

Oesterreichische Kontrollbank AG

Primary Credit Analyst:

Alois Strasser, Frankfurt (49) 69-33-999-240; alois_strasser@standardandpoors.com

Secondary Contact:

Moritz Kraemer, Frankfurt (49) 69-33-99-9249; moritz_kraemer@standardandpoors.com

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Oesterreichische Kontrollbank AG

Major Rating Factors

Strengths:

- Irrevocable, unconditional, and timely guarantees from the Republic of Austria on all debt obligations issued under the Export Financing Guarantees Act.
- Extremely low-risk loan portfolio, almost entirely comprised of fully secured loans.
- "Almost certain" likelihood of extraordinary support from the Austrian federal government, should the need arise.

Counterparty Credit Rating

AAA/Stable/A-1+

Weaknesses:

- Almost exclusive focus on export-related businesses, which leaves the bank sensitive to the business cycle in the Austrian export sector.

Rationale

The ratings on Oesterreichische Kontrollbank AG (OKB) are based on Standard & Poor's Ratings Services' view that the government of the Republic of Austria (AAA/Stable/A-1+) unconditionally and irrevocably guarantees timely payment of the bank's debt obligations issued under the Export Financing Guarantees Act. The ratings on OKB also benefit from the bank's prudent management and stable financial profile, including an extremely low-risk loan portfolio, almost entirely made up of fully secured loans granted under OKB's export financing scheme.

Furthermore, OKB plays a critical role as Austria's sole agent for the administration of export guarantees. The bank's integral link with the government is documented through the government's guarantee and, in the absence of government ownership, through the involvement of government commissioners. As a result, we consider there to be an "almost certain" likelihood that Austria's government would provide timely and sufficient extraordinary support to OKB in the event of financial distress. In addition, we understand that neither the government nor OKB intends to substantially change the bank's business model.

The debt obligations issued by OKB are generally guaranteed by Austria under the Export Financing Guarantees Act. OKB does, from time to time, issue unguaranteed debt, especially short-term debt. In light of the bank's solid fundamentals, we rate OKB's guaranteed and unguaranteed debt equally, provided that unguaranteed debt remains within our expectations in terms of volume and that the bank maintains its overall excellent asset quality.

As of year-end 2010, OKB had total assets of €35.8 billion, compared with €34.3 billion in 2009. This gradual increase mainly stemmed from investments in financial instruments. In contrast, loan exposures to the export industry declined. OKB supports the government's policy objectives in the Austrian export industry: The bank administers Austria's export guarantees and provides medium- and long-term financing to banks and foreign importers for export transactions involving Austrian exporters.

The volume of guarantees declined to €38.5 billion in 2010, from €40.7 billion in 2009. Although the number of new guarantees increased to 948 in 2010 from 858 in 2009, the volume issued declined to €3.9 billion from €5.2

billion, about one-third of the volume in 2008. In 2010, Austrian exports recovered after the 2008-2009 economic crisis to €108.7 billion from €93.7 billion in 2009, but still remained less than record amounts of €117.5 billion in 2008. About 3% of Austrian exports were covered by OKB's guarantee schemes in 2010. Despite this recovery, export financing decreased to €33.2 billion in 2010 from €34.1 billion in 2009 and far less than the peak of €39 billion in 2008. Similarly, new contracts totaled €4.4 billion in 2010, down from €5 billion in 2009 and a record of €12.2 billion in 2008.

As a general rule, refinancing provided by OKB is fully secured by Austria's export guarantees for the underlying transaction or, less frequently, by private credit insurance. We note that OKB has never suffered a loan loss in its balance sheet. In 2010, the bank's profitability, which has typically been modest, slightly declined from its exceptional 2009 results, though it was the second highest of the past six years. While net interest income slightly declined, net fee and commission income increased. Moreover, the bank's risk-weighted capital ratio of 144.4% and tier 1 capital ratio of 107.6% are very strong.

Outlook

The stable outlook reflects that on the sovereign. We believe that OKB will continue to play a critical role in the Austrian government's economic development plans and policies. This importance is underlined by the extension of the Export Guarantees Act by another five years and the Export Financing Guarantees Act by six years in July 2007, both of which we expect to be extended beyond 2012. It is further underlined by repeated increases in the liability limit for export financing guarantees, which currently stands at €45 billion, and for export guarantees, currently at €50 billion.

