

Funding tomorrow's prosperity.



*Combined Annual Report
and Sustainability Report*

2008

Quick facts and figures

Short financial year from 30 January 2008 to 31 December 2008

Oesterreichische Entwicklungsbank AG (OeEB)

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
8 employees

Projects implemented in 2008

Number of projects	29
Investment Finance	EUR 71.5 million (5 projects)
Advisory Programmes	EUR 14.1 million (22 projects)
Foreign Trade Programme	EUR 3 million (2 projects)

The projects of OeEB contribute to progress towards the achievement of Millennium Development Goals 1, 3 and 8 and help to support small and medium-sized businesses (SME).

Contribution to development

Jobs created	14,620
Jobs protected	21,189

Key financials

Total assets	EUR 58,575,571.02
Profit for the year	EUR 456,778.38
Unallocated profit for the year	EUR 333,426.77

Funding tomorrow's prosperity.

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

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

A good start for OeEB.

OeEB has been operating since March 2008 as Austria's official development bank.

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

OeEB's stakeholders appreciate this role, putting us in a good position for a successful start.





Business and development working together.
OeEB seeks and values dialogue and close
interaction with its stakeholders.



“OeEB’s services give Austrian investors further incentive to take positions in poorer countries.”

Anna Maria Hochhauser

General Secretary of the Austrian Federal Economic Chamber (WKO)



“The current financial crisis shows once more that a vibrant private sector requires sound financing. This is true not only in industrialised countries, but also and especially in developing economies. For the ADA, which alleviates poverty in part by supporting the private sector in the partner countries of Austrian Development Cooperation, OeEB is therefore an important strategic partner.”

Ambassador

Brigitte Öppinger-Walchshofer

Managing Director of the Austrian Development Agency



“The Development Bank of Austria can make an important contribution to the global fight against poverty. To achieve this, an integrated development policy consistent with the aims of Austrian Development Cooperation must be assured.”

Ruth Picker, E.MA

Managing Director of Global Responsibility – Austrian Platform for Development and Humanitarian Aid



“Access to money and financial services opens up new opportunities for development. That is why building up the financial sector is “job one” for OeEB.”

Thomas Wieser

Director General at the Austrian Federal Ministry of Finance



“A bilateral development bank is good both for the people in poorer countries and for Austria’s international standing.”

Ambassador

Dr. Irene Freudenschuss-Reichl

Director General at the Austrian Federal Ministry for European and International Affairs



Oesterreichische Entwicklungsbank AG

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and Sustainability Report*

Oesterreichische Entwicklungsbank AG

In the interest of greater readability, this publication
may in some cases use wording that is not gender-neutral.
All references to positions, offices and people should
be construed as gender-neutral.

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Preface by the Executive Board

GRI 1.1, GRI 3.1

EC-8 >

Rapid and successful development of the organisation during a difficult period for the world economy characterised the inaugural year of Oesterreichische Entwicklungsbank AG, or OeEB, the Development Bank of Austria. In this short period of time we have built a strong team with experience in financing and in development issues, created the internal structures and business processes and acquired – and in some cases already signed – the first deals.

The liquidity shortage in financial markets as a result of the US-led financial crisis presented OeEB with a particular challenge. A smoothly running financial sector accessible to everyone is especially important for a country's economic development. Functioning regional and local financial markets serve to include and integrate poorer parts of the population into the economic system and enable these people to participate in their country's development and benefit from its growing level of wealth.

In its first year, OeEB therefore focused strongly on the financial sector as a key engine of healthy economic activity in developing countries. After all, access to financial products is not only an effective antidote against poverty, but also a cornerstone of economic stability.

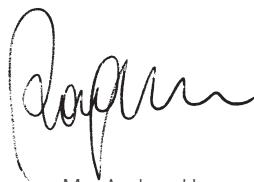
As a new organisation, OeEB aims to become an important partner for financial development cooperation both in Austria and internationally and to make a lasting contribution to sustainable economic development. When selecting projects to support, we look at their development impacts and their fit in the context of Austrian Development Cooperation, while also bearing in mind the profit objective. Austria's foreign trade interests too are taken into account.

We would like to take this opportunity to thank OeEB's owner – OeKB – and all stakeholders for the interest and assistance with which they have supported OeEB in its establishment phase. Special thanks go to every one of our employees, who with extraordinary commitment and enthusiasm are doing the shared work of launching and building OeEB and who are the mainspring of our new institution's success.

The year 2009 will bring new challenges for our growing bank. However, by working well with all our partners, we are confident that we will master even a difficult environment. The OeEB Annual Report describing our core activities is integrated with our certified Sustainability Report, which has been accredited as meeting the highest standard of the Global Reporting Initiative, the A+ level of GRI reporting (for an index of GRI reporting levels, please visit our website at www.oe-eb.at). The sustainability report documents our striving for economically, environmentally and socially responsible business management.



Mr Michael Wancata



Ms Andrea Hagmann

A. OeEB, the official Development Bank of Austria

I. Background, aims and principles

i. History and business model

GRI 2.1, GRI 4.8
EC-8 >

In the spring of 2007, Austria's Federal Ministry of Finance and Ministry for European and International Affairs instructed Oesterreichische Kontrollbank AG (OeKB), an Austrian multipurpose financial institution, to develop a concept for the establishment of the "Development Bank of Austria". On the basis of this concept, the Austrian federal government decided in September 2007 to begin concrete preparations for launching the institution. One of the prerequisites was the creation of the legal basis for the activities of OeEB. This was accomplished through an amendment to Austria's Export Guarantees Act that took effect in January 2008.

GRI 2.2 >

OeEB's mandate is defined in the Act: Its task is to contribute to the development mainly of the private sector, particularly in developing countries, using long-term financing instruments. Developing countries are defined as those countries appearing on the list published by the Development Assistance Committee (DAC) of the OECD (www.oecd.org/dac).

To assess the development effects of every project, the Export Guarantees Act amendment created a dedicated Business & Development Committee.

Every project supported by OeEB must be economically viable and meet development policy criteria.

OeEB also has access to funds of the Ministry of Finance (see section C.I.ii. Business performance) that can be used for purposes such as increasing and improving the net development benefits of OeB financing. In keeping with the legal requirements, for every financing transaction, OeEB applies to the Ministry of Finance for a guarantee from the Austrian government.

In parallel with the creation of the legal framework, a banking licence was requested from the Austrian Financial Market Authority and received at the end of January 2008. OeEB thus began to operate informally as of 1 February 2008 and officially on 1 March 2008.

As a wholly-owned subsidiary of OeKB, OeEB is a fully private financial institution with a public mandate.

ii. Principles of conduct and corporate policy – Statement against corruption and money laundering

EN-26, SO-3
SO-5 >

As Austria's official development bank, OeEB serves a public sector mandate. We therefore bear special responsibility towards society, our partners and clients as well as our own staff. In the long-term financing of projects in developing countries, the key criteria for OeEB are:

- The positive long-term business performance of the partner enterprises
- The fulfilment of the development criteria
- The careful examination of the environmental, social and working conditions in every individual case

GRI 4.11 >>

OeEB's success as a commercial enterprise is an important part of ensuring that we live up to our role and achieve our aims.

Given OeEB's specific mandate, our client base is predominantly concentrated in the private sector in developing countries. For this reason, OeEB attaches great importance to the careful handling of the issues of corruption and money laundering and to ensuring all employees' awareness of potential related risks in day-to-day business activities. An exact verification of client identity is made, in line with the Financial Market Authority's circular on ascertaining and verifying identity.

Risk management forms an integral tool of overall bank management at OeEB, and ultimate responsibility for risk management rests with the Executive Board. An important feature of the bank's corporate policy is the conservative management of transaction-related risks and operational risks. Details on risk management can be found in the management report in section C.II.ii. Significant risks and uncertainties.

iii. Commitment to GRI, EMAS¹, Global Compact and the OECD's Guidelines for Multinational Enterprises

GRI 4.8

GRI 4.13, HR-1

FS-1 >

The United Nations Global Compact (UNGC) is a values-based platform where companies and other stakeholders can network on the basis of a shared commitment to human rights, labour standards, environmental protection and the fight against corruption.

As the UNGC and the mandate of OeEB support similar goals, OeEB has joined the Global Compact.

As a participant in the Global Compact, OeEB is required to report annually on implementation of the ten UNGC principles in what is known as a Communication on Progress (COP).

OeKB, the owner of OeEB, has been working on environmental and sustainability matters for a number of years. OeKB's yearly sustainability report, certified under EMAS and EN-ISO 14001, is an ideal tool for documenting the very real progress made.

