



Österreichische Volksbanken-Aktiengesellschaft

(incorporated as a stock corporation in the Republic of Austria)

Prospectus Supplement No. 3 relating to the € 7,000,000,000 Debt Issuance Programme

This supplement (the **Supplement**) constitutes a prospectus supplement pursuant to Art 16 (1) of the Directive 2003/71/EC (the **Prospectus Directive**) and sec 6 of the Austrian Capital Markets Act (*Kapitalmarktgesetz*) (the **Act**) and is supplemental to, and should be read in conjunction with, the prospectus dated 9 June 2008 (the **Original Prospectus**), the first supplement dated 31 October 2008 and the second supplement dated 13 November 2008 (the **First Supplement**, the **Second Supplement** and together with the Original Prospectus and this Supplement, the **Prospectus**) relating to the € 7,000,000,000 Debt Issuance Programme (the **Programme**) of Österreichische Volksbanken-Aktiengesellschaft (the **Issuer**).

The Original Prospectus was approved on 9 June 2008 by the Austrian Financial Market Authority (Job No: 2008-0275) and published on 9 June 2008 by making it available in printed form, free of charge, to the public at the registered office of the Issuer and the internet homepage of the Issuer. A notice about the way of publication and where the Original Prospectus could be obtained was published on 11 June 2008 in the *Amtsblatt zur Wiener Zeitung*. The First Supplement was approved on 31 October 2008 by the Austrian Financial Market Authority (Job No: 2008-0275) and published on 29 October 2008 by making it available in printed form, free of charge, to the public at the registered office of the Issuer. A notice about the way of publication and where the First Supplement could be obtained was published on 29 October 2008 in the *Amtsblatt zur Wiener Zeitung*. The Second Supplement dated 13 November 2008 was approved on 13 November 2008 by the Austrian Financial Market Authority (Job No: 2008-0275) and published on 13 November 2008 by making it available in printed form, free of charge, to the public at the registered office of the Issuer. A notice about the way of publication and where the Second Supplement could be obtained was published on 07 and on 13 November 2008 in the *Amtsblatt zur Wiener Zeitung*.

This Supplement has been filed for approval with the Austrian *Finanzmarktaufsichtsbehörde* (the **FMA**) in its capacity as competent authority under the Act and has been filed with the Filing Office (*Meldestelle*) at Oesterreichische Kontrollbank Aktiengesellschaft in accordance with the Act. This Supplement has also been filed with the Wiener Börse AG (the **Vienna Stock Exchange**) which has admitted the notes under the Prospectus (the **Notes**) to the Official Market (*Amtlicher Handel*) and the Second Regulated Market (*Geregelter Freiverkehr*) and the Baden-Württembergische Wertpapierbörse (EUWAX), which has admitted the Notes under the Programme to its regulated market. This Supplement has been published by making it available in printed form, free of charge, to the public at the registered office of the Issuer, Kolingasse 19, 1090 Vienna, Austria.

Terms defined in the Original Prospectus shall have the same meaning when used in the Supplement.

This Supplement does not constitute an offer of, or an invitation by or on behalf of any of the Issuer, the Dealers or the Arranger to subscribe for, or purchase, any Notes.

To the extent that there is any inconsistency between a) any statement in this Supplement and b) any other statement in or contemplated by reference in the Original Prospectus and/or the First Supplement and/or the Second Supplement, the statements in a) above will prevail.

In accordance with Art 16 of the Prospectus Directive and sec 6 of the Act, investors who have agreed to purchase or subscribe for Notes after the occurrence of the significant new factor this section (1) of this Supplement relates to but before the publication of this Supplement have a right to withdraw their acceptances within two banking days after the date of publication of this Supplement. In case investors are consumers in the sense of sec 1 para 1 No 2 of the Austrian Consumer Protection Act (*Konsumentenschutzgesetz*), the period for a withdrawal of their acceptances is one week after the day on which this Supplement has been published.

This Supplement does not constitute an offer to sell, or the solicitation of an offer to buy Notes in any jurisdiction where such offer or solicitation is unlawful. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933.

Arranger

BNP PARIBAS

DZ BANK AG

Dealers

VBAG

BNP PARIBAS

DZ BANK AG

The Issuer accepts responsibility for the information contained in this Supplement. Having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of the knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect its import.

No person has been authorised to give any information or to make any representation other than those contained in this Supplement in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (other than the Issuer). Neither the delivery of this Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Supplement has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Supplement has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to US persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Supplement, see "Subscription and Sale" of the Original Prospectus.

This Supplement does not constitute an offer of, or an invitation by or on behalf of any of the Issuer, the Dealers or the Arranger to subscribe for, or purchase, any Notes.

The Dealers and the Arranger (other than the Issuer) have not separately verified the information contained in this Supplement. None of the Dealers or the Arranger (other than the Issuer) makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement. Neither this Supplement nor any financial statements supplied in connection with the Programme or any Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Dealers or the Arranger that any recipient of this Supplement or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Supplement or any financial statements and its purchase of Supplement should be based upon any such investigation as it deems necessary. None of the Dealers or the Arranger (other than the Issuer) undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Supplement nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger (other than the Issuer).

Significant new factors (as referred to in Art 16 (1) of the Prospectus Directive and sec 6 of the Act) relating to the information included in the Original Prospectus which are capable of affecting the assessment of the Notes, have arisen. Furthermore, the Issuer intends to amend the Programme in order to be able to issue Notes also in the form of Republic of Austria Guaranteed Notes. Therefore, the following changes / supplements are herewith made to the Original Prospectus:

1. SIGNIFICANT NEW FACTORS

1.1 Increase of the aggregate nominal amount

The board of directors of the Issuer has resolved to increase the aggregate nominal amount of the Notes outstanding under the Prospectus from currently EUR 7,000,000,000 to EUR 10,000,000,000 (or the respective equivalent in other currencies). The references to the aggregate nominal amount in the Original Prospectus are made accordingly.

1.2 Expected performance of the Issuer and the VBAG Group

(a) The following paragraph is added at the end of the chapter below the heading "1.3 Summary regarding the Issuer – Financial Information" on page 19 of the Original Prospectus:

“The third quarter report 2008 includes the impairment of the goodwill of the Kommunalkredit sub-group in the amount of Euro 125 mn under the item ‘other operating results’”

(b) The following paragraph is added at the end of the chapter below the heading "Description of the Issuer – Business history and business development of VBAG - Recent developments" after the paragraph beginning with “On 3 November 2008...” on page 2 of Annex 1 of the Second Supplement to the Original Prospectus:

“The third quarter report 2008 includes the impairment of the goodwill of the Kommunalkredit sub-group in the amount of Euro 125 mn under the item ‘other operating results’”

(c) The first paragraph below the heading "3.5 Trend information – Statement" on page 11 of Annex 1 of the Second Supplement to the Original Prospectus is entirely replaced by the following paragraph:

“Since the end of the period covered by the last audited financial statements, VBAG has not been immune to the effects of the international financial crisis. The VBAG Group is expecting a negative performance for the business year 2008. For further information please see "3. Description of the Issuer – Business history and business development of VBAG - Recent developments" above.”

1.3 Planned issue of participation capital

(a) The following paragraph is added at the end of the chapter below the heading "1.3 Summary regarding the Issuer – Financial Information" on page 19 of the Original Prospectus:

“VBAG is considering to issue participation capital according to Sec 23 (4) of the Austrian Banking Act (Bankwesengesetz) in a total amount of up to Euro 1 billion, to be subscribed entirely by the Republic of Austria in accordance with the federal statute on safety measures for the stabilisation of the financial market (Bundesgesetz über Maßnahmen zur Sicherung der Stabilität des Finanzmarktes). The general meeting of the shareholders of the Issuer has resolved on 15 December 2008 to authorise the management board (with the consent of the supervisory board) to issue participation capital within five years after the resolution has been adopted.”

(b) The following paragraphs are added at the end of the chapter below the heading "Description of the Issuer – Business history and business development of VBAG - Recent developments" on page 2 of Annex 1 of the Second Supplement to the Original Prospectus:

“VBAG is considering to issue participation capital according to Sec 23 (4) of the Austrian Banking Act (Bankwesengesetz) in a total amount of up to Euro 1 billion, to be subscribed entirely by the Republic of Austria in accordance with the federal statute on safety measures for the stabilisation of the financial market (Bundesgesetz über Maßnahmen zur Sicherung der Stabilität des Finanzmarktes). It is expected that the general meeting of shareholders of the Issuer will decide on 15 December 2008 on the authorisation of the management board (with the consent of the supervisory board) to issue participation capital within five years after the resolution has been adopted.”

