certificates.

## IX. SUBSCRIPTION AND SALE

### 1. Admission to Trading and Dealing Arrangements

The Listing Agent will make an application to the Luxembourg Stock Exchange on behalf of the Bank and the Fiduciary to seek admission to trading of the Participation Capital Certificates as and when such Participation Capital Certificates are issued under the terms of this Prospectus. At the date hereof it is not intended that similar applications will be made to other regulated markets (or equivalent markets).

The earliest date(s) on which the Participation Capital Certificates will be admitted to trading are currently expected to be the Issue Date, however, prospective investors should be aware that this is subject to regulatory approval.

Dexia Banque Internationale à Luxembourg is appointed as Principal Paying Agent and as Listing Agent for the Participation Capital Certificates.

So long as the Participation Capital Certificates are listed on the Luxembourg Stock Exchange, the Bank will maintain a paying agent in Luxembourg.

The Bank currently estimates the total expenses for the admission to trading of the Participation Capital Certificates to be approximately EUR 2,500.

Pursuant to a subscription agreement to be entered into on or about 16 May 2008 (the "**Subscription Agreement**") between VBAG, the Fiduciary and the Managers, the Managers will agree, subject to certain conditions, to subscribe and pay for the aggregate principal amount of EUR 100,000,000 Participation Capital Certificates at the Issue Price in order to sell the Participation Capital Certificates to investors. The conditions as referred to in the first sentence of this paragraph will be customary closing conditions as set out in the Subscription Agreement. VBAG has, furthermore, agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Participation Capital Certificates.

The Subscription Agreement entitles the Managers to terminate their obligations, thereunder, in certain circumstances prior to the payment of the purchase price of the Participation Capital Certificates. VBAG has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Participation Capital Certificates.

The Sole Bookrunner and the other Managers may from time to time provide investment banking, commercial banking, financial advisory and/or similar services to members of the VBAG Group and the Fiduciary on a regular basis, and maintain normal business relationships with the VBAG Group and the Fiduciary in their capacity as credit institutions or as lenders under loan facilities to members of the VBAG Group, for which they have received and may continue to receive customary fees and expenses.

The Sole Bookrunner will receive a combined management, underwriting and selling commission of up to 2.5 per. cent of the aggregate nominal amount of the Participation Capital Certificates.

### 2. Terms and Conditions of the Offer

*Conditions, Offer Statistics, Expected Timetable and Action Required to Apply for the Offer*

The offer of the Participation Capital Certificates is not subject to any specific conditions. The offer of the Participation Capital Certificates will open on the day following the approval of this Prospectus and its publication on the website of the Luxembourg Stock Exchange and close on the day on which the Sole Bookrunner so determines at its sole discretion, however, on the later of (i) the Issue Date of the Participation Capital Certificates and (ii) the date on which the Participation Capital Certificates begin trading on the regulated markets of the Luxembourg Stock Exchange at the latest. There is no specific application process. The Sole Bookrunner may reduce subscriptions at its sole discretion. There are no specific criteria for any such reductions. The minimum/maximum amounts of application are EUR 1,000/ EUR 100,000,000. Payments for the Participation Capital Certificates must be made until the Issue Date. The date on which the Participation Capital Certificates will be delivered is the Issue Date. The results of the offer will amount to the aggregate nominal amount of the Participation Capital Certificates to be issued on the Issue Date multiplied by the Issue Price. There are no pre-emption and/or subscription rights in relation to the Participation Capital Certificates.

The Participation Capital Certificates will entitle investors to a fixed interest until (and excluding) 18 June 2018 at a rate of 10 per cent. per annum and thereafter at a floating rate based on the 6-month EURIBOR plus the

Reset Margin as defined in the Terms and Conditions of the Participation Capital Certificates. The Issue Price of the Participation Capital Certificates to be issued on the Issue Date (each as defined in the Terms and Conditions of the Participation Capital Certificates) will be determined and published on the website of the Luxembourg Stock Exchange on 14 May 2008.

#### *Plan of Distribution and Allotment*

The Participation Capital Certificates will be offered to retail investors and to institutional investors.

#### *Pricing*

The issue price will be [100 – 105] per cent plus accrued remuneration for the period starting on (and including) 06 May 2008 until (but excluding) 27 May 2008. There are no specific expenses or taxes charged to subscribers and/or purchasers.

