Oesterreichische Entwicklungsbank AG

Funding tomorrow's prosperity.





Annual Report

2011 – Condensed Version

OESTERREICHISCHE ENTWICKLUNGSBANK AG

Quick facts and figures

Financial year ended 31 December 2011

Oesterreichische Entwicklungsbank AG

The official development bank
of the Austrian government
Member of European Development
Finance Institutions (EDFI)

Founded in 2008 in Vienna

Wholly-owned subsidiary
of Oesterreichische Kontrollbank AG
Share capital: EUR 5,000,000
22 employees

Projects implemented in 2011

Number of projects		18	
Investment Finance	EUR	78.7	million (8 projects)
Advisory Programmes	EUR	4.2	million (8 projects)
Foreign Trade Programme	EUR	3.4	million (2 projects)

Contribution to development

The projects of OeEB contribute to progress towards the achievement of Millennium Development Goals 1 (halving poverty and extreme hunger), 7 (ensuring environmental sustainability) and 8 (developing a global partnership for development).

Number of people employed in OeEB-financed projects		6,395	
Number of micro businesses and small & medium enterprises (SME) that gain access to credit		2,872 38	
Financing for climate protection projects	EUR	53.6	million

The basis for calculating these benefits is described on page 12 in section B.I.ii, Development impact).

Key financials

Total assets	EUR	226.3	million
Profit for the year	EUR	848,910	
Unallocated profit for the year	EUR	274,095	

Standard & Poor's long-term issuer rating: AA+ (AAA from 28 November 2011 to 17 January 2012);
S&P short-term issuer rating: A-1+

Funding tomorrow's prosperity.

Better living conditions in developing and newly industrialised countries through vibrant economies.

Oesterreichische Entwicklungsbank AG, the official development bank of the Austrian government, has been operating since March 2008.

Combining business and development, OeEB strengthens Austria's ties to countries that want to achieve sustainable improvement in prosperity through private sector development.

Our services complement and support the work done by Austrian policy, investors, banks and civil society for development in the world's poorer countries.


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In the interest of readability, this report may in some cases use wording that is gender-specific. However, all references to positions, titles and people should be construed as gender-neutral.

Contents

Letter from the Executive Board

GRI 1.1, GRI 1.2, 3.5

"We create better living conditions in developing and newly industrialised countries through a vibrant economy." This key sentence from the vision, mission and principles formulated by OeEB in 2011 encapsulates what we are about. For OeEB, working sustainably means that we must be in good financial health ourselves. At the same time, it means ensuring sustainable development by stimulating the private sector in disadvantaged regions and thus combating poverty. Sustainable practices both in-house and in our projects are critically important and are therefore highlighted in our combined annual and sustainability report.

All our projects must be not just profitable but appropriate in the context of local development in the respective country. Studies in developing countries continue to underline the beneficial effects of creating private economic structures, of the infrastructure expansion these require, and of the creation of financing opportunities especially for small and medium-sized businesses.

A report (co-produced by OeEB) presented at the World Bank meeting in Washington in September 2011 demonstrated that for every dollar of funding provided by international financial institutions (IFIs), such as the development banks, twelve dollars in financing are made available by private investors. The report also showed that development banks provide more than USD 40 billion per year for foreign direct investment. That amounts to about five per cent of total capital flows into emerging markets. The development banks are a major factor in job creation and private sector growth in developing and transitional economies.

How well OeEB is performing in this regard was formally assessed beginning in November 2011, in an evaluation conducted on behalf of the Austrian Ministry of Finance. The final report will be available in spring 2012.

What is certain is that, thanks to our outstanding team, we have been able to put the bank's activities on the path of success. To keep progressing at a strong pace, we are currently developing a common management philosophy that will help us to meet the challenges of the future with confidence.

New ways to boost development were created in 2011 – such as the basis for us to make private equity investments. This adds another valuable product to our portfolio.

In times of economic uncertainty, we are a steady presence as a development bank: As a reliable partner, we continue to provide capital even when crises make commercial banks reluctant to do so. In emerging markets – which to some extent are also affected by these difficulties – we are thus able to ensure that private enterprise continues to power economic activity.

In those markets where Austrian companies have not yet gained a real foothold, we arrive first, in our role as a development bank: By providing financing for the establishment and growth of small and medium businesses, we prepare the ground for Austrian enterprises that can then build new trading relationships. For example, we achieve this through credit lines extended to local banks for private sector development in Armenia and Azerbaijan.

With studies on subjects such as the market potential in Africa – particularly for renewable energies – we pave the way even in regions with which Austria does not yet have well-established business relations. As a development bank we are thus information gatherers and pioneers in these countries while at the same time creating new sources of income there through financing projects – true to our slogan of “Funding tomorrow’s prosperity”.

Michael Wancata — Andrea Hagmann

Vision, mission and principles

GRI 4.8

Our mandate:

We finance sustainable development.

- We are Austria's official development bank. We finance private sector projects in developing and newly industrialised countries and thus facilitate sustainable development.
- We combine commercial finance with development cooperation objectives. Our special role allows us to transact deals even in the presence of elevated political and commercial risk. For our clients this unlocks investment capital for sustainable projects that are currently not being financed by the commercial banks operating in the target countries.
- We take care to ensure that the projects make good development and business sense. Our terms are calibrated to be appropriate for the target markets while safeguarding the commercial viability of OeEB. We respect environmental and social standards and initiate corresponding development measures that work alongside or on the periphery of the financing projects.

Our aim:

We create better living conditions through a vibrant economy.

- We work for better living conditions for people in developing and newly industrialised countries by boosting private enterprise.

Our values:

We are committed to ethical, respectful behaviour and to seeing the big picture.

- We do our work for others honestly, reliably and respectfully.
- We think and act in such a way as to always have in mind the mission of long-term environmental, social and economic development.
- We see private enterprise as an engine of international development when it is careful with environmental resources and watches the social implications of its actions.

Our way of working:

We are responsible and capable facilitators of development that fosters the capabilities and self-reliance of our clients.

- We respect and strengthen the self-reliance of our partners in developing and transitional countries. We therefore work closely with them when weighing risks and devising solutions.
- We always remain current in our financing expertise and specialised knowledge in development cooperation.
- Working in close coordination with national and international development banks and financial institutions, we partner with them in the marketplace.
- As a partner to the private sector, even in sometimes challenging conditions and equipped with finite resources, we strive to perform our diverse roles with conviction and a strong sense of purpose.

Our attitude:

We are committed to healthy working relationships.

- We are respectful and fair with colleagues, principals, clients, partners and other stakeholders.
- As employees, we appreciate the development aspect of our work that gives it special meaning and are committed to the aims of OeEB.
- We share our knowledge with others. Working innovatively and resourcefully, we think unconventionally and focus on solutions. We are open to criticism and regard it as an opportunity for improvement.

Our contribution:

We foster economic development.

- We make a special contribution to Austrian international development activities and thus to the improvement of living standards for people in less prosperous countries.
- We work with Austrian companies, helping them to deepen their business relationships in difficult markets and creating new commercial opportunities for them.

A. Development project cycle and approval responsibilities & procedures

I. Business segments

EC-8, EC-9

OeEB's core business is economic development. In the business segments of Investment Finance and Advisory Programmes, the development objectives are of central importance.

OeEB provides expertise to implement the foreign trade programmes of the Austrian Ministry of Finance.

i. Project evaluation & decision process in investment finance

Screening →	*Decision in principle* →		*Due diligence* →	*Approvals* →	*Contract signing* →	*Project monitoring and management*
■ Quick check based on questionnaire	■ Preliminary assessment of: - available reports & studies - audited financial statements - development impact information	*Yes*	■ Based on: - detailed feasibility study - site visit - term sheet ■ Ascertain: - environmental and social standards (see B.I.iii) - development impact (see B.I.ii)	■ By: - Supervisory Board - Business & Development Committee - Advisory Board*	■ By OeEB and project partner(s)	■ By two OeEB departments: - Investment Finance and - Credit Risk Management

* At the Federal Ministry of Finance

FS-15, PR-1

For the projects proposed to OeEB, the client is expected to complete a questionnaire that permits a first informal check of whether the project is suitable for support by OeEB (sector exclusion lists are found on the OeEB website at *www.oe-eb.at*).

In this preliminary screening, a mutual understanding is quickly reached with the client on the potential for implementing the project.

If the project is pursued further, the next step is a close scrutiny of the commercial viability and an analysis of the intended development effects. Among other ways, OeEB does this by using the Corporate Policy Project Rating Tool (GPR©) developed by Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), the German development finance institution.

The environmental and social effects are also assessed (for details, refer to sections B.I.ii and B.I.iii).

The results of the evaluation in terms of development criteria and of all risks are presented to the decision-making bodies (the Supervisory Board, Business & Development Committee and Advisory Board).

The appropriate contracts are then concluded with the client and project implementation begins.

OeEB's policy is to monitor and manage projects continually for their full duration.

This process is optimised on an ongoing basis between the departments involved. All projects are monitored.

ii. Development impacts

SO-1

As a development bank, OeEB pursues not just commercial objectives but also development goals. These compatible twin aims are expressed within OeEB's mission statement: "We create better living conditions through a vibrant economy."

