

ANNUAL FINANCIAL

REPORT 2019



CeKB 

**To help
business grow**

Contents

OeKB Group consolidated financial statements	3
Group management report 2019	3
OeKB Group 2019 consolidated financial statements	15
Notes to the consolidated financial statements of OeKB Group	21
Auditor's Report	114
Supervisory Board report	119
Statement by the Executive Board	120
Annual financial statements	121
Management report 2019	121
Oesterreichische Kontrollbank AG – Financial statements 2019	135
Oesterreichische Kontrollbank AG – Notes	139
Auditor's Report	165
Publication information	169

Totals may not add up due to rounding.

- indicates zero. 0 means the amount is smaller than half of the stated unit.

OeKB Group consolidated financial statements

Group management report 2019

Economic environment in 2019

The global economy saw a degree of cooling in 2019. According to the most recent estimate of the International Monetary Fund (IMF), global growth came to 3.0% (2018: 3.7%), marking the lowest level since the financial crisis in 2008/09. The USA remained a source of comparatively positive impetus (+2.4%; 2018: +2.9%) while the Eurozone economy decelerated noticeably (+1.2%; 2018: +2.0%). International trade also contracted in 2019. While the World Trade Organization (WTO) had projected growth of 2.6% (2018: +4.4%) at the beginning of the year, its most recent estimate was 1.2% (2018: 3.9%). This was primarily due to the simmering trade war between the USA and China, with growing geopolitical tensions also fuelling the uncertainty.

Mixed sentiment in the emerging and frontier markets

The emerging and frontier markets were on a solid growth path overall during the reporting period. According to IMF estimates, growth came to 3.9% (2018: 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 4.8% (2018: 5.3%). The BRIC countries posted somewhat poorer performance than in the previous year. While economic output in Brazil and Russia only expanded by 1%, growth in the still very dynamic Chinese and Indian economies fell to 6.1% in both countries. Even though the risk of capital outflows from the emerging markets remains, especially from crisis-plagued countries such as Argentina and Turkey, economic researchers expect general economic stabilisation in 2020.

Central, Eastern, and Southeastern Europe still on a positive course

Despite the overall high level of dependency on exports, the economy in Central, Eastern, and Southeastern Europe was very robust in 2019 according to the Vienna Institute for International Economic Studies (wiiw). This growth is being driven on the one hand by strong domestic demand on the back of wage increases, and on the other by extensive public investments. In direct country comparison, Poland (+4.4%; 2018: +5.0%), Hungary (+4.3%; 2018: +4.3%), and Romania (+4.2%; 2018: +4.1%) stood out with good economic growth during the reporting period. GDP growth in Czechia and Slovakia failed to reach the 3% mark because of the dependency of these economies on German industrial production, which was flagging.

Austrian economy expanding moderately

The domestic economy was also affected by the international economic slowdown. The most recent forecast of the Austrian Institute of Economic Research (WIFO) points to GDP growth of 1.7% (2018: 2.7%). Especially the growth of goods production and exports declined compared with the previous year. By contrast, household consumption grew disproportionately thanks to the improved conditions on the labour market. Financing activity also accelerated, in

particular on the Austrian market for corporate bonds where the issued volume came to € 14.6 billion, clearly outpacing the € 7.8 billion registered in 2018. Austrian government bonds continued to benefit from the country's reputation as a safe haven for investors.

Business development in 2019

The strategic orientation of OeKB Group was expanded through the acquisition of the majority stake in Österreichische Hotel- und Tourismusbank GmbH (ÖHT) during the reporting period. The deal closed in April 2019. OeKB and the bank group thus act as an agent of the Republic of Austria and of the provinces (tourism promotion) in key business segments, and fulfil the requisite duties under special laws. The acquisition of the shares limits comparability with the figures for the previous year.

Loans and advances to banks rose from € 19,543 million to € 22,249 million during the financial year, which represents an increase of 13.8%. This resulted primarily from the increase in the financing volume in the Export Financing Scheme (EFS). OeKB once again supported the growth in export activity by Austrian companies with suitable financing products and very attractive interest rates in 2019.

Loans and advances to customers advanced by 230.1%, going from € 468 million to € 1,545 million. This can be attributed to the increase in the financing volume in tourism financing, primarily due to the acquisition of the majority stake in ÖHT.

The total comprehensive income for the year of € 38.7 million (2018: € 26.9 million) increased by 43.8% against the previous year. This encouraging increase is predominantly due to the positive development of the operating result thanks to the expansion of the financing volume in the EFS and in tourism financing as well as the net gain on financial instruments.

Consolidated statement of comprehensive income

Overall, it can be said that the Group's operating result for 2019 surpassed the expectations. Especially the net gain or loss on financial instruments measured at fair value through profit or loss came in well above the projections. Interest income rose to € 366.7 million (2018: € 347.2 million) due to the increase in the financing volume in the Export Financing Scheme and in the tourism financing. OeKB Group was also able to profit from the budget underruns stemming from negative interest rates on funding operations in 2019 and posted income of € 104.2 million (2018: € 108.6 million). Interest expenses came to minus € 271.7 million (2018: minus € 267.4 million).

Taking these results, the Group's net interest income was € 95.0 million (2018: € 79.8 million).

Overall net fee and commission income came in at € 39.2 million (2018: € 40.3 million).

The net fee and commission income from credit operations decreased by € 1.6 million to minus € 10.6 million, primarily due to higher fee and commission expenses from the activities of the development bank.

The net fee and commission income from securities services was relatively stable at € 29.0 million (2018: € 29.3 million).

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 € 15.6 million compared with € 14.8 million in the previous year.

The loan loss provisions (expected credit loss according to IFRS 9) increased by € 1.0 million during the financial year. The change was driven largely by the legal clarification that individual items of fee and commission income from the guarantees of the Republic of Austria are not recorded for the development bank and and by the loan loss provisions from tourism financing.

OeKB Group posted a net profit on financial instruments measured at fair value through profit or loss of € 9.5 million for the financial year (2018: loss of € 11.0 million). This stemmed from the result of the fair value measurement of the other financial assets in the amount of € 9.4 million (2018: minus € 10.8 million) and the result from foreign exchange differences in the amount of € 0.1 million (2018: minus € 0.2 million).

The gain from the derecognition of financial instruments measured at amortised cost came to € 0.3 million for the financial year (2018: € 0.3 million), and resulted primarily from returns on purchased accounts receivable, which exceeded our expectations.

Current income from investments in other unconsolidated companies declined by 21.7% to € 1.9 million (2018: € 2.4 million), primarily due to a lower dividend from the stake held in CEESEG.

The share of profit or loss of equity-accounted investments decreased from € 5.7 million in 2018 to € 5.0 million in 2019. This was due largely to a decrease in premiums received by the loan insurance subsidiary Acredia. The claims ratio was good, as it was in the previous year.

The administrative expenses came to € 89.0 million (2018: € 82.6 million) and included higher staff costs due to the increased headcount resulting from the acquisition of the majority stake in ÖHT (€ 59.4 million; 2018: € 53.9 million). Expenses for provisions for the death quarter as specified in the collective bargaining agreement for the banking industry in the amount of € 1.8 million were also recognised in the allocations to pension provisions. Other administrative expenses came in at € 23.3 million (2018: € 22.9 million), and were thus more or less stable. Within the other administrative expenses, it is worth noting that OeKB Group held the expenditures at the same level as in the previous year despite the launch of the digitalisation offensive. Depreciation and amortisation increased due to the implementation of the new IFRS 16 standard and the associated recognition of the depreciation of rights of use to € 6.3 million (2018: € 5.8 million).

The other operating income amounted to € 5.8 million, slightly lower than the € 5.9 million reported in the previous year. This can be attributed primarily to income from services, income from the letting of business premises, and expenses for the stability tax.

Profit before tax in 2019 amounted to € 66.9 million (2018: € 41.0 million). The profit for the year was € 51.4 million (2018: € 32.1 million).

As in the previous year, other comprehensive income was influenced by one-off effects and came in at minus € 12.7 million (2018: minus € 5.2 million). This item was negative in both years primarily due to actuarial losses on defined-benefit plans. In the reporting period, this was due to the change in the discount rate to 1.02% (2018: 1.95%), and in the previous year to the adjustment of the sustainable pension trend to 2.25% (2017: 1.75%) and the application of new mortality tables.

The total comprehensive income for the year was € 38.7 million (2018: € 26.9 million).

Segment performance

The net interest income in the **Export Services segment** came in at € 87.1 million, primarily in the previous year (2018: € 74.6 million) primarily due to the increase in loans and advances to banks and customers.

The net fee and commission income came in below the previous-year level at € 4.6 million (2018: € 7.1 million) and stems mainly from an increase in fee and commission income 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. By contrast, the financing extended under the activities of the development bank generated lower fee and commission income than in the previous year. Fee and commission expenses are increasing due to higher guarantee fees paid to the Republic of Austria for the development bank's financing arrangements.

The result on financial instruments measured at fair value through profit or loss was a loss of € 0.4 million (2018: a loss of € 1.1 million).

The administrative expenses of the segment rose to € 53.5 million (2018: € 50.6 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 (2018: minus € 0.9 million) mainly resulted from the stability tax expenses and the income from service agreements.

The profit after tax amounted to € 27.0 million (2018: € 20.3 million).

The net interest income in the **Capital Market Services segment** amounted to minus € 0.2 million, and was therefore lower in annual comparison (2018: minus € 0.1 million).

The net fee and commission income from the segment came in at € 32.1 million, slightly lower in annual comparison (2018: € 32.6 million). The decline was driven above all by lower fee and commission income from securities account management services.

Current income from investments in other unconsolidated companies fell to € 1.7 million in annual comparison (2018: € 2.2 million).

The share of profits of equity-accounted investments declined in annual comparison, coming to € 0.1 million (2018: € 0.4 million), and stemmed from the result achieved by CCP.A.

The administrative expenses increased slightly to € 26.3 million (2018: € 25.9 million).

The net other operating income in the amount of € 0.4 million (2018: € 1.0 million) was generated by income from service agreements.

The profit after tax from the segment amounted to € 6.1 million (2018: € 8.4 million).

The new **Tourism Services segment** was added to the management reporting following the acquisition of the majority stake in ÖHT. This contains all results since April 2019 (with no comparison figures for the previous year). The net interest income amounted to € 5.9 million.

The net fee and commission income stems primarily from the settlement of tourism promotion funding measures and guarantee fees from the business activities of ÖHT. The net fee and commission income came in at € 1.9 million.

The net credit risk provisions were a loss of € 0.7 million.

The administrative expenses for the segment totalled € 4.9 million, of which € 3.0 million were staff costs, € 1.4 million other administrative expense, and € 0.5 million depreciation, amortisation, and impairment of property, equipment, and intangible assets.

The net other operating income in the amount of € 1.0 million was generated by income from service agreements.

The profit after tax from the segment amounted to € 2.7 million.

The net interest income in the **Other Services segment** declined from € 5.3 million to € 2.3 million due to lower interest income resulting from the low interest rate level.

Net fee and commission income remained stable in annual comparison at € 0.6 million (2018: € 0.5 million).

The net gain or loss on financial instruments measured at fair value through profit or loss amounted to € 9.9 million (2018: minus € 10.0 million). This can be attributed to the particularly solid performance of the equity markets and the lower interest rate level during the financial year. By contrast, the developments on the financial markets were negative in the previous year. The net gain or loss on the derecognition of financial instruments measured at amortised cost amounted to € 0.3 million (2018: € 0.3 million).

The share of profit or loss of equity-accounted investments decreased from € 5.3 million in 2018 to € 4.9 million in 2019. This was due largely to a lower volume of premiums received by the loan insurance subsidiary Acredia combined with a sustained good claims ratio.

The administrative expenses decreased to € 4.3 million (2018: € 6.0 million). This decline was primarily the result of the lower personal expenses in this segment.

The other operating income of € 5.3 million (2018: € 5.8 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 from the segment amounted to € 15.6 million (2018: € 3.5 million).

Balance sheet

At 31 December 2019, cash and cash equivalents (liquid assets in the form of balances at central banks) stood at € 809.8 million (2018: € 323.4 million).

Loans and advances to banks increased primarily to € 22,248.8 million (2018: € 19,543.2 million) due to the higher volume of lending under the Export Financing Scheme. Loans and advances to customers increased from € 467.9 million to € 1,544.5 million. The increase is primarily the result of the acquisition of the majority stake in ÖHT.

The other financial assets were lower in annual comparison and came in at € 2,967.0 million (2018: € 3,088.7 million).

The other financial assets came in at € 2,967.0 million, which is below the previous-year level (2018: € 3,088.7 million).

The deposits from banks rose because of the acquisition of the majority stake in ÖHT and an increase in pledged collateral (2019: € 1,706.1 million; 2018: € 527.2 million). Deposits from customers totalled € 748.8 million, which is close to the previous-year level (2018: € 704.6 million).

The debt securities issued increased by € 3,402.7 million from € 24,520.7 million to € 27,922.4 million due to the higher refinancing needs from the EFS.

Total assets at 31 December 2019 amounted to € 33,352.3 million (2018: € 28,714.3 million), an increase of € 4,668.0 million or 16.2%.

Financial performance indicators

The cost/income ratio* for 2019 came to 61.0% on the reporting date, which represents a slight decrease in annual comparison (2018: 61.5%).

The Group's equity capital totalled € 807.5 million as at 31 December 2019, which is higher in annual comparison (31 December 2018: € 790.7 million).

At the balance sheet date, OeKB Group had € 750.3 million in available consolidated regulatory capital pursuant to Regulation (EU) No. 575/2013. This capital amounted to € 754.6 million at 31 December 2018.

The tier 1 capital ratio (tier 1 capital/[minimum regulatory capital requirement/8%]) at the balance sheet date was 78.2%. The ratio came to 86.0% in the previous year. Further ratios can be found in Note 26.

The return on equity (total comprehensive income attributable to owners of the parent/average equity attributable to owners of the parent) increased from 3.4% to 4.8% in 2019.

* 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 derecognition of financial instruments not measured at fair value through profit or loss)

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 except for in ÖHT, which uses Mesonic. Consolidation takes place in SAP. 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 these 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/Group 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.

As the parent company of OeKB Group, 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 Group is exempt from key bank supervision 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 Group 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).

Holistic risk management

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

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 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 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 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.

Unlike financial risks, non-financial risks can only be measured and managed through key figures to a limited extent, so the risk appetite is defined primarily on a qualitative basis. Regular assessments are depicted in risk maps that facilitate effective monitoring and control by management.

Sustainability and climate risks

OeKB Group has been applying an effective sustainability management system for many years. The sustainability policy reflects the responsibility for the positive development of the economy over the long term and for the stakeholders within and outside of the Group. It is submitted to the Executive Board once per year as part of the management review and is adapted when needed. The effects on environmental and social issues are assessed on a business segment basis in the form of an income statement as part of the annual environmental aspects review. The EMAS-certified environmental management system that was introduced in 2001 and the annual sustainability reports that have been published since 2003 ensure the continuous improvement of our sustainability management system. A sustainability programme is defined, published, and implemented every year. Specific measures in 2019 included the issue of a sustainable bond for refinancing in the Export Financing Scheme and the "Exportinvest Green" instrument that was created in conjunction with the Federal Ministry of Finance.

The growing importance of the ESG (environmental, social, and governance) factors and especially of climate change and the associated social and political reactions are a source of rising reputation and business model risks. At the same time, this harbours opportunities for future growth. Thus, OeKB Group has increased its focus on climate risks in its risk management and business strategy. In 2020, climate-based risks and opportunities will be explicitly integrated into the risk policy and strategy of OeKB Group, and the implementation of the TCFD (Task Force on Climate-related Financial Disclosure) recommendations will be continuously improved on the basis of a gap analysis.

Non-financial performance indicators

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

The complex combination of needs resulting from different generations in the company, a lack of qualified specialists on the labour market, and advancing digitalisation make a flexible personnel strategy indispensable. Knowledge management and transfer are just as crucial as the improvement of digital skills, solidarity between generations within the company, and a new style of leadership.

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. 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 in every career stage. 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, Österreichische Hotel- und Tourismusbank and OeKB CSD also apply remuneration models that are based on the remuneration policy at OeKB as parent company.

The Group's headcount at the end of 2019 was 458 full-time equivalents (2018: 424). OeKB Group gained 36 additional employees through the acquisition of the majority stake in ÖHT in April 2019. The Group generated a profit before tax of € 146 thousand per full-time equivalent (2018: € 97 thousand).

Employees of OeKB Group ¹

	31 Dec 2019	31 Dec 2018	31 Dec 2017
Total as at 31 December	505	466	445
<i>Of whom part-time employees</i>	<i>139</i>	<i>125</i>	<i>119</i>
<i>Part-time employees in %</i>	<i>27.5%</i>	<i>26.8%</i>	<i>26.7%</i>
Total employees in full-time equivalents	458	424	405
Average number of employees pursuant to the UGB	442	410	402
Average age	46.1	45.7	45.5
Average length of service	16.4	16.7	16.3
Sick days per year and full-time employee	9.6	8.3	8.1
Proportion of total positions held by women	55.8%	56.4%	55.7%
Proportion of management positions held by women	34.8%	39.0%	35.0%
Turnover rate ²	6.5%	5.5%	4.7%

¹ Including the fully consolidated companies Oesterreichische Entwicklungsbank AG, Österreichische Hotel- und Tourismusbank GmbH (since 2019) 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 2020

Business with export guarantees and aval endorsements is expected to be weaker in 2020 than in 2019. The economic projections and global economic growth will continue to decline. The political uncertainty will persist at varying levels from region to region. This poses significant challenges for the Austrian export industry. Against this backdrop, OeKB continues to provide exporters with extensive assistance, both through export loans and with guarantees for the financing of business acquisitions and new investments. OeKB Group's planning assumptions are based on the expectation that the lending volume for export financing operations will increase again in 2020, but at a lower rate than in recent years due to the slowdown in export and foreign investment activity by Austrian companies. OeKB Group will continue to offer attractive financing conditions and products in the coming year despite the exceptionally low interest rate levels.