OKB's critical role for the government is further strengthened by its subsidiary Oesterreichische Entwicklungsbank AG (OeEB; AA+/Stable/A-1+). Austria's official development bank was created in early 2008 as a subsidiary of OKB, on behalf of the Austrian government, and is in charge of supporting and funding private initiatives and businesses in developing countries, with all economic and political risks assumed by the sovereign.

Comparative Analysis

OKB and its subsidiary OeEB are both nongovernment owned but work under a legally assured public mandate. OKB benefits from unconditional, irrevocable, and timely guarantees from the Austrian government for its borrowings and supports the Austrian economy with the administration of export guarantees on behalf of Austria and grants export financing facilities. OeEB complements Austria's development policy but does not provide particular services to its economy or population. Furthermore, OKB has operated since 1946 with proven government support mechanisms, while OeEB, formed in 2008, reflects only a short history of government support. Similar to OKB, Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft (Asfinag, AAA/Stable/A-1+) and OeBB-Infrastruktur AG (AAA/Stable/A-1+) benefit from government guarantees for their borrowings and, unlike OKB, are fully government owned. These two entities provide important infrastructure, namely highways and a rail network, for Austria.

Internationally, OKB can be compared with KfW and Landwirtschaftliche Rentenbank (both rated AAA/Stable/A-1+), which both provide financial instruments for Germany and are government agencies, benefiting from "almost certain" likelihood of extraordinary government support, in our view. Swedish Export Credit Corp.

(SEK, AA+/Stable/A-1+) and Norwegian Eksportfinans ASA (AA/Negative/A-1+) operate in the same business area as OKB but are engaged in riskier business with outside export financing schemes, similar to commercial banks. We assess SEK's role to the Swedish government, unlike OKB's to the Austrian government, as "very important." However, we view Eksportfinans' likelihood of receiving timely and sufficient support as only "very high," which leads to our assessment of slightly lower support of the entity. SEK does not benefit from a formal guarantee from the Swedish government, which would otherwise demonstrate a critical role for Sweden. We think that Eksportfinans' asset portfolio presents a partly weaker credit quality because some portions are guaranteed only by commercial banks, whereas OKB's loan portfolio is almost exclusively guaranteed by the Austrian government, reflecting a stronger link with and role for the government. Weaker support for SEK and Eksportfinans results in an increasing importance of the entities' stand-alone credit profiles (SACP) to our ratings, which is not the case for OKB.

Table 1

Oesterreichische Kontrollbank AG--Peer Comparison						
	Oesterreichische Kontrollbank AG	Oesterreichische Entwicklungsbank AG	Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft	KfW	Swedish Export Credit Corp.	Eksportfinans ASA
Issuer credit rating as of Aug. 9, 2011	AAA/Stable/A-1+	AA+/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AA+/Stable/A-1+	AA/Negative/A-1+
Sector of activity	Financials	Financials	Industrials	Financials	Financials	Financials
Industry	Commercial Banks	Diversified financial services	Transportation infrastructure	Commercial banks	Diversified financial services	Diversified financial services
Related government	Austria (Republic of)	Austria (Republic of)	Austria (Republic of)	Germany (Federal Republic of)	Sweden (Kingdom of)	Norway (Kingdom of)
Sovereign credit rating as of Aug. 9, 2011	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+
Country	Austria	Austria	Austria	Germany	Sweden	Norway
Role	Critical	Very Important	Critical	Critical	Very Important	Very Important
Link	Integral	Integral	Integral	Integral	Integral	Very Strong
Likelihood of support	Almost Certain	Extremely High	Almost Certain	Almost Certain	Extremely High	Very High
Stand-alone assessment	--	bb-	--	--	a	a

Government Support And GRE Methodology

We view OKB as a government-related entity (GRE) and accordingly apply our criteria for rating GREs (for further details see "Enhanced Methodology And Assumptions For Rating Government-Related Entities," published Dec. 9, 2010, on RatingsDirect on the Global Credit Portal). Under our criteria for assessing the likelihood of extraordinary government support, we view OKB as having an:

- "Integral" link with the government, which plays a major role in defining OKB's strategy and provides unconditional, irrevocable, and timely guarantees for bond issues. In addition, the government guarantees OKB's

assets and provides continuous support by servicing drawn asset guarantees. Even in the absence of government ownership, there remains further involvement through the use of government commissioners; and

- "Critical" role for Austria, with a monopoly position as its sole agent for the administration of export guarantees. In this respect, OKB services an important sector of the export-dependent Austrian economy. The role is further underpinned by the assignment of new tasks through the foundation of OeEB per request of the Austrian government.

