ANNUAL FINANCIAL

REPORT 2018

Taking the long-term view

OeKB GROUP

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Totals may not add up due to rounding.
- indicates zero. 0 means the amount is smaller than half of the stated unit.

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Economic environment in 2018

Despite first signs of cooling, global economic growth at the end of 2018 was strong on the whole and remained at the same level as in the previous year at 3.7% according to the latest projection of the International Monetary Fund (IMF). The impetus from the USA (+2.9%) was especially positive while the Eurozone economy lost some momentum (+2.0%). International trade also contracted in 2018. While the World Trade Organization (WTO) had projected growth of 4.4% at the beginning of the year, its most recent estimate was 3.9%. The main reason for this downward revision is the trade policy conflict between the USA and China, which led to the introduction of punitive tariffs in the reporting period.

Mixed sentiment in the emerging and frontier markets

A look at the emerging and frontier markets shows that the economic output of these countries grew rapidly again in 2018. According to IMF estimates, growth came to 4.7%. However, there were significant differences from region to region. The aggregate GDP growth of the ASEAN 5 (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) came in at 5.3%. The general trend in the BRIC countries was also positive. While the still moderate growth in Brazil and Russia solidified further, India and China were again among the most dynamic economies in the world during the reporting period. At the same time, the risk of capital outflows from the emerging markets rose in 2018, as seen in the two crisis-stricken countries of Turkey and Argentina.

Robust economic developments in Central, Eastern, and Southeastern Europe

The economy in Central, Eastern, and Southeastern Europe was comparatively robust in 2018 according to the Vienna Institute for International Economic Studies (wiiw). This was facilitated by factors such as strong investment activity in response to high capacity utilisation, low interest rates, and inflows of EU funding. In direct country comparison, Poland (+5.0%), Slovenia (+4.5%), Hungary (+4.3%), and Serbia (+4.3%) stood out with good economic growth during the reporting period. Conditions remained problematic in crisis-stricken Ukraine in 2018, in part due to the flare-up of the conflict with Russia that began in 2014.

Austrian economy still growing strong

The Austrian economy can look back on a positive year in 2018 for the most part. The most recent forecast of the Austrian Institute of Economic Research (WIFO) points to GDP growth of 2.7%. Especially industry proved to be relatively robust as growth slowed in the Eurozone. Private consumption also had a stabilising effect while export growth had a somewhat detrimental effect in annual comparison. Financing activity also slowed, in particular on the Austrian market for corporate bonds where the issue volume came to € 7.8 billion after amounting to € 14.4 billion in the previous year. Austrian government bonds continued to benefit from the country's reputation as a safe haven for investors. The yield on a 10-year government bond was 0.5% at the end of 2018 (2017: 0.6%).

Business development in 2018

The financing volume in the Export Financing Scheme (EFS) grew again in 2018 thanks to the sustained demand for low-cost export financing. The year-on-year increase in exports by Austrian companies was supported with suitable financing products and very attractive interest rates. Loans and advances to banks and customers rose by € 2,281.2 million. The financing volume relating to small and medium-sized enterprises also grew in annual comparison (2018: € 1,166.3 million, 2017: € 1,143.0 million).

The total comprehensive income for the year of € 26.9 million (2017: € 58.6 million) represents a year-on-year decrease of 54.0%, and thus failed to meet the expectations of OeKB Group. The results for both years were heavily influenced by one-off effects in the other comprehensive income. This effect was negative during the reporting period, primarily due to the actuarial losses resulting from the adjustment of the sustainable pension trend to 2.25% (2017: 1.50%) and the application of new mortality tables. In the previous reporting period, the fair value measurement of investments in other unconsolidated companies made a one-off contribution to the net gain. The net loss on financial instruments measured at fair value through profit or loss is also unusually high. This was primarily the result of the negative trend on the capital markets that came on the heels of the trade dispute between the USA and China and a cooling global economy.

The 100% stake in „Österreichischer Exportfonds“ GmbH was merged into the parent company OeKB during the reporting period, but this transaction had no effect on the consolidated financial statements of OeKB Group.

Consolidated statement of comprehensive income

Overall, it can be said that the Group’s operating result for 2018 surpassed the expectations. However, the profit for the financial year failed to meet the expectations due to the net loss on financial instruments measured at fair value through profit or loss. Interest income rose to € 347.2 million (2017: € 312.1 million) due to the increase in the financing volume. OeKB Group was also able to profit from the budget underruns stemming from negative interest rates on funding operations in 2018 and posted income of € 108.6 million (2017: € 109.9 million). Interest expenses came to minus € 267.4 million (2017: minus € 232.5 million).

Taking these results, the Group’s net interest income was € 79.8 million (2017: € 79.6 million).

The net fee and commission income from credit operations contracted by € 3.1 million to minus € 9.0 million, primarily due to lower fee and commission income from the activities of the development bank.

Net fee and commission income from securities services increased to € 29.3 million (2017: € 28.8 million). The increase was driven by higher fee and commission income from securities account management and from our fund tax data services.

Fees for the administration of export guarantees on behalf of the Republic of Austria rose in annual comparison. The net fee and commission income from the development bank’s guarantee business fell in annual comparison. OeKB Group generated total net fee and commission income from its guarantee business in the amount of € 14.8 million compared with € 13.8 million in the previous year.

Overall net fee and commission income came in at € 40.3 million (2017: € 42.1 million).

The loan loss provisions (ECL according to IFRS 9) decreased by € 0.1 million during the financial year.

OeKB Group posted a net loss on financial instruments measured at fair value through profit or loss of € 11.0 million for the financial year (2017: loss of € 2.5 million). This stemmed from the result of the fair value measurement of the other financial assets in the amount of minus € 10.8 million (2017: minus € 2.0 million) and the result from foreign exchange differences in the amount of minus € 0.2 million (2017: € 0.5 million).

The gain from the derecognition of financial instruments measured at amortised cost came to € 0.3 million for the financial year (2017: € 0.0 million), and resulted primarily from returns on purchased accounts receivable, which exceeded our expectations.

Current income from investments in other unconsolidated companies declined by 18.6% to € 2.4 million (2017: € 3.0 million), primarily as a result of a lower dividend from CEESEG AG.

The share of profit or loss of equity-accounted investments increased from € 4.2 million in 2017 to € 5.7 million in 2018. The reason being a higher actuarial result from the credit insurance subsidiary Acredia due to a decrease in claims.

The administrative expenses came to € 82.6 million (2017: € 80.1 million), and included higher staff costs due to the increased headcount and higher bonus payments because of the good result in the previous year (€ 53.9 million; 2017: € 51.6 million). Other administrative expenses came in at € 22.9 million (2017: € 23.1 million), and were thus more or less stable. Within the other administrative expenses, it is worth noting that we held the expenditures at the same level as in the previous year despite the launch of our digitalisation offensive. The write-downs of € 5.8 million are also close to the level reported in 2017.

The other operating income came in at € 5.9 million, higher than the € 5.4 million reported in the previous year.

Profit before tax in 2018 amounted to € 41.0 million (2017: € 51.6 million). The profit for the year of € 32.1 million (2017: € 39.9 million) is entirely attributable to the owners of the parent (also in 2017). Taking other comprehensive income into account, total comprehensive income for the year attributable to owners of the parent was € 26.9 million (2017: € 58.6 million).

Segment performance

The net interest income in the **Export Services segment** came in at € 74.6 million, the same level as in the previous year despite the increase in loans and advances to banks and customers because of the lower breakage costs.

The net fee and commission income stems mainly from the administration of export guarantees and from guarantee fees paid to the Republic of Austria for financing arrangements under the development bank's activities. The financing extended under the activities of the development bank generated lower fee and commission income than in the previous year. Net fee and commission income came to € 7.1 million, falling short of the € 9.2 million reported in 2017.

The result on financial instruments measured at fair value through profit or loss was a loss of € 1.1 million (2017: € 0.4 million).

The administrative expenses of the segment rose to € 50.6 million (2017: € 47.0 million). The increase in annual comparison is primarily the result of higher project expenses relating to our digitalisation offensive and higher expenses incurred in the operations of the development bank.

The net other operating income in the amount of minus € 0.9 million (2017: minus € 1.1 million) mainly resulted from the stability tax expenses and the income from service agreements.

The profit after tax amounted to € 20.3 million (2017: € 26.5 million).

The net interest income in the **Capital Market Services segment** amounted to minus € 0.1 million, and was therefore stable in annual comparison (2017: minus € 0.1 million).

The net fee and commission income from the segment rose to € 32.6 million in annual comparison (2017: € 32.2 million). The increase was driven above all by higher fee and commission income from securities account management and from our fund tax data services.

Current income from investments in other unconsolidated companies fell to € 2.2 million in annual comparison (2017: € 2.7 million).

The share of profits of equity-accounted investments remained virtually unchanged at € 0.4 million (2017: € 0.3 million) and stemmed from the result achieved by CCP.A.

The administrative expenses increased slightly to € 25.9 million (2017: € 25.7 million).

The net other operating income of the segment in the amount of € 1.0 million (2017: € 0.8 million) was generated by income from service agreements.

The profit after tax amounted to € 8.4 million (2017: € 7.7 million).

The net interest income in the **Other Services segment** increased from € 5.1 million to € 5.3 million.

Net fee and commission income remained stable in annual comparison at € 0.5 million (2017: € 0.6 million).

The net gain or loss on financial instruments measured at fair value through profit or loss amounted to minus € 10.0 million (2017: € 2.1 million), the net gain or loss on the derecognition of financial instruments measured at amortised cost amounted to € 0.3 million (2017: € 0.0 million).

The share of profit or loss of equity-accounted investments increased from € 4.0 million in 2017 to € 5.3 million in 2018. This was due to a higher actuarial result from the loan insurance subsidiary Acredia after the level of coverage claims decreased.

The administrative expenses in the segment decreased to € 6.0 million (2017: € 7.5 million). This decline was primarily the result of the segment allocations and the lower expenses in this segment.

The other operating income of € 5.8 million (2017: € 5.7 million) resulted from income from service agreements and rental income as well as from income related to the input tax adjustment for previous years.

The profit after tax amounted to € 3.5 million (2017: € 5.6 million).

Balance sheet

At 31 December 2018, cash and cash equivalents (balances at central banks) stood at € 323.4 million (2017: € 424.2 million).

Loans and advances to banks increased to € 19,543.2 million (2017: € 16,192.9 million) due to the higher volume of lending under the Export Financing Scheme. Loans and advances to customers declined from € 1,537.0 million to € 467.9 million. The decline resulted above all from the adaptation of the financing contracts for the SME customers, which were reclassified as loans and advances to banks (refinancing of the main bank providing the financing) immediately after the merger of „Österreichischer Exportfonds“ GmbH.

The other financial assets remained stable in annual comparison at € 3,088.7 million (2017: € 3,036.3 million). The deposits from banks increased owing to higher collateral deposits (2018: € 527.2 million; 2017: € 425.1 million).

The profit contribution from the private credit insurance group inreased in annual comparison. In total, the value of interests in equity-accounted investments changed to € 67.9 million in 2018 (2017: € 66.8 million).

Total assets at 31 December 2018 amounted to € 28,714.3 million (2017: € 26,004.8 million).

Financial performance indicators

The cost/income ratio* was 61.5% at the balance sheet date, which is an increase in annual comparison (2017: 59.7%).

The Group equity remained nearly unchanged in annual comparison at € 790.7 million (2017: € 800.9 million).

At the balance sheet date, OeKB Group had € 754.6 million in available consolidated regulatory capital pursuant to Regulation (EU) No. 575/2013. This capital amounted to € 758.0 million in the previous year.

The tier 1 capital ratio (tier 1 capital/[minimum regulatory capital requirement/8%]) at the balance sheet date was 86.0%. The ratio came to 82.6% in the previous year. Further ratios can be found in Note 25.

The return on equity (total comprehensive income attributable to owners of the parent/average equity attributable to owners of the parent) declined from 7.5% to 3.4% in 2018.

* Calculation of the cost/income ratio: administrative expense/(profit before tax – administrative expense – net gain or loss on financial instruments measured at fair value through profit or loss – net gain or loss on the drecognition of financial instruments measured at amortised cost)

Research and development

No research and development activities are conducted due to the specialised business model and specific task of OeKB Group.

Risk management system

Internal control management

The aim of the internal control system is to support the management in such a way that it is in a position to ensure ever better and more effective internal checks. This aim should not be limited solely to the accounting system, but should also include all important business processes so that the economic efficiency and effectiveness of business activities, the reliability of the business information (including non-financial reporting, e.g. corporate responsibility), and adherence to guidelines and regulations (compliance) can be guaranteed.

OeKB Group's internal control system (ICS) draws on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, which has five components: the control environment, risk assessment, control activities, information and communication, and monitoring activities.

Control environment

The most fundamental aspect of the control environment is the corporate culture in which management and employees operate. Central organisational principles are the avoidance of conflicts of interest through strict separation of risk origination and risk oversight, the transparent documentation of core processes and control activities, and rigorous segregation of duties and application of the principle of dual control. The Internal Audit/Group Internal Audit department independently and regularly verifies adherence to the internal regulations, including the accounting and financial control rules. The management of Internal Audit/Group Internal Audit reports directly to the Executive Board and Supervisory Board.

Risk assessment

The goal of risk management at OeKB Group is to identify all risks and take measures to avert or mitigate these risks. This also includes the risk of material misstatement of transactions. The risk management system includes all processes that serve to identify, analyse, and evaluate risks. They are identified and monitored by management, with a focus on risks that are deemed to be material. The internal control activities performed by the responsible departments are evaluated regularly.

Control activities

OeKB Group has a governance system that sets out structures, processes, functions, and responsibilities within the bank. Care is taken to implement all control activities in such a way as to ensure that potential errors or discrepancies in financial reporting are avoided or discovered and corrected.

IT-based control activities are a key component of the internal control system. Thus, the compartmentalisation of sensitive responsibilities is supported by the restrictive assignment of access permissions in the computer systems (need-to-know basis). The SAP enterprise management system is used for accounting and financial reporting. The functioning and effectiveness of this accounting system is ensured by means including integrated, automated control mechanisms.

In subsidiaries, the respective management bears ultimate responsibility for the internal control and risk management system. This system must fulfil the respective company's requirements with regards to the accounting process and compliance with the associated Group-wide policies and rules.

Information and communication

The Supervisory Board is briefed at least every quarter with a comprehensive report on the balance sheet, income statement, and other controlling and risk data. The Executive Board receives this information in regular, significantly more detailed reports prepared on a monthly or more frequent basis. The Executive Board monitors the appropriateness and effectiveness of the internal control system. The Executive Board also established an Asset and Liability Management Committee and a Risk Management Committee that receive, analyse, and monitor this data.

Monitoring

Financial statements intended for publication undergo a final review by management and staff of the Accounting & Financial Control department and by the Executive Board before being forwarded to the Audit Committee of the Supervisory Board. The Executive Board is responsible for company-wide monitoring. We have established three lines of defence. The first line of defence (control procedures) is located in the operating segments. The second line of defence, including Risk Management, Compliance, and Legal, implements and monitors the application of and compliance with the controls. The third line of defence is Internal Audit with its auditing and monitoring functions.

By monitoring compliance with all rules and regulations, OeKB Group aims to make all business processes as reliable as possible and ensure Group-wide conformity with policies and procedures. The staff members responsible manage identified risks and shortcomings in controls through prompt mitigative and preventative measures. The implementation of these measures is monitored. The Internal Audit/Group Internal Audit department evaluates compliance with the requirements in accordance with the annual audit plan.

Risk management

Risk management and risk controlling are key processes that are integral to the business strategy and are designed to ensure the lasting stability and profitability of the company and the entire bank group. Every risk assumed by OeKB Group is accepted consciously and is consistent with the Executive Board's risk policy and strategy, which aims to ensure a stable return on equity through a conservative approach to all business and operational risks. The risk policy and strategy set out the risk management principles, the risk appetite, and the principles for the measurement, control, and limitation of the defined risk categories.

OeKB acts as Austria's official export credit agency and is a central provider of services to the capital market. This special position of the Bank and the associated responsibility for supporting the Austrian economy shape the business strategy and risk policy.

The Export Financing Scheme represents the great majority of assets on the balance sheet. In this respect, OeKB is exempt from key laws such as the Capital Requirements Regulation or CRR (Regulation [EU] No. 575/2013). In OeKB Group's process for assessing risk coverage, the Export Financing Scheme is treated as investment risk for which risk coverage is calculated separately. Further major exemptions for OeKB apply in connection with liquidity regulations and the European and national provisions for the banking union (such as the Bank Recovery and Resolution Directive or BRRD).

Similarly, these exemptions apply to the banking subsidiary, Oesterreichische Entwicklungsbank AG. Similar exceptions also apply to the Group member bank OeKB CSD GmbH, which is authorised as a central depository under the CSD regulations (see § 3[1]12 BWG).

Holistic risk management

The Executive Board of OeKB employs a comprehensive management system to ensure the long-term success of the company, transparent management, and compliance with the due diligence obligations at the individual company and Group level. In addition to maintaining a suitable organisation, the OeKB bank group has a comprehensive system of internal guidelines that enables the Executive Board to manage Group-level risks and risks at the level of OeKB as an individual company.

One central guideline under the risk management framework is the risk policy and strategy, which is discussed with the Risk Committee of the Supervisory Board every year. Behavioural standards including a complaint handling system are described in the Code of Conduct, and the remuneration policy is risk adequate and documented, as is the Fit & Proper Policy. An adequate organisational structure for preventing money laundering and for ensuring compliance complements the governance framework; an officer pursuant to §39(6) BWG was appointed as of 1 January 2019. An effective internal control system is in place to ensure proper processes and correct financial reporting. Internal Audit and Group Internal Audit serve as the third line of defence.

ICAAP and ILAAP

Despite the exemptions referred to above, the OeKB bank group employs a risk management system that is based on the Internal Capital Adequacy Assessment Process (ICAAP) of OeKB Group. As a controlling and steering instrument, the ICAAP is an integral part of the management process. The process accounts for a going concern and gone concern approach. In addition to managing credit risk, market risk, and the various operational risks, the management of liquidity and business risk are key aspects of the risk management process.

Key risk management metrics and risk coverage calculation

The key variable in the measurement and management of OeKB Group's risk is economic capital, which is calculated using the concept of value at risk (VaR) as well as credit value at risk (CVaR) over a one-year observation period. Key components of aggregate risk are market risk, credit risk, and operational risk. Business risk is determined on the basis of statistical analyses of deviations between the target and actual situation.

The economic capital is compared against the risk coverage potential from both a going concern and gone concern perspective in the risk coverage calculation. The limits that are derived from this calculation and that are adopted by the Executive Board are continuously monitored.

Risk appetite

OeKB Group defines risk appetite primarily in relation to the confidence levels at which the economic capital is determined. In the gone concern approach, the confidence level for unexpected losses is set at 99.98%, which on the internal master rating scale corresponds to OeKB's current rating (S&P: AA+/Moody's: Aa1).

Liquidity risk is managed primarily using the specified survival period, which is determined by means of liquidity gap analyses under stress scenarios. The specified minimum survival period under stress is set at one month.

Non-financial performance indicators

Highly qualified and motivated staff are of key importance for OeKB Group and its subsidiaries. Given the central role that these institutions play for Austria's capital market and export industry, service quality and expertise combined with awareness for the importance of sustained earnings, controlling costs, and mitigating and managing risk are key success factors.

In addition to management career paths, particular importance is attached to expert career paths to remain attractive as an employer for highly qualified personnel. In OeKB Group's flat management hierarchy, our experts play a critical role in the success of the Bank. Since 2018, we have also appointed "team leads" as technical managers in addition to the traditional expert career path.

OeKB Group's long-term success depends on the commitment of the people working for it. Family-friendly measures such as flexible working hours, teleworking, and a Bank childrens' daycare center address the needs of every employee who values the compatibility of work and family life. Full- and part-time educational leave is actively supported. All of this is intended to ensure a good balance between professional and non-professional activities. Company health management with numerous initiatives and measures has a positive impact on the aspects of exercise, good nutrition, and mental fitness.

In addition to orientation towards the market benchmarks, compensation at OeKB is based on personal performance, risk behaviour, and the corporate results. Oesterreichische Entwicklungsbank and OeKB CSD also apply remuneration models that are based on the remuneration policy at OeKB as parent company.

The Group's consolidated headcount at the end of 2018 was 424 full-time equivalents (2017: 405). The Group generated a profit before tax of € 97 thousand per full-time equivalent (2017: € 127 thousand).

Employees of OeKB Group [1]

	31 Dec 2018	31 Dec 2017	31 Dec 2016
Total as at 31 December	**466**	**445**	**442**
Of whom part-time employees	*125*	*119*	*107*
Part-time employees in %	*26.8%*	*26.7%*	*24.2%*
Total employees in full-time equivalents	424	405	405
Average number of employees pursuant to the UGB	410	402	406
Average age	45.7	45.5	45.0
Average length of service	16.7	16.3	16.2
Sick days per year and full-time employee	8.3	8.1	10.1
Proportion of total positions held by women	56.4%	55.7%	57.5%
Proportion of management positions held by women	39.0%	35.0%	38.5%
Turnover rate [2]	5.5%	4.7%	3.6%

[1] Including the fully consolidated companies Oesterreichische Entwicklungsbank AG and OeKB CSD GmbH; including employees assigned to Acredia AG. Until 31 Dec. 2017 incl. "Österreichischer Exportfonds" GmbH.

[2] The turnover rate is calculated as follows: the number of people leaving during the year (excluding retirement) x 100 divided by the average number of employees in the year. Because of the low turnover rate, a breakdown by gender and age group is not sensible.

Outlook for 2019

After the very good results achieved in 2017 and 2018, we expect a slowdown in guarantee business in 2019. The economic projections and global economic growth will decline. However, the political uncertainty will continue at varying levels from region to region. This poses a significant challenge for the Austrian export industry. As in the past, OeKB continues to provide exporters with extensive assistance, both through export loans and with guarantees for the financing of business acquisitions and start-ups. We expect to be able to continue expanding our lending volume in 2019 due to healthy export and foreign investment activity by Austrian companies as well as due to our attractive financing conditions and products, especially given the rise in interest rates.

We expect our securities investments to continue delivering low earnings in 2019 due to the slow increase in interest from reinvestments. The Federal Reserve System (Fed) has indicated that USD interest rates will rise. Interest rates in the Eurozone will remain low in 2019 despite the end of the ECB bond purchase programme and will only rise slowly. The risk premiums on Austrian government bonds remain stable, which means that the terms of access to the international capital markets should remain attractive for OeKB.

In the Export Services and Capital Market Services segments we are planning further digitalisation projects in 2019 to meet the needs of our customers more rapidly and in a simpler manner.

Overall, OeKB Group is well prepared to meet the challenges ahead, and we are expecting sustained growing operating income.

We wholeheartedly thank all our employees for their commitment and their contribution to our success. Our sincere thanks also go to the Staff Council, whose members continued their long tradition of representing the interests of the employees and of the Bank.

Vienna, 4 March 2019

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

OeKB Group 2018 consolidated financial statements

Income statement

€ thousand	Notes		2018		2017 (adjusted) *	Change in %
Interest income calculated using the effective interest method		230,347		186,930		23.2%
Plus budget underruns from negative interest calculated using the effective interest method		3,612		1,404		157.3%
Other interest income		4,702		13,841		-66.0%
Plus budget underruns from other negative interest		108,552		109,883		-1.2%
Interest income			347,213		312,058	11.3%
Interest expenses calculated using the effective interest method		(123,391)		(109,677)		12.5%
Plus losses from negative interest calculated using the effective interest method		(13,440)		(8,377)		60.4%
Other interest expenses		(127,562)		(106,708)		19.5%
Plus losses from other negative interest		(2,987)		(7,745)		-61.4%
Interest expenses			(267,381)		(232,507)	15.0%
Net interest income	**6**		**79,832**		**79,551**	**0.4%**
Fee and commission income		54,062		54,722		-1.2%
Fee and commission expenses		(13,811)		(12,656)		9.1%
Net fee and commission income	**7**		**40,252**		**42,066**	**-4.3%**
Net credit risk provisions	36		106		-	100.0%
Net gain or loss on financial instruments measured at fair value through profit or loss	8		(11,031)		(2,520)	>100.0%
Net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss	9		315		(1)	>100.0%
Current income from investments in other unconsolidated companies			2,427		2,983	-18.6%
Share of profit or loss of equity-accounted investments, net of tax	18		5,709		4,193	36.2%
Administrative expenses	10		(82,553)		(80,068)	3.1%
Other operating income		8,780		8,149		7.7%
Other operating expenses		(2,860)		(2,720)		5.1%
Other operating income	11		5,920		5,429	9.0%
Profit before tax			**40,977**		**51,634**	**-20.6%**
Income tax	12		(8,845)		(11,771)	-24.9%
Profit for the year			**32,132**		**39,863**	**-19.4%**

* See Note 2 - Change in the presentation of the consolidated statement of comprehensive income

Other comprehensive income

€ thousand	Notes	2018	2017	Change in %
Items that will not be reclassified into the income statement in future				
Actuarial gains/losses from defined benefit plans	22	(8,464)	(119)	>100.0%
Equity-accounted investments - Share of net other comprehensive income	18	315	105	>100.0%
Net gain or loss from the fair value measurement of investments in other unconsolidated companies (FVOCI)		1,106	-	100.0%
Tax effects	12	1,839	30	>100.0%
Total		**(5,204)**	**15**	**>100.0%**
Items that will be reclassified into the income statement in future				
Net gain or loss from the fair value measurement of investments in other unconsolidated companies (available for sale)		-	24,898	-100.0%
Tax effects	12	-	(6,225)	-100.0%
Total		**-**	**18,674**	**-100.0%**
Net other comprehensive income after tax		(5,204)	18,689	>100.0%
Total comprehensive income for the year		**26,928**	**58,551**	**-54.0%**
Profit for the year				
Attributable to owners of the parent		32,132	39,863	-19.4%
Breakdown of total comprehensive income				
Attributable to owners of the parent		26,928	58,551	-54.0%

Earnings per share

	2018	2017
Profit for the year attributable to owners of the parent, in € thousand	32,132	39,863
Average number of shares outstanding	880,000	880,000
Earnings per share, in €	**36.51**	**45.30**

As in the previous year, there were no exercisable conversion or option rights at 31 December 2018. The diluted earnings per share correspond to the undiluted earnings per share (see Note 2).

Consolidated balance sheet of OeKB Group

Assets

€ thousand	Notes	31 Dec 2018	31 Dec 2017	Change in %
Cash and cash equivalents	14, 27	323,412	424,206	-23.8%
Loans and advances to banks	8, 15	19,543,187	16,192,881	20.7%
Loans and advances to customers	8, 15	467,898	1,536,986	-69.6%
Other financial assets	8, 16	3,088,719	3,036,328	1.7%
Derivative financial instruments	8, 17	598,100	533,887	12.0%
Guarantees pursuant to § 1(2b) AFFG	8, 17	4,521,338	4,095,741	10.4%
Equity-accounted investments	18	67,927	66,843	1.6%
Property, equipment and intangible assets	19	13,832	16,900	-18.2%
Current tax assets		12,662	10,668	18.7%
Deferred tax assets	23	57,991	56,418	2.8%
Other assets		19,248	33,914	-43.2%
Total assets		**28,714,314**	**26,004,771**	**10.4%**

Liabilities and equity

€ thousand	Notes	31 Dec 2018	31 Dec 2017	Change in %
Deposits from banks	20	527,221	425,088	24.0%
Deposits from customers	20	704,596	753,965	-6.5%
Debt securities issued	8, 21	24,520,740	21,640,415	13.3%
Derivative financial instruments	8, 17	439,815	555,651	-20.8%
Provisions	22	150,969	145,508	3.8%
Current tax liabilities		125	407	-69.3%
Other liabilities		26,962	44,297	-39.1%
EFS interest rate stabilisation provision	24	1,553,218	1,638,577	-5.2%
Equity	25	790,668	800,864	-1.3%
Total liabilities and equity		**28,714,314**	**26,004,771**	**10.4%**

Consolidated statement of changes in equity of OeKB Group

The amounts of subscribed share capital and capital reserves shown in the following tables are the same as those reported in the separate financial statements of Oesterreichische Kontrollbank AG.

More information on equity is provided in Note 25.

Consolidated statement of changes in equity 2018

€ thousand	Notes	Subscribed capital	Capital reserves	Retained earnings	IAS 19 - Reserve	Available for sale - Reserve	FVOCI - Reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 Dec 2017	**25**	**130,000**	**3,347**	**667,531**	**(18,687)**	**18,674**	**-**	**800,864**	**-**	**800,864**
Effect from first-time application of IFRS 9	13	-	-	(4,266)	-	(18,674)	18,674	(4,266)	-	(4,266)
1 Jan 2018	**25**	**130,000**	**3,347**	**663,265**	**(18,687)**	**-**	**18,674**	**796,598**	**-**	**796,598**
Profit for the year		-	-	32,132	-	-	-	32,132	-	32,132
Other comprehensive income/ (expense)		-	-	-	(6,033)	-	829	(5,204)	-	(5,204)
Total comprehensive income		**-**	**-**	**32,132**	**(6,033)**	**-**	**829**	**26,928**	**-**	**26,928**
Transfer due to a disposal in the investments in other unconsolidated companies	25	-	-	565	-	-	(565)	-	-	-
Transactions with owners (dividends)	25	-	-	(32,858)	-	-	-	(32,858)	-	(32,858)
31 Dec 2018		**130,000**	**3,347**	**663,104**	**(24,720)**	**-**	**18,938**	**790,668**	**-**	**790,668**

Consolidated statement of changes in equity 2017

€ thousand	Notes	Subscribed capital	Capital reserves	Retained earnings	IAS 19 - Reserve	Available for sale - Reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 Jan 2017	**25**	**130,000**	**3,347**	**646,912**	**(18,702)**	**-**	**761,558**	**4,585**	**766,142**
Profit for the year		-	-	39,863	-	-	39,863	-	39,863
Other comprehensive income/(expense)		-	-	-	15	18,674	18,689	-	18,689
Total comprehensive income for the year		**-**	**-**	**39,863**	**15**	**18,674**	**58,551**	**-**	**58,551**
Acquisition of non-controlling interests without change in control		-	-	776	-	-	776	(4,446)	(3,670)
Transactions with owners (dividends)	25	-	-	(20,020)	-	-	(20,020)	(140)	(20,160)
As at 31 Dec 2017		**130,000**	**3,347**	**667,531**	**(18,687)**	**18,674**	**800,864**	**-**	**800,864**

Consolidated statement of cash flows of OeKB Group

€ thousand	Notes	2018	2017
Profit before tax		**40,977**	**51,634**
Non-cash items included in profit, and adjustments to reconcile profit with cash flows from operating activities			
Depreciation on property and equipment	19	5,001	4,696
Amortisation on intangible assets	19	763	673
Changes in provisions	22	(12,666)	(3,213)
Change in loan loss provisions (ECL)	36	(106)	-
Changes in the EFS interest rate stabilisation provision	24	(85,359)	(104,734)
Changes in guarantees pursuant to § 1(2b) AFFG	17	(425,597)	1,587,416
Unrealised gains/losses from the measurement of other financial assets measured at fair value through profit or loss and not assigned to the EFS	8	10,810	2,020
Net gain or loss from the derecognition of loans and advances measured at amortised cost	8	5	1
Share of profit or loss of equity-accounted investments, net of tax	18	(5,709)	(4,193)
Unrealised gains/losses from foreign currency differences on financial instruments assigned to the Export Financing Scheme	8	221	500
Other non-cash items		443,465	(1,663,948)
Changes in operating assets and liabilities after adjustment for non-cash components			
Proceeds from the redemption of			
Loans and advances to banks	15	11,428,167	12,350,000
Loans and advances to customers	15	1,339,956	1,007,288
Payments for the purchase of			
Loans and advances to banks	15	(14,794,964)	(14,060,444)
Loans and advances to customers	15	(274,252)	(971,743)
Proceeds from			
Deposits from banks	20, 27	4,311,495	4,963,459
Deposits from customers	20, 27	1,854,057	1,318,580
Debt securities issued	21, 27	24,595,817	20,523,447
Repayments from the redemption of			
Deposits from banks	20, 27	(4,209,391)	(5,447,887)
Deposits from customers	20, 27	(1,903,426)	(1,402,207)
Debt securities issued	21, 27	(22,332,174)	(18,229,719)
Other assets from operating activities		(3,196)	(3,602)
Other liabilities from operating activities		2,289	2,502
Interest received		260,663	280,428
Current income from investments in other unconsolidated companies		2,427	2,983
Current income from equity-accounted investments	18	4,940	5,198
Interest paid		(227,717)	(160,210)
Income tax paid		(4,684)	(18,180)
Net cash from operating activities		**21,813**	**30,745**

€ thousand	Notes	2018	2017
Proceeds from the redemption and disposal of			
Other financial assets	16	514,795	550,393
Other financial assets - other unconsolidated companies	16	758	-
Payments for the purchase of			
Other financial assets	16	(602,574)	(544,459)
Property, equipment, and intangible assets	19	(2,728)	(2,003)
Net cash from investing activities		**(89,749)**	**3,931**
Acquisition of non-controlling interests		-	(3,670)
Dividend payments	25, 27	(32,858)	(20,160)
Net cash from financing activities		**(32,858)**	**(23,830)**

Consolidated statement of cash flows of OeKB Group

€ thousand	31 Dec 2018	31 Dec 2017
Cash and cash equivalents at beginning of period	**424,206**	**413,360**
Net cash from operating activities	21,813	30,745
Net cash from investing activities	(89,749)	3,931
Net cash from financing activities	(32,858)	(23,830)
Cash and cash equivalents at end of period	**323,412**	**424,206**

Further details on cash and cash equivalents and additional information on the cash flows are provided in Note 27.

Notes to the consolidated financial statements of OeKB Group

Note 1 General information

Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) is a special-purpose bank with its registered office in 1010 Vienna, Austria and was founded in 1946. OeKB is a public interest entity pursuant to § 189a 1 lit. a UGB.

OeKB Group comprises Oesterreichische Kontrollbank AG, Oesterreichische Entwicklungsbank AG, OeKB CSD GmbH, CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH and OeKB EH Beteiligungs- und Management AG (Acredia Versicherung AG), see also Note 37.

Because of the unique nature of the business model of OeKB, the operating principles and relevant legal regulations are explained in this section to allow a better understanding of these annual financial statements.

The consolidated financial statements of OeKB Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The requirements of § 59a BWG and § 245a UGB were met.

OeKB is a special-purpose bank acting as a service provider for exporters and for the capital market (including the energy market).

The business model has three core segments:

- Export guarantees and guarantees by aval
- Export financing
- Capital Market Services.

Export guarantees/Guarantees by aval

In this segment, OeKB acts as an agent in the name of and for the account of the Republic of Austria. OeKB is responsible here for the bank-specific handling of guarantee applications, the administrative and technical processing of the guarantee agreements, and for enforcing the rights of the Republic from guarantee claims. OeKB receives a processing commission for this off-balance-sheet business segment.

Legal basis: Liability according to the Austrian Export Guarantees Act (AusfFG)

According to the AusfFG, the Federal Minister of Finance is authorised until 31 December 2022 to assume guarantees in the name of the Republic of Austria for the proper fulfilment of transactions by foreign counterparties and for the enforcement of the rights of export companies that directly or indirectly improve Austria's current account. These transactions and rights relate to projects abroad – especially in the areas of environmental protection, waste disposal, and infrastructure – whose realisation by domestic or foreign companies is in Austria's interests. According to § 7 AusfFG, the guarantee fee and all claims paid shall be collected by the agent of the federal government (OeKB) and credited regularly to an account of the federal government opened at the authorised agent of the federal government. Pursuant to § 8a AusfFG, OeKB will remain responsible for the processing of these export guarantees until the conclusion of an agency contract.

OeKB is entitled to an adequate fee for the administration of these export guarantees (shown in fee and commission income from export guarantees, Note 7).

The tasks of the Austrian development bank are specified in § 9 AusfFG. Oesterreichische Entwicklungsbank AG (100% subsidiary of OeKB) has been commissioned to fulfil these responsibilities, and is obligated to follow the objectives and principles of Austria's development policy as set forth in the Development Cooperation Act. The guarantee fees paid to the Republic of Austria in connection with the financing arrangements provided by the development bank are reported under the fee and commission expenses from credit operations (see Note 7).

Export Financing Scheme (EFS)

OeKB engages in no retail business and accepts no savings deposits. As an agent of the Republic of Austria, it provides refinancing to banks and financial institutions at attractive terms, and these institutions then extend this financing to their customers as export loans (delivery, purchase, and investment financing and export acceptance credit, financing of export induced domestic investments, and financing of lease arrangements of domestic exporters).

This means that OeKB acts as a contractor to the Republic of Austria in significant business segments. The Republic of Austria also issues extensive guarantees for the protection of OeKB and its creditors.

The majority of the loans and advances to banks and customers in the EFS feature a guarantee from the Republic of Austria pursuant to the AusfFG. Because of this, OeKB Group is not exposed to significant credit risk, and only minor loan loss provisions need to be formed in connection with the EFS. Because of these guarantees, the claims are subject to uniform conditions depending on the time at which the refinancing agreements were concluded. These uniform refinancing interest rates, which are published on the OeKB web site, are derived from the OeKB's credit spreads. The credit spreads of the OeKB are in turn dependent on the credit spreads of the Republic of Austria due to the creditor guarantee pursuant to § 1(2a) AFFG. The Export Financing Guarantees Act also permits export financing based on other guarantees and insurance policies.

OeKB engages in no significant lending activities aside from this scheme, and therefore also generates no significant interest income. This means that the income of OeKB aside from the income generated by proprietary investments results primarily from fees and commissions for the services rendered to customers and clients.

The majority of the refinancing needed for the Export Financing Scheme is raised on the international money and capital markets, where OeKB is a respected and established issuer thanks to the guarantees provided by the federal government.

Exchange rate risks exist for the most part only in connection with these long- and short-term debt securities issued. The risks are largely secured by the exchange rate guarantees of the Republic of Austria pursuant to § 1(2b) AFFG on an individual transaction basis. This means that OeKB bears no significant exchange rate risk from the EFS. The calculation and settlement of these exchange rate positions is conducted in agreement with the Ministry of Finance (BMF) for each individual transaction. The foreign currency strategy is coordinated with the Federal Ministry of Finance as part of an ongoing portfolio strategy. In some cases, the transactions are refinanced in the same currency and the exchange rates that apply to maturing liabilities are immediately applied to newly issued debt. Because of the importance and relevance of this item for all parties, it is being reported in a separate item (Guarantees pursuant to § 1[2b] AFFG).

Legal basis: Federal law on the financing of transactions and rights (Export Financing Guarantees Act – AFFG)

Pursuant to § 1 AFFG, the Federal Minister of Finance is authorised until 31 December 2023 to issue guarantees in the name of the Republic of Austria for credit operations (bonds, loans, lines of credit, and other obligations) conducted by the authorised agent of the federal government pursuant to § 5(1) AusfFG (OeKB).

The guarantees are issued:

- to the benefit of the creditor of the agent authorised by the federal government (OeKB) for the fulfilment of its obligations under credit operations (§ 1[2a] AFFG);
- to the benefit of the agent authorised by the federal government (OeKB) to guarantee a specific exchange rate between the euro and another currency (exchange rate risk) for the fulfilment of obligations under credit operations for the period of time during which the proceeds from the credit operation are used for financing in euros (§ 1[2b] AFFG).

The fee provisions for the issue of guarantees by the Republic of Austria pursuant to the AFFG specify a (minimum) guarantee fee that depends on the volume of the outstanding borrowings in the Export Financing Scheme.

The interest rate stabilisation provision for the Export Financing Scheme is based on the specific purpose of the EFS and the risk associated with this programme. It contains the surpluses from charged interest and the net gains or losses from the measurement of the financial instruments in the EFS at fair value. OeKB was commissioned by the Federal Ministry of Finance in 1968 to collect proceeds generated under the EFS in a separate account and to use them solely for financing the EFS as needed. This was implemented through the formation of theEFS interest rate stabilisation provision and through the annual resolutions of OeKB's Supervisory Board. The proceeds generated under the EFS cannot be accessed by the owners now or in future and may only be used by management for the purposes of the EFS. This provision reflects the fact that the proceeds from the EFS do not accrue to OeKB Group but are instead to be kept in the EFS for the covering of risks (including in relation to the obligation to continue operating in the event that the agency agreement pursuant to § 8a AusfFG is terminated). The federal tax office for corporations in Vienna has acknowledged the EFS interest rate stabilisation provision as a deductible debt item in so far as it is used for decreasing the effective refinancing interest rate for the EFS.

Since the inception of the internationally unique Export Financing Scheme in 1960, the EFS interest rate stabilisation provision has been built up from the ongoing surpluses. In coordination with the Federal Ministry of Finance, OeKB has decided to report this item separately due to its specific nature (see Note 24).

Services for the capital market and energy market

OeKB offers a wide range of services for the Austrian capital market. These include the office for the issue of government bonds of the Republic of Austria through auction, the payment and calculation office for government bonds of the Republic of Austria, the notification office pursuant to the KMG, OAM Issuer Info (storage medium for securities exchange information), ISIN code assignment, and financial data service - the collection and sale of master, schedule, and price data for financial instruments, fund services (platform for data exchange), and a LEI service partnership.

Related to the core competencies in the capital market, services are also provided for the Austrian energy market. This segment includes financial clearing and risk management services for the settlement agents in the Austrian gas and electricity market and for the EXAA electricity exchange. OeKB is also active as a general clearing member (GCM) on European Commodity Clearing AG (ECC), and in this capacity handles collateral management and financial processing for non-clearing members.

Accounting principles

The Executive Board of OeKB is responsible for preparing the consolidated financial statements and group management report; these are acknowledged by the Supervisory Board of OeKB based on the Audit Committee's recommendation. No material events occurred after the reporting date of 31 December 2018 (as of 4 March 2019).

Details about the recognition and measurement principles of OeKB Group (aside from the explanations in chapter Export Financing Scheme), including the changes made to these during the year, can be found in Note 2.

The reporting currency and functional currency of these consolidated financial statements and of OeKB Group is the euro. All amounts are indicated in thousands of euros unless specified otherwise. The tables may contain rounding differences.

In preparing its consolidated financial statements, OeKB Group orients itself towards the presentations of its peer organisations and towards the proposals of major, internationally active financial auditors on the preparation of consolidated financial statements for banks according to IFRS, which makes our consolidated financial statements easier for our investors to compare. Until 2017, the regulatory requirements for official reporting (FIN-REP) were also oriented towards these model financial statements. With the introduction of IFRS 9 in 2018, the presentation for official reporting was fundamentally revised by the European Banking Authority (EBA) and represents a mandatory regulatory framework that must be followed by banks domiciled in the EU for reporting purposes. However, OeKB Group uses this presentation solely for regulatory reporting.

Uncertainty in judgements and assumptions

The preparation of consolidated financial statements in accordance with the IFRS requires the Executive Board to make judgements and assumptions about future developments that can have a material impact on the reported value of assets and liabilities, the disclosure of other obligations at the balance sheet date, and the reporting of earnings and expenses during the financial year.