We expect our securities investments to continue delivering marginal earnings in 2020 due to the low interest from re-investments. The Federal Reserve System (Fed) has indicated that USD interest rates will further decrease. Interest rates in the Eurozone will remain low in 2020 due to the various central bank measures. The risk premiums on Austrian government bonds are still low, which means that the terms of access to the international capital markets should remain attractive for OeKB (due to the AFFG guarantees of the Republic of Austria).

We are planning further digitalisation projects throughout the Group in 2020 to meet the needs of our customers more rapidly and in a more streamlined manner and to make our internal processes better and above all faster.

Overall, OeKB Group is well prepared to meet the challenges ahead, and we are expecting sustained growing operating income. We expect an increase in net interest income in 2020 due to the higher financing volumes. By contrast, net fee and commission income will likely decline due to higher guarantee fees paid to the Republic of Austria for the development bank's financing arrangements. Administrative expenses will increase as a result of the challenges in connection with the other administrative expenses for the digitalisation of business processes. OeKB Group's total comprehensive income will rise. The cost/income ratio will increase slightly for the 2020 financial year and then decline again.

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, 3 March 2020

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

OeKB Group 2019 consolidated financial statements

The Notes are an integral part of the total comprehensive income for the year, the balance sheet, the consolidated statement of changes in equity, and the cash flow.

Income statement

€ thousand	Notes	2019	2018	Change in %
Interest income calculated using the effective interest method		227,445	230,347	-1.3%
Plus budget underruns from negative interest calculated using the effective interest method		9,301	3,612	157.5%
Other interest income		25,794	4,702	448.6%
Plus budget underruns from other negative interest		104,160	108,552	-4.0%
Interest income		366,700	347,213	5.6%
Interest expenses calculated using the effective interest method		(134,468)	(123,391)	9.0%
Plus losses from negative interest calculated using the effective interest method		(15,819)	(13,440)	17.7%
Other interest expenses		(113,667)	(127,562)	-10.9%
Plus losses from other negative interest		(7,712)	(2,987)	158.2%
Interest expenses		(271,665)	(267,381)	1.6%
Net interest income	7	95,035	79,832	19.0%
Fee and commission income		56,869	54,062	5.2%
Fee and commission expenses		(17,634)	(13,811)	27.7%
Net fee and commission income	8	39,235	40,252	-2.5%
Net credit risk provisions	37	(954)	106	>100.0%
Net gain or loss on financial instruments measured at fair value through profit or loss	9	9,533	(11,031)	186.4%
Net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss	10	318	315	1.1%
Current income from investments in other unconsolidated companies		1,901	2,427	-21.7%
Share of profit or loss of equity-accounted investments, net of tax	19	4,990	5,709	-12.6%
Administrative expenses	11	(88,986)	(82,553)	7.8%
Other operating income		8,872	8,780	1.0%
Other operating expenses		(3,087)	(2,860)	7.9%
Other operating income	12	5,785	5,920	-2.3%
Profit before tax		66,857	40,977	63.2%
Income tax	13	(15,412)	(8,845)	74.2%
Profit for the year		51,446	32,132	60.1%

Other comprehensive income

€ thousand	Notes	2019	2018	Change in %
Items that will not be reclassified into the income statement in future				
Actuarial gains/losses from defined benefit plans	23	(16,828)	(8,464)	98.8%
Equity-accounted investments - Share of net other comprehensive income	19	(298)	315	-194.6%
Net gain or loss from the fair value measurement of investments in other unconsolidated companies (FVOCI)		247	1,106	-77.7%
Tax effects	13	4,145	1,839	125.4%
Items that will not be reclassified into the income statement in future		(12,734)	(5,204)	144.7%
Items that will be reclassified into the income statement in future		-	-	-
Total other comprehensive income, net of tax		(12,734)	(5,204)	144.7%
Total comprehensive income for the year		38,712	26,928	43.8%
Breakdown of profit for the year				
Attributable to owners of the parent		50,512	32,132	57.2%
Attributable to non-controlling interests		933	-	100.0%
Total		51,446	32,132	60.1%
Breakdown of total comprehensive income				
Attributable to owners of the parent		37,906	26,928	40.8%
Attributable to non-controlling interests		806	-	100.0%
Total		38,712	26,928	43.8%

Earnings per share

	2019	2018
Profit for the year attributable to owners of the parent, in € thousand	50,512	32,132
Average number of shares outstanding	880,000	880,000
Earnings per share, in €	57.40	36.51

As in the previous year, there were no exercisable conversion or option rights at 31 December 2019. 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 2019	31 Dec 2018	Change in %
Cash and cash equivalents	15, 28	809,838	323,412	150.4%
Loans and advances to banks	16	22,248,771	19,543,187	13.8%
Loans and advances to customers	16	1,544,519	467,898	230.1%
Other financial assets	17	2,966,988	3,088,719	-3.9%
Derivative financial instruments	18	684,120	598,100	14.4%
Guarantees pursuant to § 1(2b) AFG	18	4,930,431	4,521,338	9.0%
Equity-accounted investments	19	67,738	67,927	-0.3%
Property, equipment, and intangible assets	20	28,525	13,832	106.2%
Current tax assets		6,078	12,662	-52.0%
Deferred tax assets	24	59,349	57,991	2.3%
Other assets		5,964	19,248	-69.0%
Total assets		33,352,322	28,714,314	16.2%

Liabilities and equity

€ thousand	Notes	31 Dec 2019	31 Dec 2018	Change in %
Deposits from banks	21	1,706,105	527,221	223.6%
Deposits from customers	21	748,829	704,596	6.3%
Debt securities issued	22	27,922,413	24,520,740	13.9%
Derivative financial instruments	18	545,116	439,815	23.9%
Provisions	23	162,042	150,969	7.3%
Current tax liabilities		1,468	125	>100.0%
Other liabilities		37,344	26,962	38.5%
EFS interest rate stabilisation provision	25	1,421,462	1,553,218	-8.5%
Equity	26	807,543	790,668	2.1%
<i>Of which attributable to non-controlling interests</i>		<i>11,687</i>	<i>-</i>	<i>100.0%</i>
Total liabilities and equity		33,352,322	28,714,314	16.2%

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 financial statements of Oesterreichische Kontrollbank AG.

More information on equity is provided in Note 26.

Consolidated statement of changes in equity 2019

€ thousand	Notes	Subscribed capital	Capital reserves	Retained earnings	IAS 19 - Reserve	FVOCI - Reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 Jan 2019	26	130,000	3,347	663,104	(24,720)	18,938	790,668	-	790,668
Profit for the year		-	-	50,512	-	-	50,512	933	51,446
Other comprehensive income/(expense)		-	-	-	(12,792)	185	(12,607)	(127)	(12,734)
Total comprehensive income		-	-	50,512	(12,792)	185	37,906	806	38,712
Acquisition of a subsidiary with non-controlling interests		-	-	-	-	-	-	11,350	11,350
Dividend payments	26	-	-	(32,718)	-	-	(32,718)	(469)	(33,187)
As at 31 Dec 2019		130,000	3,347	680,898	(37,512)	19,123	795,856	11,687	807,543

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	Total equity
As at 31 Dec 2017	26	130,000	3,347	667,531	(18,687)	18,674	-	800,864	800,864
Effect from first-time application of IFRS 9	14	-	-	(4,266)	-	(18,674)	18,674	(4,266)	(4,266)
As at 1 Jan 2018	26	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 for the year		-	-	32,132	(6,033)	-	829	26,928	26,928
Transfer due to a disposal in the investments in other unconsolidated companies	26	-	-	565	-	-	(565)	-	-
Dividend payments	26	-	-	(32,858)	-	-	-	(32,858)	(32,858)
As at 31 Dec 2018		130,000	3,347	663,104	(24,720)	-	18,938	790,668	790,668

Consolidated statement of cash flows of OeKB Group

€ thousand	Notes	2019	2018
Profit before tax		66,857	40,977
Non-cash items included in profit, and adjustments to reconcile profit with cash flows from operating activities			
Depreciation on property and equipment	20	5,039	5,001
Amortisation on intangible assets	20	1,222	763
Change in provisions	23	(6,081)	(12,666)
Change in loan loss provisions (ECL)	37	954	(106)
Change in the EFS interest rate stabilisation provision	25	(131,756)	(85,359)
Change in guarantees pursuant to § 1(2b) AFFG	18	(409,093)	(425,597)
Unrealised gains/losses from the measurement of other financial assets measured at fair value through profit or loss and not assigned to the EFS	9	(9,464)	10,810
Net gain or loss from the derecognition of loans and advances measured at amortised cost	9	4	5
Share of profit or loss of equity-accounted investments, net of tax	19	(4,990)	(5,709)
Unrealised gains/losses from foreign currency differences on financial instruments assigned to the Export Financing Scheme	9	(69)	221
Other non-cash items		432,233	479,094
Subtotal for non-cash adjustments		(55,144)	7,434
Interest received		308,421	260,663
Interest paid		(272,867)	(227,717)
Dividends received from investments in other unconsolidated companies		1,901	2,427
Dividends received from equity-accounted investments	19	4,880	4,940
Income tax paid		(11,057)	(4,684)
Subtotal for taxes, interest, and dividends		(31,278)	(35,629)
Change in operating assets and liabilities after adjustment for non-cash components			
Proceeds from the redemption of			
Loans and advances to banks	16	15,386,861	11,428,167
Loans and advances to customers	16	1,298,502	1,339,956
Payments for the purchase of			
Loans and advances to banks	16	(18,060,465)	(14,794,964)
Loans and advances to customers	16	(2,374,007)	(274,252)
Proceeds from			
Deposits from banks	21, 28	22,307,010	4,311,495
Deposits from customers	21, 28	3,056,869	1,854,057
Debt securities issued	22, 28	28,755,450	24,595,817
Repayments from the redemption of			
Deposits from banks	21, 28	(21,109,025)	(4,209,391)
Deposits from customers	21, 28	(3,012,636)	(1,903,426)
Debt securities issued	22, 28	(25,794,636)	(22,332,174)
Lease liabilities	20	(1,192)	-
Other assets from operating activities		18,509	(3,196)
Other liabilities from operating activities		11,725	2,289
Net cash from operating activities		427,821	21,813

€ thousand	Notes	2019	2018
Proceeds from the redemption and disposal of			
Other financial assets	17	1,876,982	514,795
Other financial assets - other unconsolidated companies	17	-	758
Payments for the purchase			
of a subsidiary, less liquid assets acquired		(24,239)	-
of other financial assets - other unconsolidated companies	17	(35)	-
of other financial assets	17	(1,757,957)	(602,574)
of property, equipment, and intangible assets	20	(2,959)	(2,728)
Net cash from investing activities		91,792	(89,749)
Dividend payments	26, 28	(33,187)	(32,858)
Net cash from financing activities		(33,187)	(32,858)

Consolidated statement of cash flows of OeKB Group

€ thousand	31 Dec 2019	31 Dec 2018
Cash and cash equivalents at beginning of period	323,412	424,206
Net cash from operating activities	427,821	21,813
Net cash from investing activities	91,792	(89,749)
Net cash from financing activities	(33,187)	(32,858)
Cash and cash equivalents at end of period	809,838	323,412

Further details on cash and cash equivalents and additional information on the cash flows are provided in Note 28.

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 (Uniform Commercial Code).

OeKB Group comprises Oesterreichische Kontrollbank AG, Oesterreichische Entwicklungsbank AG (OeEB), OeKB CSD GmbH (OeKB CSD), Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. (ÖHT), CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH and OeKB EH Beteiligungs- und Management AG (Acredia Versicherung AG), see also Note 38.

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 consolidated 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 OeKB Group business model has four core segments:

- Export guarantees and guarantees by avar
- Export financing
- Capital Market Services
- Tourism promotion and financing.

Export guarantees/Guarantees by avar

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 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/guarantees by avar until the conclusion of a new agency contract.

OeKB is entitled to an adequate fee for the administration of these export guarantees (shown in fee and commission income from guarantee business, Note 8).

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.

Export Financing Scheme (EFS)

OeKB Group 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. OeKB Group 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).

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.

Aside from this scheme, OeKB Group only engages in significant lending activities in connection with tourism financing and thus only generates significant interest income in these business segments. This means that the income of OeKB Group 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 Group bears no significant exchange rate risk from the EFS. The calculation and settlement of these exchange rate positions is conducted in agreement with the Federal Ministry of Finance (BMF) for each individual transaction. The foreign currency strategy is coordinated with the BMF 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 authorized agent of 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 (interest income) and the net gains or losses from the measurement of the financial instruments in the EFS at fair value (net gain or loss on financial instruments measured at fair value through profit or loss). 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 the EFS 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 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 Group has decided to report this item separately due to its specific nature (see Note 25).

Services for the capital market and energy market

OeKB Group 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. As part of the business activities of OeKB CSD, central depository services are offered pursuant to the EU CSD Regulation (Regulation [EU] No. 909/2014). These services include the acceptance of securities from issuers for safekeeping and administration, the execution of booking orders to settle securities transactions, and the handling of payments from issuers to satisfy the claims evidenced in the securities.

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.

Services as a development bank

OeEB works on behalf of the Federal Ministry of Finance to improve living conditions for people in developing and emerging countries. The legal basis for these activities is largely defined in the Export Guarantees Act (see also Legal basis: Liability according to the Export Guarantees Act [AusfFG]). As a public agent, OeEB provides financing at near-market terms but can assume a higher degree of economic risk than commercial banks thanks to comprehensive guarantees from the Republic of Austria. OeEB acquires stakes in companies in developing and emerging countries on a fiduciary basis using federal funds and reinforces the resulting development policy effects with flanking measures. In the field of Business Advisory Services, OeEB provides special financing to strengthen the development policy effects, in particular to lay the groundwork for and accompany equity investments with federal funds and investment financing from the development bank.

Tourism financing and promotion services

ÖHT acts as a tourism and leisure industry agency that is an Austrian funding entity and a bank. The funding awarded by ÖHT is provided by public authorities. The core task of ÖHT is financing investment projects by SMEs in the Austrian tourism and leisure industry. The unique feature of financing through ÖHT is the federal promotion measures that are part of every offered financing product. It handles the tourism promotion operations of the federal government on behalf of the Federal Ministry for Agriculture, Regions and Tourism. These promotion measures can take the form of guarantees, cash contributions, or subsidised interest rates. ÖHT is a partner institution of the European Investment Bank (EIB), which is headquartered in Luxembourg. As part of the ERDF (European Regional Development Fund), ÖHT acts as the intermediary for several provinces in connection with the award of subsidised loans for tourism promotion projects.

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 2019 (as of 3 March 2020).

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 the consolidated financial statements easier for investors to compare.

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 2
- The parameters that are used for fair value measurement are based in part on forward-looking assumptions that may fluctuate. Note 3
- 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. The determination of the LGD (loss given default) and the PD (probability of default) in the calculation of the impairment. Note 37
- 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 23
- The recognised amount of deferred tax assets is based on the assumption that sufficient taxable revenue will be generated in future. Note 24
- 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 32

▪ **Brexit**

Up until now, OeKB Group has used London Clearing House (LCH) as its central counterparty (CCP) for the clearing of derivative financial instruments. Following the completion of Brexit on 31 January 2020, LCH is permitted to perform clearing services in the EU until 31 December 2020 on the basis of a transitional arrangement. After that date, however, clearing will only be possible through LCH if the ESMA recognises LCH as a third country CCP. Due to these circumstances and the associated uncertainties, OeKB Group has decided to add Eurex Clearing to the relevant contracts as an alternative, EU-based clearing house in order to ensure unrestricted access to a CCP at all times.

Should clearing through LCH no longer be possible to the full extent, all affected contracts would first have to be nullified 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. In this case, expenses would arise (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 expenses should decline in general as alternative clearing houses become more established, but short-term spikes cannot be ruled out.

If only the EUR clearing is moved from LCH, OeKB Group would incur transaction costs of roughly € 30 thousand and base costs to Eurex Clearing as the alternative clearing house of € 20 thousand as things stand now (with a volume of derivative financial instruments of roughly € 260 million). Should LCH also lose USD clearing, this would cause transaction costs of around € 30 thousand for OeKB Group (volume of derivative financial instruments roughly \$ 1.16 billion). The base costs to Eurex Clearing 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 expenses are allocated to this scheme and do not impact the income statement of OeKB Group. The base costs will increase the future refinancing expenses.

Because OeKB Group does not apply hedge accounting, these contract changes caused by Brexit do not result in any accounting effects on the Group's hedging positions.

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

Adaptation of the segment information

The majority stake in ÖHT was acquired during the financial year. This acquisition has expanded the strategic business model of OeKB Group in the field of tourism financing and promotion. As a result, the segment information was expanded to include a new Tourism Services segment.