In 2006 the UNGC and the Global Reporting Initiative (GRI), whose guidelines for the preparation of sustainability reports have become the predominant standard, entered into a strategic alliance.

As the validation by the independent verifier shows, OeEB's integrated annual and sustainability report meets the standards of the UNGC and GRI.

At times, OeEB will join investors from OECD countries as a co-investor. In these cases we will make our project partners aware of the OECD Guidelines for Multinational Enterprises. OeEB's involvement in such shared projects means that the same standards to which OeEB is committed apply to the investment partner as well (to learn more about these standards, see section B.I.iii. Environmental and social matters).

¹ EMAS is a voluntary environmental management system used in the European Union. The abbreviation stands for "eco-management and audit scheme".

iv. Sustainability policy

GRI 1.1 >

True to OeEB's motto of "**Funding tomorrow's prosperity.**" and to our mandate as Austria's official development bank, we are committed to the following sustainability policy:

- We act in accordance with all legal requirements and from a holistic mindset. In our projects this means that we respect and consider the people affected, their intercultural setting, and environmental and other social aspects (also see the EMAS Regulation, section I.-A.3.2, Legal and other requirements).
- Good communication with all stakeholders is important to us. We see dialogue as an opportunity to improve OeEB and as a contribution to putting sustainability into practice in our work.
- We only take on projects in which the risks seem calculable and manageable, to ensure an effective contribution to the sustainable economic success of our clients and OeEB.
- Long-term business success involves the responsible use and management of natural resources that we believe will also be needed by future generations. In this way we safeguard our entrepreneurial flexibility and thus strengthen our position.

II. General information

i. Shareholder and share capital

GRI 2.6, GRI 4.2 The sole owner of OeEB is Oesterreichische
GRI 4.3 > Kontrollbank Aktiengesellschaft (OeKB).

OeEB has a share capital of EUR 5,000,000.

ii. Supervisory body

GRI 4.7 The Supervisory Board of OeEB consists
GRI 4.10 > of the following persons:

Mr Rudolf Scholten	Chairman of the Supervisory Board
Mr Heiner Luschin	Vice-Chairman of the Supervisory Board
Ms Christine Dangl	Member of the Supervisory Board
Mr Ferdinand Schipfer	Member of the Supervisory Board

KPMG Austria Wirtschaftsprüfungs- und
Steuerberatungs GmbH has been appointed
as the independent auditor.

iii. Organisational structure and management system

Executive Board

GRI 2.3

GRI 4.6 >

Mr Michael Wancata

Ms Andrea Hagmann



Advisory Programmes

Investment Finance

Foreign Trade Programme

Information Technology

Credit Analysis

Country Analysis

Legal

Loan Processing

Risk Management

Accounting incl. Investments

Joint Responsibilities

GRI 4.9

FS-9 >

Organisation, Lobbying/Public Relations, International Peer Contacts

Human Resources

Internal Audit

Internal division of responsibilities

GRI 2.3
LA-6 >

OeEB has designated one employee each as a first-aid officer and fire safety officer, and they have been trained for these roles.

In addition, there is a data privacy officer and a sustainability coordinator.

Under section 39 Austrian Banking Act, the Executive Board is required to inform itself of the relevant risks of banking transactions and banking operations and to manage, monitor and limit these risks through appropriate strategies and procedures. The roles of the operational risk manager and financial risk manager are currently still performed by the Executive Board.

For the responsibilities named, OeEB is to work closely with OeKB. The preventive service capabilities available at OeKB (health and safety specialist and occupational physician) are used also by OeEB.

The positions of the compliance officer for securities transactions and of the anti-money laundering/anti-terrorist financing officer are outsourced to OeKB on the basis of two written agreements. OeKB thus handles both the implementation of, and on-going monitoring of compliance with, these requirements.

Management system

GRI 1.1 >

Sustainability management: Cycle of continuous improvement



GRI 1.1 >

For OeEB's goals under the sustainability programme, please refer to the environment section of the management report, C.I.iv. Financial and non-financial performance indicators – Environmental responsibility.

FS-9 >

Under the internal auditing programme, the projects are evaluated every two years by means of the Corporate Policy Project Rating tool (GPR[©]).

As well, the credibility of compliance with EMAS is regularly verified.

Weekly team meetings give our employees the opportunity to discuss current issues with the Executive Board. These include sustainability topics and related potential conflicting goals.

iv. Interests in companies, and other investments

GRI 2.3

During the financial year, OeEB under its special mandate and at its own risk acquired an equity interest of EUR 25,100 in European Financing Partners Ltd., a company based in Luxembourg.

As well, OeEB subscribed for EUR 10 million of subordinated debt of ProCredit Holding, Germany, which is also covered by a guarantee under the Export Guarantees Act.

FS-10 >

Additionally, with a guarantee under the Export Guarantees Act, OeEB invested a total of EUR 30 million in the (also Luxembourg-based) European Fund for South East Europe. A further EUR 3 million was invested in the fund's first loss tranche from the Advisory Programmes budget made available by the Austrian Federal Ministry of Finance.

v. Supervisory Board report

In the financial year under review, OeEB's Supervisory Board met four times at regular intervals after its constituting meeting and attended in detail to the institution's course of business. The Supervisory Board received prompt and comprehensive oral and written reports from the Executive Board. The Supervisory Board was involved in all decisions of fundamental significance and in all decisions where required by law, by the Articles of Association or by the boards' terms of reference.

The members of the Supervisory Board deliberated on fundamental questions of business strategy, the bank's development as an organisation, its planning systems, management systems and control systems, and its earnings and financial position.

Where decisions were required urgently, the Supervisory Board made decisions by correspondence.

As part of the Executive Board's risk management concept, the Supervisory Board deliberated on the business strategy and risk strategy.

The Supervisory Board has reviewed the financial statements (including the notes to the financial statements) for the year ended 31 December 2008 and the management report, including the Executive Board's proposal for the appropriation of earnings.

The final result of this review did not give rise to objections.

The audit by the independent auditor, KPMG Austria Wirtschaftsprüfungs- und Steuerberatungs GmbH, found that the accounting records, the 2008 annual financial statements and the management report fulfil the legal requirements. An unqualified audit opinion was issued. The Supervisory Board is in agreement with the result of the audit.

The Supervisory Board approves the annual financial statements prepared by the Executive Board, which are thereby adopted. For the excellent work done last year, the Supervisory Board would like to express its gratitude and appreciation to the Executive Board and every employee of OeEB.

On behalf of the Supervisory Board



Mr Rudolf Scholten
Chairman

Vienna, March 2009

Funding tomorrow's prosperity – Financial sector development to help Small and Medium Enterprises (SMEs)

EC-9 >

Most people who can obtain loans, insurance and other financial services live in the richer countries. This fact highlights the importance of well-functioning, universally accessible financial sectors in developing countries and emerging economies.

OeEB, like many other development banks, therefore supports activities that contribute to the development of a local and regional financial infrastructure.

In this way, even away from major heavily populated areas, growth companies are to have opportunities to finance their business investment, innovation and plans for international activities. This in turn will create jobs and new development opportunities.



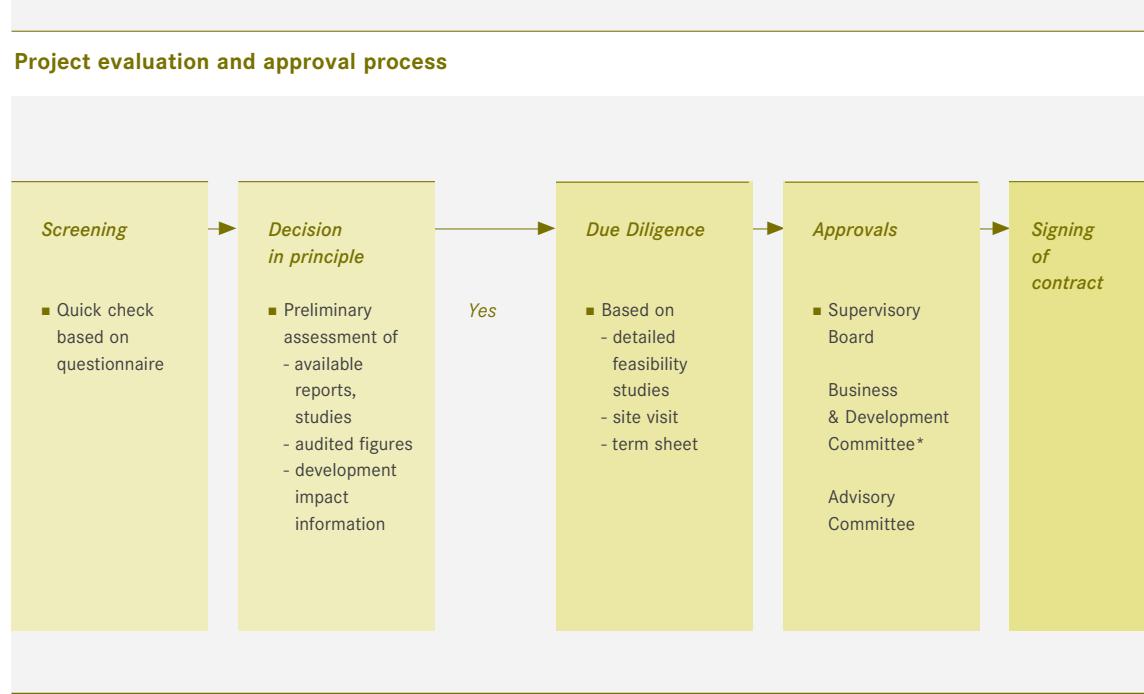
OeEB and KfW Entwicklungsbank, the German development bank, each provided 50 % of a credit line totalling USD 47.5 million for Georgia's ProCredit Bank.