With GPR©, which is used by 60% of all EDFI members and by other international development banks, projects are scored in a standardised and transparent way on several criteria:

Requirements for OeEB projects:

- Commercial viability: the project's long-term profitability as a basis for its sustained existence (metric 1 of GPR©)
- Development effectiveness: Development impacts of the project (metric 2 of GPR©)

Requirements for OeEB

- The particular strategic role of OeEB as a development bank in the project (metric 3 of GPR©)
- OeEB as a self-supporting, profitable entity: The project's contribution to OeEB's return on equity (metric 4 of GPR©)

GPR© is used both ex ante (based on values expected at the time of project approval) and ex post (based on the actual data collected during the operating stages of the investment projects). In GPR© the scores on the four metrics described are combined in a single score for a project (on a scale of 1 to 6, with 1 being best).

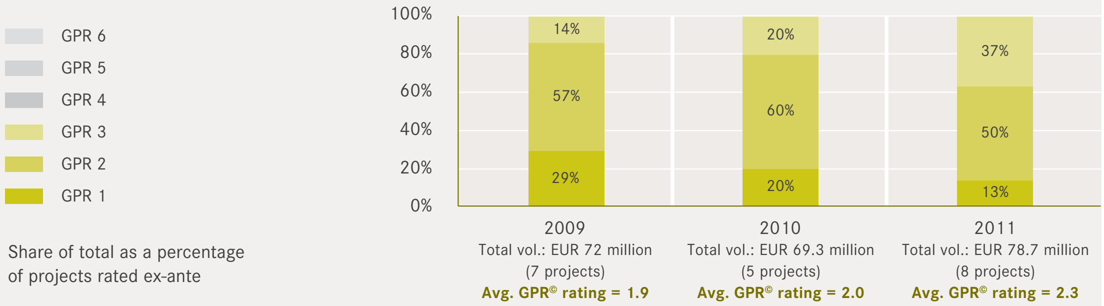
At the portfolio level, OeEB aims for an overall GPR© score of 2.5 or better.

An analysis of the GPR© scores of OeEB's projects in 2011 (based on the ex-ante assessments) showed the following distribution:

Analysis of new project commitments by GPR© group*

Target average GPR© score for whole portfolio: 2.5 or better

(Percentage share based on the number of projects newly committed in the respective year that were rated using GPR©)



* Distribution of scores based on a scale of 1 to 6.
The highest possible score, GPR© 1, represents a "very good" project;
GPR© 2 represents a "good" project.

Development relevance of projects

FS-7

All OeEB projects generate social benefit. This special development relevance of the projects is measured by metric 2 of GPR©, based on a wide range of factors. GPR© here takes into account the diversity of a development bank's projects and measures different effects in the individual sectors.

Examples of quantitative effects considered in this evaluation are the number of employees in and around a project (to capture the contribution to improvement of personal incomes); the additional government revenue that a company generates through taxes and other levies, and the installed capacity of a power plant.

Central to the development relevance evaluation, however, are qualitative effects, such as the project's social and environmental impacts, training-and-development measures for staff, efficiency of resource use, the closing of gaps in basic infrastructure, and the companies' social responsibility.

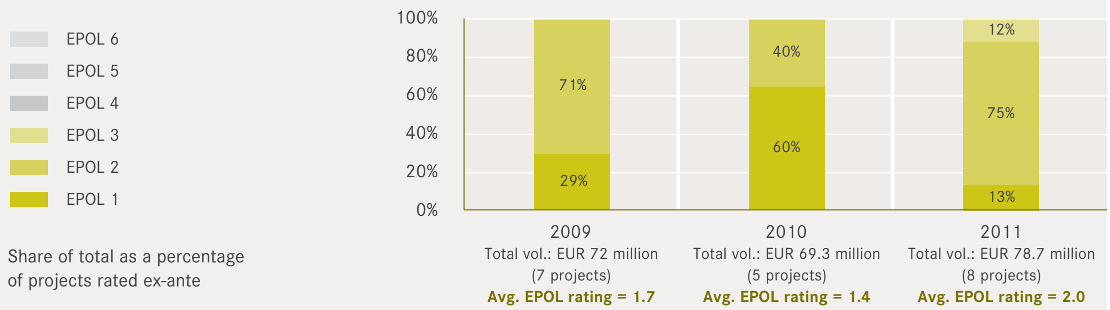
In the GPR© the evaluation of the different development impacts, just like the project's overall score, is also expressed by a scoring system on a scale of 1 to 6, resulting in the so-called EPOL score. The target is an EPOL score of 2 or better.

An analysis of the EPOL scores of OeEB's projects by year (based on the ex-ante assessments) is presented in the following chart:

Analysis of new project commitments by EPOL group*

Target average EPOL score for whole portfolio: 2.0 or better

(Percentage share based on the number of projects newly committed in the respective year that were rated using GPR©)



* Distribution of scores based on a scale of 1 to 6:
EPOL 1 represents a "very good" project (the highest possible score);
EPOL 2 represents a "good" project.

An analysis of some quantitative effects (ex ante) of the projects signed in 2011 showed the following results:

- The projects financed by OeEB in 2011 employ 6,395 people.
- OeEB extended credit lines totalling EUR 17.4 million to local financial institutions in 2011 and thus enables an estimated 2,872 micro enterprises and 38 small and medium companies in developing and newly industrialised countries to obtain financing for setting up and expanding their business. The resulting additional jobs improve the personal income situation and are thus a basis for better living conditions.
- OeEB places a strong emphasis on projects that contribute to climate protection. In 2011 OeEB provided EUR 53.6 million for projects in renewable energy and energy efficiency.

The GPR© evaluation of the projects implemented in 2011 demonstrates that they also contribute to the achievement of the Millennium Development Goals (MDG):

For instance, the involvement of OeEB in microfinance and in the financing of small and medium enterprises in the agricultural sector is instrumental in making progress towards MDG 1 – halving poverty and extreme hunger.

The OeEB projects make a significant contribution in the ecological dimension and thus to ensuring environmental sustainability (MDG 7).

The projects are also an important factor in private sector development in disadvantaged regions and thus must be seen in the light of MDG 8, fostering a global partnership for development.

For detailed information on the MDGs, see *www.un.org/millenniumgoals/*.

In 2011 a results framework was developed for OeEB. This planning and management tool describes and measures both the goals and goal achievement and thus provides information on how well OeEB fulfils its mandate.

To measure the accomplishment of the development-related, economic and strategic goals of OeEB, the framework assigns various indicators to them (such as the amount of newly installed capacity from renewable energy, the geographic distribution of projects and the number of people who have benefited from capacity-building activities). This analysis of performance against objectives is conducted at the portfolio level. This enables the Executive Board of OeEB to monitor the achievement of objectives on an ongoing basis and make timely operational changes where appropriate.

The different indicators of the results framework are measured annually and then presented in a short report, giving the public and stakeholders a clear picture of the results achieved by OeEB.

The results of the first monitoring round are being published in spring 2012 at *www.oe-eb.at*.

iii. Environmental and social matters*

FS 2, FS 3, HR-1, EN-26, FS 8, GRI 4.8

In the words of the mission statement, OeEB finances sustainable development. This requires OeEB always to remain mindful of the environmental and resource management and social soundness of the financed projects. It is the only way to achieve lasting and fundamental improvement in the life situation of people in developing countries and emerging economies.

When financing projects, in addition to OeEB's own adherence to local and national environmental and social standards, the bank also strives for the alignment of its clients' business practices with international environmental, social and human rights standards.

FS 5, FS 11 »

As a fundamental benchmark, OeEB observes the ecological and social standards agreed by EDFI, the Association of European Development Finance Institutions. These include the Performance Standards on Social and Environmental Sustainability developed by World Bank subsidiary IFC, which have become the established market benchmark, as well as the Environmental, Health And Safety Guidelines of the World Bank Group and international conventions of the International Labour Organisation.

(see *www.oe-eb.at/de/leitlinien; www.oe-eb.at/de/osn/DownloadCenter/richtlinien/EDFI-Principles-Responsible-Financing.pdf; www.ifc.org/ifcext/sustainability.nsf/Content/Publications_ByPerformanceStandard*).

In 2011 the internal environmental and social compliance process, which each project undergoes, was aligned by OeEB with the guidelines adopted by EDFI.

First, the projects are classified into categories according to the risk of possible negative impacts on the environment and people. This is done using the Environmental and Social Risk Indicator (EaSI) tool developed by DEG:

- Category C: Low risk
- Category B: Medium risk
- Category B+**: Elevated medium risk
- Category A: High risk

In the financial sector, the categorisation is performed according to the share of risky projects in the portfolio of the banks that receive OeEB financing.

Most of OeEB's new projects in 2011 fell into categories B+ (in the real economy) and B (in the financial sector).

This classification by risk is the first step in the environmental and social assessment. Based on the risk category, the lenders in a project, under the coordination of the lead arranger, perform the detailed assessment in the second step. The governing principle is that the intensity of scrutiny increases with the level of risk. The initially identified potential impacts on people and the environment are analysed in greater depth (often by independent specialists) and mitigative measures are formulated together with the client to cushion these effects. This package of measures is frequently put in the form of an action plan that is incorporated in the loan agreement as a binding condition. As the client is ultimately responsible for the actual implementation of these measures, the assessment also considers the client's willingness, expertise and capacity in this respect.

* In the projects of OeEB the indirect environmental aspects are much more relevant than direct ones, as OeEB's physical operations are purely office-based (also see environmental impacts in the sustainability report of our parent institution, OeKB).

** As decided by EDFI, the B+ category was added for project and corporate finance.

OeEB backs only those projects where the project partner is prepared to assume its responsibility concerning the measures determined by this process. Through the use of resources from the Advisory Programmes, OeEB is able to support clients' efforts in this regard (such as by providing funding for the services of specialist consultants).