The following assumptions entail a more than insignificant risk of substantial changes in asset values and liabilities in the coming financial year:

- The assessment of the business model in which the assets are held and the assessment of whether the contractual terms of the financial asset solely represent capital payments and interest on the outstanding principal (applicable to the classification of the financial assets starting in 2018). Note 13
- The parameters that are used for fair value measurement are based in part on forward-looking assumptions that may fluctuate. Notes 3, 16
- The assessment of whether the credit risk of the financial asset has increased significantly since the first-time recognition and inclusion of forward-looking information for the determination of the expected credit loss as used to identify the impairment of financial assets. Note 36
- The determination of the LGD (loss given default) and the PD (probability of default) in the calculation of the impairment. Note 36
- Assumptions are made about the discount rate, retirement age, life expectancy, staff turnover, and future remuneration growth for the measurement of the existing pension and termination benefit obligations. Note 22
- The recognised amount of deferred tax assets is based on the assumption that sufficient taxable revenue will be generated in future. Note 23
- Assessment are made regularly as to whether obligations that are not reported on the balance sheet arising from guarantees and other commitments must be reported on the balance sheet. Note 31

- **Brexit**
  OeKB Group primarily uses London Clearing House (LCH) as its central counterparty for the clearing of derivative financial instruments. It cannot be said with certainty at this time whether LCH will still be eligible to act as a central counterparty under EMIR after Brexit. The latest statements from the EU Commission indicate that LCH will be recognised (at least on an interim basis and with a time limitation) to prevent major distortions in the market.

  Should clearing through LCH no longer be possible, all contracts would first have to be terminated by means of close out trades. Then, these contracts would have to be concluded anew with a different central counterparty that is recognised under EMIR (corresponding contracts are currently being drafted). OeKB Group incurs costs (base costs between LCH and an alternative clearing house) because of the differences in the flows and liquidity levels between the individual clearing houses (LCH has the largest market share in the world for nearly all products). These costs should decline in general as the alternative clearing houses take over market share from LCH, but short-term spikes in either direction cannot be ruled out.

  Should only the EUR clearing be moved from LCH, OeKB Group would incur transaction costs of roughly € 510 thousand and base costs to the alternative clearing house of € 1,140 thousand as things stand now (with a volume of derivative financial instruments of roughly € 3.7 billion). Should LCH also lose USD clearing, this would cause transaction costs of around € 450 thousand for OeKB Group (volume of derivative financial instruments roughly $ 5.7 billion). The base costs to the alternative clearing house cannot be stated in this case because of the fact that the USD liquidity there is still too low. Because the derivative financial instruments are only held in connection with hedging mechanisms involving financial instruments in the EFS, the costs are allocated to this scheme and do not impact the income statement of OeKB Group. The base costs will increase the future refinancing expenses.

The estimates and assumptions upon which they are based are assessed on a regular basis and conform with the respective standards. The estimates are based on past experience and other factors such as plans, likely developments stemming from current conditions, and projections of future events as at the reporting date. The actual results can deviate from the assumptions and estimates when the actual conditions develop differently than was expected on the reporting date. Changes are taken into account as they occur.

Note 2 Recognition and measurement principles

Changes in recognition and measurement principles

Change in the presentation of the consolidated statement of comprehensive income

OeKB Group changed the presentation of the interest income on the income statement as a result of the amendment of IAS 1.82 (a). Since 2018, interest income is broken down into

- Interest income calculated using the effective interest method
- Other interest income.

To allow better comparison, the interest expenses were also broken down into

- Interest expenses calculated using the effective interest method
- Other interest expenses.

The other interest income includes interest income and income similar to interest earned from the financial assets measured at fair value through profit or loss, derivative financial instruments, and negative interest from financial liabilities.

The other interest expenses include interest expenses and expenses similar to interest from the financial liabilities measured at fair value through profit or loss, derivative financial instruments, and negative interest from financial assets In the comparison with the previous year, neither the interest income and interest expenses subtotals nor the total net interest income were adapted.

The net gain or loss on financial instruments (2017: loss of € 2,521 thousand) is reported separately as "Net gain or loss on financial instruments measured at fair value through profit or loss" (2017: loss of € 2,520 thousand) and "Net gain or loss on the derecognition of financial instruments measured at amortised cost" (2017: loss of € 1 thousand) according to IAS 1.82aa in conjunction with IFRS 7.20(a). A separate operating profit is no longer shown on the consolidated statement of comprehensive income. This breakdown allows investors to more easily compare the financial statements. Note 8 was adapted accordingly. The changed presentation has no effect on the net gain or loss on the income statement.

Change in the presentation of the consolidated statement of changes in equity

The consolidated statement of changes in equity was adapted in terms of the items changed by the first-time application of IFRS 9 and in terms of the adapted balances as at 1 January 2018.

Adaptation of the segment information

The segment information was adapted to the presentation on the income statement in the financial year with the exception of the presentation of the net interest income. The following changes were made.

Share of profit or loss of equity-accounted investments, net of tax:
The share of other comprehensive income of equity-accounted investments is no longer shown in the profit of the reportable segments for the year.

Administrative expenses:
Actuarial gains and losses pursuant to IAS 19 are no longer presented as an element of staff costs within administrative expenses.

Income taxes:
The tax effects arising from the actuarial gains and losses according to IAS 19 for items that will not be reclassified into the income statement in future are no longer included in the income taxes.

A more detailed description of the changes, including the adjustments made to the figures, can be found in Note 4.

New standards and amendments to be applied for the first time in 2018

With regards to new or amended standards and interpretations, only those that are relevant for the business activities of OeKB Group are listed with explanations.

Standards and amendments to be applied for the first time in 2018		First-time application
Amendments to IAS 40	Transfer of investment properties	1 Jan 2018
Amendments to IFRS 2	Application of IFRS 2 Share-based Payment	1 Jan 2018
Amendmants to IFRS 4	Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts	1 Jan 2018
IFRS 9	Financial instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018
Amendments to IFRS 2014-2016	Annual improvements (2014–2016) – Amendments to IFRS 1 and IAS 28	1 Jan 2018

IFRS 9 Financial instruments

Since 1 January 2018, OeKB Group has applied the standard IFRS 9 Financial Instruments as published by the IASB in July 2014 and as adopted by the EU in 2016. The first-time application resulted in changes in the accounting principles for the classification and measurement of financial assets and financial liabilities and for the impairment of financial assets. IFRS 9 also led to material changes in IFRS 7 Financial Instruments: Disclosures, and the information provided about financial instruments was adapted to these new requirements.

In accordance with the transitional provisions of IFRS 9, OeKB Group decided to forgo adapting the comparison figures from the 2017 financial year. For this reason, the columns with the comparison figures in the 2018 consolidated financial statements show the structure of the 2017 consolidated financial statements. The disclosures in the notes for the comparison period are also based on the original classification and measurement requirements of IAS 39 (as replaced by IFRS 9) and IFRS 7 (before the changes resulting from IFRS 9).

The material changes in the recognition and measurement principles of the Group resulting from the amendment of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three fundamental classification categories for financial assets: at amortised cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL). The classification according to IFRS 9 is generally based on the business model under which the financial asset is managed, and on its contractual payment flows. The standard eliminates the previous IAS 39 categories of financial instruments held to maturity, loans and receivables, and available for sale. Under IFRS 9, derivatives embedded in financial assets are no longer separated from the asset. Instead, the entire financial asset is classified. See Note 13 for an explanation of how OeKB Group classifies financial assets according to IFRS 9.

As far as financial liabilities are concerned, IFRS 9 only contains one relevant change from IAS 39. For the liabilities measured at fair value, the part of the measurement that pertains to the own credit risk is no longer to be recognised through profit or loss on the income statement, but in other comprehensive income. Because all results from the fair value measurement of financial instruments that fall under the Export Financing Scheme are reconciled in the EFS interest rate stabilisation provision item, this approach would lead to an accounting mismatch. For this reason, the exception allowed under IFRS 9.5.7.7 and IFRS 9.5.7.8 is used and the entire result from fair value measurement is still recognised through profit or loss on the income statement.

Impairment on financial assets

With the switch to IFRS 9, the previously used calculation of impairment in the case of objective evidence (incurred loss model) according to IAS 39 is no longer used. Now, a general impairment is recognised upon the first-time recognition of the financial assets on the basis of the expected credit loss model. Under this model, every debt instrument that is not recognised at fair value through profit or loss on the income statement is subject to an impairment charge according to the ECL model.

The amount of the impairment is determined using a dual approach that leads to one of the following calculation methods:

- 12-month expected credit loss (12M ECL): If the credit risk has not increased significantly since acquisition or when the credit risk is generally low (low credit risk exemption).
- Lifetime expected credit loss (LT ECL): If the credit risk has increased significantly since addition or the financial instrument is already impaired on the reporting date or was already impaired upon acquisition (POCI: purchased or originated credit impaired).

Transition from IAS 39 to IFRS 9

Changes in the recognition and measurement principles as a result of the application of IFRS 9 were applied retrospectively as described below.

The figures from comparison periods were not adapted. Differences in the net book values of the financial assets and financial liabilities resulting from the application of IFRS 9 were recognised in the retained earnings and in the EFS interest rate stabilisation provision (provided that the financial assets and financial liabilities are related to the EFS) as of 1 January 2018.

The following assessments were made based on the facts and circumstances at the time of the first-time application.

- The determination of the business model under which the financial asset is managed.
- If a debt instrument had a low level of credit risk upon the first-time application of IFRS 9, OeKB Group assumed that the credit risk of this financial asset had not increased substantially since its initial recognition.

The financial effects of the first-time application of IFRS 9 are explained in detail in Note 13.

IFRS 15 Revenue from Contracts with Customers

The recognition rules determine how and when revenue will be received from all contracts with customers based on a five-step model. However, they do not affect the receipt of revenue relating to financial instruments falling under IFRS 9. IFRS 15 replaces a number of other IFRS regulations such as IAS 18 Revenue, IAS 11 Construction Contracts, and interpretations that determine the time at which revenue is received under IFRS. The new regulations also demand more informative and more relevant disclosures in the notes. The IASB published clarifications to IFRS 15 in 2016. These changes address three of the five identified topics (identifying performance obligations, principal versus agent considerations, and licensing) and are intended to ease transition for modified and concluded contracts. Because IFRS 15 does not focus on the recognition of revenue from financial instruments, its first-time application has no effects on the consolidated financial statements of OeKB Group.

The other changes indicated in the table above have no effects on the consolidated financial statements of OeKB Group because there are no relevant transactions.

New standards and interpretations that are not yet being applied

A number of new standards and amendments to standards are to be applied in the first financial year beginning after 31 December 2018, though earlier application is possible. The Group did not apply the following new or amended standards earlier than required when preparing these consolidated financial statements.

IFRS 16 Leasing

The new standard specifies a recognition model that does not differentiate between finance or operating leasing for lessees. This means that most lease arrangements will have to be recognised on the balance sheet in future. For the lessee, this means that all assets and liabilities from leases with a term of greater than 12 months must be recognised on the balance sheet unless they are low-value assets. The lessee recognises an asset that represents its right to use the underlying asset.

It also recognises a lease liability that represents its obligation to make the lease payments. For lessors, the rules of IAS 17 Leases are unchanged for the most part, meaning that lease arrangements must still be classified as finance or operating leases and must be recognised accordingly. The new regulations also demand more informative and more relevant disclosures in the notes.

OeKB Group has rental and lease contracts relating to office space, space used for social benefits (company daycare centre, sport centre), archive spaces, a (fallback) data centre, the vehicle fleet, and office machines (multifunctional printers). All contracts relating to office machines have a remaining term of less than 12 months.

A group-wide analysis was conducted in 2018 to evaluate the effects of IFRS 16 on existing lease arrangements. During this analysis, contracts (rental and lease contracts) were reviewed to determine to what extent existing lease agreements must be recognised on the balance sheet as rights of use and lease liabilities. The analysis revealed that when applying the modified retrospective first-time application method according to IFRS 16.C5 b, rights of use (recognition in “Property, equipment, and intangible assets”) and lease liabilities (recognition in “Other liabilities”) in the amount of around € 9.8 million will have to be recognised as at 1 January 2019. The weighted threshold interest rate used to calculate the present value of the lease liabilities as at 31 December 2018 is 0.22%. Lease contracts with a remaining term of less than 12 months are not taken into account. No effects on equity are expected. The following table contains further information on first-time application. Because of the low number of lease agreements in OeKB Group, the requirements were implemented at the beginning of 2019.

The option to treat intangible assets according to IFRS 16 will not be exercised.

Information about the first-time application of IFRS 16

	€ thousand
Rights of use – buildings	9,679
Rights of use – vehicle fleet	166
Rights of use (property and equipment)	**9,845**
Lease liabilities - buildings	9,679
Lease liabilities - vehicle fleet	166
Lease liabilities (other liabilities	**9,845**
Thereof current present values	*1,162*
Thereof non-current present values	*8,683*

Preview of the changes in the present values from rights of use and lease liabilities

	€ thousand
Preview of the present values from rights of use	
as at 31 Dec 2019	8,673
as at 31 Dec 2020	7,519
as at 31 Dec 2021	6,413
Preview of the present values from lease liabilities	
as at 31 Dec 2019	8,683
as at 31 Dec 2020	7,536
as at 31 Dec 2021	6,437

Minimum lease payments from the rights of use according to IFRS

	€ thousand
Up to 1 year	1,183
More than 1 year and less than 5 years	4,356
More than 5 years	4,320

The following new or amended standards are not expected to have a material impact on the consolidated financial statements.

Amended standards and interpretations		EU adoption	Effective date
Amendments to IAS 19	Pension obligations in the event of plan changes, reductions, and settlement	open	1 Jan 2019
Amendments to IFRS 9	Financial assets with negative breakage costs	applied	1 Jan 2019
Amendments to IAS 28	Non-current interests in associated companies or joint ventures	open	1 Jan 2019
IFRIC 23	Uncertainties regarding income tax treatment	applied	1 Jan 2019
Amendments to IFRS 2015-2017	Annual improvements (2015–2017) – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	open	1 Jan 2019
Amendments to IAS 1 and IAS 8	Definition of “material”	open	1 Jan 2020
Amendments to IFRS 3	Business Combination - Definition of a business	open	1 Jan 2020
Conceptual framework	Revision of the conceptual framework	open	1 Jan 2020
IFRS 17	Insurance Contracts	open	1 Jan 2021
IFRS 14	Regulatory Deferred Accounts	open	open
Amendments to IFRS 10 and IAS 28	Sale or deposit of assets between an investor and an associated company or joint venture	open	open

Material recognition and measurement principles

A – Consolidation principles

- Business combinations
  The Group elected to exercise the option under IFRS 1 on the transition date of 1 January 2004, which means that the book values from first-time consolidation pursuant to UGB were used. This means that capital consolidation takes place according to the book value method. Under this method, the cost of the acquired ownership interest is offset against the Group’s share of the subsidiary’s net assets at the time that control passes to the Group. As in previous periods, the provisions of IFRS 3 on business combinations were not yet applied in the reporting period as no relevant transactions occurred.
- Subsidiaries
  Subsidiaries are companies controlled by OeKB. OeKB Group controls a company when it is subject to fluctuating returns from the company and has a right to returns from the company, and when it has the ability to influence these returns by means of the control that it exercises over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the point in time at which control begins and until the point in time at which control ends.
  - Non-controlling interests
    Non-controlling interests are measured at the proportionate value of the identifiable net assets of the acquired company at the time of acquisition.

    Changes in a share held by the Group in a subsidiary that do not lead to a loss of control are recognised as equity transactions.

- Loss of control
  If OeKB Group loses control over a subsidiary, it moves the assets and liabilities of the subsidiary and all associated non-controlling interests and other components out of equity. Any profit or loss is recognised in the income statement. Every retained share in the former subsidiary is measured at fair value at the time that control is lost.

- Equity-accounted investments
  Equity-accounted investments consist of shares in joint ventures.

  A joint venture is a company over which OeKB Group exercises joint control through an agreement. These are recognised according to the equity method, and are initially measured at the cost of acquisition including transaction costs. After initial recognition, the consolidated financial statements contain the share in the overall net gain or loss of the equity-accounted investments up to the point in time at which the significant influence or joint control ends.

- Transactions eliminated during consolidation
  Internal balances and transactions and all unrealised income and expenses from internal transactions within the Group are eliminated during the preparation of the consolidated financial statements. Unrealised gains from transactions with equity-accounted investments are written off against the Group's share in the company in question. Unrealised losses are eliminated in the same manner as unrealised gains, but only if there is no evidence of impairment.

B – Foreign currency translation

Transactions in foreign currencies are translated into the corresponding functional currency at the spot rate on the date of the transaction.

Monetary assets and debts denominated in a foreign currency on the reporting date are translated into the functional currency at the reference exchange rates published by the European Central Bank for the reporting date.

Indicative exchange rates at 31 December 2018

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.6220	AUD	0.8945	GBP	9.9483	NOK	10.2548	SEK
1.5605	CAD	8.9675	HKD	1.7056	NZD	6.0588	TRY
1.1269	CHF	7.4125	HRK	4.3014	PLN	1.1450	USD
25.7240	CZK	320.9800	HUF	4.6635	RON	16.4594	ZAR
7.4673	DKK	125.8500	JPY	79.7153	RUB		

Indicative exchange rates at 31 December 2017

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.5346	AUD	0.8872	GBP	9.8403	NOK	4.5464	TRY
1.5039	CAD	9.3720	HKD	4.1770	PLN	1.1993	USD
1.1702	CHF	7.4400	HRK	4.6585	RON	14.8054	ZAR
25.5350	CZK	310.3300	HUF	69.3920	RUB		
7.4449	DKK	135.0100	JPY	9.8438	SEK		

Non-monetary assets and debts that are measured at fair value in a foreign currency are translated at the rate valid on the date that the fair value is determined. Non-monetary items measured at the cost of acquisition or production in a foreign currency are translated at the exchange rate on the date of the transaction.

Currency translation differences are generally recognised in the profit or loss for the period.

C – Net interest income

- Effective interest method
  Interest income that can be assigned to the hold-to-collect business model and interest expenses are recognised through profit or loss using the effective interest method. The effective interest rate is calculated on the basis of the estimated future cash flows over the expected term of a financial asset or financial liability. When calculating the effective interest rate for financial assets that were not impaired at the time of acquisition, OeKB Group estimates the future cash flows taking all contractual provisions of the financial instrument but not expected credit losses (credit risks) into account. For financial assets that were impaired at the time of acquisition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses (credit risks).

  The calculation of the effective interest rate includes the transaction costs and the paid or received fees, which are an integral part of the effective interest rate. The transaction costs include additional costs that are directly related to the purchase or issue of a financial asset or financial liability.
- Amortised cost and gross book value
  The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability was measured upon initial recognition less repayments and plus or less the accumulated amortisation using the effective interest method, adjusted for any loan loss provisions.

  The gross book value of a financial asset is thus the amortised cost of the financial asset before adjustment for loan loss provisions.
- Calculation of the “Interest income and expenses calculated using the effective interest method”
  In this case, the effective interest rate is applied to the gross book value of the asset (when the asset is not impaired) or to the amortised cost of the debt.

  For financial assets whose credit rating was not impaired upon initial recognition but is impaired on the reporting date (level 3), the interest income is calculated using the effective interest rate based on the amortised cost (net basis). If the credit rating of the asset is no longer impaired, the interest income is again calculated using the gross basis.

  For financial assets already impaired at the time of acquisition, the interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of the interest income does not revert to the gross basis, even when the credit risk of the asset improves.

  See Note 36 for information about when the credit rating of assets is impaired.
- Presentation on the income statement
  The interest income and expenses for financial assets and financial liabilities calculated using the effective interest method are shown on the income statement under “Interest income and expenses calculated using the effective interest method”.

  The other interest income and expenses shown on the income statement include interest from financial assets and financial liabilities designated at fair value (FV option) and those that must be measured at fair value through profit or loss (FVTPL). The other interest income also includes budget underruns from other negative interest, and the other interest expenses losses from other negative interest.

- Charged interest and the Export Financing Scheme interest rate stabilisation provision
  If interest charged under the EFS leads to surpluses, these are transferred to the EFS interest rate stabilisation provision according to the resolutions of the governing bodies of OeKB (allocation to the interest rate stabilisation provision). Measures taken to reduce the effective refinancing rate in the scheme are charged against the EFS interest rate stabilisation provision (use of the interest rate stabilisation provision). The interest allocation and use through the EFS interest rate stabilisation provision is recognised accordingly in the items "Interest income calculated using the effective interest method" and "Other interest income" (see Note 24).
- Guarantee fees pursuant to § 1(2) AFFG
  The guarantee fees pursuant to § 1(2) AFFG are directly related to the debt securities issued by OeKB. The expenses are calculated for each guarantee and period and recognised under "Interest expenses calculated using the effective interest method". If the FV option is applied to guaranteed financial liabilities, the guarantee fees are calculated for the period in question and reported in the item "Other interest expenses" (see Note 17).

D – Net fee and commission income

Fee and commission income and expenses, which are an integral part of the effective interest rate of a financial asset or financial liability, are included in the effective interest rate. If a loan commitment is not expected to result in the payout of a loan, the associated loan commitment fee is recognised through profit or loss.

Fee and commission income is recognised in the period in which the associated service is rendered. Fee and commission expenses are recognised as an expense when the service is received.

The guarantee fees paid to the Republic of Austria pursuant to § 9 AusfFG in connection with the financing arrangements provided by the development bank are directly related to the individual financial assets and are reported under the fee and commission expenses (see Note 7).

E – Current income from investments in other unconsolidated companies

Dividend income is recognised at the time of the decision to pay the dividend.

F – Net gain or loss on financial instruments measured at fair value through profit or loss (FVTPL)

The net gain or loss on financial instruments pertains to

- derivative financial instruments and guarantees pursuant to § 1(2b) AFFG that are held for hedging purposes,
- financial assets that must be measured at FVTPL, and
- financial assets and financial liabilities to which the FV option has been applied.

This item contains the changes in the fair value and all currency translation differences.

G – Income taxes

The tax expenses consist of actual and deferred taxes. Actual taxes and deferred taxes are recognised on the income statement unless they are related to a business combination or to an item recognised directly in equity or in other comprehensive income.

Interest and penalties on income taxes, including on uncertain tax positions, are recognised according to IAS 37.

- Actual taxes
  Actual taxes pertain to the expected tax obligation or tax receivable on the taxable income for the financial year or to the tax loss, both based on the tax rates that apply on the reporting date or that will soon apply, plus all changes to the tax obligations for previous years. The amount of the expected tax obligation or tax receivable represents the best estimate taking tax uncertainties into account, if any apply. Actual tax obligations also include all tax obligations resulting from resolutions to disburse dividends.

  Actual tax assets and obligations are only offset according to the provisions of IAS 12.71 ff.

- Deferred taxes
  Deferred taxes are recognised for temporary differences between the book values of the assets and debts for group accounting purposes and the amounts used for tax purposes. Deferred taxes are not recognised for

  - temporary differences arising during the initial recognition of assets or liabilities from transactions not involving business combinations and that have no impact on the earnings before taxes or the taxable income;
  - temporary differences related to shares in subsidiaries, associated companies, and joint ventures, provided that OeKB Group is in a position to control the timing of the elimination of the temporary differences and it is probable that these will not be eliminated in the foreseeable future;
  - taxable temporary differences arising during the initial recognition of goodwill.

  There are no deferred tax assets for as of yet unused tax losses.

  Unrecognised deferred tax assets are reevaluated on every reporting date and are recognised to the extent that it is probable that future taxable income will permit the realisation of these deferred tax assets.

  Deferred taxes are measured on the basis of the tax rates that are expected to apply to temporary differences once they are reversed, using the tax rates that apply or are announced on the reporting date.

  The measurement of deferred taxes reflects the tax consequences expected by OeKB Group based on the manner of the realisation of the net book values of the assets and the repayment of the debts at the reporting date.

  Deferred tax assets and deferred tax obligations are offset when the requirements for this according to IAS 12.74 ff are met.

H – Financial assets and financial liabilities

H1 - Initial recognition

OeKB Group recognises the cash and cash equivalents, loans and advances to banks and customers, deposits from banks and customers, and debt securities issued for the first time upon their origination. All other financial instruments (including the purchase of financial assets) are initially recognised on the trade date, i.e. on the date on which OeKB Group becomes a contractual party to the instrument. A financial asset and financial liability are initially recognised at their fair value. If an instrument must be measured at amortised cost, it is initially recognised at the fair value plus transaction costs.

The current income from the financial assets that are assigned to the hold-to-collect business model is recognised under “Interest income calculated using the effective interest method”. All other current income (except for current income from investments in other unconsolidated companies) is recognised under “Other interest income”. If losses are incurred from negative interest, these are recognised under “Losses from negative interest calculated using the effective interest method” and “Losses from other negative interest”. OeKB Group holds no financial assets for trading purposes.

The current expenses from financial liabilities calculated using the effective interest method are recognised under “Interest expenses calculated using the effective interest method”. All other current expenses are recognised under “Other interest expenses”. If budget underruns are incurred from negative interest, these are recognised under “Budget underruns from negative interest calculated using the effective interest method” and “Budget underruns from other negative interest”.

H2 - Classification of financial assets (applies from 1 January 2018)

Upon initial recognition, a financial asset is classified as at amortised cost (AC), at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVTPL). This classification is made on the basis of

- the business model of OeKB Group for managing financial assets and
- the characteristics of the contractual payment flows of the financial asset.

A financial asset must be measured at amortised cost when the following conditions are met:

- The financial asset is held under a business model with the objective of holding these assets to receive the contractual payment flows, and
- The contractual provisions of the asset lead to payment flows at set times and that solely represent the repayment of and interest payments on the outstanding principal.

A financial asset is measured at FVOCI when the following conditions are met:

- The financial asset is held under a business model with the objective of receiving the contractual payment flows as well as of selling the assets, and
- The contractual provisions of the asset lead to payment flows at set times and that solely represent the repayment of and interest payments on the outstanding principal.

A financial asset that is neither measured at AC nor at FVOCI must be measured at fair value through profit or loss (FVTPL). However, OeKB Group can make the irrevocable choice upon the initial recognition of subsidiaries (investments in other unconsolidated companies) that would normally be measured at FVTPL to recognise future changes in the fair value in other comprehensive income.

A financial asset can be irrevocably designated as measured at fair value through profit or loss (FV option) upon initial recognition when this eliminates or significantly reduces an accounting mismatch.

Business model

OeKB Group assesses the objective of a business model under which an asset is held at the portfolio level on the basis of the manner in which the instrument is managed and how information is reported to management. The information that is taken into account includes:

- the specified strategy and objectives for the portfolio. Especially whether the strategy aims to generate interest income, maintain a certain interest rate profile, adapt the duration of the financial assets to the term of the associated financial liabilities, or to realise the payment flows through the sale of the assets;
- how the performance of the portfolio is assessed and reported to management;
- the risks that influence the net gain or loss of the business model and how these risks are managed;
- whether the management remuneration is based on the change in the fair value of the managed assets or the received payment flows; and

- the frequency, volume, and timing of sales in previous periods and the reasons for such sales and the expectations for future selling activity. Information about selling activity is not considered in isolation, however, but as part of an overall assessment of how the express goal of OeKB Group is achieved and how the payment flows are realised.

Assessment as to whether contractual payment flows consist solely of principal and interest payments

For the purposes of this assessment, the principal is defined as the fair value of the financial asset upon initial recognition. Interest is defined as consideration for the fair value of the money and for the credit risk relating to the outstanding principal sum over a specific period of time and for other fundamental credit risks and costs (such as liquidity risk and administrative costs) plus the profit margin.

In assessing whether the contractual payment flows consist solely of repayment and interest, OeKB Group takes all contractual provisions of the instrument into account. This includes an assessment of whether the financial asset includes contractual provisions that could change the timing or amount of the agreed payment flows in such a manner that they no longer meet this requirement.

Reclassification

Financial assets are not reclassified after their initial recognition except during the period after OeKB Group changed its business model for the management of financial assets. No reclassifications took place during the current or previous year.

Classification of financial assets (applies until 31 December 2017)

OeKB Group has assigned its financial assets to one of the following categories:

- loans and advances,
- available for sale,
- at fair value through profit or loss (FVTPL),
- designated at fair value (FV option).

See also Note 13.

Classification of financial liabilities

Upon initial recognition, financial liabilities are generally classified as at amortised cost, except for financial guarantees and loan commitments.

A financial liability can be irrevocably designated as measured at fair value through profit or loss (FV option) upon initial recognition when this eliminates or significantly reduces an accounting mismatch. For the liabilities measured at fair value, IFRS 9 stipulates that the part of the measurement that pertains to the own credit risk must be recognised in other comprehensive income. Because all results from the fair value measurement of financial instruments that fall under the Export Financing Scheme are reconciled under “EFS interest rate stabilisation provision”, this approach would lead to an accounting mismatch. For this reason, the exception allowed under IFRS 9.5.7.7 and IFRS 9.5.7.8 is used and the entire result from fair value measurement is still recognised through profit or loss on the income statement.

Derecognition of a financial asset

OeKB Group derecognises a financial asset when its contractual entitlement to the payment flows from the financial asset expires, or when it transfers the rights to receive the contractual payment flows into a transaction under which all risks and opportunities associated with the ownership of the financial asset are materially transferred.

When derecognising a financial asset, the difference between the net book value of the asset and the amount of received consideration (including a newly acquired asset less a new liability) plus any accumulated profit or loss, if such is recognised in OCI, is recognised on the income statement.

Starting on 1 January 2018, any accumulated profit or loss that is recognised in OCI for equity instruments designated at FVOCI (investments in other unconsolidated companies) will not be recognised on the income statement when such instruments are derecognised.

All rights and obligations arising from or retained for each share of transferred financial assets that qualifies for derecognition will be recognised as a separate asset or liability upon this transfer.

OeKB Group conducts transactions under which assets are transferred but all material risks and opportunities of the transferred assets remain with OeKB Group (such as repurchase transactions). In these cases, the transferred assets are not derecognised.

Derecognition of a financial liability

OeKB Group decrecognises a financial liability when its contractual obligations have been fulfilled or waived or have expired.

Modification of financial assets

When the contractual terms of a financial asset are changed, OeKB Group assesses whether the payment flows of the modified asset differ. If the difference is material, the original financial asset is derecognised and a new financial asset is recognised at fair value.

- Applies from 1 January 2018:
  When the payment flows of the modified assets measured at amortised cost do not differ materially, the change does not lead to the derecognition of the financial asset. In this case, OeKB Group recalculates the gross book value of the financial asset and recognises the amount resulting from the change in the gross book value on the income statement as a modification profit or loss. If such a change is made due to financial difficulties of the borrower, the profit or loss is reported together with the impairment.
- Applies until 31 December 2017:
  If the contractual terms of a financial asset were changed due to financial difficulties of the borrower and the asset was not derecognised, the impairment of the asset was determined on the basis of the interest rate before the change.

Modification of financial liabilities

OeKB Group derecognises a financial liability when its terms are changed and the payment flows of the modified liability are materially different. In this case, a new financial liability is recognised at fair value based on the changed terms. The difference between the net book value of the derecognised financial liability and the new financial liability with modified conditions is recognised on the income statement.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the resulting net amount reported on the balance sheet when OeKB Group has an enforceable entitlement to offset the amounts and intends to fulfil them on a net basis or to simultaneously realise the asset and pay the debt.

Income and expenses are only reported on a net basis when this is permitted by IFRS or these gains and losses result from a group of similar transactions (such as the net credit risk provisions).

H3 - Measuring the fair value

The fair value (FV) is the price at which a financial asset can be sold or financial liability transferred between market participants at arm's length terms on the reporting date.

A number of accounting methods and disclosures require the determination of the fair values of financial assets and financial liabilities (debts). A valuation team consisting of members of the Accounting and Financial Control, Risk Controlling, and Treasury departments measures the fair values. The monitoring of the measurement of fair values is centralised. Significant valuation results are reported to the Audit Committee.

OeKB Group uses market data that can be observed on active markets when possible to determine the fair values of financial assets or financial liabilities. A market is considered to be active when transactions for the financial asset or financial liability occur with sufficient frequency and volume to continuously provide price information.

When there is no listed price on an active market, OeKB Group uses valuation methods that maximise the use of relevant observable inputs and minimise the use of non-observable inputs. The selected valuation technique takes into account all factors that market participants would consider in determining a price for a transaction.

When a financial asset or financial liability that is measured at fair value has a bid rate and ask rate, the financial asset is measured at the bid rate and the financial liability at the ask rate.

Reclassifications between levels in the fair value hierarchy are recognised at the end of the reporting period in which the change occurred. No reclassifications took place during the current year (as in the previous year).

H4 – Impairment

Applies from 1 January 2018

OeKB Group recognises impairment charges for the expected credit loss (ECL) for the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- outstanding guarantee commitments;
- loan commitments.

No impairment charges are recognised for the financial instruments classified as investments in other unconsolidated companies.

OeKB Group measures the impairment in the amount of the ECL calculated over the lifetime of the financial instruments, except for the following financial instruments for which a 12-month ECL is calculated:

- debt instruments that have a low level of credit risk at the reporting date;
- financial instruments for which the credit risk has not risen substantially since initial recognition.

OeKB Group considers a bond to have a low credit risk when its credit risk rating is equivalent to the generally recognised definition of investment grade.

The 12-month ECL is the portion of the ECL resulting from a default event of a financial instrument that is possible in the next 12 months after the reporting date. The lifetime ECL corresponds to the overall expectation of default.

Determining the ECL

The ECL is a probability-weighted estimation of the credit losses. It is calculated as follows:

- Financial assets that are not impaired on the reporting date: as the present value of all expected defaults (i.e. the difference between the contractually owed payment flows and the payment flows that OeKB Group expects to receive from the financial instruments);
- Financial assets that are impaired on the reporting date or that had a rating below investment grade upon initial recognition: as the difference between the net book value and the present value of the estimated future payment flows;
- Unused loan commitments/credit facilities: as the present value of the difference between the contractual payment flows owed to OeKB Group when the payout of the credit amount is demanded and the payment flows that OeKB Group expects from the financial instruments;
- Financial guarantees: the expected payments less the amounts that OeKB Group is expected to retain.

Restructured financial assets

When the terms of a financial asset are renegotiated or amended or when a financial asset is replaced with a new asset because of financial difficulties of the borrower, an evaluation is conducted to determine whether the financial asset is to be derecognised. The ECL is then calculated as follows:

- If the expected restructuring does not lead to the derecognition of the existing asset, the expected payment flows from the modified financial asset are included in the calculation of the defaults from the existing asset.
- If the expected restructuring leads to the derecognition of the existing asset, the expected fair value of the new asset is used as the derecognition value of the existing financial asset at the time of its retirement. The nominal lost payments from the existing financial asset are included in the calculation of this amount and are discounted with the original effective interest rate on the reporting date starting at the expected time of derecognition.

Impaired financial assets

OeKB Group assesses every financial asset recognised at amortised cost on the reporting date to identify any impairment. A financial asset is considered to be impaired when one or more events have occurred that have a negative impact on the estimated future payment flows of the financial asset.

OeKB Group employs a rating assessment system and an internal borrower assessment process for the purposes of credit risk management. Counterparties are classified into 22 internal credit rating categories based on an internal rating and mapping system that draws both on external ratings from internationally recognised rating agencies (Standard & Poor's, Moody's) and on internal credit assessments. Credit ratings are monitored on an ongoing basis.

The majority of loans and advances to banks and customers is assigned to the EFS described in Note 1. No losses have been incurred in this business model since its inception.

The proof that a financial asset is impaired consists of the following observable data:

- substantial financial difficulties of the borrower or issuer;
- a contractual violation such as a default or an event in the past;
- the restructuring of a loan by OeKB Group;
- when it is likely that the borrower will file for bankruptcy or undergo some other form of financial reorganization (i.e. restructruring measures);
- the loss of an active market for an item of collateral because of financial difficulties.

A loan that is renegotiated because of a worsening in borrower status is usually classified as credit-impaired unless there is evidence that the risk of receiving no contractual payment flows has diminished substantially and there are no further indications of impairment. The rating of a loan that is 30 days or more past due is also considered to be impaired, though this presumption can be refuted.

OeKB Group takes the following factors into account when assessing whether an investment in government bonds is creditworthy:

- The rating assessment of the market is reflected in the bond yields.
- Rating assessments of the rating agencies.
- The ability of the country to access the capital markets for the issue of new debt instruments.
- The probability that debts will be restructured leads to voluntary or mandatory haircuts and thus losses for the creditors.
- The international support mechanisms that give this country the necessary assistance as the lender of last resort, and the intention of governments and agencies to make use of these mechanisms as stated in public declarations. This includes an assessment of the effect of these mechanisms and of whether the country has the ability and political intention to meet the required criteria.

Presentation of the impairment charges for expected credit losses on the balance sheet

- Financial assets measured at amortised cost: as a deduction from the gross book value of the assets;
- Loan commitments and open credit facilities, financial guarantees: generally as a provision;
- When a financial instrument contains a drawn and also an undrawn component and OeKB Group cannot calculate the ECL of the loan commitment component separately from the drawn component: reporting of a combined impairment charge for both components. The total amount is reported as a deduction from the gross book value of the drawn component. Any loss carryforwards in excess of the gross book value of the drawn component are reported as a provision.

Write-offs

Loans and bonds are (partially or fully) derecognised when there are no realistic prospects of recovery. This is generally the case when OeKB Group determines that the borrower has no assets or income sources that can generate sufficient payment flows to repay the outstanding amounts. Retired financial assets may still be subject to enforcement measures that can generate repayments to OeKB Group. Such repayments are recognised on the income statement on the date of receipt.

Impairment valid until 31 December 2017

The provisions for risks from credit operations covered impairment losses (for finance loans) and provisions (for guaranteed loans) for incurred losses. OeKB Group employed a rating assessment system and an internal rating process for the purposes of credit risk management. Counterparties were classified into 22 internal credit rating categories based on an internal rating and mapping system that drew both on external ratings from internationally recognised rating agencies (Standard & Poor's, Moody's) and on internal ratings. Credit ratings were monitored on a prompt and ongoing basis. As a result, all loans and advances to banks and customers, the other financial assets, and the off-balance-sheet transactions could be broken down entirely by rating and collateralisation. The majority of loans and advances to banks and customers were assigned to the EFS described in Note 1. No losses have been incurred in this business model since its inception.

OeKB Group formed loan loss provisions when there was objective evidence on the reporting date that an individual financial asset or group of financial assets was impaired. Objective evidence of the impairment of a financial asset or group of financial assets included observable data on the following events that was gathered by OeKB Group:

- Substantial financial difficulties of the issuer or debtor;
- A breach of contract such as a default or late interest or principal payments;
- Concessions granted to the borrower for economic or legal reasons relating to financial difficulties that would otherwise not have been granted;
- The increased probability that the borrower will become insolvent or will be subject to other restructuring measures;
- The disappearance of an active market for the financial assets caused by financial difficulties;
- Observable data that point to a measurable decrease in the expected future cash flows from a group of financial assets since their first-time recognition, even if the reduction cannot yet be assigned to the individual assets of the group.

There was no such evidence of impairment on the previous reporting date.

H5 - Designation at fair value on the income statement (FVTPL) – fair value option

Financial assets

OeKB Group designated certain financial assets for recognition at FVTPL upon initial recognition because these financial assets are transactions underlying contracts with derivative financial instruments. For this reason, they are measured at fair value through profit or loss (FVTPL) to avoid an accounting mismatch.

OeKB Group also designated certain financial assets at FVTPL before 1 January 2018 when these assets were managed and reported internally on the basis of their fair value. Since 1 January 2018, these have been measured at amortised cost under the hold-to-collect business model according to IFRS 9.

Financial liabilities

In those cases where financial liabilities are hedged against interest or currency risks at the time of acquisition, the financial liability is designated at fair value to avoid an accounting mismatch. The net profits or losses from the fair value measurement are recognised on the income statement in the same manner as the hedging instruments.

I – Cash and cash equivalents

This item consists of cash on hand in Euros and claims against central banks (deposits) that are payable on demand. This means unlimited availability without prior notice or availability with a period of notice of no more than one business day or 24 hours. The required minimum reserves are also reported in this item.

J – Loans and advances to banks and customers

Applies from 1 January 2018

The balance sheet items "Loans and advances to banks" and "Loans and advances to customers" contain:

- Loans at amortised cost; these are reported at fair value plus incremental direct transaction costs upon initial recognition and are then measured at amortised cost applying the effective interest method over the term of the financial instrument;
- Loans and advances that must be measured at FVTPL or that are designated at FVTPL (to avoid an accounting mismatch), with changes being recognised immediately through profit or loss on the income statement.

The majority of the loans that are assigned to the EFS are subject to guarantees from the Republic of Austria pursuant to the AusFG (see also Note 1).

Applies until 31 December 2017

The balance sheet items "Loans and advances to banks" and "Loans and advances to customers" were classified as loans and advances and contained:

- Loans at amortised cost; these were reported at fair value plus incremental direct transaction costs upon initial recognition and were then measured at amortised cost applying the effective interest method over the term of the financial instrument; Impairment losses were not deducted from the corresponding loans and advances but were disclosed on the balance sheet as a separate item. The majority of the loans that were assigned to the EFS were subject to guarantees from the Republic of Austria pursuant to the AusfFG (see also Note 1), which eliminated the need for credit risk provisions.
- Loans and advances that were designated at FVTPL (fair value option), with changes being recognised immediately through profit or loss on the income statement.

K – Other financial assets

Applies from 1 January 2018

The balance sheet item "Other financial assets" contains:

- Debt instruments measured at amortised cost; these are reported at fair value plus incremental direct transaction costs upon initial recognition and are then measured at amortised cost applying the effective interest method over the term of the financial instrument.
- Debt and equity instruments that must be measured at FVTPL or that are designated at FVTPL (to avoid an accounting mismatch), with changes being recognised immediately through profit or loss on the income statement.
- Equity instruments (investments in unconsolidated companies and investments in other unconsolidated companies) that are measured at FVOCI, with changes being recognised in other comprehensive income (no recycling

through the income statement), and current income (dividend payments) are recognised in “Current income from investments in other unconsolidated companies” on the income statement.

Applies until 31 December 2017

This item included all fixed-income and variable-income securities and the investments in unconsolidated subsidiaries and other unconsolidated companies.

The bonds and other fixed-income securities as well as equity shares and other variable-income securities were recognised at fair value through profit or loss (FVTPL) in accordance with the business model. The business model of the investment portfolio called for assuming long-term positions in bonds and investment funds. The portfolio was managed on the basis of market values. OeKB Group measures these securities at fair value through profit or loss. Changes in the fair value were recognised under “Net gain or loss on financial instruments measured at fair value through profit or loss” on the income statement. Current income was recognised in the item “Other interest income”. Any losses from negative interest rates were recognised in the item “Other interest expenses”. OeKB Group had no trading portfolio.

OeKB Group measured the investments in other unconsolidated companies as available for sale. Changes in the fair value were recognised in the item “Net gain or loss on the fair value measurement of investments in other unconsolidated companies (available for sale)” in other comprehensive income. Current income was recognised in the item “Current income from investments in other unconsolidated companies” on the income statement.

L – Hedging instruments

General

Derivative financial instruments and the guarantees pursuant to § 1(2b) AFFG (see Note 1) are used to hedge market risks. These instruments primarily protect future cash flows against changes in interest rates and foreign exchange rates. The derivatives involved are mostly OTC interest rate swaps and OTC cross-currency interest rate swaps, which are employed as hedging instruments for loans and advances to banks, other financial assets, and debt securities issued. As a hedging instrument, the guarantees pursuant to the AFFG function as currency-based derivative financial instruments.