The combination of OKB's "integral" link and "critical" role leads us to believe that Austria would provide timely and sufficient extraordinary support to OKB in the event of financial distress. In turn, we regard the likelihood of extraordinary support as "almost certain."

SACP not assessed

Based on our criteria for GREs benefitting from an integral link and critical role to the sovereign, we have not assessed OKB's SACP.

Profile: Government's Sole Agent For The Administration Of Export Guarantees

OKB was established in 1946 to provide specialized services, namely administering export guarantees issued by Austria and export-loan financing. In addition, the bank engages in capital market activities and information management. The bank does not accept deposits from the general public or engage in commercial lending or other commercial banking activities.

As of year-end 2010, OKB had total consolidated assets of €35.8 billion and a staff of 396. Its main offices are located in the City of Vienna (AAA/Stable/A-1+). OKB holds a number of equity investments, most importantly a 51% stake in OeKB EH Beteiligungs- und Management AG (not rated), a holding company for OeKB Versicherung AG (not rated), PRISMA Kreditversicherungs-AG (not rated), and OeKB Südosteuropa Holding Ges.m.b.H (not rated), all operating as private credit insurers. The bank also has a majority stake in Österreichischer Exportfonds GmbH (not rated), which is Austria's export refinancing specialist for small and midsize enterprises. In 2008, OKB founded OeEB, at the request of the Austrian government, to facilitate private sector investments in developing and transition countries, complementing the official development assistance strategy of the Austrian government. Although the contribution of these equity investments to OKB's consolidated balance sheet remains marginal, their contribution to the bank's income statement is more noticeable. For example, PRISMA Kreditversicherungs-AG posted profits before tax of €7.0 million in 2010, and OeKB Versicherung AG posted €2.2 million.

Guarantees subsidiary

Since 1950, OKB has been involved in financing and promoting Austrian exports. With the adoption of the Export Promotion Act in 1964 and the Export Guarantees Act in 1981, the bank became the sole agent for the administration of export guarantees issued by Austria. The Export Guarantees Act, under which Austria guarantees export-related transactions, is not to be confused with the Export Financing Guarantees Act of the same year, under which Austria provides unconditional, irrevocable, and timely guarantees for OKB's liabilities that stem from export financing.

As of 2003, OKB no longer has a legal monopoly over export support services in Austria. The Austrian government could theoretically assign the complete task of administering export financing and guarantee programs to an agency other than OKB. Initiating a formal competitive bidding process to award the administration of these services

would, under law, require a two-year notice period. To date, however, no notice has been given. If a tender were called and another entity won, the sovereign guarantees on OKB's existing liabilities would remain in place and would be grandfathered. In addition, we note that OKB's role for, and link with, the Austrian government was strengthened through new legislation, which awarded a subsidiary of OKB the responsibility of setting up an Austrian development bank.

Export guarantees (Export Guarantees Act 1981)

In July 2007, the Export Guarantees Act's expiry date was extended to Dec. 31, 2012, and the ceiling for outstanding export guarantees was again raised to €50 billion in December 2008 from €45 billion.

Austria's export guarantees are issued in conformity with the guidelines and rules of the Organization of Economic Cooperation and Development, the EU, and the Berne Union (the International Union of Credit and Investment Insurers). The guarantees cover, in particular, political and commercial risks. The system of export guarantees is operated for nonmarketable risks of foreign sales (for higher-risk markets or risk periods of more than two years). The minimum percentage of cover for political risks is 95%.

In 2010, Austrian exports recovered after the 2009 crisis to €108.7 billion from €93.7 billion in 2009, but still remained less than the record of €117.5 billion in 2008. About 3% of Austrian exports were covered by OKB's guarantee schemes in 2010. Austria issued, and the bank processed, 948 export guarantees totaling €3.9 billion in 2010, compared with 858 guarantees totaling €5.2 billion in 2009. The volume of new guarantees therefore equaled about only one-third of 2008's volume. As of Dec. 31, 2010, outstanding guarantees totaled €38.5 billion, down from €40.7 billion in 2009. With a €50 billion ceiling, the total translates into a utilization of 77%, which leaves room for new business in the coming years, in our view.