New standards and amendments to be applied for the first time in 2019

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 2019		First-time application
IFRS 16	Lease arrangements	1 Jan 2019
IFRIC 23	Uncertainties regarding income tax treatment	1 Jan 2019
Amendments to IFRS 9	Prepayment features with negative compensation	1 Jan 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	1 Jan 2019
Amendments to IAS 19	Plan changes, reductions, and settlement	1 Jan 2019
Amendments to IFRS 2015-2017	Annual improvements (2015-2017) – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 Jan 2019

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 more 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 applied IFRS 16 according to the modified retrospective method, under which the cumulated effect from the first-time application is recognised in retained earnings as at 1 January 2019. Therefore, the comparative information for 2018 was not restated and is thus presented pursuant to IAS 17 and the associated interpretations as before. The details regarding the changes in the accounting methods are listed below. Furthermore, the disclosure requirements defined in IFRS 16 were not generally applied to the comparative information.

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.

IFRS 16 was applied to existing lease arrangements throughout the group in 2019. As part of this change, all relevant contracts (rental and lease contracts) were recognised on the balance sheet as rights of use and lease liabilities. Applying the modified retrospective first-time application method according to IFRS 16.C5 b, OeKB Group recognised rights of use (recognition in “Property, equipment, and intangible assets”) and lease liabilities (recognition in “Other liabilities”) in the amount of around € 8.5 million as at 1 January 2019. The weighted threshold interest rate used to calculate the present value of the lease liabilities is 0.20%. Lease contracts with a remaining term of less than 12 months and with a total value of € 0.2 million are not taken into account in accordance with the pertinent option IFRS 16.5. There were no effects on equity or deferred taxes. The following tables contain further information on first-time application.

The option according to IFRS 16.4 to treat intangible assets according to IFRS 16 will not be exercised.

Information about the first-time application of IFRS 16 (figures as at 1 Jan 2019)

	€ thousand
Rights of use – buildings	8,318
Rights of use – vehicle fleet	137
Rights of use (property and equipment)	8,455
Lease liabilities - buildings	8,318
Lease liabilities - vehicle fleet	137
Lease liabilities (other liabilities)	8,455
<i>Of which current present values</i>	<i>999</i>
<i>Of which non-current present values</i>	<i>7,456</i>

The other new or amended standards and interpretations are not expected to have a material impact on the consolidated financial statements of OeKB Group due to a lack of relevant transactions.

New standards and interpretations that are not yet being applied

A number of new standards and amendments to standards that were adopted by the EU are to be applied in the first financial year beginning after 31 December 2019, 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.

Amendments to IAS 1 and IAS 8 – Definition of “material”

The changes to the IFRS create a uniform and more precise definition for the materiality of financial disclosures, including examples. In this context, the definition from the conceptual framework, IAS 1, IAS 8, and IFRS Practice Statement 2 Making Materiality Judgements is being harmonised.

The changes must be applied for the first time on 1 January 2020. Earlier application is permitted.

At this time, we assume that this will have no material effects on the consolidated financial statements.

Changes in the references to the conceptual framework

The revised conceptual framework consists of a new introductory explanation titled Status and purpose of the Conceptual Framework and eight chapters.

This now includes chapters on “the reporting entity” and “presentation and disclosure”, and the chapter on “recognition” was expanded to include “derecognition”. Existing content was also revised, for example the elimination of the differentiation between “income in revenues” and “gains”.

Due to the revised conceptual framework, references to the framework in various standards were also adapted.

At this time, we assume that this will have no material effects on the consolidated financial statements.

Changes to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The changes pertain especially to certain eased hedge accounting rules and are mandatory for all hedging relationships that are affected by the interest rate benchmark reform. Additional disclosures about to what extent the hedging relationships of the company are affected by the changes are also required. The hedge accounting rules do not apply to the interest rate hedging relationships at OeKB Group, so no accounting effects are to be expected for OeKB Group in this regard.

The changes must be applied for reporting periods beginning on or after 1 January 2020.

OeKB Group has launched a project to evaluate the effects on the products, contractual relationships, and earnings and to evaluate the technical changes that will need to be made.

At this time, we assume that this will have no material effects on the consolidated financial statements.

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 IFRS 3	Business Combination - Definition of a business	Open	1 Jan 2020
IFRS 17	Insurance Contracts	Open	1 Jan 2021

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. Therefore 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. In the case of business combinations as defined in IFRS 3, all identifiable tangible and intangible assets, liabilities, and contingent liabilities of the subsidiary are remeasured at the time of the acquisition for capital consolidation. The acquisition costs are settled with the proportionate share of the net assets at the time of the transfer of control. Non-controlling interests are calculated on the basis of the assets and liabilities measured at fair value. The provisions of IFRS 3 Business Combinations have been applied to the purchase of 68.75% of the shares in ÖHT.

- **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 assets, liabilities and equity, and income 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. The relevant share of the total comprehensive income is recognised in the income statement in the item "Share of profit or loss of equity-accounted investments". Dividends received are recognised as a reduction of the net book value measured according to the equity method (asset swap). The possible need for impairment is reviewed and recognised annually on the basis of planning projections.

- **Transactions eliminated during consolidation**

Internal receivables and payables and all recognised 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 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 2019

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.5995	AUD	0.8508	GBP	9.8638	NOK	10.4468	SEK
1.4598	CAD	8.7473	HKD	1.6653	NZD	6.6843	TRY
1.0854	CHF	7.4395	HRK	4.2568	PLN	1.1234	USD
25.4080	CZK	330.5300	HUF	4.7830	RON	15.7773	ZAR
7.4715	DKK	121.9400	JPY	69.9563	RUB		

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		

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 and interest expenses of financial instruments measured at amortised cost 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 (incl. transaction costs) 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**

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 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 37 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 EFS 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 7 or 25).

- **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”.

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 and are thus presented in the interest income. 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 8).

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 measured at amortised cost 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” in interest expenses. OeKB Group holds no financial assets for trading purposes as in the previous year.

The current expenses from the financial liabilities measured at amortised cost 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” in interest income.

H2 - Classification of financial assets

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).

Equity instruments must generally be measured at fair value through profit or loss. Equity instruments not held for trading purposes may also be measured at fair value through other comprehensive income. OeKB Group elected to exercise this option for all of the equity instruments it holds because they are strategic, long-term investments in other unconsolidated companies. All changes in the fair value of these equity instruments are recognised in other comprehensive income, and these cumulatively recognised value changes cannot be recycled to the income statement. Only dividend income from these equity instruments is recognised on the income statement in the item “Income from investments in other unconsolidated companies”.

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 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.

Any accumulated profit or loss that is recognised in OCI for equity instruments designated at FVOCI (investments in other unconsolidated companies) is not 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 derecognises 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.

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.

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. The materiality of modifications is also evaluated for financial liabilities, and modifications that are deemed not to be material do not lead to the derecognition of the corresponding liability. Any modification gains or losses are recognised in 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 a financial liability can be 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

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 criteria 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;
- it is likely that the borrower will file for bankruptcy or undergo some other form of financial reorganisation (i.e. restructuring 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 deviates from this practice when assessing whether an investment in government bonds is creditworthy and observes the following external factors:

- 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. If the total of the impairment losses exceeds the gross book value of a financial instrument, the excess portion of the impairment losses is reported in the provisions.

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.

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) in the income statement to avoid an accounting mismatch.

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. The item is recognised at amortised cost.

J – Loans and advances to banks and customers

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 and advances to banks and a part of the loans and advances to customers that are assigned to the EFS and the development bank are subject to guarantees from the Republic of Austria pursuant to the AusFG (see also Note 1).

The majority of the loans and advances to customers relating to tourism financing and promotion are covered by guarantees from Austrian commercial banks. The remainder of these loans and advances to customers are secured by mortgages or by the Republic of Austria.

K – Other financial assets

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.

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.

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.

The hedge accounting provisions were not applied at OeKB Group in the financial year or in the previous year.

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. The new loan management system that was developed specifically for the purposes of ÖHT is being measured on the basis of a useful life of 6 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) AFGG of the Republic of Austria (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 are the rate of salary increases taking into the changes in the collective bargaining agreement and periodic and extraordinary increases into account as well as the retirement age according to the ASVG transitional provisions pursuant to the Budget Implementation Act 2003.

Principal assumptions

	2019	2018
Discount rate	1.02%	1.95%
Salary trend (for termination benefits and pensions)	1.00%	1.25%
Pension trend (for pensions)	2.25%	2.25%
Rate of salary increases	3.25%	3.50%
Retirement age		
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 provisions

Other 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 profit 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 profit 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 liabilities.
- 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 especially cash and cash equivalents.

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 as well as debt securities issued. 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 majority of the loans of the EFS in the items “Loans and advances to banks” and “Loans and advances to customers” are subject to AusfFG guarantees from the Republic of Austria (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 OeKB’s credit spreads. OeKB’s credit spreads 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.
- The majority of the “Loans and advances to customers” that relate to tourism financing are subject to guarantees from Austrian banks or guarantees from the Republic of Austria pursuant to the AusfFG (see also Note 1). Mortgages are in place for a small portion of the loans with an especially low level of default risk.

The guarantees received has a material effect on the credit rating of the borrowers, for which reason a yield curve that is based on the credit spreads of the guarantor and that can be observed on the market is used to discount the contractually agreed cash flows when measuring the fair value of these receivables. For measuring the fair value of loans with mortgage collateral, a yield curve that is based on the credit spreads of the Republic of Austria and that can be observed on the market is used to discount the contractually agreed cash flows. This approach is in line with the business practices for loan extension, which apply stringent requirements to the acceptance of mortgage collateral and which are reflected in low customer default risk. This extremely low credit risk is approximated by using the credit spreads of the Republic of Austria.

A margin of 72 bp is added to the applied yield curves for these loans and is derived from the administrative expenses for tourism financing.

- A yield curve observable on the market is used to discount the contractually agreed cash flows when determining the fair values of payables to banks and customers and of debt securities issued that are related to the EFS. For this, the credit spreads observable for OeKB on the market at the valuation date are taken into account. A yield curve observable on the market is used to discount the contractually agreed cash flows when determining the fair values of payables to banks and customers that are related to tourism financing. For this, the credit spreads derived from ÖHT and observable on the market at the valuation date are taken into account.

Other financial assets that do not fall under the hold-to-collect business model and do not meet the SPPI criterion 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 fair value of this fund is determined according to the IPEV valuation standards and stems primarily from valuation methods based on market price, which are assigned to Level 3. The valuation is based largely on EBITDA and P/E multipliers derived from a group of listed and comparable companies. The measurement methods used take into account company-specific information and conditions, as well as any applicable discounts for impaired marketability and control. Thus, the fair value depends largely on input factors, multipliers, and corresponding income statement figures.

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 € 0.4 million (2018: € 1.1 million), the DVA value adjustment was € 0.2 million (2018: € 0.3 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 for each ultimate obligation 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 for negative rate differences and the refinancing curve of OeKB for positive rate differences and is recognised in the item "Guarantees pursuant to § 1 (2b) AFFG". The CVA value adjustment for the guarantees pursuant to § 1(2b) AFFG was € 0.1 million (2018: € 0.1 million) and the DVA value adjustment € 29.2 million as of the reporting date (2018: € 40.8 million).

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 17.

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 2019

€ thousand	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Loans and advances to banks	16	1,399,128	1,399,128	-	1,399,128	-
Bonds and other fixed-income securities		2,062,878	2,062,878	2,062,878	-	-
Equity shares and other variable-income securities		519,337	519,337	517,656	-	1,681
Investments in other unconsolidated companies		35,222	35,222	-	-	35,222
Other financial assets	17	2,617,437	2,617,437	2,580,534	-	36,903
Derivative financial instruments	18	684,120	684,120	-	684,120	-
Guarantees pursuant to § 1(2b) AFGG	18	4,930,431	4,930,431	-	4,930,431	-
Financial assets not measured at fair value						
Cash and cash equivalents	15, 28	809,838	809,838	-	809,838	-
Loans and advances to banks	16	20,849,643	21,167,331	-	21,167,331	-
Loans and advances to customers	16	1,544,519	1,629,337	-	1,629,337	-
Other financial assets	17	349,552	357,631	357,631	-	-
Financial liabilities measured at fair value						
Debt securities issued	22	21,086,003	21,086,003	-	21,086,003	-
Derivative financial instruments	18	545,116	545,116	-	545,116	-
Financial liabilities not measured at fair value						
Deposits from banks	21	1,706,105	1,718,908	-	1,718,908	-
Deposits from customers	21	748,829	749,034	-	749,034	-
Debt securities issued	22	6,836,410	7,399,266	-	7,399,266	-

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	16	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	17	2,756,585	2,756,585	2,721,786	-	34,799
Derivative financial instruments	18	598,100	598,100	-	598,100	-
Guarantees pursuant to § 1(2b) AFG	18	4,521,338	4,521,338	-	4,521,338	-
Financial assets not measured at fair value						
Cash and cash equivalents	15, 28	323,412	323,412	-	323,412	-
Loans and advances to banks	16	18,834,760	19,174,255	-	19,174,255	-
Loans and advances to customers	16	467,898	525,562	-	525,562	-
Other financial assets	17	332,134	335,417	335,417	-	-
Financial liabilities measured at fair value						
Debt securities issued	22	18,997,765	18,997,765	-	18,997,765	-
Derivative financial instruments	18	439,815	439,815	-	439,815	-
Financial liabilities not measured at fair value						
Deposits from banks	21	527,221	528,172	-	528,172	-
Deposits from customers	21	704,596	704,831	-	704,831	-
Debt securities issued	22	5,522,974	6,068,156	-	6,068,156	-

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 Acquisition of Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.

Description of the transaction

OeKB acquired 68.75% of the shares and voting rights in Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. (ÖHT) from the previous owners UniCredit Bank Austria AG (50%) and Erste Bank der österreichischen Sparkassen AG (18.75%) on 25 April 2019, and thus assumed control of ÖHT. ÖHT handles the tourism promotion measures of the federal government on behalf of the Federal Ministry for Agriculture, Regions and Tourism.

For OeKB, the acquisition of the majority stake in ÖHT strengthens its position in implementing government promotion activities and also expands the business model of the OeKB bank group. Thus, this acquisition also serves to secure the business model over the long term. It also creates synergy effects relating to the refinancing possibilities of the Export Financing Scheme that OeKB and ÖHT can leverage in future. The goal is for ÖHT as a special-purpose bank to remain an innovative and reliable partner in the handling of commercial tourism promotion measures and in developing new promotion and financing instruments for the tourism industry.

Between the closing and 31 December 2019, ÖHT contributed net interest income of € 5.8 million, net fee and commission income of € 1.9 million, and a profit of € 3.0 million to the consolidated result. If the acquisition had taken place on 1 January 2019, the consolidated net interest income and the consolidated net fee and commission income would have come to € 96.2 million (plus € 1.2 million) and € 40.1 million (plus € 0.8 million), respectively, and the consolidated profit for the year to € 51.9 million (plus € 0.5 million). In determining these amounts, it was assumed that the preliminary adjustments to the fair values made at the time of the acquisition would have also applied in the event of acquisition on 1 January 2019.

Paid consideration

The fair values that apply for each main category of consideration as at the time of acquisition are shown in the following table:

	€ thousand
Purchase price for 68.75% of the shares, paid in cash	24,242
Purchase price for tier 2 capital claims, paid in cash	4,690
Potential purchase price reduction (contingent consideration)	(100)
Termination of a previous relationship *	43,124
Total consideration paid according to IFRS 3	71,956

* This is a contractual relationship between OeKB and ÖHT (see also "Termination of a previous relationship") that existed before the closing of the acquisition. Thus, there is a corresponding position of the same amount in ÖHT. This resulted in no payments during the acquisition.

Purchase price paid in cash and purchase price for tier 2 capital claims

The purchase price of € 24.2 million was paid in cash. The acquisition also included the transfer of tier 2 capital claims, for which a total of € 4.7 million was paid in cash. The two transactions are combined for accounting purposes.

Potential purchase price reduction (contingent consideration)

The purchase contract includes a potential purchase price adjustment to the benefit of OeKB of no more than € 1.0 million, which is classified as contingent consideration. This purchase price adjustment will be invoked on the basis of the loss of the basis for the current business of ÖHT due to

- the termination of the contract entitling ÖHT to act as the settlement agent for the tourism promotion measures of the federal government at the end of the contract term, at which point ÖHT would have no basis to continue its activity as a settlement agent for the tourism promotion measures of the federal government. The current contract ends on 31 December 2020. The contract will be extended by one year in the event of automatic prolongation. An extraordinary termination before the expiration of the contract or immediately afterwards is not taken into account.
- For this, the termination of the contractual relationship may not be due to circumstances for which ÖHT and/or OeKB are directly or indirectly responsible. This includes the failure to participate in the proceedings for and/or to submit an offer for the award of a new contract for the handling of the tourism promotion measures.

During initial consolidation, the risk of this potential purchase price adjustment taking effect was deemed to be low and the assigned value was € 0.1 million. At present, there are no direct indications that it is likely to take effect, and the strategic orientations include no changes that could increase this likelihood.