Hedged financial assets and financial liabilities are measured at fair value through profit or loss to prevent an accounting mismatch. This means that the fluctuations in the value of the hedging instruments and the hedged financial assets and financial liabilities are recognised directly on the income statement (net gain or loss on financial instruments measured at fair value through profit or loss). No derivative financial instruments are held for trading purposes.

Derivative financial instruments

The fair value of derivative financial instruments is calculated using recognised methods. Derivatives are recognised at the trade date. Derivative financial instruments are recognised at their present values in a separate asset and liability item.

Credit exposures arising from fluctuations in value are secured with collateral. As required by the EMIR (Regulation [EU] No. 648/2012), the clearing of interest rate swaps has been shifted to a central counterparty (LCH – London Clearing House) since the fourth quarter of 2016.

Guarantees pursuant to § 1(2b) AFFG

Guarantees of the Republic of Austria pursuant to § 1(2b) AFFG (Federal Law Gazette No. 216/1981 as amended) that serve as hedges against exchange rate risks in the EFS (see also Note 1) are measured at fair value and are reported in a separate asset item because of their unique nature (based on the legal regulations).

M – Property, equipment, and intangible assets

Property and equipment

Property and equipment comprises land and buildings used by the Group and fixtures, fittings, and equipment. Property and buildings used by the Group are those which are used primarily for the Group's own business operations. Purchased software that is an integral part of the functionality of the associated system is capitalised as part of this system.

Property and equipment are recognised at cost less scheduled straight-line depreciation and accumulated impairment charges. A gain or loss from the retirement of property or equipment is recognised in the "Other operating income" on the income statement.

Subsequent expenses are only capitalised when it is likely that the future economic benefit of the expenses will flow to OeKB Group. Ongoing repairs and maintenance are recognised as expenses.

The equipment depreciation rates are calculated so that the cost of acquisition or production less the estimated residual value will be written off over the estimated useful life on a straight-line basis. Depreciation is not recognised on properties.

Depreciation methods, useful lives, and residual values are reviewed on every reporting date and adapted as necessary.

The estimated useful lives of the key equipment items for the current and comparison period are as follows:

- Buildings — 40 years
- Fixtures, fittings, and equipment — 3 to 10 years
- IT hardware — 3 to 5 years

Intangible assets

Software purchased by OeKB Group is recognised at cost less scheduled straight-line depreciation and accumulated impairment charges. Costs for internally produced software are not capitalised.

Subsequent expenditures for software are only capitalised when they increase the future economic benefits of the asset in question. All other expenditures are recognised as expenses.

Depreciation methods, useful lives, and residual values are reviewed on every reporting date and adapted as necessary.

Software is written off over the estimated useful life on a straight-line basis once its use begins. The estimated useful life of software for the current and comparison period is three to five years.

N – Deposits from banks and customers

The items “Deposits from banks” and “Deposits from customers” include:

- liabilities from cash and deposit accounts,
- money market business,
- repurchase agreements,
- borrowing.

These financial liabilities are measured at amortised cost; they are reported at fair value plus incremental direct transaction costs upon initial recognition and are then measured at amortised cost applying the effective interest method over the term of the financial instrument.

OeKB Group engages in no traditional deposit-taking business and thus offers no savings accounts. This means that all accounts held by OeKB Group are related to the settlement of or holding of collateral for underlying transactions as described in Note 1.

O – Debt securities issued

Debt securities issued are generally measured at amortised cost; they are reported at fair value plus incremental direct transaction costs upon initial recognition and are then measured at amortised cost applying the effective interest method over the term of the financial instrument.

Debt securities issued are in most cases hedged against interest rate and currency risks upon origination. To avoid an accounting mismatch, these hedged debt securities issued are designated at FVTPL and the net profit or loss from measurement is recognised on the income statement in the same manner as the hedging instruments.

The majority of the debt securities issued at the reporting date feature guarantees pursuant to § 1(2a) and (2b) AFFG (as in the previous year).

P – Provisions

Non-current employee benefit provisions

The provisions for pensions and similar obligations (termination benefits) represent post-employment benefits falling within the scope of IAS 19.

The obligations under defined-benefit plans are measured using the projected unit credit method. Under this method, dynamic parameters are taken into account in calculating the expected benefit payments after the payable event occurs; these payments are spread over the entire average remaining years of service of the beneficiary employees. The method differentiates between interest costs (which is the amount by which the obligation increases over a given year because benefits have moved closer to payment) and service cost (benefits newly accrued by employees in the year through their employment). The service cost and interest cost are recognised in staff costs and therefore in the operating profit. By contrast, actuarial gains and losses are recognised in other comprehensive income under items that will not be reclassified into the income statement.

The calculation of the defined-benefit obligation involves actuarial assumptions regarding discount rates, salary growth rates, and pension trends as well as employee turnover, which are determined in accordance with the economic conditions. The respective discount rates are selected based on the yields of high-quality corporate bonds of an appropriate maturity and currency. The present value of the defined-benefit obligation (DBO) is recognised at its value at the balance sheet date. There are no plan assets (i.e. assets held by a fund against which to offset the DBO).

The pension obligations relate to both defined-benefit and defined-contribution plans. Defined-benefit plans consist of obligations for current and future pensions.

For a small number of senior managers, the Group still maintains defined-benefit plans that are generally based on length of service and on salary level. These defined-benefit pension plans are funded entirely through provisions.

The provisions for termination benefits relate to statutory and contractual obligations to pay the employee a specified amount on termination if certain conditions are met.

The current version of the computation tables by Pagler & Pagler for employees are used as the biometric basis for the calculations.

Principal assumptions

In %	2018	2017
Discount rate	**1.95%**	**1.80%**
Salary trend	1.25%	1.25%
Pension trend	2.25%	1.50%
Rate of salary increases taking the changes in the collective bargaining agreement and periodic and extraordinary increases into account	**3.50%**	**2.75%**

Retirement age according to the ASVG transitional provisions pursuant to the Budget Implementation Act 2003	2018	2017
Women	65 years	65 years
Men	65 years	65 years

OeKB Group offers most of its eligible employees the opportunity to participate in defined-contribution plans. OeKB Group is obligated to transfer a set percentage of the annual salaries to the pension institution (pension fund). Defined-contribution plans do not involve any obligations beyond the payment of contributions to dedicated pension institutions. The contributions are recognised in staff costs for the period.

Other current provisions

Other current provisions are formed when:

- OeKB Group has a legal or real obligation to a third party as a result of a past event,
- the obligation is likely to lead to an outflow of resources, and
- the amount of the obligation can be reliably estimated.

Provisions are formed in the amount representing the best estimate of the expenditure required to settle the obligation. If the present value of the obligation determined on the basis of a market interest rate differs materially from its nominal amount, the present value of the obligation is used.

Q – Earnings per share

The calculation of the undiluted earnings per share is based on the total comprehensive income for the year attributable to the ordinary shareholders and a weighted average of the number of outstanding shares.

The calculation of the diluted earnings per share is based on the total comprehensive income for the year attributable to the ordinary shareholders and a weighted average of the number of outstanding shares after correction for all potential dilution effects from potential ordinary shares.

Note 3 Determining fair value

A number of accounting methods and disclosures of OeKB Group require the determination of the fair values of financial assets and liabilities. A valuation team consisting of members of the Accounting & Financial Control, Risk Controlling, and Treasury departments measures the fair values. The monitoring of the measurement of fair values is centralised and is reported to the Executive Board.

OeKB Group maintains an established control framework for the determination of the fair values. Responsibility for measuring financial instruments at fair value is separate from the trading units. Specific controls cover:

- verification of the observable prices;
- validation and calibration of the valuation models;
- review and approval process for new models and changes to existing models.

The valuation team regularly reviews the significant non-observable input factors and the remeasurement gains and losses. Where information from third parties (such as quotations from brokers or from pricing services) is used to determine fair values, the valuation team reviews the inputs obtained from the third parties. This review includes

- whether the values obtained from a broker or price information service are generally recognised by OeKB Group;
- the understanding of the determination of the fair value; to what extent this represents actual market transactions and whether the fair value represents a listed price for an identical instrument on an active market;
- the understanding of how prices for similar instruments were used to measure the fair value and how these prices were adapted to account for the features of the instrument being measured;
- if a number of price quotes were received for the same financial instrument, that the fair value was determined on the basis of these quotes.

This supports the conclusion that such measurements meet the IFRS requirements, including the level in the fair value hierarchy to which these measurements are to be assigned.

Significant valuation results are reported to the Audit Committee.

OeKB Group uses available market data when possible to determine the fair values of assets and liabilities. Based on the input factors employed in the valuation techniques, the fair values are assigned to different levels in the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) on active markets for identical assets and liabilites.
- Level 2: Valuation parameters other than quoted prices considered in Level 1 that can be observed for the asset or the liability directly (i.e. a price) or indirectly (i.e. a value derived from prices).
- Level 3: Valuation parameters for assets and liabilities that are not based on observable market data.

For items repayable on demand, the fair value equals the net book value; this applies to the cash and cash equivalents, the financial assets and the financial liabilities.

Other financial assets that do not fall under the hold-to-collect business model are recognised at the fair value determined on the basis of quoted market prices or, in the case of the special purpose fund units, on the basis of the net asset values calculated in accordance with the Investment Fund Act (InvFG). The special purpose fund was launched solely for OeKB (though the current fund rules permit other investors to purchase units with the permission of OeKB), and is managed by OeKB as the current sole investor on the basis of a look-through approach in accordance with the investment guidelines. The fund portfolio consists primarily of financial instruments whose fair values are based on quoted prices. For this reason, the calculated value of the special purpose fund corresponds to its fair value. These financial instruments are assigned to Level 1 in the IFRS 13 fair value hierarchy.

Investments were also made in a private equity fund that focuses on equity investments in African emerging countries. The private equity fund was launched in October of this year, so the fair value of the fund more or less matches the cost of acquisition.

The relevant market prices and interest rates observed at the balance sheet date and obtained from widely accepted external sources are used as far as possible as an initial parameter for determining the fair value of loans and advances to banks and customers, deposits from banks and customers, debt securities issued, and derivative financial instruments designated as hedging instruments. The present value of the discounted contractual payment flows is calculated using this data. Financial instruments that are measured in this manner are assigned to Level 2 in the IFRS 13 fair value hierarchy.

- The items “Loans and advances to banks” and “Loans and advances to customers” consist primarily of loans for which guarantees have been issued by the Republic of Austria pursuant to the AusfFG (see also Note 1). Because of the guarantees, the claims are subject to uniform conditions depending on the time at which they were concluded. These uniform interest rates, which are published on the OeKB web site, are derived from the OeKB’s credit spreads. The credit spreads of the OeKB are in turn dependent on the credit spreads of the Republic of Austria due to the creditor guarantee pursuant to § 1(2a) AFFG. In the valuation of these assets, the contractually agreed cash flows are therefore discounted using a yield curve that is observable on the market and adjusted by the credit spreads of the Republic of Austria.
- A yield curve observable on the market is used to discount the contractually agreed payment flows when determining the fair values of deposits from banks and customers and of debt securities issued. For this, the credit spreads observable for OeKB on the market at the valuation date are taken into account.

Derivative financial instruments held solely for hedging purposes are measured using a standard model. This model is based on the discounted cash flow method. Under this model, the fair value is determined by discounting the contractually agreed payment flows by the current swap curve including adjustment of the credit valuation (CVA and DVA). A credit valuation adjustment (CVA) is a price estimate of the default risk of the counterparty in a financial transaction. A debt valuation adjustment (DVA) estimates the risk of an entity’s own default.

In determining the CVA/DVA, OeKB Group uses the Basel method for regulatory capital from credit losses, which is based on the path-dependent multiplication of the following variables and their subsequent aggregation:

- Exposure at default: Fair values at specific future points in time; calculated using a Monte Carlo simulation.
- Probability of default: Default probabilities at these points in time are calculated from the counterparty’s CDS spreads or the company’s own CDS spreads.
- Loss given default: Estimate of the expected recovery in the case of counterparty default or own default.

The CVA value adjustment at the reporting date was € 1.1 million (2017: € 0.3 million), the DVA value adjustment was € 0.3 million (2017: € 0.1 million).

The fair value of the guarantees pursuant to § 1(2b) AFFG (see also Note 1) is based on all future interest and principal cash flows of the debt securities issued with rate guarantees (ultimate obligations = after derivative financial instruments), which are issued in the currency of the financing and translated into Euros at the rate guaranteed by the AFFG (taking the AFFG rate guarantee into account) as well as at the forward FX rate (without taking the AFFG rate guarantee into account). The difference between the euro amounts taking the AFFG rate guarantee into account and the euro amounts without taking the AFFG guarantee into account is calculated on a daily basis and represents the potential rate difference that is covered by the guarantee of the Republic of Austria (future decisions for the application of existing exchange rates to new liabilities are handled as new agreements). The fair value of the guarantee is calculated by discounting the previously calculated time series of the potential rate differences taking the refinancing spreads of the Republic of Austria into account and is recognised in the item "Guarantees pursuant to § 1(2b) AFFG". As a hedging instrument, the guarantees function as currency-based derivative financial instruments. The model used for fair value measurement was improved during the reporting period by allowing the separate calculation of the CVA and DVA. The CVA value adjustment for the guarantees pursuant to § 1(2b) AFFG was € 0.1 million and the DVA value adjustment € 40.8 million as of the reporting date.

Financial instruments falling neither under Level 1 nor Level 2 must be assigned to a separate category (Level 3) within which the fair value is determined using special quantitative and qualitative information. OeKB Group recognises its investments in other unconsolidated companies at their fair values. The fair value of CEESEG AG was determined using the discounted cash flow method. The parameters used to determine the fair value and the sensitivity can be found in Note 16.

The following table shows the financial instruments that are measured at fair value as at the reporting date broken down by fair value hierarchy level and the fair values of the financial instruments that are not measured at fair value. The amounts are based on the figures reported on the balance sheet.

Fair value hierarchy 2018

€ thousand	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Loans and advances to banks	15	708,427	**708,427**	-	708,427	-
Bonds and other fixed-income securities		2,195,862	**2,195,862**	2,195,862	-	-
Equity shares and other variable-income securities		525,924	**525,924**	525,924	-	-
Investments in other unconsolidated companies		34,799	**34,799**	-	-	34,799
Other financial assets	16	2,756,585	**2,756,585**	2,721,786	-	34,799
Derivative financial instruments	17	598,100	**598,100**	-	598,100	-
Guarantees pursuant to § 1(2b) AFFG	17	4,521,338	**4,521,338**	-	4,521,338	-
Financial assets not measured at fair value						
Cash and cash equivalents	14, 27	323,412	**323,412**	-	323,412	-
Loans and advances to banks	15	18,834,760	**19,174,255**	-	19,174,255	-
Loans and advances to customers	15	467,898	**525,562**	-	525,562	-
Other financial assets	16	332,134	**335,417**	335,417	-	-
Financial liabilities measured at fair value						
Debt securities issued	21	18,997,765	**18,997,765**	-	18,997,765	-
Derivative financial instruments	17	439,815	**439,815**	-	439,815	-
Financial liablilities not measured at fair value						
Deposits from banks	20	527,221	**528,172**	-	528,172	-
Deposits from customers	20	704,596	**704,831**	-	704,831	-
Debt securities issued	21	5,522,974	**6,068,156**	-	6,068,156	-

Fair value hierarchy 2017

€ thousand	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Loans and advances to banks	15	698,426	**698,426**	-	698,426	-
Bonds and other fixed-income securities		2,541,086	**2,541,086**	2,541,086	-	-
Equity shares and other variable-income securities		460,793	**460,793**	460,793	-	-
Investments in other unconsolidated companies		34,450	**34,450**	-	-	34,450
Other financial assets	16	3,036,328	**3,036,328**	3,001,878	-	34,450
Derivative financial instruments	17	533,887	**533,887**	-	533,887	-
Guarantees pursuant to § 1(2b) AFFG	17	4,095,741	**4,095,741**	-	4,095,741	-
Financial assets not measured at fair value						
Cash and cash equivalents	14, 27	424,206	**424,206**	-	424,206	-
Loans and advances to banks	15	15,494,455	**15,771,438**	-	15,771,438	-
Loans and advances to customers	15	1,536,986	**1,582,092**	-	1,582,092	-
Financial liabilities measured at fair value						
Debt securities issued	21	16,594,202	**16,594,202**	-	16,594,202	-
Derivative financial instruments	17	555,651	**555,651**	-	555,651	-
Financial liablilities not measured at fair value						
Deposits from banks	20	425,088	**426,788**	-	426,788	-
Deposits from customers	20	753,965	**754,507**	-	754,507	-
Debt securities issued	21	5,046,213	**5,658,604**	-	5,658,604	-

OeKB Group recognises reclassifications between levels in the fair value hierarchy at the end of the reporting period in which the change occurred. No reclassifications took place during the business year.

Note 4 Segment information

The activities of OeKB Group are presented by business segment in the following. The delineation of these three segments – Export Services, Capital Market Services, and Other Services – is based on the business model, the internal control structure, and the additional internal financial reporting to the Executive Board as the chief operating decision-making body. The definition of these segments is regularly reviewed to allocate resources to the segments and judge their performance. Key figures are profit for the year (in all segments), net interest income in Export Services, and net fee and commission income in Capital Market Services.

The Export Services segment covers the Export Financing Scheme of OeKB and the Oesterreichische Entwicklungsbank AG, and the administration of guarantees of the Republic of Austria by OeKB as authorised agent pursuant to the Export Guarantees Act. Due to the legal basis for the EFS, the regional focus of OeKB Group's business activities lies in Austria. If foreign banks fulfil the EFS criteria, they are eligible to participate in the scheme. To be eligible for financing, the goods deliveries or services in question must result in a direct or indirect improvement to Austria's current account. For a regional breakdown, see Note 36.

The Capital Market Services segment covers all services of Oesterreichische Kontrollbank AG for the capital market (financial data, point of contact for the fund capital gains tax reporting service, notification office pursuant to the KMG, office for the issue of government bonds) and clearing services for the energy market as well as the operations of the interests in OeKB CSD GmbH and CCP.A. The current income from the investments in other unconsolidated companies is assigned to the segment when the activities of the companies in question also fall under this segment.

The Other Services segment consists of the information and research services of OeKB, the proprietary trading portfolio, and the income from the investments in other unconsolidated companies that cannot be assigned to a different segment. The segment also contains the private credit insurance activities of OeKB Group.

As in the previous year, in the Export Services segment was again an important customer of OeKB Group. This important customer accounted for € 49.4 million (2017: € 33.8 million) in interest and similar income.

Segment performance in 2018

Results by business segment in 2018

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Interest income	202,257	(80)	4,531	**206,708**
Interest expenses	(127,682)	(0)	807	**(126,876)**
Net interest income	**74,575**	**(80)**	**5,337**	**79,832**
Fee and commission income	19,120	34,318	625	**54,062**
Fee and commission expenses	(12,007)	(1,699)	(105)	**(13,811)**
Net fee and commission income	**7,113**	**32,619**	**520**	**40,252**
Net credit risk provisions	0	-	106	**106**
Net gain or loss on financial instruments measured at fair value through profit or loss	(1,059)	(1)	(9,971)	**(11,031)**
Net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss	(5)	-	320	**315**
Current income from investments in other unconsolidated companies	-	2,204	223	**2,427**
Share of profit or loss of equity-accounted investments, net of tax	-	391	5,318	**5,709**
Administrative expenses	(50,625)	(25,922)	(6,007)	**(82,553)**
Other operating income	(870)	994	5,795	**5,920**
Profit before tax	**29,129**	**10,205**	**1,642**	**40,977**
Income tax	(8,863)	(1,791)	1,810	**(8,845)**
Profit of the reportable segments	**20,266**	**8,414**	**3,452**	**32,132**
Profit for the year attributable to owners of the parent	*20,266*	*8,414*	*3,452*	***32,132***
Segment assets	27,705,954	25,868	982,492	**28,714,314**
Segment liabilities	27,600,813	1,926	320,906	**27,923,646**

The profit of the reportable segments is identical to the profit reported on the income statement.

The presentation of the following information in the segment information differs from the income statement:

Net interest income: Losses from negative interest rates are shown in the interest and similar income and budget underruns from negative interest rates are shown in the interest and similar expenses.

Results by business segment in 2017 (adjusted)

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Interest income	179,447	(116)	4,768	**184,100**
Interest expenses	(104,896)	(0)	348	**(104,548)**
Net interest income	**74,551**	**(116)**	**5,116**	**79,551**
Fee and commission income	20,268	33,728	726	**54,722**
Fee and commission expenses	(11,063)	(1,493)	(100)	**(12,656)**
Net fee and commission income	**9,205**	**32,235**	**626**	**42,066**
Net credit risk provisions	-	-	-	**-**
Net gain or loss on financial instruments measured at fair value through profit or loss	(414)	(3)	(2,103)	**(2,520)**
Net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss	-	-	(1)	**(1)**
Current income from investments in other unconsolidated companies	-	2,699	284	**2,983**
Share of profit or loss of equity-accounted investments, net of tax	-	255	4,042	**4,297**
Administrative expenses	(46,916)	(25,705)	(7,447)	**(80,068)**
Other operating income	(1,126)	806	5,749	**5,429**
Profit before tax	**35,299**	**10,171**	**6,164**	**51,634**
Income tax	(8,758)	(2,464)	(549)	**(11,771)**
Profit of the reportable segments	**26,541**	**7,707**	**5,615**	**39,863**
Profit for the year attributable to owners of the parent	*26,541*	*7,707*	*5,615*	***39,863***
Segment assets	24,968,585	58,837	977,349	**26,004,771**
Segment liabilities	24,879,910	49,068	274,928	**25,203,907**

The profit of the reportable segments is identical to the profit reported on the income statement.

Adjustments

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Net adjustment of the share of profit or loss of equity-accounted investments, net of tax				**(105)**
Net adjustment of actuarial gains/losses on defined-benefit plans				**119**
Net adjustment of tax effects				**(30)**
Adjustment of share of profit or loss of equity-accounted investments, net of tax, in Other Services segment		(105)		
Adjustment of administrative expenses in Export Services segment		69		
Adjustment of administrative expenses in Capital Market Services segment		35		
Adjustment of administrative expenses in Other Services segment		15		
Adjustment of income taxes in Export Services segment		(17)		
Adjustment of income taxes in Capital Market Services segment		(9)		
Adjustment of income taxes in Other Services segment		(4)		

Results by business segment in 2017 - as reported in the consolidated financial statements for the previous year (adjusted)

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Interest income	179,447	(116)	4,768	**184,100**
Interest expenses	(104,896)	-	348	**(104,548)**
Net interest income	**74,551**	**(116)**	**5,116**	**79,551**
Fee and commission income	20,268	33,728	726	**54,722**
Fee and commission expenses	(11,063)	(1,493)	(100)	**(12,656)**
Net fee and commission income	**9,205**	**32,235**	**626**	**42,066**
Net credit risk provisions	-	-	-	**-**
Net gain or loss on financial instruments measured at fair value through profit or loss	(414)	(3)	(2,103)	**(2,520)**
Net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss	-	-	(1)	**(1)**
Current income from investments in other unconsolidated companies	-	2,699	284	**2,983**
Share of profit or loss of equity-accounted investments, net of tax	-	255	4,042	**4,297**
Administrative expenses	(46,985)	(25,740)	(7,462)	**(80,187)**
Other operating income	(1,126)	806	5,749	**5,429**
Profit before tax	**35,230**	**10,136**	**6,253**	**51,619**
Income tax	(8,741)	(2,455)	(545)	**(11,741)**
Profit of the reportable segments	**26,489**	**7,681**	**5,708**	**39,878**
Profit for the year attributable to owners of the parent	*26,489*	*7,681*	*5,708*	***39,878***
Segment assets	24,968,585	58,837	977,349	**26,004,771**
Segment liabilities	24,879,910	49,068	274,928	**25,203,907**

Reconciliation of the information on reportable Group segments for 2017

	€ thousand
Profit of the reportable segments	39,878
Reconciliation amounts	
Share of profit or loss of equity-accounted investments, net of tax	(105)
Actuarial gains/losses on defined benefit plans	119
Tax effects stemming from actuarial gains/losses	(30)
Profit for the year according to the income statement	**39,863**

Amounts charged for intersegmental services represent services rendered, which are provided at cost. No reconciliation of the amounts for the reportable segments to the amounts recorded in the consolidated balance sheet and consolidated statement of comprehensive income is necessary because the consolidation items are assigned directly to the segments.

Notes on the consolidated statement of comprehensive income of OeKB Group

Note 5 Consolidated statement of comprehensive income

Income and expenses are essentially recognised as they accrue.

Gains and losses are influenced by fair value changes recognised through profit or loss, by impairment losses, reversal of impairment through profit or loss, exchange rate fluctuation, and derecognition.

Note 6 Net interest income

€ thousand	Amortised cost 2018	Fair value option 2018	FVTPL 2018	Total 2018	Amortised cost 2017	Fair value option 2017	FVTPL 2017	Total 2017
Money market instruments	2,572	-	-	2,572	4,567	-	-	4,567
Credit operations	152,805	8,412	-	161,218	164,135	2,317	-	166,452
Securities	2,057	-	9,676	11,734	-	-	10,851	10,851
Debt securities issued	2,305	108,552	-	110,857	-	109,883	-	109,883
Allocation to or use of the EFS interest rate stabilisation provision relating to charged interest	47,446	13,585	(198)	60,833	20,022	283	-	20,305
Interest income	**207,185**	**130,549**	**9,478**	**347,213**	**188,724**	**112,483**	**10,851**	**312,058**
Money market instruments	(3,294)	-	-	(3,294)	(6,037)	-	-	(6,037)
Credit operations	(13,330)	(2,987)	-	(16,317)	(8,377)	(2,152)	-	(10,529)
Securities	-	(4,026)	-	(4,026)	-	(4,015)	-	(4,015)
Debt securities issued	(92,220)	(56,597)	-	(148,817)	(79,418)	(42,169)	-	(121,587)
Guarantee fees relating to debt securities issued for guarantees pursuant to § 1(2) AFFG (see also Note 1)	(27,987)	(66,940)	-	(94,926)	(25,800)	(64,539)	-	(90,339)
Interest expenses	**(136,831)**	**(130,549)**	**-**	**(267,381)**	**(119,632)**	**(112,875)**	**-**	**(232,507)**
Net interest income	**70,354**	**(0)**	**9,478**	**79,832**	**69,092**	**(392)**	**10,851**	**79,551**

Note 7 Net fee and commission income

€ thousand	2018	2017
Income from credit operations	2,766	4,940
Expenses from credit operations	(11,760)	(10,876)
Credit operations	**(8,994)**	**(5,936)**
Income from securities services	31,234	30,403
Expenses from securities services	(1,941)	(1,643)
Securities services	**29,293**	**28,760**
Income from export guarantees	14,767	13,799
Expenses from export guarantees	-	-
Export guarantees	**14,767**	**13,799**
Income from energy clearing	2,451	2,688
Expenses from energy clearing	-	-
Energy clearing	**2,451**	**2,688**
Income from other services	2,844	2,891
Expenses from other services	(109)	(137)
Other services	**2,735**	**2,754**
Net fee and commission income	**40,252**	**42,066**
Of which income	*54,062*	*54,722*
Of which expenses	*(13,811)*	*(12,656)*

The fee and commission income from credit operations results primarily from the activities of the development bank and the servicing of the development aid loans of the Republic of Austria. Fee and commission expenses from credit operations result primarily from the guarantee fees paid to the Republic of Austria pursuant to the AusfFG in connection with the operations of the development bank. The Republic of Austria assumes the default risk for these transactions under these guarantees. The income and expenses stem entirely from financial instruments that are measured at amortised cost.

The net fee and commission income from securities services results from the services rendered by OeKB Group for the Austrian capital market. These services pertain primarily to securities account management and the acquisition of securities transactions as well as the servicing of government bond auctions, the management of the technical infrastructure for legally required reporting relating to securities, the assignment of ISIN codes for Austrian securities, and the securities data service for master and maturity data.

The export guarantee activities represent services provided by OeKB on behalf of the Republic of Austria (see also Note 1). The processing fees charged by OeKB are based on the guarantee fees collected for the Republic of Austria. The processing fee is recognised on an accrual basis.

OeKB offers energy clearing services in connection with credit rating services, financial clearing, and risk management as a central and independent provider.

The net fee and commission income from the other services operations are primarily the result of collected account management fees and the remuneration for the fiduciary services relating to the development aid measures of the Republic of Austria (see also Note 33).

OeKB GROUP

Note 8 Net gain or loss on financial instruments measured at fair value through profit or loss

Net gain or loss from the fair value measurement of financial instruments in 2018

€ thousand	Financial instruments assigned to the EFS				Financial instruments not assigned to the EFS		
	Fair value option	FVTPL	Hedging transactions	Total	FVTPL	Total	**Total 2018**
Change in the fair value of the							
Loans and advances to banks	(2,355)	-	-	(2,355)	-	-	**(2,355)**
Other financial assets	-	(23,360)	-	(23,360)	(10,810)	(10,810)	**(34,170)**
Derivative financial instruments	-	-	153,638	153,638	-	-	**153,638**
Guarantees pursuant to § 1(2b) AFFG	-	-	(133,245)	(133,245)	-	-	**(133,245)**
Debt securities issued	(19,139)	-	-	(19,139)	-	-	**(19,139)**
Change in the fair value	**(21,494)**	**(23,360)**	**20,393**	**(24,461)**	**(10,810)**	**(10,810)**	**(35,272)**
Transfer of the net gain or loss on financial instruments assigned to the EFS to the EFS interest rate stabilisation provision	21,494	23,360	(20,393)	24,461	-	-	**24,461**
Net gain or loss from fair value measurement	**-**	**-**	**-**	**-**	**(10,810)**	**(10,810)**	**(10,810)**
Net gain or loss from foreign exchange differences				(556)	-	336	**(221)**
Net gain or loss from fair value measurement				-	-	(10,810)	**(10,810)**
Net gain or loss on financial instruments				**(556)**	**-**	**(10,475)**	**(11,031)**

The share of the changes in the fair value of loans and advances to banks that stems from changes in the credit spreads came to € 2.5 million in the period and to minus € 7.0 million in total. There is no default risk for these claims because of the extensive guarantees provided by the Republic of Austria (see Note 1).

The share of the changes in the fair value of debt securities issued that stems from changes in the credit spreads came to minus € 8.7 million in the period and to minus € 24.6 million in total.

Net gain or loss from foreign exchange differences on financial instruments in 2018

€ thousand	Financial instruments assigned to the EFS	Financial instruments not assigned to the EFS	**Total 2018**
Gains from foreign exchange differences	(554,364)	96,969	**(457,395)**
Losses from foreign exchange differences	(5,034)	(96,634)	**(101,668)**
Subtotal	**(559,398)**	**336**	**(559,063)**
Foreign exchange differences on guarantees pursuant to § 1(2b) AFFG	558,842	-	**558,842**
Net gain or loss from foreign exchange differences	**(556)**	**336**	**(221)**

Net gain or loss from the fair value measurement of financial instruments in 2017

€ thousand	Financial instruments assigned to the EFS Fair value option	FVTPL	Hedging transactions	Total	Financial instruments not assigned to the EFS FVTPL	Total	**Total 2017**
Change in the fair value of the							
Loans and advances to banks	5,077	-	-	5,077	-	-	**5,077**
Other financial assets	-	(49,251)	-	(49,251)	(2,020)	(2,020)	**(51,271)**
Derivative financial instruments	-	-	(353,808)	(353,808)	-	-	**(353,808)**
Guarantees pursuant to § 1(2b) AFFG	-	-	348,923	348,923	-	-	**348,923**
Debt securities issued	(35,370)	-	-	(35,370)	-	-	**(35,370)**
Change in the fair value	**(30,293)**	**(49,251)**	**(4,885)**	**(84,429)**	**(2,020)**	**(2,020)**	**(86,449)**
Transfer of the net gain or loss on financial instruments assigned to the EFS to the EFS interest rate stabilisation provision	30,293	49,250	4,886	84,429	-	-	**84,429**
Net gain or loss from fair value measurement	**-**	**-**	**-**	**-**	**(2,020)**	**(2,020)**	**(2,020)**
Net gain or loss from foreign exchange differences				198	-	(698)	**(500)**
Net gain or loss from fair value measurement				-	-	(2,020)	**(2,020)**
Net gain or loss on financial instruments				**198**	**-**	**(2,718)**	**(2,520)**

Net gain or loss from foreign exchange differences on financial instruments in 2017

€ thousand	Financial instruments assigned to the EFS	Financial instruments not assigned to the EFS	**Total 2017**
Gains from foreign exchange differences	1,958,263	91,578	**2,049,841**
Losses from foreign exchange differences	(21,725)	(92,276)	**(114,002)**
Subtotal	**1,936,537**	**(698)**	**1,935,839**
Foreign exchange differences on guarantees pursuant to § 1(2b) AFFG	(1,936,339)	-	**(1,936,339)**
Net gain or loss from foreign exchange differences	**198**	**(698)**	**(500)**

The result from foreign exchange differences arose predominantly from the changes in the USD and CHF exchange rates. Because the exchange rates are hedged with guarantees pursuant to § 1(2b) AFFG, they are largely offset through the foreign exchange differences.

Note 9 Net gain or loss on the disposal of financial instruments measured at amortised cost

The gains from the disposal of financial instruments of € 315 thousand (2017: loss of € 1 thousand) stems primarily from income from loans and advances that were impaired upon acquisition but that generated higher returns than expected upon redemption.

Note 10 Administrative expenses

€ thousand	2018	2017
Salaries	(38,833)	(36,832)
Social security costs	(9,074)	(8,698)
Pension and other employee benefit costs	(5,975)	(6,032)
Staff costs	**(53,883)**	**(51,563)**
Other administrative expenses	(22,906)	(23,137)
Depreciation, amortisation and impairment of property, equipment, and intangible assets	(5,765)	(5,369)
Administrative expenses	**(82,553)**	**(80,068)**

The increase in salaries is primarily the result of the increase in the headcount and higher bonus payments. The decrease in other administrative expenses resulted from lower project expenses relating to the establishment of a group-wide digital financial architecture (BCBS 239).

Expenses for the auditor and affiliated companies

€ thousand	2018	2017
Audit of the consolidated and separate annual financial statements	(461)	(390)
Audit-related activities	(368)	(137)
Expenses for the auditor	**(829)**	**(527)**
Tax consulting	(115)	(54)
Other consulting	(86)	(358)
Expenses for companies affiliated with the auditor	**(201)**	**(412)**

The audit-related activities pertain to expenses from the issuance activities of OeKB. The decrease in other consulting expenses was related to the project for the implementation of IFRS 9, which caused a higher level of expenses in the previous year.

Note 11 Other operating income

The item „Other operating income“ relates largely to service fees received by OeKB for providing outsourced services (such as accounting and financial control, information technology, human resources, internal auditing, and other services) and income from the rental of business space. The other operating expenses relate mainly to the bank stability tax paid to the Austrian fiscal authorities.

Note 12 Income taxes

Income taxes are recognised and calculated in accordance with IAS 12. Current income tax assets and liabilities are determined on the basis of the local tax rates. Deferred taxes are calculated using the liability concept. Under this approach, the book values of the assets and liabilities in the IFRS balance sheet are compared with the respective values that are relevant for the taxation of the respective group company. Differences in these values lead to temporary differences that are recognised as deferred tax assets or liabilities (see also Note 23).

Tax recognised in profit or loss

€ thousand	2018	2017
Current year	(6,920)	(10,221)
Adjustment for previous years	(48)	94
Total current tax expenses	**(6,968)**	**(10,127)**
Change in recognised deductible temporary differences	(1,876)	(1,644)
Net deferred taxes/tax income	**(1,876)**	**(1,644)**
Income tax	**(8,845)**	**(11,771)**

Tax recognised in other comprehensive income

€ thousand	2018	2017
Actuarial gains/losses on defined benefit plans	2,116	30
Net gain or loss from the fair value measurement of investments in other unconsolidated companies (available for sale)	(277)	(6,225)
Total	**1,839**	**(6,195)**

Change in deferred taxes

€ thousand	2018	2017
Change in deferred taxes on the income statement	(1,876)	(1,644)
Change in deferred taxes in other comprehensive income	2,027	(6,195)
Total	**151**	**(7,839)**

The actual taxes are calculated on the tax base for the financial year at the local tax rates applicable to the respective group company.

Effective tax rate reconciliation

€ thousand	2018		2017	
Profit before tax	**40,977**	**100.0%**	**51,634**	**100.0%**
Tax expenses at the domestic tax rate of the company	(10,244)	-25.0%	(12,908)	-25.0%
Non-deductible expenses	(561)	-1.4%	(429)	-0.8%
Tax-exempt income	2,034	5.0%	1,794	3.5%
Change in recognised deductible temporary differences	1	0.0%	(115)	-0.2%
Ineligible input taxes	(27)	-0.1%	(19)	0.0%
Income tax payments for previous years	(48)	-0.1%	(94)	-0.2%
Total	**(8,845)**	**-21.6%**	**(11,771)**	**-22.8%**

The taxation at the standard local rates is reconciled with the reported actual income taxes in the table. OeKB Group believes that its provisions for taxes are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and previous experience.

Notes on the consolidated balance sheet of OeKB Group

Note 13 Financial instruments

Classification of financial assets and financial liabilities

The following tables show a breakdown of the financial assets and financial liabilities by category according to IFRS 9 (31 December 2018) and IAS 39 (31 December 2017).

Financial instruments by IFRS 9 category at 31 December 2018

€ thousand	Notes	At amortised cost	FVOCI (designated)	FVTPL (mandatory)	FVTPL (designated)	**Total**
Assets						
Cash and cash equivalents	14	323,412	-	-	-	**323,412**
Loans and advances to banks	15	18,834,760	-	-	708,427	**19,543,241**
Loans and advances to customers	15	467,898	-	-	-	**468,045**
Other financial assets	16	332,134	-	560,723	2,195,862	**3,088,838**
Derivative financial instruments	17	-	-	598,100	-	**598,100**
Guarantees pursuant to § 1(2b) AFFG	17	-	-	4,521,338	-	**4,521,338**
Total		**19,958,204**	**-**	**5,680,161**	**2,904,290**	**28,542,974**
Liabilities						
Deposits from banks	20	527,221	-	-	-	**527,221**
Deposits from customers	20	704,596	-	-	-	**704,596**
Debt securities issued	21	5,522,974	-	-	18,997,765	**24,520,740**
Derivative financial instruments	17	-	-	439,815	-	**439,815**
Total		**6,754,791**	**-**	**439,815**	**18,997,765**	**26,192,372**

Financial instruments by IAS 39 category at 31 December 2017

€ thousand	Notes	Loans and receivables	At amortised cost	Available for sale	FVTPL	Fair value option	Total
Assets							
Cash and cash equivalents	14	424,206	-	-	-	-	**424,206**
Loans and advances to banks	15	15,494,455	-	-	-	698,426	**16,192,881**
Loans and advances to customers	15	1,536,986	-	-	-	-	**1,536,986**
Other financial assets	16	-	-	34,450	3,001,878	-	**3,036,328**
Derivative financial instruments	17	-	-	-	-	533,887	**533,887**
Guarantees pursuant to § 1(2b) AFFG	17	-	-	-	-	4,095,741	**4,095,741**
Total		**17,455,647**	**-**	**34,450**	**3,001,878**	**5,328,054**	**25,820,029**
Liabilities							
Deposits from banks	20	-	425,088	-	-	-	**425,088**
Deposits from customers	20	-	753,965	-	-	-	**753,965**
Debt securities issued	21	-	5,046,213	-	-	16,594,202	**21,640,415**
Derivative financial instruments	17	-	-	-	-	555,651	**555,651**
Total		**-**	**6,225,266**	**-**	**-**	**17,149,853**	**23,375,120**

Classification of financial assets and financial liabilities upon the first-time application of IFRS 9

The following table shows the original measurement categories of OeKB Group for financial assets and financial liabilities according to IAS 39 and the new measurement categories according to IFRS 9 as well as the effects from remeasurement in connection with the first-time application of IFRS 9.

€ thousand	Notes	Original measurement category according to IAS 39	New measurement category according to IFRS 9	Com-ment	Original carrying amount according to IAS 39		Change in the carrying amount due to remeasurement according to IFRS 9	New carrying amount according to IFRS 9	
Financial assets									
Cash and cash equivalents	14, 27	Loans and advances	Amortised cost	a		**424,206**	-		**424,206**
Loans and advances to banks	15	Loans and advances	Amortised cost	a	15,494,455		(69)	15,494,385	
		Fair value option	FVTPL - FV option	b	698,426	**16,192,881**		698,426	**16,192,811**
Loans and advances to customers	15	Loans and advances	Amortised cost	a		**1,536,986**	(261)		**1,536,726**
Other financial assets	16	FVTPL	Amortised cost	c	331,933		(5,438)	326,495	
		FVTPL	FVTPL - FV option	b	2,209,152			2,209,152	
		FVTPL	FVTPL - mandatory	d	460,793			460,793	
		Available for sale	FVOCI	e	34,450	**3,036,328**		34,450	**3,030,890**
Derivative financial instruments	17	FVTPL - mandatory	FVTPL - mandatory			**533,887**	-		**533,887**
Guarantees pursuant to § 1(2b) AFFG	17	FVTPL - FV option	FVTPL - mandatory			**4,095,741**	-		**4,095,741**
Financial assets						**25,820,029**	**(5,769)**		**25,814,260**
Other assets									
Equity-accounted investments	18					**66,843**	-		**66,843**
Property, equipment and intangible assets	19					**16,900**	-		**16,900**
Current tax assets	23					**10,668**	-		**10,668**
Deferred tax assets	23					**56,418**	1,422		**57,840**
Other assets						**33,914**	-		**33,914**
Other assets						**184,742**	**1,422**		**186,164**
Total assets						**26,004,771**	**(4,347)**		**26,000,424**

€ thousand	Notes	Original measurement category according to IAS 39	New measurement category according to IFRS 9	Original carrying amount according to IAS 39		Change in the carrying amount due to remeasurement according to IFRS 9	New carrying amount according to IFRS 9	
Financial liabilities								
Deposits from banks	20	Amortised cost	Amortised cost		**425,088**	-		**425,088**
Deposits from customers	20	Amortised cost	Amortised cost		**753,965**	-		**753,965**
Debt securities issued	21	Amortised cost	Amortised cost	5,046,213			5,046,213	
		FVTPL - FV option	FVTPL - FV option	16,594,202	**21,640,415**	-	16,594,202	**21,640,415**
Derivative financial instruments	17	FVTPL - mandatory	FVTPL - mandatory		**555,651**	-		**555,651**
Other liabilities		Amortised cost	Amortised cost		**44,297**	-		**44,297**
Financial liabilities					**23,419,416**	**-**		**23,419,416**
Other liabilities and equity								
Provisions	22				**145,508**	-		**145,508**
Current tax liabilities	23				**407**	-		**407**
EFS interest rate stabilisation provision	24				**1,638,577**	(81)		**1,638,496**
Equity	25				**800,864**	(4,266)		**796,598**
Other liabilities and equity					**2,585,355**	**(4,347)**		**2,581,009**
Total liabilities and equity					**26,004,771**	**(4,347)**		**26,000,424**

The details of the recognition and measurement principles for the classification of financial instruments are shown in Note 2. The results of these principles are summarised in the breakdown above (the following items pertain to the individual asset items in the list).

a) The majority of the loans and advances to banks and customers as well as cash and cash equivalents is assigned to the hold-to-collect business model and meets the SPPI criterion. Therefore, these financial instruments are assigned to the measurement category of “at amortised cost”, and there have been no changes in their recognition.

b) The financial instruments that were hedged by means of derivative contracts are measured at fair value as before to avoid or substantially reduce accounting mismatches.

c) Under IAS 39, portfolios of financial instruments that are managed and reported to the Executive Board based on their market values were measured at fair value. The application of IFRS 9 now precludes this, so these portfolios are measured at amortised cost. In the move to IFRS 9, the net book value of these instruments was shown as if they had been measured at amortised cost since origination.

d) Part of the other financial assets is assigned to the hold-to-collect and sale business model because it is intended to generate interest as well as short-term profits from sale. These consist primarily of investment fund shares held for investment purposes and liquidity management. Because these funds do not meet the SPPI criterion, they must be measured at fair value.

e) The fair value measurement of strategic interests in investments other than subsidiaries was shown in other comprehensive income according to IAS 39. Management has decided to continue recognising these investments in other comprehensive income. In addition, management will make an individual decision for each newly acquired equity investment. These strategic investments correspond to the interests in investments other than subsidiaries in Note 16.