2. REPUBLIC OF AUSTRIA GUARANTEED NOTES

2.1 The first sentence of the second paragraph on the first page of the Original Prospectus starting “Under the debt issuance programme [...]” is supplemented by the wording underlined below and reads as follows:

“Under the debt issuance programme (the "Programme") described in this prospectus (the "Prospectus"), Österreichische Volksbanken-Aktiengesellschaft ("VBAG" or the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue senior and subordinated notes, Tier 1 notes and Covered Bonds as well as notes guaranteed by the Republic of Austria, as bearer notes ("Inhaberschuldverschreibungen"), and senior and subordinated derivative bearer notes (including warrants and certificates), with or without a nominal amount (together the "Notes").”

2.2 The paragraph with the the heading "General information relating to the programme" on page 8 of the Original Prospectus is supplemented by the wording underlined below:

“Description: Debt issuance programme (the "Programme") for the issue of senior and subordinated notes, Tier 1 notes Covered Bonds and Notes guaranteed by the Republic of Austria ("Republic of Austria Guaranteed Notes") as bearer notes (Inhaberschuldverschreibungen) and senior and subordinated derivative bearer notes (including warrants and certificates), with or without a nominal amount (together the "Notes").”

2.3 The following paragraph is added after the heading “General information relating to the programme – Issuer” on the page 8 of the Original Prospectus:

“Guarantor: Republic of Austria (for Republic of Austria Guaranteed Notes only).”

2.4 The paragraph with the the heading "Summary of the Programme – 1.1. The Programme - Status of Notes" on page 13 of the Original Prospectus is supplemented by the wording underlined below:

“Status of Notes: The Notes may be issued as senior Notes ("Senior Notes"), subordinated Notes ("Subordinated Notes"), Tier 1 Notes, Covered Bonds or Notes guaranteed by the Republic of Austria ("Republic of Austria Guaranteed Notes"), as described in "Terms and Conditions of the Notes - Status".”

2.5 The following paragraph is added after the heading “Summary of the Programme – 1.1. The Programme - Covered Bonds” at the end of the page 13 of the Original Prospectus:

*“Republic of Austria
Guaranteed Notes:*

Republic of Austria Guaranteed Notes will, subject as specified in the relevant Final Terms, constitute direct, unconditional and unsubordinated obligations of the Issuer, guaranteed by the Republic of Austria (federation, "Bund") according to sec 2 of the Federal Statute on Strengthening the Interbanking Market (Bundesgesetz zur Stärkung des Interbankmarktes (Interbankmarktstärkungsgesetz – IBSG), as described in "Terms and Conditions of the Notes - Status".”

2.6 The following paragraph is added after the paragraph after the heading “2. Risk Factors – 2.2. Risk factors relating to the Notes – Risk of individual product categories - Covered Bonds“ on page 34 of the Original Prospectus:

“Republic of Austria Guaranteed Notes

Payment obligations under Republic of Austria Guaranteed Notes are secured by a guarantee of the Republic of Austria issued pursuant to sec 2 of the Federal Statute on Strengthening the Interbanking Market. The fulfilment of any obligations of the Republic of Austria under the guarantee depends on the solvency of the Republic of Austria.”

2.7 The following paragraph is added after the last sentence of the paragraph after the heading „5. Terms and Conditions of the Notes - §2 Status - (5) Tier 1 Notes“ on page 77 of the Original Prospectus:

*“(6) **Republic of Austria Guaranteed Notes.** Notes that are specified in the Final Terms (item 15) to be Republic of Austria Guaranteed Notes constitute direct, unconditional and unsubordinated obligations of the Issuer, ranking pari passu among themselves, and are guaranteed by the Republic of Austria (federation, "Bund") in accordance with a guarantee attached to the Final Terms and issued pursuant to sec 2 of the Federal Statute on Strengthening the Interbanking Market (Bundesgesetz zur Stärkung des Interbankmarktes (Interbankmarktstärkungsgesetz – IBSG).*”

2.8 In item 15 of the Form of Final Terms for Notes on page 117 the item “*Republic of Austria Guaranteed Notes (pursuant to a guarantee attached to the Final Terms)*” is added after the point “Tier 1 Notes”.

2.9 The following paragraph is added after the last sentence of the paragraph after the heading “5.4. Emissionsbedingungen der Schuldverschreibungen - §2 Rang - (5) Tier 1 Schuldverschreibungen“ on page 145 of the Original Prospectus:

*“(6) **Von der Republik Österreich Garantierte Schuldverschreibungen.** Wenn die Schuldverschreibungen in den Endgültigen Bedingungen (Punkt 15) als von der Republik Österreich Garantierte Schuldverschreibungen bestimmt werden, begründen die Schuldverschreibungen direkte, unbedingte und nicht-nachrangige Verpflichtungen der Emittentin, die untereinander den gleichen Rang haben und die von der Republik Österreich (Bund) gemäß einer den Endgültigen Bedingungen angeschlossenen Garantieerklärung im Sinne des § 2 Bundesgesetz zur Stärkung des Interbankmarktes (Interbankmarktstärkungsgesetz – IBSG) garantiert werden.*“

2.10 In item 15 of the "Formular für die endgültigen Bedingungen von Schuldverschreibungen" on page 190 the item “*Von der Republik Österreich Garantierte Schuldverschreibungen (gemäß den Endgültigen Bedingungen angeschlossener Garantieerklärung)*” is added after the point “Tier 1 Schuldverschreibungen”.

2.11 On page 4 of the Original Prospectus, below the heading entitled "SOURCES OF INFORMATION", the following sentence is inserted as the second sentence of the paragraph:

"The information contained in chapter "9. REPUBLIC OF AUSTRIA GUARANTEED NOTES" has been received by the Issuer from the Austrian Federal Finance Agency (Österreichische Bundesfinanzierungsagentur)."

2.12 As a new chapter "9. REPUBLIC OF AUSTRIA GUARANTEED NOTES" the following text is added:

"9.1 Nature of the Guarantee

*The Federal Minister of Finance may pursuant to sections 1(4) and 2 of the Federal Statute on Strengthening the Interbanking Market and an order issued on its basis, provide guarantees by the Republic of Austria (the **Guarantor**) for issues of notes by credit institutions. On the basis of these provisions, the Republic of Austria ("Bund"), represented by the Federal Minister of Finance, and the Issuer may from time to time enter into guarantee agreements (each a **Guarantee**) with certain maximum guaranteed amounts stated therein for notes issued under this Programme. Notes, to which the benefit of a Guarantee pertains, will be designated as "Republic of Austria Guaranteed Notes" in the Final Terms, and each Guarantee covering such issue of Notes will be attached to the Final Terms relating to such issue..*

9.2 Scope of the Guarantees

In the Guarantees, the Republic of Austria irrevocably and unconditionally guarantees the due and punctual payment of all amounts (whether in respect of principal, redemption amount, premium (if any), interest or otherwise) falling due under the respective Republic of Austria Guaranteed Notes and all other monies payable by the Issuer in respect thereof.

*Each Guarantee constitutes unconditional and unsecured obligations of the Republic of Austria and ranks *pari passu* with all other unsecured obligations (other than subordinated obligations) of the Republic of Austria. Payments by the Republic of Austria under the Guarantee will, save as provided in the Guarantee, be made without deduction for or on account of Austrian taxes.*

The Guarantee will be attached to the Final Terms of the respective Series of Republic of Austria Guaranteed Notes.

9.3 Information to be disclosed about the Guarantor

1. PERSONS RESPONSIBLE

The Issuer has been provided with the information (including quotation of sources) contained in this chapter "9.3 Information to be disclosed about the Guarantor" by third persons and has prepared this chapter 9.3. on the basis of such information without any further inquiry or verification.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this chapter "9.3 Information to be disclosed about the Guarantor" is, to the best of its knowledge in accordance with the facts and contains no omission likely to affect its import.

2. RISK FACTORS

The Guarantor is not aware of any risks which may affect the fulfilment of its obligations under the Guarantee. Generally, the Guarantor has been rated AAA by Moody's Investors Service, Standard & Poor's and Fitch Inc.

3. INFORMATION ABOUT THE GUARANTOR

3.1 The Guarantor is usually referred to as "Republic of Austria" in an international law context and interchangeably as "Republic of Austria" or "Federation" (Bund) in national law as opposed to the nine constituent provinces and the municipalities.

For details on the political system and of the Federation therein, see below at 3.5.1.

3.2 The Republic of Austria is situated in Central Europe between the latitudes 4622'N and 4910'N and longitudes 932'E and 1710'E. It is bordered by Switzerland and Liechtenstein on the west, Germany and the Czech Republic on the north, Slovakia and Hungary on the east, and Slovenia and Italy on the south.