Termination of a previous relationship

At the time of acquisition, there was already a contractual relationship between ÖHT and OeKB in the form of financing extended by OeKB to ÖHT. This relationship is now classified as an intragroup transaction and was settled in the accounts by way of the acquisition. The fair value at the time of acquisition was used to settle the contractual relationship. This resulted in earnings in the consolidated financial statements of OeKB in the amount of € 0.1 million. These earnings, which consist of the profit from the fulfilment of the difference between the book value and fair value, was recognised as other operating income.

Negative goodwill

The breakdown of the purchase price on the basis of the fair values was as follows at the time of acquisition:

	€ thousand
Paid consideration	71,956
Non-controlling interests measured as the proportionate net assets	11,350
Identifiable net assets at fair value	(83,738)
Negative goodwill (lucky buy)	(432)

The negative difference (lucky buy) that arose during the acquisition resulted from the fact that the purchase price was at the lower end of the valuation ranges and that the remeasurement, especially of the property, led to an increase in the hidden reserves contained in the acquired assets and to a corresponding increase in value. The earnings in the amount of € 0.4 million are recognised in the other operating income.

Identified acquired assets and assumed liabilities

The fair values of the identifiable assets and liabilities of ÖHT were as follows at the time of acquisition:

	€ thousand
Assets	
Cash and cash equivalents	3
Loans and advances to banks	3,373
Loans and advances to customers	1,034,785
Other financial assets	1,290
Property, equipment, and intangible assets	9,586
Deferred tax assets	630
Other assets	3,008
Liabilities	
Deposits from banks	888,373
Deposits from customers	72,220
Provisions	4,448
Current tax liabilities	328
Other liabilities	3,568
Identifiable net assets at fair value	83,738
Termination of a previous relationship	(43,124)
Tier 2 capital liability	(4,294)
Net assets	36,320

The fair value and gross amount of the loans and advances to customers came to € 1,034.8 million at the time of acquisition. An unrecoverable claim in the amount of € 0.2 million was written off entirely at the time of acquisition.

The fair value and gross amount of the loans and advances to banks came to € 3.4 million at the time of acquisition. There were no unrecoverable claims at the time of acquisition.

There were no contingent liabilities for which a provision was to be formed at fair value under certain circumstances at the time of acquisition.

Costs associated with the business combination

OeKB Group incurred costs of € 0.4 million for legal advice and due diligence in connection with the business combination. The majority of these costs were incurred in previous years and were recognised in other operating expenses. Due to the determination according to IAS 12.39, no deferred taxes were applied to this amount.

Non-controlling interests in the acquired company

Raiffeisen ÖHT Beteiligungs GmbH still holds 31.25% of the shares. OeKB holds no shares in this entity or its owner directly or indirectly. The non-controlling interests in the acquired company are measured as the proportionate net assets and came to € 11.4 million at the time of acquisition.

Note 5 Segment information

The activities of OeKB Group are presented by business segment in the following. The delineation of these four segments – Export Services, Capital Market Services, Tourism Services (since business year 2019), 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 Tourism Services, and net fee and commission income in Capital Market Services.

The Export Services segment covers the Export Financing Scheme of OeKB, the business activities of 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 EFS. 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 37.

The Capital Market Services segment covers all services of Oesterreichische Kontrollbank AG for the capital market (securities 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 Tourism Services segment contains the business activities (promotion and financing for the tourism and leisure industry) of Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. These business activities are limited to Austrian companies.

The Other Services segment consists of the proprietary trading portfolio, the income from rental, 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 € 37.7 million (2018: € 49.4 million) in interest income.

Segment performance

Results by business segment in 2019

€ thousand	Export Services	Capital Market Services	Tourism Services	Other Services	Total
Interest income	350,420	(125)	13,367	3,038	366,700
Interest expenses	(263,349)	(81)	(7,477)	(759)	(271,665)
Net interest income	87,070	(207)	5,890	2,279	95,035
Fee and commission income	19,284	33,601	3,224	760	56,869
Fee and commission expenses	(14,672)	(1,538)	(1,302)	(122)	(17,634)
Net fee and commission income	4,612	32,063	1,922	638	39,235
Net credit risk provisions	(243)	-	(700)	(11)	(954)
Net gain or loss on financial instruments measured at fair value through profit or loss	(395)	-	40	9,887	9,533
Net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss	(10)	-	-	328	318
Current income from investments in other unconsolidated companies	-	1,701	-	200	1,901
Share of profit or loss of equity-accounted investments, net of tax	-	54	-	4,936	4,990
Administrative expenses	(53,467)	(26,298)	(4,886)	(4,335)	(88,986)
Other operating income	(943)	399	1,046	5,283	5,785
Profit before tax	36,625	7,714	3,312	19,206	66,857
Income tax	(9,588)	(1,586)	(632)	(3,605)	(15,412)
Profit of the reportable segments	27,037	6,128	2,680	15,600	51,446
<i>Attributable to owners of the parent</i>	<i>27,037</i>	<i>6,128</i>	<i>1,747</i>	<i>15,600</i>	<i>50,512</i>
<i>Attributable to non-controlling interests</i>	<i>-</i>	<i>-</i>	<i>933</i>	<i>-</i>	<i>933</i>
Segment assets	31,600,184	31,377	1,032,887	687,874	33,352,322
Segment liabilities	31,206,162	4,349	918,488	415,780	32,544,779

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

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
<i>Attributable to owners of the parent</i>	<i>20,266</i>	<i>8,414</i>	<i>3,452</i>	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.

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 6 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 7 Net interest income

€ thousand	Amortised cost 2019	Fair value option 2019	FVTPL 2019	Total 2019	Amortised cost 2018	Fair value option 2018	FVTPL 2018	Total 2018
Money market instruments	10,821	-	-	10,821	2,572	-	-	2,572
Credit operations	146,634	18,547	-	165,181	152,805	8,412	-	161,218
Securities	2,209	-	9,554	11,763	2,057	-	9,676	11,734
Debt securities issued	6,185	104,160	-	110,345	2,305	108,552	-	110,857
Allocation to or use of the EFS interest rate stabili- sation provision relating to charged interest	70,897	(1,328)	(979)	68,590	47,446	13,585	(198)	60,833
Interest income	236,746	121,379	8,575	366,700	207,185	130,549	9,478	347,213
Money market instruments	(5,764)	-	-	(5,764)	(3,294)	-	-	(3,294)
Credit operations	(23,161)	(3,009)	-	(26,170)	(13,330)	(2,987)	-	(16,317)
Securities	-	(4,703)	-	(4,703)	-	(4,026)	-	(4,026)
Debt securities issued	(94,520)	(45,904)	-	(140,423)	(92,220)	(56,597)	-	(148,817)
Guarantee fees relating to debt securities issued for guarantees pursuant to § 1(2) AFFG (see Note 1)	(26,842)	(67,763)	-	(94,605)	(27,987)	(66,940)	-	(94,926)
Interest expenses	(150,286)	(121,379)	-	(271,665)	(136,831)	(130,549)	-	(267,381)
Net interest income	86,459	-	8,575	95,035	70,354	-	9,478	79,832

Note 8 Net fee and commission income

€ thousand	2019	2018
Income from credit operations	4,646	2,766
Expenses from credit operations	(15,232)	(11,760)
Credit operations	(10,586)	(8,994)
Income from securities services	30,858	31,234
Expenses from securities services	(1,810)	(1,941)
Securities services	29,048	29,293
Income from export guarantees	16,073	14,767
Expenses from export guarantees	(478)	-
Export guarantees	15,595	14,767
Income from energy clearing	2,489	2,451
Expenses from energy clearing	-	-
Energy clearing	2,489	2,451
Income from other services	2,802	2,844
Expenses from other services	(114)	(109)
Other services	2,688	2,735
Net fee and commission income	39,235	40,252
<i>Of which income</i>	<i>56,869</i>	<i>54,062</i>
<i>Of which expenses</i>	<i>(17,634)</i>	<i>(13,811)</i>

The fee and commission income from credit operations results primarily from the activities of the development bank, the servicing of the development aid loans of the Republic of Austria, and the servicing of the ERP loans through ÖHT. Fee and commission expenses from credit operations result primarily from the guarantee fees paid to the Republic of Austria pursuant to the AusFG in connection with the operations of the development bank and the financing of tourism. 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 guarantee activities represent primarily services of the export guarantees activities 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. The guarantee business of OeKB Group also includes services related to the administration of federal government guarantees in connection with tourism financing arrangements.

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 34).

Note 9 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 2019

€ thousand	Financial instruments assigned to the EFS			Financial instruments not assigned to the EFS		Total 2019	
	Fair value option	FVTPL	Hedging transactions	Total	FVTPL		Total
Change in the fair value of the							
Loans and advances to banks	28,728	-	-	28,728	-	-	28,728
Other financial assets	(1,760)	-	-	(1,760)	9,464	9,464	7,704
Derivative financial instruments	-	-	(44,423)	(44,423)	-	-	(44,423)
Guarantees pursuant to § 1(2b) AFFG	-	-	237,753	237,753	-	-	237,753
Debt securities issued	(284,131)	-	-	(284,131)	-	-	(284,131)
Change in the fair value	(257,163)	-	193,330	(63,833)	9,464	9,464	(54,369)
Transfer of the net gain or loss on financial instruments assigned to EFS to the EFS interest rate stabilisation provision	257,163	-	(193,330)	63,833	-	-	63,833
Net gain or loss from fair value measurement	-	-	-	-	9,464	9,464	9,464
Net gain or loss from foreign exchange differences	-	-	-	-	-	69	69
Net gain or loss from fair value measurement	-	-	-	-	-	9,464	9,464
Net gain or loss on financial instruments	-	-	-	-	-	9,533	9,533

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 minus € 4.5 million in the period (2018: € 2.5 million) and to minus € 11.5 million in total (2018: minus € 7.0 million). 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 € 16.8 million in the period (2018: minus € 8.7 million) and to minus € 41.4 million in total (2018: minus € 24.6 million).

Net gain or loss from foreign exchange differences on financial instruments in 2019

€ thousand	Financial instruments assigned to the EFS	Financial instruments not assigned to the EFS	Total 2019
Gains from foreign exchange differences	188,673	149,738	338,411
Losses from foreign exchange differences	(359,439)	(149,669)	(509,108)
Subtotal	(170,766)	69	(170,697)
Foreign exchange differences on guarantees pursuant to § 1(2b) AFFG	171,340	-	171,340
Transfer of the net gain or loss on financial instruments assigned to EFS to the EFS interest rate stabilisation provision	(574)	-	(574)
Net gain or loss from foreign exchange differences	0	69	69

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.

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		Total 2018
	Fair value option	FVTPL	Hedging transactions	Total	FVTPL	
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)	(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	(44,854)	-	20,393	(24,461)	(10,810)	(35,272)
Transfer of the net gain or loss on financial instruments assigned to EFS to the EFS interest rate stabilisation provision	44,854	-	(20,393)	24,461	-	24,461
Net gain or loss from fair value measurement	-	-	-	-	(10,810)	(10,810)
Net gain or loss from foreign exchange differences	-	-	-	(556)	-	336
Net gain or loss from fair value measurement	-	-	-	-	-	(10,810)
Net gain or loss on financial instruments	-	-	-	(556)	-	(10,475)

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 *	97,356	96,969	194,325
Losses from foreign exchange differences *	(656,755)	(96,634)	(101,668)
Subtotal	(559,398)	336	92,657
Foreign exchange differences on guarantees pursuant to § 1(2b) AFGG	558,842	-	558,842
Net gain or loss from foreign exchange differences	(556)	336	651,499

* The assignments were adjusted for the previous year.

Note 10 Net gain or loss on the derecognition of financial instruments not measured at fair value through profit or loss

The gains from the disposal of financial instruments of € 0.3 million (2018: € 0.3 million) stems primarily from income from loans and advances that were impaired upon acquisition but that generated higher returns than expected upon redemption.

Note 11 Administrative expenses

€ thousand	2019	2018
Salaries	(41,383)	(38,833)
Social security costs	(9,830)	(9,074)
Pension and other employee benefit costs	(8,182)	(5,975)
Staff costs	(59,395)	(53,883)
Other administrative expenses	(23,331)	(22,906)
Depreciation, amortisation and impairment of property, equipment, and intangible assets	(6,261)	(5,765)
Administrative expenses	(88,986)	(82,553)

The increase in salaries is primarily the result of the increase in the headcount due to the acquisition of the majority stake in ÖHT. The increase in other administrative expenses resulted from higher project expenses relating to digitalisation projects (document, customer, and data management).

Expenses for the auditor and affiliated companies

€ thousand	2019	2018
Audit of the consolidated and annual financial statements	(384)	(461)
Audit-related activities	(254)	(368)
Expenses for the auditor	(638)	(829)
Tax consulting	(55)	(115)
Other consulting	(117)	(86)
Expenses for companies affiliated with the auditor	(172)	(201)

The expenses for audit-related activities pertain to the issuance activities of OeKB. The increase in other consulting expenses resulted primarily from enforcement consulting.

Note 12 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, and other services) and income from the rental of business space. Other operating income is also generated through the administration of funding programmes in the tourism field by ÖHT. The negative difference (lucky buy) that arose during the acquisition of ÖHT is also reported in this item (see also Note 4). The other operating expenses relate mainly to the bank stability tax paid to the Republic of Austria.

Note 13 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 24).

Tax recognised in profit or loss

€ thousand	2019	2018
Current year	(11,829)	(6,920)
Adjustment for previous years	12	(48)
Total current tax expenses	(11,817)	(6,968)
Change in recognised deductible temporary differences	(3,417)	(1,876)
Net deferred taxes/tax income	(3,417)	(1,876)
Income tax	(15,234)	(8,845)
Other taxes	(178)	-
Total	(15,412)	(8,845)

Tax recognised in other comprehensive income

€ thousand	2019	2018
Actuarial gains/losses on defined benefit plans	4,207	2,116
Net gain or loss from the fair value measurement of investments in other unconsolidated companies (available for sale)	(62)	(277)
Total	4,145	1,839

Change in deferred taxes

€ thousand	2019	2018
Assumed in the course of a business combination	630	-
Change in deferred taxes on the income statement	(3,417)	(1,876)
Change in deferred taxes in other comprehensive income	4,145	2,027
Total	1,358	151

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

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.

Effective tax rate reconciliation

€ thousand	2019		2018	
Profit before tax	66,857	100.0%	40,977	100.0%
Tax expenses at the domestic tax rate of the company	(16,714)	-25.0%	(10,244)	-25.0%
Non-deductible expenses	(433)	-0.6%	(561)	-1.4%
Tax-exempt income	1,695	2.5%	2,034	5.0%
Change in recognised deductible temporary differences	291	0.4%	1	0.0%
Ineligible input taxes	(85)	-0.1%	(27)	-0.1%
Income tax payments for previous years	12	0.0%	(48)	-0.1%
Total	(15,234)	-22.8%	(8,845)	-21.6%

Notes on the consolidated balance sheet of OeKB Group

Note 14 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.

Financial instruments by IFRS 9 category at 31 December 2019

€ thousand	Notes	At amortised cost	FVOCI (designated)	FVTPL (mandatory)	FVTPL (designated)	Total
Assets						
Cash and cash equivalents	15	809,838	-	-	-	809,838
Loans and advances to banks	16	20,849,643	-	-	1,399,128	22,248,771
Loans and advances to customers	16	1,544,519	-	-	-	1,544,519
Other financial assets	17	349,552	35,222	519,337	2,062,878	2,966,988
Derivative financial instruments	18	-	-	684,120	-	684,120
Guarantees pursuant to § 1(2b) AFGG	18	-	-	4,930,431	-	4,930,431
Total		23,553,552	35,222	6,133,888	3,462,006	33,184,667
Liabilities						
Deposits from banks	21	1,706,105	-	-	-	1,706,105
Deposits from customers	21	748,829	-	-	-	748,829
Debt securities issued	22	6,836,410	-	-	21,086,003	27,922,413
Derivative financial instruments	18	-	-	545,116	-	545,116
Total		9,291,344	-	545,116	21,086,003	30,922,463

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	15	323,412	-	-	-	323,412
Loans and advances to banks	16	18,834,760	-	-	708,427	19,543,187
Loans and advances to customers	16	467,898	-	-	-	467,898
Other financial assets	17	332,134	34,799	525,924	2,195,862	3,088,719
Derivative financial instruments	18	-	-	598,100	-	598,100
Guarantees pursuant to § 1(2b) AFGG	18	-	-	4,521,338	-	4,521,338
Total		19,958,204	34,799	5,645,362	2,904,290	28,542,654
Liabilities						
Deposits from banks	21	527,221	-	-	-	527,221
Deposits from customers	21	704,596	-	-	-	704,596
Debt securities issued	22	5,522,974	-	-	18,997,765	24,520,740
Derivative financial instruments	18	-	-	439,815	-	439,815
Total		6,754,791	-	439,815	18,997,765	26,192,372

The methods and results of the ECL calculation are explained in Note 37.

Note 15 Cash and cash equivalents

The recognition and measurement principles are shown in Note 2.

€ thousand	31 Dec 2019	31 Dec 2018
Balances at central banks	809,835	323,412
Cash	3	-
Cash and cash equivalents	809,838	323,412

The minimum reserves amounted to € 38.1 million as at 31 December 2019 (31 Dec 2018: € 40.0 million) and are included in the balances at central banks.

Note 16 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 14. The breakdown by rating category is presented in Note 37.