### **3. Selling Restrictions**

#### *The United States of America*

The Participation Capital Certificates have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account and benefit of, U.S. Persons except in accordance with Regulation S under the Securities Act. Each Manager has represented and agreed that neither it, its affiliates nor any person acting on its behalf have offered, sold or delivered the Participation Capital Certificates, and neither it, its affiliates nor any person acting on its behalf will offer, sell or deliver the Participation Capital Certificates within the United States or to, or for the account benefit of, a U.S. Person (a) as part of its distribution at anytime or (b) otherwise until 40 days after the completion of the distribution of all the Participation Capital Certificates (the "**Restricted Period**"), in either case in accordance with Regulation S under the Securities Act. Neither the Managers, their respective affiliates nor any person acting on behalf of any Manager or any of its affiliates have engaged or will engage in any directed selling efforts in the United States with respect to the Participation Capital Certificates, and the Managers, their respective affiliates and any person acting on behalf of any Manager or any of its affiliates have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act, including the requirements that any offer or sale be made outside the United States in an offshore transaction to a non-U.S. Person. Each Manager has also agreed that it will have sent to each distributor, dealer, (as defined in Section 2(a)(12) of the U.S. Securities Exchange Act of 1934, as amended) or person receiving a selling concession, fee or other remuneration that purchases Participation Capital Certificates from it during the Restricted Period a confirmation or notice, provided at or prior to confirmation of each such sale, to substantially the following effect:

"The Participation Capital Certificates covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered, sold or delivered 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 completion of the distribution of the Participation Capital Certificates as determined and certified by each Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act."

In addition, until 40 days after the completion of the distribution of all the Participation Capital Certificates, an offer, sale or delivery of Participation Capital Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used in the preceding paragraphs have the meaning given to them in Regulation S under the Securities Act.

The Participation Capital Certificates are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Each Manager has represented and agreed that:

- (a) except to the extent permitted under U.S. Treas. Reg. Sec 1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**"), (i) it has not offered or sold, and during the Restricted Period will not offer or sell, directly or indirectly, Participation Capital Certificates in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Participation Capital Certificates in bearer form that are sold during the Restricted Period;

- (b) it has, and throughout the Restricted Period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Participation Capital Certificates in bearer form are aware that such Participation Capital Certificates may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it was considered a United States person that is acquiring the Participation Capital Certificates for purposes of resale in connection with their original issuance it agrees that if it retains Participation Capital Certificates in bearer form for its own account, it will only do so in accordance with the requirements of the TEFRA D Rules; and
- (d) with respect to each affiliate that acquires from it Participation Capital Certificates in bearer form for the purposes of offering or selling such Participation Capital Certificates during the Restricted Period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c), or (ii) obtain from such affiliate for the benefit of the Fiduciary and the Bank the representations and agreements contained in sub-clauses (a), (b) and (c).

The terms used in the preceding paragraph have the meanings given to them in the Revenue Code and regulations thereunder, including the TEFRA D Rules.

Each Participation Capital Certificates will bear the following legend:

ANY UNITED STATES PERSONS (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA) WHO HOLDS THIS OBLIGATION, DIRECTLY OR INDIRECTLY, WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA.

#### ***European Economic Area***

In relation to each Member State of the European Economic Area (the European Union plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a "***Relevant Member State***"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "***Relevant Implementation Date***") it has not made and will not make an offer of Participation Capital Certificates to the public in that Relevant Member state prior to the publication of a prospectus in relation to the Participation Capital Certificates which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Participation Capital Certificates to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets, or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last fiscal year; (ii) a total balance sheet of more than EUR 43,000,000 and (iii) an annual turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive);
- (d) in any other circumstances which do not require the publication by the Fiduciary or the Bank of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Participation Capital Certificates to the public" in relation to any Participation Capital Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Participation Capital Certificates to be offered so as to enable an investor to decide to purchase or subscribe to the Participation Capital Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "***Prospectus Directive***" means Directive 2004/809/EC and includes any relevant implementing measure in each Relevant Member State.

### ***United Kingdom of Great Britain and Northern Ireland***

Each 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 an invitation or inducement to engage in investment activity (within the meaning of Sec 21 (1) of the FSMA) received by it in connection with the issue or sale of the Participation Capital Certificates in circumstances in which Sec 21 (1) of the FSMA does not apply to the Fiduciary or the Bank; 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 Participation Capital Certificates in, from or otherwise involving the United Kingdom.

### ***Luxembourg***

According to the Law of 10 July 2005 on prospectuses for securities (the "**Law**") and implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**"), the Participation Capital Certificates may not be offered to the public in Luxembourg, except that they may be offered in Luxembourg in the following circumstances:

- (a) in the period beginning on the date of publication of a prospectus in relation to the Participation Capital Certificates which have been approved by the *Commission de surveillance du secteur financier (CSSF)* in Luxembourg or, where appropriate, approved in another relevant European Union Member State and notified to the CSSF, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000 as shown in its last annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression **offered to the public** in relation to any Participation Capital Certificates in Luxembourg means the communication in any form and by any means of sufficient information on the terms of the offer and the Participation Capital Certificates to be offered so as to enable an investor to decide to purchase the Participation Capital Certificates, as defined in the Law.