The following table shows the details of the changes in the net book values resulting from the move from IAS 39 to IFRS 9 on 1 January 2018.

Financial assets

€ thousand	Notes	Original carrying amount according to IAS 39 at 1 Jan 2018	Reclassification	Remeasurement	New carrying amount according to IFRS 9 at 1 Jan 2018
Amortised cost					
Cash and cash equivalents	14, 27	424,206			424,206
Loans and advances to banks	15	15,494,455			15,494,385
Remeasurement (ECL)				(69)	
Loans and advances to customers	15	1,536,986			1,536,726
Remeasurement (ECL)				(261)	
Other financial assets	16	-			326,495
Reclassification from FVTPL			331,933		
Remeasurement at amortised cost				(5,327)	
Remeasurement (ECL)				(111)	
Amortised cost		**17,455,646**	**331,933**	**(5,769)**	**17,781,811**
FVTPL					
Loans and advances to banks	15	698,426			698,426
Other financial assets	16	3,001,878			2,669,945
Reclassification to amortised cost			(331,933)		
Derivative financial instruments	17	533,887			533,887
Guarantees pursuant to § 1(2b) AFFG	17	4,095,741			4,095,741
FVTPL		**8,329,932**	**(331,933)**	**-**	**7,997,999**
FVOCI					
Other financial assets	16	-			34,450
Reclassification from available for sale			34,450		
FVOCI		**-**	**34,450**	**-**	**34,450**
Available for sale					
Other financial assets	16	34,450			-
Reclassification to FVOCI			(34,450)		
Available for sale		**34,450**	**(34,450)**	**-**	**-**
Financial assets		**25,820,029**	**-**	**(5,769)**	**25,814,260**

Financial liabilities

€ thousand	Notes	Original carrying amount according to IAS 39 at 1 Jan 2018	Reclassification	Remeasurement	New carrying amount according to IFRS 9 at 1 Jan 2018
Amortised cost					
Deposits from banks	20	425,088			425,088
Deposits from customers	20	753,965			753,965
Debt securities issued	21	5,046,213			5,046,213
Other liabilities		44,297			44,297
Amortised cost		**6,269,563**	**-**	**-**	**6,269,563**
FVTPL					
Debt securities issued	21	16,594,202			16,594,202
Derivative financial instruments	17	555,651			555,651
FVTPL		**17,149,853**	**-**	**-**	**17,149,853**
Financial liabilities		**23,419,416**	**-**	**-**	**23,419,416**

The following effects resulted from the reclassification of other financial assets that were measured at fair value through profit or loss under IAS 39 and that are measured at amortised cost under IFRS 9:

	€ thousand
Fair value at 31 December 2018	288,835
Net gain or loss from the change in the fair value that would have been reported on the current income statement without reclassification	(2,270)
Effective interest rate upon first-time application	0.70%
Interest income recorded in 2018	2,144

The methods and results of the ECL calculation are explained in Note 36.

Note 14 Cash and cash equivalents

The recognition and measurement principles are shown in Note 2.

€ thousand	31 Dec 2018	31 Dec 2017
Balances at central banks	323,412	424,205
Cash	-	1
Cash and cash equivalents	**323,412**	**424,206**

Note 15 Loans and advances to banks and customers

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 13. The breakdown by rating category is presented in Note 36.

Loans and advances to banks

	Repayable on demand		Other maturities		Total	
€ thousand	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Domestic banks	4,874	7,380	17,800,743	14,576,877	17,805,617	14,584,257
Foreign banks	199,779	199,819	1,537,792	1,408,804	1,737,571	1,608,623
Loans and advances to banks	**204,652**	**207,200**	**19,338,535**	**15,985,681**	**19,543,187**	**16,192,881**

Loans and advances to customers

	Domestic customers		Foreign customers		Total	
€ thousand	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
States or government-affiliated organisations	1,703	1,539	185,930	215,357	187,633	216,895
Other	2,389	1,102,538	277,877	217,553	280,265	1,320,091
Loans and advances to customers	**4,091**	**1,104,077**	**463,807**	**432,909**	**467,898**	**1,536,986**

As a result of the merger of the 100% subsidiary „Österreichischer Exportfonds“ GmbH into the parent company Oesterreichische Kontrollbank AG in the 2018 financial year, the other loans and advances to customers were repaid and paid out again through the principal bank system. For this reason, these loans are recognised as loans and advances to banks starting in 2018.

Note 16 Other financial assets

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 13.

€ thousand	31 Dec 2018	31 Dec 2017
Treasury bills and similar securities	1,610,378	1,620,716
Fixed-income securities from public-sector issuers	1,513	1,522
Bonds	916,106	918,848
Bonds and other fixed-income securities	**2,527,997**	**2,541,086**
Of which listed bonds	*2,528,116*	*2,541,086*
Investment certificates	525,924	460,793
Equity shares and other variable-income securities	**525,924**	**460,793**
Of which listed equity shares and other variable-income securities	*154*	*168*
Investments in unconsolidated subsidiaries	5,576	5,738
Investments in other unconsolidated companies	29,223	28,712
Subtotal	**34,799**	**34,450**
Total other financial assets	**3,088,719**	**3,036,328**

Of the bonds and other fixed-income securities, € 271.7 million will come due in the following year (2017 for 2018: € 38.4 million).

The other financial assets include units in a private equity fund in the amount of € 1,360 thousand (2017: zero). As the fair value generally depends on unobservable parameters, a change in these parameters may result in different valuation results. Because the fund was issued in October of the past financial year, the cost of acquisition was used as the fair value.

The investments in other unconsolidated companies include CEESEG Aktiengesellschaft (CEESEG) at € 26,148 thousand (2017: € 25,652 thousand). CEESEG is a holding company with shares in Wiener Börse AG, Vienna, (the Vienna Stock Exchange) and Burza cenných papírů Praha, a.s., Prague (the Prague Stock Exchange). The recognised value of CEESEG is based on a valuation conducted on 31 December 2018 using the discounted cash flow method. The most important assumptions in the valuation were:

	2018		2017	
	Vienna Stock Exchange	Prague Stock Exchange	Vienna Stock Exchange	Prague Stock Exchange
Free cash flows	4 years	4 years	4 years	4 years
WACC	8.14%	8.89%	8.40%	8.82%

Sensitivity analyses

€ thousand	2018 Vienna Stock Exchange	2018 Prague Stock Exchange	2017 Vienna Stock Exchange	2017 Prague Stock Exchange
Change in WACC (WACC increases)	1.00%	1.00%	1.00%	1.00%
Change in the total value (fair value) of CEESEG		(37,800)		(44,004)
Effect on the fair value of OeKB Group in CEESEG		(2,495)		(2,904)

The 2% stake in „Garage Am Hof" Ges.m.b.H., Vienna, was sold for € 758 thousand during the financial year after an attractive purchase offer was tendered. The profit came to € 669 thousand and is recognised in the other comprehensive income.

Of the dividend income in the amount of € 2,427 thousand, € 23 thousand pertain to the sale of „Garage Am Hof". The rest pertains to the actively held investments in other unconsolidated companies.

Details about the individual interests in investments other than subsidiaries can be found in Note 36.

Note 17 Hedging instruments

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 13.

Derivative financial instruments 2018

€ thousand	Nominal amount	Fair values Positive	Fair values Negative
Interest rate derivatives			
Interest rate swaps	22,396,438	185,171	289,611
Currency derivatives			
Currency swaps	19,127,105	412,929	150,204
Total	**41,523,543**	**598,100**	**439,815**

Derivative financial instruments 2017

€ thousand	Nominal amount	Fair values Positive	Fair values Negative
Interest rate derivatives			
Interest rate swaps	16,464,555	133,406	268,382
Currency derivatives			
Currency swaps	16,036,674	400,481	287,269
Total	**32,501,229**	**533,887**	**555,651**

The changes in the fair values are primarily the result of the movements in the exchange rates to the US dollar and Swiss franc.

Information on global netting arrangements

OeKB concludes derivative financial instruments in accordance with the global netting arrangements (framework contract) of the International Swaps and Derivatives Association (ISDA). The amounts owed under such an agreement are generally settled and paid on an individual transaction basis. In certain cases, for example if a credit event occurs, all outstanding transactions under the agreement are terminated, the termination value is determined, and a single net amount is paid to settle all transactions.

The ISDA agreements do not fulfil the criteria for netting on the balance sheet. This is due to the fact that OeKB has no legal claim to the netting of the covered amounts because the right to netting is enforceable only in the case of certain future events such as a credit event.

The following table shows the book values of the derivative financial instruments covered by the reported agreements.

Global netting agreements 2018

€ thousand	Derivative financial instruments on the balance sheet	Gross and net amounts of derivative financial instruments that are not netted	Net amount
Derivative financial instruments with positive fair value			
Interest rate derivatives			
Interest rate swaps	185,171	(94,104)	91,067
Currency derivatives			
Currency swaps	412,929	(219,649)	193,280
Total	**598,100**	**(313,754)**	**284,347**
Derivative financial instruments with negative fair value			
Interest rate derivatives			
Interest rate swaps	289,611	(169,654)	119,958
Currency derivatives			
Currency swaps	150,204	(144,100)	6,103
Total	**439,815**	**(313,754)**	**126,061**

Global netting agreements 2017

€ thousand	Derivative financial instruments on the balance sheet	Gross and net amounts of derivative financial instruments that are not netted	Net amount
Derivative financial instruments with positive fair value			
Interest rate derivatives			
Interest rate swaps	133,406	(105,469)	27,937
Currency derivatives			
Currency swaps	400,481	(275,042)	125,439
Total	**533,887**	**(380,511)**	**153,376**
Derivative financial instruments with negative fair value			
Interest rate derivatives			
Interest rate swaps	268,382	(135,164)	133,218
Currency derivatives			
Currency swaps	287,269	(245,347)	41,923
Total	**555,651**	**(380,511)**	**175,140**

Guarantees pursuant to § 1(2b) AFFG

€ thousand	31 Dec 2018	31 Dec 2017
Fair value at the beginning of the period	4,095,741	5,683,157
Change resulting from foreign exchange differences	(558,842)	(1,936,339)
Change resulting from fair value measurement	984,440	348,923
Net profit for the period	425,597	(1,587,416)
Fair value at the end of the period	**4,521,338**	**4,095,741**

The change from foreign exchange differences results primarily from the exchange rate of the Euro to the US dollar and Swiss franc (see the indicative exchange rates on the reporting dates – Note 2). CHF positions were also reduced during the financial year.

Note 18 Equity-accounted investments

Changes in equity-accounted investments

€ thousand	2018	2017
OeKB EH Beteiligungs- und Management AG, Vienna	61,679	60,986
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	6,247	5,856
Equity-accounted investments	**67,927**	**66,843**

Net profit or loss of equity-accounted investments

Income statement

€ thousand	2018	2017
OeKB EH Beteiligungs- und Management AG, Vienna	5,318	3,937
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	391	255
Share of profit or loss of equity-accounted investments, net of tax	**5,709**	**4,193**

Other comprehensive income

€ thousand	2018	2017
OeKB EH Beteiligungs- und Management AG, Vienna	315	105
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	0	0
Equity-accounted investments - Share of other comprehensive income	**315**	**105**

Net profit

€ thousand	2018	2017
OeKB EH Beteiligungs- und Management AG, Vienna	5,633	4,042
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	391	255
Net profit for the period	**6,024**	**4,298**

There are no contingent liabilities for the equity-accounted investments.

OeKB EH Beteiligungs- und Management AG, Vienna, Austria

Other Services segment	2018	2017
Shareholding	51%	51%
Share of voting rights	51%	51%

OeKB EH Beteiligungs- und Management AG is an unlisted holding company. It is the sole owner of Acredia Versicherung AG. Acredia markets its products under the brands "PRISMA Die Kreditversicherung." and "OeKB Versicherung". It offers a complete range of credit insurance to Austrian businesses.

OeKB EH Beteiligungs- und Management AG is operated as a joint venture with Euler Hermes Aktiengesellschaft, Hamburg, and is included in the consolidated financial statements according to the equity method. OeKB does not have the power of decision through voting rights or other rights that would allow it to influence the returns from the affiliated company.

Insurance contracts are accounted for according to IFRS 4 taking into account the provisions of the Insurance Supervision Act (VAG). In accordance with IFRS 4, the claims equalisation reserve under the VAG (after deduction of deferred taxes) is reported in IFRS equity. The company exercises the option to apply IFRS 9 together with IFRS 17.

€ thousand	2018	2017
Earned premiums	24,776	24,368
Actuarial result	10,911	7,220
Profit before tax	12,855	9,282
Of which depreciation and amortisation	*(754)*	*(565)*
Of which interest income	*677*	*786*
Of which interest expense	-	-
Profit for the year	10,428	7,722
Other comprehensive income	617	205
Total comprehensive income for the year	**11,045**	**7,927**
Current assets	51,017	60,064
Of which cash and cash equivalents	*16,520*	*23,864*
Non-current assets	126,448	115,158
Current liabilities	18,963	13,076
Non-current liabilities	37,562	42,564
Equity	**120,940**	**119,582**
Proportionate share of equity at the beginning of the period	60,986	62,142
Proportionate share of total comprehensive income for the period	5,633	4,042
Dividend payments received	(4,940)	(5,198)
Proportionate share of equity at the end of the period	**61,679**	**60,986**

CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna, Austria

Capital Market Services segment	2018	2017
Shareholding	50%	50%
Share of voting rights	50%	50%

CCP Austria is operated as a joint venture with Wiener Börse AG, Vienna, and is recognised in the consolidated financial statements according to the equity method.

CCP.A is not a listed company. It acts as the clearing agent for the Vienna Stock Exchange and as the central counterparty for all trades concluded on the Vienna Stock Exchange. CCP Austria was licensed pursuant to Art. 14(1) of Regulation (EU) No. 648/2012 (European Market Infrastructure Regulation, EMIR) in 2014.

€ thousand	2018	2017
Revenue	3,901	3,803
Operating profit	776	529
Profit before tax	869	544
Of which depreciation and amortisation	*(215)*	*(215)*
Of which interest income	*138*	*52*
Of which interest expense	*(45)*	*(37)*
Profit/loss for the year	782	510
Other comprehensive income	-	-
Total comprehensive income for the year	**782**	**510**
Current assets	46,122	39,029
Of which cash and cash equivalents	*45,506*	*38,460*
Non-current assets	428	643
Current liabilities	34,056	27,959
Non-current liabilities	-	-
Equity	**12,494**	**11,713**
Proportionate share of equity at the beginning of the period	5,856	5,601
Proportionate share of total comprehensive income for the period	391	255
Dividend payments received	-	-
Proportionate share of equity at the end of the period	**6,247**	**5,856**

Note 19 Property, equipment, and intangible assets

Non-current assets in 2018

€ thousand	Costs 1 Jan 2018	Additions	Transerfs	Disposals	31 Dec 2018	Accumulated depreciation and amortisation 1 Jan 2018	Additions	Disposals	31 Dec 2018	Net book values 1 Jan 2018	31 Dec 2018
Land and buildings	73,977	-	441	-	74,418	63,415	3,459	-	66,874	10,563	7,544
Fixtures, fittings, and equipment	13,322	1,324	-	(1,197)	13,449	8,784	1,542	(1,191)	9,135	4,537	4,314
Assets under construction	-	441	(441)	-	-	-	-	-	-	-	-
Property and equipment	**87,299**	**1,765**	**-**	**(1,197)**	**87,867**	**72,199**	**5,001**	**(1,191)**	**76,009**	**15,100**	**11,858**
Software	6,510	514	398	(171)	7,251	4,908	763	(144)	5,527	1,602	1,724
Advanced payments on software	198	450	(398)	-	250	-	-	-	-	198	250
Intangible assets	**6,708**	**964**	**-**	**(171)**	**7,501**	**4,908**	**763**	**(144)**	**5,527**	**1,800**	**1,974**
Total	**94,007**	**2,729**	**-**	**(1,368)**	**95,368**	**77,108**	**5,764**	**(1,335)**	**81,536**	**16,900**	**13,832**

Non-current assets in 2017

€ thousand	Costs 1 Jan 2017	Additions	Transerfs	Disposals	31 Dec 2017	Accumulated depreciation and amortisation 1 Jan 2017	Additions	Disposals	31 Dec 2017	Net book values 1 Jan 2017	31 Dec 2017
Land and buildings	73,977	-	-	-	73,977	60,064	3,350	-	63,415	13,913	10,563
Fixtures, fittings, and equipment	13,833	1,265	-	(1,777)	13,322	9,215	1,346	(1,776)	8,784	4,619	4,537
Property and equipment	**87,810**	**1,265**	**-**	**(1,777)**	**87,299**	**69,279**	**4,696**	**(1,776)**	**72,199**	**18,532**	**15,100**
Software	5,970	540	-	-	6,510	4,236	673	-	4,908	1,735	1,602
Advanced payments on software	-	198	-	-	198	-	-	-	-	-	198
Intangible assets	**5,970**	**738**	**-**	**-**	**6,708**	**4,236**	**673**	**-**	**4,908**	**1,735**	**1,800**
Total	**93,781**	**2,003**	**-**	**(1,777)**	**94,007**	**73,515**	**5,369**	**(1,776)**	**77,108**	**20,266**	**16,900**

The value of the property itself was € 4.4 million (2017: € 4.4 million).

There was no interest from additions and no write-ups or transfers in the accumulated amortisation and depreciation in the current financial year or previous year.

OeKB GROUP

Note 20 Deposits from banks and customers

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 13.

Deposits from banks

€ thousand	Repayable on demand 31 Dec 2018	Repayable on demand 31 Dec 2017	Other maturities 31 Dec 2018	Other maturities 31 Dec 2017	Total 31 Dec 2018	Total 31 Dec 2017
Domestic banks	111,454	128,008	-0	-	111,454	128,008
Foreign banks	72,201	31,947	343,566	265,132	415,767	297,080
Total	**183,655**	**159,955**	**343,566**	**265,132**	**527,221**	**425,088**

Deposits from customers

€ thousand	Domestic customers 31 Dec 2018	Domestic customers 31 Dec 2017	Foreign customers 31 Dec 2018	Foreign customers 31 Dec 2017	Total 31 Dec 2018	Total 31 Dec 2017
States or government-affiliated organisations	624,238	676,349	854	1,064	625,092	677,413
Others	52,728	48,653	26,776	27,899	79,504	76,553
Total	**676,966**	**725,002**	**27,630**	**28,963**	**704,596**	**753,965**

Note 21 Debt securities issued

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 13.

€ thousand	Net book value 31 Dec 2018	Net book value 31 Dec 2017	Of which listed 31 Dec 2018	Of which listed 31 Dec 2017
Bonds issued	20,146,195	17,886,200	20,146,195	17,886,200
Other debt securities issued	4,374,545	3,754,215	-	-
Total	**24,520,740**	**21,640,415**	**20,146,195**	**17,886,200**

The amount repayable on maturity for debt securities issued that are measured at fair value option was € 18,893.4 million (2017: € 16,543.8 million).

Of the debt securities issued, € 8,067.7 million will come due in the following year (2017: € 6,607.3 million).

Note 22 Provisions

Changes in provisions

€ thousand	Start of period	Use	Release	Addition	End of the period
Non-current employee benefit provisions	128,474	(5,989)	-	11,905	134,389
Other current provisions	17,034	(9,680)	(810)	10,036	16,580
Total provisions 2018	**145,508**	**(15,669)**	**(810)**	**21,941**	**150,969**
Total provisions 2017	**148,722**	**(15,469)**	**(352)**	**12,608**	**145,508**

Changes in non-current employee benefit provisions

€ thousand	Pension	Termination benefits	**Total 2018**	Total 2017
Present value of defined-benefit obligations (DBO) = employee benefit provisions at 1 January	105,306	23,168	128,474	131,365
Service cost	496	683	1,179	1,118
Interest cost	1,849	413	2,262	2,245
Payments	(5,039)	(950)	(5,989)	(6,373)
Actuarial gain/loss	4,883	3,580	8,464	119
Of which actuarial gain/loss arising from changes in parameters	*3,877*	*3,282*	*7,159*	*672*
Of which actuarial gain/loss arising from experience adjustments	*1,006*	*298*	*1,304*	*(553)*
DBO at 31 December	107,495	26,894	134,389	128,474
Employee benefit provisions at 31 December	**107,495**	**26,894**	**134,389**	**128,474**

Historical information on defined-benefit obligations

€ thousand	2013	2014	2015	2016	2017
Pension provisions	91,781	104,160	103,841	106,136	105,306
Termination benefit provisions	23,869	26,939	26,262	25,229	23,168
Non-current employee benefit provisions	**115,650**	**131,099**	**130,103**	**131,365**	**128,474**

The pension obligations for most of the staff have been transferred to a pension fund under a defined-contribution plan. In connection with this plan, contributions of € 1.0 million were paid to the pension fund in 2018 (2017: € 1.0 million).

Staff costs also included the contributions of € 0.3 million to the termination benefit fund (2017: € 0.2 million).

The following table presents the sensitivity of the obligations to key actuarial assumptions. It shows the respective absolute amount of the provision recognised at 31 December 2018 when a single assumption is varied at a time. The other assumptions are unchanged in each case.

Sensitivity analyses – Changes in expenses (-)/earnings (+)

€ thousand	Pensions	Termination benefits	**Total 2018**	Total 2017
Increase in the discount rate by 0.50%	6,758	1,386	**8,144**	7,843
Decrease in the discount rate by 0.50%	(7,560)	(1,498)	**(9,058)**	(8,712)
Increase in expected salary growth by 0.50%	(401)	(1,468)	**(1,869)**	(2,009)
Decrease in expected salary growth by 0.50%	352	1,372	**1,724**	1,889
Increase in the pension trend by 0.50%	(6,911)	-	**(6,911)**	(6,388)
Decrease in the pension trend by 0.50%	6,281	-	**6,281**	5,848
Increase in life expectancy by 10% (corresponds to 1 year)	(5,912)	-	**(5,912)**	(4,197)

The sensitivity analysis was performed by an independent actuary using the projected unit credit method.

Maturity profile of the non-current employee benefit provisions

	Pensions		Termination benefits	
€ thousand	DBO 31 Dec 2018	DBO 31 Dec 2017	DBO 31 Dec 2018	DBO 31 Dec 2017
1 year	5,237	5,190	1,248	527
2 to 3 years	9,677	10,105	1,884	2,133
4 to 5 years	8,790	9,725	4,211	3,232
Over 5 years	83,791	80,286	19,551	17,276
Total	**107,495**	**105,306**	**26,894**	**23,168**
Duration	13.6 years	13.7 years	10.8 years	10.5 years

Other current provisions

€ thousand	2018	2017
Staff-related provisions (bonuses, holiday entitlements, time credit)	11,794	12,324
Legal and consulting expenses, financial auditing	570	697
IT projects	108	166
Other provisions	4,108	3,847
Total	**16,580**	**17,034**

Note 23 Tax assets and tax liabilities

Tax assets and liabilities each include deferred tax assets and deferred tax liabilities arising from temporary differences between the IFRS carrying amounts and the corresponding tax base in Group companies (see also Note 12).

OeKB Group has no (unused) loss carryforwards.

Deferred taxes arose on the following items:

	Deferred tax assets		Deferred tax liabilities	
€ thousand	31 Dec 2018	1 Jan 2018	31 Dec 2018	1 Jan 2018
Loans and advances to banks	1,398	-	-	2,015
Loans and advances to customers	725	65	-	-
Other financial assets	-	-	62,813	69,003
Derivative financial instruments	109,954	138,913	149,525	133,472
Guarantees pursuant to § 1(2b) AFFG	-	-	1,130,335	1,023,935
Property, equipment, and intangible assets	-	47	-	-
Debt securities issued	1,120,988	970,140	-	-
Provisions	18,085	16,637	-	-
Other liabilities	-	-	213	-
EFS interest rate stabilisation provision	149,726	160,462	-	-
Total	**1,400,876**	**1,286,264**	**1,342,886**	**1,228,425**
Tax settlement	**(1,342,886)**	**(1,228,425)**	**(1,342,886)**	**(1,228,425)**
Tax claims (liabilities), net	**57,991**	**57,839**		

€ thousand	2018	2017
Change	**151**	**(7,839)**
Of which in the income statement	*(1,876)*	*(1,644)*
Of which in the net other comprehensive income	*2,027*	*(6,195)*

Effects on deferred taxes from the first-time application of IFRS 9

	Deferred tax assets		Deferred tax liabilities	
€ thousand	1 Jan 2018	31 Dec 2017	1 Jan 2018	31 Dec 2017
Loans and advances to banks	-	-	2,015	2,032
Loans and advances to customers	65	-	-	-
Other financial assets	-	-	69,003	70,363
Derivative financial instruments	138,913	138,913	133,472	133,472
Guarantees pursuant to § 1(2b) AFFG	-	-	1,023,935	1,023,935
Property, equipment, and intangible assets	47	47	-	-
Debt securities issued	970,140	970,140	-	-
Provisions	16,637	16,637	-	-
EFS interest rate stabilisation provision	160,462	160,482	-	-
Total	**1,286,264**	**1,286,219**	**1,228,425**	**1,229,802**
Tax settlement	**(1,228,425)**	**(1,229,802)**	**(1,228,425)**	**(1,229,802)**
Tax claims (liabilities), net	**57,839**	**56,418**	**-**	**-**
Effects from first-time application on deferred tax assets	**1,421**			

Unrecognised deferred taxes payable

As in the previous year, there were no deferred taxes payable for temporary differences relating to shares in subsidiaries and joint ventures on 31 December 2018.

Note 24 EFS interest rate stabilisation provision

The EFS interest rate stabilisation provision is formed for the Export Financing Scheme. The provision is based on the actual obligation regarding the use of surpluses from the Export Financing Scheme. This obligation arises from the rules for the fixing of interest rates in the Export Financing Scheme, which specify fixed margins for OeKB, and from a directive from the Austrian Ministry of Finance on the use of surpluses from the scheme (see also Note 1).

The additions to and utilisation of the EFS interest rate stabilisation provision result from the net interest income from the Export Financing Scheme less OeKB's fixed margin for the operation of the scheme and less the costs directly related to the refinancing of the scheme. The net effects from the measurement of the derivative financial instruments, guarantees pursuant to § 1(2b) AFFG, and the receivables and payables of the EFS are also included in this item. In accordance with the associated decisions, the provision is used to stabilise the terms of export financing loans.

Change in the EFS interest rate stabilisation provision

€ thousand	2018	2017
At the beginning of the period	**1,638,577**	**1,743,311**
Effect from first-time application of IFRS 9 (from credit risk)	(81)	-
At the beginning of the period	**1,638,496**	**1,743,311**
Release/allocation from the net interest income	(60,833)	(20,305)
Release/allocation from the net credit risk provisions	16	-
Release/allocation from the net gain or loss on financial instruments measured at fair value through profit or loss	(24,461)	(84,429)
Release/allocation from the net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss	-	-
Change in the EFS interest rate stabilisation provision	(85,278)	(104,734)
At the end of the period	**1,553,218**	**1,638,577**

Note 25 Capital management

Equity disclosures

The subscribed capital of € 130.0 million (2017: € 130.0 million) is divided into 880,000 no-par value shares. These registered ordinary shares with restricted transferability are represented by global certificates registered in the name of each individual shareholder.

The capital reserve remained unchanged at € 3.3 million and is restricted pursuant to § 229(4) UGB.

The retained earnings attributable to owners of the parent decreased by € 4.4 million to € 663.1 million (2017: € 667.5 million). The retained earnings contain an amount of € 10.6 million (2017: € 10.6 million) as a legal reserve pursuant to § 229(4) UGB.

The IAS 19 reserve is the result of actuarial gains and losses on defined-benefit pension plans and increased by € 6.0 million to minus € 24.7 million in annual comparison. The FVOCI reserve results from the fair value measurement of investments in other unconsolidated companies and came to € 18.9 million. Because of the sale of the stake in „Garage Am Hof“ GmbH, the proportionate FVOCI reserve in the amount of € 0.6 million was transferred to the retained earnings.

The Executive Board will propose to the 73rd Annual General Meeting on 29 May 2019 that the profit available for distribution reported in Oesterreichische Kontrollbank AG’s financial statements for the year 2018 in the amount of € 32.9 million be used to pay a dividend of € 22.75 per share plus a bonus of € 14.43 per share. In total, the proposed dividend will be € 32.7 million. This represents approximately 25% of the participating share capital for 2018. After payment of the compensation to the Supervisory Board members, the remaining balance is to be carried forward.

The dividend payment for the 2017 financial year, which was made in May 2018, amounted to € 22.75 per share plus a bonus of € 14.43 per share or a total of € 32.7 million. The minority shareholder in „Österreichischer Exportfonds“ GmbH also received the contractually stipulated proportionate dividend for the year 2017 in the amount of € 0.1 million. The return on assets pursuant to § 64(1)19 BWG attributable to the owners of the parent was 0.1% in 2018 (2017: 0.2%).

Capital management

Pursuant to § 3(1)7 BWG, Regulation (EU) No. 575/2013 and § 39(3) and (4) BWG do not apply to transactions of Oesterreichische Kontrollbank Aktiengesellschaft related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. Pursuant to § 3(2)1 BWG, the following legal provisions also do not apply: Part 6 of Regulation (EU) No. 575/2013 and §§ 27a, 39(2b)7 in conjunction with 39(4), 39(3), and 74(6)3a in conjunction with § 74(1) BWG.

The bank group pursuant to § 30 BWG consists of Oesterreichische Kontrollbank AG, OeKB CSD GmbH, and Oesterreichische Entwicklungsbank AG. The strategy of OeKB Group aims to maintain a stable capital base over the long term. There were no material changes in capital management. The Group satisfied the capital requirements of the national supervisory authority at all times during the reporting period.

The minimum regulatory capital requirement for credit risk is determined in accordance with the provisions of Regulation (EU) No. 575/2013. The capital required to be held for operational risk is determined according to the Basic Indicator Approach. The bank group does not hold a trading book. At Group level, the risks are aggregated in accordance with the concept of economic capital. Through the analysis of risk-bearing capacity, the economic capital required is compared with the economic capital available, and both metrics are monitored.

OeKB is the parent institution of the OeKB bank group for the purposes of § 30 BWG. OeKB Group's regulatory capital determined in accordance with Regulation (EU) No. 575/2013 showed the following composition and development:

€ thousand	2018	2017
Risk-weighted assets (standardised approach to credit risk)	557,088	595,350
Total risk exposure amount (total regulatory capital requirement/8%)	**877,213**	**917,888**
Minimum regulatory capital requirement for		
Credit risk	44,567	47,628
Foreign exchange risk	5,258	5,437
Operational risk (Basic Indicator Approach)	20,352	20,366
Total regulatory capital requirement	**70,177**	**73,431**

Consolidated regulatory capital pursuant to Part 2 CRR		
Paid-up share capital	130,000	130,000
Reserves *	626,544	629,829
Amounts to be added from a minority interest under Article 84 in conjunction with Art. 480 CRR	-	-
Less deductions		
Intangible assets	(1,974)	(1,800)
Common equity tier 1 capital	**754,570**	**758,029**
Amounts to be added from a minority interest under Article 85 in conjunction with Art. 480 CRR	-	-
Additional tier 1 capital	**-**	**-**
Less deductions pursuant to Art. 472(4) CRR		
Intangible assets	-	-
Tier 1 capital	**754,570**	**758,029**
Amounts to be added from a minority interest under Art. 87 in conjunction with Art. 480 CRR	-	-
Tier 2 capital	**-**	**-**
Available regulatory capital pursuant to Part 2 CRR	**754,570**	**758,029**
Surplus regulatory capital	684,393	684,598
Consolidated capital adequacy ratio (regulatory capital as a percentage of total risk-weighted assets)	86.0%	82.6%
Consolidated tier 1 ratio	86.0%	82.6%
Cover ratio (regulatory capital as a percentage of the capital requirement)	1,075.2%	1,032.3%

* Pursuant to Art. 26(2) CRR, earnings for the year are included in common equity tier 1 only after the official adoption of the final annual financial results. The dedicated reserve for technical assistance (see § 3[1]7 BWG) is deducted from the reserves.

This results in the following ratios pursuant to Art. 92(1) lit. a to c of Regulation (EU) No. 575/2013 at the reporting date, which are compared with the minimum ratios for the Group:

Minimum ratios pursuant to Article 92 of Regulation (EU) No. 575/2013

	2018		2017	
In %	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	6.376	86.020	5.751	82.584
Tier 1 ratio	7.876	86.020	7.251	82.584
Total capital ratio	9.876	86.020	9.251	82.584

Calculation of the actual ratio

Core tier 1 ratio = $\frac{\text{Common equity tier 1 capital pursuant to Part 2 CRR * 100}}{\text{Minimum regulatory capital requirement purs. to Art. 92 CRR}}$

Tier 1 ratio = $\frac{\text{Tier 1 capital pursuant to Part 2 CRR * 100}}{\text{Minimum regulatory capital requirement purs. to Art. 92 CRR}}$

Total capital ratio = $\frac{\text{Available regulatory capital pursuant to Part 2 CRR * 100}}{\text{Minimum regulatory capital requirement purs. to Art. 92 CRR}}$

Minimum ratio for OeKB

In %	2018	2017
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013	4.500	4.500
Capital conservation buffer pursuant to § 23 BWG in conjunction with § 103q line 11 BWG	1.875	1.250
Anti-cyclical capital buffer pursuant to § 23a BWG in conjunction with § 103q line 11 BWG	0.001	0.001
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including buffer requirements	6.376	5.751
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including buffer requirements	7.876	7.251
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including buffer requirements	9.876	9.251

The required ratios result from Art. 92(1) of Regulation (EU) No. 575/2013, the additional capital buffer requirements of the BWG, and the capital buffer regulation of the FMA.

Other disclosures and risk report

Note 26 Revenue

The first-time application of IFRS 15 to revenue from contracts with customers is resulting in no changes to the financial reporting of OeKB Group, so there is no need to draw up a comparison. The only change was the preparation of the required additional disclosures in the notes.

OeKB Group primarily generates revenue from contracts with customers from the sale of banking services (fee and commission income). Other income sources (other revenue) are revenue from assigned staff and service agreements. The following table shows a breakdown of the revenue from contracts with customers by the most important types of service and of the other revenue by the time of realisation. The table also shows the assignment of the broken down revenue to the reportable segments of OeKB Group.

Revenue flows

€ thousand	Export Services segment	Capital Market Services segment	Other Services segment	**2018**
Income from credit operations	2,766	-	-	2,766
Income from securities services	-	31,234	-	31,234
Income from export guarantees	14,767	-	-	14,767
Income from energy clearing	45	2,406	-	2,451
Income from other services	1,542	677	625	2,844
Revenue from contracts with customers	**19,120**	**34,318**	**625**	**54,062**
Assigned staff	-	10	1,006	1,016
Billed services	175	650	1,973	2,798
Other revenue	**175**	**660**	**2,979**	**3,814**
Total revenue	**19,294**	**34,978**	**3,603**	**57,876**
Services rendered at a specific point in time	4,630	16,662	12	21,304
Services rendered over a period of time	14,664	18,316	3,592	36,572
Total revenue	**19,294**	**34,978**	**3,603**	**57,876**

Revenue flows

€ thousand	Export Services segment	Capital Market Services segment	Other Services segment	2017
Income from credit operations	4,940	-	-	4,940
Income from securities services	-	30,403	-	30,403
Income from export guarantees	13,799	-	-	13,799
Income from energy clearing	46	2,642	-	2,688
Income from other services	1,482	683	726	2,891
Revenue from contracts with customers	**20,268**	**33,728**	**726**	**54,722**
Assigned staff	-	386	1,070	1,456
Billed services	143	666	2,040	2,850
Other revenue	**143**	**1,053**	**3,110**	**4,306**
Total revenue	**20,411**	**34,781**	**3,836**	**59,028**
Services rendered at a specific point in time	3,964	16,393	14	20,372
Services rendered over a period of time	16,447	18,387	3,822	38,656
Total revenue	**20,411**	**34,781**	**3,836**	**59,028**

The “Other liabilities” contain liabilities relating to revenue from contracts with customers in the amount of € 8.3 million (2017: € 7.6 million). These liabilities pertain mostly to fees and commissions already received in relation to export guarantees. These fees are recorded over a specific period of time in the cases where the terms of the guarantees from the Republic of Austria to be managed by OeKB Group are greater than 1 year.

The revenues recognised in financial year 2018 from fees and commissions received in previous periods came to € 1.7 million (2017: € 1.6 million).

As permitted by IFRS 15, no disclosures are made about remaining service obligations that have an expected residual term of 1 year or less as at 31 December 2018.

Note 27 Information regarding the consolidated statement of cash flows

The consolidated statement of cash flows shows the state and development of the cash and cash equivalents of OeKB Group. The reported cash position consists largely of cash and balances at central banks and corresponds to the item cash and cash equivalents on the balance sheet. The Group has additional liquidity reserves (see Note 35), but these are not included in the definition of cash and cash equivalents. This additional liquidity buffer is formed in the EFS and is only used in stress scenarios. The reported cash and cash equivalents are denominated exclusively in Euros.

The cash flow from operating activities include the changes in loans and advances to banks and customers, the changes in deposits from banks and customers, and the changes in debt securities issued. In net cash from operating activities, all income and expense components are adjusted for non-cash items, especially depreciation, amortisation, and impairment; changes in provisions and loan loss provisions; deferred taxes; and unrealised currency translation gains and losses; as well as all other items the cash effects of which represent cash flows from investing or financing activities. Foreign currency losses and gains are incurred primarily in connection with the issue of long- and short-term debt securities issued for the EFS. The exchange rate risks are mostly covered by the guarantees pursuant to § 1(2b) AFFG. OeKB Group thus does not bear any exchange rate risk from the Export Financing Scheme. Fluctuations in exchange rates have little or no impact on cash and cash equivalents held or due in foreign currency.

The cash flow from investing activities reflects changes in the other financial assets in the investment portfolio, in the property, equipment, and intangible assets.

The cash flow from financing activities reflects changes in equity transactions with the owners.

Reconciliation of the changes in equity to the cash flows from financing activities at 31 Dec 2018

€ thousand	Notes	Retained earnings	Non-controlling interests	Net cash from financing activities
Balance sheet at 31 Dec 2017		667,531	-	-
Effect from first-time application of IFRS 9		(4,266)	-	-
Balance sheet at 1 Jan 2018		663,265	-	-
Dividends paid	25	(32,858)	-	(32,858)
Total change in cash flows from financing activities		**(32,858)**	**-**	**(32,858)**
Transfer due to a disposal in the investments in other unconsolidated companies		**565**	**-**	**-**
Profit for the year		**32,132**	**-**	**-**
Balance sheet at 31 Dec 2018		663,104	-	-

Reconciliation of the changes in equity to the cash flows from financing activities at 31 Dec 2017

€ thousand	Notes	Retained earnings	Non-controlling interests	Net cash from financing activities
As at 1 Jan 2018		646,912	4,585	-
Acquisition of non-controlling interests		776	(4,446)	(3,670)
Dividends paid	25	(20,020)	(140)	(20,160)
Total change in cash flows from financing activities		**(19,244)**	**(4,585)**	**(23,830)**
Profit for the year		**39,863**	**-**	**-**
Balance sheet at 31 Dec 2017		667,531	-	-

Most important developments during the financial year

The cash flow from operating activities in the amount of € 21.8 million (2017: € 30.7 million) changed by € 8.9 million compared with the previous year. The change resulted primarily from a lower profit (before tax), the development of loans and advances to banks and customers, the changes in the payables to banks and customers, and the changes in the debt securities in issue. The payments for the purchase of loans and advances to banks and customers exceeded the repayments from redemptions by € 2,301.1 million (2017: € 1,674.9 million). Corresponding to the loans and advances to banks and customers, proceeds from deposits from banks and customers and debt securities issued rose by € 2,316.4 million (2017: € 1,725.7 million).

The cash flow from investing activities in the amount of minus € 89.7 million (2017: € 3.9 million) changed by € 93.7 million compared with the previous year. Payments exceeded proceeds in the business year, primarily due to the further expansion of the liquidity buffer in the EFS.

Note 28 Analysis of remaining maturities

Remaining maturities pursuant to § 64(1) BWG at 31 December 2018

€ thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	**Total**
Loans and advances to banks	204,639	484,104	6,306,779	8,414,826	4,132,839	**19,543,187**
Loans and advances to customers	1,756	11,833	55,907	237,243	161,159	**467,898**
Other financial assets	557,663	190,520	101,845	1,107,009	1,131,682	**3,088,719**
Total	**764,058**	**686,457**	**6,464,532**	**9,759,078**	**5,425,680**	**23,099,805**
Deposits from banks	480,685	335	46,201	-	-	**527,221**
Deposits from customers	648,770	902	5,400	44,023	5,501	**704,596**
Debt securities issued	-	4,323,702	3,735,611	12,322,491	4,138,936	**24,520,740**
Total	**1,129,455**	**4,324,939**	**3,787,212**	**12,366,514**	**4,144,437**	**25,752,557**

Remaining maturities pursuant to § 64(1) BWG at 31 December 2017

€ thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	**Total**
Loans and advances to banks	207,200	411,680	4,863,211	7,151,022	3,559,768	**16,192,881**
Loans and advances to customers	2,771	450,299	709,504	140,779	233,633	**1,536,986**
Other financial assets	492,749	37,035	23,252	1,108,086	1,375,206	**3,036,328**
Total	**702,720**	**899,014**	**5,595,967**	**8,399,887**	**5,168,607**	**20,766,195**
Deposits from banks	159,956	215,118	5,000	20,000	25,014	**425,088**
Deposits from customers	696,857	1,577	507	49,908	5,116	**753,965**
Debt securities issued	-	3,305,651	3,301,649	10,795,290	4,237,825	**21,640,415**
Total	**856,813**	**3,522,346**	**3,307,156**	**10,865,198**	**4,267,955**	**22,819,468**

The remaining maturity is the period from the balance sheet date to the contractual maturity date of the asset or liability; in the case of instalments, the remaining maturity is determined separately for each instalment.

Note 29 Subordinated assets

The balance sheet contains no subordinated assets.