Loans and advances to banks

€ thousand	Repayable on demand		Other maturities		Total	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Domestic banks	18,101	4,874	19,110,807	17,800,743	19,128,908	17,805,617
Foreign banks	296,734	199,779	2,823,129	1,537,792	3,119,863	1,737,571
Loans and advances to banks	314,834	204,652	21,933,937	19,338,535	22,248,771	19,543,187

Loans and advances to customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
States or government-affiliated organisations	2,245	1,703	153,381	185,930	155,626	187,633
Other	1,022,850	2,389	366,044	277,877	1,388,893	280,265
Loans and advances to customers	1,025,095	4,091	519,424	463,807	1,544,519	467,898

The other domestic loans and advances to customers increased by € 1,034.8 million in financial year 2019 due to the initial consolidation of ÖHT (see also Note 4).

Note 17 Other financial assets

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 14.

€ thousand	31 Dec 2019	31 Dec 2018
Treasury bills and similar securities	1,507,608	1,610,378
Fixed-income securities from public-sector issuers	1,513	1,513
Bonds	903,309	916,106
Bonds and other fixed-income securities	2,412,429	2,527,997
<i>Of which listed bonds</i>	<i>2,412,429</i>	<i>2,527,997</i>
Investment certificates	519,337	525,924
Equity shares and other variable-income securities	519,337	525,924
<i>Of which listed equity shares and other variable-income securities</i>	<i>144</i>	<i>154</i>
Investments in unconsolidated subsidiaries	5,628	5,576
Investments in other unconsolidated companies	29,594	29,223
Subtotal	35,222	34,799
Total other financial assets	2,966,988	3,088,719

Of the bonds and other fixed-income securities, € 304.4 million will come due in the following year (2018 for 2019: € 271.7 million).

The other financial assets (investment certificates) include units in a private equity fund in the amount of € 1.7 million (2018: € 1.4 million). As the fair value is particularly dependent on unobservable parameters, a change in these parameters may lead to different valuation results. Parameters that reflect the actual market conditions at the reporting date were used for the recognition. Changes in the applied EBITDA and P/E multipliers were primarily assessed to determine possible effects. A decrease (increase) in these market multipliers would cause lower (higher) fair values. This private equity fund is secured by a guarantee from the Republic of Austria, which means that potential losses of value are covered.

The investments in other unconsolidated companies include CEESEG Aktiengesellschaft (CEESEG) at € 26.7 million (2018: € 26.1 million). 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 2019 using the discounted cash flow method. The most important assumptions in the valuation were:

	2019		2018	
	Vienna Stock Exchange	Prague Stock Exchange	Vienna Stock Exchange	Prague Stock Exchange
Free cash flows	4 years	4 years	4 years	4 years
WACC	7.43%	9.03%	8.14%	8.89%

Sensitivity analyses

€ thousand	2019		2018	
	Vienna Stock Exchange	Prague Stock Exchange	Vienna Stock Exchange	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		(39,100)		(37,800)
Effect on the fair value of OeKB Group in CEESEG		(2,581)		(2,495)

Details about the individual interests in investments other than subsidiaries can be found in Note 38.

Note 18 Hedging instruments

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 14.

Derivative financial instruments

€ thousand	2019			2018		
	Nominal amount	Fair value positive	Fair value negative	Nominal amount	Fair value positive	Fair value negative
Interest rate derivatives						
Interest rate swaps	21,120,894	392,037	254,945	22,396,438	185,171	289,611
Currency derivatives						
Currency swaps	20,302,243	292,082	290,171	19,127,105	412,929	150,204
Total	41,423,137	684,120	545,116	41,523,543	598,100	439,815

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

Information on global netting arrangements

Derivative financial instruments are agreed 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.

In addition, this net amount is calculated daily as per the ISDA contract and is furnished to or received from the given business partner as collateral. Therefore, the default risk is limited to the performance of one to two days (calculation of the previous day's value and transfer of the difference to the previous collateral).

The ISDA agreements do not fulfil the criteria for netting on the balance sheet. This is due to the fact that 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

	2019			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 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	392,037	(79,289)	312,749	185,171	(94,104)	91,067
Currency derivatives - Currency swaps	292,082	(223,371)	68,711	412,929	(219,649)	193,280
Total	684,120	(302,660)	381,460	598,100	(313,754)	284,347
Derivative financial instruments with negative fair value						
Interest rate derivatives - Interest rate swaps	254,945	(103,428)	151,517	289,611	(169,654)	119,958
Currency derivatives - Currency swaps	290,171	(199,232)	90,939	150,204	(144,100)	6,103
Total	545,116	(302,660)	242,456	439,815	(313,754)	126,061

Guarantees pursuant to § 1(2b) AFGG

€ thousand	31 Dec 2019	31 Dec 2018
Fair value at the beginning of the period	4,521,338	4,095,741
Change resulting from foreign exchange differences	171,340	(558,842)
Change resulting from fair value measurement	237,753	984,440
Net profit for the period	409,093	425,597
Fair value at the end of the period	4,930,431	4,521,338

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) as well as from a reduction of the positions in Swiss francs.

Note 19 Composition of the net profit or loss of equity-accounted investments

Equity-accounted investments

€ thousand	2019	2018
OeKB EH Beteiligungs- und Management AG, Vienna	61,636	61,679
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	6,101	6,247
Equity-accounted investments	67,738	67,927

Net profit or loss of equity-accounted investments

Income statement

€ thousand	2019	2018
OeKB EH Beteiligungs- und Management AG, Vienna	4,936	5,318
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	54	391
Share of profit or loss of equity-accounted investments, net of tax	4,990	5,709

Other comprehensive income

€ thousand	2019	2018
OeKB EH Beteiligungs- und Management AG, Vienna	(298)	315
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	-	-
Equity-accounted investments - Share of other comprehensive income	(298)	315

Net profit

€ thousand	2019	2018
OeKB EH Beteiligungs- und Management AG, Vienna	4,637	5,633
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	54	391
Net profit for the period	4,691	6,024

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

OeKB EH Beteiligungs- und Management AG, Vienna, Austria

Other Services segment	2019	2018
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. 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	2019	2018
Earned premiums	23,934	24,776
Actuarial result	8,011	10,911
Profit before tax	11,871	12,855
<i>Of which depreciation and amortisation</i>	<i>(344)</i>	<i>(754)</i>
<i>Of which interest income</i>	<i>751</i>	<i>677</i>
<i>Of which interest expense</i>	<i>(69)</i>	-
Profit for the year	9,678	10,428
Other comprehensive income	(585)	617
Total comprehensive income for the year	9,093	11,045
Current assets	30,852	51,017
<i>Of which cash and cash equivalents</i>	<i>17,036</i>	<i>16,520</i>
Non-current assets	151,502	126,448
Current liabilities	18,711	18,963
Non-current liabilities	42,786	37,562
Equity	120,857	120,940
Proportionate share of equity at the beginning of the period	61,679	60,986
Proportionate share of total comprehensive income for the period	4,637	5,633
Dividend payments received	(4,680)	(4,940)
Proportionate share of equity at the end of the period	61,636	61,679

CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna, Austria

Capital Market Services segment	2019	2018
Shareholding	50%	50%
Share of voting rights	50%	50%

CCP.A 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	2019	2018
Revenue	3,545	3,901
Operating profit	207	776
Profit before tax	145	869
<i>Of which depreciation and amortisation</i>	<i>(214)</i>	<i>(215)</i>
<i>Of which interest income</i>	<i>176</i>	<i>138</i>
<i>Of which interest expense</i>	<i>(238)</i>	<i>(45)</i>
Profit/loss for the year	108	782
Other comprehensive income	-	-
Total comprehensive income for the year	108	782
Current assets	52,438	46,122
<i>Of which cash and cash equivalents</i>	<i>51,961</i>	<i>45,506</i>
Non-current assets	214	428
Current liabilities	40,449	34,056
Non-current liabilities	-	-
Equity	12,203	12,494
Proportionate share of equity at the beginning of the period	6,247	5,856
Proportionate share of total comprehensive income for the period	54	391
Dividend payments received	(200)	-
Proportionate share of equity at the end of the period	6,101	6,247

Note 20 Property, equipment, and intangible assets

Non-current assets in 2019

€ thousand	Costs							
	31 Dec 2018	First-time application of IFRS 16	1 Jan 2019	Additions	Assumed in the course of a business combination	Transfers	Disposals	31 Dec 2019
Land and buildings	74,418	-	74,418	20	7,491	-	(10)	81,919
Rights of use buildings	-	8,463	8,463	-	-	-	-	8,463
Fixtures, fittings, and equipment	13,449	-	13,449	1,412	106	-	(798)	14,169
Rights of use vehicle fleet	-	137	137	-	16	-	-	153
Property and equipment	87,867	8,600	96,467	1,432	7,613	-	(808)	104,704
Software	7,251	-	7,251	1,064	1,456	219	(83)	9,907
Advanced payments on software	250	-	250	463	-	(219)	-	494
Customer relationships	-	-	-	-	517	-	-	517
Intangible assets	7,501	-	7,501	1,527	1,973	-	(83)	10,918
Total	95,368	8,600	103,968	2,959	9,586	-	(891)	115,622

€ thousand	Accumulated depreciation and amortisation				Net book values	
	31 Dec 2018	Additions	Disposals	31 Dec 2019	31 Dec 2018	31 Dec 2019
Land and buildings	66,874	2,432	10	69,316	7,544	12,603
Rights of use buildings	-	948	-	948	-	7,515
Fixtures, fittings, and equipment	9,135	1,584	(753)	9,966	4,314	4,203
Rights of use vehicle fleet	-	75	-	75	-	78
Property and equipment	76,009	5,039	(743)	80,305	11,858	24,399
Software	5,527	1,136	43	6,706	1,724	3,201
Advanced payments on software	-	-	-	-	250	494
Customer relationships	-	86	-	86	-	431
Intangible assets	5,527	1,222	43	6,792	1,974	4,126
Total	81,536	6,261	(700)	87,097	13,832	28,525

Non-current assets in 2018

€ thousand	Costs				Accumulated depreciation and amortisation				Net book values		
	31 Dec 2017	Additions	Transfers	Disposals	31 Dec 2018	31 Dec 2017	Additions	Disposals	31 Dec 2018	31 Dec 2017	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

The increase in property and buildings resulted from the property at Parkring 12a due to the acquisition of the majority stake in ÖHT during the financial year. The value of the property itself was € 6.4 million (2018: € 4.4 million).

The rise in intangible assets also resulted primarily from assets from the acquisition of the majority stake in ÖHT, with a value of € 0.5 million being recognised for existing customer relationships in accordance with IFRS 3.

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

Lease liabilities in the amount of € 7.6 million (recognition in "Other liabilities") are connected to the rights of use pursuant to IFRS 16 mentioned above. The interest expense for lease liabilities totalled € 0.2 thousand in the financial year. The expenses for current lease liabilities (the accounting option is not being exercised) came to € 28.9 thousand in the financial year.

Note 21 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 14.

Deposits from banks

€ thousand	Repayable on demand		Other maturities		Total	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Domestic banks	136,294	111,454	689,407	0	825,701	111,454
Foreign banks	483,664	72,201	396,739	343,566	880,403	415,767
Total	619,958	183,655	1,086,146	343,566	1,706,105	527,221

Deposits from customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
States or government-affiliated organisations	674,753	624,238	86	854	674,840	625,092
Others	48,226	52,728	25,764	26,776	73,990	79,504
Total	722,979	676,966	25,850	27,630	748,829	704,596

The increase in payables to banks is primarily the result of the initial consolidation of ÖHT in the amount of € 888.4 million during the financial year (see note 4).

Note 22 Debt securities issued

The recognition and measurement principles are shown in Note 2. The classification according to IFRS 9 is indicated in Note 14.

€ thousand	Net book value		Of which listed	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Bonds issued	22,300,103	20,146,195	22,300,103	20,146,195
Other debt securities issued	5,622,310	4,374,545	-	-
Total	27,922,413	24,520,740	22,300,103	20,146,195

The amount repayable on maturity for debt securities issued that are measured at fair value option was € 20,680.5 million (2018: € 18,893.4 million).

Of the debt securities issued, € 9,857.9 million will come due in the following year (2018 for 2019: € 8,067.7 million).

The other debt securities issued contain subordinated liabilities in the amount of € 2.0 million (2018: zero).

Note 23 Provisions

Changes in provisions

€ thousand	Start of period	Assumed in the course of a business combination	Use	Release	Addition	End of the period
Non-current employee benefit provisions	134,389	4,131	(6,286)	-	22,391	154,625
Other provisions	16,580	317	(9,998)	(207)	725	7,417
Total provisions 2019	150,969	4,448	(16,284)	(207)	23,116	162,042
Total provisions 2018	145,508	-	(15,669)	(810)	21,941	150,969

Changes in non-current employee benefit provisions

€ thousand	Pension	Termination benefits	Total 2019	Total 2018
Present value of defined-benefit obligations (DBO) = employee benefit provisions at 1 January	107,495	26,894	134,389	128,474
Assumed in the course of a business combination	2,578	1,553	4,131	-
Service cost	1,641	1,276	2,917	1,179
Interest cost	2,095	551	2,646	2,262
Payments	(5,450)	(836)	(6,286)	(5,989)
Actuarial gain/loss	15,888	940	16,828	8,464
<i>Of which actuarial gain/loss arising from changes in parameters</i>	<i>15,612</i>	<i>843</i>	<i>16,455</i>	<i>7,159</i>
<i>Of which actuarial gain/loss arising from experience adjustments</i>	<i>276</i>	<i>97</i>	<i>373</i>	<i>1,304</i>
DBO at 31 December	124,247	30,378	154,625	134,389
Employee benefit provisions at 31 December	124,247	30,378	154,625	134,389

Historical information on defined-benefit obligations

€ thousand	2014	2015	2016	2017	2018
Pension provisions	104,160	103,841	106,136	105,306	107,495
Termination benefit provisions	26,939	26,262	25,229	23,168	26,894
Non-current employee benefit provisions	131,099	130,103	131,365	128,474	134,389

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 € 1.1 million were paid to the pension fund in 2019 (2018: € 1.0 million).

Staff costs also included the contributions of € 0.3 million to the termination benefit fund (2018: € 0.3 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 2019 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 2019	Total 2018
Increase in the discount rate by 0.50%	8,135	1,529	9,664	8,144
Decrease in the discount rate by 0.50%	(9,088)	(1,654)	(10,742)	(9,058)
Increase in expected salary growth by 0.50%	(440)	(1,601)	(2,041)	(1,869)
Decrease in expected salary growth by 0.50%	419	1,498	1,917	1,724
Increase in the pension trend by 0.50%	(8,225)	-	(8,225)	(6,911)
Decrease in the pension trend by 0.50%	7,497	-	7,497	6,281
Increase in life expectancy by 10% (corresponds to 1 year)	(7,537)	-	(7,537)	(5,912)

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

Maturity profile of the non-current employee benefit provisions

€ thousand	Pensions		Termination benefits	
	DBO 31 Dec 2019	DBO 31 Dec 2018	DBO 31 Dec 2019	DBO 31 Dec 2018
1 year	5,616	5,237	1,199	1,248
2 to 3 years	10,687	9,677	2,618	1,884
4 to 5 years	10,381	8,790	4,285	4,211
Over 5 years	97,563	83,791	22,276	19,551
Total	124,247	107,495	30,378	26,894
Duration	14.1 years	13.6 years	10.6 years	10.8 years

Other provisions

€ thousand	2019	2018
Staff-related provisions	7,252	11,794
Legal and consulting expenses	-	570
IT projects	-	108
Other provisions	165	4,108
Total	7,417	16,580

Note 24 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 13).

OeKB Group has no (unused) loss carryforwards.

Deferred taxes

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Loans and advances to banks	-	1,398	8,057	-
Loans and advances to customers	-	725	2,270	-
Other financial assets	-	-	61,322	62,813
Derivative financial instruments	136,279	109,954	171,030	149,525
Guarantees pursuant to § 1(2b) AFGG	-	-	1,232,608	1,130,335
Property, equipment, and intangible assets	-	-	1,672	-
Other assets	498	-	-	-
Deposits from banks	8,451	-	-	-
Debt securities issued	1,237,139	1,120,988	-	-
Provisions	22,906	18,085	-	-
Other liabilities	-	-	323	213
EFS interest rate stabilisation provision	131,358	149,726	-	-
Total	1,536,631	1,400,876	1,477,282	1,342,886
Tax settlement	(1,477,282)	(1,342,886)	(1,477,282)	(1,342,886)
Tax claims (liabilities), net	59,349	57,991		

€ thousand	2019	2018
Change	1,358	151
<i>Of which assumed in the course of a business combination</i>	<i>630</i>	<i>-</i>
<i>Of which in the income statement</i>	<i>(3,417)</i>	<i>(1,876)</i>
<i>Of which in the net other comprehensive income</i>	<i>4,145</i>	<i>2,027</i>

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 2019.