### ***Republic of Ireland***

Each Manager has represented, warranted and agreed that, to the extent applicable:

- (i) it has not and will not underwrite the issue of, or place, offer or sell or otherwise act in Ireland in respect of any Participation Capital Certificates other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation; and Irish market abuse law (as defined in the Investment Funds, Companies and Miscellaneous Provisions Act, 2005), including the Market Abuse (Directive 2003/6/EC) Regulations 2005 (S.I. No. 342 of 2005) and any rules issued under section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005;
- (ii) it has not underwritten and will not underwrite the issue of or place the Participation Capital Certificates otherwise than in conformity with the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21; and the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) (as amended) including, without limitation, Parts 6, 7, 9 and 12 thereof and any codes of conduct or other requirements or guidance issued in connection therewith; and
- (iii) it has not underwritten and will not underwrite the issue of, or place, the Participation Capital Certificates, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942-2004 (as amended) and any codes of conduct made under Section 117 thereof.

***General***

In addition to the specific restrictions set out above, the Managers agree that they will observe all applicable provisions of law in each jurisdiction in or from which it may offer Participation Capital Certificates or distribute any offering material.

## **X. DOCUMENTS INCORPORATED BY REFERENCE**

The following information shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the audited consolidated annual financial statements of the Bank (including the audit report thereon) for the financial year ending on 31 December 2007; and
2. the audited consolidated annual financial statements of the Bank (including the audit report thereon) for the financial year ending on 31 December 2006 (as set out in the annual report of the VBAG Group for the year 2006).

The following information appears on the pages of these documents as set out below:

1. Audited consolidated annual financial statements of the Bank for the fiscal year ending on 31 December 2007:

Section of document incorporated by reference	Pages of document and document incorporated by reference
balance sheet	page 3
income statement	page 2
cash flow statement	pages 5-6
auditors' opinion	pages 69-70
notes	pages 7-68

2. Audited consolidated annual financial statements of the Bank for the fiscal year ending on 31 December 2006:

Section of document incorporated by reference	Pages of document and document incorporated by reference
balance sheet	page 67
income statement	page 66
cash flow statement	page 69
auditors' opinion	page 113
notes	pages 70-110

This Prospectus and the documents incorporated by reference will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any other information not listed above but contained in such documents is incorporated by reference for information purposes only.



## **XI. GENERAL INFORMATION**

### **1. Subject of this Prospectus**

The subject of this Prospectus are the EUR EUR 100,000,000 Participation Capital Certificates with a nominal amount of EUR 100,00,000. The Participation Capital Certificates represent an increase of the issue of EUR 400,000,000 Perpetual Non-Cumulative Participation Capital Certificates (the "**Initially Issued Participation Capital Certificates**") issued by the Fiduciary on 6 May 2008 having identical terms and conditions of issue as the Participation Capital Certificates in all material respects.

### **2. Clearing Codes**

The Participation Capital Certificates have been accepted for clearance through the facilities of Euroclear and Clearstream Luxembourg under the following clearance codes:

#### **Interim Securities Codes**

ISIN: XS0364478262

Common Code: 036447826

WKN A0Q13Y

Upon exchange of the Temporary Global Certificate for the Permanent Global Certificate in accordance with the Terms and Conditions of the Participation Capital Certificates, the Participation Capital Certificates will form a single series with the Initially Issued Participation Capital Certificates with an aggregate nominal amount of EUR 500,000,000 for the consolidated issue and will then have the same securities codes as the Initially Issued Participation Capital Certificates.

#### **Securities Codes of the Initially Issued Participation Capital Certificates**

ISIN XS0359924643

Common Code 035992464

WKN A0TUQG

### **3. Issue Date of the Participation Capital Certificates**

On or about 27 May 2008.

### **4. Yield to Maturity on the Participation Capital Certificates**

There is no explicit yield to maturity. The Participation Capital Certificates do not carry a fixed date for the redemption and the Fiduciary is not obliged, and under certain circumstances is not permitted, to make payments on the Participation Capital Certificates at the full stated rate.

### **5. Documents on Display**

For so long as the Participation Capital Certificates remain outstanding, copies of the following documents (together, if applicable, with an English translation thereof) will, upon request, be available during normal business hours at the registered office of VBAG, Kolingasse 19, 1090 Vienna, Austria and at the specified offices of the Principal Paying Agent shown on the last page of this Prospectus:

- (1) Articles of Association of the Bank
- (2) Agency Agreement
- (3) consolidated financial statements of the Bank for the financial year ending on 31 December 2007
- (4) consolidated financial statements of the Bank for the financial year ending on 31 December 2006
- (5) the stand-alone annual financial statements of the Bank for the financial year ending on 31 December 2007

These documents and any other information displayed on [www.bourse.lu](http://www.bourse.lu) do not form a part of this Prospectus nor are they incorporated by reference in this Prospectus, unless explicitly otherwise stated in this Prospectus.