As part of the guarantee application process, the bank processes and performs the credit analysis. All guarantees, however, must be authorized by the government. Since 1950, guarantees totaling €186.3 billion have been issued. Including Heavily Indebted Poor Country debt relief, the cumulative amount of claims paid reached €7.6 billion as of year-end 2010, while recoveries reached €3.3 billion and write-offs reached €3.4 billion. Under the established procedure, Austria's net claims outstanding in 2010 equaled 0.5%, or €0.9 billion, of the aggregate guarantee turnover of €186.3 billion. We observe that claims stabilize at low levels, although there are political and economic risks in some countries for which Austria guarantees exports. Because Austria is the issuer of the guarantees, however, OKB's profitability would not be affected by write-offs or claims paid.

Export financing (Export Financing Guarantees Act 1981)

OKB's second major line of business provides medium- and long-term refinancing facilities to banks and foreign importers for export transactions involving Austrian exporters. The refinancing credits granted to banks or importers are subject to a guarantee issued by Austria or an alternative high-quality credit insurer or guarantor. In addition, the rights arising from both the guarantee and the underlying export contract have to be assigned as collateral security. In addition, Austria, under the Export Financing Guarantees Act, unconditionally and irrevocably guarantees almost all export-financing debt issued by OKB. Furthermore, Austria's Ministry of Finance is authorized to reimburse the bank for exchange rate losses related to borrowings in foreign currencies. The bank, however, pays a fee for these guarantees.

In July 2007, the 1981 Act was renewed and extended to year-end 2013, and in December 2008 the liability limit increased to €45 billion. In 2010, the bank issued new financing contracts worth €4.4 billion, a year-on-year reduction that decreased the utilization of the liability limit to €32.9 billion.

Other activities

OKB also engages in a limited number of other, nonexport-related financial activities, which have only a very modest effect on its balance sheet and profitability. These include:

- Organizing and administering issues of domestic bonds and money-market instruments, notably Austria's bond offerings; determining the issue price of Austrian treasury bills; and fixing the interest rate for floating-rate bills issued by Austria;
- Acting as a paying agent for Austria's coupons and domestic bond issues;
- Acting as the clearing house of the Vienna Stock Exchange and as the central counterparty for all transactions concluded on the Vienna Stock Exchange through its subsidiary CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH;
- Acting as the central depository for securities in Austria, assigning security identification numbers;
- Settling over-the-counter transactions through an electronic platform;
- Acting as the official Notification Office under the Capital Markets Act;
- Operating as a dealer in the Austrian money market for demand and time deposits;
- Engaging in fiduciary business;
- Disseminating financial data and analysis tools (mainly through the "profitweb" website);
- Performing financial clearing and risk management functions in the energy market, including carbon dioxide emission certificate trading;
- Operating OeEB, Austria's official development bank, which started operations in March 2008; and
- Improving credit market liquidity through the provision of timely guarantees. In August 2009, the Corporate Liquidity Support Act, or "Unternehmensliquiditätsstärkungsgesetz," allowed OKB to administer guarantees totaling €10 billion. That amount was taken away from a €75 billion provision in the Austrian Interbank Market Support Act, or "Interbankmarktstärkungsgesetz," which came into force in 2008. At year-end 2010, the enabling act expired; since inception, the bank had issued €1.3 billion of guarantees.

Ownership, Legal Status, And Organization: Capital Stock Owned By Leading Austrian Banks

OKB is an Austrian banking corporation established as a joint-stock company under the Austrian Corporation Act ("Aktengesetz") and regulated with the Austrian Banking Act ("Bankwesengesetz"), which qualifies the bank for access to liquidity at the European Central Bank (AAA/Stable/A-1+). Its capital stock of €130 million is owned by leading Austrian banks. OKB's shares are registered common shares, which are not quoted on the Vienna Stock Exchange or any other exchange. Shareholders may transfer OKB shares, but this requires the consent of the supervisory board. Furthermore, all other OKB shareholders have preemption rights. In practice, however, the shareholder structure (see table 2) rarely changes.