The compliance with environmental and social standards is regularly monitored over the life of the project. In projects with high environmental and social risks, the monitoring must be performed by independent experts. Client relationship management generally also calls for on-site visits to verify the information received.

Should a project partner not adhere to the agreed principles, a joint process is cooperatively devised to implement the standards in the execution of the project.

iv. Profiles of selected projects in 2011

ProCredit Georgia – Effectiveness of OeEB credit line assessed

To see the family B. stand proudly among a large assortment of bags in their shop in Tbilisi is to gain the clear impression that the credit line jointly extended to ProCredit Georgia by OeEB and Germany's KfW development bank in 2008 has had the desired effect: helping smaller businesses and creating new sources of income.

The OeEB/KfW credit line allowed ProCredit Georgia to make loans to micro, small and medium enterprises (MSME). This funding source for the family B. did not dry up even in difficult times.

The family jumped at the opportunity to fund their small business with a modest loan from ProCredit. They drove across the border into Turkey to buy bags and shoes, then sold them from a small store in Tbilisi. Their entrepreneurial spirit has been rewarded as the business has thrived. Today they already sell the bags and shoes out of a larger shop and are considering opening an additional location.

The role of OeEB

When ProCredit asked KfW and OeEB in spring 2008 about a credit line for MSMEs, it was evident to the Development Bank of Austria that funding must be provided for the Georgian financial sector. This ensures that the local financial lender can make loans to MSMEs – exactly in line with OeEB's mandate to create income opportunities and jobs by building up the economy.

A few months later, the political situation and financial climate in Georgia deteriorated dramatically. The armed conflict between Georgia and Russia in August 2008 made international investors lose confidence in the country. And the opportunities for international borrowing that remained to Georgian banks were further decimated by the worldwide financial and economic crisis.

Nonetheless, KfW and OeEB together made available a credit line of USD 47.5 million at the end of 2008 to support ProCredit. At the same time, the Georgian bank was managing its business skilfully: It successfully maintained its stock of savings deposits while the secure financing base enabled it to keep lending. As a result of its good business performance, ProCredit became less dependent on debt financing and thus reduced the size of the credit line in December 2010.

FS 16 >>

Development impacts

KfW and OeEB jointly commissioned a review by an independent expert to assess whether the credit line is the right tool for supporting MSMEs and whether the project therefore makes good sense from a development perspective. Based on the DAC evaluation criteria of the OECD, the consultant assessed the project's relevance, effectiveness, efficiency, broader development impacts and sustainability.

The findings of the assessment show that the path taken was the right one. The evaluator concluded that the credit line fully achieved its development purpose. Through it, ProCredit Georgia had access to long-term, affordable credit even in an extremely difficult period. When money was scarcest, in a time of crisis, micro, small and medium enterprises in Georgia thus gained the opportunity to borrow for business start-ups and expansion. In parallel, awareness campaigns expanded the knowledge of ProCredit's customers about financial products.

ProCredit was able to position itself as a profitable financial institution and is now the third largest bank in Georgia. It was also the only bank in Georgia to remain profitable between 2008 and 2011.

The project evaluation, conducted in 2011 with funds from OeEB's Advisory Programmes, bears out visitors' first impression from the family B. shop in Tbilisi: By providing credit lines that ensure financing for MSMEs, sustainable new income opportunities are created that lead to better living conditions for people in developing and transitional economies.

Bulk cargo terminal in Mexico

A crane from the Austrian Alps will soon help lift Mexican exports: OeEB and Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) together are financing a bulk cargo terminal on Mexico's Pacific coast. The order for the crane went to Austrian manufacturer Liebherr. The terminal in the port of Lázaro Cárdenas is used to ship mineral bulk commodities such as coal and iron ore.

The region around Lázaro Cárdenas in the Mexican state of Michoacán has significant iron ore deposits. To date the mining of this ore has been limited by a lack of transportation and port capacity for shipping it.

As well, with the economic growth in Asia, the ports on the Pacific coast of Mexico are becoming ever more important. The seaport of Lázaro Cárdenas, while already regarded as the gateway to the Asian market, was held back by insufficient capacity. Port expansion had foundered for lack of financing, as the economic crisis made commercial banks unwilling to approve long-term loans.

As development banks, OeEB and DEG were able to offer longer-term finance for the construction of a bulk cargo terminal. Of the total investment of more than USD 50 million, the two development banks are contributing USD 30 million. OeEB and DEG are thus stepping in as long-term lenders for an infrastructure project important to Mexico.

The new terminal increases the shipping capacity to as much as 2 million tonnes per year, thus removing an obstacle to growth in imports and exports. In particular, it creates new opportunities to tap the region's iron ore reserves. This strategically significant infrastructure project strengthens Mexico's private sector and thus indirectly creates additional jobs. The country is able to improve its trade balance, and further positive development effects are generated by the associated tax revenues and technology transfer. To prevent possible harm to the environment, OeEB and DEG have tied the financing to the implementation of an environmental and social action plan.

Şekerbank: Energy efficiency in Turkey

In times of global climate change and scarcer fossil fuels, the world needs sustainable, eco-friendly energy solutions: Especially in rapidly growing regions such as Turkey, it is also the efficient use of energy that matters. As the economy grows, so do energy demand and carbon dioxide emissions. OeEB is therefore (jointly with KfW of Germany) extending a credit line to Şekerbank that enables this Turkish bank to issue special-purpose loans for energy efficiency investments; the project also includes awareness-building among Şekerbank staff and customers.

Currently in Turkey only about 26% of energy requirements are met from domestic sources, leaving the country heavily dependent on expensive imports, especially of oil. To improve the situation, the Turkish government in its current development plan has placed particular emphasis on security of energy supply and better use of renewable energy. However, many banks, companies and consumers are still reluctant to lend or borrow for investment in energy efficiency measures. The main causes are insufficient expertise in identifying and utilising opportunities to reduce energy consumption, and the frequent lack of financing facilities for energy efficiency projects.

To raise awareness around energy efficiency and allow financing products for MSMEs and households to become firmly established requires technical assistance both on the banking and customer side. Through an advisory programme, OeEB therefore supports capacity- and knowledge-building for bank employees and customers.

At the same time, by way of a risk participation, OeEB is providing EUR 10.8 million to Şekerbank, which will use the funds to issue special-purpose loans. The goal is to facilitate energy efficiency investments through access to these loans and expand the innovative product portfolio of Şekerbank.

Generally, such investment programmes have already been implemented in Turkey's public sector and for manufacturers and large companies. But when it comes to energy efficiency investment products for medium-sized and small companies and households, there is a gap in the Turkish market. The provision of funding for Şekerbank helps to close this gap. OeEB's engagement is therefore solely in the financing of smaller projects, which is available only to private sector MSMEs and households.

B. Management report

I. Business and financial review

i. Business activities and terms of reference

FS-15, FS-16

Acting on behalf of the Austrian federal government, OeEB supports the development and expansion primarily of private sector projects in developing countries.

The legislative basis for the activities of OeEB was created by an amendment to Austria's Export Guarantees Act (in German: Ausfuhrförderungsgesetz, or AusfFG).

On this basis OeEB lends its support to projects that require long-term financing and that have the ability to repay such loans out of their own resources. Every project must also have a positive sustainable impact on local and regional economic development.

Project eligibility for OeEB support is not tied to Austrian goods and services. However, the use of expertise and capacity available in Austria is intended and encouraged. In principle, any company from an industrialised or developing country can become a client of OeEB. OeEB provides solutions not offered by commercial banks in the various developing countries; its role is thus only supplementary to that of commercial banks. OeEB offers the full range of long-term financing options, from equity finance to loans.

Working with the client, OeEB develops solutions that are tailored precisely to the specific project, to the current financial and business situation and to the risk profile of the country in question.

A key aspect of client selection is the application of responsible-finance principles: In this regard, OeEB bears in mind environmental and social criteria as well as transparency and corporate governance standards.

Development transactions naturally entail high project and country risks, which OeEB neutralises through guarantees from the Austrian government. For this cover, OeEB pays a risk-adjusted premium to the Ministry of Finance.

Before individual deals are presented for approval to the Supervisory Board and to the panels specified for this purpose by law, the project risk and country risk are carefully analysed. Some elements of this assessment are outsourced to OeKB under a service agreement.

ii. Business performance

Investment Finance segment

In the year under review, OeEB was approached with numerous project ideas. For the eight projects approved in the year, contracts totalling EUR 78.69 million were signed.

The required approvals for these projects were obtained from the Supervisory Board, the Business & Development Committee and the Advisory Board. Both the latter bodies are stipulated in the Export Guarantees Act. The Business & Development Committee met four times in 2011.

As risk-sharing forms a key component of the business strategy, OeEB collaborates with other bilateral or multilateral development banks on most of the projects underwritten.

The projects signed in the 2011 financial year related to credit lines to financial institutions in the South Caucasus, Turkey and India, as well as infrastructure investment in Central America.

FS 8, FS 6 >
GRI 2.7 >>

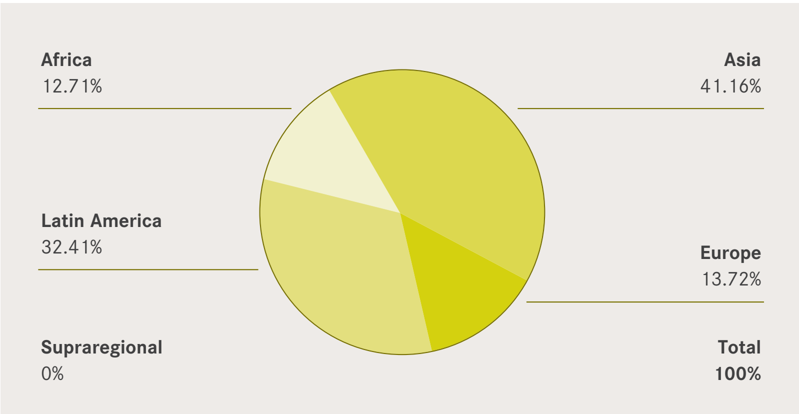
Amid the uncertainty in financial markets, not all project deals that had been scheduled to close in 2011 could actually be finalised in the year under review.