Copies of this Prospectus will be available at the following addresses during usual business hours from the date of publication of this Prospectus (expected to be 13 May 2008):

- (1) at the Bank's registered office in Kolingasse 19, A-1090 Vienna, Austria, and
- (2) at the office of: Banque de Luxembourg S.A., 14, Boulevard Royal, L-2249 Luxembourg.

## **6. Authorisations**

The issue of the Participation Capital Notes by VBAG has been duly authorised by a resolution of the general assembly (*Hauptversammlung*) on 24 May 2007 and by a resolution of the supervisory board (*Aufsichtsrat*) on 10 April 2008.

The issue of the Participation Capital Certificates by the Fiduciary has been authorised by the management of the Fiduciary as part of its general banking activities.

## **7. Legend on the Global Certificates**

The Temporary Global Certificate will bear the following legend:

"THIS TEMPORARY GLOBAL CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THIS TEMPORARY GLOBAL CERTIFICATE (OR ANY INTEREST HEREIN) MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S, A "U.S. PERSON") IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"). NO TRANSFER OF THIS TEMPORARY GLOBAL CERTIFICATE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER THE FIDUCIARY NOR THE PRINCIPAL PAYING AGENT WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON.

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA) WHO HOLDS THIS OBLIGATION, DIRECTLY OR INDIRECTLY, WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA."

The Permanent Global Certificate will bear the following legend:

"THIS PERMANENT GLOBAL CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION,.

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA) WHO HOLDS THIS OBLIGATION, DIRECTLY OR INDIRECTLY, WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA."

## **8. Rating**

It is expected that the Participation Capital Certificates will be assigned a rating of [●] by Moody's. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by Moody's.

## **9. Additional Information**

### ***Experts***

Other than the Auditors Reports this Prospectus does not include any statement or report attributed to a person as an expert.

### ***Third party sources***

Where information has been sourced from a third party, the Bank confirms that to the best of its knowledge such information has been accurately reproduced and that so far as the Bank is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The sources of such information are stated where such information appears in this Prospectus.

**The Bank**

**Österreichische Volksbanken-Aktiengesellschaft**

Kolingasse 19  
1090 Vienna  
Austria

**The Fiduciary**

**Banque de Luxembourg S.A.**

14, Boulevard Royal  
L-2449 Luxembourg  
The Grand Duchy of Luxembourg

**Principal Paying Agent**

**Dexia Banque Internationale à  
Luxembourg**

69 route d'Esch  
L-2953 Luxembourg  
The Grand Duchy of Luxembourg

**Calculation Agent**

**DZ BANK AG Deutsche  
Zentral-Genossenschaftsbank,  
Frankfurt am Main**

Platz der Republik  
60265 Frankfurt am Main  
Germany

**Listing Agent**

**Dexia Banque Internationale à  
Luxembourg**

69 route d'Esch  
L-2953 Luxembourg  
The Grand Duchy of Luxembourg

**Sole Bookrunner**

**DZ BANK AG Deutsche Zentral-Genossenschaftsbank,  
Frankfurt am Main**

Platz der Republik  
60265 Frankfurt am Main  
Germany

**Joint Lead Manager**

**Deutsche Bank AG, London Branch**

Winchester House,  
1 Great Winchester Street, London EC2N 2DB  
United Kingdom

**Joint-Lead Manager**

**UBS Investment Bank**

100 Liverpool Street  
London EC2 M2RH United Kingdom

**Legal Counsel to the Bank**

*as to Austrian Law*

**Freshfields Bruckhaus Deringer**

Seilergasse 16  
1010 Vienna  
Austria

**Legal Counsel to the Managers**

*as to Austrian Law*

**Freshfields Bruckhaus Deringer**

Seilergasse 16  
1010 Vienna  
Austria

**Legal Counsel to the Bank**

*as to Luxembourg Law*

**Elvinger Hoss & Prussen**

2, Place Winston Churchill  
B.P. 425, 2014 Luxembourg  
The Grand Duchy of Luxembourg

**Legal Counsel to the Fiduciary**

*as to Luxembourg Law*

**Elvinger Hoss & Prussen**

2, Place Winston Churchill  
B.P. 425, 2014 Luxembourg  
The Grand Duchy of Luxembourg

**Auditors of the Bank**

**KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft**

Porzellangasse 51  
1090 Vienna  
Austria