This money is used to fund loans to small and medium-sized businesses in Georgia.

B. Development project cycle and approval responsibilities & procedures

FS-13-16

PR-1 >



* At the Federal Ministry of Finance

GRI 1.2
SO-1 >

For all 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. Country and sector exclusion lists are found on the OeEB website.

The idea in this preliminary screening is to quickly reach a mutual understanding with the client regarding the potential for implementing the project together.

If it is decided to pursue the project further, the next step is an intensive scrutiny of the commercial viability and analysis of the development effects.

If the project passes this due diligence test, the required approvals are obtained from the decision-making bodies. The appropriate contracts are then concluded with the client and the project implementation begins. In various stages of the project cycle we use the so-called “Corporate Policy Project Rating” tool (GPR[©]) described in section B.I. of this report, Projects in 2008.

OeEB’s policy is to monitor projects continually for their entire duration.

Development project cycle and approval responsibilities & procedures

I. Projects in 2008

*GRI 2.2, EC-8
EC-9, FS-2 >*

OeEB's core business is in fulfilling its twin mandate of promoting both development and foreign trade. In the two business segments, Investment Finance and Advisory Programmes, the development goals are of central importance.

Every investment finance project must be analysed using the "Corporate Policy Project Rating" tool (GPR[®]). Detailed information about GPR[®] can be found at section B.I.ii. Development impact.

Concerning the projects' impacts on climate change, there are no direct effects to report for 2008, as the focus in OeEB's first year was primarily on strengthening the financial sector, which contributes only indirectly to climate change (through financial products).

Projects from the Advisory Programmes are generally very closely tied to development goals and are guided by the strategic priorities of Austrian Development Cooperation (ADC, a partnership between the Ministry for European and International Affairs and the Austrian Development Agency) and of Austria's foreign trade.

**Project example:
European Fund for Southeast Europe (EFSE) –
Support for small businesses in Moldova**

Corancor, a mirror and glass manufacturer



Andrey Pogodin started his own business in 1998. His company, Corancor, makes mirrors and glass. He began with four employees, filling small orders for private customers. Profitability was tenuous. Then a loan enabled him to respond better to rising demand from the private home market. The company grew rapidly, buying an old factory and investing in new technology. At the same time, Pogodin took steps to improve working conditions on the factory floor and installed a cafeteria and an event room for his staff.

In 2007 the company won an order to provide fixtures for a new hotel. With a EUR 50,000 loan, Pogodin was able to expand production facilities and fill the order comfortably.

This loan to Corancor, extended by Moldova Agroindbank out of funding from EFSE, also allowed five more people to be hired.

Corancor is an example of OeEB's participation in the EFSE.

Project example:

Grassroots Business Fund (GBF) – Contributing to the development of micro-businesses

SELFINA –

Sero Lease and Finance Limited, Tanzania



SELFINA is a for-profit business that makes capital available to female entrepreneurs. In Tanzania, providing security to lenders is particularly difficult for women. As a result, women are usually marginalised. They are frequently unable to obtain loans and thus are hindered in developing greater autonomy.

SELFINA empowers these women to achieve more independence and create opportunities for a better life. In addition to gaining access to financing, women are also offered courses on basic business management skills.

SELFINA specifically provides micro-leasing products that are used to lease assets (such as sewing machines or livestock) which then serve as collateral for loans. In addition to lease finance, SELFINA offers working capital loans for business expansion.

According to a survey conducted in July 2008, the women who are SELFINA's clients have seen a clear increase in their incomes. The additional money generated has been used primarily to pay for children's schooling, business expansion and, in some cases, to establish charitable organisations.

Grassroots Business Fund provided SELFINA with long-term financing, complete with technical support in the form of business consulting. The technical assistance includes implementing management structures, improving business processes and strengthening human resources. Through the involvement of GBF, the number of clients is expected to increase more than tenfold from about 7,000 to 80,000.

OeEB's participation in the Grassroots Business Fund is tied to projects in Africa and seeks to achieve sustainable development along the entire business value chain to benefit very small businesses in particular.

Development project cycle and approval responsibilities & procedures

Project example:
Recycling Linkages Programme – Phase 2



In the Recycling Linkages project, conducted by the International Finance Corporation (IFC) in the context of the Austrian Foreign Trade Programme, value chains were created from 2005 to 2008 for recycling in the metals, plastics and paper sectors. The goal is to increase the amount of recycled materials in Southeastern Europe (Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia).

In its second phase, the project is being expanded both functionally and geographically:

- The activities are being transferred to an integrated waste management system.
- The Montenegro and Kosovo regions will benefit more than before.
- The main focus will be on communities and their household waste.
- As new additional sectors, glass, clothing, tyres, electronics and organic waste will also be covered.

The goal is to increase the recycling rate and thus reduce dependence on landfills.

At the same time, Austrian investors in the recycling and related sectors are to be made aware of investment opportunities.

i. International cooperation



GRI 4.13 >

The currently 17 bilateral European development banks together maintain a Brussels-based umbrella association, European Development Finance Institutions (EDFI). This organisation, which OeEB joined at the beginning of April 2008, fosters intensive knowledge transfer and pursues the members' common interests. As well, EDFI facilitates the process of discussion and coordination between partners in evaluating the development aspects of given projects and in implementing common environmental, social and labour standards.

These activities also make it easier to collaborate and/or risk-share on specific projects.

Alongside the communication within EDFI, OeEB also pursues close cooperation with international finance institutions such as the IFC, EBRD, ADB, AfDB and IADB.

In 2008, additionally to numerous bilateral talks with these institutions, the management of OeEB concluded a cooperation agreement with the African Development Bank (AfDB) that is to facilitate joint projects in the private sector.

OeEB also sought observer status with the Black Sea Trade and Development Bank (BSTDB) in Thessaloniki, Greece. This status was accorded OeEB on the occasion of the BSTDB's annual meeting in June 2008 to intensify the cooperation between the institutions.

Development project cycle and approval responsibilities & procedures

ii. Development impact

To assess the development quality of the projects supported, OeEB employs the so-called Corporate Policy Project Rating tool (GPR[©]) developed by Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), the German development finance institution.

With GPR, which is used by more than 50 % of EDFI members, projects are scored in a standardised and transparent way on four criteria: the project's development effects, the particular strategic role of OeEB in it, the project's long-term profitability and its contribution to OeEB's return on equity. GPR can be 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).

Analysis of the ex ante quantitative effects of the projects approved in 2008 (some of which were co-financed together with partners) shows that these projects directly created about 21,200 jobs. Added to this are approximately 14,600 people employed at suppliers of manufacturers and at end-borrowers in financial sector projects.

These totals are based on calculations by OeEB and on empirical values from DEG, the German development finance company, which estimates that every micro-credit creates 0.5 additional jobs.

Millennium Development Goals

In the year 2000, to combat global poverty and its consequences, all member countries of the United Nations, and thus Austria as well, formulated goals for international development that are to be accomplished together by 2015:

- 1. Halve extreme poverty and hunger**
- 2. Achieve universal primary education**
- 3. Promote gender equality and empower women**
- 4. Reduce child mortality**
- 5. Improve maternal health**
- 6. Combat HIV/AIDS, malaria, tuberculosis and other major diseases**
- 7. Ensure environmental sustainability**
- 8. Create a global partnership for development**

The OeEB projects contribute in various ways to achieving the Millennium Development Goals (MDGs). Financial sector projects, particularly in micro-finance, address especially MDG 3, thus benefiting women.