As most of the transactions were signed in the second half of the year, some of the disbursements under these projects will occur in 2012 instead of last year.

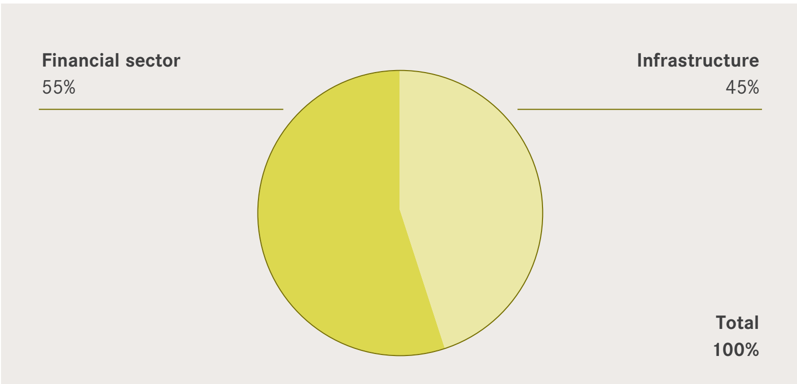
Investment Finance projects

By signed volume

Regional distribution



Sectoral distribution of new commitments in 2011



	Number of projects	Off balance sheet EUR million	On balance sheet EUR million	Total project volume EUR million
Movement in project volume in the Investment Finance segment				
Project volume at 1 January 2011 as per 2010 financial statements	21		236.23	
Valuation effect of change in USD exchange rate, at 31 December 2011			2.07	
Project volume at 1 January 2011 (at 2010 year-end exchange rate)				238.30
Of which: undrawn credit facilities		97.50		
Of which: contingent liabilities		27.65		
Disbursements under financing commitments from prior years		-52.19		
New contracts signed in 2011	8			78.69
Equity investments, loans, guarantees				
Of which: undrawn credit facilities		44.71		
Of which: contingent liabilities		10.80		
Repayments received in 2011		-2.19		-5.13
Limit adjustment on facilities from prior years		-19.71		-19.71
Total project volume at 31 December 2011				**292.15**
Of which off balance sheet		106.57		
Carrying amount on balance sheet	29			185.58
EUR/USD rate at 31 December 2011: 1.2939				

Advisory Programmes segment

FS 6 >>

Through technical assistance under OeEB's Advisory Programmes (AP), projects can be prepared and improved to enhance their development effectiveness. Examples of measures that may be funded with AP monies are studies, fees to hire specialists, project-related training and upgrading of qualifications, as well as the introduction of international standards.

In the 2011 financial year, the Ministry of Finance approved AP funds of approximately EUR 17.14 million.

In 2011, OeEB concluded contracts for 8 AP projects totalling EUR 4.24 million. These contracts also include projects approved in the prior financial years, but signed in 2011.

FS 13 >>

In 2011, OeEB's fourth year of operation, a sector on which the bank focused was energy. A study on energy potential in Serbia was completed and OeEB agreed with a commercial bank to launch a financial product for renewable energy investment.

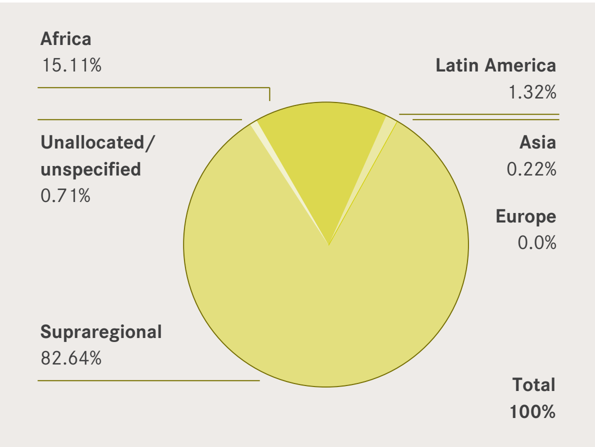
The promotion of responsible finance was furthered through a project to set up credit bureaus, which monitor consumers' debt situation. This can help prevent excessive debt loads.

Financial sector development and the public's resulting improved access to financial services represents an important element of OeEB's development goals. The actual achievement of this was specifically evaluated in the case of the credit line extended to ProCredit Georgia (see the project profile in section B.I.iv above).

In 2011, OeEB disbursed EUR 9.56 million in AP funds to project partners. The disbursements are tied to progress in the respective projects and thus help ensure the achievement of development objectives.

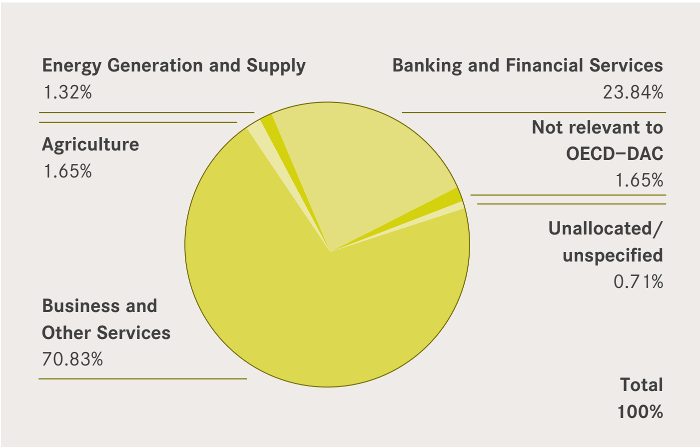
Regional distribution of new AP project commitments added in 2011 (at 31 December 2011)
Total new signed volume: EUR 4.2 million (8 projects)

Regional distribution



Sectoral distribution of new AP project commitments added in 2011 (at 31 December 2011)
Total new signed volume: EUR 4.2 million (8 projects)

Sectoral distribution (based on OECD classification)



Foreign Trade Programme

With its expertise in development and foreign trade, OeEB provides advice to the Ministry of Finance, especially in collaborations with international financial institutions (IFIs).

The aim of the participation in IFI programmes is the resulting know-how transfer to Austrian businesses and the greater support by IFIs to improve business conditions for companies in selected countries. The IFI programmes are as a rule selected by the Ministry of Finance. In 2011 two further projects were identified: The Ukraine Agri-Finance Project and the Russia Resource Efficiency Programme are administered by OeEB. For administering the Advisory Programmes and Foreign Trade Programme, OeEB receives a fee.

Other Activities segment

In 2011 the cooperation with other development banks was expanded, particularly through the Neighbourhood Investment Facility (NIF) of the European Commission and the Western Balkans Investment Framework (WBIF), an initiative for the countries of Southeastern Europe. OeEB is a member of the Financial Institutions Group of both the NIF and WBIF. In addition, OeEB is active in another project with the European Commission: The EU-Africa Infrastructure Trust Fund (EUAITF), which supports infrastructure projects in Africa. Monies from the Advisory Programmes were contributed to all these projects in the prior years. All three facilities are to generate financing projects with co-financing from OeEB.

Financial results

The 2011 financial year closed with profit for the year of EUR 848,910 (prior year: EUR 781,648). After transfers to reserves and before distribution or retention, the unallocated profit for the year was EUR 274,095 (prior year: EUR 280,484).

Thanks to the higher project volume, operating income rose significantly from the prior year's EUR 4.26 million to EUR 5.47 million in the year under review. A major component of this result – alongside combined net interest income and securities income of about EUR 3.59 million (prior year: EUR 2.52 million) – was the net fee and commission income of around EUR 1.86 million (prior year: EUR 1.71 million). The fee and commission income included management fees from the financings, fees for OeEB's management services rendered under the Advisory Programmes for the Ministry of Finance, and fees for development- and foreign-trade-related consulting services to the Ministry.

The operating expenses of approximately EUR 3.48 million (prior year: EUR 2.68 million) reflected the bank's growth and consisted largely of staff costs of EUR 2.38 million (prior year: EUR 1.79 million) and other administrative expenses of EUR 1.08 million (prior year: EUR 0.88 million).

The resulting operating profit in the 2010 financial year was about EUR 1.99 million, up from EUR 1.58 million in the prior year. After valuation effects and taxes, profit for the year was approximately EUR 0.85 million (prior year: EUR 0.78 million). In view of the good result, EUR 0.57 million of this profit was transferred to reserves (prior year: EUR 0.50 million) to further strengthen OeEB's ability to generate future growth.

At the year-end, profit available for distribution was EUR 315,099 (prior year: EUR 0.31 million).

iii. Office locations

GRI 2.4

The registered office of OeEB is located at Strauchgasse 3, 1010 Vienna, Austria.

OeEB has no branch offices in Austria or other countries.

iv. Financial and non-financial performance indicators

Regulatory capital requirement under section 22 Austrian Banking Act	**2011**	**2010**
Financial performance indicators		
Risk-weighted assets under section 22 (2) Banking Act (credit risk)	560	322
Risk-weighted assets under section 22i Banking Act (operational risk)	4,236	3,103
Minimum regulatory capital requirement under section 22 (1) Banking Act		
For credit risk (2011: 8% of 560; 2010: of 322)	*45*	*26*
For operational risk (2011: 15% of 4,236; 2010: of 3,103)	*635*	*465*
For market risk (open foreign currency positions)	*0*	*10*
Total	*680*	*501*
Available regulatory capital under section 23 (14) Banking Act	7,507	6,276

OeEB held sufficient regulatory capital throughout the financial year.