Austria has an area of around 83,870 square kilometres. The western and southern regions of Austria, containing the Austrian Alps, are mountainous and heavily forested. There are fertile plains in the eastern parts of the country and in the valley of the Danube River, which flows through Austria for a distance of 350 kilometres. Austria's highest mountain is the Grossglockner, which reaches 3,798 meters above sea level.

Austria lies in the temperate zone, but its climate shows transitional characteristics from the temperate west to the continental east. There are also major regional differences in view of the country's geography. Rainfall figures show a marked increase from east to west, which also coincides with the rising height of the land.

According to official estimates, the population of Austria will reach about 8.32 million in 2007, with yearly population growth rates under 1%. In the year 2005, Vienna, Austria's capital, had a population of approximately 1.65 million, corresponding to approximately 20 % of the total population. Of the total number of people at work in 2005 (i.e. 3.82 million), 5,5 % were working in agriculture and forestry, 27.5 % in industry and 67 % in the service sector.

The Guarantor is represented jointly by its government (or the competent minister as the case may be) which may be contacted through the Federal Chancellery as follows:

*Bundeskanzleramt /Federal Chancellery
Ballhausplatz 2
A - 1014 Vienna
Austria*

Tel.: +43/1/53115-0

3.3 There have been no material events which may affect the Guarantor's ability to meet its financial requirements under the Guarantee. For a detailed description of the financial position see chapters 3.4. A description of the guarantor's economy and 4.6. Federal Budget.

3.4 A description of the guarantor's economy

3.4.1 Agriculture and Forestry

Austria has one of the largest forest areas in Europe. About 43% of its surface area, or approximately 14,000 square miles, are forested. Austria is a net-exporter of animal products and a net-importer of plant products (mainly fruits and vegetables) with an over-all food self sufficiency ratio of approximately 90 %. Exports of lumber and forest products, including paper, paperboard and pulp, represented 7.3 % of Austria's exports in 2007. In 2007, approximately 172,000 persons were active in agriculture and forestry, representing 4.8 % of Austria's labour force (measured as full-time equivalent). The respective share of GDP was 1.7 % in 2007.

3.4.2 Manufacturing and Extractive Industries

In 2007, Austrian manufacturing and extractive industries employed an average of approximately 624,000 workers representing 20 % of Austria's employees. Most of Austria's manufacturing and extractive industries are concentrated in the Vienna region and in the provinces of Lower and Upper Austria and Styria.

The following table sets forth information concerning production of the principal sectors of Austria's manufacturing and extractive industries as reflected in indexes based on unit volume of production for the years 2005 to 2007. Manufacturing output increased in almost all industries between 2006 and 2007 compared to 2005.

Production of Manufacturing and Extractive Industries 2005=100

	2005	2006	2007
Industry excl. energy	100.0	108.4	114.0
Major sectors			
Mining and quarrying	100.0	93.1	93.3
Oil and natural gas	100.0	121.3	121.3
Iron and Steel	100.0	113.2	116.4
Non-ferrous metals	100.0	131.0	138.1
Non-met. mineral products	100.0	102.4	101.7
Glass	100.0	109.6	115.7
Chemicals	100.0	104.7	114.4
Pulp and paper	100.0	97.1	98.6
Paper products	100.0	118.6	126.1
Wood products	100.0	109.8	114.0
Food, beverages and tobacco	100.0	108.2	109.4
Leather	100.0	62.2	61.0
Leather products	100.0	78.6	60.3
Textiles	100.0	100.8	100.2
Clothing	100.0	108.8	103.1
Foundries	99.9	108.9	116.5
Machinery	100.9	116.2	128.0
Vehicles	99.9	103.1	102.0
Metal products	100.0	104.6	107.2
Electrical equipment	100.0	101.8	115.6

Source: WIFO, as published on 16 December 2008 at:

http://www.wifo.ac.at/www/jsp/wwd_viewer.jsp?url=http%3A%2F%2Fwww.wifo.ac.at%2Fcgibin%2Ftabellen%2Ftranstb2.cgi%3F%2B1%2Bindustrie.print%2B%2B%2B%2B%2B%2B0%2B%2B1

In terms of gross value of production, the most important industries and industry groups were metal products (ferrous and non-ferrous metals, machinery and steel construction, and motor vehicles), chemicals, forest products (paper and wood production and processing), food, electric and electronic equipment and textiles.

Iron ore deposits, which are principally found in the province of Styria, supply a significant portion of the ore used by the Austrian steel industry. Austria has important deposits of lignite, magnetite, salt, and graphite and some minor deposits of copper, lead, zinc and kaolin. Austria is one of the world's largest suppliers of magnetite, a refractory material used in making fire-brick linings of steel furnaces and for other industrial purposes. Austria's deposits of graphite are also among the largest in the world.

3.4.3 Construction

In 2007 on average, approximately 247,400 persons were employed in construction, representing 7.4 % of Austria's wage and salary earners. Construction industry contributed 8.0 % to total gross value added in 2007.

3.4.4 Electric Utilities

The Electricity Balance in Austria (Public grid) for the years 2007 to 2008 is presented in the table below (abbreviated):

Public Net	Gross Production				Physical Exchange		Domestic Consumption		
	Run of River	Head Installations (Reservoirs)	Conventional Thermal	Other Sources	physical Imports	physical Exports	Used for Pumped Storage	Own consumption (auxiliaries)	Delivery to / Use in the Public Grid
Year	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh
2007	22174 601	11191 469	14527 754	7669 689	22012 903	15416 898	2981 401	1177 027	58001 088
2008*	20796557.5	10075403.16	11559260.33	6635961.343	15288835.85	12290579.79	2544614.623	932748.291	48588075.5

*) 2008 - preliminary data January through October

Source: E-Control Austria, as published on 16 December 2008 at:

http://www.e-control.at/portal/page/portal/ECONTROL_HOME/STROM/ZAHLENDATENFAKTEN/ENERGIESTATISTIK/Berichtsjahr2008/files/2008_ElecPubNet-10.xls, spread sheet data_dia.

3.4.5 Trade and Services

In 2007, trade accounted for 11.1 % of total gross value added at current prices. In 2007 on average, 535,706 persons were employed in the trading sector, representing 16.3 % of Austria's wage and salary earners. According to the latest available estimates in 2007, there were 77,435¹ retail trade and wholesale trade enterprises in Austria.

In 2007, hotels and restaurants accounted for 4.1 % of total gross value added at current prices. On average, 169,000 persons were employed, representing 5.2 % of Austria's total wage and salary earners.

3.4.6 Banking and Insurance

In 2007, banking and insurance accounted for 5.5 % of total gross value added at current prices. The sector employed a total of 109,100 persons (of which banking 75,400, and insurance 26,600) representing 3.5 % of Austria's wage and salary earners.

The private Austrian insurance industry consisted of 52 insurance companies registered with the Austrian Financial Market Authority, in 2006. Another 25 companies operated through branches, and 689 insurers are registered to direct underwriting under single license and prudential control within the European Economic Area.

3.4.7 Tourism

Austria's resorts enjoy extended summer and winter seasons. The natural and scenic attractions of Austria's mountains, lakes, and resorts and the country's traditional position in music, theatre, literature and other forms of art and science each year attract many tourists from all over the world. Austrian federal, provincial, and municipal authorities provide sizeable funds every year, such as subsidised loans and financial aids for provincial festivals and fares, to support and develop the tourist industry.

The total number of overnight stays by foreign tourists has increased since 1997 and reached 88.4 million in 2007. Austrian tourism benefited from favorable positioning in the rapidly expanding short vacation segment, as well as from structural improvements in and the modernization of tourism facilities. In comparison to the previous year the number of total overnight stays by both foreigners and Austrians increased in 2007 by 1.7% and reached a level of 121.4 million. In particular, more overnight stays of guests from the 12 new EU member states (+17.1%) and Russia (+24.7%) were recorded. At Austria's most important market, Germany, the demand decreased slightly by 1.3% (2007: 48.2 million overnight stays). A significant decline was registered for overnight stays of Japanese tourists (-15.5%). The demand of domestic tourists, however, developed relatively favourable (+2.7% from previous year).

Gross Domestic Product with a Breakdown by the Guarantor's economic Sectors over for the previous two fiscal years.

¹ Statistisches Jahrbuch 2008, page 395, as published on 16.12.2008 at:

The following table shows the major economic activities contributing to Austrian gross domestic product for the years 2006 through 2007 at current prices.