More generally, the financing of businesses can help make progress towards reaching almost all of the MDGs. OeEB's first projects make particularly valuable contributions towards the attainment of MDG 8.

Development project cycle and approval responsibilities & procedures

iii. Environmental and social matters

<i>GRI 1.1, HR-5</i>	When OeEB finances projects, it is bound not only by local standards but also by international environmental, social and labour standards. OeEB therefore backs only those projects where the project partner too is prepared to meet these criteria. Through the use of resources from the Advisory Programmes, OeEB is able to support clients' efforts in this regard.	As the general benchmark for the assessment of environmental and social standards on all projects, OeEB intends to introduce the Performance Standards on Social and Environmental Sustainability developed by World Bank subsidiary IFC (details are available online at www.oe-eb.at under the heading International Guidelines). These have become the established market standard and have been adopted by most international project financiers (the "Equator Banks") as the basis of project evaluation.
<i>HR-6, HR-7</i>		Environmental effects taken into account by the GPR® are especially the use of renewable raw materials and renewable sources of energy, efficient use of resources, the use of environmentally friendly process technologies and the production of environmental resources.
<i>HR-8 ></i>	The goal is to bind all project companies contractually to complying with international standards, and to verify that they do.	
<i>GRI 3.5</i>		
<i>GRI 4.12 >></i>	As part of this effort, project partners will annually provide data on the projects' commercial performance. Regarding adherence to environmental and social standards, clients are required to supply detailed information and quantitative and qualitative data in their reporting on a regular basis. Client relationship management calls for on-site visits to verify the written reports.	By means of a structured questionnaire developed by the DEG, an "Environmental and Social Risk Indicator" is determined that enters into the project evaluation.
<i>HR-9, FS-2</i>		
<i>EN-26 >></i>	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. We are fully confident that we will find practicable solutions to do so with all partners.	

iv. Combating corruption

<i>GRI 1.2, SO-2</i>	As corruption is encountered in OeEB's target countries, the bank's staff has received training and information to deal with this issue.	measures are taken during the course of the institution's projects – from checking client identities, to the loan disbursement stage, all the way to the time of loan repayment.
<i>SO-3 ></i>	Specific regulations on anti-money laundering and terrorism finance were developed for OeEB's personnel in order to ensure that the appropriate anti-corruption	

II. Stakeholder inclusion

i. Guiding principles

GRI 3.5 >

GRI 4.4, GRI 4.14

GRI 4.15, GRI 4.16

GRI 4.17

As a private sector entity with a public sector mandate, OeEB operates in a space characterised by the sometimes divergent interests of different

stakeholder groups. Respectful and intensive dialogue is an important part of our relationship with stakeholders.

Ministry for European and International Affairs (BMeIA)

Federal Ministry of Finance (BMF)

Parent: OeKB

Federal Economic Chamber (WKO)

Austrian Development Agency (ADA)

Chamber of Labour (AK)

Non-governmental Organisations (NGOs)

Media

Partner organisations

OeEB

Oesterreichische Entwicklungsbank AG

Federal Ministry of Economic Affairs and Labour (BMWA)

European Development Finance Institutions (EDFI), International Finance Institutions (IFIs)

Federal Chancellery (BKA – head of Austrian government)

Parties/Politicians

Competitors

GRI 4.16

GRI 4.17 >

In the “Multilogue” series of events organised by ICEP*, this Austrian organisation for development cooperation and OeEB hosted two joint workshops for experts:

The first was “The Power of Social Entrepreneurs”, a presentation by Pamela Hartigan, founder of Volans Ventures, a think tank on social entrepreneurship, and co-author of “The Power of Unreasonable People – How Social Entrepreneurs Create Markets that Change the World”.

On 30 May 2008, specialists from the Austrian Development Agency, Federal Ministry of Finance, Ministry for European and International Affairs, OPEC Fund, OeKB and OeEB met to discuss the subject of social enterprises. Social enterprises are innovative companies that contribute to sustainable development through their commercial activities, products and services.

The event stimulated the reciprocal exchange of knowledge between the organisations and the distribution of roles between the individual participants.

* Institute of Cooperation for Development Projects

Development project cycle and approval responsibilities & procedures

On 21 November 2008 an expert discussion was held with Wolfram Heger, CSR officer of Daimler AG, on how a global manufacturing group works together with public sector development organisations. Experts from companies and Austrian Development Cooperation discussed opportunities for synergies through mutual cooperation in the areas of companies' operational core business and of corporate social responsibility initiatives derived from this for-profit core business.

OeEB contributed content at the Emerging Markets Day of the Austrian Federal Economic Chamber on 23 April 2008 titled "Emerging Markets – Emerging Partners. International Projects in Emerging Economies". On that day the Federal Ministry of Finance, OeKB and OeEB held a workshop, attended by about 30 participants, on partnering with investment finance institutions and specifically with OeEB.

OeEB staff took part in trade missions to Moldova and Washington and participated in events of affiliated banks, the Austrian Development Agency, the World Bank and the investment agencies of Uganda and Kosovo.

As well, OeEB joined in a mission to the World Bank and its institutions with the Austrian Federal Ministry of Finance, the Ministry for European and International Affairs and the Austrian Development Agency (ADA). The aim of this trip was the joint representation of Austrian agencies, interests and priorities in this area of activity; the effort also served to improve coordination within the individual projects.

In 2008 the Executive Board met representatives of non-government organisations (NGOs) to illustrate the mandate, responsibilities and capabilities of OeEB as exemplified by concrete projects. On these occasions it was also explained how and with what tools OeEB carries out its development mission. Talks were also held with representatives of all Austrian parliamentary groups that deal with international development issues.

GRI 4.16
GRI 4.17 >

C. Management report

I. Business performance and financial position

i. Business activities and terms of reference

GRI 2.2 >

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

The legal basis for the activities of OeEB was created by an amendment to Austria's Export Guarantees Act (the Act is known in German as the "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 an OeEB client.

OeEB provides solutions not offered by commercial banks in the various developing countries and thus acts only in a role supplementary to that of commercial banks. OeEB draws on the full range of long-term financing facilities, from equity finance to loans.

Working with the respective 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.

This type of deal naturally entails 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 the panels specified for this purpose by law, the project risk and country risk are carefully analysed. Individual elements of this assessment are outsourced to OeKB under a service agreement.

ii. Business performance

Investment Finance segment

FS-6 >

GRI 2.7 >>

In the financial year under review, OeEB was approached with many project ideas. Ultimately, five projects received approval from the Supervisory Board, the Business and Development Committee and the Advisory Board. Both the Business and Development Committee and the Advisory Board are stipulated by the Export Guarantees Act. The total face amount of the approved projects was EUR 71.5 million. Two of the projects, totalling EUR 40.0 million, were already implemented in 2008.

As risk-sharing forms a key component of our business strategy, we collaborate with other bilateral or multilateral development banks on most of the projects that we underwrite.

OeEB's projects in our first year of operation were located in lower-middle-income countries, as classified by the OECD/DAC List (available on www.oe-eb.at). In the 2008 financial year all underwritten projects fell into the financial sector (investment funds, and credit lines to specialised banks, such as micro-finance institutions).

As a large proportion of the project contracts could not be signed until towards the end of the year, their contribution to earnings in 2008 was only small.

Project-Supporting Measures segment

Advisory Programmes

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. Additionally, the funds can be used for project preparation. The Advisory Programme funding is in the form of grants from the Austrian government. Of the funds, which totalled EUR 14.63 million in 2008, EUR 5.14 million was used in the financial year and the remainder was recognised as a liability in the balance sheet.

In OeEB's first financial year, the funding was naturally used primarily for the methodical development of projects. Via calls for proposals, interested parties were invited to suggest projects to OeEB. Particularly the Moldovian private sector (including the financial industry) and the banking sector in the southern Caucasus were systematically examined and a project pipeline was generated. There is also a project for the identification of suitable energy efficiency projects in Albania and Macedonia. A long-term initiative is the identification of microfinance institutions (MFI) in East Africa, the building up of their capacity and their subsequent rating by a specialised credit rating agency. This project will run for about four years.