Note 25 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	2019	2018
At the beginning of the period	1,553,218	1,638,577
Effect from first-time application of IFRS 9 (from credit risk)	-	(81)
At the beginning of the period	1,553,218	1,638,496
Release/allocation from the net interest income	(68,590)	(60,833)
Release/allocation from the net credit risk provisions	(31)	16
Release/allocation from the net gain or loss on financial instruments measured at fair value through profit or loss	(63,259)	(24,461)
Release/allocation from the net other operating income (note 4)	124	-
Change in the EFS interest rate stabilisation provision	(131,756)	(85,278)
At the end of the period	1,421,462	1,553,218

Note 26 Capital management

Equity disclosures

The subscribed capital of € 130.0 million (2018: € 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 increased by € 17.8 million to € 680.9 million (2018: € 663.1 million). The retained earnings contain an amount of € 10.6 million (2018: € 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 minus € 12.8 million to minus € 37.5 million in annual comparison. The FVOCI reserve results from the fair value measurement of investments in other unconsolidated companies and came to € 19.1 million.

The Executive Board will propose to the 74th Annual General Meeting on 27 May 2020 that the profit available for distribution reported in Oesterreichische Kontrollbank AG's financial statements for the year 2019 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 2019. After payment of the compensation to the Supervisory Board members, the remaining balance is to be carried forward.

The dividend payment for the 2018 financial year, which was made in May 2019, amounted to € 22.75 per share plus a bonus of € 14.43 per share or a total of € 32.7 million. The return on assets pursuant to § 64(1)19 BWG attributable to the owners of the parent was 0.1% in 2019 (2018: 0.1%).

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. Pursuant to § 3(1)11 BWG, the provisions of the BWG and Regulation (EU) No. 575/2013 do not apply to the business activities of ÖHT (though § 5[1]1 to 4a and 6 to 14, §§ 39 to 39b, §§ 40 to 42, § 65, §§ 69 to 73a, and §§ 98 to 99e BWG do apply).

The bank group pursuant to § 30 BWG consists of Oesterreichische Kontrollbank AG, OeKB CSD GmbH, Oesterreichische Entwicklungsbank AG, and Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. 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 credit risk is significantly lower due to the exemptions from the supervisory regulations described above. 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	2019	2018
Risk-weighted assets (standardised approach to credit risk)	643,450	557,088
Total risk exposure amount (total regulatory capital requirement/8%)	960,000	877,213
Minimum regulatory capital requirement for		
Credit risk	51,476	44,567
Foreign exchange risk	4,294	5,258
Operational risk (Basic Indicator Approach)	21,030	20,352
Total regulatory capital requirement	76,800	70,177
Consolidated regulatory capital pursuant to Part 2 CRR		
Paid-up share capital	130,000	130,000
Reserves *	624,447	626,544
Less deductions		
Intangible assets	(4,125)	(1,974)
Common equity tier 1 capital	750,322	754,570
Tier 1 capital	750,322	754,570
Available regulatory capital pursuant to Part 2 CRR	750,322	754,570
Surplus regulatory capital	673,522	684,393
Consolidated capital adequacy ratio (regulatory capital as a percentage of total risk-weighted assets)	78.2%	86.0%
Consolidated tier 1 ratio	78.2%	86.0%
Cover ratio (regulatory capital as a percentage of the capital requirement)	977.0%	1,075.2%

* 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 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

In %	2019		2018	
	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	7.372	78.200	6.376	86.020
Tier 1 ratio	8.872	78.200	7.876	86.020
Total capital ratio	10.872	78.200	9.876	86.020

Calculation of the actual ratio

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

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

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

Minimum ratio for OeKB Group

In %	2019	2018
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	2.500	1.875
Anti-cyclical capital buffer pursuant to § 23a BWG in conjunction with § 103q line 11 BWG	0.372	0.001
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including buffer requirements	7.372	6.376
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including buffer requirements	8.872	7.876
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including buffer requirements	10.872	9.876

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 27 Revenue

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. The Tourism Services segment was created during the financial year due to the initial consolidation of ÖHT.

Revenue flows

€ thousand	Export Services	Capital Market Services	Tourism Services	Other Services	2019	Export Services	Capital Market Services	Other Services	2018
Income from									
Credit operations	2,858	-	1,788	-	4,646	2,766	-	-	2,766
Securities services	-	30,858	-	-	30,858	-	31,234	-	31,234
Export guarantees	14,636	-	1,437	-	16,073	14,767	-	-	14,767
Energy clearing	39	2,451	-	-	2,489	45	2,406	-	2,451
Other services	1,750	292	-	760	2,802	1,542	677	625	2,844
Revenue from contracts with customers	19,284	33,601	3,224	760	56,869	19,120	34,318	625	54,062
Assigned staff	-	7	-	344	351	-	10	1,006	1,016
Billed services	152	654	528	1,705	3,039	175	650	1,973	2,798
Other revenue	152	661	528	2,049	3,390	175	660	2,979	3,814
Total revenue	19,436	34,262	3,752	2,809	60,259	19,294	34,978	3,603	57,876
Services rendered at a specific point in time	5,862	16,801	-	13	22,676	4,630	16,662	12	21,304
Services rendered over a period of time	13,574	17,461	3,752	2,795	37,583	14,664	18,316	3,592	36,572
Total revenue	19,436	34,262	3,752	2,809	60,259	19,294	34,978	3,603	57,876

The “Other liabilities” contain deferred liabilities relating to revenue from contracts with customers in the amount of € 10.1 million (2018: € 8.3 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 2019 from fees and commissions received in previous periods came to € 1.6 million (2018: € 1.7 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 2019.

Note 28 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 36), 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

€ thousand	Notes	Retained earnings 2019	Non-controlling interests 2019	Net cash from financing activities 2019	Retained earnings 2018	Non-controlling interests 2018	Net cash from financing activities 2018
Balance sheet at 31 Dec 2017		-	-	-	667,531	-	-
Effect from first-time application of IFRS 9		-	-	-	(4,266)	-	-
Balance sheet at 1 Jan		663,104	-	-	663,265	-	-
Dividends paid	26	(32,718)	(469)	(33,187)	(32,858)	-	(32,858)
Total change in cash flows from financing activities		(32,718)	(469)	(33,187)	(32,858)	-	(32,858)
Transfer due to a disposal in the investments in other unconsolidated companies		-	-	-	565	-	-
Profit for the year		50,513	933	-	32,132	-	-
Balance sheet at 31 Dec		680,899	-	-	663,104	-	-

Most important developments during the financial year

The cash flow from operating activities in the amount of € 427.8 million (2018: € 21.8 million) changed by € 406.0 million compared with the previous year. The change is due to higher earnings (before taxes) as well as primarily the change of loans and advances to banks and customers, the change in the deposits from banks, and the change in the debt securities issued. The payments for the purchase of loans and advances to banks and customers exceeded the repayments from redemptions by € 3,749.1 million (2018: € 2,301.1 million). Corresponding to the loans and advances to banks and customers, proceeds from deposits from banks and customers and debt securities issued rose by € 4,203.0 million (2018: € 2,316.4 million).

The cash flow from investing activities in the amount of € 91.8 million (2018: minus € 89.7 million) changed by € 181.5 million compared with the previous year. Proceeds exceeded payments in the business year, primarily due to the reduction of the liquidity buffer in the EFS.

Note 29 Analysis of remaining maturities

Remaining maturities pursuant to § 64(1) BWG at 31 December 2019

€ 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	17,855	2,016,521	6,495,528	9,583,340	4,135,527	22,248,771
Loans and advances to customers	8,563	56,680	195,107	724,803	559,366	1,544,519
Other financial assets	329,478	39,328	281,404	1,320,598	996,180	2,966,988
Total	355,896	2,112,529	6,972,039	11,628,741	5,691,073	26,760,278
Deposits from banks	169,458	670,943	166,065	501,505	198,134	1,706,105
Deposits from customers	659,462	2,943	20,667	50,041	15,716	748,829
Debt securities issued	-	6,593,716	3,264,168	15,453,573	2,610,956	27,922,413
Total	828,920	7,267,602	3,450,900	16,005,119	2,824,806	30,377,347

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

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 30 Subordinated assets

The balance sheet contains no subordinated assets as in the previous year.

Note 31 Assets pledged as collateral

€ thousand	2019	2018
Collateral for credit risks in derivative financial instruments		
Collateral pledged	294,479	108,480
Collateral received	450,643	297,030

The change in the assets and liabilities pledged as collateral is due to the changes in the collateral furnished and received pursuant to ISDA contracts with derivatives partners (see Note 18).

Note 32 Contingent liabilities and other off-balance sheet commitments

The contingent liabilities not reported on the balance sheet in the amount of € 295.4 million (2018: € 66.3 million) pertain to guarantees issued by OeEB in the amount of € 57.2 million (2018: € 66.3 million) that are in turn backed by guarantees from the Republic of Austria pursuant to the AusFG and, for the first time in the financial year, guarantees issued by ÖHT in the amount of € 238.3 million that are backed by an indemnity from the Republic of Austria. Information about the undrawn credit facilities and commitments to lend is provided in Note 37.

Note 33 Other off-balance sheet commitments

Pursuant to § 2(3) ESAEG, the fully consolidated companies of OeKB Group are required to guarantee a proportionate amount of deposits under the deposit insurance system operated by the Vienna-based Einlagensicherung AUSTRIA Ges.mb.H. OeKB, OeEB, OeKB CSD, and ÖHT are members of this institution.

Note 34 Fiduciary assets and liabilities

Off-balance sheet fiduciary transactions amounted to € 135.8 million (2018: € 130.9 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) AusFG, as well as to the fiduciary account of the federal government.

Off-balance sheet fiduciary transactions amounted to € 467.6 million. The fiduciary transactions under the ERP fund pertain largely to the business activities of Österreichische Hotel- und Tourismusbank that were commenced under the aws erp tourism programme (legal basis: ERP Fund Act, general provisions for the aws erp programme, Regulation [EU] No. 651/2014 Article 14 and Article 17, and Regulation [EU] No. 1407/2013).

Note 35 Supplementary disclosures on assets and liabilities pursuant to the BWG

Supplementary disclosures pursuant to § 43 and § 64 BWG

€ thousand	31 Dec 2019		31 Dec 2018	
	Assets	Liabilities	Assets	Liabilities
Denominated in foreign currency	3,673,544	24,315,713	2,507,033	18,029,801
Issued or originated outside Austria	4,110,538	28,509,531	2,711,518	20,626,744

Note 36 Financial risk management

Overview and special features of OeKB Group

In significant business segments, the OeKB bank group (corresponds to OeKB Group) acts as a contractor to the Republic of Austria. It engages in no retail or deposit-taking business. As the parent company, OeKB is a special-purpose bank for capital and energy market services, and the Austrian export industry. The bank subsidiary Oesterreichische Entwicklungsbank AG supplements the Export Services, and the bank subsidiary OeKB CSD GmbH the Capital Market Services. Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., which finances investment projects in the Austrian tourism and leisure industry, is managed as the separate Tourism Services segment.

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 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 refinancing operations (creditor guarantees) and the government guarantees for exchange rate risk (exchange rate guarantees).

Exemptions from regulatory requirements are highly important for the business model. OeKB Group is not subject to the liquidity regulations (LCR, NSFR) or 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 apply to OeKB as the parent company of OeKB Group as well as to the fully consolidated banking subsidiary Oesterreichische Entwicklungsbank AG. Similar exceptions apply to the Group member bank OeKB CSD GmbH, which is authorised as a central depository under the CSD Regulation (see § 3[1]12 BWG) and for Österreichische Hotel- und Tourismusbank GmbH (see § 3[1]11 BWG), the majority of which was acquired in 2019.

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. The majority stake that was acquired in ÖHT in 2019 was integrated into the Group ICAAP based on the figures from the subsidiary's solo ICAAP. As data integration improves, ÖHT is to be gradually integrated on an individual transaction basis in the future, and risk budgets are also to be allocated.

Because of the special importance of the Export Financing Scheme and based on the management principles of OeKB Group, 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 Group 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 Group. 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 bears overall responsibility for the establishment of an adequate, functional, and holistic risk management system that covers all material operational and business risks of 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 on an annual basis in line with the business strategy.

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 ensures the uniform management of risks throughout the bank group.

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.

This guideline framework has a cascading structure. The policies and guidelines adopted by the Executive Board form the uppermost level. Along with the risk policy and strategy, this includes the Code of Conduct, in which behavioural standards as well as a complaint handling system are defined, a risk adequate remuneration policy, and the Fit & Proper Policy. 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. The Risk Management Committee set up a Non-Financial Risk Committee (NFRC) as a sub-committee in 2019 to enhance its ability to control non-financial risks, especially operational and ICT (information and communication technology) risks. 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 (CRO), supported by the Financial Risk Manager, the Operational Risk Manager, and the Chief Information Security Officer (CISO). The CRO reports directly to the Executive Board and, once a year, to the Risk Committee of the Supervisory Board. The CRO 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 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. The internal outsourcing policy was adapted to the EBA Guidelines on Outsourcing Arrangements and an Outsourcing Officer was appointed in 2019.

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 IT general 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 Group'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 2019. 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 Group 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 in the economic capital within OeKB Group, 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 by adding up the individual 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 the acquisition of the majority stake in ÖHT.

Risk coverage calculation for OeKB Group

€ thousand	31 Dec 2019		31 Dec 2018	
	Economic capital	Available risk coverage capital	Economic capital	Available risk coverage capital
Going Concern	85,274	696,448	66,677	686,474
Gone Concern	126,598	856,731	87,955	846,057

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

€ thousand	Value at Risk pursuant to ICAAP (confidence level 99.98%)		Regulatory capital requirement purs. to Reg. (EU) No. 575/2013 (see Note 26)	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Credit risk	71,096	33,100	51,476	44,567
Commodity and foreign exchange risk	5,607	10,679	4,295	5,258
Other market risk in the banking book	15,387	14,090	-	-
Other risks	6,028	4,188	-	-
Operational risk	28,481	25,896	21,030	20,352

The most significant change pertains to the credit risk in the ICAAP, which increased substantially due to the acquisition of the majority stake in ÖHT. As a result, the risk in the ICAAP also exceeds the regulatory capital requirement pursuant to CRR (ÖHT is not subject to CRR). The risk reduction in the item “Commodity and foreign exchange risk” resulted primarily from changes in the investment portfolio.

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 Group’s market risks relate only to banking book positions.

The risk amounts for market risk are assessed in the Group ICAAP (see previous table) using the value at risk (VaR) 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 exchange rate risk is included in the item “Commodity and foreign exchange risk” and amounted to € 3.6 million (31 December 2018: € 4.6 million).

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 the outlier tests are performed pursuant to the listed EBA Guidelines on a quarterly basis.

Credit risk

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

OeKB Group engages in no material credit operations outside of the EFS and the tourism financing. The overall low credit risks of the bank group compared with the risk coverage capital therefore stem primarily from the proprietary portfolio (bonds) and non-consolidated companies.

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. The CVaR amounted to € 71.1 million as at 31 December 2019 (31 December 2018: € 33.1 million).

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 RMC and the Executive Board. ÖHT's concentration on the tourism and leisure industry in Austria is inherent to the company's business model, so loans are only provided under stringent collateral requirements.

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.

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 Group'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 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 Group'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 in the Export Financing Scheme

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 37 for rating assignments and impairment calculations.

Market risk in the Export Financing Scheme

In accordance with the primary steering principle, market risk is measured by means of the earnings at risk (EaR) 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 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 37).

Business risk

OeKB Group primarily understands business risks to mean declines in profits caused by unexpected changes in business volume or margins or unexpected operating costs and expenses. Unexpected refers to deviations from the Group's planning. To the extent that they have materialised in the past, these risks also include business model risks 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, the Group is aware of the relevance of these risks in particular in its role as a special-purpose bank group, 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.

Other risks in the ICAAP

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 group 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.

Non-financial risks and operational risks

Unlike market and credit risks, for example, non-financial risks can only be managed through key figures to a limited extent, so the definition of the risk appetite and the management of these risks primarily occur on a qualitative basis. In 2019, the RMC established the Non-Financial Risk Committee (NFRC) as a sub-committee in order to keep pace with the diversity and increasing relevance of these risks.

OeKB Group includes the following risks in this category: systemic risk, business model risk, strategic risk, reputation and conduct risk, compliance risk, and operational risk.

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 rules, as such as for corruption prevention, the whistle-blower system, and the complaint handling system.

Regular checks conducted by Internal Audit and Group Internal Audit and an effective internal control system contribute to the further mitigation of operational 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 for the Group ICAAP is determined by scaling the regulatory capital requirement according to the Basic Indicator Approach to the respective confidence level.

Liquidity risk (ILAAP)

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

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

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

The Executive Board 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 the 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 as OeKB's excellent standing for decades as an issuer for decades coupled with the high diversification of its financial 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 six months in 2019. OeKB Group 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	2019	2018
Annual average	203	214
Yearly maximum	290	345
Yearly minimum	101	134

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

Liquidity buffer of OeKB Group

€ thousand	Fair value 2019	Fair value 2018
Cash and cash equivalents	809,838	323,412
Less minimum reserves	(38,083)	(40,045)
Cash and cash equivalents at central banks	771,755	283,367
Securities deposited at the central bank	6,876,112	7,108,270
Treasury bills and similar securities eligible for rediscounting	861,615	945,861
Bonds from other issuers eligible for rediscounting	23,151	17,675
Total	8,532,632	8,355,173

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 37 Details on the risk types

Credit risk

The maximum credit risk essentially encompasses all of OeKB Group's assets (with the exception of property, equipment, and intangible assets). The maximum credit risk is significantly reduced by the extensive guarantees and sureties, primarily from the Republic of Austria.