Earnings per share

As the share capital is divided into 50,000 no par-value bearer shares and profit for the year was EUR 848,909.87, earnings per share amounted to EUR 16.98.

Analysis of expenses

EC-1

Administrative expenses

		2011 EUR	2010 EUR
a)	Staff costs	2,382,799.85	1,789,063.57
aa)	Salaries	1,920,621.20	1,461,668.04
bb)	Statutory social security costs, pay-based levies, and pay-based other compulsory contributions	384,636.23	269,291.51
cc)	Other social expenses	34,027.09	25,855.23
dd)	Expenses for retirement and other post-employment benefits	21,559.35	17,325.27
ee)	Contributions to termination benefit funds	21,955.98	14,923.52
b)	Other administrative expenses	1,084,506.94	883,428.89
Total		**3,467,306.79**	**2,672,492.46**

Tax expense

	2011 EUR	2010 EUR
Income tax	502,515.38	372,740.81
Other taxes	0	0
Total	**502,515.38**	**372,740.81**

II. Outlook and risks for the bank

i. Business outlook

Based on numerous conversations with clients and development partners, OeEB's business is expected to grow briskly in 2012. Current indications point to high demand for support from development banks.

In OeEB's fourth year in business, much attention was devoted to optimising the bank's internal processes.

As the volume of business grows, continuing timely adjustment of staff capacity will be required. The probable increase in business should be reflected in revenue.

ii. Significant risks and uncertainties

The progressive return of the financial and economic crisis heightens the uncertainty as to the trend in OeEB's financing business. It remains to be seen to what extent rising funding costs can be passed through to clients. In difficult times, commercial banks frequently withdraw from projects for reasons of risk control.

But as the role of development banks – particularly in such trying times – is to be stable and dependable partners and to fill the gaps left by commercial banks, OeEB sees good opportunities for the continuing expansion of its business. OeEB, while duly considering project risks, thus plans to further increase its volume of business in 2012.

iii. Overview of risk policy and strategy

Strategic approach to risk management

GRI 4.11

To cover the very high project and country risks, OeEB receives a 100% guarantee from the Austrian government for every financing transaction.

Project risks are assessed conservatively, which also has the effect of reducing reputation risk to OeEB.

In view of the backing by the Republic of Austria through government guarantees, OeEB's share capital of EUR 5.0 million represents and meets the minimum requirement under the Austrian Banking Act. In the next several years OeEB will therefore not undertake any projects on the basis of its equity without obtaining an Austrian government guarantee.

OeEB is a wholly-owned subsidiary of OeKB and follows a risk policy and strategy consistent with that of the OeKB Group. In 2010, internal control systems for the purposes of the Austrian Banking Act were developed together with OeKB for OeEB's Investment Finance and Advisory Programmes business processes and the Foreign Trade Programme segment. These systems of internal control are subject to an annual audit.

The overarching goal of the OeKB Group's enterprise-wide risk management (the Internal Capital Adequacy Assessment Process, or ICAAP) is to assure the entity's continuing existence as a going concern. As a wholly-owned subsidiary of OeKB, OeEB is covered by the Group ICAAP and thus does not require its own formal ICAAP. In the interest of uniformity of measurement methods across the Group, the intention is to assess OeEB's risks on a quarterly basis consistent with the standards of OeKB. Risk statistics will thus be produced in 2012 based on a risk analysis.

Risk management organisation

Under the Austrian Banking Act the full Executive Board is responsible for managing OeEB's risks relating to banking transactions and banking operations, for ensuring capital adequacy in respect of the risks taken, and for establishing the organisation that this requires. In this context, regard must be had to the proportionality of the bank's enterprise-wide risk management (i.e., of the methods, systems and processes of risk management) with the structure and size of the bank's risks.

In the interest of this proportionality, given OeEB's business sector and the nature and scale of its specific business and risk structure, the Executive Board considers that a largely FMA-compliant risk management organisation is appropriate. From 2011, the Risk Management Committee has the authority and responsibility to decide on appropriate actions and processes to implement the risk policy and strategy set by the Executive Board and approved by the Supervisory Board.

Operational risk management by OeEB involves the monitoring and control of the operational risk profile, the development of strategies and processes for the control of operational risk, and business continuity management in collaboration with OeKB's operational risk manager.

For emergencies and various crisis scenarios, the operational risk management policy sets out emergency and crisis response teams, responsibilities and procedures.

There is also a designated staff member tasked with assuring that the internal control system complies with legal requirements. This employee works closely with the operational risk manager of OeKB and the organisation section of OeKB's OBUS department (OBUS stands for Organisation, Construction, Environment and Security).

Like the bank's risk management as a whole, the internal control system is subject to ongoing scrutiny by Internal Audit.

Under an agreement with OeKB, the compliance officer function is outsourced to OeKB. However, there is a central contact person within OeEB for compliance matters.

Risk types considered in bank-wide risk management

■ Credit risk

Credit risk is the risk of unexpected loss as a result of the default or deterioration in credit quality of counterparties. To a degree consistent with the nature of its business activities and with the bank's size, OeEB observes the "FMA Minimum Standards for Lending and Other Transactions Subject to Default Risks" issued by the Austrian Financial Market Authority in 2005. In the light of its business structure, OeEB distinguishes the following types of credit risk:

- Counterparty risk/default risk:

the risk of loss as a result of a borrower's failure to honour its payment obligations or of the default of a counterparty (such as a borrower)

- Concentration risk:

the risk of loss as a result of high credit exposure to individual borrowers or to groups of related borrowers. Country limits and customer limits have been established and are reviewed quarterly.

Market risk

Market risk is the risk of loss as a result of changes in market parameters. It can be subdivided into interest rate risk, currency risk, equity risk and other price risks.

Liquidity risk

Liquidity risks can be divided into term liquidity risk and withdrawal/call risk, as well as structural risk (funding liquidity risk).

Liquidity is currently managed and made available on a project basis in coordination between OeEB and OeKB. Term liquidity risk is the risk of change in the length of time for which capital is committed to or by OeEB. Withdrawal/call risk is the risk that deposits received are unexpectedly withdrawn or that loan commitments to borrowers are unexpectedly utilised. Both term liquidity risks and withdrawal/call risks are low as a result of OeEB's business structure and contractual arrangements. Liquidity is monitored and controlled with the aid of weekly cash flow projections.

As OeEB's funding is obtained largely through OeKB, the latter's standing in the market facilitates the availability of financing to OeEB at any time.

Operational risk

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, people or systems, or from external events. Operational risks include legal risk, business risk and reputation risk.

The central integration of operational risk management (including information security) in the bank-wide risk management, as well as the corporate culture, business continuity plans, insurance cover and similar centrally manageable measures, together form the framework within which the individual staff members are required to exercise personal responsibility for everyday risk management in their sphere of accountability. OeEB works closely in these areas with OeKB (and is physically located within OeKB's premises).

For emergencies and various crisis scenarios, the operational risk management policy identifies emergency and crisis response teams and sets out responsibilities and procedures; an emergency response manual has also been produced.

Other risks

Other risks are:

- Strategic risk:

the risk of negative effects on capital or earnings as a result of strategic business decisions and/or changes in the business environment.

- Reputation risk:

the risk of adverse consequences from the way in which the organisation is perceived by stakeholders (the shareholder, staff, clients, government, and others).

- Business risk:

the risk of deterioration in earnings as a result of unexpected changes in business volume or in margins.

Strategic risks and reputational risks to OeEB arise from its special position. As a result of its mandate, OeEB's only principal is the Republic of Austria. A quantitative assessment of this risk would be difficult to perform and no such assessment is planned. OeEB continually monitors potential changes in its operating environment that have fundamental significance for its business activities and considers such developments in its business strategy.

Key features of the internal control system in relation to the accounting process

OeEB outsources all accounting activities to its parent institution, Oesterreichische Kontrollbank Aktiengesellschaft (OeKB). The specific requirements are defined in a service agreement. In terms of the accounting process, the internal control system thus meets the same standard as that of OeKB.

Within the Executive Board of OeEB, Michael Wancata has responsibility for the accounting function and for the establishment and design of a system of internal control and of risk management that meets the bank's needs, particularly in relation to the accounting process. The implementation of the internal control system is effected jointly with or solely by OeKB, according to the specific requirements of OeEB.

The key features of the internal control system can be described based on the definition used by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework consists of five interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring.

The purpose of the internal control system is to support management such that it is able to ensure effective and continually improving internal controls regarding accounting. The system is intended to ensure compliance with policies and regulations and to create conditions conducive to the effectiveness of specific control activities in the key accounting processes.

The Internal Audit function (performed by the OeKB Group's Internal Audit department) independently and regularly verifies the adherence to internal rules, including also the accounting rules. The head of Group Internal Audit reports the findings directly to the Executive Board of OeEB. The Internal Audit activities are outsourced to OeKB under a service agreement.

■ Control environment

The most fundamental aspect of the control environment is the corporate culture in which management and employees operate. OeEB continually works to improve communication and the transmission of its basic corporate values.

The manner of implementation of the internal control system in respect of the accounting process is set out in the written internal policies and procedures of the accounting function. The responsibilities in relation to the internal control system have been adjusted to fit the company's organisational structure, in order to ensure a satisfactory control environment that meets the requirements.