Another project consists of a study on remittances (money transfers by migrant workers to their country of origin). The study provides information on remittances from Austria and the channels by which the money flows to Bosnia and Herzegovina, Serbia, Kosovo and Moldavia. It is also developing recommendations on how OeEB can contribute to the greater use of banks or alternative facilities for funds transfers. As well, recommendations are to be generated for new financial products that harness remittances for projects which can be funded by OeEB. The results will be available in early February 2009.

Foreign Trade Programme

On the basis of OeEB's expertise in development and foreign trade, OeEB provides advice to the Ministry of Finance 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 greater support by IFIs to improve business conditions for companies in selected countries.

The IFI programmes are selected by the Federal Ministry of Finance.

For administering the Advisory Programmes and Foreign Trade Programme, OeEB receives a fee.

Other Activities segment

- The EU Africa Infrastructure Trust Fund is a financing vehicle of the European Commission established under the EU Africa Infrastructure Partnership. The Trust Fund's activities support infrastructure projects with cross-border or regional impact in sub-Saharan Africa. The target sectors are energy, transport, water and telecommunications. OeEB's role is as a member of the Project Finance Group that develops the individual projects. In the decision-making bodies, Austria is represented by the Ministry for European and International Affairs and the Austrian Development Agency.

The Trust Fund can award grants for these projects for, e.g., interest rate subsidies or technical assistance such as feasibility studies or capacity-building.

- In the **Neighbourhood Investment Facility** (NIF), the European Commission has established a new investment fund.

EC-1 >>

The European Union's intention is for this fund to boost development in the countries neighbouring the EU to the south and east in the areas of transport, energy, social infrastructure, environment and assistance for small and medium-sized enterprises.

The fund currently has already been allocated EUR 100 million by the Commission and is also designed to pool additional funding from EU Member States. Austria will participate in the NIF via OeEB, with a total contribution of EUR 1.0 million. OeEB also works in the NIF's Financial Institutions Group under which the individual projects are developed.

The EU Africa Infrastructure Trust Fund and the NIF are to generate finance projects with Austrian participation. The first projects are expected for 2009/2010.

Financial results

The financial year closed with profit for the year of EUR 456,778.38. After transfers to reserves and before distribution, unallocated profit for the year was EUR 333,426.77. Income consisted mainly of securities income and the share of profit of other companies (totalling EUR 524,000), and of fee and commission income (EUR 1.6 million). The fees were for OeEB's management services rendered under the Advisory Programmes of the Federal Ministry of Finance, and for development- and foreign-trade-related consulting services to the Ministry.

Operating expenses consisted largely of staff costs (EUR 926,000) and other administrative expenses (EUR 481,000). The resulting operating profit was EUR 659,000. After taxation, profit for the year was EUR 457,000.

The financial performance fully met expectations, particularly in view of the short first financial year.

iii. Office locations

<i>GRI 2.4</i>	OeEB's registered office is located at Strauchgasse 3, 1010 Vienna, Austria.	OeEB has no branch offices in Austria or other countries.
<i>EC-1 ></i>		

iv. Financial and non-financial performance indicators

<i>EC-5 ></i>	Regulatory capital requirement under section 22 Austrian Banking Act EUR '000	2008
Financial performance indicators		
Risk-weighted assets under section 22 (2) Banking Act (credit risk)		51
Risk-weighted assets under section 22i Banking Act (operational risk)		2,070
Minimum regulatory capital requirement under section 22 (1) Banking Act		315
For credit risk: 8 % of 51:	4	
For operational risk: 15 % of 2,070:	311	
Total	315	
Available regulatory capital under section 23 (14) Banking Act		5,107

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 456,778.38, earnings per share amounted to EUR 9.14.

EC-1 >

Analysis of expenses

in EUR	2008
Administrative expenses	
a) Staff costs	925,880.32
aa) Salaries	819,325.56
bb) Statutory social security contributions, pay-based levies and pay-based other compulsory contributions	92,131.90
cc) Other social expenses	9,521.91
dd) Expenses for termination benefits and contributions to employer-funded termination benefit funds	4,900.95
b) Other administrative expenses	480,799.51
Total	1,406,679.83

in EUR	2008
Tax expense	
Income taxes	152,357.93
Other taxes not included in item 9*	50,000.00
Total	202,357.93

* Capital transactions tax (in German: Gesellschaftsteuer)

OeEB is a new institution, but its management has deep and broad experience:

In evaluating the business, environmental, social and development effectiveness aspects of projects; in the financing of investments in higher-risk, poorer countries; and in the planning, support and assessment of valuable development programmes and activities.



Top, left to right:

Ms Kristin Duchâteau, MA (Advisory Programmes)
Ms Raffaela Fromwald (Investment Finance)
Ms Andrea Hagmann (Member of the Executive Board)
Ms Carola Kathan (Assistance)
Mr Heinz Rindler, LL.M. (Legal Department)

Bottom, left to right:

Mr Marcel Spechtler (Investment Finance)
Mr Oliver Walter (Investment Finance)
Mr Michael Wancata (Member of the Executive Board)
Ms Eva Maria Wassermann (Assistance)
Ms Susanne Wegl, B.A., M.A.I.S. (Advisory Programmes)

Non-financial performance indicators

Staff

OeEB's staff sees to the implementation of the programmes described and also handles the actual banking business. The main activities are project acquisition and structuring, risk assessment, evaluation of development relevance, conclusion of contracts, performance of existing contracts, and work on development topics. OeEB has a service agreement with OeKB under which various services are procured from OeKB.

LA-11, HR-3 >

This ensures access to proven know-how. The service agreement is approved by the Financial Market Authority and covers accounting and reporting, human resources management, information technology, internal auditing and other services. As well, OeEB is authorised to outsource the position of compliance officer for those business segments covered by the Standard Compliance Code (SCC) and the SCC's minimum standards.

*LA-4, LA-14
EC-5 >*

With the exception of the Executive Board, which is provided by OeKB, all staff members are directly employed by OeEB. From their previous work they bring considerable breadth of experience to their positions. As personal and professional qualifications are the only criteria for employee evaluation at OeEB, all employees' pay levels too are independent of gender. For graduates of vocational schools and higher educational institutions, the starting salary scale is significantly above collective agreement levels. All salaried employees of OeEB are covered by the collective agreement for the commercial banking sector.

In the financial year, an event on the topic of corruption in foreign business was held for staff together with the International Chamber of Commerce in Vienna to highlight potential hazards in day-to-day operations.

Furthermore, OeEB emphasises practice-oriented training. In addition to in-house training events offered together with OeKB, OeEB also made a point of providing opportunities to take part in external seminars.

These included courses on the following subjects:

- OeKB seminar on export services (the "export academy")
- Symposium on criminal law in business and finance
- Fight against corruption in the development cooperation context
- Anti-money laundering and anti-terrorism finance measures in a commercial bank
- Role of remittances (held as part of Global Payments Week)
- DEG training in the use of the credit rating tool, assessment of environmental and social criteria, and GPR[®]
- FMO* training seminar on pricing

These events were largely held in-house and are therefore not included in the tally of external training-and-development time recorded in the master data entry system.

* "FMO" stands for Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., the Development Finance Company of the Netherlands

Management report

*GRI 4.5, LA-12
EC-3, LA-8 >*

In autumn 2008, performance appraisal interviews were introduced for all employees. The aim is to align employees' goals with OeEB's business objectives and performance; a performance-based component in compensation is to be instituted in the future.

OeEB employees receive discounts on meals in the OeKB staff cafeteria.

Other benefits were access to the company doctor including vaccinations, the health week event and the participation of all employees in a first aid course dealing with heart attacks and stroke.

As part of OeKB Group, the staff also has the (fee-based) use of the company day-care centre and the sports centre.

OeEB offers all employees flexible working hours. There are no benefits or services that are reserved for full-time staff.

LA-1 >

Employee statistics

(Excluding the two-member Executive Board)

	31 Dec. 2008	
Employees	Number	%
Total	8	100
Part-time employees	0	0
In full-time equivalents	8	–
Average age	31.490	–

OeEB has eight employees. The composition of the Executive Board achieves gender parity.

Proportion of employees who are women	–	62.5
Proportion of executive positions (full commercial powers of attorney) occupied by women	–	0

	31 Dec. 2008	
Training costs	Number	%
Per employee (in EUR)		
- internal training	Not recorded	-
- external training	0	-
Per employee (in hours)		
- internal training	Not recorded	-
- external training	0	-
Employee turnover	0	0

LA-2 >

EC-3,
LA-13, LA-10 > OeEB's voluntary employee-benefit expenses were EUR 9,522.

