

**FOR
AGENDA**

SM/09/212
Correction 2

September 8, 2009

To: Members of the Executive Board
From: The Acting Secretary
Subject: **Austria—Staff Report for the 2009 Article IV Consultation**

The attached correction to SM/09/212 (8/5/09) has been provided by the staff:

Factual Error Not Affecting the Presentation of Staff's Analysis or Views

Page 42, Figure A1: revised percentage numbers.

Questions may be referred to Mr. Hilbers (ext. 35337) and Mr. Clausen (ext. 34653) in EUR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

Table 6. Austria: Major Banks' Ratings Changes, 2008-09

Bank Name	Date	Rating Type	Agency	New Rating	Previous Rating	Action type
Erste	10/16/2008	Outlook	S&P	Negative	Stable	...
	12/11/2008	Bank Financial Strength	Moody's	...	C	review
	12/11/2008	Senior Unsecured Debt	Moody's	...	Aa3	review
	4/16/2009	Individual Rating	Fitch	C	B/C	downgrade
	4/1/2009	Bank Financial Strength	Moody's	C-	C	downgrade
Raiffeisen	11/25/2008	Outlook	S&P	Negative	Stable	...
	4/1/2009	Issuer Rating	Moody's	A1	Aa2	downgrade
	4/1/2009	Bank Financial Strength	Moody's	D+	C	downgrade
Volksbanken	11/17/2008	Bank Financial Strength	Moody's	C-	C	downgrade
UniCredit Bank Austria	3/18/2009	Outlook	S&P	Stable	Stable	...
	3/18/2009	LT Local and Foreign Issuer Credit	S&P	A	A+	downgrade
	4/16/2009	Individual Rating	Fitch	C/D	B/C	downgrade
	4/27/2009	Senior Unsecured Debt	Moody's	A1	Aa2	downgrade
	4/27/2009	Bank Financial Strength	Moody's	D+	C+	downgrade

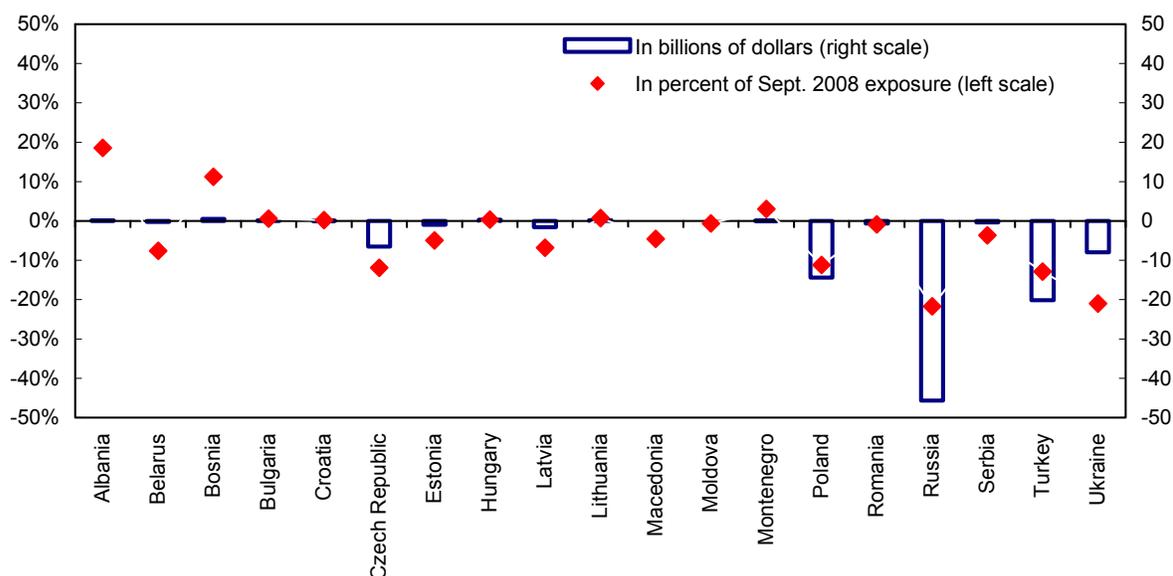
Source: Bloomberg.

Annex 1. Western Banks' Exposures to Eastern Europe: Interpreting the BIS Data

The BIS international banking data shows a sharp decline in the Western banks' exposures to Eastern Europe in 2008Q4 and 2009Q1, with banks from most advanced European countries contributing to the decline.

Based on the BIS locational banking statistics, the exposure of Western banks to Eastern Europe declined by US\$57 billion in 2008Q4 and US\$40 billion in 2009Q1 (adjusted for exchange rate changes), after increasing by US\$25 billion in 2008Q3. The decline was concentrated in five emerging market countries—Russia, Turkey, Poland, Ukraine, and the Czech Republic (see Figure A1).

Figure A1: Exchange Rate Adjusted Changes in External Positions of Western Banks vis-à-vis Eastern European Countries during 2008Q4 and 2009Q1 (in billions of US dollar)



Source: BIS (July, 2009), Provisional data release, Table 6A: External positions of reporting banks vis-à-vis all sectors; vis-à-vis individual countries.

Because a breakdown of locational data by home/host country is not available, we take a closer look at *consolidated international banking statistics* to gauge the changes in bilateral exposures. Since the BIS does not publish the exchange rate adjusted changes in consolidated foreign claims of reporting banks, US dollar amounts outstanding are converted into euros at end-period exchange rates to control for US\$/euro exchange rate changes. Table A1 shows that the largest declines were observed in the Western banks' consolidated claims vis-à-vis, Poland, Russia, the Czech Republic, Ukraine, Latvia, and Turkey—consistent with the locational data. Only the Swedish, Spanish, and French banks seem to have maintained or increased their Eastern European exposures between end-September 2008 and end-March 2009.