Note 30 Assets pledged as collateral

€ thousand	2018	2017
Collateral for credit risks in derivative financial instruments		
Collateral pledged	108,480	137,750
Collateral received	297,030	214,830

The change in the pledged and received collateral is the result of the gradual switch to a central settlement facility (LCH – London Clearing House) for the clearing of derivative financial instruments.

Note 31 Contingent liabilities and other off-balance sheet commitments

The contingent liabilities not reported on the balance sheet in the amount of € 66.3 million (2017: € 84.1 million) pertain to guarantees issued by OeEB that are in turn backed by guarantees from the Republic of Austria pursuant to the AusfFG. Information about the undrawn credit facilities and commitments to lend is provided in Note 36 – Credit risk.

Note 32 Other off-balance sheet commitments

Pursuant to § 93 BWG, OeKB and OeKB CSD are required to guarantee a proportionate amount of deposits under the deposit insurance system operated by the Vienna-based Einlagensicherung der Banken and Bankiers GmbH. This deposit protection scheme is being replaced with Einlagensicherung AUSTRIA Ges.m.b.H., Vienna, as of 1 January 2019. OeKB and OeEB are members of this new scheme.

Note 33 Fiduciary assets and liabilities

Off-balance sheet fiduciary transactions amounted to € 130.9 million (2017: € 119.9 million). The fiduciary transactions for the Republic of Austria pertain mostly to the operations of the development bank that were entered into under the advisory programme and the “Holdings financed by federal funds” according to § 3 of the contract pursuant to § 9(1) AusfFG, as well as to the fiduciary account of the federal government.

Note 34 Supplementary disclosures on assets and liabilities pursuant to the BWG

Supplementary disclosures pursuant to § 43 and § 64 BWG

	31 Dec 2018		31 Dec 2017	
€ thousand	Assets	Liabilities	Assets	Liabilities
Denominated in foreign currency	2,507,033	18,029,801	1,988,660	16,393,889
Issued or originated outside Austria	2,711,518	20,626,744	2,443,261	18,234,903

Note 35 Financial risk management

Overview and special features of OeKB

OeKB is a special-purpose bank for capital and energy market services, and the Austrian export industry. It engages in no retail or deposit-taking business. The credit institution subsidiary Oesterreichische Entwicklungsbank AG supplements the Export Services of OeKB, and the credit institution subsidiary OeKB CSD GmbH the Capital Market Services. In significant business segments, the OeKB bank group (corresponds to OeKB Group) acts as a contractor to the Republic of Austria.

Risk management and risk controlling are key processes that are integral to the business strategy and are designed to ensure the lasting stability and profitability of the company and the entire bank group. Each risk exposure is accepted after careful consideration and must conform with the risk policy and strategy defined by the Executive Board. The policy and strategy are intended to ensure a stable return on equity on the basis of a conservative approach to business and operational risks. The risk policy and strategy set out the risk management principles, the risk appetite, and the principles for the measurement, control, and limitation of the defined risk categories.

The Export Financing Scheme represents the great majority of the balance sheet (see also Note 1).

The risks of the Export Financing Scheme that is administered for the Republic of Austria are mitigated by extensive collateral and guarantees, especially from the Austrian government. The Export Financing Guarantees Act (AFFG) sets out the requirements for guarantees for export lending and thus the conditions for customer access to credit under the scheme, as well as the rules for the Austrian government guarantees protecting creditors in OeKB's refinancing operations (creditor guarantees) and the government guarantees protecting OeKB from exchange rate risk (exchange rate guarantees).

Exemptions from regulatory requirements are highly important for OeKB's business model. OeKB is exempt from the liquidity regulations (LCR, NSFR) as well as European and national provisions for the banking union (such as the BRRD). Further exemptions exist regarding export guarantees (i.e. the EFS), in particular the exemption from the CRR (Regulation [EU] No. 575/2013). These exemptions also apply to the fully consolidated subsidiary Oesterreichische Entwicklungsbank AG. Similar exemptions apply to the fully consolidated subsidiary OeKB CSD GmbH, which received a licence according to the CSD regulations in 2018.

OeKB as the parent bank runs the Internal Capital Adequacy Assessment Process (ICAAP) pursuant to § 39a(1) BWG on a consolidated basis as the Group ICAAP; accordingly, no individual ICAAPs are performed at an institutional level.

Because of the special importance of the Export Financing Scheme and based on the management principles of OeKB, the EFS is treated as a separate investment risk entity (part of credit risk) in the Group ICAAP. For this purpose, a separate risk coverage calculation is performed for the EFS. The EFS poses no risks for the OeKB Group so long as it can bear its own risks. Any risk exceeding the Export Financing Scheme's risk coverage capital would become part of the Group's credit risk. For details, see "ICAAP EFS and its integration in the Group ICAAP".

The following contents of this note specify the risk management objectives, policies, and processes of OeKB with regard to market, credit, and business risk as well as with regard to operational and liquidity risk.

Aside from the sub-ICAAP for the EFS (see above) and the allocation of risk budgets for the bank subsidiaries, no other risk capital is assigned to the individual segments of OeKB. Because of the far-reaching exceptions (see above), risk management is not conducted according to the CRR regulations for the most part, but according to the pillar 2 concepts of ICAAP and ILAAP.

Risk management framework

The Executive Board of OeKB bears overall responsibility for the establishment of an adequate, functional, and holistic risk management system that covers all material operational and business risks of the OeKB bank group. It meets this obligation by enacting suitable organisational measures as well as by providing a suitable guideline structure.

Guideline structure

One central guideline of the risk management framework is the Risk Policy and Strategy of OeKB Group, which the Executive Board formulates and adopts in coordination with the Chief Risk Officer (CRO) and in consultation with the Risk Committee of the Supervisory Board on an annual basis.

The Risk Policy and Strategy sets out the risk management principles, the key features of the risk management organisation, the risk appetite, and the principles for the measurement, control, and limitation of the defined risk categories. In this manner, the Executive Board of OeKB ensures the uniform management of risks throughout the bank group.

Behavioural standards including a complaint handling system are described in the Code of Conduct, and the remuneration policy is risk adequate and documented, as is the Fit & Proper Policy.

Each risk exposure that is accepted must conform with the Risk Policy and Strategy of OeKB Group. This is the foundation for a comprehensive system of internal guidelines for the management of group risks and the risks to which OeKB is exposed as an individual entity.

This guideline framework has a cascading structure. The policies and guidelines adopted by the Executive Board form the uppermost level. The downstream organisational units (for example the Risk Management Committee) that are responsible for risk management create more detailed, concrete guidelines as needed on the basis of these executive policies and guidelines. The work instructions, standard operating procedures, and method and process documentation that are derived from the adopted guidelines and policies form the bottom level and are generally under the responsibility of the department heads. The policies and guidelines apply to the entire bank group or to the individual company depending on their individual purposes and content.

Organisation

Given OeKB Group’s key business activities and its specific business and risk structure, the Bank has adopted a clear functional organisation for its risk management process with well defined roles. In line with proportionality rules, there is no separation between risk origination and risk oversight in the Executive Board.

The Risk Management Committee (RMC) plays a central role in risk management, and the majority of the committee members are appointed by the risk-controlling units. The function of the Risk Management Committee consists of strategic risk management and risk controlling in accordance with the valid risk policy and risk strategy. The Committee is the primary recipient of the risk reports, monitors and manages the risk profiles for the individual risk types, and decides what action to take based on the risk reports. As part of overall bank risk management, the RMC proposes limits to the Executive Board based on the risk coverage calculation as well as procedures for risk monitoring. The RMC also adopts guidelines to implement the principles set forth in the risk policy and strategy, including the ICAAP manual and the liquidity risk management manual.

The implementation of the measures decided by the Risk Management Committee is overseen by the Chief Risk Officer, supported by the Financial Risk Manager, the Operational Risk Manager, and the Chief Information Security Officer (CISO). The CISO reports directly to the full Board and, once a year, to the Risk Committee of the Supervisory Board. It directs the Risk Controlling department, which is responsible for the measurement and assessment of financial risks, operating-level financial risk controlling including monitoring the internal limits, and the practical implementation of the Internal Capital Adequacy Assessment Process.

The standards for the Operational Risk Management are implemented in OeKB's business operations by the Organisation, Construction, Environmental Issues, and Security department (OBUS) with the exception of information security matters, which are the responsibility of the CISO. The activities relating to Operational Risk Management and Information Security and those coming under the remit of the Internal Control System Officer are subject to ongoing coordination.

An adequate organisational structure for preventing money laundering and for ensuring compliance complement the governance framework.

Risk management is supplemented by the Internal Control System (ICS), which ensures compliance with guidelines and risk-mitigation measures. An Internal Control System Officer was nominated to ensure that the ICS complies with the legal requirements and to implement and continuously refine the ICS guideline enacted by the Executive Board. Largely automated general IT controls and audits conducted by the Internal Audit department ensure its effectiveness.

Internal Audit and Group Internal Audit serve as a third line of defence and conduct regular audits on the organisational units involved in the risk management processes and on the employed procedures.

The Supervisory Board oversees all risk management arrangements at OeKB and receives quarterly reports on OeKB's risk situation. These risk reports present a detailed view of OeKB Group's risk situation. The Supervisory Board also maintains a Risk Committee pursuant to § 39d BWG, which convened for two meetings in 2018. The Audit Committee of the Supervisory Board also monitors the effectiveness of the Internal Control System. The Supervisory Board has also set up a Nomination Committee and a Remuneration Committee.

OeKB has implemented a comprehensive and risk-oriented reporting and limit system to ensure that the senior management responsible for managing and monitoring financial and operational risks are informed adequately and in good time. This reporting includes the quarterly risk reports by the Executive Board to the Supervisory Board and annual coordination and consultation within the Risk Committee of the Supervisory Board pursuant to § 39d BWG.

As part of the operational risk management strategy, organisational structures have been defined for various emergency and crisis scenarios.

Internal Capital Adequacy Assessment Process (ICAAP)

Risk appetite and approaches to risk control

The ICAAP is conducted at the group level and serves to ensure the maintenance of the defined bank-specific level of capital adequacy and forms an integral part of the management process as a controlling and measurement tool. The risk appetite is set annually by the Executive Board in coordination with the Risk Committee of the Supervisory Board.

The process accounts for the going concern approach and the gone concern approach. The key difference between the two approaches lies in the definition of the economic capital available to cover risk and the choice of the confidence level for the risk (99.9% for the going concern approach and 99.98% for the gone concern approach).

Risk coverage calculation and limitation

The risk coverage calculation is performed quarterly by the Risk Controlling department – which as a risk oversight function is independent from risk origination – and is reported both to the Risk Management Committee and the Supervisory Board. In the risk coverage calculation, the economic capital requirement is compared with the risk coverage capital (internal or business capital). This is done in consideration of different coverage objectives and approaches (going concern and gone concern).

The key variable in the measurement and management of risk is economic capital. Risk is defined by OeKB as the danger that the actual outcome will be less favourable than the expected outcome (unexpected loss). The economic capital is calculated on the basis of a one-year horizon at the confidence levels defined in the steering principles.

The risk coverage calculation especially takes all defined material risk categories into account, namely credit risk, market risk, operational risk, and business risk. Credit risks are measured using the credit value at risk (CVaR) approach and market risks using the VaR approach. Business risk is determined on the basis of a statistical analysis of empirical target deviations in the operating profit.

Based on the results of the risk coverage calculation and the recommendations by the Risk Management Committee, the Executive Board defines the limits for market and credit risk for OeKB Group as a whole as well as risk budgets for the bank subsidiaries. Compliance with these limits and risk budgets is monitored by the Risk Controlling department and reported to the Risk Management Committee and the Executive Board on a quarterly basis. There is no steering of individual business divisions or segments within OeKB, as this is of limited relevance; a separate ICAAP is conducted for the EFS.

Additional operational limits are also in place in key areas. These also cover the monitoring of risk concentrations.

In the risk coverage calculation, concentrations of risk between risk types are taken into consideration by determining the aggregate risk as the sum of the type-specific risk capital amounts and thus assuming a perfectly positive correlation.

The measurement of operational risk is based on the Basic Indicator Approach expanded by a distribution for scaling to the respective confidence level of the specific approach.

The following table shows the high risk-bearing capability of OeKB Group in the going concern and gone concern approach. The increase in the economic capital can primarily be attributed to a reduction in the hedging positions in the investment portfolio.

Risk coverage calculation for OeKB Group

	31 Dec 2018		31 Dec 2017	
€ thousand	Economic capital	Available risk coverage capital	Economic capital	Available risk coverage capital
Going Concern	66,677	686,474	78,704	713,082
Gone Concern	87,955	846,057	104,125	870,532

The economic capital calculations are supplemented with stress tests. This involves both univariate tests for key risk drivers and multivariate market-specific tests. To assess the sustainability of the risk-bearing capacity under adverse market conditions, input parameters such as volatilities, correlations, and probabilities of default are subject to stress on the basis of a macroeconomic scenario and then evaluated on the basis of this risk-bearing capacity.

Comparison of risk pursuant to ICAAP with minimum regulatory capital requirements pursuant to Art. 92 of Regulation (EU) No. 575/2013

	Value at Risk pursuant to ICAAP (confidence level 99.98%)		Regulatory capital requirement purs. to Reg. (EU) No. 575/2013 (see Note 25)	
€ thousand	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Credit risk	33,100	36,019	44,567	47,628
Commodity and foreign exchange risk	10,679	33,010	5,258	5,437
Other market risk in the banking book	14,090	4,224	-	-
Other risks	4,188	4,958	-	-
Operational risk	25,896	25,914	20,352	20,366

The risk changes in the items “Commodity and foreign exchange risk” and “Other market risk in the banking book” are primarily the result of changes in the investment portfolio. These reflect both a decrease in risk directly in the special purpose fund of OeKB due to the increase of FX and stock hedges on the one hand and an increase in interest rate risk (including diversification effects) on the other.

Market risk – banking book

Market risk is the risk of losses due to changes in market parameters. OeKB distinguished between specific and general interest rate risk, foreign exchange risk, and equity price risk. As no trading book is maintained, OeKB’s market risks relate only to banking book positions.

Risks are assessed in the Group ICAAP by using the value at risk concept to estimate maximum potential losses within a single year (holding period). According to the steering principles, the calculation is carried out at the two confidence levels of 99.9% and 99.98% by means of Monte Carlo simulations.

The volatilities and correlations needed for the Monte Carlo simulation are derived on the basis of a three-year historical reference period and a one-year current reference period. The higher of the VaR values calculated in this manner is used in the risk coverage calculation. This ensures that the calculated level of risk reacts rapidly to rising volatility and correlations, and that the calculated value is not misleadingly low in phases of very low volatility and correlations.

The market risk limit is set by the Executive Board based on the proposal of the Risk Management Committee. This is managed in operational terms on the basis of these requirements by the Treasury department, which administers the proprietary portfolio that makes the most significant VaR contribution. This proprietary portfolio consists of bonds held directly as well as of a special purpose fund. The value at risk is calculated on an overall basis by including the fund metrics in the risk calculation, and covers equity and exchange rate risks as well as general and specific interest rate risks.

The effects of extreme market changes are also determined by means of stress tests, which also serve to assess the plausibility of the VaR values. These tests comprise both the determination of the value at risk under stress conditions (such as credit migration and correlations) and multivariate stress tests based on specific historical scenarios (such as Black Monday, 11 September, and the 2007/08 financial crisis). The effects of interest rate shifts and twists as defined by the EBA Guidelines on interest rate risk in the banking book are also calculated in present-value and net-result terms on a quarterly basis.

Credit risk

OeKB differentiates between the following types of credit risk: counterparty risk/default risk, investment risk, and concentration risk.

OeKB engages in no material credit operations outside of the EFS. The overall low credit risks compared with the risk coverage capital therefore stem primarily from the proprietary portfolio (bonds) and holdings consolidated according to the equity method.

Credit risks are assessed using the credit value at risk (CVaR). This is the difference between absolute VaR at a given confidence level (for example 99.98% in the gone concern approach) and the expected loss associated with the respective default. The CVaR is calculated by means of a Vasicek distribution assuming a one-year holding period.

Concentration risks are low because of the broad diversification of the proprietary portfolio and in terms of counterparties and sectors of industry. The major loan limits must also be followed in this, and reports are submitted regularly to the Executive Board and RMC.

The credit risk limits are set by the Executive Board according to the proposal of the RMC, which is based on the risk coverage calculation; compliance is monitored by the RCO. Credit derivatives are not used.

The creditworthiness of counterparties is assessed using a clear rating and mapping system. This rating is based on a detailed 22-part internal master scale that differentiates between sovereign and other counterparties in the very good rating segment in assessing the probability of default. The PDs are derived taking migration risks into account. This rating and mapping system is adopted by the RMC and is reviewed annually by the RCO.

Due to the implementation of the IFRS 9 impairment standards, the ECLs for impairment have been calculated by the Risk Controlling department since 2018. Because of the extreme rarity of credit defaults, the calculated impairment values (see also Note 36) only provide a limited degree of useful information for the short and medium term.

EFS ICAAP and its integration in the Group ICAAP

The EFS, which OeKB manages as an agent of the Republic of Austria, accounts for the vast majority of the total assets and is managed as a separate accounting entity from the other business activities. In line with OeKB's steering principles, OeKB performs a separate risk coverage calculation for the EFS. Risks within the EFS that are not covered by the guarantees from the Republic of Austria (guarantees and avals according to AusfFG and AFFG) are evaluated and compared with the EFS interest rate stabilisation provision pursuant to the UGB, which serves as risk coverage capital for the EFS.

This interest rate stabilisation provision results from surpluses generated in the EFS, which are to be retained in the EFS in accordance with the decree of the Ministry of Finance from 1968 (non-interest liability). As the tax office only treats the EFS interest rate stabilisation provision as a "deductible debt item" if the funds are used to lower the effective refinancing interest rate, a tax provision is added to the economic capital for credit risk when calculating the risk-bearing capacity.

The EFS is taken into account as investment risk within OeKB Group's Internal Capital Adequacy Assessment Process (ICAAP). Any risk exceeding the risk coverage capital of the EFS thus becomes part of the OeKB's credit risk and is included in the calculation of risk coverage for OeKB Group.

The EFS has always had an unimpaired risk-bearing capacity to date, and there has never been a spillover of risks.

The most substantial risk types by far are credit and interest rate risk. Other relevant risk positions are CVA risk in connection with swap transactions and the refinancing risk.

Credit risk

OeKB Group's credit exposure consists primarily of financial instruments in the Export Financing Scheme (loans and advances to banks and customers). These loans are extended according to strict principles and high collateral requirements (mainly by guarantees of the Republic of Austria). To secure credit risks in connection with derivative financial instruments, collateral agreements are concluded with all counterparties. Credit derivatives are not used.

The extensive collateral and guarantees provided by the Republic of Austria result in a high level of risk concentration vis-à-vis the Republic of Austria, which is not measured due to the high quality of the collateral.

Credit risks above and beyond this are assessed using the credit value at risk (CVaR). This is the difference between absolute VaR at a given confidence level (99.9% in the going concern approach and 99.98% in the gone concern approach) and the expected loss associated with the respective default. The CVaR is calculated by means of a Monte Carlo simulation assuming a one-year holding period.

In addition to the risk concentration vis-à-vis the Republic of Austria, there are also significant concentrations vis-à-vis banks and other guarantors. These concentrations are inherent to the business model, and scope for diversification in this regard is limited. Due to the use of the Monte Carlo simulation, the calculated CVaR contains both business partner concentration risks as well as concentrations relating to guarantors and the probability of impairment as based on their credit ratings and correlation with the borrowers.

Credit risk is managed on the basis of the risk coverage calculation and the limits defined on this basis, and in day-to-day operations through a business partner limit system in which business partners and guarantors as well as combinations thereof are assigned limits. The concrete limits are assigned by the Executive Board based on the recommendations of the Credit Committee. Compliance is monitored by the Risk Controlling department.

See Note 36 for rating assignments and impairment calculations.

Market risk

In accordance with the primary steering principle, market risk is measured by means of the earnings at risk and includes interest rate risks and, to the extent not guaranteed by the Republic of Austria, a limited level of exchange rate risks. As is the case for the measurement of credit risk, market risk is measured by means of a Monte Carlo simulation with the confidence levels specified above and a planning period of one year.

The Treasury department is responsible for the operational management of market risk based on the requirements from the EFS ICAAP and, in particular, in coordination with the Asset Liability Management Committee (ALCO), to which the Treasury department submits regular reports. The ALCO, which includes representatives from the Executive Board, is also responsible for defining the EFS asset rates and for designing the EFS products.

The effects of interest rate shifts and twists as defined by the EBA Guidelines on interest rate risk in the banking book are also calculated in present-value and net-result terms on a quarterly basis and are reported to the Risk Management Committee and the Executive Board (see Note 36).

Business risk

OeKB Group primarily understands business risk as a deterioration of profits caused by unexpected changes in business volume or margins; this risk implicitly includes business model risk and strategic risks arising from business policy decisions and changes in economic or legal conditions as well as reputation risks as negative consequences of stakeholder perceptions.

Business risk is initially determined on a quantitative basis and then subject to expert review so that concrete limits can be set annually by the Risk Management Committee. As this risk category is a profit risk, it is accounted for in the risk coverage calculation by being deducted from the risk coverage capital.

Aside from quantitative inclusion in the ICAAP, OeKB is aware of the relevance of these risks in particular in its role as a special-purpose bank, due to the high importance of the Export Financing Scheme, and in light of the associated legal exceptions. The active monitoring of legislative changes, stakeholder dialogue, adherence to a conservative risk policy, and a proactive reputation policy (including a code of conduct) are central factors in mitigating these risks.

Operational risk

Operational risk is the risk of losses resulting from the inadequacy or failure of internal processes, people, or systems or from external events including legal risks.

Standards, rules, and processes are derived from the risk policy and documented in manuals. This also includes emergency management manuals, contingency plans, and crisis scenarios, all of which are reviewed annually. The effectiveness of plans and concepts is checked using tests and exercises. The ongoing maintenance and evaluation of the central loss incident database, in which near losses are also documented, helps to ensure the continuous optimisation of operational risks.

In order to complete the tasks outlined above, the Executive Board has appointed an Operational Risk Manager who reports to the RMC and coordinates group-wide implementation.

Given the high importance of information security, the Group has a separate Information Security Officer. Legal risks are minimised through continuous monitoring by the respective business segments and the Legal & Compliance department, and by the appointment of Compliance Officers pursuant to the WAG and § 39(6) BWG.

Operational risk is dictated by the corporate culture and the behaviour of each individual more strongly than market risk and credit risk. With this in mind, the Executive Board has established a code of conduct with binding rules, which provides clear value concepts of OeKB bank group concerning rules for corruption prevention, a whistle-blower system, and a complaints system, among other aspects.

The economic capital requirement is determined by scaling the regulatory capital requirement according to the Basic Indicator Approach to the respective confidence level.

Regular checks conducted by Internal Audit and Group Internal Audit and an effective internal control system contribute to the further mitigation of operational risks.

Other risks

Model risks and risks from risk types that are not separately measured are taken into account in the risk coverage calculation by the application of percentage surcharges to the determined economic capital.

OeKB Group faces various risk concentrations. Two of the most significant concentrations are the business field concentration as a special-purpose bank and the dependence on the guarantees provided by the Republic of Austria in connection with the EFS. These concentrations are inherent to the business model and scope for diversification in this regard is limited.

Inter-concentration risks that arise from interdependences between different risk types are factored into the Group ICAAP as well as into the EFS ICAAP by aggregating the economic capital values for each risk type (credit risk, market risk, etc.). Multivariate stress tests are also performed to evaluate these risks.

The risk of excessive leverage, and hence the leverage ratio, are of minor significance for OeKB Group as most of its assets stem from the Export Financing Scheme. The EFS exposure is secured by the guarantees of the Republic of Austria to a large extent, and the debt financing is part of the business model.

Liquidity risk (ILAAP)

OeKB bank group differentiates between the following types of liquidity risk:

- the risk of not being able to meet present or future payment obligations fully as they fall due;
- refinancing risk, in other words the risk that funding can be obtained only at unfavourable market terms; and
- market liquidity risk, in other words the risk that assets can be sold only at a discount.

Liquidity risk management is performed for OeKB Group as a unit, including the Export Financing Scheme.

The Executive Board of OeKB defines the principles for liquidity risk management and the risk appetite in the Risk Policy and Strategy that is coordinated with the Supervisory Board's Risk Committee on an annual basis. This refers to liquidity risk as insolvency risk. This is the short-term risk of not being able to meet present or future payment obligations fully as they come due. A minimum survival period of at least one month and a target survival period of at least two months have been set for OeKB Group.

The goal of OeKB's liquidity strategy is to ensure sufficient access to required liquidity on acceptable terms even in difficult market situations. OeKB's excellent standing on the international financial markets for decades coupled with the high diversification of its funding instruments, markets, and maturities, and most importantly of all the Austrian government guarantee protecting the lenders pursuant to § 1(2a) AFFG combine to facilitate market access for the Group even when markets are under special stress. The processes used to measure and manage liquidity risk are documented in the liquidity risk management manual that is adopted by the RMC.

As the overwhelming need for liquidity results from the Export Financing Scheme, the refinancing risk is factored into the risk coverage calculation for the EFS.

The central tool for the measurement of liquidity risk in the narrower sense is a monthly liquidity gap analysis. This is done using one-day time buckets for the next twelve-month period and is based on cash flow and funding projections – under both idiosyncratic and systemic stress assumptions – that are set against the liquidity buffer (consisting primarily of securities eligible for rediscounting by the ECB). Market liquidity risk is taken into account through corresponding haircuts for liquid assets.

The average survival period determined by this methodology was over seven months in 2018. OeKB defines the survival period as that period for which the current liquidity buffer is sufficient under an assumed combination of simultaneous idiosyncratic and systemic stresses to meet all payment obligations without having to raise additional capital on the financial markets (although the full faith and credit of the Republic of Austria supports such borrowing by OeKB). In a stress period, the survival period is thus the time available to take any strategic corrective action necessary. A liquidity contingency plan is in place for crisis situations.

OeKB Group's survival period

Days	2018	2017
Annual average	214	195
Yearly maximum	345	365
Yearly minimum	134	101

The unencumbered liquidity buffer of OeKB Group has the following composition:

Liquidity buffer of OeKB Group

€ thousand	Fair value 2018	Fair value 2017
Cash and cash equivalents	323,412	424,206
Less minimum reserves	(40,045)	(39,782)
Cash and cash equivalents at central banks	**283,367**	**384,424**
Securities deposited at the central bank	7,108,270	5,831,052
Treasury bills and similar securities eligible for rediscounting	945,861	957,355
Bonds from other issuers eligible for rediscounting	17,675	14,698
Total	**8,355,173**	**7,187,529**

Daily liquidity is ensured on the basis of the needs and coverage calculation, and long-term liquidity is assessed on the basis of the gap analysis. Operational liquidity management is handled by the Treasury department, which reports to the ALCO. Compliance with the survival period requirements is monitored by the Risk Controlling department and reported to the RMC.

OeKB does not manage its liquidity according to the liquidity coverage ratio (LCR) or net stable funding ratio (NSFR). Pursuant to § 3(2)1 BWG, the following legal provisions do not apply: Part 6 of Regulation (EU) No. 575/2013 and §§ 27a, 39(2b)7 in conjunction with 39(4), 39(3), and 74(6)3a in conjunction with § 74(1) BWG.

Note 36 Details on the risk types

Credit risk

The distribution of assets in OeKB Group's banking book across rating categories was as shown in the table below. Guaranteed assets are assigned to the rating category of the guarantor in the amount of the guarantee.

Credit quality of the financial instruments at amortised cost

€ thousand	Impairment over 12 months	Impairment over contract term – rating not impaired	Impairment over contract term – rating impaired	Impairment over contract term – rating already impaired at time of acquisition/ origination	**Carrying amount 2018**	Carrying amount 2017
Loans and advances to banks						
Rating category 1 (AAA/AA)	18,150,286	29,150	7,857	-	**18,187,292**	15,092,698
Rating category 2 (A)	312,361	-	-	-	**312,361**	231,866
Rating category 3 (BBB)	334,989	-	-	-	**334,989**	169,743
Rating category 4 (BB)	7	-	-	-	**7**	7
Rating category 5 (B)	-	-	-	-	**-**	-
Rating category 6 (CCC or lower)	110	-	-	-	**110**	141
Total	**18,797,754**	**29,150**	**7,857**	**-**	**18,834,760**	15,494,455
Loans and advances to customers						
Rating category 1 (AAA/AA)	270,951	5,128	4,745	183,376	**464,201**	1,490,232
Rating category 2 (A)	-	-	-	-	**-**	42,830
Rating category 3 (BBB)	2,320	-	-	-	**2,320**	2,411
Rating category 4 (BB)	-	-	-	20	**20**	28
Rating category 5 (B)	-	-	-	-	**-**	-
Rating category 6 (CCC or lower)	64	-	-	1,293	**1,357**	1,485
Total	**273,336**	**5,128**	**4,745**	**184,689**	**467,898**	1,536,986
Other financial assets (at amortised cost)						
Rating category 1 (AAA/AA)	243,028	-	-	-	**243,028**	-
Rating category 2 (A)	56,484	-	-	-	**56,484**	-
Rating category 3 (BBB)	32,622	-	-	-	**32,622**	-
Rating category 4 (BB)	-	-	-	-	**-**	-
Rating category 5 (B)	-	-	-	-	**-**	-
Rating category 6 (CCC or lower)	-	-	-	-	**-**	-
Total	**332,134**	**-**	**-**	**-**	**332,134**	-
					Value 2018	Value 2017
Credit facilities and commitments to lend						
Rating category 1 (AAA/AA)	3,338,550	30,000	3,878	-	**3,372,427**	3,224,156
Rating category 2 (A)	47,326	-	-	-	**47,326**	54,745
Rating category 3 (BBB)	30,647	-	-	-	**30,647**	56,068
Rating category 4 (BB)	-	-	-	-	**-**	-
Rating category 5 (B)	-	-	-	-	**-**	-
Rating category 6 (CCC or lower)	-	-	-	-	**-**	-
Total	**3,416,523**	**30,000**	**3,878**	**-**	**3,450,401**	**3,334,969**

Credit risk concentrations

The following table shows the geographical breakdown of the loans and advances to banks and customers.

Portfolio breakdown by country after recognition of collateral

	Loans and advances to banks		Loans and advances to customers		Carrying amount per country	
€ thousand	2018	2017	2018	2017	2018	2017
Austria	18,003,187	14,849,706	466,552	1,535,507	18,469,739	16,385,213
Italy	370,496	206,082	-	-	370,496	206,082
Germany	299,761	343,057	4	5	299,765	343,062
Finland	234,370	264,512	-	-	234,370	264,512
France	189,464	207,937	-	-	189,464	207,937
Other countries	445,908	321,586	1,342	1,474	447,250	323,060
Total	**19,543,187**	**16,192,881**	**467,898**	**1,536,986**	**20,011,085**	**17,729,867**

Guarantees from national governments and international organisations have been issued for 98.8% (2017: 98.6%) of the loans and advances to banks and customers.

Determining the expected credit loss (ECL)

The following shows the material input factors, assumptions, and techniques employed by the OeKB bank group to calculate impairment charges according to IFRS 9 (expected credit loss model). Because of the business model of OeKB and its special credit risk situation, the ECL values calculated according to the IFRS 9 are of limited informational value and do not correspond to the actual credit losses expected by the bank.

Definition significant increase in credit risk

The assessment of the significant increase in credit risk is a central aspect of the ECL model. In the event of a significant increase in credit risk, the impairment value must not be the 12-month ECL, but the lifetime ECL (except for instruments to which the low credit risk exemption can be applied).

As the OeKB bank group uses the low credit risk exemption, the 12-month ECL is generally used.

The lifetime ECL is used in the following cases:

- For financial instruments whose rating is not or is no longer in the investment grade range, an impairment in the amount of the lifetime expected loss is applied when the credit risk increases significantly at the same time (based on quantitative or qualitative characteristics).
- Financial instruments that were impaired upon first-time recognition (POCI = purchased or originated credit impaired) are always assigned to stage 3, and thus recognised at their lifetime expected loss.

Significance criteria

An increase in credit risk is significant when the probability of default (PD) increases significantly.

The assessment is conducted quantitatively on the basis of the aggregated probabilities of default (PDs) for the (expected) term of the instrument. The significance criterion for assignment to stage 2 is a change in the lifetime PD, with the change in the default risk being neutralised over the course of time in the comparison. The change in the lifetime PD is determined by comparing the lifetime PD on the reporting date with the expected lifetime PD on the reporting date.

The thresholds for assessing the significance of the change in the default risk are defined relative to the risk of default upon initial recognition, and more than 250% increase in the lifetime PD is seen as significant.

In addition to the quantitative definition, OeKB Group also uses qualitative information to assess a significant change in the default risk. This especially includes significant changes in external market indicators (such as credit spreads) and actual or anticipated significant changes in external credit ratings of a financial instrument or borrower. When such marked developments occur, the significance is assessed on a case-by-case basis. A borrower being past due by more than 30 days is also an indicator that can be refuted in individual cases.

Collateral is not taken into account when assessing the default risk (except collateral included in the security rating).

Low credit risk exemption

According to IFRS 9, the credit risk can be considered to be low when the rating is equivalent to an investment grade rating. The OeKB bank group applies this low credit risk exemption. A non-significant increase is generally assumed when the financial instrument in question has a low default risk (before accounting for collateral) on the reporting date.

The OeKB bank group defines the credit rating categories 1 to 10 on the internal master rating scale as low default risk. Level 10 corresponds to an S&P rating of BBB-; this means that the classes 1 to 10 correspond to the market's typical definition of investment grade.

Justification for the use of the low credit risk exemption

The OeKB bank group is purely a group of special-purpose banks with special, legally mandated tasks for the capital market and the export services (see Note 1). The majority of the total assets result from the Export Financing Scheme and is governed by special laws (the AFFG and AusfFG). OeKB is exempted from the CRR and CRD for all activities relating to export (financing) promotion (as is the entire bank group without limitations at the European level), and the subsidiaries are not banks for the purposes of the CRR. The EFS is a self-sustaining promotion system; credit losses do not reduce equity but are posted against the interest rate stabilisation provision or are directly covered by a guarantee from the Republic of Austria (see Note 1). Decades of operational experience have shown no or only minor losses from the portfolios to date.

In line with the EBA guidelines, the OeKB bank group regularly monitors the development of credit ratings and reserves the right to take individual financial instruments out of the low credit risk exemption based on an assessment (30-days past due or a different qualitative trigger). This means that the low credit risk exemption is only applied to financial instruments that are of investment grade and that have no qualitative indicators for stage 2.

Contracts with modified conditions

There are many different reasons why conditions in customer contracts are changed after the fact, even when the business partner's credit rating has not worsened, such as changed market conditions or early repayments. The main reason in OeKB Group is development loans used to finance projects in developing and emerging countries. Because projects take different courses, it is normal here to make changes to the times of payout and repayment.

As explained in Note 2, the previous contract is terminated and a new financial asset recognised at fair value when substantial contract amendments are made. In cases of minor changes, the difference in the fair value of the contract before and after the amendment is recognised on the income statement.

When significant changes are made, the date of the initial recognition of the new financial asset is also used as the original credit risk for the future calculation of the change in the credit risk, while the original credit risk upon the conclusion of the original contract is still used in the case of minor changes.

In rare cases, contract conditions can be changed in response to financial difficulties of the borrower so as to maximise the future interest and principal payments from this business partner (forbearance).

Such financial difficulties are also a qualitative indicator for borrower default (see also "Definition of default" below), and the 12-month ECL can only then be used again after a longer period of consistent contract fulfilment and based on further evidence that the financial difficulties have been overcome.

Calculation of the expected credit loss

The three key parameters for calculating the ECL are the

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD).

The derivation of these three parameters is explained below.

Probability of default

Credit rating classification

The OeKB bank group classifies every credit exposure and assigns every borrower and every financial instrument to a credit rating category on the internal master rating scale based on external ratings from qualified agencies and internal credit assessments. A probability of default is assigned to every rating level and increases exponentially from level to level. These one-year probabilities of default are used for risk management in the sense of the Basel requirements and must therefore be adapted accordingly for use in the ECL calculation.

PIT and FLI adjustments

In the first step, monthly aggregated probabilities of default are determined out to the maximum maturity in the portfolio using conditional probabilities (Bayes' theorem) in line with the one-year through the cycle PDs used in risk management. The use of the Bayesian scalar approach ensures that the PD values are between 0 and 1.

According to IFRS 9, the PD must not only be estimated for a point in time (PIT), but must also take forward looking information (FLI) into account. This means that OeKB adapts the PIT probabilities of default to account for expected future developments in the next step.

Portfolio-specific models that allow a multi-year projection of the portfolio PDs (up to three years) by way of relevant macroeconomic indicators are created for these FLI adjustments. These adjustments are applied to the PIT PDs and continued on a tapering basis after the end of the forecasting period to calculate the FLI PDs. The FLI models consist of a multilinear regression of quarterly data over a period typically lasting 10 or more years. The dependent variable is the average probability of default for the portfolio, usually calculated as a share-weighted value. A set of independent variables is selected for each portfolio in collaboration with economic experts and added to the regression. Different compositions are then tested from this set in the regression, with the variants taking into account relative and absolute changes as well as time-delayed effects. The model is selected taking the calculated coefficient of determination and the distribution characteristics of the unexplained variation into account. In the final step, the FLI adjustments are estimated from projections for the macroeconomic parameters using the regression coefficients.

No PIT or FLI adjustments are applied to the EAD or LGD values.

Definition of default

OeKB uses default indicator definitions that are oriented towards Art. 178 CRR. These especially include debtors being past due by more than 90 days, the initiation of bankruptcy/restructuring proceedings against the debtor, and other crisis-related restructuring measures that lead to concessions to the debtor. There may also be other indicators that point to a potential default (such as information about the default of the debtor with other creditors) in individual cases. These must be assessed on a case-by-case basis and are also taken into account in the period from the balance sheet to the preparation of the balance sheet.

Loss given default (LGD) and application of collateral

LGD model

The loss given default is another central parameter in calculating the ECL. It indicates the amount of the loss in the event of borrower or financial instrument default, in which case fungible collateral must be taken into account.

Because of its business model, the OeKB bank group does not have sufficient data to derive a statistically significant LGD model, either for a 12-month LGD or for a lifetime LGD.

Therefore, the following approach has been selected based on the ICAAP of the OeKB bank group and the values indicated in the CRR:

- LGD for assets politically and economically guaranteed by the Republic of Austria: 0%
- LGD for all other financial transactions: 65% (see Art. 161 CRR: senior exposures 45% and subordinated 75%). Note: There are no subordinated exposures at this time; because of the business model and the material portfolios (EFS, bond portfolio), it seems appropriate to apply a higher value than specified in the CRR based on the wide variation in the empirical estimations of LGDs and the comparatively high LGDs found in the literature for bonds.

Accounting for collateral in the EFS

No collateral is taken into account by way of LGD aside from the guarantees pursuant to the AusfFG. Other collateral pursuant to the AFFG is not taken into account in the loss given default, but in the PD (multiple default). This also applies to exposures of the bank subsidiaries that are related to export promotion.

Collateral is not taken into account in the PD as part of the staging process, but is only used to calculate the ECLs (for the one-year PD and the lifetime PD).

Similarly to the procedure in the ICAAP, OeKB takes collateral into account in the Export Financing Scheme (including the transactions of the bank subsidiaries related to export promotion) in accordance with its fungibility. If the collateral is an economic guarantee from the Republic of Austria, it is taken into account in the ECL calculation by using a LGD of 0%; other collateral is taken into account in the probability of default by explicitly assuming that only a multiple default leads to a default on the instrument; no LGD adjustment is made in this case (LGD = 65%).

The calculation of these multiple default PDs takes the number of collateral items into account. This means that this represents the probability that not only the borrower will default, but also the guarantors at the same time, with the correlation between the borrower and the guarantors being taken into account. This means that the joint probability of default is a cumulative bivariate or trivariate distribution function depending on whether there is one item of collateral or two items of collateral.

Expected exposure at default (EAD)

The EAD represents the expected gross book value at the time of default. The EADs are modelled on the basis of a monthly observation calculated from the contractual cash flows plus accrued interest according to the effective interest method.

Product-specific credit conversion factors are estimated for undrawn facilities and loan commitments based on empirical experience with degrees of utilisation.

Impairment requirement according to the ECL calculation

Impairment charge according to the ECL method

€ thousand	31 Dec 2018	1 Jan 2018	Changes	*Thereof assigned to the EFS*	*Thereof not assigned to the EFS*
Loans and advances to banks	54	69	(16)	*(16)*	*(0)*
Loans and advances to customers	147	261	(114)	*-*	*(114)*
Other financial assets	119	111	8	*(0)*	*8*
Total	**319**	**441**	**(122)**	***(16)***	***(106)***

Because guarantees from the Republic of Austria have been issued for nearly all exposures, OeKB Group only has limited need for impairment charges.

The changes in impairment charges in the financial year result primarily from the early rendering of the final payment on a POCI asset.

Market risk

Gap analysis

The following tables show the gap analysis for OeKB Group. The comparison with the table for the previous year shows that OeKB has not made any substantial changes to its gap strategy.