Table 2

Oesterreichische Kontrollbank AG--Shareholder Structure 2010*		
	Share (%)	Standard & Poor's Rating
CABET-Holding-AG (UniCredit Bank Austria Group)	24.8	N/A
UniCredit Bank Austria AG	16.1	A/Stable/A-1
Erste Bank der oesterreichischen Sparkassen AG§	12.9	A/Stable/A-1
Schoellerbank AG	8.3	N/A

Table 2

Oesterreichische Kontrollbank AG--Shareholder Structure 2010* (cont.)		
AVZ Finanz-Holding GmbH	8.3	N/A
Raiffeisen Zentralbank Oesterreich AG	8.1	A/Negative/A-1
BAWAG PSK Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG	5.1	N/A
Raiffeisen OeKB Beteiligungsgesellschaft mbH	5.0	N/A
Oberbank AG	3.9	N/A
Bank für Tirol und Vorarlberg AG	3.1	N/A
BKS Bank AG	3.1	N/A
Oesterreichische Volksbanken-AG	1.5	N/A

*As of Feb. 23, 2011. §Rating on group parent Erste Group Bank AG. N/A--Not applicable.

Given OKB's shareholder structure, a substantial part of the bank's export financing business is with its shareholders. Nevertheless, although OKB pays dividends to its shareholders, it does not offer them preferential terms in connection with its export financing business. The bank's organizational structure is relatively uncomplicated. A two-member board of executive directors manages day-to-day operations. The two members are appointed by the supervisory board, which consists of 22 members, 14 of which are appointed by the bank's shareholders, and eight by its employees.

Sovereign Support And Supervision: Close Relationship With Austrian Government

Strong government support is evident in the guarantees provided for OKB's debt obligations and the exclusive role assigned to OKB in administering Austria's export guarantees. This is evident from the recent renewal of the Export Guarantees and the Export Financing Guarantees Acts, including the increases in the liability limits. In August 2003, amendments to the acts allowed the government to assign a different agent to administer the export financing and guarantee programs. Such a change, however, would require a two-year notice period. Moreover, the sovereign guarantees on existing liabilities would remain in place. At present, we consider it unlikely that the government would award the administration of the programs to another entity, given our view of OKB's proven track record and expertise.

The close relationship between OKB and the government is further underlined by the creation of OeEB, a bank that facilitates private sector investments in developing and transition countries and complements the government's official development assistance strategy. Although the development bank was created on behalf of the Austrian government, it is a subsidiary of OKB. All economic and political risks are assumed by Austria, however.

Because of the sovereign support extended to OKB's debt obligations, the bank has a 0% Cooke ratio (the amount of capital a bank should have in relation to its total risk-adjusted assets). The bank also benefits from certain regulatory exemptions from the Austrian Banking Act. In addition, OKB holds a minimum liquidity reserve with the European Central Bank. Large exposures, which occur in the bank's export financing business, are not subject to risk capital limits because of the sovereign guarantees. Exceptions also exist for certain minimum liquidity ratios and requirements limiting open foreign currency positions of its liabilities, for which Austria has issued exchange-rate guarantees.

The government is not directly represented as a member of the supervisory board, but the Minister of Finance

appoints a government commissioner and deputy commissioner who participate in the bank's shareholder meetings and supervisory board. The Export Financing Guarantees Act authorizes these appointees to examine all books and records maintained by the bank and to participate but not vote in all internal debates relating to bank borrowings that are subject to sovereign guarantees under the Act.

Strategy: Clearly Focused On Export And Capital Market Services

OKB's strategy remains clearly focused on providing export and capital market services, in our view. We take comfort in the fact that there are no plans to change the bank's business model and strategy. We understand that both the government and the bank are content with its role as an export and capital markets specialist. As such, we expect no changes to OKB's status as the government's exclusive agent in the administration of export guarantees and the financing of exports in the foreseeable future. The bank has no intention of increasing its risk profile or entering into competition with commercial banks, which would dilute its policy mandate and weaken its balance sheet.

Overall, we view OKB as having a stable and profitable franchise. Nevertheless, its near-exclusive focus on export-related businesses leaves it subject to the business cycle in the Austrian export sector. This was demonstrated during the financial crisis and subsequent recession in 2008 and 2009.

Asset Quality: Excellent

The bank's exceptional asset quality is a result of a narrow business model with a clearly defined business focus, in our view. The bank restricts its lending activities to mainly providing medium- and long-term loans to banks. Such financing enables these banks to refinance their own loans, which are extended to Austrian exporters for the sale of Austrian exports, foreign buyers for the purchase of Austrian exports, or Austrian enterprises for equity investments abroad.

OKB's loans, however, require a guarantee for the underlying transactions, which has to be issued either by Austria or, less frequently, through private credit insurance. The rights arising from the relevant guarantee, and from the underlying export contract, are assigned to OKB as collateral security, except for investment guarantees.