Risk assessment

Risks relating to the accounting process are identified and monitored by OeKB Group management and OeEB management, with a focus on material risks.

The preparation of the financial statements regularly requires the use of estimates, which involves the inherent risk that future developments will differ from these estimates. As all loans extended by OeEB are guaranteed by the Republic of Austria, this estimation risk is particularly relevant to, e.g., assumptions regarding the value of interests in companies.

Control activities

In addition to the Supervisory Board and Executive Board, the general control environment also encompasses middle management, such as the department heads.

All control activities are applied "in-process" during the regular ongoing operation of the business processes in order to ensure that potential errors in financial reporting are detected and corrected.

The Executive Board, working with OeKB, is responsible for ensuring that the levels of the reporting hierarchy are structured such that a given activity and the controls on the activity are not performed by the same person (i.e., ensuring the strict separation of responsibilities).

Control activities regarding information technology security represent a cornerstone of the internal control system. Thus, the separation of sensitive responsibilities is supported by the restrictive assignment of IT privileges. SAP ERP Central Component 6.0 software is used for accounting and financial reporting. The functioning and effectiveness of this accounting system is assured, among other ways, by automated IT controls installed in the system. OeEB's IT function has been outsourced to OeKB; as a result, the same high security standards are applied as at the parent institution.

Information and communication

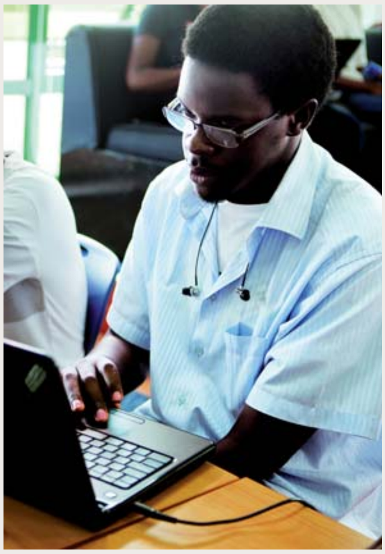
The financial reporting requirements are regularly updated by management and communicated to the staff concerned.

As well, the Group accounting staff members involved receive frequent training regarding changes in international accounting practices in order to be able to detect risks of inadvertent reporting deficiencies at an early stage.

Monitoring

Ultimate responsibility for the enterprise-wide ongoing monitoring of business processes rests with management and the Supervisory Board. The respective department heads are responsible for the monitoring of the relevant areas of activity; for example, checks and validations are conducted at regular intervals. Group Internal Audit is also involved in the monitoring process. The system of internal control likewise performs a monitoring and oversight function.

The findings of the monitoring activities are reported to management and the Supervisory Board. The Executive Board regularly receives summarised financial reports such as monthly financial statements as well as risk reports. Financial statements intended for publication undergo a final review by accounting management staff (at Group and OeEB level) and by the OeEB Executive Board before being forwarded to the OeEB Supervisory Board.



C. Financial statements 2011

1. Balance sheet at 31 December 2011

		31 Dec. 2011 EUR	31 Dec. 2010 EUR '000
Assets			
01	**Balances at central banks**	**1,000.00**	**1**
02	**Loans and advances to banks**	**112,522,045.22**	**71,613**
	a) Repayable on demand	25,038,187.04	20,961
	b) Other loans and advances	87,483,858.18	50,652
	Of which to intra-group companies	25,036,870.03	20,961
03	**Loans and advances to customers**	**31,222,432.99**	**512**
04	**Bonds and other fixed income securities**	**3,000,983.58**	**2,780**
	a) Of other issuers (i.e., non-public sector issuers)	3,000,983.58	2,780
05	**Equity shares and other variable income securities**	**67,467,624.56**	**61,794**
06	**Interests in companies**	**31,100.00**	**25**
07	**Non-current intangible assets**	**7,127.04**	**13**
08	**Other assets**	**11,987,164.70**	**10,582**
	Of which fiduciary assets	11,204,628.39	10,157
09	**Prepaid expenses**	**54,434.69**	**48**
Total assets		**226,293,912.78**	**147,367**
Memo items			
	1. Foreign assets	202,242,141.92	124,892

		31 Dec. 2011 EUR	31 Dec. 2010 EUR '000
Liabilities and equity			
01	**Deposits from banks**	**186,147,002.76**	**112,588**
	a) With agreed maturity or withdrawal notice	186,147,002.76	112,588
	Of which from intra-group companies	176,117,749.56	107,583
02	**Other financial liabilities**	**31,039,287.09**	**26,972**
	Of which fiduciary liabilities	11,204,628.39	10,157
03	**Accruals and deferred income**	**996,088.54**	**543**
04	**Provisions**	**1,332,084.39**	**1,065**
	a) Tax provisions	282,061.20	225
	b) Other provisions	1,050,023.19	840
05	**Share capital**	**5,000,000.00**	**5,000**
06	**Retained earnings**	**1,457,147.50**	**885**
	a) Statutory reserve	137,147.50	95
	b) Other reserves	1,320,000.00	790
07	**Liability reserve under section 23 (6) Banking Act**	**7,203.50**	**5**
08	**Profit available for distribution**	**315,099.00**	**309**
Total liabilities and equity		**226,293,912.78**	**147,367**
Memo items			
	1. Contingent liabilities		
	(guarantees and assets pledged as collateral security)		
	2. Off-balance sheet credit risks	36,262,131.57	27,405
	3. Available regulatory capital under section 23 (14) Banking Act	70,310,773.75	96,564
	4. Minimum regulatory capital requirement	7,507,223.96	6,277
	under section 22 (1) Banking Act	680,125.56	501
	5. Foreign liabilities	10,032,165.30	5,005

2. Income statement for the year ended 31 December 2011

		2011 EUR	2010 EUR '000
	1. Interest and similar income	3,665,369.77	1,486
	Of which from fixed income securities	53,881.62	61
	2. – Interest and similar expense	2,783,997.49	1,423
I.	**Net interest income**	**881,372.88**	**63**
	3. + Income from securities and share of profit of other companies	2,713,134.31	2,463
	a) Income from equity shares, other ownership interests and variable income securities	2,713,134.31	2,463
	4. + Fee and commission income	3,851,368.55	2,723
	5. – Fee and commission expense	1,990,139.14	1,014
	6. + Other operating income	12,494.09	27
II.	**Operating income**	**5,468,230.09**	**4,262**
	7. – Administrative expenses	3,467,306.79	2,672
	a) Staff costs	2,382,799.85	1,789
	aa) Salaries	1,920,621.20	1,462
	bb) Statutory social security costs, pay-based levies, and pay-based other compulsory contributions	384,636.23	269
	cc) Other social expenses	34,027.09	26
	dd) Expenses for retirement and other post-employment benefits	21,559.35	17
	ee) Contributions to termination benefit funds	21,955.98	15
	b) Other administrative expenses	1,084,506.94	883
	8. – Impairment of non-current intangible assets	6,311.02	7
	9. – Other operating expenses	3,627.11	2
III.	**Operating expenses**	**-3,477,244.92**	**-2,681**
IV.	**Operating profit**	**1,990,985.17**	**1,581**
	10. ± Net loss on valuation of loans and advances and securities	-639,559.92	-427

	2011 EUR	2010 EUR '000
V. Profit before tax	**1,351,425.25**	**1,154**
11. – Income tax	502,515.38	373
VI. Profit for the year	**848,909.87**	**781**
12. – Transfer to reserves	574,814.55	501
Of which transfer to liability reserve	2,369.06	2
VII. Unallocated profit for the year	**274,095.32**	**280**
13. + Profit brought forward from the prior year	41,003.68	29
VIII. Profit available for distribution	**315,099.00**	**309**

3. Notes to the financial statements

3.1 Accounting policies

3.1.1 Basis of presentation and general principles applied

The annual financial statements of Oesterreichische Entwicklungsbank AG ("OeEB", "the bank") were prepared by the Executive Board of OeEB in accordance with the provisions of the Austrian Commercial Code (UGB) and the bank-specific portions of the Austrian Banking Act (BWG).

The financial statements were drawn up in accordance with accounting principles generally accepted in Austria and with the guiding principle of presenting a true and fair view of the Bank's financial position, results of operations and cash flows.

The financial statements were prepared in accordance with the principle of **completeness**.

In measuring the individual assets and liabilities, the principle of **individual measurement** was observed and the bank's **continuing operation** was assumed.

The principle of prudence was observed by reporting only those profits realised at the balance sheet date. All identifiable risks and impending losses accrued in the 2011 financial year were recognised.

The financial year under review was a full calendar year.

3.1.2 Securities

Securities classified as current assets are measured using the strict lower-of-cost-or-market approach (i.e., measured at the lower of cost or the quoted market price at the balance sheet date).

The bank does not hold securities for trading and therefore does not maintain a trading book.

Securities classified as non-current assets are measured using the modified lower-of-cost-or-market approach (i.e., measured at cost or, if permanently impaired, at a lower quoted market price at the balance sheet date).

In accordance with section 9 Export Guarantees Act (the "Ausfuhrförderungsgesetz"), OeEB's investment financing transactions are covered by a federal government guarantee from the Austrian Federal Ministry of Finance in the amount of their cost. In view of the full government guarantee, the expected dividends and interest income for the year from these transactions are recognised in the balance sheet item "equity shares and other variable income securities" on an accrual basis in the amount of the funding costs, which represent the maximum amount guaranteed.

3.1.3 Interests in companies

Interests in companies are measured at cost, less any lasting material impairment losses.