Environmental responsibility

The environmental management system of Oesterreichische Kontrollbank provides a wealth of environmental performance data for the Strauchgasse premises in Vienna.

All our data relating to energy use, heating, water and waste are based on the statistics for this location and are expressed on a per-person basis (based on all OeEB staff including the Executive Board members). This approach was approved by the Umweltbundesamt, the Austrian Federal Environment Agency.

EN-1 > In remodelling the office space of OeEB, particular attention was paid to the use of environmentally responsible materials. For instance, environmentally harmless adhesives and paints were employed, and for the first time in OeKB Group, hemp instead of mineral wool was used for insulation.

All wiring and pipes are halogen-free and the floor covering material is oiled wood. Special thought was also given to the control of noise, as an immediate environmental factor. By installing sound-absorbing plasterboard panels, particularly good acoustics were achieved. To assess the effectiveness of these measures, room air analysis was performed together with the Institute for Healthy and Ecological Building. The evaluation of the results is in progress.

The electricity used by OeEB, like that used by OeKB, is hydroelectric power sourced from Wienstrom. The carbon dioxide calculations are based on the following conversion factors:

Management report

	CO ₂ in kg	Source of information
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Conversion table for CO₂ emissions

1 km	by rail (electric)	0.00295	ÖBB 2004 (purely electrically operated; all hydroelectric in 2004)
1 km	by air per person	0.19500	GEMIS Austria 4.2
1 km	by car per vehicle	0.18900	Handbook of Emission Factors for Road Transport
1 kWh	electricity	0.22920	Data for Austrian electricity generation in 2002
1 kWh	Hydroelectricity	0.02500	Data for hydroelectric power generation
1 kWh	District heat	0.13100	CO ₂ emissions according to data from Fernwärme Wien

All the conversion factors shown have been agreed with the Austrian Federal Ministry of the Environment.

The presentation of CO₂ emissions conforms to the standards of the World Business Council for Sustainable Development and ISO 14.063.

EN-29 >

As a detailed analysis is available of OeEB's travel activity (which consists almost entirely of air travel), that analysis is used to calculate the CO₂ equivalents for transport. The direct business of OeEB is outside Europe.

Since many administrative services are provided by OeKB, the CO₂ emissions are not comparable to the industry average. A sustainability goal for CO₂-related performance has been set for 2009.

	Input 2008	Output 2008
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Energy

Total electricity, water, waste and CO ₂ (air travel)	in kWh	CO ₂ output in kg
Electricity	62,147	1,265
District heat	21,201	2,261
CO₂ emissions		
Energy consumption		3,526

EN-4

EN-16 >

EN-29

>>

Heating energy (district heat) (kWh)

	2008 (10 empl.)
	21,201
Per employee	2,201
Per m ² (16,687; 2007: 18,537)	62
Per work day (250)	4,164

EN-1, EN-21 >

Water/waste water (litres)

	161,358
Per employee	16,136

EN-22 >

Solid waste – Strauchgasse building (kg)

	889
Per employee	89

	2008 (10 empl.)
--	--------------------

Business travel (km)

	136,508
Per employee	13,651
Rail	0.003 %
Air	99.99 %
Car	0.006 %

CO₂ emissions from travel (kg)

	26,727
Per employee	2,673

GRI 4.12 >

Objectives of OeEB sustainability programme

Objective	Action	Who	By when	
<i>EN-26, HR-1 FS 2, 3, EN-18 ></i>	Ex-post evaluation of development impact of at least one measure financed with Advisory Programmes	Engage a consultant to perform the evaluation	OeEB	12/2009
	Mitigative measures to limit CO ₂ load from staff travel	Produce a general approach for minimising CO ₂ emissions from OeEB travel	OeEB	12/2009
	Expansion of the set of sustainability performance indicators	Evaluate ways of measuring internal and external training time	OeEB together with OeKB human resources department	12/2009
	Generation of an aggregate indicator for environmental and social aspects	Evaluate the project assessment tools (GPR and EaSI) with a view to this goal	OeEB	12/2009

v. Significant events after the balance sheet date

In December a risk sub-participation agreement (for an unfunded risk participation) was signed with Kreditanstalt für Wiederaufbau (KfW), Germany, in respect of a credit facility extended by KfW to ProCredit Bank, Georgia.

In January 2009 the remaining conditions required for the EUR 16.5 million agreement to take effect were fulfilled and OeEB thus implemented the project.

II. Outlook and risks for the bank

i. Business outlook

Based on numerous conversations with clients and business partners, OeEB's business in 2009 is expected to grow at a similarly strong pace as last year, with a target of at least doubling the amount of business.

As the most important internal processes have largely been put in place by this second year of operation – including an IT project – more capacity is available to screen and acquire new business.

A clear positioning of OeEB is sought on development issues in relation to the other institutions active under the umbrella of Austrian Development Cooperation. With a growing volume of deals, timely adjustment of staff capacity will also become necessary.

The probable increase in business should lead to a corresponding rise in revenue. At the same time, a higher volume of business also entails more screening and monitoring and therefore higher expenses.

ii. Significant risks and uncertainties

GRI 1.2

GRI 4.11 >

Owing to the crisis which took hold of the world's financial markets and economies in the fourth quarter of 2008, a marked reluctance to invest was witnessed towards the end of 2008.

We assume, however, that after a difficult start to 2009, the projects currently in the pre-approval assessment stages will ultimately go ahead (albeit with a slight delay).

If OeEB can continue to obtain long-term financing via OeKB, this will create additional opportunities for deals.

We expect the business trend for OeEB to remain positive. The project risks will continue to be covered by Austrian government guarantees.

iii. Risk policy and strategy

	Overall strategic approach to risk management	Risk management organisation
<i>GRI 4.11 ></i>	<p>To cover the very high project and country risks, OeEB receives a 100% guarantee from the Austrian government for every deal. Project risks are assessed conservatively. One of the reasons for this is that an elevated number of losses would entail reputation risk to OeEB.</p> <p>In view of the backing by the Republic of Austria through government guarantees, OeEB's share capital of EUR 5.0 million represents 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.</p> <p>OeEB is a wholly-owned subsidiary of OeKB and follows a risk policy and strategy consistent with that of OeKB Group.</p>	<p>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.</p> <p>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 an FMA-compliant risk management organisation is appropriate.</p> <p>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 the operational risk manager of OeKB.</p> <p>For emergencies and various crisis scenarios, the operational risk management policy sets out emergency and crisis response teams, responsibilities and procedures.</p> <p>All risk management and risk compliance is subject to monitoring by the internal audit department.</p> <p>Under the service agreement with OeKB, OeEB has outsourced the functions of the anti-money laundering/anti-terrorist financing officer to OeKB. Similarly, on the basis of a separate agreement, the compliance officer position is outsourced to OeKB.</p>

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. In the light of its business structure, OeEB distinguishes the following types of credit risk:

- Default risk or counterparty 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. No country limits or customer limits are in effect to date. However, such limits could become necessary in the intermediate future.

■ Market risk

Market risk is the risk of loss as a result of changes in market parameters, notably interest rate risk, currency risk, equity risk and other price risks.

As OeEB does not maintain a trading book, market risks arise only from the banking book (including the investment portfolio). Thanks to the fact that OeEB lends and obtains funding on a matching-currency basis, currency risk (the risk of loss from changes in exchange rates) is negligible.

■ 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 loan commitments made to borrowers are unexpectedly utilised or that deposits received are unexpectedly reduced. Both term liquidity risks and withdrawal/call risks are low as a result of OeEB's business structure and contractual arrangements.

As OeEB funds itself 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 expected to exercise personal responsibility for every-day risk management in their sphere of accountability. OeEB works closely in these areas with OeKB (and has its office space within OeKB's premises).

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

■ 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 of changes in the business environment.

- **Reputation risk:**

the risk of adverse consequences arising from how the organisation is perceived by stakeholders (shareholders, employees, clients, the 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 arise for OeEB 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.

Information on the use of derivative financial instruments in the 2008 short financial year is given in the notes to the financial statements in section 4.2.11.

III. Research and development

As a result of its special mandate, OeEB does not conduct any R&D.

Vienna, 29 January 2009

Ms Andrea Hagmann
Member of the Executive Board

Mr Michael Wancata
Member of the Executive Board

Independent verifier's report and certificate

1. Verification organisation

GRI 3.13 >

The independent verification organisation



was commissioned
to carry out the verification.

ETA is an Organizational Stakeholder (OS) of
the Global Reporting Initiative (GRI) and supports
the mission of GRI.