Gap analysis at 31 December 2018

€ thousand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Carrying amount
Cash and cash equivalents	323,412	-	-	-	-	323,412
Loans and advances to banks	10,542,961	2,019,472	364,493	4,074,812	2,541,448	19,543,187
Loans and advances to customers	310,471	135,724	3,092	3,164	15,447	467,898
Bonds and other fixed-income securities	392,412	70,000	68,000	950,400	1,047,185	2,527,997
Total	**11,569,256**	**2,225,196**	**435,585**	**5,028,376**	**3,604,080**	**22,862,493**
Deposits from banks	(507,221)	(20,000)	-	-	-	(527,221)
Deposits from customers	(679,560)	(25,000)	-	(36)	-	(704,596)
Debt securities issued	(6,397,665)	(2,340,873)	(266,217)	(11,459,960)	(4,056,024)	(24,520,740)
Total	**(7,584,446)**	**(2,385,873)**	**(266,217)**	**(11,459,996)**	**(4,056,024)**	**(25,752,557)**
Gap before derivative financial instruments	**3,984,810**	**(160,678)**	**169,368**	**(6,431,620)**	**(451,944)**	
Effect of derivative financial instruments	(7,657,618)	1,408,893	(79,124)	6,216,445	111,405	
Total	**(3,672,808)**	**1,248,215**	**90,244**	**(215,175)**	**(340,539)**	

Gap analysis at 31 December 2017

€ thousand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Carrying amount
Cash and cash equivalents	424,206	-	-	-	-	424,206
Loans and advances to banks	8,138,526	1,527,590	467,199	3,634,520	2,425,045	16,192,881
Loans and advances to customers	1,376,554	146,106	570	4,285	9,471	1,536,986
Bonds and other fixed-income securities	289,301	62,000	11,000	912,900	1,265,885	2,541,086
Total	**10,228,587**	**1,735,697**	**478,768**	**4,551,705**	**3,700,401**	**20,695,158**
Deposits from banks	(400,088)	(25,000)	-	-	-	(425,088)
Deposits from customers	(728,729)	(25,000)	-	(236)	-	(753,965)
Debt securities issued	(4,964,823)	(1,880,013)	(833,546)	(9,782,000)	(4,180,034)	(21,640,415)
Total	**(6,093,639)**	**(1,930,013)**	**(833,546)**	**(9,782,236)**	**(4,180,034)**	**(22,819,468)**
Gap before derivative financial instruments	**4,134,947**	**(194,316)**	**(354,777)**	**(5,230,531)**	**(479,633)**	
Effect of derivative financial instruments	(7,068,301)	1,113,140	(364,269)	5,103,590	1,215,839	
Total	**(2,933,354)**	**918,824**	**(719,046)**	**(126,940)**	**736,207**	

General interest rate risk in the banking book

General interest rate risk in the banking book (IRRBB) at 31 December 2018

€ thousand	PV/NII	Parallel shift +50 BP	Parallel shift -50 BP	Short/long twist -/+25 BP	Short/long twist +/-25 BP	Parallel shift of key currencies EUR +25 BP	EUR -25 BP	CHF +25 BP	CHF -25 BP
Interest rate sensitivities on a present value basis (excluding non-interest-bearing assets)									
OeKB bank group	1,819,352	(17,421)	16,314	2,471	(4,733)	(58,982)	59,948	48,980	(50,014)
Of which EFS	*683,749*	*(6,481)*	*3,644*	*7,110*	*(10,409)*	*(54,103)*	*54,601*	*48,982*	*(50,015)*
Interest rate sensitivities on an earnings basis (1 year, before guarantee fee)									
OeKB bank group	92,694	(4,305)	2,912	426	(495)	15,497	(15,642)	(16,779)	16,809
Of which EFS	*15,936*	*(6,403)*	*4,565*	*1,159*	*(1,388)*	*14,458*	*(14,777)*	*(16,781)*	*16,811*

General interest rate risk in the banking book (IRRBB) at 31 December 2017

€ thousand	PV/NII	Parallel shift +50 BP	Parallel shift -50 BP	Short/long twist -/+25 BP	Short/long twist +/-25 BP	Parallel shift of key currencies EUR +25 BP	EUR -25 BP	CHF +25 BP	CHF -25 BP
Interest rate sensitivities on a present value basis (excluding non-interest-bearing assets)									
OeKB bank group	1,856,057	(42,133)	42,468	(15,992)	14,833	(71,478)	73,207	48,744	(49,821)
Of which EFS	*718,901*	*(35,605)*	*34,396*	*(13,980)*	*11,737*	*(68,904)*	*70,199*	*48,744*	*(49,821)*
Interest rate sensitivities on an earnings basis (1 year, before guarantee fee)									
OeKB bank group	105,473	(4,521)	4,223	3,073	(3,011)	14,865	(14,789)	(16,484)	16,515
Of which EFS	*39,222*	*(6,992)*	*6,037*	*3,763*	*(3,881)*	*13,727*	*(13,848)*	*(16,494)*	*16,525*

Liquidity risk

The following table shows the maturity structure of the financial liabilities and financial assets. The interest and principal flows are assigned to the individual maturity bands based on the contractual maturities. Positions that are repayable on demand are assigned to the "Up to 1 month" maturity band. Revolving credit facilities are included with a constant degree of utilisation for liquidity purposes, as experience has shown that the degree of utilisation is generally stable. The commitments to lend contain future loan payouts where the capital flows are known but where the interest rate has not yet been set. For this reason, only capital flows are shown for these commitments to lend.

Maturity structure - as at 31 December 2018

€ thousand	Total outflows/inflows	Up to 1 month	1 month to 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Deposits from banks	(528,367)	(480,960)	(533)	(46,873)	-
Depositis from customers	(718,872)	(148,359)	(7,904)	(533,313)	(29,295)
Debt securities issued	(43,609,208)	(1,817,985)	(6,716,627)	(13,620,158)	(21,454,438)
Commitments to lend	-	(31,000)	(122,241)	(186,181)	339,422
Total	**(44,856,447)**	**(2,478,305)**	**(6,847,305)**	**(14,386,526)**	**(21,144,310)**
Derivative financial instruments					
Outflows	(19,389,692)	(661,864)	(2,947,779)	(12,779,887)	(3,000,162)
Inflows	18,992,306	660,527	2,900,227	12,451,123	2,980,429
Total	**(397,386)**	**(1,337)**	**(47,552)**	**(328,764)**	**(19,733)**
Financial assets					
Cash and cash equivalents	323,412	323,412	-	-	-
Loans and advances to banks	15,180,293	167,067	1,256,394	8,954,268	4,802,564
Loans and advances to customers	549,030	4,667	40,908	243,610	259,846
Bonds and other fixed-income securities	2,539,984	9,271	303,834	1,145,167	1,081,712
Total	**18,592,719**	**504,416**	**1,601,137**	**10,343,045**	**6,144,121**
Derivative financial instruments					
Inflows	36,761,019	369,060	5,465,469	11,214,464	19,712,026
Outflows	(17,852,471)	(342,017)	(4,820,660)	(9,979,358)	(2,710,436)
Total	**18,908,548**	**27,043**	**644,809**	**1,235,106**	**17,001,590**
Guarantees purs. to § 1(2b) AFFG	**4,533,077**	**88,128**	**991,880**	**2,765,274**	**687,794**
Liquidity gap	**(3,219,489)**	**(1,860,055)**	**(3,657,031)**	**(371,865)**	**2,669,462**

Maturity structure - as at 31 December 2017

€ thousand	Total outflows/inflows	Up to 1 month	1 month to 1 year	1 to 5 years	More than 5 years
Financial liabilities					
Deposits from banks	(427,245)	(318,576)	(5,391)	(23,061)	(80,218)
Depositis from customers	(773,156)	(196,833)	(3,270)	(543,111)	(29,942)
Debt securities issued	(22,547,368)	(1,283,794)	(5,473,826)	(11,093,235)	(4,696,512)
Commitments to lend	-	(2,000)	(51,186)	(264,625)	317,811
Total	**(23,747,769)**	**(1,801,203)**	**(5,533,673)**	**(11,924,032)**	**(4,488,861)**
Derivative financial instruments					
Outflows	(19,726,207)	(769,567)	(4,010,380)	(11,969,190)	(2,977,070)
Inflows	19,199,560	778,904	3,876,437	11,614,303	2,929,916
Total	**(526,647)**	**9,337**	**(133,943)**	**(354,886)**	**(47,155)**
Financial assets					
Cash and cash equivalents	323,412	323,412	-	-	-
Loans and advances to banks	13,181,445	145,869	1,574,716	7,265,149	4,195,711
Loans and advances to customers	1,616,277	105,043	1,016,867	250,594	243,773
Bonds and other fixed-income securities	2,565,488	11,833	72,262	1,160,908	1,320,484
Total	**17,686,621**	**586,156**	**2,663,845**	**8,676,651**	**5,759,969**
Derivative financial instruments					
Inflows	12,947,794	340,045	4,013,859	6,897,396	1,696,494
Outflows	(12,376,347)	(326,664)	(3,739,890)	(6,692,933)	(1,616,861)
Total	**571,446**	**13,381**	**273,970**	**204,463**	**79,633**
Guarantees purs. to § 1(2b) AFFG	**4,120,498**	**130,436**	**811,450**	**2,482,953**	**695,658**
Liquidity gap	**(1,895,852)**	**(1,061,893)**	**(1,918,351)**	**(914,852)**	**1,999,244**

Note 37 Scope of consolidation

The following shows all companies that are included in the financial statements of OeKB Group. In addition to the parent company Oesterreichische Kontrollbank AG, the following companies are fully consolidated: Oesterreichische Entwicklungsbank AG, Vienna (OeEB), and OeKB CSD GmbH, Vienna (OeKB CSD).

„Österreichischer Exportfonds“ GmbH was merged into OeKB in July 2018 and the 2% stake in „Garage Am Hof“ Ges.m.b.H. was sold in September 2018 (see Note 16).

Two companies were not consolidated (2017: 2) because they do not have a material influence on the asset, financial, or earnings position of the Group. The combined total assets of these two entities represent 0.02% of the Group's consolidated total assets, and their combined profit for the year represents less than 0.10% of the Group's consolidated profit for the year. The AGCS Gas Clearing and Settlement AG in which OeKB holds a share of 20% was not included in the equity-accounted investments because its results do not have a material effect on the item “Share of profit or loss of equity-accounted investments, net of tax” or on the item “Equity-accounted investments”. The subsidiary is included in the investments in other unconsolidated companies at fair value (proportionate equity), as is the case with the other energy clearing companies.

Number of companies consolidated or held at cost

	31 Dec 2018	31 Dec 2017
Fully consolidated companies	2	3
Equity-accounted investments	2	2
Investments in unconsolidated subsidiaries (recognised at fair value)	2	2
Investments in other unconsolidated companies (recognised at fair value)	10	11
Total	**16**	**18**

Companies wholly or partly owned by OeKB

Company name and registered office	Banking Act Category: Credit Institution/ Other Company	Segment structure [1]	Type of investment: Directly held	Type of investment: Indirectly held	Shareholding: In %	Financial information: Reporting date of latest annual accounts	Balance sheet total as defined in the UGB, € '000'	Equity as defined in sec. 224(3) UGB, € '000'	Profit for the year, € '000'	Share of OeKB Group at fair value
Fully consolidated companies										
Oesterreichische Entwicklungsbank AG, Vienna	CI	E	x		100.00%	31 Dec 2018	835,663	40,235	6,761	40,235
OeKB CSD GmbH, Vienna	CI	C	x		100.00%	31 Dec 2018	30,734	27,865	5,623	27,865
Equity-accounted joint ventures										
OeKB EH Beteiligungs- und Management AG, Vienna	OC	O	x		51.00%	31 Dec 2018	92,636	92,561	9,104	47,206
Acredia Versicherung AG, Vienna	OC	O		x	51.00%	31 Dec 2018	151,468	91,760	11,512	46,798
Acredia Services GmbH, Vienna	OC	O		x	51.00%	31 Dec 2018	13,825	12,343	2,478	6,295
Acredia Services D.O.O., Belgrade	OC	O		x	51.00%	31 Dec 2018	536	533	13	272
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	C	x		50.00%	31 Dec 2018	46,550	12,494	782	6,247
Unconsolidated subsidiaries, recognised at fair value										
OeKB Business Services GmbH, Vienna	OC	O	x		100.00%	31 Dec 2018	1,170	1,035	39	1,035
OeKB Zentraleuropa Holding GmbH, Vienna	OC	O	x		100.00%	31 Dec 2018	4,541	4,541	-	4,541
Investments in other unconsolidated companies, recognised at fair value										
AGCS Gas Clearing and Settlement AG, Vienna	OC	C	x		20.00%	31 Dec 2017	19,397	4,493	860	899
APCS Power Clearing and Settlement AG, Vienna	OC	C	x		17.00%	31 Dec 2017	26,433	3,858	789	656
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	C	x		18.50%	31 Dec 2017	4,089	2,811	2,011	520
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	C	x		12.60%	31 Dec 2017	444,022	5,991	501	755
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	C	x		8.06%	31 Dec 2017	6,159	2,638	220	213
CEESEG Aktiengesellschaft, Vienna	OC	C	x		6.60%	31 Dec 2017	378,550	372,627	29,383	26,148
Einlagensicherung AUSTRIA Ges.m.b.H., Vienna	OC	O	x		0.39%	31 Dec 2017	164	100	-	2
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	O	x		0.40%	31 Dec 2017	585	77	-	0
European Financing Partners S.A., Luxembourg	OC	E	x		7.63%	31 Dec 2018	133,166	149	-	25
Interact Climate Change Facility S.A., Luxembourg	OC	E	x		7.69%	31 Dec 2018	213,971	147	21	6

[1] E = Export Services, C = Capital Market Services, O = Other Services
No interests in investments other than subsidiaries and no interests in subsidiaries are listed on an exchange.

Note 38 Staff disclosures

During the financial year, the Group had an average of 410 full-time equivalents (2017: 402).

Note 39 Officer's compensation and loans

The following table gives details of the aggregate compensation of the Executive Board and Supervisory Board members. The remuneration of the Executive Board includes salaries, a variable component based on the success of the company, benefits in kind, and payments for defined-contribution benefits after the end of the employment relationship.

Remuneration of the members of the Executive Board

€ thousand	2018	2017
Current benefits	(923)	(854)
Benefits due after the end of the employment relationship (termination benefits and pensions)	(249)	(227)
Other non-current benefits	(798)	(668)
Benefits relating to the end of the employment relationship	-	-
Total	**(1,970)**	**(1,749)**

Up until the previous year, expenses for termination benefits were recognised in an amount of € 0.1 million in "Benefits relating to the end of the employment relationship". The standard also permits recognition in "Benefits due after the end of the employment relationship". To facilitate a clearer presentation, we have decided to recognise the termination benefit and pension benefit expenses for the period together in "Benefits due after the end of the employment relationship" in future. The figures from the previous year were adjusted accordingly.

Remuneration of former members of the Executive Board and the Supervisory Board

€ thousand	2018	2017
Former members of the Executive Board	(1,572)	(1,197)
Members of the Supervisory Board	(192)	(191)

No active member of the Executive Board has entitlements under defined-benefit plans.

OeKB Group does not offer share-based payment.

The members of the Executive Board and Supervisory Board did not receive any loans or guarantees from OeKB Group during the financial year, as in the previous year.

Note 40 Other related party transactions

As a specialised institution for export services and capital market services, OeKB engages in many transactions with its shareholders such as acting as the "Hausbank" under the EFS and as an issuer of securities. In addition to share-holders, OeKB Group also defines companies that are controlled by the Group but not consolidated and companies that are recognised in the consolidated financial statements according to the equity method as related parties (see following table). Individuals who are considered related parties include the members of the Executive Board and Supervisory Board of Oesterreichische Kontrollbank AG (see Note 41). All of the following transactions are conducted at arm's length terms.

The majority of loans and advances to banks (financial instruments under the EFS) pertain to transactions with share-holders of OeKB. The share of interest income generated by transactions with shareholders in 2018 came to € 81.2 million or 39.3% (2017: € 62.9 million or 20.2%).

The other financial assets are bonds that were publicly issued by the shareholders of OeKB. The fee and commission income from the investments in other unconsolidated companies results primarily from services relating to energy clearing.

Transactions between Oesterreichische Kontrollbank AG and fully consolidated subsidiaries are not disclosed in the consolidated financial statements because they are eliminated in the consolidation process.

The following balance sheet items include transactions with related parties of OeKB Group:

Related party transactions 2018

€ thousand	Owners of OeKB Group	Investments in unconsolidated subsidiaries and other interests	Equity-accounted investments
Other financial assets	18,477	-	-
Loans and advances to banks	13,596,793	-	-
Assets	**13,615,270**	**-**	**-**
Deposits from banks	35,382	-	-
Deposits from customers	-	23,541	26,478
Liabilities	**35,382**	**23,541**	**26,478**
Nominal amount of loan commitments, financial guarantees and other commitments	2,469,068	-	20,000
Interest income	81,180	-	-
Interest expenses	8,472	-	-
Income from investments	-	2,427	6,024
Fee and commission income	7,567	2,267	431
Other operating income	1,343	308	2,659

There were no transactions with the members of the Executive Board or Supervisory Board, as in the previous year.

Related party transactions 2017

€ thousand	Owners of OeKB Group	Investments in unconsolidated subsidiaries and other interests	Equity-accounted investments
Other financial assets	25,927	-	-
Loans and advances to banks	11,642,678	-	-
Assets	**11,668,605**	**-**	**-**
Deposits from banks	57,521	-	-
Deposits from customers	-	17,460	28,387
Liabilities	**57,521**	**17,460**	**28,387**
Nominal amount of loan commitments, financial guarantees and other commitments	2,476,743	-	20,000
Interest income	62,908	-	-
Interest expenses	6,031	-	-
Income from investments	-	2,983	5,198
Fee and commission income	7,450	2,516	93
Other operating income	1,281	362	3,079

The fee and commission income with the owners of OeKB Group was reported at € 403 thousand in the previous year. This was an error. We corrected the figure for the previous year by € 7,047 thousand to € 7,450 thousand.

The following table shows the shareholder structure of OeKB.

All registered shares in OeKB held by Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) were acquired from Beteiligungsholding 5000 GmbH (solely owned by BTV) effective 17 December 2018.

Ownership structure of Oesterreichische Kontrollbank AG at 31 December 2018

Shareholders	Number of shares held	Shareholding in %
CABET-Holding-GmbH, Vienna (UniCredit Bank Austria Group)	217,800	24.750%
UniCredit Bank Austria AG, Vienna	142,032	16.140%
Erste Bank der oesterreichischen Sparkassen AG, Vienna	113,432	12.890%
Schoellerbank Aktiengesellschaft, Vienna	72,688	8.260%
AVZ GmbH, Vienna	72,600	8.250%
Raiffeisen Bank International AG, Vienna	71,456	8.120%
BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, Vienna	44,792	5.090%
Raiffeisen OeKB Beteiligungsgesellschaft mbH, Vienna	44,000	5.000%
Oberbank AG, Linz	34,224	3.889%
Beteiligungsholding 5000 GmbH, Innsbruck	26,888	3.055%
BKS Bank AG, Klagenfurt	26,888	3.055%
Volksbank Wien AG, Vienna	13,200	1.500%
Total shares	**880,000**	**100.000%**

Note 41 Board members and officials

Members of the Executive Board

Name	Term of office from	to
Helmut Bernkopf	1 Aug 2016	31 Jul 2023
Angelika Sommer-Hemetsberger	1 Jan 2014	31 Dec 2023

Members of the Supervisory Board

Position	Name	Term of office from	to
Chairman (since 17 Dec 2018)	Robert Zadrazil	19 May 2009	AGM 2021
First Vice Chairman	Walter Rothensteiner	2 Aug 1995	AGM 2021
Second Vice Chairman	Stefan Dörfler	18 May 2017	AGM 2022
Member	Rainer Borns	29 May 2018	AGM 2019
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Reinhard Karl	29 May 2018	AGM 2019
Member	Peter Lennkh	18 May 2017	AGM 2022
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Jozef Sikela	12 May 2015	AGM 2020
Member	Herta Stockbauer	21 May 2014	AGM 2019
Member	Herbert Tempsch	29 May 2013	AGM 2023
Member	Susanne Wendler	18 May 2017	AGM 2022
Member	Robert Wieselmayer	19 May 2016	AGM 2021
Member	Franz Zwickl	20 May 1999	AGM 2021
Member	Harald Brückl	18 May 2017	29 May 2018
Member	Claudia Höller	18 May 2017	29 May 2018
Chairman	Erich Hampel	1 Jan 2010	17 Dec 2018

AGM = Annual General Meeting

Employee representatives

Position	Name	Term of office from	to
Chairman of the Staff Council	Martin Krull	14 Mar 2002	13 Mar 2023
Vice Chairwoman	Erna Scheriau	1 Apr 2001	13 Mar 2023
Member	Elisabeth Halys	1 Jul 2013	13 Mar 2023
Member	Ulrike Ritthaler	14 Mar 2014	13 Mar 2023
Member	Christoph Seper	14 Mar 2014	13 Mar 2023
Member	Markus Tichy	1 Jul 2011	13 Mar 2023
Member	Alexandra Griebl	14 Mar 2010	13 Mar 2018

Audit Committee

Position	Name
Chairman	Walther Rothensteiner
Member (since 17 Dec 2018)	Robert Zadrazil
Member	Martin Krull
Member (until 17 Dec 2018)	Erich Hampel

Risk Committee

Position	Name
Chairwoman (since 17 Dec 2018)	Herta Stockbauer
Member (since 17 Dec 2018)	Robert Zadrazil
Member (since 17 Dec 2018)	Erna Scheriau
Chairman (until 17 Dec 2018)	Walther Rothensteiner
Member (until 17 Dec 2018)	Erich Hampel
Member (until 17 Dec 2018)	Martin Krull

Working Committee

Position	Name
Chairman (since 17 Dec 2018)	Robert Zadrazil
Member	Walther Rothensteiner
Member	Martin Krull
Chairman (until 17 Dec 2018)	Erich Hampel

Nomination Committee

Position	Name
Chairman (since 17 Dec 2018)	Robert Zadrazil
Member	Walther Rothensteiner
Member	Martin Krull
Chairman (until 17 Dec 2018)	Erich Hampel

Compensation Committee

Position	Name
Chairman (since 17 Dec 2018)	Robert Zadrazil
Member	Walther Rothensteiner
Member	Stefan Dörfler
Member	Martin Krull
Member	Erna Scheriau
Chairman (until 17 Dec 2018)	Erich Hampel

Government commissioners

under § 76 of the Austrian Banking Act

Position	Name	Term of office since
Commissioner	Harald Waiglein	1 Jul 2012
Deputy Commissioner	Johann Kinast	1 Mar 2006

The above government commissioners are also representatives of the Austrian Minister of Finance under § 6 of the Export Financing Guarantees Act.

Government commissioners

under § 27 of the Articles of Association (supervision of bond cover pool)

Position	Name	Term of office since
Commissioner	Beate Schaffer	1 Nov 2013
Deputy Commissioner	Karl Flatz	1 Dec 2017

Note 42 Action for damages

The company was not aware of any actions for damages on the reporting date.

Note 43 Events after the balance sheet date

OeKB intends to purchase 68.75% of the shares in Österreichische Hotel- und Tourismusbank GmbH (ÖHT) from the current 50% shareholder UniCredit Bank Austria AG (UCBA) and the 18.75% shareholder Erste Bank der österreichischen Sparkassen AG (EBOe).

ÖHT is a special-purpose bank for financing and promoting investments in tourism. The registered office of this company is in the first district of Vienna. It boasts extensive sector expertise, having played a key role in the growth of the Austrian leisure industry as a financing and promotion institution. In addition to financing with low-interest facilities, ÖHT also offers its customers advice, especially in the areas of investment and financing. In addition to investment financing, it also offers advance financing for export receivables. Because of its business model, ÖHT is only subject to a limited number of the provisions of the Federal Banking Act pursuant to § 3(1)11 BWG, and is exempt from Regulation (EU) No. 575/2013 (CRR).

OeKB wishes to conclude a transfer agreement with the potential sellers that results in the acquisition of the shares by ÖHT as of the closing date. The agreement is to be subject to official approval and the submission of the annual financial statements as at 31 December 2018 with an approved and unqualified audit certificate. We expect the deal to close in the second quarter of 2019. On the closing date (time of purchase), OeKB AG is to assume 50% of the shares from UCBA and 18.75% of the shares from EBOe, thus becoming the majority shareholder of ÖHT.

OeKB is seeking to expand the Group's strategic orientation as a central promotional agent with the planned transaction, and will be able to leverage internal synergies by allowing ÖHT to profit from the technical and structural advantages of OeKB Group. ÖHT prepares its annual financial statements according to the UGB and BWG. It only finances Austrian SMEs in the tourism industry in an amount of around € 962 million (as at 31 December 2017). ÖHT has also handled ERP loans and small ERP loans with a total volume of roughly € 424 million (as at 31 December 2017) in a fiduciary capacity. The refinancing for ÖHT is obtained primarily from Austrian banks. As at 31 December 2017, ÖHT had total assets of around € 980 million and equity in the amount of roughly € 32.6 million. The company generated net interest income of some € 4.3 million and net fee and commission income of € 2.7 million in the 2017 financial year. It also posted an other operational profit of € 1.2 million from the processing of the funding programmes as an agent of the federal and provincial governments. The general administrative expenses including write-downs came to around € 4.1 million. The operating profit and profit on ordinary business activities amounted to roughly € 4.1 million. After taxes, ÖHT achieved an annual profit of € 2.6 million as at 31 December 2017. Comparable results are expected for the 2018 financial year.

The consolidation of ÖHT into OeKB Group will increase the total assets by around € 900.0 million to € 950.0 million. This will result primarily from loans and advances to customers, deposits from banks, and equity. In the consolidated statement of comprehensive income, the net interest income will increase by around € 4.0 million, the fee and commission income by about € 3.0 million, the other operating income by roughly € 1.0 million, and the administrative expenses by approximately € 4.0 million. The profit and total comprehensive income for the year will increase by around € 4.0 million. Of the total comprehensive income for the year, € 2.8 million will be attributable to the owners of the parent. The transaction will have no material effect on the equity ratios of OeKB Group.

Note 44 Date of approval for publication

These financial statements will be submitted to the Supervisory Board for approval on 25 March 2019. Additional disclosures in accordance with Part 8 of Regulation (EU) No. 575/2013 (Disclosure Report, in German only) are provided on the OeKB website (*www.oekb.at*).

Vienna, 4 March 2019

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

Auditor’s Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Oesterreichische Kontrollbank Aktiengesellschaft,
Vienna, Austria

and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and the Notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and Section 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 (“EU Regulation”) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities” section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Loans and advances to banks and to customers of the Export Financing Scheme

Refer to Note 1 General Information.

Risk for the Financial Statements

As of 31 December 2018 loans and advances to banks and to customers of the Export Financing Scheme (EFS) amount to 19.205,7 Mio EUR, or 66,9 % of total assets.

The OeKB Export Financing Scheme is to fund export credits extended by Austrian and foreign banks participating in the scheme (with OeKB refinancing bank lending to the customer) preconditioned the Austrian and foreign banks comply with the credit rating criteria of OeKB ("house bank status") and above all the legal requirements for assuming liability by the Republic of Austria in terms of the transactions as well as the requirements for administration and processing (collateral management) are fulfilled.

Essential criteria for recognition and valuation of loans and advances to banks and to customers of the EFS is consequently the verifcation of legal as well as contractual criteria by OeKB's management. Therefore management established processes and internal controls heavily dependent on complex IT systems. Failures increase administration risk and can also impact valuation of loans and advances to banks and to customers of the EFS within the consolidated financial statements of OeKB Group.

Our Response

We analyzed the processes in the respective operating departments verifying the existance of the legal and contractual requirements in order to ensure the adequate valuation of loans and advances to banks and to customers of the EFS within the consolidated financial statements of OeKB Group. Furthermore we analyzed the relevant processes, key automated and manual controls within these processes in the respective operating departments. In assessing and testing of "design & implementation" as well as "operating effectiveness" of the directors' key controls in areas relevant for the audit of the financial statements. We have focused on the following key controls: (1) Implementation and compliance of key manual controls with legal requirements for assuming liability by the Republic of Austria in terms of the transactions as well as the requirements for administration and processing are fulfilled; (2) Automatic adjustment of the amount of the loan with the deposited liability; (3) General IT controls for SAP, especially access protection, change management.

Determination of Fair Values of Financial Instruments

Refer to Note 3 Determininig of fair value.

Risk for the Consolidated Financial Statements

As of 31 December 2018, financial assets measured and carried at fair value represented 8.584,5 Mio EUR; ie 30 % of total assets of the OeKB Group and financial liabilities measured and carried at fair value represented 19.437,6 Mio EUR; ie 68 % of total liabilities of the OeKB Group.

The fair value of financial instruments without stock exchange quotations is determined through the application of valuation techniques which often involve the exercise of judgement by the directors and the use of assumptions and estimates therefore representing a risk of misstatement for the consolidated financial statements.

Our Response

Our audit procedures included the assessment of relevant controls over the identification, measurement and management of valuation risk and evaluating the methodologies, inputs and assumptions and estimates used by the management of OeKB Group in determining fair values.

With the assistance of our own valuation specialists, we critically assessed the assumptions and models used and reperformed an independent valuation assessment (esp for debt securities in issue and derivative financial instruments), by reference to what we considered to be available alternative methods and sensitivities to key factors. For a sample of valuation inputs we compared that against independent sources and externally available market data and critically assessed the appropriateness of the models and inputs.

We also considered whether the consolidated financial statement disclosures appropriately reflect the OeKB Group's exposure to financial instrument valuation risk.

Responsibilities of Management Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as other legal or regulatory requirements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most signify-cance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with the Austrian Generally Accepted Accounting Principles, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with the Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 18 May 2017, we were elected as group auditors. We were appointed by the Supervisory Board on 6 Juni 2017. We have been the Group's auditors from the year ended 31 December 1995, without interruption.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr. Mag. Wilhelm Kovsca.

Vienna, 4 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by

MAG. WILHELM KOVSCA

Wirtschaftsprüfer
Austrian Chartered Accountant

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Supervisory Board report

In 2018 the Supervisory Board monitored the Executive management and approved their actions. The Executive Board briefed the Supervisory Board regularly, promptly and comprehensively on all relevant business matters and developments, in meetings, written reports and face to face. To help it fulfil its duties efficiently, the Supervisory Board has set up five committees assembled from its members.

The consolidated financial statements for 2018 and the group management report presented herein, as well as the 2018 separate financial statements and management report of Oesterreichische Kontrollbank AG, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. As the audit did not give rise to any objections and the legal requirements were met in full, an unqualified audit certificate was issued.

The Supervisory Board and its Audit Committee have reviewed the reports presented by the Executive Board on the result of the audit for the financial year 2018, and the proposal for the distribution of profit. The final result of this review did not give rise to any objections.

In its meeting on 25 March 2019 the Supervisory Board approved the separate financial statements for 2018, which were thereby adopted, and declared its agreement with the Executive Board's proposal for the distribution of profit. The Supervisory Board has also approved the consolidated financial statements and group management report.

The Supervisory Board takes this opportunity to sincerely thank the members of the Executive Board and the employees of OeKB Group for their excellent work.

We would also like to express our sincere gratitude to Erich Hampel for his many years of service to OeKB as a member and chairman of the Supervisory Board.

Vienna, March 2019

For the Supervisory Board of Oesterreichische Kontrollbank AG

ROBERT ZADRAZIL

Chairman

Statement by the Executive Board

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group directors' report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the directors' report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 4 March 2019

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

OeKB GROUP

Separate financial statements

Management report

Economic environment in 2018

Despite first signs of cooling, global economic growth at the end of 2018 was strong on the whole and remained at the same level as in the previous year at 3.7% according to the latest projection of the International Monetary Fund (IMF). The impetus from the USA (+2.9%) was especially positive while the Eurozone economy lost some momentum (+2.0%). International trade also contracted in 2018. While the World Trade Organization (WTO) had projected growth of 4.4% at the beginning of the year, its most recent estimate was 3.9%. The main reason for this downward revision is the trade policy conflict between the USA and China, which led to the introduction of punitive tariffs in the reporting period.

Mixed sentiment in the emerging and frontier markets

A look at the emerging and frontier markets shows that the economic output of these countries grew rapidly again in 2018. According to IMF estimates, growth came to 4.7%. However, there were significant differences from region to region. The aggregate GDP growth of the ASEAN 5 (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) came in at 5.3%. The general trend in the BRIC countries was also positive. While the still moderate growth in Brazil and Russia solidified further, India and China were again among the most dynamic economies in the world during the reporting period. At the same time, the risk of capital outflows from the emerging markets rose in 2018, as seen in the two crisis-stricken countries of Turkey and Argentina.

Robust economic developments in Central, Eastern, and Southeastern Europe

The economy in Central, Eastern, and Southeastern Europe was comparatively robust in 2018 according to the Vienna Institute for International Economic Studies (wiiw). This was facilitated by factors such as strong investment activity in response to high capacity utilisation, low interest rates, and inflows of EU funding. In direct country comparison, Poland (+5.0%), Slovenia (+4.5%), Hungary (+4.3%), and Serbia (+4.3%) stood out with good economic growth during the reporting period. Conditions remained problematic in crisis-stricken Ukraine in 2018, in part due to the flare-up of the conflict with Russia that began in 2014.

Austrian economy still growing strong

The Austrian economy can look back on a positive year in 2018 for the most part. The most recent forecast of the Austrian Institute of Economic Research (WIFO) points to GDP growth of 2.7%. Especially industry proved to be relatively robust as growth slowed in the Eurozone. Private consumption also had a stabilising effect while export growth had a somewhat detrimental effect in annual comparison. Financing activity also slowed, in particular on the Austrian market for corporate bonds where the issue volume came to € 7.8 billion after amounting to € 14.4 billion in the previous year. Austrian government bonds continued to benefit from the country's reputation as a safe haven for investors. The yield on a 10-year government bond was 0.5% at the end of 2018 (2017: 0.6%).

Business development in 2018

The financing volume in the Export Financing Scheme (EFS) grew again in 2018 thanks to the sustained demand for low-cost export financing. The year-on-year increase in exports by Austrian companies was supported with suitable financing products and very attractive interest rates.

The number of loans managed under the Export Financing Scheme increased to around 4,850 contracts (2017: around 2,650 contracts). A key factor in this was the merger with the subsidiary "Österreichischer Exportfonds" GmbH (Exportfonds) effective 28 July 2018. This added around 1,900 individual contracts to the EFS. The merger is not reflected in the financing volume, however, because the Exportfonds loans were already refinanced entirely through the EFS. The merger with the subsidiary can primarily be seen in the income statement (staff costs), and limits the degree to which the figures from the previous year can be compared.

Income statement

The results for 2018 were impacted by one-off effects. One such effect was actuarial losses in the employee benefit provisions due to the application of new mortality tables and the increase in the parameter for the pension trend (2018: 2.25%; 2017: 1.75%). Another was the post-capitalisation of dividend-equivalent earnings from our special investment fund Sirius 40 due to the new AFRAC (Austrian Financial Reporting and Auditing Committee) opinion no. 14 (see also investment portfolio of the notes).

Over the past years the volume of the Export Financing Scheme had been dominated by early repayments. This trend was stopped in 2017. This reversal was confirmed in 2018. Loans under the Export Financing Scheme rose by € 2,199,965 thousand to € 20,010,834,708.53 in 2018 (2017: € 17,810,870 thousand). Net interest income increased to € 56,740,552.13 in annual comparison (2017: € 53,499 thousand). Furthermore, in the refinancing of the Export Financing Scheme, OeKB benefited from negative interest rates.

Income from securities and investments came to € 86,753,125.49, € 72,304 thousand more than the previous year's result of € 14,449 thousand. Key reasons for this are the post-capitalisation of the dividend-equivalent earnings of the special investment fund in the amount of € 73,167,754.71 (2017: € 0 thousand) due to the new AFRAC opinion and of lower profit disbursement by CEESEG AG in the amount of € 1,455,491.97 (2017: € 2,043 thousand).

In the Capital Market Services segment, fee and commission income from our fund tax data service was increased further. Net fee and commission income remained stable in the Energy Market services segment. The income from fees for the administration of export guarantees on behalf of the Austrian government also rose in annual comparison. OeKB's net fee and commission income in 2018 was € 26,004,598.57 (2017: € 25,419 thousand).

The net income from financial operations came in at minus € 346,519.75 in the reporting period (2017: minus € 39 thousand).

The other operating income of € 18,539,475.92 (2017: € 19,425 thousand) consists primarily of rental revenue, the input tax adjustment for previous years, and service fees and staff costs (for assigned staff) charged to subsidiaries, though the latter declined in the reporting period.

Total operating income was € 187,691,232.36 (2017: € 112,753 thousand).

The general administrative expenses (€ 74,181,276.92) rose substantially in annual comparison (2017: € 62,567 thousand). Staff costs rose to € 34,180,788.34 (2017: € 31,666 thousand). This increase is due largely to the staff assumed under the merger with Exportfonds. The allocation to pension and termination benefit provisions made a substantial contribution to the increase in total staff costs to € 56,369,839.17 (2017: € 44,868 thousand). The change in the employee benefit provisions resulted from the application of new mortality tables, the higher pension trend compared with the previous year and the associated change in the corresponding calculation parameter to 2.25% (2017: 1.75%), and the slightly higher interest rate level in annual comparison and the resulting change in the discount rate to 1.95% (2017: 1.80%). The other administrative expenses came to € 17,811,437.75 (2017: € 17,699 thousand), € 113 thousand higher than in the previous year.

The other operating expenses of € 2,691,846.98 rose slightly in annual comparison (2017: € 2,676 thousand) and consist mainly of expenses for the stability tax and rental costs for sublet business premises.

This puts the operating expenses at € 82,403,422.57, a year-on-year increase (2017: € 70,388 thousand).

The operating profit in 2018 was € 105,287,809.79, which is an increase of 148.5% compared with the previous year (€ 42,365 thousand).

No individual allowances were made for impairment losses in the reporting period (2017: no individual allowances). Amortisation of securities held as current assets amounted to € 446,498.16 at 31 December 2018 (2017: € 51 thousand).

Income from impairment reversals on loans and advances amounted to € 13,011,000.00 (2017: € 12,700 thousand) and stemmed entirely from impairment reversals pursuant to § 57 of the Austrian Banking Act (BWG) due to the fact that they are no longer eligible as regulatory capital under the Regulation (EU) No. 575/2013 (CRR). The write-ups on securities came to € 25,624.00 (2017: € 143 thousand). The profits realised on securities held as current assets and from the purchase of accounts receivable came to € 535,566.50 (2017: € 252 thousand).

The 2% stake in Garage Am Hof was sold during the reporting period. The profit from the transaction came to € 753,639.63 (2017: zero).

Taking all of these effects into account, the profit before tax was € 119,167,141.76 (2017: € 55,409 thousand). The merger with Exportfonds resulted in a merger gain of € 3,123,641.18.

After income tax, profit for the year of € 94,718,781.28 was higher than the result of € 43,954 thousand of the previous year.

In financial year 2018, € 61,166,718.48 (2017: € 11,015 thousand) was allocated to the other retained earnings to strengthen the capital base, and a liability reserve of € 675,662.80 (2017: zero) was also allocated. However, under the CRR, this addition to regulatory capital does not qualify as common equity tier 1 capital until the adoption of the annual financial statements. The profit available for distribution was reported at € 32,917,329.00. The profit available for distribution in 2017 amounted to € 32,950 thousand.

Balance sheet

At 31 December 2018, liquid assets in the form of balances at central banks amounted to € 306,041,185.31 (2017: € 400,652 thousand). In liabilities, deposits from banks fell from € 280,204 thousand in 2017 to € 197,275,067.59 at the end of 2018.

Loans and advances to banks increased to € 96,724,622.81 as of 31 December 2018 (2017: € 36,915 thousand).

The volume of the investment portfolio (see also investment portfolio of the notes) rose to € 537,866,207.37 in 2018 (2017: € 458,118 thousand). The fair value on the reporting date was € 541,905,686.05 (2017: € 545,639 thousand).

OeKB's Export Financing Scheme accounts for 95.2% of the total balance sheet volume, and increased by € 2,287,246 thousand or 11.4% in 2018 alone to reach € 22,281,951,891.82. The increase in loans and advances to banks made the most significant contribution to this. The volume of debt securities in issue increased accordingly. The liquid assets portfolio that is used for the Export Financing Scheme and that consists primarily of bonds (see liquidity portfolio in the notes) increased by € 83,728 thousand to a nominal value of € 2,246,518,921.95 (2017: € 2,162,791 thousand).

The total assets at 31 December 2018 amounted to € 23,404,562,216.01 (2017: € 21,110,317 thousand).

Financial performance indicators

The cost-income ratio (operating expenses/operating income) fell to 43.9% (2017: 62.4%), in particular due to higher operating income.

The regulatory capital available under CRR rose by € 1,439 thousand to € 583,230,912.08 in 2018 (2017: € 581,792 thousand).

The tier 1 ratio (CRR tier 1/risk-weighted assets) came to 64.0% in 2018 (2017: 67.1%). This was the result of higher minimum regulatory capital requirements, largely due to the write-up on dividend-equivalent earnings from the special investment fund. Further information on the capital ratios can be found in the notes under "Additional disclosures pursuant to the BWG".

The return on equity (profit for the year/average equity) came in at 16.0% in 2018 (2017: 8.0%).

Research and development

No research and development activities are conducted due to the specialised business model and specific task of OeKB.

Risk management system

Internal control system

The aim of the internal control system is to support the management in such a way that it is in a position to ensure ever better and more effective internal checks. This aim should not be limited solely to the accounting system, but should also include all important business processes so that the economic efficiency and effectiveness of business activities, the reliability of the business information (including non-financial reporting, e.g. corporate responsibility), and adherence to guidelines and regulations (compliance) can be guaranteed.

OeKB's internal control system (ICS) draws on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, which has five components: the control environment, risk assessment, control activities, information and communication, and monitoring activities.

Control environment

The most fundamental aspect of the control environment is the corporate culture in which management and employees operate. Central organisational principles are the avoidance of conflicts of interest through strict separation of risk origination and risk oversight, the transparent documentation of core processes and control activities, and rigorous segregation of duties and application of the principle of dual control. The Internal Audit/Group Internal Audit department independently and regularly verifies adherence to the internal regulations, including the accounting and financial control rules. The management of Internal Audit/Group Internal Audit reports directly to the Executive Board and Supervisory Board.

Risk assessment

The goal of risk management at OeKB is to identify all risks and take measures to avert or mitigate these risks. This also includes the risk of material misstatement of transactions. The risk management system includes all processes that serve to identify, analyse, and evaluate risks. They are identified and monitored by management, with a focus on risks that are deemed to be material. The internal control activities performed by the responsible departments are evaluated regularly.

Control activities

OeKB has a governance system that sets out structures, processes, functions, and responsibilities within the bank. Care is taken to implement all control activities in such a way as to ensure that potential errors or discrepancies in (financial) reporting are avoided or discovered and corrected.

IT-based control activities are a key component of the internal control system. Thus, the compartmentalisation of sensitive responsibilities is supported by the restrictive assignment of access permissions in the computer systems (need-to-know basis). The SAP enterprise management system is used for accounting and financial reporting. The functioning of this accounting system is ensured by means including integrated, automated control mechanisms.

Information and communication

The Supervisory Board is briefed at least every quarter with a comprehensive report on the balance sheet, income statement, and other controlling and risk data. The Executive Board receives this information in regular, significantly more detailed reports prepared on a monthly or more frequent basis. The Executive Board monitors the appropriateness and effectiveness of the internal control system. The Executive Board also established an Asset and Liability Management Committee and a Risk Management Committee that receive, analyse, and monitor this data.

Monitoring

Financial statements intended for publication undergo a final review by management and staff of the Accounting & Financial Control department and by the Executive Board before being forwarded to the Audit Committee of the Supervisory Board. The Executive Board is responsible for company-wide monitoring. We have established three lines of defence. The first line of defence (control procedures) is located in the operating segments. The second line of defence, including Risk Management, Compliance, and Legal, implements and monitors the application of and compliance with the controls. The third line of defence is Internal Audit with its auditing and monitoring functions.

By monitoring compliance with all rules and regulations, OeKB aims to make all business processes as reliable as possible and ensure Group-wide conformity with policies and procedures. The staff members responsible manage identified risks and shortcomings in controls through prompt mitigative and preventative measures. The implementation of these measures is monitored. The Internal Audit/Group Internal Audit department evaluates compliance with the requirements in accordance with the annual audit plan.

Risk management

Risk management and risk controlling are key processes within the business strategy and are designed to ensure the long-term stability and profitability of the Bank. Every risk assumed is accepted consciously and is consistent with the Executive Board's risk policy and strategy, which aims to ensure a stable return on equity through a conservative approach to all business and operational risks. The risk policy and strategy set forth the risk policy principles, the risk appetite, the framework of the risk management organisation, and the principles upon which the measurement and management of the defined risk categories are based.

OeKB acts as Austria's official export credit agency. This special position of the Bank and the associated responsibility for supporting the Austrian economy shape the Bank's business and risk policies.