Gross Domestic Product		
reference year 2000		
	2006	2007
<i>Agriculture and Forestry</i>	3.62	3.93
<i>Mining and quarrying</i>	0.93	0.98
<i>Manufacturing</i>	45.83	48.36
<i>Electricity, gas and water</i>	6.06	5.96
<i>Construction</i>	14.57	14.99
<i>Wholesale and retail trade</i>	26.18	26.57
<i>Restaurants and hotels</i>	8.53	8.73
<i>Transport, storage and communication</i>	14.87	15.33
<i>Finance intermediation</i>	12.69	13.77
<i>Real estate, renting and business activity</i>	37.22	38.33
<i>Public administration⁽²⁾</i>	11.78	11.72
<i>Other services</i>	29.69	30.15
<i>Total</i>	211.72	218.35
Gross Domestic Product at market prices	233.09	240.24

(1) Projections including mining and quarrying

(2) Including defence and social security.

Source: WIFO, as published on 16 December 2008 at: <http://www.wifo.ac.at/cgi-bin/tabellen/transtb2.cgi?2+2+netkonj+++++9943++1>

3.5 A general description of the guarantor's political system and government including details of the governing body of the guarantor

3.5.1 Federal State

Under the "Austrian Federal Constitution Act of 1920, as amended in 1929", Austria is a democratic and federal republic, with legislative and executive powers divided between the federation and the nine constituent provinces ("Bundesländer"). The federation acts as Guarantor under the Guarantee.

The responsibilities of the federation include foreign affairs; federal finances; customs; money, credit and banking; rail, water and air transport; federal highways; the judiciary; post, telegraph, and telephone services; coordination of the electricity supply system; and military affairs. Responsibilities not specifically assigned by the Federal Constitution to the federation are reserved to the Bundesländer.

3.5.2 Legislation

The legislative power of the federation is vested in a bicameral legislature consisting of the Nationalrat and the Bundesrat. The 183 members of the Nationalrat are elected for a period of five years by direct, secret, and popular suffrage under a system of proportional representation. The Nationalrat may be dissolved before termination of the term of five years for which it is elected by

its own action or by the Federal President. The present Nationalrat was elected on 28 September 2008. The next elections are due to take place in 2013.

The members of the Bundesrat are elected periodically by the diets of the Bundesländer among its members or other citizens in proportion to the population of the Bundesländer.

Federal laws are adopted by the Nationalrat on the initiative of the Federal Government, of members of the Nationalrat being at least eight in number, or of the Bundesrat; in exceptional cases also of at least 100,000 citizens of the Republic holding the right of suffrage or of 1/6 of such citizens of any three Bundesländer. The Bundesrat may veto laws enacted by the Nationalrat, with the exception of laws on certain matters, including the laws on the federal budget and laws on government loans. Upon the veto of the Bundesrat, the law affected thereby may be adopted with final effect if the Nationalrat with a quorum of half of its members resolves to insist on the adoption of such law.

Furthermore, the approval of the Nationalrat and of the Bundesrat is required for the coming into force of certain international treaties of the Republic as specified in the Federal Constitution. The Nationalrat exercises legal control over the executive branch by holding the right of impeachment and political control by various democratic means, including the vote of non-confidence. Nationalrat and Bundesrat exercise certain rights of nomination of high officials of the Republic.

3.5.3 Government

The supreme executive powers of the federal government are vested in the Federal President, the Federal Chancellor, and the Federal Government. The Federal President is elected by direct, secret, and popular suffrage for a term of six years. On 25 April 2004, Dr. Heinz Fischer was elected Federal President and was sworn in on 8 July 2004. The chief constitutional powers of the Federal President are the appointment of the Federal Chancellor and the other members of the Federal Government as well as the dissolution of the Nationalrat.

At present (last elections to the Nationalrat of the Republic of Austria: 28 September 2008) the Austrian Social Democratic Party forms a coalition government with the Austrian People's Party. Federal Chancellor since December 2008 has been Werner Faymann.

3.5.4 Judiciary

The judiciary is vested in federal courts. There are ordinary courts to judge civil cases, subject to appeals to the court of appeals and to the Supreme Court, and others to judge criminal cases, subject to appeal for mitigation of the penalty and against alleged mistakes in the application of the law to the court of appeals and to the Supreme Court.

The supreme jurisdiction on administrative acts is vested in a separate supreme court, the Administration Court to which an appeal can be made by any party that alleges it has been affected by an unlawful administrative act, which thereupon may be set aside by independent judges of whom this court is composed.

A third supreme court, the Constitutional Court, rules on the constitutionality of federal laws, the laws of the Bundesländer and of international treaties, on the legality of federal regulations and regulations of the Bundesländer, and on alleged infringements of constitutional rights through

administrative acts. This court is furthermore competent for election control and impeachment procedures.

3.5.5 Taxation

The principal taxes levied by the Republic are taxes on personal and corporate incomes and the value-added tax (“VAT”). Personal income taxation is progressive, with a top marginal rate of 50% on taxable income in excess of EUR 51,000. For employees, this top marginal rate is reduced to about 43% by statutory tax allowances for 1/6 of the yearly income. Corporate income is subject to a flat rate of now 25% (until 2004: 34%). For the VAT, the standard rate is 20%, a reduced rate of 10% is applied to most basic goods and services. By international comparison, effective direct taxation is low and indirect taxation is above average.

Under Austrian law, a fraction of the taxes collected by the federal government must be remitted to the provinces and municipalities under a revenue-sharing plan. The fractions and the taxes involved, and the basis of distribution among the provincial and local entities are negotiated periodically among federal and other governmental authorities, the last agreement of autumn 2004 covers the period 2005-2008.

3.5.6 Federal Budget

The fiscal year for the federal budget is the calendar year. Before the beginning of each year, the federal government submits the proposed annual budget of estimated receipts and expenditures to Parliament (Nationalrat). All central government expenditures and revenues must be approved annually by Parliament. Any increase or shift in expenditures requires the approval by the Nationalrat of a supplementary budget law authorising such increase. However, the Minister of Finance has limited discretionary authority (defined by the Federal Budget Accounting Act and the Federal Budget Act) to increase or shift authorised expenditures provided that additional revenues are available. Financial deficits are mostly financed through borrowing in domestic currency (Euro). Again the approved amount must not be exceeded. If revenues are less than expected, a special budget law must be submitted to Parliament that authorises additional borrowing. However, the Minister of Finance can finance cyclical shortfalls in revenues of up to 3%, but must report to Parliament on such operations. Implementation of the budget is subject to the control of the Court of Accounts (Rechnungshof), which reports directly to Parliament.

4. PUBLIC FINANCE AND TRADE

4.1 For details on the Federal Budget see below at 4.6., for a description of tax and budget see above 3.5.5. and 3.5.6.

4.2 Gross Public Debt including a summary of the debt, the maturity structure of outstanding debt (particularly noting debt with a residual maturity of less than one year) and debt payment record, and of the parts of debt denominated in the domestic currency of the guarantor and in foreign currencies

4.2.1 Debt Securities

<i>Debt Securities of the Federal State – Gross Issues End of period</i>	2003	2004	2005	2006	2007
	<i>EUR million</i>				
Debt securities of Austrian issuers in euro					
<i>central government</i>	21,267	17,974	20,721	21,227	28,659
Debt securities of Austrian issuers in foreign currencies					
<i>central government</i>	15,310	11,034	10,052	15,958	24,058
Total					
<i>central government</i>	36,577	29,008	30,773	37,185	52,717

Source: OeNB, , as published on 16 December 2008 at: <http://www.oenb.at/isaweb/report.do?lang=EN&report=4.1.2>
The sector classification is based on the ESA 95.
abbreviated

The following table presents the volume of outstanding debt securities of the Federal State

<i>Debt Securities of the Federal State – Volumes Outstanding End of period</i>	2003	2004	2005	2006	2007
	<i>EUR million</i>				
Debt securities of Austrian issuers in euro					
<i>central government</i>	112,709	114,710	118,509	128,076	134,219
Debt securities of Austrian issuers in foreign currencies					
<i>central government</i>	16,054	17,240	19,330	15,807	13,577
Total					
<i>central government</i>	128,763	131,950	137,839	143,883	147,796

Source: OeNB, , as published on 16 December 2008 at: <http://www.oenb.at/isaweb/report.do?lang=EN&report=4.1.4>
The sector classification is based on the ESA 95.
abbreviated

4.2.2 Balance of Outstanding Debt

The following table sets forth the direct domestic and external debt (bonds and loans) of the Republic outstanding at December 31, 2007, and the interest payments thereon made by the Republic in 2007:

as of
31.12.2007

Euro

Bond debt 126,475

as of

<i>Government Bonds</i>	121,478
<i>Federal Obligations</i>	4,357
<i>Treasury Bills</i>	639
<i>Loans</i>	13,608
<i>Total</i>	140,082
<i>Foreign Currency</i>	
<i>Bond debt</i>	7,173
<i>as of</i>	
<i>Government Bonds</i>	6,806
<i>Private Placements</i>	367
<i>Loans</i>	121
<i>Total</i>	7,294
<i>Total</i>	147,376
<i>as of</i>	
<i>EUR</i>	140,082
<i>CHF</i>	4,225
<i>JPY</i>	3,069
<i>USD</i>	0