Credit rating and country breakdown

The distribution of OeKB Group's financial instruments measured at amortised cost 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 2019	Carrying amount 2018
Loans and advances to banks						
Rating category 1 (AAA/AA)	19,515,154	64,607	472	-	19,580,233	18,187,292
Rating category 2 (A)	971,112	-	-	-	971,112	312,361
Rating category 3 (BBB)	297,870	-	-	-	297,870	334,989
Rating category 4 (BB)	8	-	-	-	8	7
Rating category 5 (B)	-	-	-	-	-	-
Rating category 6 (CCC or lower)	420	-	-	-	420	110
Total	20,784,564	64,607	472	-	20,849,643	18,834,760
Loans and advances to customers						
Rating category 1 (AAA/AA)	438,742	7,601	9,467	151,966	607,776	464,201
Rating category 2 (A)	377,769	18,444	-	-	396,213	-
Rating category 3 (BBB)	466,039	2,829	1,163	-	470,032	2,320
Rating category 4 (BB)	42,910	652	-	11	43,573	20
Rating category 5 (B)	18,039	358	-	-	18,397	-
Rating category 6 (CCC or lower)	5,449	1,676	-	1,403	8,529	1,357
Total	1,348,948	31,561	10,630	153,381	1,544,519	467,898
Other financial assets (at amortised cost)						
Rating category 1 (AAA/AA)	147,392	-	-	-	147,392	243,028
Rating category 2 (A)	120,990	-	-	-	120,990	56,484
Rating category 3 (BBB)	55,014	-	-	-	55,014	32,622
Rating category 4 (BB)	-	-	-	-	-	-
Rating category 5 (B)	7,184	-	-	-	7,184	-
Rating category 6 (CCC or lower)	18,971	-	-	-	18,971	-
Total	349,552	-	-	-	349,552	332,134
					Value 2019	Value 2018
Credit facilities and commitments to lend						
Rating category 1 (AAA/AA)	3,819,575	2,624	-	-	3,822,199	3,372,427
Rating category 2 (A)	32,140	656	-	-	32,796	47,326
Rating category 3 (BBB)	36,030	-	-	-	36,030	30,647
Rating category 4 (BB)	4,256	-	-	-	4,256	-
Rating category 5 (B)	314	-	-	-	314	-
Rating category 6 (CCC or lower)	2,640	-	-	-	2,640	-
Total	3,894,954	3,280	-	-	3,898,234	3,450,401

Credit risk concentrations

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

Portfolio breakdown by country after recognition of collateral

€ thousand	Loans and advances to banks		Loans and advances to customers		Total per country	
	2019	2018	2019	2018	2019	2018
Austria	19,863,915	18,003,187	1,539,607	466,552	21,403,522	18,469,739
Finland	597,604	234,370	-	-	597,604	234,370
Denmark	473,628	-	-	-	473,628	-
France	385,001	189,464	-	-	385,001	189,464
Italy	326,788	370,496	-	-	326,788	370,496
Other countries	601,835	745,670	4,912	1,346	606,747	747,015
Total	22,248,771	19,543,187	1,544,519	467,898	23,793,290	20,011,085

Guarantees from national governments have been issued for 89.8% (2018: 98.8%) of the loans and advances to banks and customers. The decline in this rate can be attributed to the acquisition of the majority stake in ÖHT.

Determining the expected credit loss (ECL)

The following shows the material input factors, assumptions, and techniques employed by the OeKB Group to calculate impairment charges according to IFRS 9 (expected credit loss model). Because of the business model of OeKB Group 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 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 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. For OeKB Group 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 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 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

OeKB Group is purely a group of special-purpose banks with special, legally mandated tasks for the capital market, the export services, and in the tourism services segment since the acquisition of the majority stake in ÖHT (see Note 1). The majority of the total assets result from the Export Financing Scheme and is governed by special laws (AFFG and AusfFG). Exemptions from the CRR and CRD apply to all activities relating to export (financing) promotion (and to 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, OeKB 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

OeKB 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 Group adapts the PIT probabilities of default to account for expected future developments in the next step.

Portfolio-specific models that allow a multi-year (up to three years) projection of the portfolio PDs 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 Group 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

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, OeKB 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 OeKB Group and the values indicated in the CRR:

- LGD for assets politically and economically guaranteed by the Republic of Austria: 0%
- LGD of 3.25% for reverse repurchase agreements and 10% for loans with mortgage collateral (ÖHT) based on the risk management (ICAAP).
- LGD for 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.

No collateral is taken into account by way of LGD aside from the cases listed above. Other collateral is not taken into account in the loss given default, but in the PD (multiple default).

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.

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 ECL and the lifetime ECL).

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 2019	1 Jan 2019	Changes	<i>Of which assigned to the EFS</i>	<i>Of which not assigned to the EFS</i>
Loans and advances to banks	84	54	31	31	-
Loans and advances to customers	746	147	599	-	599
Other financial assets	231	119	112	(0)	113
Total	1,061	319	742	31	711

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

The increase in the impairment charge in the financial year resulted from the acquisition of the majority stake in ÖHT (plus € 0.7 million). Additional effects result from the early rendering of the final payment on a POCI asset (minus € 0.1 million) as well as from other changes in the portfolio and the FLI models (plus € 0.1 million).

In addition to the impairment charge according to the ECL method, provisions were also formed for defaulted exposures (business activities of the development bank) in the amount of € 0.2 million, which brought the net credit risk provisions to € 1.0 million.

Market risk

Gap analysis

The following tables show the gap analysis for OeKB Group. The increase in the volume can be attributed primarily to the growth in the EFS and the acquisition of the majority stake in ÖHT.

Gap analysis at 31 December 2019

€ 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	809,838	-	-	-	-	809,838
Loans and advances to banks	12,440,722	2,075,854	686,475	4,509,498	2,536,222	22,248,771
Loans and advances to customers	1,311,515	150,257	20,386	48,783	13,579	1,544,519
Bonds and other fixed-income securities	214,337	63,500	217,250	1,124,184	793,159	2,412,429
Total	14,776,411	2,289,611	924,111	5,682,464	3,342,960	27,015,557
Deposits from banks	(1,593,240)	(112,864)	-	-	-	(1,706,105)
Deposits from customers	(665,262)	(27,643)	(7,717)	(38,385)	(9,821)	(748,829)
Debt securities issued	(8,282,969)	(1,097,643)	(5,120,479)	(11,216,966)	(2,204,356)	(27,922,413)
Total	(10,541,472)	(1,238,151)	(5,128,196)	(11,255,351)	(2,214,177)	(30,377,347)
Gap before derivative financial instruments	4,234,939	1,051,460	(4,204,085)	(5,572,887)	1,128,783	
Effect of derivative financial instruments	(8,924,842)	308,476	654,486	8,428,290	(466,411)	
Total	(4,689,902)	1,359,936	(3,549,598)	2,855,403	662,371	

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)	

General interest rate risk in the banking book

In addition to the stochastic interest rate risk calculation in the risk coverage calculation, interest rate risk is also regularly calculated using interest rate scenarios. The table dated 31 December 2019 also includes employee benefit provisions for the first time.

General interest rate risk in the banking book (IRRBB) at 31 December 2019

€ thousand	Parallel shift			Short/long twist		Parallel shift of key currencies			
	PV/NII	+50 BP	-50 BP	-/+25 BP	+/-25 BP	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	1,690,574	(25,564)	28,118	(284)	1,561	(55,662)	57,353	40,919	(41,755)
<i>Of which EFS</i>	<i>656,443</i>	<i>(21,416)</i>	<i>21,595</i>	<i>632</i>	<i>(840)</i>	<i>(54,073)</i>	<i>55,019</i>	<i>40,920</i>	<i>(41,756)</i>
Interest rate sensitivities on an earnings basis (1 year, before guarantee fee)									
OeKB bank group	101,562	(8,114)	7,542	5,701	(5,862)	12,675	(12,825)	(16,704)	16,734
<i>Of which EFS</i>	<i>10,099</i>	<i>(9,715)</i>	<i>8,686</i>	<i>6,212</i>	<i>(6,448)</i>	<i>11,975</i>	<i>(12,210)</i>	<i>(16,704)</i>	<i>16,734</i>

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

€ thousand	Parallel shift			Short/long twist		Parallel shift of key currencies			
	PV/NII	+50 BP	-50 BP	-/+25 BP	+/-25 BP	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)
<i>Of which EFS</i>	<i>683,749</i>	<i>(6,481)</i>	<i>3,644</i>	<i>7,110</i>	<i>(10,409)</i>	<i>(54,103)</i>	<i>54,601</i>	<i>48,982</i>	<i>(50,015)</i>
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
<i>Of which EFS</i>	<i>15,936</i>	<i>(6,403)</i>	<i>4,565</i>	<i>1,159</i>	<i>(1,388)</i>	<i>14,458</i>	<i>(14,777)</i>	<i>(16,781)</i>	<i>16,811</i>

The outlier tests, which were mandatory for the first time as at 31 December 2019 pursuant to EBA Guideline 2018/02, came in below 2%, which is well below the stipulated early warning threshold of 15% for regulatory capital according to COREP. The flattener shock scenario was determined to be the highest interest rate risk.

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 2019

€ 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	(1,795,044)	(830,034)	(214,510)	(531,160)	(219,340)
Deposits from customers	(648,696)	(625,594)	(5,438)	(11,729)	(5,934)
Debt securities issued	(28,451,386)	(2,771,905)	(7,307,415)	(15,571,553)	(2,800,513)
Commitments to lend	-	(750)	(293,678)	(215,415)	509,844
Total	(30,895,127)	(4,228,284)	(7,821,041)	(16,329,858)	(2,515,944)
Derivative financial instruments					
Outflows	(20,091,348)	(1,751,148)	(3,077,977)	(13,427,242)	(1,834,980)
Inflows	19,574,641	1,711,938	3,135,265	12,929,376	1,798,061
Total	(516,707)	(39,210)	57,289	(497,866)	(36,919)
Financial assets					
Cash and cash equivalents	809,838	809,838	-	-	-
Loans and advances to banks	17,938,144	934,948	2,088,012	10,070,120	4,845,065
Loans and advances to customers	1,668,472	12,112	178,294	816,176	661,890
Bonds and other fixed-income securities	2,397,523	11,315	326,802	1,238,899	820,507
Total	22,813,977	1,768,212	2,593,107	12,125,195	6,327,463
Derivative financial instruments					
Inflows	21,798,110	1,125,107	3,568,024	14,630,611	2,474,368
Outflows	(21,102,635)	(1,096,040)	(3,346,015)	(14,246,423)	(2,414,157)
Total	695,475	29,067	222,009	384,188	60,211
Guarantees purs. to § 1(2b) AFGG	4,895,495	522,430	852,315	3,020,078	500,673
Liquidity gap	(3,006,886)	(1,947,785)	(4,096,322)	(1,298,263)	4,335,483

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)	-
Deposits 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) AFGG	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

Note 38 Scope of consolidation

The following table 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, OeKB CSD GmbH, Vienna, and Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna.

The majority stake of 68.75% in Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. was acquired on 25 April 2019; Raiffeisen ÖHT Beteiligungs GmbH holds 31.25%.

Four companies were not consolidated (2018: 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 four entities represent 0.02% of the Group's consolidated total assets, and their combined profit for the year represents less than 0.16% of the Group's consolidated profit for the year. AGCS Gas Clearing and Settlement AG, in which OeKB holds a 20% stake, was not recognised at the equity book value 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 2019	31 Dec 2018
Fully consolidated companies	3	2
Equity-accounted investments	2	2
Investments in unconsolidated subsidiaries (recognised at fair value)	4	2
Investments in other unconsolidated companies (recognised at fair value)	10	10
Total	19	16

Companies wholly or partly owned by OeKB

Company name and registered office	Banking Act Category	Segment structure ¹	Type of investment		Share-holding	Financial information				
	Credit Institution/ Other Company		Directly held	In-directly held	In %	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, € '000'
Fully consolidated companies										
Oesterreichische Entwicklungsbank AG, Vienna	CI	E	x		100.00%	31 Dec 2019	1,024,463	45,857	5,756	
OeKB CSD GmbH, Vienna	CI	C	x		100.00%	31 Dec 2019	29,514	27,707	4,442	
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	CI	T	x		68.75%	31 Dec 2019	1,018,494	35,165	2,858	
Equity-accounted joint ventures										
OeKB EH Beteiligungs- und Management AG, Vienna	OC	O	x		51.00%	31 Dec 2019	91,607	91,533	8,148	61,637
Acredia Versicherung AG, Vienna	OC	O		x	51.00%	31 Dec 2019	149,205	90,770	8,009	46,293
Acredia Services GmbH, Vienna	OC	O		x	51.00%	31 Dec 2019	13,730	12,138	2,273	6,190
Acredia Services D.O.O., Belgrade	OC	O		x	51.00%	31 Dec 2019	521	518	(18)	264
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	C	x		50.00%	31 Dec 2019	52,651	12,206	108	6,101
Unconsolidated subsidiaries (fair value measurement in other comprehensive income - OCI)										
OeKB Business Services GmbH, Vienna	OC	O	x		100.00%	31 Dec 2019	954	910	75	910
OeKB Zentraleuropa Holding GmbH, Vienna	OC	O	x		100.00%	31 Dec 2019	4,541	4,541	-	4,541
Internationale Tourismus-Investment-Service GmbH, Vienna	OC	T	x		100.00%	31 Dec 2019	187	142	13	142
OeEB Impact GmbH, Vienna ²	OC	E	x		100.00%		35	35		35

Company name and registered office	Banking Act Category	Segment structure ¹	Type of investment		Share-holding	Financial information				
	Credit Institution/ Other Company		Directly held	Indirectly held	In %	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, € '000'
Investments in other unconsolidated companies (fair value measurement in other comprehensive income - OCI)										
AGCS Gas Clearing and Settlement AG, Vienna	OC	C	x		20.00%	31 Dec 2018	24,140	4,040	407	580
APCS Power Clearing and Settlement AG, Vienna	OC	C	x		17.00%	31 Dec 2018	33,895	3,538	469	827
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	C	x		18.50%	31 Dec 2018	4,662	3,084	2,284	565
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	C	x		12.60%	31 Dec 2018	543,880	5,956	381	705
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	C	x		8.06%	31 Dec 2018	7,181	2,562	144	198
CEESEG Aktiengesellschaft, Vienna	OC	C	x		6.60%	31 Dec 2018	372,330	372,063	21,474	26,689
Einlagensicherung AUSTRIA Ges.m.b.H., Vienna	OC	O	x		0.78%	31 Dec 2018	900	515	-	4
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H. in Liqui., Vienna	OC	O	x		0.50%	31 Dec 2018	2,713	77	-	0
European Financing Partners S.A., Luxembourg	OC	E	x		7.63%	31 Dec 2019	136,522	165	(5)	13
Interact Climate Change Facility S.A., Luxembourg	OC	E	x		7.69%	31 Dec 2019	201,160	159	11	12

¹ E = Export Services, C = Capital Market Services, O = Other Services, T = Tourism Services

² Newly founded in financial year 2019

No interests in investments other than subsidiaries and no interests in subsidiaries are listed on an exchange.

Note 39 Subsidiaries with non-controlling interests

The following table contains material disclosures about Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. It is the only company in OeKB Group with shares held by non-controlling interests, amounting to 31.25%.

Tourism Services segment in € thousand	2019	2019 ...
Net interest income	5,770	-
Profit before tax	3,934	-
Profit net of tax	2,986	-
Other comprehensive income net of tax	(407)	-
Total comprehensive income	2,579	-
<i>Total comprehensive income attributable to non-controlling interests</i>	<i>806</i>	-
Current assets	6,511	6,384
Non-current assets	1,030,942	1,046,291
Current liabilities	8,951	8,344
Non-current liabilities	991,104	1,008,012
Net assets	37,398	36,319
<i>Net assets attributable to non-controlling interests</i>	<i>11,687</i>	<i>11,350</i>
Net cash from operating activities	1,037	-
Net cash from investing activities	463	-
Net cash from financing activities	(1,500)	-
Cash flow	0	-
Dividend payment to non-controlling interests	(469)	-

Note 40 Staff disclosures

During the financial year, the Group had an average of 442 full-time equivalents (2018: 410). The initial consolidation of ÖHT added 32 full-time equivalents to the group in the financial year.

Note 41 Officer's compensation and loans

The following tables give 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	2019	2018
Current benefits	(773)	(923)
Expenses for benefits due after the end of the employment relationship (termination benefits and pensions)	(322)	(249)
Other non-current benefits	(770)	(798)
Total	(1,865)	(1,970)

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

€ thousand	2019	2018
Former members of the Executive Board	(1,620)	(1,572)
Members of the Supervisory Board	(165)	(192)

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 42 Other related party transactions

As a specialis-purpose 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 shareholders, 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 43). 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 shareholders of OeKB. The share of interest income generated by credit transactions with shareholders in 2019 came to € 62.6 million or 45.0% (2018: € 81.2 million or 56.0%).

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.

The payables to banks consist of loans extended by shareholders of OeKB to ÖHT to refinance the tourism financing measures.

