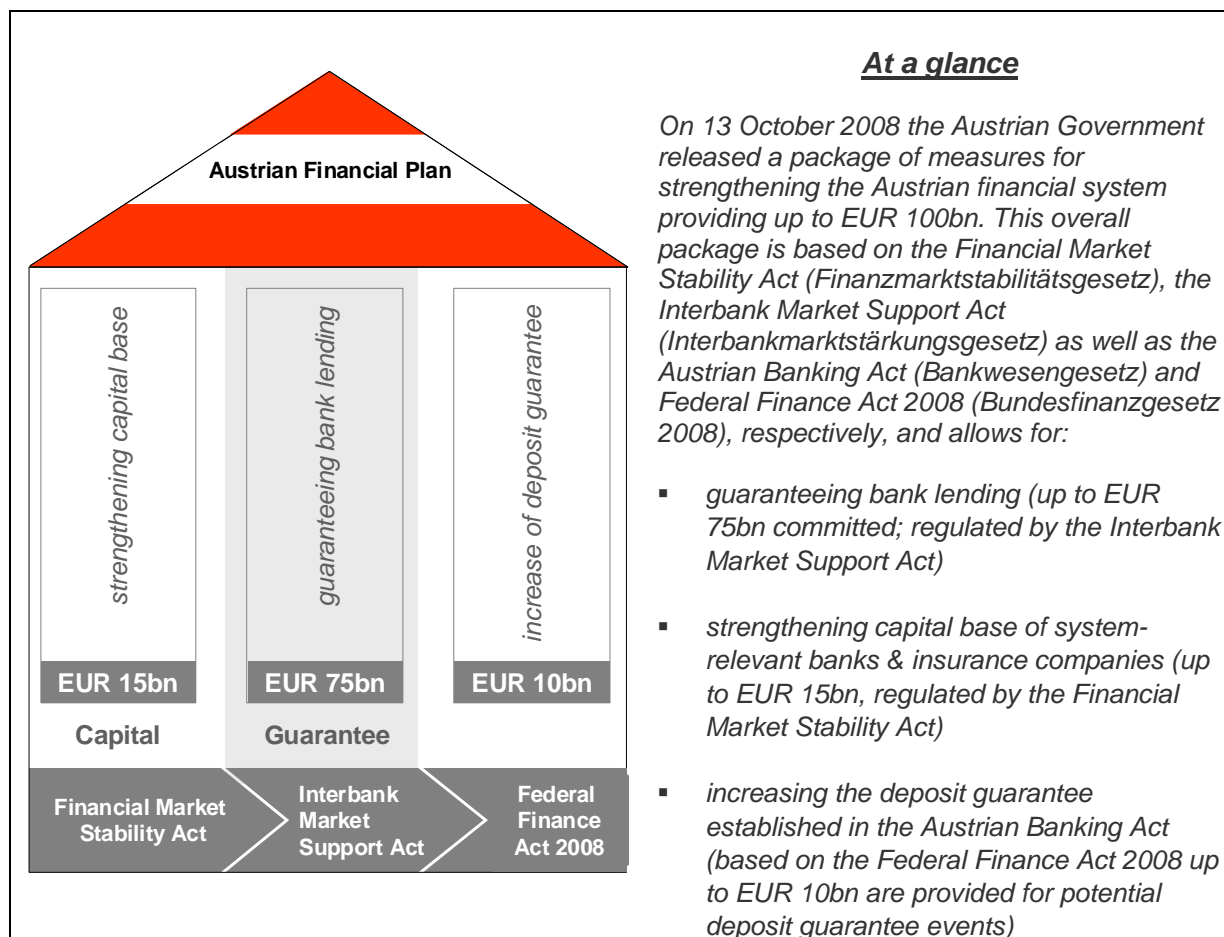


## The Austrian Guarantee Scheme for Bank Lending



### The Austrian Guarantee Scheme for Bank Lending

Based on the Interbank Market Support Act the Austrian Ministry of Finance is empowered to guarantee Notes issued by banks under §1 sec (1), subsec (10) of the Austrian Banking Act\* with a tenor up to 3 years; under certain circumstances the duration can be extended up to 5 years.

Under the Austrian Guarantee Scheme for Bank Lending the Republic of Austria provides specific Guarantees, which apply to

1. Single bond issues
2. Bond issues under a Debt Issuance Programme as well as under a Medium Term Note Programme
3. Issuance of Notes under Commercial Paper Programmes

The amount of single facilities issued under this Guarantee Scheme is not restricted, but the total issuing volume covered under this Guarantee Scheme may not exceed EUR 75bn, excluding payments on coupons and expenses.

\* *Bank lending according to the Austrian Banking Act: Credit institutions authorized to transact banking activities may issue securities in order to invest the proceeds in banking activities.*

The Republic of Austria guarantees fresh Notes issued until 30 June 2009 – an extension of this period is subject to prior approval of the European Commission. Financial institutions intending to make use of the State Guarantees are obliged to formally apply for such with the Austrian Ministry of Finance.

Issuers have to pay a fee for these Guarantees based on market conditions and in accordance with the guidelines of the European Commission. For the duration of the Guarantees the issuer has to comply with certain obligations. These obligations comprise, among others, the use of the proceeds of the issuance for corporate and individual customer lending activities based on market conditions, the prohibition of distortion of competition and a review of the internal compensation schemes.

### **Irrevocability of the Guarantees of the Republic of Austria**

The Republic of Austria, as the Guarantor, gives its unconditional and irrevocable Guarantees for the benefit of the holders of Notes for the due payment of all amounts payable under the Notes, in particular principal, interest or any additional amounts to be paid according to the respective terms and conditions.

The obligations of the Republic of Austria under the Guarantees constitute direct, unsecured and unsubordinated obligations of the Guarantor, ranking at least *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor, except for obligations ranking in priority pursuant to mandatory provisions of law.

The obligation of the Republic of Austria expires upon irrevocable redemption in full of all Notes or upon irrevocable discharge in full of all obligations under a Guarantee.

### **Timeliness of Payments**

Noteholders are protected by these Guarantees against default of the Issuer in the punctual payment of any amounts payable under the Notes payable on the respective due date. Payments by the Republic of Austria to a Noteholder shall be effected upon written request to an account specified by the Noteholder. No payments will be made prior to such notification.

Based on a Guarantee all payments by the Guarantor are to be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges unless the deduction or withholding of such taxes, duties, assessments or governmental charges is required by law, provided however, that the Conditions of Issue apply to payments of the Guarantor under this Guarantee.

### **Zero Risk Weighting**

Obligations guaranteed by the Republic of Austria qualify for zero risk weighting for capital adequacy purposes pursuant to §§146ff of the Regulation relating the Solvability of Credit Institutions (Solvabilitätsverordnung). This applies for obligations denominated in EUR only.

#### **Intention and Purpose of the Guarantees**

*The intent and purpose of these Guarantees is to ensure that, in the case of default by the Issuer in the punctual payment of any amounts payable under the Notes on the respective due date, the Republic of Austria shall pay such amounts payable in accordance with the Conditions of Issue.*