OKB's three major shareholders account for about two-thirds of the bank receivables on OKB's balance sheet. OKB remains well protected against banking failures because its claims would legally be taken out of official bankruptcy proceedings, with seniority over other claims.

As of year-end 2010, loans and advances to banks and customers, plus financial assets, accounted for 87% of total consolidated balance-sheet assets; when guarantees are included, this ratio is 194%. Expansion of OKB's export promotion activities--as measured by increases in loans and advances to banks and customers, financial assets, and guarantees--averaged negative 1% per year over the past three years, compared with a strong increase of 14% for 2006-2008. (For more balance sheet information, see table 3). With uncertainty about the global economic development, we believe that loans and advances might stagnate over the coming years, depending on the development of export markets eligible for Austrian guarantees and export financings.

With no changes to OKB's business model expected for the future, we believe the bank's asset quality should remain very strong. Provisioning in connection with export financing consists of a fund for interest stabilizing, set up by

OKB to stabilize the interest rates on export loans (for more information, see table 4).

Table 3

Oesterreichische Kontrollbank AG--Key Balance Sheet Data (Consolidated)							
--Year-ended Dec. 31--							
(Mil. €)	2010 (Mil. \$)	2010	2009	2008	2007	2006	2005
Assets							
Cash and cash equivalents	120.4	83.1	189.3	989.8	711.1	230.6	186.8
Loans and advances to banks	40,876.2	28,192.3	30,294.0	35,555.8	28,746.9	23,904.3	22,596.1
Loans and advances to customers	2,038.9	1,406.2	1,558.7	2,037.8	2,131.3	2,191.0	2,257.0
Allowance for impairment losses on loans and advances	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.7)	(0.7)
Other financial instruments	1,966.4	1,356.2	645.9	635.7	793.7	846.8	874.9
Interests in equity-accounted investees	76.7	52.9	49.0	54.4	16.4	N.A.	N.A.
Tangible and intangible assets, tax assets	120.3	83.0	79.2	82.9	91.5	35.1	38.6
Other assets	6,711.3	4,628.8	1,435.9	2,189.8	528.5	532.4	1,059.1
Total assets	51,910.0	35,802.3	34,251.7	41,546.0	33,019.4	27,739.5	27,011.9
Liabilities							
Deposits from banks	2,046.1	1,411.2	980.6	1,276.1	835.9	1,367.5	1,940.2
Deposits from customers	881.7	608.1	516.8	421.1	343.6	614.9	764.7
Debt securities is issue	44,072.5	30,396.8	29,876.1	36,538.3	28,140.2	22,866.0	22,046.8
Provisions	936.3	645.8	507.4	635.9	1,006.9	1,091.1	1,055.0
Other liabilities	3,148.2	2,171.3	1,843.5	2,218.4	2,253.0	1,400.5	836.2
Total liabilities	51,084.7	35,233.1	33,724.3	41,089.9	32,579.6	27,340.0	26,643.1
Capital							
Paid-in capital	188.5	130.0	130.0	130.0	130.0	130.0	130.0
Other capital	636.8	439.2	397.4	326.1	309.7	269.5	238.8
Total shareholders' equity	825.3	569.2	527.4	456.1	439.8	399.5	368.8
Other items							
Guarantees*	55,833.0	38,508.0	40,650.0	44,446.0	37,460.0	32,108.0	30,939.0
Operating income	109.4	79.3	85.2	90.6	83.5	64.1	50.9
Net income	99.6	72.2	91.7	22.6	58.8	46.6	47.7

*Guarantees under mandate of Republic of Austria and not at risk of Oesterreichische Kontrollbank AG. N.A.--Not available.

Table 4

Oesterreichische Kontrollbank AG--Profit And Loss Account (Consolidated)							
--Year ended Dec. 31--							
(Mil. €)	2010 (Mil. \$)	2010	2009	2008	2007	2006	2005
Interest and similar income	1090.9	790.5	1,119.6	1,318.9	1,095.4	826.4	605.2
Interest and similar expense	(961.2)	(696.5)	(1,011.9)	(1,210.0)	(998.4)	(743.8)	(528.5)
Net interest income	139.4	101.0	107.3	109.0	96.9	82.6	76.7
Net fee and commission income	70.7	51.2	46.0	46.4	43.1	39.5	37.9
Administrative expenses	(110.5)	(80.1)	(76.9)	(71.7)	(68.8)	(69.4)	(73.4)
Balance of other income and expenditure	9.9	7.2	8.8	7.0	12.3	11.4	9.8
Operating profit	109.4	79.3	85.2	90.7	83.5	64.1	50.9