The Export Financing Scheme represents the great majority of assets on the balance sheet, and is treated as a separate accounting entity. The risks of the Export Financing Scheme that is administered for the Republic of Austria are mitigated by extensive collateral and guarantees from the Austrian government. OeKB is exempt from key laws such as the CRR in all transactions relating to export (financing) promotion. OeKB is exempt from key laws such as the Capital Requirements Regulation or CRR.

Further major exemptions for OeKB apply in connection with liquidity regulations and the European and national provisions for the banking union (such as the Bank Recovery and Resolution Directive or BRRD). These exceptions also apply for the most part to the subsidiary bank Oesterreichische Entwicklungsbank AG, and similar exemptions apply to OeKB CSD GmbH, which is licensed as a central depository according to the CSD regulation.

Risk management framework

The Executive Board of OeKB bears overall responsibility for the establishment of an adequate, functional, and holistic risk management system that covers all material operational and business risks. It meets this obligation by enacting suitable organisational measures as well as by providing a suitable guideline structure.

Guideline structure

One central guideline of the risk management framework is the Risk Policy and Strategy of OeKB Group, which the Executive Board formulates and adopts in coordination with the Chief Risk Officer (CRO) and in consultation with the Risk Committee of the Supervisory Board on an annual basis.

The Risk Policy and Strategy sets out the risk management principles, the key features of the risk management organisation, the risk appetite, and the principles for the measurement, control, and limitation of the defined risk categories. In this manner, the Executive Board of OeKB ensures the uniform management of risks throughout the Bank Group.

Behavioural standards including a complaint handling system are described in the Code of Conduct, and the remuneration policy is risk adequate and documented, as is the Fit & Proper Policy.

Each risk exposure that is accepted must conform with the Risk Policy and Strategy of OeKB Group. This is the foundation for a comprehensive system of internal guidelines for the management of group risks and the risks to which OeKB is exposed as an individual entity.

Organisation

Given OeKB's key business activities and its specific business and risk structure, the Bank has adopted a clear functional organisation for its risk management process with well defined roles. In line with proportionality rules, there is no separation between risk origination and risk oversight in the Executive Board. All risk-controlling and risk-bearing units are independent and report directly to the Executive Board.

The Risk Management Committee (RMC) plays a central role in risk management, and the majority of the committee members are appointed by the risk-controlling units. The function of the Risk Management Committee consists of strategic risk management and risk controlling in accordance with the valid risk policy and risk strategy. The Committee is the primary recipient of the risk reports, monitors and manages the risk profiles for the individual risk types, and decides what action to take based on the risk reports. As part of overall bank risk management, the RMC proposes limits to the Executive Board based on the risk coverage calculation as well as procedures for risk monitoring. The RMC also adopts guidelines to implement the principles set forth in the risk policy and strategy, including the ICAAP manual and the liquidity risk management manual.

The implementation of the measures decided by the Risk Management Committee is overseen by the Chief Risk Officer, supported by the Financial Risk Manager, the Operational Risk Manager, and the Chief Information Security Officer (CISO). The CISO reports directly to the full Board and, once a year, to the Risk Committee of the Supervisory Board. It directs the Risk Controlling department, which is responsible for the measurement and assessment of financial risks, operating-level financial risk controlling including monitoring the internal limits, and the practical implementation of the Internal Capital Adequacy Assessment Process and of the liquidity risk (ILAAP).

The standards for the Operational Risk Management are implemented in OeKB's business operations by the Organisation, Construction, Environmental Issues, and Security department (OBUS) with the exception of information security matters, which are the responsibility of the CISO. The activities relating to Operational Risk Management and Information Security and those coming under the remit of the Internal Control System Officer are subject to ongoing coordination. A Legal department was set up in 2018 to minimise legal risks. An adequate organisational structure for preventing money laundering and for ensuring compliance (WAG and § 39[6] BWG) complement the governance framework.

A comprehensive risk assessment is conducted every year to ensure that all material risks have been identified and that they can be measured and controlled. New products and services are subject to a product introduction process, which includes a risk assessment.

Risk management is supplemented by the Internal Control System (ICS), which ensures compliance with guidelines and risk-mitigation measures. An Internal Control System Officer was nominated to ensure that the ICS complies with the legal requirements and to implement and continuously refine the ICS guideline enacted by the Executive Board. Largely automated general IT controls and audits conducted by the Internal Audit department ensure its effectiveness.

Internal Audit and Group Internal Audit serve as a third line of defence and conduct regular audits on the organisational units involved in the risk management processes and on the employed procedures.

The Supervisory Board oversees all risk management arrangements at OeKB and receives quarterly reports on OeKB's risk situation. These risk reports present a detailed view of the risk situation. The Supervisory Board also maintains a Risk Committee pursuant to § 39d BWG, which convened for two meetings in 2018. The Audit Committee of the Supervisory Board also monitors the effectiveness of the Internal Control System. The Supervisory Board has also set up a Nomination Committee and a Remuneration Committee.

OeKB has implemented a comprehensive and risk-oriented reporting and limit system to ensure that the senior management responsible for managing and monitoring financial and operational risks are informed adequately and in good time. This reporting includes the quarterly risk reports by the Executive Board to the Supervisory Board and annual coordination and consultation within the Risk Committee of the Supervisory Board pursuant to § 39d BWG.

As part of the operational risk management strategy, organisational structures have been defined for various emergency and crisis scenarios.

Internal Capital Adequacy Assessment Process (ICAAP)

Risk appetite and approaches to risk control

The ICAAP is conducted at the group level and serves to ensure the maintenance of the defined bank-specific level of capital adequacy and forms an integral part of the management process as a measurement and controlling tool. The risk appetite is set annually by the Executive Board in coordination with the Risk Committee of the Supervisory Board.

The process accounts for the going concern approach and the gone concern approach as required by the supervisory authorities. The key difference between the two approaches lies in the definition of the economic capital available to cover risk and the choice of the confidence level for the risk (99.9% for the going concern approach and 99.98% for the gone concern approach).

Risk coverage calculation and limitation

The risk coverage calculation is performed quarterly by the Risk Controlling department – which as a risk oversight function is independent from risk origination – and is reported both to the Risk Management Committee and the Supervisory Board. In the risk coverage calculation, the economic capital requirement is compared with the risk coverage capital (internal or business capital). This is done in consideration of different coverage objectives and approaches (going concern and gone concern). The application of the going concern principle also ensures compliance with the minimum regulatory capital requirements.

The risk coverage calculation especially takes all defined material risk categories into account, namely credit risk, market risk, operational risk, and business risk.

Based on the results of the risk coverage calculation and the recommendations by the Risk Management Committee, the Executive Board defines the limits for market and credit risk for OeKB Group as a whole as well as risk budgets for the bank subsidiaries. Compliance with these limits and risk budgets is monitored by the Risk Controlling department and reported to the Risk Management Committee and the Executive Board on a quarterly basis. There is no steering of individual business divisions or segments within OeKB, as this is of limited relevance; a separate ICAAP is conducted for the EFS (see “Credit risk” below).

The economic capital calculations are supplemented with stress tests. This involves both univariate tests for key risk drivers and multivariate market-specific tests. To assess the sustainability of the risk-bearing capacity under adverse market conditions, input parameters such as volatilities, correlations, and probabilities of default are subject to stress on the basis of a macroeconomic scenario and then evaluated on the basis of this risk-bearing capacity.

Market risk

Market risk is the risk of losses due to changes in market parameters. The types of market risk distinguished are specific and general interest rate risk, foreign exchange risk, and equity price risk. As no trading book is maintained, OeKB's market risks relate only to banking book positions.

Risks are assessed by using the value at risk concept to estimate maximum potential losses at given confidence levels. In addition, interest rate and exchange rate sensitivity ratios are determined, and the effects of extreme market movements are calculated through stress tests.

The largest amount of economic capital stems from OeKB's investment portfolio, which consists of 91.1% bonds (2017: 89.0%) and 8.9% equity shares (2017: 11.0%). The remainder consists primarily of short-term investments made for the purposes of fund management. The value at risk (VaR) is determined monthly taking all hedge relationships into account. The VaR for the market risk from the investments at a confidence level of 99.98% and a holding period of one year was € 23.3 million at 31 December 2018 (2017: € 35.8 million). In the risk management of the investment portfolio, the in-house portfolio management is supported by an external overlay manager. The equities portion of the investment portfolio was hedged for the most part in the previous year.

Exchange rate risks exist, above all, in connection with raising long- and short-term funds for the Export Financing Scheme. These risks are largely secured by an exchange rate guarantee of the Republic of Austria under the Export Financing Guarantees Act. An interest rate stabilisation provision is maintained for interest rate risks under the Export Financing Scheme, which are measured using earnings at risk. It forms the dedicated capital available to cover the risks determined in the risk coverage calculation for the Export Financing Scheme.

Derivative financial instruments

Derivative financial instruments are used to assist in managing market risks in the EFS. The derivatives involved are mostly interest rate swaps and cross-currency interest rate swaps that are traded over the counter (OTC) and that are used primarily as hedging instruments for debt securities issued.

The total volume of derivatives positions at 31 December 2018 was as follows (the shown fair values are present values):

		Fair values 2018			Fair values 2017	
€ (2017: € thousand)	Notional amount at 31 Dec 2018	Positive	Negative	Notional amount at 31 Dec 2017	Positive	Negative
Interest rate derivatives						
Interest rate swaps (OTC)	22,396,437,912.14	185,092,787.46	288,898,354.29	16,464,555	133,374	268,228
Currency derivatives						
Currency swaps (OTC)	19,127,104,610.98	412,754,232.51	149,833,721.60	16,036,674	400,383	287,105
Total	41,523,542,523.12	597,847,019.97	438,732,075.89	32,501,229	533,757	555,333

The substantial change in the positive fair values of the currency-related derivative financial instruments was primarily the result of the change in the exchange rates of the EUR to the USD and CHF compared with the previous year.

Credit risk

OeKB primarily understands credit risk as the risk of unexpected losses as a result of the default of counterparties. The bank differentiates between the following types of credit risk: counterparty risk/default risk, investment risk, and concentration risk. Credit risks are assessed using the credit value at risk (CVaR).

Counterparties are classified into internal credit rating categories on the basis of external ratings from internationally recognised rating agencies and internal credit ratings. This rating is based on a detailed 22-part internal master scale that differentiates between sovereign and other counterparties in the very good rating segment and that uses clearly defined rating and mapping rules.

The credit exposure of OeKB consists largely of export financing credits. These credits are extended according to strict principles and high collateral requirements (mainly by guarantees of the Republic of Austria). To secure credit risks in connection with derivative transactions, collateral agreements are concluded with all counterparties. Credit derivatives are not used.

In the OeKB ICAAP, the Export Financing Scheme (EFS) is treated as investment risk for which risk coverage is calculated separately. For this, the risks in the EFS (especially credit, interest rate, refinancing, and CVA risk) are assessed and compared against the risk coverage potential (i.e. the interest rate stabilisation provision). When assessing credit risk, business partner concentrations are taken into consideration. The extensive collateral and guarantees of the Republic of Austria result in a high level of risk concentration. If the risk exceeds the interest rate stabilisation provision, it is included in the OeKB ICAAP as credit risk.

Business risk

OeKB primarily understands business risks as declines in profits caused by unexpected changes in business volume or margins. Business risk is first quantified by means of statistical comparisons of planned and actual values and then subjected to an expert review so that concrete limits can be set annually by the Risk Management Committee. As this risk category is a profit risk, it is accounted for in the risk coverage calculation by being deducted from the risk coverage capital.

Aside from quantitative inclusion in the ICAAP, OeKB is aware of the relevance of these risks in particular in its role as a special-purpose bank, due to the high importance of the Export Financing Scheme, and in light of the associated legal exceptions. The active monitoring of legislative changes, stakeholder dialogue, adherence to a conservative risk policy, and a proactive reputation policy (including the code of conduct) are central factors in mitigating these risks.

Operational risk and other risks

Operational risk is the risk of losses resulting from the inadequacy or failure of internal processes, people, or systems or from external events including legal risks.

The economic capital requirement is determined by scaling the regulatory capital requirement according to the Basic Indicator Approach to the respective confidence level.

Bank-wide standards, rules, and processes are derived from the risk policy and documented in the operational risk manual. This also includes emergency management manuals, contingency plans, and crisis scenarios, all of which are reviewed annually. The ongoing maintenance and evaluation of the loss incident database helps to ensure the continuous optimisation of operational risks.

Given the high importance of information security, the Bank has a separate Information Security Officer. Legal risks are minimised through continuous monitoring by the respective business segments and the Legal & Compliance department, and by the appointment of compliance officers pursuant to the WAG and § 39(6) BWG.

Regular checks conducted by Internal Audit and an effective internal control system contribute to the mitigation of operational risks.

Model risks and risks from risk types that are not separately measured are taken into account in the risk coverage calculation by the application of percentage surcharges to the determined economic capital.

Liquidity risk (ILAAP)

OeKB differentiates between three forms of liquidity risk:

- generally, the risk of not being able to meet present or future payment obligations fully as they fall due;
- refinancing risk, in other words the risk that funding can be obtained only at unfavourable market terms; and
- market liquidity risk, in other words the risk that assets can be sold only at a discount.

The goal of OeKB’s liquidity strategy is to ensure sufficient access to required liquidity at acceptable terms even in difficult market situations. OeKB’s excellent standing on the international financial markets for decades coupled with the high diversification of its funding instruments, markets, and maturities, and most importantly of all the guarantees of the Republic of Austria protecting the lenders combine to facilitate market access for OeKB even when markets are under special stress.

Liquidity management and liquidity risk management are conducted jointly for OeKB bank group and the Export Financing Scheme as an integral whole. As the liquidity requirements are dominated by those of the Export Financing Scheme, liquidity costs are not assigned to individual business segments at this time. The economic capital for the refinancing risk is allocated entirely to the Export Financing Scheme.

The adequacy of available liquidity is ensured by means of a survival period analysis. The Executive Board of OeKB defines the principles for liquidity risk management and the risk appetite in the risk policy and strategy that is coordinated with the Supervisory Board’s Risk Committee on an annual basis. The survival period must be at least one month, and a target of at least two months has been set.

This risk measurement is based on cash flow and funding projections under combined idiosyncratic and systemic stress scenarios against which the liquidity buffer (especially securities eligible for rediscounting by the ECB) is compared. The specified minimum survival period under stress is set at one month. A liquidity contingency plan is in place for crisis situations. Market liquidity risk is taken into account through corresponding haircuts for liquid assets.

The average survival period determined by this methodology was over six months in 2018.

OeKB does not manage its liquidity according to the liquidity coverage ratio (LCR) or net stable funding ratio (NSFR) because of the exceptions that apply.

Non-financial performance indicators

Given OeKB's central significance for Austria's capital market and export industry, it is acutely aware of the importance of highly qualified and motivated staff. Service quality and expertise combined with awareness for the importance of sustained earnings, controlling costs, and mitigating and managing risk are key success factors.

In addition to management career paths, particular importance is attached to expert career paths to remain attractive as an employer for highly qualified personnel. In OeKB's flat management hierarchy, our experts play a critical role in the success of the Bank. Since 2018, we have also appointed "team leads" as technical managers in addition to the traditional expert career path.

OeKB's long-term success depends on the commitment of the people working for it. Family-friendly measures such as flexible working hours, teleworking, and a Bank childrens' daycare centre address the needs of every employee who values the compatibility of work and family life. Full- and part-time educational leave is actively supported. All of this is intended to ensure a good balance between professional and non-professional activities. Company health management with numerous initiatives and measures has a positive impact on the aspects of exercise, good nutrition, and mental fitness.

At a total cost of € 491,674.28 (2017: € 527 thousand), OeKB spent € 1,211.02 per employee on training and development in 2018 (2017: € 1 thousand).

The headcount increased from 344 full-time equivalents in 2017 to 369 at the end of 2018. The profit for the year per full-time equivalent came to € 356,690.46 (2017: € 128 thousand).

Employees of OeKB [1]

	2018	2017	2016
Total as at 31 December	**406**	**379**	**385**
Of whom part-time employees	*115*	*110*	*100*
Total employees in full-time equivalents	369	344	352
Average number of employees pursuant to the UGB	355	343	354
Turnover rate	4.1%	3.2%	3.3%
Sick days per year and full-time employee	8.3	8.3	10.3
Training days per year and employee	1.8	2.6	2.9
Proportion of total positions held by women	56.2%	55.1%	55.6%
Of whom part-time employees	*41.2%*	*44.0%*	*41.6%*
Proportion of management positions held by women	38.0%	37.0%	39.2%

[1] Including employees posted to OeEB, OeKB CSD, Acredia Versicherung and Exportfonds (until 31 Dec 2017).

Outlook for 2019

After the very good results achieved in 2017 and 2018, we expect a slowdown in guarantee business in 2019. The economic projections and global economic growth will decline. However, the political uncertainty will continue at varying levels from region to region. This poses a significant challenge for the Austrian export industry. As in the past, OeKB continues to provide exporters with extensive assistance, both through export loans and with guarantees for the financing of business acquisitions and start-ups. We expect to be able to continue expanding our lending volume in 2019 due to healthy export and foreign investment activity by Austrian companies as well as due to our attractive financing conditions and products, especially given the rise in interest rates.

We expect our securities investments to continue delivering low earnings in 2019 due to the slow increase in interest from reinvestments. The Federal Reserve System (Fed) has indicated that USD interest rates will rise. Interest rates in the Eurozone will remain low in 2019 despite the end of the ECB bond purchase programme and will only rise slowly. The risk premiums on Austrian government bonds remain stable, which means that the terms of access to the international capital markets should remain attractive for OeKB.

We are planning further digitalisation projects in 2019 to meet the needs of our customers more rapidly and in a simpler manner.

Overall, OeKB is well prepared to meet the challenges ahead, and we are expecting sustained growing operating income.

We wholeheartedly thank all our employees for their commitment and their contribution to our success. Our sincere thanks also go to the Staff Council, whose members continued their long tradition of representing the interests of the employees and of the Bank.

Vienna, 4 March 2019

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

Oesterreichische Kontrollbank AG – Separate financial statements 2018

Balance sheet

Assets		31 Dec 2018 €	31 Dec 2017 € thousand
01	**Balances at central banks**	**306,041,185.31**	**400,652**
02	**Treasury bills and similar securities eligible for rediscounting by the ECB**	**60,787,202.95**	**64,898**
03	**Loans and advances to banks**	**96,724,622.81**	**36,915**
	a) Repayable on demand	6,724,622.81	6,915
	b) Other loans and advances	90,000,000.00	30,000
04	**Loans and advances to customers**	**3,843,948.30**	**3,924**
05	**Bonds and other fixed-income securities**	**217,217,438.43**	**206,512**
	a) Of public issuers	1,512,794.18	1,513
	b) Of other issuers	215,704,644.25	204,999
06	**Equity shares and other variable-income securities**	**259,861,565.99**	**186,708**
07	**Interests in investments other than subsidiaries**	**7,980,171.44**	**7,984**
	Of which in banks	*0.00*	*-*
08	**Interests in subsidiaries**	**49,277,112.35**	**58,934**
	Of which in banks	*25,773,968.80*	*35,431*
09	**Non-current intangible assets**	**1,425,648.00**	**1,171**
10	**Property and equipment**	**11,854,895.37**	**15,075**
	Of which land and buildings occupied for own business use	*7,372,279.90*	*10,330*
11	**Other assets**	**21,780,911.50**	**23,823**
12	**Prepayments and accrued income**	**2,380,860.93**	**2,197**
13	**Deferred tax assets**	**83,434,760.81**	**106,816**
14	**Assets related to export financing**	**22,281,951,891.82**	**19,994,706**
14.1	Treasury bills and similar securities eligible for rediscounting by the ECB	1,500,125,435.32	1,491,014
14.2	Loans and advances to banks (others)	19,824,214,483.24	17,595,014
14.3	Loans and advances to customers	186,620,225.29	215,856
14.4	Bonds and other fixed-income securities	668,027,790.94	664,532
14.5	Equity shares and other variable income securities	78,365,695.69	7,245
14.6	Accruals and deferred income	24,598,261.34	21,046
	Of which for issue of own debt securities	*18,101,261.34*	*14,586*
	Total assets	**23,404,562,216.01**	**21,110,317**

	Memo items		
1	Foreign assets	1,909,381,162.11	1,736,859

OeKB GROUP

Balance sheet

Liabilities and equity		31 Dec 2018 €	31 Dec 2017 € thousand
01	**Deposits from banks**	**197,275,067.59**	**280,204**
	a) Repayable on demand	189,100,196.72	189,628
	b) With agreed maturity or notice period	8,174,870.87	90,576
02	**Deposits from customers (miscellaneous, repayable on demand)**	**102,094,321.26**	**78,325**
03	**Other liabilities**	**13,412,988.07**	**17,660**
04	**Prepayments and accrued income**	**8,076,113.03**	**7,558**
05	**Provisions**	**175,057,226.68**	**168,436**
	a) Termination benefit provisions	26,709,845.00	22,350
	b) Pension provisions	107,495,227.00	104,598
	c) Other provisions	40,852,154.68	41,489
06	**Subscribed share capital**	**130,000,000.00**	**130,000**
07	**Allocated capital reserves**	**3,347,629.63**	**3,348**
08	**Retained earnings**	**434,194,648.93**	**373,028**
	a) Statutory reserve	10,601,796.47	10,602
	b) Other reserves	423,592,852.46	362,426
09	**Liability reserve pursuant to § 57(5) BWG**	**26,235,000.00**	**24,102**
10	**Profit available for distribution**	**32,917,329.00**	**32,950**
11	**Liabilities related to export financing**	**22,281,951,891.82**	**19,994,706**
11.1	Deposits from banks - Repayable on demand	332,323,741.81	214,830
11.2	Deposits from customers	574,108,966.17	646,516
	a) Repayable on demand	*546,259,892.13*	*618,519*
	b) With agreed maturity or notice period	*27,849,074.04*	*27,997*
11.3	Debt securities in issue	20,043,217,789.34	17,758,205
	a) Bonds issued	*15,909,170,309.22*	*14,342,283*
	b) Other debt securities in issue	*4,134,047,480.12*	*3,415,922*
11.4	Other liabilities	1,073,812.63	1,407
11.5	Accruals and deferred income	140,464,023.95	141,531
11.6	Provisions (EFS interest rate stabilisation provision)	1,190,763,557.92	1,232,218
	Total liabilities and equity	**23,404,562,216.01**	**21,110,317**

	Memo items		
1	Credit risks	3,302,864,680.95	3,075,769
2	Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	583,230,912.08	581,792
3	Minimum regulatory capital requirement pursuant to Article 92 of Regulation (EU) No. 575/2013	829,696,490.25	772,718
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. a of Regulation (EU) No. 575/2013 - core tier 1 ratio in %	64.0%	67.1%
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. b of Regulation (EU) No. 575/2013 - tier 1 ratio in %	64.0%	67.1%
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. c of Regulation (EU) No. 575/2013 - total capital ratio in %	70.3%	75.3%
4	Foreign liabilities	20,578,892,663.00	18,183,819

Income statement

			2018	2018	2017
			€	€	€ thousand
01.		Interest and similar income	151,347,188.61	130,291,949.60	150,139
		Minus loss from negative interest from money market business	(2,332,553.46)		(1,462)
		Minus loss from negative interest from credit operations	(14,696,697.02)		(10,529)
		Minus loss from negative interest from securities	(4,025,988.53)		(4,015)
		Of which from fixed-income securities		*2,028,885.66*	*1,751*
02.	-	Interest and similar expenses	186,355,539.12	73,551,397.47	192,372
		Minus budget underrun from negative interest from money market business	(1,994,403.46)		(1,404)
		Minus budget underrun from negative interest from refinancing business	(110,809,738.19)		(110,333)
I.		**Net interest income**		**56,740,552.13**	**53,499**
03.	+	Income from securities and investments		86,753,125.49	14,449
		a) Income from equity shares, other ownership interests and variable-income securities	75,670,746.29		*2,503*
		b) Share of results of investments other than subsidiaries	2,227,179.20		*2,783*
		c) Dividends from subsidiaries	8,855,200.00		*9,163*
04.	+	Fee and commission income		29,047,788.80	28,167
05.	-	Fee and commission expenses		3,043,190.23	2,749
06.	+/-	Income/expenses from financial operations		(346,519.75)	(39)
07.	+	Other operating income		18,539,475.92	19,425
II.		**Operating income**		**187,691,232.36**	**112,753**
08.	-	General administrative expenses		74,181,276.92	62,567
		a) Staff costs		56,369,839.17	44,868
		Of which:			
		aa) Wages and salaries	*34,180,788.34*		*31,666*
		bb) Statutory social security costs, pay-based levies, and other compulsory pay-based contributions	*7,712,886.23*		*7,240*
		cc) Other social expenses	*1,174,618.17*		*1,142*
		dd) Expenses for retirement and other post-employment benefits	*6,001,240.83*		*5,192*
		ee) Additions to pension provision	*2,189,622.00*		*(859)*
		ff) Expenses for termination benefits and contributions to termination benefit funds	*5,110,683.60*		*486*
		b) Other administrative expenses		17,811,437.75	17,699
09.	-	Impairment losses on asset items 9 and 10		5,530,298.67	5,145
10.	-	Other operating expenses		2,691,846.98	2,676
III.		**Operating expenses**		**(82,403,422.57)**	**(70,388)**
IV.		**Operating profit**		**105,287,809.79**	**42,365**
11.	-	Impairment losses on loans and advances and amortisation on securities held as current assets		446,498.16	51
12.	+	Income from impairment reversals on loans and advances and from write-ups on securities held as current assets		13,572,190.50	13,095
13.	+	Profit from the sale of investments		753,639.63	-
V.		**Profit before tax**		**119,167,141.76**	**55,409**

Income statement

				2018	2017
			€	€	€ thousand
V.		**Profit before tax - carryover**		**119,167,141.76**	**55,409**
14.	+	Merger gain		3,123,641.18	-
15.	-	Income tax		27,572,001.66	11,455
VI.		**Profit for the year**		**94,718,781.28**	**43,954**
16.	-	Transfer to reserves		61,842,381.28	11,015
		Of which transfer to liability reserve		*675,662.80*	-
VII.		**Unallocated profit for the year**		**32,876,400.00**	**32,939**
17.	+	Profit brought forward from the previous year		40,929.00	11
VIII.		**Profit available for distribution**		**32,917,329.00**	**32,950**

Oesterreichische Kontrollbank AG – Notes

General information

Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) is registered with Vienna Commercial Court under number FN 85749b. The registered office is located at Am Hof 4, 1010 Vienna, Austria. The annual financial statements are submitted to the commercial court of registry and published in “Amtsblatt zur Wiener Zeitung” in accordance with the legal requirements.

The Executive Board prepared the present annual financial statements as at 31 December 2018 according to the provisions of the Austrian Uniform Commercial Code (UGB) and the relevant regulations of the Austrian Banking Act (BWG) as amended.

OeKB is a public interest entity pursuant to § 189a UGB.

The annual financial statements were prepared in accordance with generally accepted accounting principles to provide a true and fair view of the assets and financial and earnings position of the Bank.

The principle of completeness was adhered to in the preparation of the annual financial statements.

Asset values were measured on the basis of being a going concern. Assets and liabilities were measured on an individual basis.

Caution was exercised by only including profits that were realised as at the balance sheet date. All identifiable risks and impending losses that arose up to the reporting date were taken into consideration.

Estimates are based on a conservative assessment. If statistically measurable experiences from similar circumstances are available, these were taken into account in the estimates.

The previously applied recognition and measurement methods were maintained.

The financial year corresponds to the calendar year.

OeKB prepares consolidated financial statements according to IFRS and publishes them on the Internet (*www.oekb.at*).

The disclosures required in Part 8 of the CRR (Regulation [EU] No. 575/2013) are made in the Disclosure Report. Further information can be found on the OeKB website (*www.oekb.at*).

Merger with “Österreichischer Exportfonds” GmbH

After the Annual General Meeting of OeKB in May 2018 unanimously approved the merger with “Österreichischer Exportfonds” GmbH (Exportfonds), the merger was entered in the trade register on 28 July 2018, at which point it took legal effect. The assumed assets and liabilities were transferred to the balance sheet of OeKB as of 1 January 2018 using the book values according to § 202(2) UGB.

After internal items are offset, the transferred assets came to € 17,251,900.79 and the transferred liabilities to € 12,670,922.41, which results in a € 4,580,978.38 increase in the net assets. This breaks down to an increase in the profit available for distribution of € 3,123,641.18 by way of a merger gain and an increase in the liability reserve of € 1,457,337.20.

Legal basis for the export guarantee and for the Export Financing Scheme

Liability according to the Austrian Export Guarantees Act (AusfFG)

According to the AusfFG, the Federal Minister of Finance is authorised to assume guarantees in the name of the Republic of Austria for the proper fulfilment of transactions by foreign counterparties and for the enforcement of the rights of export companies that directly or indirectly improve Austria's current account. These transactions and rights relate to projects abroad – especially in the areas of environmental protection, waste disposal, and infrastructure – whose realisation by domestic or foreign companies is in Austria's interests.

Pursuant to § 1(2) AusfFG, the Federal Minister of Finance is also authorised to issue guarantees for a specific exchange rate between the euro and the contract currency (foreign exchange risk). In addition to issuing guarantees for export promotion, § 1(3) AusfFG also permits the issue of guarantees for restructuring loans if these restructuring measures relate to previously guaranteed claims. The Federal Minister of Finance is authorised in § 2a AusfFG to conclude transactions in the name of the Republic of Austria to improve the risk of the overall portfolio of exposures. The Federal Minister of Finance is also authorised to assume liability for contracts concluded between banks for the refinancing of loan agreements provided that guarantees have already been issued pursuant to § 1(1)2 AusfFG for the underlying loan agreements (securitisation).

According to § 5 AusfFG, the Federal Minister of Finance is authorised to delegate the following to an agent of the federal government pursuant to § 1002ff ABGB:

- the technical handling (credit rating evaluation and bank-specific processing) of the applications for guarantees,
- the drafting of the guarantee agreements,
- the conclusion of transactions pursuant to § 2a AusfFG, and
- the administration of the rights of the federal government under the guarantee agreements with the exception of their judicial enforcement.

The agent must be licensed to conduct banking business in Austria and must ensure the solid, reliable, and cost-efficient management of the export promotion process. The rights of representation must be contractually agreed between the Austrian government and the agent. Pursuant to § 8a AusfFG, OeKB will remain the authorised representative of the federal government until the conclusion of an agency contract.

According to § 7 AusfFG, the guarantee fee and all claims paid shall be collected by the agent of the federal government and credited regularly to an account of the federal government opened at the authorised agent of the federal government.

The federal law will be superseded on 31 December 2022 pursuant to § 10 AusfFG. This will have no impact on guarantees issued before this point in time. In the past, the legal provisions have always been extended by a further five years. The term of the AFFG is set at the same time as for the AusfFG.

Federal law on the financing of transactions and rights (Export Financing Guarantees Act – AFFG)

Pursuant to § 1 AFFG, the Federal Minister of Finance is authorised until 31 December 2023 to issue guarantees in the name of the Republic of Austria for credit operations (bonds, loans, lines of credit, and other obligations) conducted by the authorised agent of the federal government pursuant to § 5(1) AusfFG. The guarantees are issued:

- to the benefit of the creditor of the agent authorised by the federal government (OeKB) for the fulfilment of its obligations under credit operations;

- to the benefit of the agent authorised by the federal government (OeKB) to guarantee a specific exchange rate between the euro and another currency (exchange rate risk) for the fulfilment of obligations under credit operations for the period of time during which the proceeds from the credit operation are used for financing in euros.

The Federal Minister of Finance may only issue guarantees pursuant to § 2 AFFG under certain circumstances, especially:

- The total outstanding guarantee amounts may not exceed € 40 billion.
- The individual credit operations may not exceed an (equivalent) value of € 3.3 billion.
- The term of the credit operations may not exceed 40 years.
- The overall exposure (internal interest rate) of the federal government may not exceed certain limits.

The fee provisions for the issue of guarantees by the federal government pursuant to the AFFG specify a minimum guarantee fee that depends on the volume of the outstanding borrowings in the Export Financing Scheme.

OeKB Export Financing Scheme (EFS)

The EFS is used to refinance export credits (delivery, purchase, and investment financing and export acceptance credit, financing of export induced domestic investments, and financing of lease arrangements of domestic exporters) from banks and to cover the direct financing provided by OeKB. The Export Financing Scheme is handled as a separate accounting entity at OeKB.

A prerequisite for refinancing under the EFS is the previous issue of an AFFG-compliant guarantee for the transaction or right for which the financing was arranged:

- Guarantee of the Republic of Austria pursuant to the AusfFG,
- Fulfilment of the prerequisites for a guarantee pursuant to the AusfFG in the case of the liability of a credit insurer,
- Guarantee from Austria Wirtschaftsservice GmbH,
- Guarantee from an international organisation with a top credit rating.

In addition, both the rights arising from the guarantees and the underlying export or other receivables typically must be assigned as security.

OeKB's Export Financing Scheme is available to Austrian and foreign banks as a source of refinancing provided that they fulfil the rating criteria of OeKB ("Hausbank" status), the legal requirements with regards to the transactions to be financed, and the terms for the uniform processing of the financing (collateral management).

OeKB is entitled to a portion of the interest margin for the loans provided under the EFS. The interest income from financing arrangements (without interest support agreements) that exceeds the refinancing costs after deduction of the OeKB margin is allocated to the EFS interest rate stabilisation provision. The EFS interest rate stabilisation provision is used when the refinancing costs are higher than the interest income from the EFS financing arrangements.

Interest support agreements have been concluded with the Federal Ministry of Finance and the Federal Economic Chamber (from 19 December 2008) for a dedicated portion of the credits with a fixed interest rate under which these two parties assume the interest rate risk.

Format of the balance sheet and income statement

To reinforce the importance of the volume of OeKB's Export Financing Scheme and based on § 43(2) BWG, the format of the balance sheet provides more detail than the format set out in Annex 2, in that items relating to the Export Financing Scheme are shown separately. The disclosures in the notes also differentiate between the own account and the Export Financing Scheme and are structured in the same order as the balance sheet.

The income statement provides a more detailed breakdown than specified in Annex 2 based on § 43(2) BWG. The items for net interest income in the income statement are complemented by the negative interest items.

Information on the measurement of the balance sheet items in the own account section of the balance sheet

- **Balances at central banks** are recognised at their nominal value.
- **Securities** are measured at cost (using the weighted average cost formula), applying conservative valuation at the lower of cost or market value (§ 206 of the Commercial Code). Write-ups are recognised when the reasons for the impairment no longer apply. Current income from securities funds is also realised when the entitlement to the underlying claim is essentially certain. In this case, the current income in the fund is also recognised through profit or loss by increasing the book value of the fund in the form of an increase in the cost of acquisition (above the original cost if applicable).
- **Loans and advances to banks, loans and advances to customers, and sundry assets** are recognised at their nominal value. Individual allowances for impairment losses are recognised for identified risks with borrowers.
- **Interests in investments and subsidiaries** are valued at cost less any impairment that is other than temporary. Write-ups are recognised when the reasons for the impairment no longer apply.
- **Intangible assets** (computer software and licences) are recognised on the balance sheet when they have been purchased. They are recognised at cost less scheduled depreciation and impairment charges. In accordance with the tax regulations, a full annual depreciation rate is applied when the asset is purchased in the first half of the year and half of the annual rate when the asset is purchased in the second half of the year. Internally produced intangible assets are recognised as expenses.
- **Property and equipment** (buildings, fixtures, fittings, and equipment, adaptation of rented space, hardware, and other equipment) are recognised at cost less scheduled straight-line depreciation. In accordance with the tax regulations, a full annual depreciation rate is applied when the asset is purchased in the first half of the year and half of the annual rate when the asset is purchased in the second half of the year. Low-value assets (cost up to € 400) are generally recognised in the expenses, are only capitalised in exceptional cases, and are written off entirely in the year of recognition.
- **Liabilities** are recognised at their settlement amount.
- **Provisions for current and future pension obligations and for termination benefits** are determined on the basis of generally accepted actuarial principles using the projected unit credit method in accordance with IAS 19. Actuarial gains and losses are recognised in profit or loss. The interest expenses relating to termination benefit and pension provisions and the effects of actuarial gains and losses are recognised in staff costs. The discount rate for termination benefit and pension provisions is derived from the interest rate on the reporting date as based on market interest rates of companies with high credit ratings. The calculation is based on the following:
  - A discount rate of 1.95% (2017: 1.80%) and a salary trend of 3.50% (2017: 2.75%),
  - A retirement age of 65 years for women and men (2017: 65 years), and
  - The computation tables by Pagler & Pagler (new mortality tables as of 2018).

Because the immediate allocation or release of the entire difference arising from the changed mortality table parameters (provision for termination benefits = expenses of € 1,647,909.00; pension provision = income of € 3,963,670.00; total income € 2,315,761.00) has no impact on a true and fair view of the asset, financial, and earnings position, the override regulation (Federal Law Gazette II No. 283/2018) is not being applied.

- Following the principle of prudence, the **other provisions** take into account all identifiable risks and uncertain liabilities in terms of amount or origin that exist on the reporting date in the amounts deemed necessary on the basis of prudence. Long-term provisions are discounted if the discount amount is material.
- **Foreign currency items** are valued at the mid-market exchange rates prevailing at the balance sheet date.
- **Deferred taxes** are formed according to the balance sheet-oriented concept and without discounts on the basis of the current corporate income tax rate of 25% pursuant to § 198(9) and (10) UGB. No deferred taxes on tax loss carryforwards are taken into account in this.

Information on the measurement of balance sheet items concerning the export financing (Export Financing Scheme)

- **Treasury bills, bonds and other fixed-income securities and equity shares and other variable income securities** held as current assets are generally measured using the lower of cost or market value. For the securities investments serving as a liquid assets portfolio for the Export Financing Scheme, interest rate swaps (in the form of asset swaps) were used to hedge the interest rate risk.
- **Loans and advances to banks, loans and advances to customers**, and **sundry assets** are recognised at their nominal value. Individual allowances for impairment losses are recognised for identified risks with borrowers.
- **Liabilities** and **debt securities in issue** are generally recognised at their settlement amount. The majority of the debt securities in issue are subject to guarantees pursuant to § 1(2)a and b AFFG. Derivative financial instruments were also entered into, to cover the interest rate and exchange rate risk.
- The **issue costs** are recognised immediately as expenses while **premiums and discounts for issued securities** are deferred and distributed over the term of the security.
- **Derivative financial instruments** that are in a hedging relationship according to the AFRAC opinion are recognised as a valuation unit, which means that their fair value is not recognised in the annual financial statements because the underlying transactions result in opposing payment flows on the income statement. Interest income and expenses are recognised as they are accrued during the period.
- The **EFS interest rate stabilisation provision** is part of the Export Financing Scheme that is based on the AFFG. This provision serves to support interest rates on export credits for which OeKB bears the interest rate risk and is also a provision for the interest rate risk from the refinancing of the Export Financing Scheme. OeKB was commissioned by the Federal Ministry of Finance to deposit the funds collected in this manner in a special account for sole use to support the Export Financing Scheme as needed. The financial authorities recognised the formation of a special interest rate adjustment account as a provision and as a deductible debt item (§ 64 Austrian Valuation Act) in a letter dated 7 May 1968.

  Any surplus from interest income (after deduction of OeKB's interest margin), from financing facilities not subject to interest support, and from the respective refinancing costs is allocated to the interest rate stabilisation provision. In the event of a deficit, this provision is used as intended to cover the shortfall.
- **Foreign currency items** are generally measured at the mid-market rate. Items are measured at the guaranteed exchange rate when the Republic of Austria has furnished an exchange rate guarantee pursuant to § 1(2)b AFFG.
- **Deferred taxes** are formed according to the balance sheet-oriented concept and without discounts on the basis of the current corporate income tax rate of 25% pursuant to § 198(9) and (10) UGB. Deferred taxes from export financing are recognised together with the deferred taxes in the own account section of the balance sheet.

Notes to the balance sheet

Own account

Assets	End of 2018 €	End of 2017 € thousand	Change € thousand	Change in %
Balances at central banks	306,041,185.31	400,652	-94,610	-23.6%
Treasury bills and similar securities eligible for rediscounting by the ECB	60,787,202.95	64,898	-4,111	-6.3%
Loans and advances to				
banks	96,724,622.81	36,915	59,809	162.0%
customers	3,843,948.30	3,924	-80	-2.0%
Bonds and other fixed-income securities	217,217,438.43	206,512	10,705	5.2%
Equity shares and other variable-income securities	259,861,565.99	186,708	73,154	39.2%
Interests in subsidiaries and other investments	57,257,283.79	66,919	-9,661	-14.4%
Property, equipment, and intangibles	13,280,543.37	16,246	-2,965	-18.3%
Other assets	24,161,772.43	26,021	-1,859	-7.1%
Deferred tax assets	83,434,760.81	106,816	-23,381	-21.9%
Own account	**1,122,610,324.19**	**1,115,610**	**7,000**	**0.6%**

Liabilities and equity	End of 2018 €	End of 2017 € thousand	Change € thousand	Change in %
Deposits from				
banks	197,275,067.59	280,204	-82,929	-29.6%
customers (other)	102,094,321.26	78,325	23,770	30.3%
Provisions	175,057,226.68	168,436	6,621	3.9%
Other liabilities	21,489,101.10	25,218	-3,729	-14.8%
Equity	626,694,607.56	563,428	63,267	11.2%
Of which profit available for distribution	*32,917,329.00*	*32,950*	*-33*	*-0.1%*
Own account	**1,122,610,324.19**	**1,115,610**	**7,000**	**0.6%**

Balances at central banks

Terms to maturity pursuant to § 64(1)4 BWG	2018 €	2017 € thousand
Repayable on demand	306,041,185.31	400,652
Total	**306,041,185.31**	**400,652**

Investment portfolio

	31 Dec 2018		31 Dec 2017	
€ (2017: € thousand)	Net book value	Fair value	Net book value	Fair value
Treasury bills and similar securities	60,787,202.95	62,432,611.55	64,898	66,966
Bonds and other fixed-income securities	217,217,438.43	219,611,508.51	206,512	209,055
Equity shares and other variable-income securities	259,861,565.99	259,861,565.99	186,708	269,618
Total	**537,866,207.37**	**541,905,686.05**	**458,118**	**545,639**

OeKB does not hold a trading portfolio and therefore has no trading book. The asset items contain no subordinated assets.

The equity shares and other variable-income securities consist primarily of a dividend-bearing and non-dividend-bearing investment fund. This investment fund meets all requirements for earnings recognition in the new AFRAC opinion no. 14 “Non-current and current financial assets” 7b, for which reason we post-capitalised the dividend-equivalent earnings in the financial year in a net amount of € 73,167,754.71, taking into account the decline to the calculated value published on the reporting date. This amount is contained in item 3 a) “Income from equity shares, other ownership interests, and variable-income securities” on the income statement. The dividend-equivalent earnings were not capitalised in the previous year for reasons of caution.

Of the securities held, securities in the amount of € 62,538,254.42 are maturing in 2019 (2017: € 38,399 thousand maturing in 2018).

As a disclosure under § 56(4) BWG, the difference between the fair value and cost of the securities that are admitted for public trading and that are held as current assets was € 3,124,047.29 (2017: € 5,235 thousand).

As a disclosure pursuant to § 64(1)10 and 11 BWG, the treasury bills and the bonds and other fixed-income securities are admitted for public trading and are listed. Equity shares and other variable-income securities in the amount of € 153,502.55 (2017: € 168 thousand) are admitted for public trading and are listed; unlisted securities total € 259,708,063.44 (2017: € 186,540 thousand). According to a decision of the Executive Board, all investments are to be treated as current securities.