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Tel. +43 1 503 72 08-0
office@eta.at
www.eta.at
Registration number: AT-V-0001



2. Independent verifier's report and validation certificate

ETA Umweltmanagement GmbH, Sustainability Auditors, was commissioned to:

- evaluate the Combined Annual Report and Sustainability Report 2008 on the basis of the underlying data, systems and procedures,
- verify whether the published data is correct and represents a comprehensive view of the performance of OeEB,
- critically assess the scope, fairness and interpretation of the information presented,
- review the management system and the Sustainability Report for their compliance with the requirements of: Regulation (EC) No. 761/2001 (EMAS Regulation), EN ISO 14001:2004, the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative (GRI), the Greenhouse Gas Protocol of the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI) regarding the publication of CO₂ emissions, and the UN Global Compact,
- certify the Sustainability Report.

We based our assurance work on the evolving standards for the verification of sustainability reports. These are:

- the criteria of the Global Reporting Initiative (GRI Application Levels for version G3),
- the AA1000 Assurance Standard 2008 issued by AccountAbility, and
- the guidelines published by the European Federation of Accountants (FEE), “Providing Assurance on Sustainability Reports”.

Our assurance work involved:

- interviewing the persons responsible for the data and other information in the Sustainability Report, as well as sample-based testing of the underlying management systems and processes,

Management report

- a site visit,
- an evaluation of the accuracy, balance and consistency of the representation of the sustainability aspects and data,
- an analysis of the systems used for data collection and for analysis of the financial, social and environmental key performance indicators.

In our opinion, the representation of the data and information is comprehensive, balanced and appropriate as regards the environmental, social and economic aspects of sustainability, and is not in conflict with other data, information or evidence provided by the company.

Detailed recommendations for the further development of the Sustainability Report were submitted to the management in an internal report.



The Sustainability Report fulfils the requirements of application level A+ of GRI, version G3.

Environmental information verified in accordance with EMAS

The environmental information was verified in accordance with Regulation (EC) No. 761/2001 (the EMAS Regulation) and declared valid. The information is correctly presented, representative of the environmental performance, and material in respect of the total environmental impact

of **OeEB – Österreichische Entwicklungsbank AG** at its **Vienna** location.

The requirements regarding the Communication on Progress under the UN Global Compact are also met. The representation of carbon dioxide emissions conforms to the Greenhouse Gas Protocol of the WBCSD and the World Resources Institute.

Vienna, 28 January 2009

A handwritten signature in black ink.

Dr. Christine Jasch

Senior Verifier,
Public Accountant

A handwritten signature in black ink.

Dr. Stefan Gara

Senior Verifier,
Managing Director

D. Financial statements

1. Balance sheet at 31 December 2008

in EUR	31. 12. 2008
Assets	
01 Cash and balances at central banks	3,031.21
02 Loans and advances to banks	14,803,468.16
a) Repayable on demand	14,803,468.16
Intra-group	14,803,468.16
03 Shares and other non-fixed-income securities	40,523,958.33
04 Interests in companies	25,100.00
05 Non-current intangible assets	16,508.19
06 Other assets	3,183,229.08
Fiduciary assets	3,000,000.00
07 Prepaid expenses	20,276.05
Total assets	58,575,571.02
Memo items	
1 Foreign assets	43,549,058.33

in EUR	31. 12. 2008
Liabilities	
01 Deposits from banks	40,014,282.23
a) With agreed maturity or withdrawal notice	40,014,282.23
Intra-group	40,014,282.23
02 Other financial liabilities	12,787,506.27
03 Provisions	317,004.14
a) Tax provisions	52,357.93
b) Other provisions	264,646.21
04 Share capital	5,000,000.00
05 Retained earnings	122,838.92
a) Statutory reserve	22,838.92
b) Other reserve	100,000.00
06 Liability reserve under section 23 (6) Banking Act	512.69
07 Profit available for distribution	333,426.77
Total liabilities and shareholders' equity	58,575,571.02
Memo items	
1 Available regulatory capital under section 23 (14) Banking Act	5,106,843.42
2 Minimum regulatory capital requirement under section 22 (1) Banking Act	314,603.59

*Financial statements***2. Income statement for the short financial year ended 31 December 2008**

in EUR	2008
1. Interest and similar income	384,047.88
2. – Interest and similar expenses	381,421.68
I. Net interest income	2,626.20
3. + Income from securities and share of profit of other companies	523,958.33
a) Income from equity shares, other ownership interests and non-fixed-income securities	523,958.33
4. + Fee and commission income	1,610,483.20
5. – Fee and commission expenses	69,077.43
6. + Other operating income	2,023.55
II. Operating income	2,070,013.85
7. – Administrative expenses	1,406,679.83
a) Staff costs	925,880.32
aa) Salaries	819,325.56
bb) Statutory social security contributions, pay-based levies and pay-based other compulsory contributions	92,131.90
cc) Other social expenses	9,521.91
dd) Contributions to employer-funded termination-benefit funds	4,900.95
b) Other administrative expenses	480,799.51
8. – Impairment of non-current intangible assets	4,197.71
III. Operating expenses	- 1,410,877.54
IV. Operating profit	659,136.31
V. Profit before taxes	659,136.31
9. – Income taxes	152,357.93
10. – Other taxes	50,000.00
VI. Profit for the year	456,778.38
11. – Transfer to reserves	123,351.61
Of which transfer to liability reserve	512.69
VII. Unallocated profit for the year	333,426.77
VIII. Profit available for distribution	333,426.77

Items in the financial statements are shown only if an amount is associated with them.

3. Accounting policies

3.1 Basis of presentation and general principles applied

The annual financial statements of Oesterreichische Entwicklungsbank AG (“the bank”, “OeEB”) were prepared by the Executive Board 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 and the results of its operations.

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 2008 short financial year were recognised.

The financial year under review was less than a full calendar year. It began on 30 January 2008 and ended on 31 December 2008.

3.2 Financial assets

Financial assets are measured at cost.

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

Securities classified as non-current assets are measured at the lower of cost or the quoted market price at the balance sheet date.

The shares of “The European Fund for Southeast Europe S.A., SICAV-SIF”, Bertrange, Luxembourg, (EFSE) are measured at cost. The subscribed hybrid capital (so-called “trust preferred securities”) of ProCredit Holding AG, Frankfurt, Germany is also measured at cost.

In accordance with section 9 Export Guarantees Act (the “Ausfuhrförderungsgesetz”, or “AusfFG”) there is a federal government guarantee from the Austrian Federal Ministry of Finance for these transactions in the amount of the purchase cost. Due to the full guarantee from the federal government, the expected dividends and interest income for the year from EFSE (the micro-finance fund) and from the trust preferred securities are recognised on an accrual basis and reported in the balance sheet item “equity shares and other non-fixed interest securities”.

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

3.3 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 low-value 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.

3.4 Loans and advances and other assets

Loans and advances to banks and other assets are recognised at face amounts. For identifiable credit

risks in respect of borrowers, impairment losses are individually assessed.

3.5 Deposits from banks and other financial liabilities

Other financial liabilities are recognised at repayable amounts.

3.6 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.

3.7 Foreign-currency translation

The reporting currency is the euro.
Foreign currency amounts are ordinarily translated at middle rates of exchange.

At the balance sheet date there were no foreign-currency-denominated assets or liabilities.

4. Notes to the balance sheet and income statement

4.1 General information

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

4.2 Supplementary disclosures

4.2.1 Non-current assets

The changes in the individual non-current assets and the breakdown of amortisation and impairment

are presented in the table “Movements in non-current assets”.

4.2.2 Financial assets

■ Interests in companies

At the end of the financial year, OeEB held a 7.63% equity interest in European Financing Partners S.A., a company based in Luxembourg. The investment is measured at cost (EUR 25,100).

■ Securities

The securities held are classified as non-current assets; they are not listed for trading on an exchange.

In the financial year, OeEB acquired shares of The European Fund for Southeast Europe S.A., SICAV-SIF, Bertrange, Luxembourg (EFSE), which is managed by European Financing Partners S.A. The shares, purchased for EUR 30 million, consist of two tranches, Class A and Class B.

EFSE is one of the world’s largest micro-finance funds. The fund’s purpose is to foster economic development and recovery in Southeastern Europe. It provides long-term funding to local financial institutions in the region for onward lending to micro- and small businesses as well as to low-income households.

At the end of 2008 this micro-finance investment fund had a net asset value of about EUR 630 million. OeEB also subscribed for hybrid capital of ProCredit Holding AG, Frankfurt, Germany in the amount of EUR 10 million. The capital consists of preferred shares (trust preferred securities) of a trust in Delaware, USA. The trust has a net asset value of EUR 60 million.