3.1.4 Intangible assets

Intangible assets are recognised in the balance sheet only if they have been purchased. They are measured at cost less amortisation and impairment. Intangible assets generated internally, and small assets with an individual acquisition cost of less than EUR 400, are expensed immediately.

Amortisation is provided on a straight-line basis over a useful life of 5 years, i.e., at a rate of 20% per year.

Impairment losses existing at the balance sheet date are recognised if the impairment is expected to be of a lasting nature.

3.1.5 Loans and advances and other assets

Loans and advances to banks and customers, and **other assets**, are recognised at face amounts. For identifiable credit risks in respect of borrowers, impairment losses are individually assessed.

The loans and advances to banks shown under "other loans and advances" (i.e., those not repayable on demand), and the loans and advances to customers, are covered by a federal guarantee under section 9 Export Guarantees Act in the amount of their cost. In view of the guarantee, the expected interest income is recognised on an accrual basis and recorded in the respective balance sheet item.

3.1.6 Trade and other payables

Deposits from banks and other financial liabilities are recognised at repayable amounts.

3.1.7 Provisions

Other provisions represents all risks, and all liabilities of uncertain amount or nature, identifiable at the time of preparation of the financial statements, identified and measured as dictated by prudent business judgment.

3.1.8 Foreign currency translation

The reporting currency is the euro.

Foreign currency amounts are ordinarily translated at middle rates of exchange.

3.2 Notes to the balance sheet and income statement

3.2.1 General information

The structure of the balance sheet and income statement is as specified in Annex 2 to section 43 Austrian Banking Act.

3.2.2 Supplementary disclosures

3.2.2.1 Loans and advances

3.2.2.1.1 Loans and advances to banks

	31 Dec. 2011 EUR	31 Dec. 2010 EUR
Loans and advances to banks repayable on demand		
Loans and advances denominated in EUR	25,029,901.35	20,835,211.56
Loans and advances denominated in USD	8,285.69	125,893.97
Total	**25,038,187.04**	**20,961,105.53**
Other loans and advances to banks		
Loans and advances denominated in EUR	60,141,822.09	40,006,797.13
Loans and advances denominated in USD	27,892,036.09	11,044,524.21
Total	**88,033,858.18**	**51,051,321.34**

The above table does not reflect an impairment loss of EUR 550,000.00 (prior year: EUR 400,000.00) recognised under section 57 Austrian Banking Act.

3.2.2.1.2 Loans and advances to customers

	31 Dec. 2011 EUR	31 Dec. 2010 EUR
Loans and advances to customers		
Loans and advances denominated in EUR	267,615.27	0.00
Loans and advances denominated in USD	31,454,817.72	511,933.14
Total	**31,722,432.99**	**511,933.14**

The above table does not reflect an impairment loss of EUR 500,000.00 (prior year: EUR 0) recognised under section 57 Austrian Banking Act.

3.2.2.2 Non-current assets

The changes in individual non-current asset items and the breakdown of amortisation and impairment are presented in the table “Movements in non-current assets” at the end of the notes to the financial statements.

3.2.2.3 Securities

The securities in the balance sheet item “bonds and other fixed income securities” are classified as current assets; they are admitted to trading on a stock exchange and are listed securities. At 31 December 2011 the difference between their market value and carrying amount was EUR 2,639.00.

Bonds and other fixed income securities in the amount of EUR 1,000,000.00 will be redeemed in the subsequent financial year. Interest in the amount of EUR 14,176.66 will also come due in the year.

The fund shares and trust preferred securities recorded in “equity shares and other variable income securities” are classified as non-current assets and were bought for the purpose of investment financing; they are not admitted to trading on an exchange. The amounts in the following table are shown net of accrued interest of EUR 1,117,442.94 in 2011 (prior year: EUR 961,538.81).

	31 Dec. 2011 EUR	31 Dec. 2010 EUR
Securities denominated in EUR	50,000,000.00	45,000,000.00
Securities denominated in USD	16,350,181.62	15,832,584.94
Total	**66,350,181.62**	**60,832,584.94**

3.2.2.4 Interests in companies

At the end of the financial year, OeEB held a 7.63% equity interest in European Financing Partners S.A.; the investment is measured at cost (EUR 25,100). OeEB also held a 7.69% equity interest in Interact Climate Change Facility S.A., measured at cost at EUR 6,000. Both companies are based in Luxembourg.

3.2.2.5 Other assets

EUR	Remaining maturity Up to 1 year	Remaining maturity More than 1 year	Carrying amount
2011			
Other assets outside Austria	651,704.68	129,809.54	781,514.22
Other	1,022.09	–	1,022.09
Total	**652,726.77**	**129,809.54**	**782,536.31**
2010			
Other assets outside Austria	142,895.31	125,731.83	268,692.52
Tax assets	69,416.45	–	69,416.45
Other	87,279.37	–	87,279.37
Total	**299,591.13**	**125,731.83**	**425,322.96**

Other assets included accrued income of EUR 330,182.94 in 2011 (prior year: EUR 289,896.95) that will be received after the balance sheet date.

3.2.2.6 Fiduciary assets and liabilities

The transactions overseen by OeEB as trustee, and which represent neither financial nor legal exposure for OeEB, are recognised in the balance sheet in other assets and in other liabilities, in an amount of EUR 11,204,628.39 in the year under review (prior year: EUR 10,156,550.13). The trusteeship holdings were acquired under the Advisory Programmes of the Austrian Ministry of Finance.

3.2.2.7 Deposits from banks and other financial liabilities

Other financial liabilities included accrued expenses of EUR 722,558.67 in 2011 that will be paid after the balance sheet date (prior year: EUR 349,783.98).

3.2.2.8 Amounts due from and to Group entities

The specific amounts of loans and advances to, deposits from, and trade payables with Group companies at the balance sheet date were as follows.

	31 Dec. 2011 EUR	31 Dec. 2010 EUR
Assets		
Intra-group loans and advances to banks	25,036,870.03	20,960,666.08
Liabilities		
Intra-group deposits from banks	176,117,749.56	107,583,120.46
Intra-group trade payables	129,663.75	180,651.87

The security for the deposits from banks consists of the assets recorded in loans and advances to banks and to customers, and the shares recorded in “equity shares and other variable income securities”, totalling EUR 185.6 million (prior year: EUR 112.3 million), as well as the assignment of any relevant claims under the Austrian government guarantee issued by the Ministry of Finance.

3.2.2.9 Provisions

The item “other provisions” (which represents all non-tax provisions) had the following composition:

EUR	At 1 Jan. 2011	Added	Used	Released	At 31 Dec. 2011
Provision for vacation pay	64,012.70	92,820.00	64,012.70	–	92,820.00
Provision for legal, audit and consulting expenses	90,000.00	75,000.00	53,575.00	36,425.00	75,000.00
Guarantee premiums	446,288.00	546,177.00	446,288.00	–	546,177.00
Other provisions	239,657.71	336,026.19	234,622.54	5,035.17	336,026.19
Total	**839,958.41**	**1,050,023.19**	**798,498.24**	**41,460.17**	**1,050,023.19**

3.2.2.10 Equity

The **share capital** of Oesterreichische Entwicklungsbank AG of EUR 5 million is divided into 50,000 no-par value bearer shares, each representing an equal portion of the share capital.

Profit for the year was EUR 848,909.87. Of this, EUR 42,445.49 was transferred to the **statutory reserve** and EUR 530,000.00 to **uncommitted reserves**.

As well, EUR 2,369.06 was transferred to the **liability reserve** under section 23 (6) Austrian Banking Act, leaving EUR 315,099.00 of **profit available for distribution** (including profit of EUR 41,003.68 brought forward from the prior year). The proposed dividend to be paid in the subsequent year for the 2011 financial year is EUR 273,500.00, or EUR 5.47 per share.

3.2.2.11 Total amounts of assets and liabilities denominated in foreign currencies

The foreign currency positions at the balance sheet date had the following values in euros:

Assets: EUR 76,410,171.96
(2010: EUR 28,037,849.86)

Liabilities: EUR 75,506,925.93
(2010: EUR 27,393,983.31)

The difference in amounts between these assets and liabilities resulted in part from differences in interest rates between the project investments made and the related borrowing. These interest rate differences in turn are explained by the fact that the income guaranteed by the federal government was higher than the borrowing costs. There were also a USD bank account and USD-denominated receivables in connection with project investments.

3.2.2.12 Maturity analysis as per section 64 (1) (4) Austrian Banking Act

	31 Dec. 2011 EUR	31 Dec. 2010 EUR
Loans and advances to banks not repayable on demand		
Up to 3 months	–	–
More than 3 months and up to one 1 year	–	–
More than 1 year and up to 5 years	67,050,003.86	50,290,375.70
More than 5 years	21,526,618.13	510,266.56
Total	**87,576,951.99**	**50,800,642.26**

The amounts in the table above are shown net of accrued interest of EUR 456,906.19 (prior year: EUR 250,679.08). They also do not reflect an impairment loss under § 57 Austrian Banking Act of EUR 550,000.00 (prior year: EUR 400,00.00).

	31 Dec. 2011 EUR	31 Dec. 2010 EUR
Loans and advances to customers not repayable on demand		
Up to 3 months	–	–
More than 3 months and up to one 1 year	–	–
More than 1 year and up to 5 years	15,723,408.79	–
More than 5 years	15,795,656.83	504,269.07
Total	**31,519,065.62**	**504,269.07**

The amounts in the table above are shown net of accrued interest of EUR 203,367.37 (prior year: EUR 7,664.07). They also do not reflect an impairment loss under § 57 Austrian Banking Act of EUR 500,000.00 (prior year: EUR 0).