Source: Austrian Federal Financing Agency, as published on 16 December 2008 at: <http://www.oebfa.co.at/e/index.htm> - Debt

4.2.3 Federal debt

Federal debt broken down by the remaining maturity (as of 31 December 2007, in million EUR):

<i>Short-term (1 year)</i>	8,354
<i>payable in foreign currency</i>	672
<i>Medium-term (1 - 5 years)</i>	41,934
<i>payable in foreign currency</i>	6,011
<i>Long-term (5+ years)</i>	97,089
<i>payable in foreign currency</i>	610

Source: Austrian Federal Financing Agency, as published on 16.12.2008 at: <http://www.oebfa.co.at/e/index.htm> - Debt

4.2.4 Guaranteed Debt

In addition to its direct debt, Austria has guaranteed the payment of the principal of, and interest on, certain obligations of public agencies, enterprises in which Austria has an ownership interest, and of others pursuant to the Export Guarantees Act and Export Financing Guarantees Act. The major portion of the debt guaranteed by Austria has been guaranteed pursuant to the Export Guarantees Act and the Export Financing Guarantees Act.

The following table sets forth the principal amount of debt guaranteed by Austria on December 31 of each of the years 2005 through 2007, in bln Euro.

	2005	2006	2007
Domestic	46,327	52,649	66,682
External	21,377	20,601	18,456
Total Guaranteed			
Debt	67,704	73,250	85,138

Source: Bundesrechnungsabschluss 2007 / Federal Balance 2007, page 37, as published on 16 December 2008 at: http://www.rechnungshof.gv.at/fileadmin/downloads/2008/berichte/bundesrechnungsabschluss/BRA_2007_1.pdf

4.2.5 Debt Record

The Federal State has always paid promptly when due the full face amount of the principal of and interest on every obligation issued since 1945 in the currency of the country where payable. In addition, it has paid all amounts payable under its post-war agreements for settlements of its pre-war external debt. Since 1945, the Federal State has not been called on to make any payments in respect of any indebtedness guaranteed by the Federal State except for payments in respect of indebtedness of foreign entities to Austrian exporters that were covered by export credit guarantees issued by the Federal State under the Austrian Export Promotion Act of 1964 or predecessors statutes.

4.3 Foreign Trade and Balance of Payment Figures

4.3.1 Foreign Trade

Over the last thirteen years, foreign trade has greatly increased in importance for the Austrian economy. In 2007, exports of goods and services at current prices (Euro 159 billion) corresponded to a share of 58.3 % of GDP, compared to just 33.6 % in 1994. The accession to the European Union and the Eastern Opening were key factors that helped Austria integrate in the global economy. The increasing importance of exports is also reflected in the increasing globalisation of the Austrian economy, through foreign direct investment and a stronger division of labour caused by international outsourcing. In line with exports, imports of goods and services grew with a similarly extraordinary dynamism. Their share of GDP rose from 34.4 % in 1994 to 51.5 % in 2007.

Nominal net exports of goods and services were negative in 1996 and the years before. In 1996, the deficit ran to € 1.5 billion (-0.8 % of GDP). Since then, there has been a clear trend towards improvement. In 2007, already a surplus of 6.8 % of GDP was reached. This figure is a key indicator of competitiveness and, as a part of total demand, a significant part of GDP. Broken

down by components, real net exports of goods and services 2007 still provide an important contribution to economic growth.

Export of goods expanded again, with two-digit growth rates in nominal terms (+10.1) in the year 2007 (+8.1 % in real terms). Austrian exports benefited from the highly dynamic world economy as well as from the good world trade performance. Imports in 2007 grew at a rate of 9.2 % (+8.0 % in real terms).

Austrian unit labour costs in manufacturing fell by 1.8 % in 2007, compared with an increase by 0.2 % for the euro area as a whole. Measured by relative unit labour costs in a common currency against all trading partners, the Austrian competitive position against all trading partners improved slightly (the relative unit labour costs decreased by 0.4 %). However the real effective exchange rate deteriorated slightly in 2007 (by an increase of 0.8 % in 2007).

Although there is still a high export concentration on the EU-15 market (56 % of total exports of goods), these shares have decreased over the last years. In contrast, the share of exports in the CEEC 21 have increased considerably, reflecting not only the strong economic ties Austria has built up to its neighbouring new EU member states since their opening in 1989, but also Austria's tendency to intensify its economic relationship with more distant south-eastern countries. In 2007, the CEEC 21 were already responsible for 21.5 % of Austria's exports. In 2007 - the year of the accession of Romania and Bulgaria to the EU - exports to Romania and Bulgaria expanded strongly (+15.9 %). Also worth mentioning are the clearly positive growth rates of exports to neighbouring Eastern European countries (Slovenia +25.6 %, Poland +22.3 %, Czech Republic +18.3 %, Slovakia +15.8 %, Hungary +13.4 %). Altogether, almost three quarters of Austrian foreign trade consists of an exchange of goods within the EU. Parts of the extra-EU trade also developed very dynamically in 2007. High growth rates (compared to the previous year) could be seen in exports to Russia (+15.0 %) and China (+33.3 %) as well as to Brazil (+59.3 %) or Norway (+39.2 %). The USA is still the third most important market for Austrian goods, behind Germany and Italy, exports in the US decreased in 2007.

The trade balance improved considerably in 2007 (by bn 0.9 €), resulting in a trade surplus of bn 0.4 €. The Austrian balance of trade has shown a clear trend towards improvement over the last years. 2007 is the second year, after 2002, in which the Austrian trade balance shows a surplus since 1953. A clearly positive contribution to this improvement came from the South Eastern Countries, the CIS, OECD overseas countries and the new EU member states.

4.3.2 Balance of Payments

The following table shows the balance of payments of Austria with all countries and the net change in official international reserves of the Oesterreichische Nationalbank (“OeNB”), Central Bank of Austria, for the years 2003 through 2007².

Balance of payments² Summary – Total

2005 | 2006 | 2007 | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08

² Since January 1, 2006, balance of payments statistics have been collected according to a new direct reporting system. Data prior to 2006 have been made comparable through back-casting. The OeNB has published consistent time series back to 1995 in April 2008 on the internet.

Euro million

Current account	<i>net</i>	4.916	7.258	8.561	1.285	-300	3.690	5.406	972
	<i>credit</i>	154.052	170.792	191.311	46.295	46.739	51.371	51.346	48.692
	<i>debit</i>	149.137	163.534	182.750	45.010	47.039	47.681	45.940	47.719
Goods	<i>net</i>	-1.427	331	1.252	1.178	-819	843	714	480
	<i>credit</i>	95.880	106.504	118.724	29.861	28.582	31.492	30.762	31.079
	<i>debit</i>	97.306	106.173	117.472	28.684	29.401	30.648	30.048	30.599
Services	<i>net</i>	9.371	9.719	11.963	1.717	1.962	2.997	6.197	1.732
	<i>credit</i>	34.132	36.377	40.370	8.594	10.274	10.333	12.321	8.920
	<i>debit</i>	24.760	26.658	28.407	6.877	8.311	7.336	6.124	7.191
Income	<i>net</i>	-1.622	-1.479	-3.620	-1.253	-959	-580	-722	-852
	<i>credit</i>	20.830	24.541	28.587	7.182	7.261	7.879	7.568	7.952
	<i>debit</i>	22.452	26.020	32.207	8.435	8.220	8.459	8.289	8.804
Current transfers	<i>net</i>	-1.407	-1.314	-1.034	-356	-484	429	-783	-389
	<i>credit</i>	3.212	3.371	3.630	657	622	1.668	695	730
	<i>debit</i>	4.618	4.685	4.664	1.013	1.107	1.238	1.478	1.121
Capital account	<i>net</i>	-189	-802	-61	-20	-21	-29	-11	-12
	<i>credit</i>	595	466	484	115	111	119	105	140
	<i>debit</i>	784	1.268	545	135	132	148	117	152
Financial Account	<i>net</i>	-240	-7.944	-10.281	-1.164	2.754	-7.790	-3.964	-2.398
Direct investment incl. SPEs	<i>net</i>	-138	-3.666	-3.400	4.423	-1.048	-2.544	-3.327	-10,1
<i>abroad</i>	<i>net</i>	-62.819	-6.891	-25.147	-1.765	-4.743	-6.362	-6.091	-3.531
<i>of which direct investment</i>	<i>net</i>								
<i>excl. SPEs</i>		-8.962	-10.897	-24.876	-1.665	-4.650	-6.357	-6.017	-3.289
<i>in Austria</i>	<i>net</i>	62.681	3.225	21.747	6.189	3.695	3.818	2.765	3.431
<i>of which direct investment</i>	<i>net</i>								
<i>excl. SPEs</i>		8.672	6.324	21.735	6.097	3.951	3.730	2.678	3.342
Portfolio investment	<i>net</i>	-10.926	11.502	21.861	572	5.119	1.939	10.512	-29,1
<i>total assets</i>	<i>net</i>				-				
		-34.380	-26.926	-14.001	17.417	1.144	15.378	2.887	-6.070
<i>equity securities</i>	<i>net</i>	-4.561	-6.581	-397	-1.786	1.677	748	1.569	-450
<i>debt securities</i>	<i>net</i>				-				
		-29.820	-20.345	-13.604	15.631	-533	14.630	1.317	-5.620
<i>total liabilities</i>	<i>net</i>								
		23.454	38.428	35.862	17.989	3.975	13.439	7.625	5.772
<i>equity securities</i>	<i>net</i>	4.759	8.464	2.766	665	-993	1.616	-1.419	-350
<i>debt securities</i>	<i>net</i>								
		18.695	29.964	33.097	17.324	4.968	15.056	9.044	6.122
Other investment	<i>net</i>								
		10.283	-15.427	-25.863	-5.016	279	-7.087	12.694	-2.030
<i>total assets</i>	<i>net</i>				-				
		-23.294	-54.726	-38.834	23.489	-280	-6.384	25.958	22.181
<i>trade credits</i>	<i>net</i>	-576	-1.338	-96	-5	-172	249	-1.260	49
<i>loans</i>	<i>net</i>								
		-12.393	-14.003	-26.833	-5.048	-6.583	10.019	-7.166	-9.081
<i>currency/deposits</i>	<i>net</i>				-				
		-9.959	-39.232	-11.357	18.354	6.752	3.507	17.370	12.870
<i>other assets</i>	<i>net</i>	-365	-154	-548	-82	-277	-120	-162	-281
<i>total liabilities</i>	<i>net</i>	33.577	39.299	12.971	18.473	559	-703	13.264	20.150