The **loans and advances to banks** consist primarily of claims from money market business with subsidiaries.

Loans and advances to banks

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	6,724,622.81	6,915
Up to 3 months	90,000,000.00	30,000
Total	**96,724,622.81**	**36,915**

Loans and advances to customers

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	53,512.28	50
Up to 3 months	207,155.03	200
More than 3 months up to 1 year	321,700.18	336
More than 1 year up to 5 years	2,709,993.11	1,356
More than 5 years	551,587.70	1,983
Total	**3,843,948.30**	**3,924**

Companies wholly or partly owned by OeKB

Name and registered office	BWG category: Credit institution/ Other company	Type of investment: directly held	Type of investment: indirectly held	Shareholding in %	Financial information: Reporting date of latest annual accounts as at	Balance sheet total pursuant to the UGB € thousand	Equity pursuant to § 224(3) UGB, € thousand	Profit/ (loss) for the year, € thousand
Subsidiaries								
Oesterreichische Entwicklungsbank AG, Vienna	CI	x		100.00%	31 Dec 2018	835,663	40,235	6,761
OeKB CSD GmbH, Vienna	CI	x		100.00%	31 Dec 2018	30,734	27,865	5,623
OeKB Business Services GmbH, Vienna	OC	x		100.00%	31 Dec 2018	1,170	1,035	39
OeKB Zentraleuropa Holding GmbH, Vienna	OC	x		100.00%	31 Dec 2018	4,541	4,541	-
Associated companies								
OeKB EH Beteiligungs- und Management AG [1], Vienna	OC	x		51.00%	31 Dec 2018	92,636	92,561	9,104
Acredia Versicherung AG, Vienna	OC		x	51.00%	31 Dec 2018	151,468	91,760	11,512
Acredia Services GmbH, Vienna	OC		x	51.00%	31 Dec 2018	13,825	12,343	2,478
Acredia Services D.O.O., Belgrade	OC		x	51.00%	31 Dec 2018	536	533	13
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	x		50.00%	31 Dec 2018	46,550	12,494	782
Other interests								
AGCS Gas Clearing and Settlement AG, Vienna	OC	x		20.00%	31 Dec 2017	19,397	4,493	860
APCS Power Clearing and Settlement AG, Vienna	OC	x		17.00%	31 Dec 2017	26,433	3,858	789
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	x		18.50%	31 Dec 2017	4,089	2,811	2,011
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	x		12.60%	31 Dec 2017	444,022	5,991	501
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	x		8.06%	31 Dec 2017	6,159	2,638	220
CEESEG Aktiengesellschaft, Vienna	OC	x		6.60%	31 Dec 2017	378,550	372,627	29,383
Einlagensicherung AUSTRIA Ges.m.b.H., Vienna	OC	x		0.19%	31 Dec 2017	164	100	-
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	x		0.20%	31 Dec 2017	585	77	-

[1] Joint venture

No interests in investments other than subsidiaries and no interests in subsidiaries are listed on an exchange.

OeKB CSD GmbH applied for a licence from the FMA as a CSD pursuant to the CSD Regulation in September 2017. This application was approved during the reporting period. The restructuring plan for OeKB CSD GmbH submitted as part of this licensing application stipulates the option of a capital increase to as much as € 10,000,000.00 by OeKB by no later than 31 December 2019 after an assessment of the economic sustainability.

The 100% subsidiary "Österreichischer Exportfonds" GmbH that was reported in the equity holdings last year was merged with OeKB during the reporting period, and the 2% stake in "Garage Am Hof" GmbH was sold.

Non-current assets in 2018 - Cost

€	1 Jan 2018	Additions	Transfers	Disposals	31 Dec 2018
Non-current intangible assets	5,307,972.37	507,447.46	212,890.20	(43,426.80)	5,984,883.23
Assets under construction (intangible assets)	33,270.00	307,270.20	(212,890.20)	0.00	127,650.00
Non-current intangible assets	**5,341,242.37**	**814,717.66**	**0.00**	**(43,426.80)**	**6,112,533.23**
Fixtures, fittings, and equipment	87,129,936.65	1,210,258.18	440,431.34	(919,539.38)	87,861,086.79
Assets under construction (property and equipment)	0.00	440,431.34	(440,431.34)	0.00	0.00
Low-value assets	0.00	128,349.32	0.00	(128,349.32)	0.00
Property and equipment	**87,129,936.65**	**1,779,038.84**	**0.00**	**(1,047,888.70)**	**87,861,086.79**
Interests in investments other than subsidiaries	7,984,461.80	70.00	0.00	(4,360.37)	7,980,171.43
Interests in subsidiaries	58,934,282.58	0.00	0.00	(9,657,170.23)	49,277,112.35
Total	**159,389,923.40**	**2,593,826.50**	**0.00**	**(10,752,846.10)**	**151,230,903.80**

Non-current assets in 2018

	Accumulated depreciation and amortisation				Net book value	
€	1 Jan 2018	Additions	Disposals	31 Dec 2018	1 Jan 2018	31 Dec 2018
Non-current intangible assets	4,170,233.37	534,022.66	(17,370.80)	4,686,885.23	1,137,739.00	1,297,998.00
Assets under construction (intangible assets)	0.00	0.00	0.00	0.00	33,270.00	127,650.00
Non-current intangible assets	**4,170,233.37**	**534,022.66**	**(17,370.80)**	**4,686,885.23**	**1,171,009.00**	**1,425,648.00**
Fixtures, fittings, and equipment	72,054,919.76	4,867,926.69	(916,655.03)	76,006,191.42	15,075,016.89	11,854,895.37
Low-value assets	0.00	128,349.32	(128,349.32)	0.00	0.00	0.00
Property and equipment	**72,054,919.76**	**4,996,276.01**	**(1,045,004.35)**	**76,006,191.42**	**15,075,016.89**	**11,854,895.37**
Interests in investments other than subsidiaries	0.00	0.00	0.00	0.00	7,984,461.80	7,980,171.43
Interests in subsidiaries	0.00	0.00	0.00	0.00	58,934,282.57	49,277,112.35
Total	**76,225,153.13**	**5,530,298.67**	**(1,062,375.15)**	**80,693,076.65**	**83,164,770.26**	**70,537,827.15**

The property and equipment includes land and buildings in an amount of € 7,372,279.90 (2017: € 10,330 thousand), of which € 4,398,853.90 (2017: € 4,399 thousand) is land.

The item **“Other assets” – Other assets and prepayments and accrued income –** consists primarily of prepayments and accrued income and other receivables, including claims against subsidiaries. The increase compared with the previous year is largely the result of tax settlement with the financial authorities.

Other assets (other loans and advances)

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	21,780,911.50	23,823
Total	**21,780,911.50**	**23,823**

The **deferred tax assets** at the reporting date were formed for temporary differences between the values of the following items for tax purposes and under commercial law:

	31 Dec 2018	31 Dec 2017	Change
	€	€ thousand	€ thousand
Impairment losses pursuant to § 57 BWG	52,046,000.00	63,500	-13,011
Equity shares and other fixed-income securities	(53,315,824.43)	27,252	-80,568
Property and equipment	113,378.97	189	-76
Termination benefit provision	13,723,278.00	10,145	2,876
Pension provision	57,364,189.00	54,292	2,826
Other provisions	28,780,530.45	28,915	-192
Untaxed reserves	(3,125,220.27)	-3,475	-87
Total OeKB	**95,586,331.72**	**180,819**	**-88,232**
EFS interest rate stabilisation provision	238,152,711.57	246,444	-10,584
Total Export Financing Scheme	**238,152,711.57**	**246,444**	**-10,584**
Total differences	**333,739,043.29**	**427,263**	**-98,816**
Resulting deferred taxes	**83,434,760.82**	**106,816**	**-24,595**
Of which attributable to OeKB profit	*23,896,582.93*	*45,205*	*-21,949*
Of which attributable to the profit of the Export Financing Scheme	*59,538,177.89*	*61,611*	*-2,646*

The merger of Exportfonds increased the deferred tax assets of OeKB by € 640,547.71 and of the Export Financing Scheme by € 573,253.36. The deferred tax assets decreased by € 23,381 thousand from € 106,816 thousand to € 83,434,760.81 in the reporting period.

The tax income from the Export Financing Scheme (€ 2,645,984.11; 2017: tax income € 1,023 thousand) will be credited to the scheme and has no impact on the income statement of OeKB.

Deposits from banks

Terms to maturity pursuant to § 64(1)4 BWG	2018 €	2017 € thousand
Repayable on demand	189,100,196.72	189,628
Up to 3 months	8,174,870.87	90,576
Total	**197,275,067.59**	**280,204**

Deposits from customers

Terms to maturity pursuant to § 64(1)4 BWG	2018 €	2017 € thousand
Repayable on demand	102,094,321.26	78,325
Total	**102,094,321.26**	**78,325**

The increase in “**Other liabilities”** - consists primarily of **other liabilities and accruals and deferred items** - is related largely to payment transaction items that were settled at the beginning of the next year. The **other liabilities** consist primarily of payables to regional authorities, the payable to the Austrian Federal Economic Chamber from the purchase of the shares in “Österreichischer Exportfonds” GmbH, and trade payables. The item contains € 1,952,709.78 (2017: € 1,597 thousand) that relate to goods deliveries and rendered services.

Other liabilities

Terms to maturity pursuant to § 64(1)4 BWG	2018 €	2017 € thousand
Up to 3 months	13,412,988.07	17,660
Total	**13,412,988.07**	**17,660**

Other provisions

	31 Dec 2018 €	31 Dec 2017 € thousand
Legal consulting, tax consulting, and financial auditing	434,100.00	549
Performance-related compensation	5,682,020.30	4,819
Unused holiday and overtime credits	3,537,696.94	3,705
Other employee benefit provisions	1,565,117.01	2,814
Software projects	171,419.80	116
General business risks and IT projects	28,485,000.00	28,485
Other provisions	976,800.63	1,001
Other provisions	**40,852,154.68**	**41,489**

Equity disclosures

The share capital of € 130,000,000.00 (2017: € 130,000 thousand) is divided into 880,000 no-par value shares. These registered ordinary shares with restricted transferability are represented by global certificates registered in the name of each individual shareholder.

The capital reserves remained unchanged at € 3,347,629.63.

The retained earnings increased by € 61,167 thousand compared with the previous year to € 423,592,852.46 (2017: € 373,028 thousand). Following the merger with "Österreichischer Exportfonds" GmbH, the liability reserve pursuant to § 57(5) BWG was allocated in the amount of € 1,457,337.20, plus an additional allocation of € 675,662.80 (2017: zero) at the end of the year based on the higher requirement. This amounted to € 26,235,000.00 on the reporting date (2017: € 24,102 thousand).

Proposal on the distribution of profits

The following distribution of profits will be proposed to the Annual General Meeting:

	2018	2017
	€	€ thousand
Unallocated profit for the year	32,876,400.00	32,939
Profit brought forward from the previous year	40,929.00	11
Profit available for distribution	**32,917,329.00**	**32,950**
Use		
Disbursement of a dividend of € 22.75 per share on 880,000 no-par-value shares	20,020,000.00	20,020
Disbursement of a bonus of € 14.43 per share on 880,000 no-par-value shares	12,698,400.00	12,698
Payment of profit-based emoluments to the Supervisory Board	192,534.00	191
To be carried forward	6,395.00	41

Export finance section of the balance sheet

Assets	End of 2018 €	End of 2017 € thousand	Change € thousand	Change in %
Treasury bills and similar securities eligible for rediscounting by the ECB	1,500,125,435.32	1,491,014	9,111	0.6%
Loans and advances to				
banks (others)	19,824,214,483.24	17,595,014	2,229,201	12.7%
customers	186,620,225.29	215,856	-29,236	-13.5%
Bonds and other fixed-income securities	668,027,790.94	664,532	3,496	0.5%
Equity shares and other variable-income securities	78,365,695.69	7,245	71,121	981.7%
Prepayments and accrued income	24,598,261.34	21,046	3,552	16.9%
Export financing	**22,281,951,891.82**	**19,994,706**	**2,287,246**	**11.4%**
Liabilities and equity				
Deposits from				
banks	332,323,741.81	214,830	117,494	54.7%
customers	574,108,966.17	646,516	-72,407	-11.2%
Debt securities in issue	20,043,217,789.34	17,758,205	2,285,013	12.9%
Other liabilities	1,073,812.63	1,407	-333	-23.7%
Accruals and deferred income	140,464,023.95	141,531	-1,067	-0.8%
Provisions (EFS interest rate stabilisation provision)	1,190,763,557.92	1,232,218	-41,455	-3.4%
Export financing	**22,281,951,891.82**	**19,994,706**	**2,287,246**	**11.4%**

The asset items contain no subordinated assets.

Liquidity portfolio of the Export Financing Scheme

€ (2017: € thousand)	31 December 2018 Net book value	31 December 2018 Fair value	31 December 2017 Net book value	31 December 2017 Fair value
Treasury bills and similar securities	1,500,125,435.32	1,517,853,310.32	1,491,014	1,522,649
Bonds and other fixed-income securities	668,027,790.94	678,682,506.84	664,532	684,603
Equity shares and other variable-income securities	78,365,695.69	78,365,695.69	7,245	7,245
Total	**2,246,518,921.95**	**2,274,901,512.85**	**2,162,791**	**2,214,497**

Of the securities held, an amount of € 233,221,250.00 is maturing in 2019 (2017: no maturing in 2018).

As a disclosure pursuant to § 56(4) BWG, the difference between the acquisition cost and the higher fair value at the reporting date for the securities that are admitted for public trading and that are held as current assets was € 27,791,740.90 (2017: € 51,480 thousand).

As a disclosure on the individual security categories pursuant to § 64(1)10 and 11 BWG, the treasury bills, the bonds and other fixed-income securities and the equity shares and other variable-income securities are admitted for public trading and listed.

Roughly 4,850 loans (2017: roughly 2,650 loans) with a volume of € 20,010,834,708.53 (2017: € 17,810,870 thousand) were serviced under the Export Financing Scheme.

Loans and advances to banks consist primarily of loans for which guarantees have been issued by the Republic of Austria pursuant to the AusfFG.

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	172,806,054.52	168,103
Up to 3 months	417,900,078.49	499,204
More than 3 months up to 1 year	6,327,827,442.31	5,959,487
More than 1 year up to 5 years	8,561,777,141.14	7,230,286
More than 5 years	4,343,903,766.78	3,737,934
Total	**19,824,214,483.24**	**17,595,014**

Loans and advances to customers consist primarily of restructuring loans to public agencies for which guarantees have been issued by the Republic of Austria pursuant to the AusfFG.

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	1,702,536.14	1,539
Up to 3 months	3,032,466.14	3,202
More than 3 months up to 1 year	30,267,899.06	27,586
More than 1 year up to 5 years	89,142,786.63	32,081
More than 5 years	62,474,537.32	151,449
Total	**186,620,225.29**	**215,856**

The **equity shares and other variable-income securities** include an investment fund for USD liquidity management. This fund invests solely in highly liquid American government bonds. Investments and redemptions can be made in this fund daily without issue premiums.

The **deferred items and accruals** consist primarily of up-front payments on derivative financial instruments and the issue discount on debt securities in issue.

Deposits from banks consist of collateral agreements (without AFFG guarantees). Collateral agreements are concluded to compensate for fluctuations in the value of arising credit exposures.

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	332,323,741.81	214,830
Total	**332,323,741.81**	**214,830**

The increase is the result of the gradual switch to a central settlement facility (LCH – London Clearing House) for the clearing of derivative financial instruments.

Deposits from customers consist primarily of the cash account maintained at OeKB for the Republic of Austria in connection with § 7 AusfFG (see also General information - Legal basis for the export guarantee and for the Export Financing Scheme).

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	646,259,892.13	618,519
More than 1 year up to 5 years	27,849,074.04	27,997
Total	**674,108,966.17**	**646,516**

The **debt securities in issue** rose by € 2,285,013 thousand to € 20,043,217,789.34 (2017: € 17,758,205 thousand). Of the settlement amount, € 4,354,734,375.35 (2017: € 3,768,255 thousand) was placed in guarantees pursuant to § 1(2b) AFFG.

Within the balance sheet item debt securities in issue, the following principal amounts are due in the coming year:

	Due in 2019	Due in 2018
	€	€ thousand
Bonds issued	3,169,799,181.58	2,564,364
Other debt securities in issue	3,592,546,324.16	3,031,250
Total	**6,762,345,505.74**	**5,595,614**

Loans and advances to banks in the amount of € 7,610,802,672.02 (2017: € 6,076,190 thousand) are pledged as collateral for debt securities in issue pursuant to § 64(1)8 BWG. These covered bank bonds serve solely as collateral for raising liquidity through the ECB and OeNB and came to a nominal value of € 6,000,000,000.00 at 31 December 2018 (2017: € 4,600,000 thousand). These bonds are not intended for sale to third parties and are not shown as assets or liabilities on the balance sheet for this reason. An amount of € 1,000,000,000.00 from these covered bank bonds was repaid early on 18 January 2019.

The item "**Other liabilities**" consists primarily of offsetting items related to the CIRR support agreements with the Austrian Federal Economic Chamber and the Federal Ministry of Finance and offsetting items from restructuring loans. In the previous year, the item consisted primarily of the measurement of derivative financial instruments.

	2018	2017
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	1,073,812.63	1,407
Total	**1,073,812.63**	**1,407**

The **deferred items and accruals** consist primarily of up-front payments on fixed-income securities (liquid assets portfolio) and issue premiums and up-front payments on debt securities in issue.

Change in the EFS interest rate stabilisation provision

	2018	2017
	€	€ thousand
As at 1 January	1,232,218,172.83	1,252,679
Merger of Exportfonds	11,465,067.20	-
Allocation	0.00	1,486
Use	(52,919,682.11)	(21,947)
As at 31 December	**1,190,763,557.92**	**1,232,218**

Allocations are made to, and funds used from the EFS interest rate stabilisation provision in accordance with the guidelines on a quarterly basis. In the reporting period, breakage costs of € 9,991,950.43 (2017: € 8,151 thousand) were charged in the Export Financing Scheme in connection with early loan repayments and increased the EFS interest rate stabilisation provision accordingly.

The transactions overseen by **OeKB as trustee** represent neither financial nor legal exposure for the Bank. They are recognised on the balance sheet in the following items:

Fiduciary assets and liabilities

	31 Dec 2018	31 Dec 2017
	€	€ thousand
Fiduciary assets		
Loans and advances to banks	4,315,902.16	5,575
Fiduciary liabilities		
Deposits from customers with agreed maturity or notice period	4,315,902.16	5,575

These fiduciary transactions are soft loan financing (preferential loans with an interest rate below market level) for selected countries and projects, as well as start-up loans. Soft loan financing is used in accordance with the Federal Ministry of Finance's Austrian soft loan policy for supporting the competitiveness of Austria's export industry on the international market. The loans are refinanced through a co-financing agreement with the World Bank and with resources from the ERP Fund and Austrian Federal Economic Chamber.

Derivative financial instruments

In accordance with the OeKB strategy, derivative financial instruments are used to hedge payment flows and to thereby reduce the interest rate and currency risk of the Export Financing Scheme to the level defined in the risk strategy.

OeKB uses interest rate swaps and currency swaps to individually hedge future payment flows or the market risk (interest rate and foreign currency risk) from balance sheet assets (treasury bills, loans and advances to banks, and bonds and other fixed-income securities) and liabilities (debt securities in issue).

	2018		2017	
Notional amount in € (2017: € thousand)	Fair values positive	Fair values negative	Fair values positive	Fair values negative
Interest rate swaps	185,092,787.46	288,898,354.29	133,374	268,228
Currency swaps	412,754,232.51	149,833,721.60	400,383	287,105
Total	**597,847,019.97**	**438,732,075.89**	**533,757**	**555,333**

The reported fair values are present values (fair value determined by discounting the contractually agreed payment flows with the current yield curve including accrued interest) and in the event of negative fair values represent the losses from derivative financial instruments in a hedging relationship that is not reported on the balance sheet. The positive and negative fair values of derivative financial instruments used to hedge payment flows were not recorded with their gains and losses at the start of the year because these payment flows are almost certainly offset by payment flows recognised in the income statement for the underlying transactions. As at 31 December 2018, the hedging period extends into 2030.

The effectiveness is measured by means of critical terms matching (the identity of the parameters of the respective underlying transaction and hedging instruments) both prospectively and retrospectively.

	2018	2017
	€	€ thousand
Collateral pledged	108,480,000.00	137,750
Collateral received	297,030,000.00	214,830

No collateral is provided through pledging in the form of financial instruments (such as securities).

Early termination of an effective hedge relationship

No effective hedging relationships were terminated early during the financial year.

Notes to the income statement

Condensed income statement

	2018	2017	Change	
	€	€ thousand	€ thousand	in %
Net interest income and income from securities and investments	143,493,677.62	67,948	75,546	111.2%
Net fee and commission income	26,004,598.57	25,419	586	2.3%
Financial operations and other operating income	18,192,956.17	19,386	-1,193	-6.2%
Operating income	**187,691,232.36**	**112,753**	**74,939**	**66.5%**
Staff costs including social security and pension costs	56,369,839.17	44,868	11,502	25.6%
Other administrative expenses	17,811,437.75	17,699	113	0.6%
Impairment losses on property and equipment and intangible assets	5,530,298.67	5,145	385	7.5%
Other operating expenses	2,691,846.98	2,676	16	0.6%
Operating expenses	**82,403,422.57**	**70,388**	**12,016**	**17.1%**
Operating profit	**105,287,809.79**	**42,365**	**62,923**	**148.5%**
Net gain on the measurement of current loans and advances, and securities	13,125,692.34	13,044	81	0.6%
Profit from the sale of investments	753,639.63	-	754	100.0%
Profit before tax	**119,167,141.76**	**55,409**	**63,758**	**115.1%**
Merger gain	3,123,641.18	-	3,124	100.0%
Income tax	(27,572,001.66)	(11,455)	-16,117	-140.7%
Profit for the year	**94,718,781.28**	**43,954**	**50,765**	**115.5%**
Transfer to reserves	(61,842,381.28)	(11,015)	-50,827	-461.4%
Unallocated profit for the year	**32,876,400.00**	**32,939**	**-63**	**-0.2%**
Profit brought forward from the previous year	40,929.00	11	30	278.4%
Profit available for distribution	**32,917,329.00**	**32,950**	**-33**	**-0.1%**

The **net interest income** results primarily from the fixed interest margin of OeKB from the management of the Export Financing Scheme and the interest income from the investments in the Bank‘s own account. Net interest income rose by € 3,242 thousand to € 56,740,552.13. The net interest income includes one-off effects for OeKB’s share of the breakage costs for early loan repayments in the Export Financing Scheme in the amount of € 1,605,900.03 (2017: € 5,773 thousand).

The fees paid by OeKB to the Federal Ministry of Finance for guarantees pursuant to § 1(2) AFFG (2018: € 94,926,638.78; 2017: € 90,339 thousand) are directly related to the refinancing costs of the EFS. For this reason, the guarantee fees are shown under interest and similar expenses on the income statement.

The losses and budget underruns from negative interest reported separately in the income statement pertain mostly to the activities under the Export Financing Scheme. The negative interest from credit operations is the result of the terms of the Export Financing Scheme less the OeKB interest margin. The negative interest from securities transactions pertains to the EFS liquid assets portfolio. This portfolio consists of fixed-income securities that are hedged with derivative financial instruments to protect against market risks. Thanks to the very good rating of OeKB and the issued debt securities that are guaranteed by the Republic of Austria, the Export Financing Scheme benefits from budget underruns from negative interest in the refinancing transactions through the employment of derivative financial instruments for hedging purposes.

The **income from equity shares, other ownership interests, and variable-income securities** contains post-capitalised dividend-equivalent earnings in the amount of € 73,167,754.71 (2017: zero). It also contains current income from dividends in the amount of € 2,502,991.58 (2017: € 2,503 thousand).

The **income from unconsolidated investments** comprises dividends and profit disbursements from the interests in investments other than subsidiaries. The decrease in annual comparison is primarily the result of a lower dividend from CEESEG Aktiengesellschaft.

The **dividends from subsidiaries** fell from € 9,163 thousand to € 8,855,200.00. The decline is largely the result of a lower dividend from OeKB EH Beteiligungs- und Management AG in annual comparison.

The **fee and commission income** increased by € 881 thousand to € 29,047,788.80 (2016: € 28,167 thousand). The following table shows the changes in fee and commission income in the individual segments. The **fee and commission expenses** rose by € 295 thousand to € 3,043,190.23.

Fee and commission income

	31 Dec 2018	31 Dec 2017
	€	€ thousand
Credit operations	2,485,769.88	2,747
Securities services	10,714,737.99	10,058
Guarantees	12,477,412.45	11,055
Energy clearing	2,450,788.22	2,688
Other services	919,080.26	1,618
Total	**29,047,788.80**	**28,167**

The **other operating income** consists largely of the billing of services, the staff costs passed on for assigned personnel, the letting of business premises, and input tax adjustments for previous years. The decrease to € 18,539,475.92 (2017: € 19,425 thousand) is mostly the result of lower income from service agreements with subsidiaries.

The **staff costs** increased by € 11,502 thousand from € 44,868 thousand to € 56,369,839.17. This increase is due largely to the staff assumed under the merger with Exportfonds and the allocation of employee benefit provisions. The **new mortality tables** were applied to the employee benefit provisions during the reporting period. The one-off effect from the application of the new mortality tables caused earnings of € 3,963,670.00 in the item “Additions to pension provisions” and expenses of € 1,647,909.00 in the item “Expenses for termination benefits and contributions to termination benefit funds”. The **discount rate** for the calculation of the employee benefit provisions was also increased from 1.80% to 1.95% in the reporting period. We also increased the sustainable salary trend for calculating the employee benefit provisions from 2.75% to 3.50% on the basis of the inflation trend and the results of the last collective wage and salary negotiations.

The disclosure of expenses for the financial auditor in the **other administrative expenses** is being omitted here and can be found in the consolidated financial statements of OeKB Group.

The **other operating expenses** in the amount of € 2,691,846.98 (2017: € 2,676 thousand) consist primarily of expenses for the sub-leasing of business premises and for the stability tax.

The **net gain on the measurement of current loans and advances and securities** increased to € 13,125,692.34 (2017: € 13,044 thousand).

Income tax

	31 Dec 2018	31 Dec 2017
	€	€ thousand
Corporate income tax for financial years	5,576,402.23	6,916
Corporate income tax for previous years	46,917.65	101
Change in deferred tax assets	21,948,681.78	4,439
Income tax	**27,572,001.66**	**11,455**

The **return on assets** (profit for the year/total assets) of OeKB came to 0.40% for 2018 (2017: 0.21%).

Supplementary disclosures

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

Non-current liabilities 2018

€	2019	2019-2023
Rent	1,201,666.24	5,925,233.44
Leasing	291,072.93	378,177.94
Total	**1,492,739.17**	**6,303,411.38**

Non-current liabilities 2017

€	2018	2018-2022
Rent	1,211,875.64	6,060,478.20
Leasing	317,350.45	1,587,752.25
Total	**1,529,226.09**	**7,648,230.45**

No material obligations are associated with the use of property and equipment not reported on the balance sheet under rental or leasing agreements.

Other off-balance-sheet transactions

The off-balance sheet credit risks of € 3,302,864,680.95 shown as memo items relate to undrawn credit facilities and commitments to lend, most of which are related to the Export Financing Scheme (2017: € 3,075,769 thousand).

Assets and liabilities denominated in foreign currency

The balance sheet contained foreign currency-denominated items in the following equivalent euro amounts, largely related to export financing:

- Assets: € 1,948,670,494.94 (2017: € 1,572,028 thousand)
- Liabilities: € 17,481,381,517.47 (2017: € 15,983,904 thousand).

Related-party transactions

As a specialised institution for export services and capital market services, OeKB engages in many transactions with its shareholders. All of these transactions are conducted at arm's length terms.

Related-party transactions with shareholders of OeKB

	31 Dec 2018	31 Dec 2017
	€	€ thousand
Own account		
Loans and advances to banks	3,043,513.71	3,211
Bonds and other fixed-income securities	18,431,940.00	25,384
Deposits from banks	35,261,335.80	54,786
Export financing		
Loans and advances to banks	13,414,687,243.96	11,635,551

Loans and advances to and deposits from subsidiaries and other investments

Loans, advances, and deposits

	Subsidiaries		Other interests	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	€	€ thousand	€	€ thousand
Own account				
Loans and advances to banks	0.00	30,000	0.00	-
Deposits from banks	101,871,827.30	90,292	0.00	-
Deposits from customers	32,142,592.86	34,175	17,875,126.31	11,670
Export financing				
Loans and advances to banks	708,448,934.35	1,702,006	0.00	-

Due to the merger of Exportfonds, the contribution from subsidiaries to the item "Loans and advances to banks" (own account and the Export Financing Scheme) is zero.

Staff costs

	2018	2017
Average number of employees pursuant to the UGB	355	343

	€	€ thousand
Staff costs in items dd, ee and ff of the income statement		
Executive Board members (including former members or their surviving dependants)	6,779,739.64	290
Senior managers	(1,217,883.64)	2,513
Other employees	7,739,990.43	2,016
Total	**13,301,846.43**	**4,819**
Contributions to pension funds (included in "Expenses for retirement and other post-employment benefits")	890,119.07	844
Contributions to termination benefit funds (included in "Expenses for termination benefits and contributions to termination benefit funds")	217,764.29	173
Aggregate compensation paid to officers		
Executive Board members: Not disclosed pursuant to § 241(4) UGB	Not disclosed	Not disclosed
Supervisory Board members	192,534.00	191
Former members of the Executive Board or their surviving dependants	1,790,904.98	1,197

The change in the staff costs shown in the table results mainly from the valuation of long-term employee benefit provisions. The figure for the reporting period was impacted significantly by the increase in the salary trend from 2.75% to 3.50%. The change for senior managers is largely the result of the changed disability risk (pension provisions) due to the application of the new mortality tables.

The expenses for retirement benefits pertain to defined-benefit commitments in the amount of € 12,193,663.07 (2017: € 3,802 thousand) and defined-contribution commitments in the amount of € 1,107,883.36 (2017: € 1,018 thousand).

There were no transactions with key management personnel.

Action for damages

The Bank was aware of no legal action for damages at the reporting date.

Events after the balance sheet date

OeKB intends to purchase 68.75% of the shares in Österreichische Hotel- und Tourismusbank GmbH (ÖHT) from the current 50% shareholder UniCredit Bank Austria AG (UCBA) and the 18.75% shareholder Erste Bank der österreichischen Sparkassen AG (EBOe).

ÖHT is a special-purpose bank for financing and promoting investments in tourism. The registered office of this company is in the first district of Vienna. It boasts extensive sector expertise, having played a key role in the growth of the Austrian leisure industry as a financing and promotion institution. In addition to financing with low-interest facilities, ÖHT also offers its customers advice, especially in the areas of investment and financing. In addition to investment financing, it also offers advance financing for export receivables. Because of its business model, ÖHT is only subject to a limited number of the provisions of the Federal Banking Act pursuant to § 3(1)11 BWG, and is exempt from Regulation (EU) No. 575/2013 (CRR).

OeKB wishes to conclude a transfer agreement with the potential sellers that results in the acquisition of the shares by ÖHT as of the closing date. The agreement is to be subject to official approval and the submission of the annual financial statements as at 31 December 2018 with an approved and unqualified audit certificate. We expect the deal to close in the second quarter of 2019. On the closing date (time of purchase), OeKB AG is to assume 50% of the shares from UCBA and 18.75% of the shares from EBOe, thus becoming the majority shareholder of ÖHT.

OeKB is seeking to expand the Group's strategic orientation as a central funding agent with the planned transaction, and will be able to leverage internal synergies by allowing ÖHT to profit from the technical and structural advantages of OeKB Group. ÖHT prepares its annual financial statements according to the UGB and BWG. It only finances Austrian SMEs in the tourism industry in an amount of around € 962 million (as at 31 December 2017). ÖHT has also handled ERP loans and small ERP loans with a total volume of roughly € 424 million (as at 31 December 2017) in a fiduciary capacity. The refinancing for ÖHT is obtained primarily from Austrian banks. As at 31 December 2017, ÖHT had total assets of around € 980 million and equity in the amount of roughly € 32.6 million. The company generated net interest income of some € 4.3 million and net fee and commission income of € 2.7 million in the 2017 financial year. It also posted an other operational profit of € 1.2 million from the processing of the funding programmes as an agent of the federal and provincial governments. The general administrative expenses including write-downs came to around € 4.1 million. The operating profit and profit on ordinary business activities amounted to roughly € 4.1 million. After taxes, ÖHT achieved an annual profit of € 2.6 million as at 31 December 2017. Comparable results are expected for the 2018 financial year.

Additional disclosures pursuant to the BWG

Regulatory capital pursuant to the CRR

According to § 3(1)7 BWG, Regulation (EU) No. 575/2013 and § 39(3) and (4) BWG do not apply to business of OeKB related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. Under § 3(2)1 BWG, the following legal provisions also do not apply: Part 6 of Regulation (EU) No. 575/2013 and §§ 27a, 39(2b)7 in conjunction with 39(4), 39(3), and 74(6)3a in conjunction with 74(1) BWG.

Minimum regulatory capital requirements pursuant to Article 92 of Regulation (EU) No. 575/2013

	2018	2017
	€	€ thousand
Total risk-weighted assets	**829,696,490.25**	**772,718**
Minimum regulatory capital requirement for credit risk (8% of the total risk-weighted assets)	40,182,119.87	39,078
Minimum regulatory capital requirement for foreign exchange risk	5,209,868.66	5,417
Minimum regulatory capital requirement for operational risk (Basic Indicator Approach)	20,983,730.69	17,322
Risk-weighted item amounts	**66,375,719.22**	**61,817**
Available regulatory capital pursuant to Part 2 CRR		
Paid-up capital instruments	130,000,000.00	130,000
Retained earnings and reserves	463,777,278.56	400,478
Less transfer to retained earnings [1]	(61,166,718.48)	(11,015)
Other intangible assets	(1,425,648.00)	(1,171)
Common equity tier 1 (CET 1)	**531,184,912.08**	**518,292**
Tier 2 capital (reserve for general banking risks pursuant to § 57 BWG), weighted at 40% (2017: 50%) of the 2013 basis [2]	52,046,000.00	63,500
Tier 2 capital (T2)	**52,046,000.00**	**63,500**
Total regulatory capital resources	**583,230,912.08**	**581,792**
Surplus regulatory capital	516,855,192.86	519,974

[1] Pursuant to Article 26(2) CRR, earnings for the year are included in common equity tier 1 only after the official adoption of the final annual financial results.

[2] Pursuant to Article 486(4) of Regulation (EU) No. 575/2013 in conjunction with § 20 CRR Supplementary Regulation.

This results in the following ratios pursuant to Art. 92(1) lit. a to c of Regulation (EU) No. 575/2013 at the reporting date, which are compared with the minimum ratios for the credit institution:

Minimum ratios pursuant to Article 92 of Regulation (EU) No. 575/2013

	2018		2017	
In %	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	6.377	64.02	5.752	67.07
Tier 1 ratio	7.877	64.02	7.252	67.07
Total capital ratio	9.877	70.29	9.252	75.29

The net debt ratio (tier 1 capital/risk-weighted assets pursuant to Art. 429 of Regulation [EU] No. 575/2013) was 52.77% in 2018 (2017: 48.67%).

Calculation of the actual ratio

$$\text{Core tier 1 ratio} = \frac{\text{Common equity tier 1 capital pursuant to Part 2 CRR * 100}}{\text{Aggregate risk amount purs. to Art. 92 CRR}}$$

$$\text{Tier 1 ratio} = \frac{\text{Tier 1 capital pursuant to Part 2 CRR * 100}}{\text{Aggregate risk amount purs. to Art. 92 CRR}}$$

$$\text{Total capital ratio} = \frac{\text{Total regulatory capital resources purs. to Part 2 CRR * 100}}{\text{Aggregate risk amount purs. to Art. 92 CRR}}$$

Minimum ratio for OeKB

In %	2018	2017
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013	4.500	4.500
Capital conservation buffer pursuant to § 23 BWG in conjunction with § 103q line 11 BWG	1.875	1.250
Anti-cyclical capital buffer pursuant to § 23a BWG in conjunction with § 103q line 11 BWG	0.002	0.002
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including combined capital buffer requirements	6.377	5.752
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including combined capital buffer requirements	7.877	7.252
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including combined capital buffer requirements	9.877	9.252

The required ratios at the reporting date result from Art. 92(1) of Regulation (EU) No. 575/2013, the additional capital buffer requirements of the BWG, and the capital buffer regulation of the FMA.

Board members and officials

Members of the Executive Board

	Term of office	
Name	from	to
Helmut Bernkopf	1 Aug 2016	31 Jul 2023
Angelika Sommer-Hemetsberger	1 Jan 2014	31 Dec 2023

Members of the Supervisory Board

		Term of office	
Position	Name	from	to
Chairman (since 17 Dec 2018)	Robert Zadrazil	19 May 2009	AGM 2021
First Vice Chairman	Walter Rothensteiner	2 Aug 1995	AGM 2021
Second Vice Chairman	Stefan Dörfler	18 May 2017	AGM 2022
Member	Rainer Borns	29 May 2018	AGM 2019
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Reinhard Karl	29 May 2018	AGM 2019
Member	Peter Lennkh	18 May 2017	AGM 2022
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Jozef Sikela	12 May 2015	AGM 2020
Member	Herta Stockbauer	21 May 2014	AGM 2019
Member	Herbert Tempsch	29 May 2013	AGM 2023
Member	Susanne Wendler	18 May 2017	AGM 2022
Member	Robert Wieselmayer	19 May 2016	AGM 2021
Member	Franz Zwickl	20 May 1999	AGM 2021
Member	Harald Brückl	18 May 2017	29 May 2018
Member	Claudia Höller	18 May 2017	29 May 2018
Chairman	Erich Hampel	1 Jan 2010	17 Dec 2018

AGM = Annual General Meeting

Employee representatives

		Term of office	
Position	Name	from	to
Chairman of the Staff Council	Martin Krull	14 Mar 2002	13 Mar 2023
Vice Chairwoman	Erna Scheriau	1 Apr 2001	13 Mar 2023
Member	Elisabeth Halys	1 Jul 2013	13 Mar 2023
Member	Ulrike Ritthaler	14 Mar 2014	13 Mar 2023
Member	Christoph Seper	14 Mar 2014	13 Mar 2023
Member	Markus Tichy	1 Jul 2011	13 Mar 2023
Member	Alexandra Griebl	14 Mar 2010	13 Mar 2018

Audit Committee

Position	Name
Chairman	Walther Rothensteiner
Member (since 17 Dec 2018)	Robert Zadrazil
Member	Martin Krull
Member (until 17 Dec 2018)	Erich Hampel

Risk Committee

Position	Name
Chairwoman (since 17 Dec 2018)	Herta Stockbauer
Member (since 17 Dec 2018)	Robert Zadrazil
Member (since 17 Dec 2018)	Erna Scheriau
Chairman (until 17 Dec 2018)	Walther Rothensteiner
Member (until 17 Dec 2018)	Erich Hampel
Member (until 17 Dec 2018)	Martin Krull

Working Committee

Position	Name
Chairman (since 17 Dec 2018)	Robert Zadrazil
Member	Walther Rothensteiner
Member	Martin Krull
Chairman (until 17 Dec 2018)	Erich Hampel

Nomination Committee

Position	Name
Chairman (since 17 Dec 2018)	Robert Zadrazil
Member	Walther Rothensteiner
Member	Martin Krull
Chairman (until 17 Dec 2018)	Erich Hampel

Compensation Committee

Position	Name
Chairman (since 17 Dec 2018)	Robert Zadrazil
Member	Walther Rothensteiner
Member	Stefan Dörfler
Member	Martin Krull
Member	Erna Scheriau
Chairman (until 17 Dec 2018)	Erich Hampel

Government commissioners

under § 76 of the Austrian Banking Act

Position	Name	Term of office since
Commissioner	Harald Waiglein	1 Jul 2012
Deputy Commissioner	Johann Kinast	1 Mar 2006

The above government commissioners are also representatives of the Austrian Minister of Finance under § 6 of the Export Financing Guarantees Act.

Government commissioners

under § 27 of the Articles of Association (supervision of bond cover pool)

Position	Name	Term of office since
Commissioner	Beate Schaffer	1 Nov 2013
Deputy Commissioner	Karl Flatz	1 Dec 2017

Vienna, 4 March 2019
Oesterreichische Kontrollbank Aktiengesellschaft
Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Oesterreichische Kontrollbank AG,
Vienna, Austria,

which comprise the Balance Sheet as of 31 December 2018, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

Loans and advances to banks and to customers of the Export Financing Scheme

Refer to Note 1 General Information.

Risk for the Financial Statements

As of 31 December 2018 loans and advances to banks and to customers of the Export Financing Scheme (EFS) amount to 20.011 Mio EUR, or 85.5 % of total assets.

The OeKB Export Financing Scheme is to fund export credits extended by Austrian and foreign banks participating in the scheme (with OeKB refinancing bank lending to the customer) preconditioned the Austrian and foreign banks comply with the credit rating criteria of OeKB ("house bank status") and above all the legal requirements for assuming liability by the Republic of Austria in terms of the transactions as well as the requirements for administration and processing (collateral management) are fulfilled.

Essential criteria for recognition and valuation of loans and advances to banks and to customers of the EFS is consequently the verifcation of legal as well as contractual criteria by OeKB's management. Therefore management established processes and internal controls heavily dependent on complex IT systems. Failures increase administration risk and can also impact valuation of loans and advances to banks and to customers of the EFS within the financial statements of OeKB.

Our Response

We analyzed the processes in the respective operating departments verifying the existance of the legal and contractual requirements in order to ensure the adequate valuation of loans and advances to banks and to customers of the EFS within the financial statements of OeKB. Furthermore we analyzed the relevant processes, key automated and manual controls within these processes in the respective operating departments. In assessing and testing of "design & implementation" as well as "operating effectiveness" of the directors' key controls in areas relevant for the audit of the financial statements. We have focused on the following key controls: (1) Implementation and compliance of key manual controls with legal requirements for assuming liability by the Republic of Austria in terms of the transactions as well as the requirements for administration and processing are fulfilled; (2) Automatic adjustment of the amount of the loan with the deposited liability; (3) General IT controls for SAP, especially access protection, change management.

Responsibilities of Management and Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 18 May 2017, we were elected as auditors. We were appointed by the supervisory board on 6 June 2017. We have been the Company's auditors from the year ended 31 December 1993, without interruption.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr. Mag. Wilhelm Kovsca.

Vienna, 4 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by:

MAG. WILHELM KOVSCA

Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The financial statements together with our auditor's opinion may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Publication information

This report is a translation of the German original and is provided solely for readers' convenience.
In the event of discrepancies or dispute, only the German version of the report shall be deemed definitive.

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Parallel to the online OeKB Group Integrated Report, OeKB Group also publishes a special edition of its Stakeholder Magazine, Relevant Annual, which provides the most important figures, data and facts on the business success and services of OeKB Group.

The reports are published on the internet in German and English.

Information in this report was current as at 4 March 2019.

OeKB GROUP

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