Table 4

Oesterreichische Kontrollbank AG--Profit And Loss Account (Consolidated) (cont.)							
Net gain or loss on financial instruments	18.8	13.6	33.8	(62.6)	(9.1)	(3.0)	10.5
Pretax profit	128.2	92.9	118.9	28.1	74.3	61.1	61.4
Income tax and other taxes	(28.6)	(20.7)	(27.2)	(5.6)	(15.6)	(14.4)	(13.5)
Minority interest	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Profit for the year attributable to shareholders of the parent	99.4	72.0	91.5	22.4	58.5	46.6	47.7

Profitability: Modest, Reflecting Public Policy Mandate

In keeping with its public policy mandate, OKB's profitability is fairly modest. In 2010, profitability slightly declined compared with the exceptional 2009 results, but is still the second highest of the past six years. While net interest income slightly declined, net fee and commission income increased. Operating profits were also slightly lower than in 2009. Although the bank's stated strategy is not to maximize profits, it is nevertheless committed to generating sufficient profits to support its interest stabilization fund and maintain a stable dividend payout ratio.

Given OKB's low-risk business, margins on export loans are very low. The ratios of operating profits to assets generating earnings of 25.6 basis points and operating profits to shareholders' equity of 13.9% compare well with those of OKB's peers, such as KfW and Landwirtschaftliche Rentenbank. This partly reflects OKB's need to secure stable dividend payments, which the two German development banks do not pay. For more information see "Financial Data For Rated National Development Banks And Export Credit Agencies," published Aug. 20, 2008.

Net interest income has remained the bank's main source of income, representing 127% of operating profit in 2010. The bank's operating profit declined by 7% from 2009 and profit for the year by 21%. However, profit for the year was positively affected by exceptional revaluation gains in 2009. Given that OKB's profitability has never been hampered by write-offs on loans and advances, in addition to there being no requirement for loan-loss provisioning, we believe its should continue to operate from a low profit base, although write-offs or losses on its financial assets will still affect the bottom line.

Table 5

Oesterreichische Kontrollbank AG--Key Ratios							
(%)	--Year ended Dec. 31--						
	2010	2009	2008	2007	2006	2005	
Debt							
Loans and advances to banks and to customers, financial assets/total assets	86.5	94.9	92.0	95.9	97.1	95.2	
Loans and advances to banks and to customers, financial assets and guarantees/total assets	194.0	213.6	199.0	209.4	212.9	209.8	
Risk provisions loans and advances plus shareholders' equity/total assets	1.6	1.5	1.1	1.3	1.4	1.4	
Risk provisions for loans and advances plus shareholders' equity/Loans and advances to banks and customers and financial assets	1.8	1.6	1.2	1.4	1.5	1.4	
Shareholders' equity / total assets	1.6	1.5	1.1	1.3	1.4	1.4	
Asset quality							
Nonperforming loans/gross outstanding loans	0.0	0.0	0.0	0.0	0.0	0.0	
Consolidated core capital ratio**	107,6*	78.5	72.7	66.9	70.6	61.4	

Table 5

Oesterreichische Kontrollbank AG--Key Ratios (cont.)						
Consolidated capital ratio§	144,4*	104.7	94.1	86.4	88.7	66.8
Funding and Liquidity						
Cash and equivalents plus financial assets/total assets	4.0	2.4	3.9	4.6	3.9	3.9
Cash and equivalents plus financial assets/total liabilities	4.1	2.4	4.0	4.6	3.9	4.0
Profitability						
Operating profit/earnings generating assets (in bps)¶	25.6	26.2	23.7	26.4	23.8	19.8
Operating profit/earnings generating assets and guarantees (in bps)¶¶	11.4	11.6	11.0	12.1	10.9	9.0
Operating profit/ shareholders' equity	13.9	16.2	19.9	19.0	16.0	13.8
Other credit indicators						
Growth in earnings generating assets*	(5.0)	(11.5)	19.6	17.1	4.2	1.8

*In 2010: Risk-weighted assets at €318.1million. Austrian Banking Act exempts OKB in respect of transactions related to export promotion activities from the requirements on solvency. ¶ Consolidated Tier 1 capital ratio. §Regulatory capital resources as percentage of total risk-weighted assets. **Earnings generating assets: Loans to banks, loans to customers and financial assets. ¶¶ Guarantees: Under mandate of Republic of Austria and not at risk of Oesterreichische Kontrollbank AG.