<i>trade credits</i>	<i>net</i>	63	613	368	-171	233	-221	568	238
<i>loans</i>	<i>net</i>	5.824	13.490	-7.028	3.273	953	-1.175	1.339	1.518
<i>currency/deposits</i>	<i>net</i>	26.926	24.605	18.429	14.803	-1.850	1.244	12.575	18.460
<i>other liabilities</i>	<i>net</i>	763	592	1.202	569	1.223	-551	-1.218	-518
Financial derivatives	<i>net</i>	156	-857	-1.023	-1.128	-636	560	1.459	194
Reserve assets	<i>net</i>	385	504	-1.857	-16	-959	-659	85	-168
Errors and omissions	<i>net</i>	-4.486	1.487	1.781	-101	-2.433	4.129	-1.430	1.438

Source: OeNB, as published on 16 December 2008 at: <http://www.oenb.at/isaweb/report.do?lang=EN&report=9.1.1>

Final data up to 2006, revised data for 2007, provisional data for 2008.

This table shows the balance of payments, which represents a systematic record of economic transactions between residents of Austria and residents of other countries. The balance of payments consists of a real economy section (current account) and a financial section (financial account). Transactions are presented in the form of double entry bookkeeping. The compilation method builds on the international standards laid down in the IMF Balance of Payments Manual and on the System of National Accounts.

Terms used in the table indicate the following:

<i>Current account.....</i>	<i>This item covers all cross-border transactions involving a change of ownership of goods between a resident and a nonresident. Transactions are valued at market prices. Credits refer to goods exports and debits to goods imports. The data, originally compiled by Statistics Austria, are - on the debit side - adjusted for transportation and insurance components in line with international practice.</i>
<i>Goods.....</i>	<i>This item covers all cross-border transactions involving a change of ownership of goods between a resident and a nonresident. Transactions are valued at market prices. Credits refer to goods exports and debits to goods imports. The data, originally compiled by Statistics Austria, are - on the debit side - adjusted for transportation and insurance components in line with international practice.</i>
<i>Services.....</i>	<i>This item covers, for instance, transportation, travel, insurance and financial services, royalties and license fees. Transactions are valued at market prices. Credits refer to Austria's exports and debits to Austria's imports.</i>
<i>Income.....</i>	<i>This item covers compensation of employees, such as salaries and wages, and investment income arising from cross-border investment. The latter comprises revenues (credits) and expenses (debits), for instance, from direct investment, portfolio investment, deposits and loans. In line with the accrual principle, investment income is recognized in the accounting period in which it is earned or incurred and not according to the period in which it is received or</i>

	<i>paid. Reinvested earnings related to direct investment are likewise included in this item. Transactions are valued at market prices.</i>
<i>Current Transfers</i>	<i>This item covers transactions between residents and nonresidents linked to transfers in kind impacting income and consumption of the respective economies. It may be subdivided into public and private transfers. Austria's contributions to the EU are a typical example of public transfers. Private transfers include, for instance, guest workers' remittances as well as pensions. Transactions are valued at market prices.</i>
<i>Capital Account</i>	<i>This item covers cross-border transactions linked to mostly one-off transfers in kind. The key components are offsetting entries related to the change in Austrian external assets and liabilities which do not accrue from transactions (immigration and emigration, debt forgiveness) as well as receipts from the EU for infrastructural improvements (Structural Fund). This item also tracks the acquisition/disposal of nonproduced, nonfinancial assets (e.g. purchase of patents, sale of customer bases and transfer fees for professional athletes).</i>
<i>Financial Account</i>	<i>The financial account reflects net cross-border transactions related to the following financing instruments: direct investment, portfolio investment, other investment, financial derivatives and reserve assets. Within the various instruments a distinction is made between assets (Austrian investment abroad) and liabilities (foreign investment in Austria).</i>
<i>Direct investment</i>	<i>This item reflects net cross-border transactions involving equity capital (shares and other types of equity capital) and reinvested earnings. This aggregate also comprises transactions linked to loans and short-term intercompany credits. It reflects business relationships characterized by the investors long-term, active interest in a given enterprise. The cross-border acquisition and disposal of property also falls under the direct investment category.</i>
<i>Portfolio investment</i>	<i>This item reflects the balance of Austrian investors' purchases and sales of foreign securities as well as nonresident investors purchases and sales of Austrian securities. Portfolio investment refers to transactions linked to equity securities (shares and mutual fund shares) as well as long-term debt securities, money market instruments. Excluded are all security transactions falling under the direct investment category and financial derivatives.</i>
<i>Other investment</i>	<i>This item reflects net cross-border transactions which do not fall under portfolio investment, direct</i>

	<i>investment, financial derivatives or reserve assets. Apart from core banking business, i.e. deposits and loans, this aggregate also contains corporate liquidity management transactions and part of the central bank operations.</i>
<i>Financial derivatives</i>	<i>This item reflects net cross-border transactions linked to options, futures, swaps or other financial derivatives. Capital market instruments (e.g. foreign exchange assets, securities) or interest rate instruments may serve as underlying assets of derivatives.</i>
<i>Reserve assets</i>	<i>This item covers external assets which are controlled by the monetary authority, highly liquid, marketable and recognized as an international currency. Reserve assets are claims denominated in foreign currency (not in EUR) vis-a-vis non-euro area debtors. Examples are securities, credit balances, gold and special drawing rights (IMF) as well as the reserve position in the Fund.</i>
<i>Errors and omissions</i>	<i>All balance-of-payments transactions are based on a double-entry system. Correct and complete recording of all transactions ought therefore theoretically lead to zero errors and omissions. In practice, this rule cannot be implemented rigorously and consistently, which results in a residual or balancing item. Given its geographical location and specific banking relationships, Austria has been repatriating much more euro banknotes from non-euro area countries than it has been issuing, which explains why the errors and omissions item has been persistently negative. The high negative balance of returned euro banknotes results in a statistical discrepancy because the IMF methodology rules out offsetting entries in this case. In a monetary union it is no longer possible to capture a closed national banknote cycle.</i>

In 2007 the current account closed with an unprecedented surplus of EUR 8.8 billion (3.2% of GDP). This development resulted from an increase in the surplus on goods by 1 billion and an increase in the surplus of trade in services by 2.1 billion. Austrian exports once again grew faster than imports: with 10.1% for exports and 9.1% for imports. The deficit on income amounted to EUR 3.8 billion (2006: EUR -2.9 bln) and the net outflow of current transfers reached EUR 1.0 billion, slightly less than the year before.