With a credit portfolio of approximately EUR 2.8 billion, the ProCredit Group is one of the world’s largest financial institutions focusing on small and medium businesses.

■ Fiduciary transactions

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 (in the amount of EUR 3 million) and in other liabilities (also at EUR 3 million).

The trusteeship holding of Class C shares of The European Fund for Southeast Europe S.A., SICAV-SIF, Bertrange, Luxembourg, was acquired under the Advisory Programmes of the Austrian Ministry of Finance.

*Financial statements***4.2.3 Other assets**

in EUR	Maturing in up to 1 year	Maturing in more than 1 year	Carrying amount
Receivables from Austrian Ministry of Finance	51,940.80	–	51,940.80
Refundable VAT payments made for November and December 2008	125,395.43	–	125,395.43
Other	5,892.85	–	5,892.85
Total	183,229.08	–	183,229.08

Other assets include accrued income of EUR 45,155.55 that will be received after the balance sheet date.

4.2.4 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 period was EUR 456,778.38. Of this, EUR 22,838.92 was transferred to the statutory reserve and

EUR 100,000.00 to uncommitted reserves. As well, EUR 512.69 was transferred to the liability reserve under section 23 (6) Austrian Banking Act, leaving EUR 333,426.77 of profit available for distribution. The proposed dividend to be paid for the 2008 short financial year is EUR 319,000 or EUR 6.38 per share.

4.2.5 Provisions

Provisions had the following composition:

in EUR	at 30 Jan. 2008	Added	Used	Released	at 31 Dec. 2008
Provision for vacation pay	–	23,280.23	–	–	23,280.23
Provision for legal, audit and consulting fees	–	60,000.00	–	–	60,000.00
Other provisions	–	181,365.98	–	–	181,365.98
Total	–	264,646.21	–	–	264,646.21

4.2.6 Deposits from banks and other financial liabilities

Other financial liabilities include accrued expenses of EUR 153,831.90 that will be paid after the balance sheet date.

4.2.7 Amounts due from and to group companies

The specific amounts of loans and advances to, deposits from, and trade payables with group

companies at the balance sheet date were as follows.

in EUR	31 Dec. 2008
Assets	
Loans and advances to banks	14,803,468.16
Liabilities	
Deposits from banks	40,014,282.33
Trade payables	167,880.33

The security posted for the deposits from banks consists of the following items: shares of The European Fund for Southeast Europe S.A., SICAV-SIF, Bertrange, Luxembourg, in the amount of EUR 30 million; the trust preferred securities of ProCredit Holding AG,

Frankfurt, Germany, in the amount of EUR 10 million; and the assignment of any relevant claims under the Austrian government guarantee issued by the Ministry of Finance.

4.2.8 Total amounts of assets and liabilities denominated in foreign currencies

At the balance sheet date there were no foreign-currency-denominated assets or liabilities.

Financial statements

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

- All loans and advances to banks are repayable on demand.
- Deposits from banks not repayable on demand had the following maturity profile:

in EUR	31 Dec. 2008
Up to 3 months	–
More than 3 months and up to 1 year	14,282.23
More than 1 year and up to 5 years	10,000,000.00
More than 5 years	30,000,000.00
Total	40,014,282.23

4.2.10 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 66,000 for the year

2009 and about EUR 330,000 for the five-year period from 2009 to 2013.

4.2.11 Information on derivative financial instruments

The derivative financial instruments had the following composition at the balance sheet date:

EUR '000	Interest rate swaps
Notional amount	40,000
Positive fair values	2,440
Negative fair values	160

The fair values shown represent the clean prices of the transactions. These hedges against interest rate risk are solely in connection with funding the purchase of the shares of “The European Fund for Southeast Europe S.A., SICAV-SIF”, Bertrange, Luxembourg, and

of the trust preferred securities of ProCredit Holding AG, Frankfurt, Germany, and thus, for accounting purposes, form an “economic unit” with the respective hedged transaction. Therefore no provision was formed for negative market values in this context.

4.3 Notes to the income statement

4.3.1 Interest income and interest expenses

in EUR	2008 short financial year
Interest and similar income from lendings and investments	
From loans and advances to customers	–
From loans and advances to banks	384,047.88
Total	384,047.88
Interest and similar expenses	
For deposits from banks	381,421.68
Other	–
For customer accounts	–
Other	–
Total	381,421.68

4.3.2 Income from securities and share of profit of other companies

The income from securities relates to the interest income accrued at 31 December 2008 from the shares of “The European Fund for Southeast Europe S.A., SICAV-SIF”, Bertrange, Luxembourg, and from the trust

preferred securities of ProCredit Holding AG, Frankfurt, Germany, which are also covered by the Austrian government guarantee issued by the Ministry of Finance.

4.3.3 Fee and commission income and expenses

The fee and commission income relates to the reimbursement of expenses incurred in the course of partly fiduciary services rendered by OeEB to the Federal Ministry of Finance.

The fee and commission expenses consist 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.

4.3.4 Other operating income

Other operating income consisted primarily of expenses passed through by OeEB for public relations activities.

4.3.5 Other administrative expenses

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

4.3.6 Staff count

At the balance sheet date of 31 December 2008, OeEB had a total of 8 employees (5 female and 3 male employees).

4.3.7 Expenses for termination benefits

The amount of EUR 4,900.95 included in the item “expenses for termination benefits and contributions to employer-funded termination-benefit funds” consisted exclusively of contributions to the employer-funded termination-benefit fund, not of payments of actual benefits.

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

5. Additional information

5.1 Boards

In the year under review, the following individuals were members of the Executive Board:

Ms Andrea Hagmann
Mr Michael Wancata

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

In the year under review, the following individuals were members of the Supervisory Board:

Mr Rudolf Scholten – Chairman
of the Supervisory Board
Mr Heiner Luschin – Vice-Chairman
of the Supervisory Board
Ms Christine Dangl
Mr Ferdinand Schipfer

In the year under review the Supervisory Board received no compensation.

5.2 Related party transactions

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.

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 auditing and other services.

Vienna, 29 January 2009

Oesterreichische Entwicklungsbank AG

The Executive Board

Ms Andrea Hagmann

Mr Michael Wancata

*Financial statements***Movements in non-current assets**

in EUR	At cost at 30 January 2008	Additions	Disposals	Re- classifications	At cost at 31 December 2008
Intangible assets	0.00	20,635.24	0.00	0.00	20,635.24
Software	0.00	20,635.24	0.00	0.00	20,635.24
Financial assets	0.00	40,025,100.00	0.00	0.00	40,025,100.00
1. Interests in companies	0.00	25,100.00	0.00	0.00	25,100.00
2. Securities classified as non-current assets**	0.00	40,000,000.00	0.00	0.00	40,000,000.00
Total	0.00	40,045,735.24	0.00	0.00	40,045,735.24

in EUR	Accumulated amortisation and impairment	Carrying amount at 31 Dec. 2008	Carrying amount at 31 Jan. 2008	Amortisation and impairment for 2008 short financial year*
Intangible assets	-4,127.05	16,508.19	0.00	4,127.05
Software	-4,127.05	16,508.19	0.00	4,127.05
Financial assets	0.00	40,025,100.00	0.00	0.00
1. Interests in companies	0.00	25,100.00	0.00	0.00
2. Securities classified as non-current assets**	0.00	40,000,000.00	0.00	0.00
Total	-4,127.05	40,041,608.19	0.00	4,127.05

* Excluding low-value assets of EUR 70.66

** Excluding accrued income of EUR 523,958.33

Unqualified Auditor's Report

We have audited the accompanying financial statements including the underlying accounting records of

Oesterreichische Entwicklungsbank AG, Vienna, Austria

for the

first fiscal year from 30 January to 31 December 2008.

The maintenance of the accounting records and the preparation and contents of these financial statements including the management report in accordance with the Austrian Company Code and Austrian Banking Act are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is consistent with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether we can state that the management report is in accordance with the financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the Company as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the financial statements and underlying accounting records predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 are in accordance with legal requirements and present fairly, in all material respects the financial position and the results of its operations in accordance with generally accepted accounting principles in Austria.

The management report is consistent with the financial statements.

Vienna, 29 January 2009

**KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft**

signed:

DDr. Martin Wagner

Ppa Mag. Renate Vala

Wirtschaftsprüfer
(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 are identical with the audited version attached to this report. § 281 Abs 2 öUGB applies.

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