Asset And Liability Management: To Broadly Match The Loan And Funding Portfolio

OKB has ample access to liquidity. Typical of a specialist wholesale bank, OKB's main sources of funds are purchased funds, particularly from international capital markets. OKB is the second-largest 'AAA' rated Austrian borrower (after the Republic of Austria) in the international capital markets, with an average annual long-term funding volume of about €3 billion-€4 billion.

Under the Export Financing Guarantees Act, Austria accords explicit, unconditional, irrevocable, and timely guarantees for the majority of the debt issued by OKB in connection with its export financing business. As of year-end 2010, €33.4 billion of the €45 billion total liability limit was used to cover principal amounts and exchange rate risks. About 21% of outstanding debt consists of long-term liabilities of more than five years, and 47% is one to five years in tenor. We rate OKB's guaranteed and unguaranteed debt equally, as long as unguaranteed debt remains at expected amounts and OKB maintains an excellent asset quality.

OKB's asset-liability management (ALM) changed to a quantitative risk management system, which will additionally include a fund transfer pricing system. Following its implementation, the staffing requirement increased. Overall, we view the bank's ALM as tightly monitored with an emphasis on long-term lending and funding. OKB uses swaps and other derivative instruments as pure hedging instruments to achieve attractive funding. Internal requirements concerning the credit quality of counterparties, the use of credit enhancement, and the monitoring of current exposure are in line with industry best practices.

Table 6

Oesterreichische Kontrollbank AG--Debt Programs						
	Issue rating	Established	Guarantor	Size (bil.)	Euro equivalent (bil. €)	
Euroshelf debt issuance program	AAA	1992	Republic of Austria	N/A	N/A	
Global issuance facility (SEC)	AAA	1998	Republic of Austria	N/A	N/A	
Japanese shelf	AAA	1988	Republic of Austria	¥400.0	3.7	
A\$ Debt issuance program	AAA/A-1+	2010	Republic of Austria	N/A	N/A	

Table 6

Oesterreichische Kontrollbank AG--Debt Programs (cont.)					
Euro CP program	A-1+	1985	Republic of Austria	€ 10.00	10
U.S. CP program	A-1+	1986	Republic of Austria	\$2.00	1.4
French CD program	A-1+	2002	N/A	€ 5.00	5

CP--Commercial paper. CD--Certificates of deposit. N/A--Not applicable. A\$--Australian dollar.

Capital: Well Capitalized Relative To Its True Risk Assets

OKB's shareholders' equity is very moderate, at 1.6% of total assets as of year-end 2010. We view comparisons between OKB's capital adequacy and that of commercial banks as fundamentally flawed, however, because OKB holds very few nongovernment loans in its loan portfolio. OKB is therefore well capitalized relative to its true risk assets, and risk-weighted capital adequacy ratios of 144.4% and tier 1 capital ratio of 107.6% are in excess of regulatory requirements.

As of year-end 2010, total shareholders' equity capital amounted to €569.2 million. The bank is in full compliance with the reserve standards required by law. Given OKB's exemption from holding risk capital for assets in connection with export financing, and its otherwise very robust risk-weighted capital ratios and reserve levels, we think there is no need for OKB to raise additional equity in the foreseeable future.

Ratings Detail (As Of August 9, 2011)*	
Oesterreichische Kontrollbank AG	
Counterparty Credit Rating	AAA/Stable/A-1+
Certificate Of Deposit	
Local Currency	A-1+
Counterparty Credit Ratings History	
17-Jun-1986	AAA/Stable/A-1+
18-Sep-1976	AAA/Stable/--
Sovereign Rating	
Austria (Republic of)	AAA/Stable/A-1+
Related Entities	
Austria (Republic of)	
Issuer Credit Rating	AAA/Stable/A-1+
Transfer & Convertibility Assessment	AAA
Commercial Paper	A-1+
Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft	
Issuer Credit Rating	AAA/Stable/A-1+
KA Finanz AG	
Issuer Credit Rating	A/Stable/A-1
Certificate Of Deposit	A/A-1
Commercial Paper	A-1
OeBB-Infrastruktur AG	
Issuer Credit Rating	AAA/Stable/A-1+
Oesterreichische Entwicklungsbank AG	
Issuer Credit Rating	AA+/Stable/A-1+

Ratings Detail (As Of August 9, 2011)***(cont.)**

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

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