The financial account for the third time in a row showed capital outflows (EUR 6.3 billion in 2007). While the first semester of 2007 showed a continuation of the growth trend of recent years, the development came to a sudden halt, when the subprime crisis in the US broke out. Austrian portfolio investment abroad e.g. went down to EUR 15.1 bln (after EUR 27.0 in 2006) with net sales (disinvestment) of shares and bonds in the second half of 2007. Portfolio investment in Austria was less hit by the crisis reaching EUR 36.2 billion, only marginally less than 2006. The extraordinary level of Austria's foreign direct investment (about EUR 23 bln inward and outward)

is mainly due to a restructuring of the Unicredit/BankAustria banking group, which accounts for approximately two thirds of total transactions. The capital outflow was channelled through the banking system, which reported a net capital export of EUR 32 bln.

4.4 Foreign Exchange Reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives

4.4.1 Austria within the European System of Central Banks

Since June, 1, 1998, the Austrian National Bank has been an integral part of the European System of Central Banks (ESCB), which consists of the European Central Bank (ECB) and the national central banks (NCBs) of all Member States of the EU. It is governed by the decision-making bodies of the ECB. The ECB has a paid-up capital of approximately EUR 4.1 billion. The NCBs are the sole subscribers to and holders of the capital of the ECB. Their capital shares are calculated according to a key that is based equally on the respective Member State's shares in the population and in the GDP of the Community. The OeNB has as of January, 1, 2008, a share of 2.0159% in the subscribed capital, which is equivalent to EUR 116.1 million.

The European System of Central Banks (“Eurosystem”) assumed responsibility for the single monetary policy of the euro area on January 1, 1999. The framework conditions within which it operates have been laid down in the Treaty establishing the European Community (“TEC”). Article 105(1) stipulates that the maintenance of price stability is the primary objective of the Eurosystem. Without prejudice to this objective, the Eurosystem is required to support the general economic policies in the European Community with a view to contributing to the achievement of the objectives – spelled out in Article 2 of the TEC – such as the promotion of a harmonious, balanced and sustainable development of economic activities, a high level of employment and sustainable and non-inflationary growth.

While the objectives laid down in the TEC are binding upon the Eurosystem, it is free to choose the monetary policy strategy with which to achieve those objectives. The key elements of its strategy were put in place in 1998, in the run-up to the introduction of the euro, and were thoroughly evaluated in May 2003.

In line with the primary objective laid down in the TEC, the Eurosystem is committed to maintain price stability over the medium term. Price stability has been defined as a year-on-year increase in the Harmonised Index of Consumer Prices (“HICP”) for the euro area of below but close to 2% over the medium term. This underlines the ECB’s commitment to provide a sufficient safety margin to guard against the risks of deflation. It also addresses the issue of the possible presence of a measurement bias in the HICP and the problems related to the zero-lower bound of interest rates.

In the ECB’s strategy, monetary policy decisions are based on a comprehensive analysis of the risks to price stability. This analysis is organised on the basis of two complementary perspectives on the determination of price developments.

The “economic analysis” consists of a broadly based assessment of the outlook for price developments in the short to medium-term and, therefore, the risks to price stability in the euro area as a whole. This assessment is made using a wide range of economic and financial variables, such as various measures of real activity, price and cost indices, wages, bond prices, the yield curve, fiscal policy indicators as well as business and consumer surveys. In this way, the Eurosystem takes account of the fact that in the short to medium-term the price level is determined

by the interplay between supply and demand and the effects on cost and pricing behaviour in the goods, services and factor markets.

The second perspective, referred to as the “monetary analysis”, focuses on a longer-term horizon, exploiting the long-run link between money and prices. The monetary analysis takes into account developments in a wide range of monetary indicators including M3, its components and counterparts, notably credit, and various measures of excess liquidity. The monetary analysis mainly serves as a means of cross-checking, from a medium to long-term perspective, the short to medium-term indications for monetary policy coming from the economic analysis.

The official foreign reserve assets are managed within the framework of the ESCB. Pursuant to Art. 30 of the ESCB/ECB Statute, the ECB is provided by the national central banks with foreign reserve assets up to an amount equivalent to EUR 57.607 billion. The participating national central banks transferred foreign reserve assets totaling EUR 40.042 billion. Only third-country currencies (in particular USD and JPY) or gold are eligible to serve as reserve assets.

The contribution of each NCB is fixed in proportion to its share in the subscribed capital of the ECB. The OeNB holds 2.02% of the ECB’s capital. Due to the fact that 14 European-member-states are not participating in the single currency unit at Stage three, Austria’s share in the ECB’s foreign reserve assets comes to 2.9002% or about EUR 1.161 billion. Thus, the lion share of Austrian official foreign reserves remained with the OeNB, which manages them in accordance with the ECB rules. The national central banks also manage the foreign reserve assets transferred to the ECB in a fiduciary capacity on behalf of the ECB.

The OeNB is credited by the ECB with a remunerated euro claim equivalent to its contribution. Furthermore, each NCB receives its due share of the income generated by the ECB’s foreign reserve assets.

4.4.2 Foreign Exchange Reserves

The following are the relevant figures on foreign exchange reserves

Official Reserve Assets and Other Foreign Currency Assets (Market Value)

	OeNB		Government	
	Sep. 08	Oct. 08	Sep. 08	Oct. 08
	EUR million			
A. Official reserve assets	12,550	12,301	x	x
(1) Foreign currency reserves (in convertible foreign currencies)			x	x
	6,579	6,759		
(a) Securities	4,779	5,014	x	x
(b) total currency and deposits with:	1,800	1,745	x	x
(i) other national central banks, BIS and IMF	1,144	1,176	x	x

(ii) banks headquartered in the euro area and located abroad	0	0	x	x
(iii) banks headquartered and located outside the euro area	656	569	x	x
(2) IMF reserve position	147	158	x	x
(3) SDRs	177	231	x	x
(4) gold (including gold deposits and gold swapped)	5,646	5,151	x	x
- volume in millions of fine troy ounces	9.002	9.002	x	x
(5) other reserve assets	1	2	x	x
- financial derivatives	1	2	x	x
- loans to nonbank nonresidents	0	0	x	x
- other	0	0	x	x
B. Other foreign currency assets	4,283	14,866	-1,582	-1,432
- securities not included in official reserve assets	441	205	x	x
- deposits not included in official reserve assets	3,878	15,188	x	x
- loans not included in official reserve assets	x	x	x	x
- financial derivatives not included in official reserve assets	-36	-527	-1,582	-1,432
- gold not included in official reserve assets	x	x	x	x
- other	x	x	x	x

Source: OeNB, as published on 16 December 2008 at: <http://www.oenb.at/isaweb/report.do?lang=EN&report=11.1>

4.4.3. Potential encumbrances to such foreign exchange reserves as forward contracts or derivatives

Not applicable

4.5. Financial Position and Resources including Liquid Deposits available in Domestic Currency

Reserve Base ¹⁾ ²⁾

End of period	2005	2006	2007	Apr. 08	May 08	June 08	July 08	Aug. 08	Sep. 08
<i>EUR million</i>									
Total	457,276	500,417	550,606	590,253	595,274	601,416	605,777	611,405	619,429
Liabilities to which a 2% reserve ratio is applied									
Overnight deposits with an agreed maturity/notice period of	228,902	248,703	275,771	309,621	312,385	312,853	313,268	318,010	319,837

up to 2 years									
Debt securities with an agreed maturity of up to 2 years	7,184	12,973	16,951	19,780	19,770	21,239	22,096	22,634	24,147
Liabilities to which a 0% reserve ratio is applied									
Deposits with an agreed maturity/ notice period of over 2 years	63,090	63,825	59,037	55,139	55,533	56,140	56,385	56,475	56,270
Repurchase agreements	6,856	8,792	7,808	8,914	8,774	9,558	10,290	9,196	8,741
Debt securities with an agreed maturity of over 2 years	151,244	166,125	191,040	196,799	198,812	201,626	203,738	205,090	210,434

Source: OeNB, as published on 16 December 2008 at: <http://www.oenb.at/isaweb/report.do?lang=EN&report=1.9>

- ¹⁾ Liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, vis-à-vis the ECB and the participating national central banks are excluded from the reserve base. If a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years and of money market instruments held by the institutions mentioned above, it may deduct a specific percentage of these liabilities from its reserve base. Up to and including November 1999 this percentage for the calculation of the reserve base came to 10% thereafter to 30%.
- ²⁾ The reserve base of credit institutions as at January 1, 1999, is used to calculate the minimum reserves for the maintenance period starting on January 1, 1999, and ending on February 23, 1999. The relevant aggregated data were reported to the ECB by the end of February 1999.