	31 Dec. 2011 EUR	31 Dec. 2010 EUR
Deposits from banks not repayable on demand		
Up to 3 months	–	–
More than 3 months and up to one 1 year	–	–
More than 1 year and up to 5 years	109,123,594.28	76,122,960.64
More than 5 years	76,322,604.96	36,014,535.62
Total	**185,446,199.24**	**112,137,496.26**

The amounts in the table above are shown net of accrued interest of EUR 700,803.52 (prior year: EUR 450,632.97).

3.2.2.13 Obligations from the use of off-balance sheet property and equipment

The future lease obligations from the use of off-balance sheet property and equipment are currently forecast at approximately EUR 245,000 for the year 2012 and about EUR 1,300,000 for the five-year period from 2012 to 2016.

3.2.2.14 Information on derivative financial instruments

At the balance sheet date of 31 December 2011, OeEB did not hold derivative financial instruments. The derivatives held at the prior-year balance sheet date of 31 December 2010 had the following composition:

2010 EUR	Notional amount	Positive fair values	Negative fair values
Interest rate swaps	80,054,941.59	3,412,648.83	379,607.68
Currency swaps	14,947,594.00	–	680,882.91

The fair values shown for 2010 represented the clean prices of the transactions.

These transactions to hedge interest rate risk and exchange rate risk were managed entirely in conjunction with the funding operations for investment financing and thus formed an economic unit with these debt instruments. Therefore no provision was raised for negative market values in this context. The fair values (present values) of derivatives were calculated by generally accepted methods. They were recognised at the trade date.

3.2.2.15 Information on off-balance sheet transactions under sections 237 (8a) and 199 Austrian Commercial Code

Contingent liabilities: This item represents guarantees in the amount of EUR 36,262,131.57 (prior year: EUR 27,404,904.10) issued by OeEB to KfW.

Credit risk: For off-balance sheet credit risks, an amount of EUR 70,310,773.75 (prior year: EUR 96,563,747.16) was recognised as a memo item below the balance sheet. It related to undrawn commitments to lend (limits on credit facilities, and securities purchase obligations). To secure the risks, OeEB receives a 100% guarantee of the Republic of Austria for every transaction.

3.2.3 Notes to the income statement

3.2.3.1 Interest income and expense

	2011 EUR	2010 EUR
Interest and similar income from lendings and investments		
From loans and advances to customers	643,268.30	25,371.52
From loans and advances to banks	2,968,219.85	1,400,180.36
From fixed income securities	53,881.62	60,862.72
Total	**3,665,369.77**	**1,486,414.60**
Interest and similar expense		
For deposits from banks	2,781,874.41	1,423,452.95
For deposits from customers	2,123.08	–
Total	**2,783,997.49**	**1,423,452.95**

3.2.3.2 Fee and commission income and expense

The fee and commission income was in relation principally to the reimbursement of expenses incurred in the course of partly fiduciary services rendered by OeEB to the Federal Ministry of Finance, and to management and monitoring fees received in connection with credit commitments.

The fee and commission expense consisted mainly of the accrued guarantee fees payable to the Austrian Federal Ministry of Finance for the government guarantee in accordance with section 9 Export Guarantees Act.

3.2.3.3 Other administrative expenses

Other administrative expenses (i.e., non-staff costs) consisted largely of costs for leases, purchased services, and auditing and consulting.

The auditor's remuneration is included within other administrative expenses and consisted of an expense of EUR 52,800.00 for the audit of the 2011 company financial statements (prior year: EUR 49,500.00).

3.2.3.4 Staff count

In the year under review, OeEB had an average of 20 employees (prior year: 14).

3.2.3.5 Contributions to termination benefit funds

The EUR 21,955.98 of contributions to termination benefit funds consisted exclusively of contributions to the employer-funded termination benefit fund.

In reliance on section 241 Austrian Commercial Code, no analysis of the amounts in terms of salaried employees, managers and Executive Board is presented.

3.2.3.6 Deferred taxes

A deferred tax asset of EUR 162,500.00 (prior year: EUR 100,000.00) relating to the impairment loss under section 57 Austrian Banking Act is not included in the financial statements; other, similar items are insignificant in amount.

3.3 Additional information

3.3.1 Boards

In the financial year, the following individuals were **members of the Executive Board**:

Andrea Hagmann
Michael Wancata

The two Executive Board members jointly represent the bank. In reliance on section 241 Austrian Commercial Code, no analysis of the Executive Board's compensation is presented.

In the financial year, the following individuals were **members of the Supervisory Board**:

Rudolf Scholten (Chairman of the Supervisory Board)
Ferdinand Schipfer
(Vice-Chairman of the Supervisory Board)
Christine Dangl
Holger Rothenbusch

The total expense for compensation of the Supervisory Board for the year under review was EUR 15,280.05.

3.3.2 Related party transactions under section 237 (8b) Austrian Commercial Code

Oesterreichische Entwicklungsbank AG, which has its registered office in Vienna (OeEB, Companies Register Number 304601v, Vienna Commercial Court), is a wholly-owned subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB, Companies Register Number 85749b, Vienna Commercial Court) and is fully consolidated in the OeKB Group financial statements.

Disclosures under sections 26 and 26a Austrian Banking Act are presented in the consolidated financial statements prepared by OeKB.

The only related party transactions in the year under review were with OeKB and were conducted at arm's length. Under a service agreement between the two institutions, OeKB provides services to OeEB. The service agreement is approved by the Financial Market Authority and covers accounting, human resources management, information technology, internal audit and other services.

In order to ensure the availability of sufficient funding at all times, OeEB's transactions are largely financed by OeKB.

Vienna, 31 January 2012

Oesterreichische Entwicklungsbank AG

The Executive Board

Andrea Hagmann Michael Wancata

Movements in non-current assets in 2011

EUR	At cost at 1 Jan. 2011	Additions	Disposals	Re-classifications	At cost at 31 Dec. 2011
Intangible assets	**28,135.24**	**0.00**	**0.00**	**0.00**	**28,135.24**
Software	28,135.24	0.00	0.00	0.00	28,135.24
Financial assets	**60,857,684.94**	**5,523,596.68**	**0.00**	**0.00**	**66,381,281.62**
1. Interests in companies	25,100.00	6,000.00	0.00	0.00	31,100.00
2. Securities classified as non-current assets**	60,832,584.94	5,517,596.68	0.00	0.00	66,350,181.62
Total	**60,885,820.18**	**5,523,596.68**	**0.00**	**0.00**	**66,409,416.86**

EUR	Accumulated amortisation and impairment	Carrying amount at 31 Dec. 2011	Carrying amount at 31 Dec. 2010	Amortisation and impairment for the year*
Intangible assets	**-21,008.20**	**7,127.04**	**12,754.09**	**5,627.05**
Software	-21,008.20	7,127.04	12,754.09	5,627.05
Financial assets	**0.00**	**66,381,281.62**	**60,857,684.94**	**0.00**
1. Interests in companies	0.00	31,100.00	25,100.00	0.00
2. Securities classified as non-current assets**	0.00	66,350,181.62	60,832,584.94	0.00
Total	**-21,008.20**	**66,388,408.66**	**60,870,439.03**	**5,627.05**

* Excluding small assets of EUR 683.97
** Excluding accrued income of EUR 1,117,442.94

Movements in non-current assets in 2010

EUR	At cost at 1 Jan. 2010	Additions	Disposals	Re-classifications	At cost at 31 Dec. 2010
Intangible assets	**28,135.24**	**0.00**	**0.00**	**0.00**	**28,135.24**
Software	28,135.24	0.00	0.00	0.00	28,135.24
Financial assets	**54,362,008.23**	**6,495,676.71**	**0.00**	**0.00**	**60,857,684.94**
1. Interests in companies	25,100.00	0.00	0.00	0.00	25,100.00
2. Securities classified as non-current assets**	54,336,908.23	6,495,676.71	0.00	0.00	60,832,584.94
Total	**54,390,143.47**	**6,495,676.71**	**0.00**	**0.00**	**60,885,820.18**

EUR	Accumulated amortisation and impairment	Carrying amount at 31 Dec. 2010	Carrying amount at 31 Dec. 2009	Amortisation and impairment for the year*
Intangible assets	**-15,381.15**	**12,754.09**	**18,381.14**	**5,627.05**
Software	-15,381.15	12,754.09	18,381.14	5,627.05
Financial assets	**0.00**	**60,857,684.94**	**54,362,008.23**	**0.00**
1. Interests in companies	0.00	25,100.00	25,100.00	0.00
2. Securities classified as non-current assets**	0.00	60,832,584.94	54,336,908.23	0.00
Total	**-15,381.15**	**60,870,439.03**	**54,380,389.37**	**5,627.05**

* Excluding small assets of EUR 1,277.41
** Excluding accrued income of EUR 961,538.81

D. Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

Oesterreichische Entwicklungsbank AG,
Vienna, Austria

for the
fiscal year from 1 January 2011 to 31 December 2011.

These financial statements comprise the balance sheet as of 31 December 2011, the income statement for the fiscal year ended 31 December 2011, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the statutory audit

Our responsibility is to express an opinion on these financial statements based on our audit.
We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance for the year from 1 January 2011 to 31 December 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Vienna, 31 January 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

DDr. Martin Wagner	pp Mag. Renate Vala
Wirtschaftsprüfer	Wirtschaftsprüferin

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

Oesterreichische Entwicklungsbank AG

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OESTERREICHISCHE ENTWICKLUNGSBANK AG