4.6. Income and Expenditure Figures.

The following are the relevant figures of the Federal Budget for the fiscal years 2006-8

The accounts for 2007 and 2008 represent the budget as approved by the Nationalrat.

Ordinary budget revenues

	Result 2006	Result 2007*	Budget 2008
	(Millions of EUR)		
Office of the President.....	0	0	0
Federal Legislature.....	14	4	4
Constitutional Court	1	1	1
Administrative Court.....	0	0	0
Public Attorney's Office.....	0	0	0
Court of Accounts	0	0	0
Federal Chancellery	12	11	13
Interior Affairs	92	99	96
Education and Culture	94	90	74
Arts	3	3	3
Science and Research.....	661	637	617
Social Affairs. Consumer Protection ...	27	8	11
Social Security.....	349	18	18

<i>Federal Chancellery-Health.....</i>	62	61	59
<i>Family and Youth</i>	5,407	5,537	5,643
<i>Foreign Affairs</i>	4	3	3
<i>Justice</i>	719	790	758
<i>National Defence.....</i>	43	52	44
<i>Financial Administration.....</i>	1,197	1,586	1,191
<i>Treasury Operations</i>	2,967	3,221	2,763
<i>Tax Collection.....</i>	40,454	43,635	44,039
<i>Grants to Provinces and Municipalities</i>	402	438	451
<i>Federal Property</i>	1,722	1,285	1,308
<i>Pensions (Government Employees)</i>	1,486	1,479	1,476
<i>Public Debt Services incl. Swaps</i>	4,665	4,883	2,797
<i>Agriculture, Forestry</i>	244	197	198
<i>Environment.....</i>	298	303	327
<i>Commerce and Employment.....</i>	5,055	4,894	4,838
<i>Transportation, Innovation and Technology</i>	168	228	176
<i>Total Federal Revenues</i>	66,145	69,462	66,909

Source: Austrian Federal Financing Agency, as published on 16 December 2008 at: <http://www.oebfa.co.at/e/5/24/index.htm>

*) 2007 estimated figures

Modified

Ordinary budget expenditures

	Result 2006	Result 2007*	Budget 2008
	(Millions of EUR)		
<i>Office of the President.....</i>	7	7	6
<i>Federal Legislature.....</i>	121	125	117
<i>Constitutional Court</i>	8	8	8
<i>Administrative Court.....</i>	13	13	13
<i>Public Attorney's Office.....</i>	5	5	5
<i>Court of Accounts</i>	23	25	27
<i>Federal Chancellery</i>	440	464	429
<i>Interior Affairs</i>	2,159	2,144	2,143
<i>Education and Culture</i>	6,401	6,621	6,730
<i>Arts</i>	227	227	232
<i>Science and Research.....</i>	3,325	3,515	3,539
<i>Social Affairs.....</i>	1,941	2,008	2,061
<i>Social Security.....</i>	7,354	7,317	7,670
<i>Federal Chancellery-Health.. ..</i>	636	651	679
<i>Family, Youth, Consumer Protection..</i>	5,892	5,891	6,024
<i>Foreign Affairs</i>	398	410	388

<i>Justice</i>	999	1,086	1,053
<i>National Defence</i>	1,733	2,188	2,037
<i>Financial Administration</i>	1,809	1,858	1,872
<i>Treasury Operations</i>	1,393	2,199	1,121
<i>Tax Collection</i>	3	3	3
<i>Grants to Provinces and Municipalities</i>	4,555	4,763	4,855
<i>Federal Property</i>	1,282	782	1,026
<i>Pensions (Government Employees)</i>	7,039	7,174	7,337
<i>Public Debt Services incl. Swaps</i>	11,609	11,977	9,803
<i>Agriculture, Forestry</i>	2,319	2,037	2,258
<i>Environment</i>	475	493	602
<i>Commerce and Employment</i>	5,968	5,753	5,238
<i>Transportation, Innovation and Technology</i>	2,429	2,588	2,593
<i>Total Federal Expenditures</i>	70,561	72,332	69,869

II. Financing Account

<i>Expenditure</i>	39,090	57,130	77,813
<i>Revenue</i>	43,506	60,000	80,773

<i>Surplus in mio Euro</i>	4,417	2,870	2,960
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Source: Austrian Federal Financing Agency, as published on 16 December 2008 at: <http://www.oebfa.co.at/e/5/23/index.htm> and <http://www.oebfa.co.at/e/index.htm> - Budget

*) 2008 estimated figures

Modified

Government expenditure is generally monitored by the Rechnungshof (Court of Auditors), see above.

5. SIGNIFICANT CHANGE

There are no significant changes to the information provided in this Chapter 9. which have occurred since the end of the last fiscal year which may affect the ability of the Guarantor to fulfill its financial obligations under the Guarantee.

6. LEGAL AND ARBITRATION PROCEEDINGS

There are no significant proceedings which may affect the ability of the Guarantor to fulfill its financial obligations under the Guarantee. Being a state, the Guarantor is generally entitled to claim immunity from suit in proceedings concerning its sovereign acts. However there are currently no relevant proceedings pending against the Guarantor.

9.4 Documents on display

Copies of the Guarantee will be attached to the Final Terms of each issue of Republic of Austria Guaranteed Notes, and are available for inspection by holders of the respective Republic of Austria Guaranteed Notes at the registered address of the Issuer."

2.13 The current chapter 9 entitled "STATEMENT PERSUANT TO COMMISSION REGULATION (EC) NO 809/2004" is renumbered as chapter "10. STATEMENT PERSUANT TO COMMISSION REGULATION (EC) NO 809/2004".

2.14. The chapter "Glossary and list of abbreviations" on page 399 of the Original Prospectus is supplemented by following definitions.

<i>CEEC</i>	Central and Eastern European Countries
<i>CIS</i>	Commonwealth of Independent States
<i>ECB</i>	European Central Bank
<i>ESCB</i>	European System of Central Banks
<i>GDP</i>	Gross domestic product
<i>HICP</i>	Harmonised Index of Consumer Prices
<i>IMF</i>	International Monetary Fund
<i>KMU-Forschung</i>	Austrian Institute for medium-sized enterprises Research
<i>NCB</i>	National Central Banks
<i>Republic of Austria Guaranteed Notes</i>	Notes guaranteed by the Republic of Austria
<i>SDR</i>	The SDR is an international reserve asset, created by the IMF in 1969 to supplement the existing official reserves of <i>member</i> countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR also serves as the unit of account of the IMF and some other international organizations. Its value is based on a basket of key international currencies. Source: IMF
<i>Statistics Austria</i>	Bundesanstalt Statistik Österreich
<i>TEC</i>	Treaty establishing the European Community, as amended from time to time
<i>WIFO</i>	Österreichisches Institut für Wirtschaftsforschung

3. REVISED TRANSLATIONS OF THE SUMMARY

The translations of the summary of the Prospectus will be revised to the above and will be filed with the FMA.

STATEMENTS PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004

Österreichische Volksbanken-Aktiengesellschaft, with its corporate seat in Vienna, Austria, is responsible for the information in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement and in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Vienna, 17 December 2008

Österreichische Volksbanken-Aktiengesellschaft
as Issuer

Manfred Wiebogen

Head of CEE Treasury and Relationship
Management

(as a "Prokurist" with collective signing authority)

Heimo Rottensteiner

Head of Funding

(as a "Prokurist" with collective signing authority)

REGISTERED OFFICES OF THE ISSUER

Österreichische Volksbanken-Aktiengesellschaft

Kolingasse 19
A-1090 Vienna
Austria

ARRANGERS

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

**DZ BANK AG Deutsche
Zentral-Genossenschaftsbank,
Frankfurt am Main**
Platz der Republik
D-60265 Frankfurt am Main
Germany

DEALERS

**Österreichische Volksbanken -
Aktiengesellschaft**
Kolingasse 19
A-1090 Vienna
Austria

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

**DZ BANK AG Deutsche
Zentral-Genossenschaftsbank, Frankfurt am Main**
Platz der Republik
D-60265 Frankfurt am Main
Germany

FISCAL AGENT AND INTERNATIONAL PAYING AGENT

**BNP Paribas Securities Services,
Luxembourg Branch**
33, rue de Gasperich, Howald-
Hesperange
L-2085 Luxembourg

AUSTRIAN PAYING AGENT AND CALCULATION AGENT

**Österreichische Volksbanken-
Aktiengesellschaft**
Kolingasse 19
A-1090 Vienna
Austria

AUDITOR

KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH
(former KPMG Alpen-Treuhand GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft)
Kolingasse 19
A-1090 Vienna
Austria

LEGAL ADVISER to the Arranger

WOLF THEISS Rechtsanwälte GmbH
Schubertring 6
A-1010 Vienna
Austria