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

€ thousand	Owners of OeKB Group 2019	Investments in unconsolidated subsidiaries and other interests 2019	Equity-accounted investments 2019	Owners of OeKB Group 2018	Investments in unconsolidated subsidiaries and other interests 2018	Equity-accounted investments 2018
Other financial assets	30,682	142	-	18,477	-	-
Loans and advances to banks	14,363,905	-	-	13,596,793	-	-
Assets	14,394,587	142	-	13,615,270	-	-
Deposits from banks	756,125	-	-	35,382	-	-
Deposits from customers	-	21,955	22,463	-	23,541	26,478
Liabilities	756,125	21,955	22,463	35,382	23,541	26,478
Nominal amount of loan commitments, financial guarantees and other commitments	3,024,620	-	-	2,469,068	-	20,000
Interest income	62,611	2	90	81,180	-	-
Interest expenses	14,961	-	-	8,472	-	-
Income from investments	469	1,901	4,990	-	2,427	6,024
Fee and commission expenses	675	-	-	-	-	-
Fee and commission income	7,336	2,503	509	7,567	2,267	431
Administrative expense	26	204	-	-	-	-
Other operating income	1,571	314	1,875	1,343	308	2,659

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

The following table shows the shareholder structure of OeKB.

Ownership structure of Oesterreichische Kontrollbank AG at 31 December 2019

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 43 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	Robert Zadrazil	19 May 2009	AGM 2021
First Vice Chairman	Walter Rothensteiner	2 Aug 1995	AGM 2021
Second Vice Chairman	Willibald Cernko	29 May 2019	AGM 2022
Member	Ingo Bleier	29 May 2019	AGM 2020
Member	Rainer Borns	29 May 2018	AGM 2021
Member	Mary-Ann Hayes	29 May 2019	AGM 2024
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Gerda Holzinger-Burgstaller	29 May 2019	AGM 2020
Member	Peter Lennkh	18 May 2017	AGM 2022
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Herta Stockbauer	21 May 2014	AGM 2024
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	31 Dec 2019
Second Vice Chairman	Stefan Dörfler	18 May 2017	29 May 2019
Member	Reinhard Karl	29 May 2018	29 May 2019
Member	Jozef Sikela	12 May 2015	29 May 2019

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

Audit Committee

Position	Name
Chairman	Walther Rothensteiner
Member	Robert Zadrazil
Member	Martin Krull

Working Committee

Position	Name
Chairman	Robert Zadrazil
Member	Walther Rothensteiner
Member	Martin Krull

Compensation Committee

Position	Name
Chairman	Robert Zadrazil
Member (since 29 May 2019)	Willibald Cernko
Member	Walther Rothensteiner
Member	Martin Krull
Member	Erna Scheriau
Member (until 29 May 2019)	Stefan Dörfler

Risk Committee

Position	Name
Chairwoman	Herta Stockbauer
Member	Robert Zadrazil
Member	Erna Scheriau

Nomination Committee

Position	Name
Chairman	Robert Zadrazil
Member	Walther Rothensteiner
Member	Martin Krull

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 44 Legal risks

As of the reporting date, there were no legal risks that would influence the asset, financial, and earnings position of OeKB Group.

Note 45 Events after the balance sheet date

There were no events that required reporting after the balance sheet date.

Note 46 Date of approval for publication

These financial statements will be submitted to the Supervisory Board for approval on 19 March 2020. 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, 3 March 2020

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 at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2019, 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 Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 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 audited Group in accordance with Austrian company and banking laws as well as 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 of the Export Financing Scheme

Refer to Note 1 General Information of the Notes on page 20 et seqq.

Risk for the Financial Statements

As of 31 December 2019, loans and advances to banks of the Export Financing Scheme (EFS) amount to 22,249 mio EUR or 66.7% of the consolidated total assets.

The EFS of OeKB serves primarily as source of refinancing for domestic and foreign banks. This is provided that these banks meet OeKB's credit rating criteria ("house bank status") and, above all, the legal requirements for the

assumption of federal liabilities in the form of guarantees with regard to the financed transactions including the fulfillment of the requirements for management of financing (collateral management).

Therefore, the main criteria for the valuation of loans and advances to banks of the EFS is OeKB's assurance that both the legal and contractually-defined management criteria are met. To this end, the bank's management has established processes and implemented manual and automated controls within its IT systems. The risk to the financial statements is that a failure in controls will increase management risk, which, in particular, may impact the valuation of loans and advances to banks of the EFS within the consolidated financial statements of the OeKB Group.

Our Response

We have identified the processes over the legal and contractually-defined requirements in the respective operating departments and have analyzed whether the processes and their implemented controls are suitable for an adequate valuation of loans and advances to banks of the EFS, within the consolidated financial statements of OeKB Group.

In addition, we have tested the automated and manual key controls established in these areas and essential for the preparation of the financial statements, partly with the involvement of our IT specialists. In the course of our audit, we have tested their design, implementation and operating effectiveness, on a sample basis. In particular, we have focused on the following key controls:

1. Implementation and compliance of manual controls with regard to legal requirements for the assumption of federal liabilities with regard to the financed transactions as well as for the management of these transactions;
2. Automated reconciliation between the loan amount and the deposited liability;
3. General IT controls for SAP, especially access restriction and change management.

Furthermore, we have reconciled the subledger with the general ledger regarding the loans and advances to banks in the EFS and analysed the development of the portfolio.

Determination of Fair Values of Financial Instruments without stock exchange quotations

Refer to Note 3 Determining of fair value.

Risk for the Consolidated Financial Statements

The financial instruments in OeKB's consolidated financial statements as at 31 December 2019 recognised and measured at fair value include financial assets of EUR 7,051 million (around 21.1% of consolidated total assets) and financial liabilities of EUR 21,631 million (around 64.9% of consolidated total assets).

The fair value measurement of financial instruments, for which no stock exchange or market prices are available, is performed using valuation models and their input factors. Both the selection of suitable models as well as parameters are based on assumptions that influence the valuation of the financial instruments. This represents a risk for the financial statements.

Our Response

As part of our audit procedures, we have identified and assessed the processes for determining fair values. We have tested key controls implemented by the bank in this area, in particular, design, implementation and, on a sample basis, their operating effectiveness.

In addition, we have evaluated the valuation models, the input factors as well as the assumptions and estimates in determining the fair values. On a sample basis, our valuation specialists assessed the appropriateness of the models used. We also tested samples of whether the valuation parameters used correspond to external sources or were used in the valuation models. For a selection of financial instruments, we recalculated the valuation and compared the result with the valuation in the consolidated financial statements of OeKB.

Finally, we have assessed whether the relevant disclosures in the notes to the consolidated financial statement are complete and appropriate.

Responsibilities of Management and the 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, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG 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 intends 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' Responsibility

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 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 consolidated financial statements.

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

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, misrepresentations 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 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

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian Company law.

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

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Additional Information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 29 May 2018, we were elected as group auditors for the consolidated financial statements of the year ended 31 December 2019. We were appointed by the Supervisory Board on 12 June 2018.

Furthermore, at the Annual General Meeting dated 29 May 2019, we were elected as group auditors for the consolidated financial statements of the year ending 31 December 2020. We were appointed by the Supervisory Board on 7 June 2019.

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 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 Wilhelm Kovsca.

Vienna, 3 March 2020
KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
signed by
[WILHELM KOVSCA](#)
Wirtschaftsprüfer
Austrian Chartered Accountant

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 (1) of the Austrian Commercial Code (UGB) applies.

Supervisory Board report

In 2019 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 2019 and the group management report presented herein, as well as the 2019 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 2019, 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 19 March 2020 the Supervisory Board approved the financial statements for 2019, 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.

Vienna, March 2020

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, 3 March 2020

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

Annual financial statements

Management report 2019

Economic environment in 2019

The global economy saw a degree of cooling in 2019. According to the most recent estimate of the International Monetary Fund (IMF), global growth came to 3.0% (2018: 3.7%), marking the lowest level since the financial crisis in 2008/09. The USA remained a source of comparatively positive impetus (+2.4%; 2018: +2.9%) while the Eurozone economy decelerated noticeably (+1.2%; 2018: +2.0%). International trade also contracted in 2019. While the World Trade Organization (WTO) had projected growth of 2.6% (2018: 4.4%) at the beginning of the year, its most recent estimate was 1.2% (2018: 3.9%). This was primarily due to the simmering trade war between the USA and China, with growing geopolitical tensions also fuelling the uncertainty.

Mixed sentiment in the emerging and frontier markets

The emerging and frontier markets were on a solid growth path overall during the reporting period. According to IMF estimates, growth came to 3.9% (2018: 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 4.8% (2018: 5.3%). The BRIC countries posted somewhat poorer performance than in the previous year. While economic output in Brazil and Russia only expanded by 1%, growth in the still very dynamic Chinese and Indian economies fell to 6.1% in both countries. Even though the risk of capital outflows from the emerging markets remains, especially from crisis-plagued countries such as Argentina and Turkey, economic researchers expect general economic stabilisation in 2020.

Central, Eastern, and Southeastern Europe still on a positive course

Despite the overall high level of dependency on exports, the economy in Central, Eastern, and Southeastern Europe was very robust in 2019 according to the Vienna Institute for International Economic Studies (wiiw). This growth is being driven on the one hand by strong domestic demand on the back of wage increases, and on the other by extensive public investments. In direct country comparison, Poland (+4.4%; 2018: +5.0%), Hungary (+4.3%; 2018: +4.3%), and Romania (+4.2%; 2018: +4.1%) stood out with good economic growth during the reporting period. GDP growth in Czechia and Slovakia failed to reach the 3% mark because of the dependency of these economies on German industrial production, which was flagging.

Austrian economy expanding moderately

The domestic economy was also affected by the international economic slowdown. The most recent forecast of the Austrian Institute of Economic Research (WIFO) points to GDP growth of 1.7% (2018: 2.7%). Especially the growth of goods production and exports declined compared with the previous year. By contrast, household consumption grew disproportionately thanks to the improved conditions on the labour market. Financing activity also accelerated, in particular on the Austrian market for corporate bonds where the issued volume came to € 14.6 billion, clearly outpacing the € 7.8 billion registered in 2018. Austrian government bonds continued to benefit from the country's reputation as a safe haven for investors.

Business development in 2019

The financing volume in the Export Financing Scheme (EFS) rose again in 2019 by € 3,337,190 thousand to € 23,348,024,239.45 (2018: € 20,010,835 thousand) thanks to the sustained demand for low-cost export financing. The high level of exports by Austrian companies was effectively supported with suitable financing products and still very attractive interest rates.

The number of loans managed under the Export Financing Scheme increased to around 5,050 contracts (2018: around 4,850 contracts).

Income statement

The results for 2019 were driven in large part by a valuation effect. As in 2018, these effects were actuarial losses in the employee benefit provisions due to the decrease in the discount rate (2019: 1.02%; 2018: 1.95%).

Net interest income rose to € 63,619,718.42 (2018: € 56,741 thousand) due to the increase in the Export Financing Scheme financing volume. Furthermore, in the refinancing of the Export Financing Scheme, OeKB benefited from negative interest rates.

Income from securities and investments came to € 19,464,908.00, € 67,288 thousand less than the previous year's result of € 86,753 thousand. Key reason for the decrease is the post-capitalisation of the dividend-equivalent earnings of the special investment fund in the amount of € 73,168 thousand due to an AFRAC opinion in the previous year.

OeKB's net fee and commission income in 2019 was € 26,202,767.23 (2018: € 26,005 thousand) and remained stable in annual comparison. In the Capital Market Services segment, fee and commission income from our fund tax data service increased. 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 remained stable in annual comparison.

The net income from financial operations came in at minus € 30,251.21 in the reporting period (2018: minus € 347 thousand).

The other operating income of € 18,267,366.72 (2018: € 18,539 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 slightly in the reporting period.

Total operating income was € 127,524,509.16 (2018: € 187,691 thousand).

The general administrative expenses (€ 83,311,822.41) rose in annual comparison (2018: € 74,181 thousand). Total staff costs rose to € 66,328,969.50 (2018: € 56,370 thousand) due to the allocations made to the pension and termination benefit provisions. Staff costs rose slightly to € 34,385,787.47 (2018: € 34,181 thousand). The increase in employee benefit provisions resulted primarily from the significantly lower interest rate level in annual comparison and the resulting change in the discount rate from 1.95% in 2018 to 1.02%. Expenses for provisions for the death quarter as specified in the collective bargaining agreement for the banking industry in the amount of € 1.8 million were also recognised in the allocations to pension provisions. The other administrative expenses came to € 16,982,852.91 (2018: € 17,811 thousand), € 828 thousand less than the previous year's result. The other administrative expenses consist primarily of IT expenses (third-party services and maintenance) in the amount of € 4,432,657.93 (2018: € 4,140 thousand), space costs in the amount of € 3,612,319.06 (2018: € 4,394 thousand) and expenses for external data usage in the amount of € 1,714,490.59 (2018: € 1,536 thousand).

The other operating expenses of € 2,782,721.70 rose slightly in annual comparison (2018: € 2,692 thousand) and consist mainly of expenses for the stability tax and rental costs for sublet business premises.

This puts the operating expenses at € 90,623,154.85, a year-on-year increase (2018: € 82,403 thousand).

The operating profit for 2019 came to € 36,901,354.31, a decline of 65.0% over the previous year (€ 105,288 thousand) due to the one-off effects described above.

In the reporting period individual allowances in the amount of € 1,770.00 were made for impairment losses (2018: no individual allowances). Amortisation of securities held as current assets amounted to € 297,208.00 at 31 December 2019 (2018: € 446 thousand).

Income from impairment reversals on loans and advances amounted to € 13,012,000.00 (2018: € 13,011 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 € 3,365,671.87 (2018: € 26 thousand). The profits realised on securities held as current assets and from the purchase of accounts receivable came to € 444,519.81 (2018: € 536 thousand).

Taking all of these effects into account, the profit before tax was € 53,424,567.99 (2018: € 119,167 thousand).

After income tax, profit for the year of € 43,009,968.63 was lower than the result of € 94,719 thousand of the previous year.

In financial year 2019, € 9,400,698.63 (2018: € 61,167 thousand) was allocated to the other retained earnings to strengthen the capital base, and a liability reserve of € 700,000.00 (2018: € 676 thousand) 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 unallocated profit for the year came to € 32,909,270.00 (2018: € 32,876 thousand). Including the profit brought forward from the previous year in the amount of € 6,395.00 (2018: € 41 thousand), the profit available for distribution was reported at € 32,915,665.00 (2018: € 32,917 thousand).

Balance sheet

At 31 December 2019, liquid assets from the investment of excess liquidity in the form of balances at central banks amounted to € 786,645,400.49 (2018: € 306,041 thousand). On the liabilities side, deposits from banks rose from € 197,275 thousand in 2018 to € 619,574,062.28.

Loans and advances to banks decreased to € 12,993,867.07 as of 31 December 2019 (2018: € 96,725 thousand).

The volume of the investment portfolio (debt instruments, bonds, and equity shares and other variable-income securities, see also "investment portfolio" in the notes) rose to € 554,839,005.49 in 2019 (2018: € 537,866 thousand). The fair value on the reporting date was € 561,506,556.89 (2018: € 541,906 thousand).

Interests in subsidiaries amounted to € 73,880,193.17 (2018: € 49,277 thousand). The increase is the result of the acquisition of 68.75% of the shares in Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna.

OeKB's Export Financing Scheme accounts for 94.3% of the total balance sheet volume, and increased by € 3,143,854 thousand or 14.1% in 2019 from € 22,281,952 thousand to € 25,425,805,730.51. The increase in loans and advances to banks made the most significant contribution to this. The volume of debt securities issued 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) decreased by € 196,653 thousand to a nominal value of € 2,049,865,770.51 (2018: € 2,246,519 thousand).

The total assets as at 31 December 2019 came to € 26,971,182,840.31 (2018: € 23,404,562 thousand), which represents an increase of 15.2%.

Financial performance indicators

The cost-income ratio (operating expenses/operating income) rose to 71.1% from 43.9% in the previous year, in particular due to lower operating income after this figure had been boosted by one-off effects in the previous year and due to higher operating expenses.

The regulatory capital available under CRR rose by € 48,686 thousand to € 631,917,189.56 in 2019 (2018: € 583,231 thousand).

The tier 1 ratio (CRR tier 1/risk-weighted assets) came to 66.9% in 2019 (2018: 64.0%). 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 6.8% in 2019 (2018: 16.0%).

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 measures 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 these 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 the Internal Audit/Group 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 bank supervision laws such as the CRR in all transactions relating to export (financing) promotion.

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 subsidiary bank Oesterreichische Entwicklungsbank AG. Similar exceptions apply to the Group member bank OeKB CSD GmbH, which is authorised as a central depository under the CSD regulation (see § 3[1]12 BWG) and to Österreichische Hotel- und Tourismusbank GmbH (ÖHT), the majority of which was acquired in 2019 (see § 3[1]11 BWG).

Risk management framework

The Executive Board 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. The Risk Management Committee set up a Non-Financial Risk Committee (NFRC) as a sub-committee in 2019 to enhance its ability to control non-financial risks, especially operational and ICT risks (information and communication technology). 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 (CRO), supported by the Financial Risk Manager, the Operational Risk Manager, and the Chief Information Security Officer (CISO). The CRO reports directly to the Executive Board and, once a year, to the Risk Committee of the Supervisory Board. The CRO 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 (ICAAP) 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 with the exception of information security matters, which are the responsibility of the CISO. The activities relating to Operational Risk Management, Information Security and those coming under the remit of the Internal Control System Officer are subject to ongoing coordination. The Legal department that was set up in 2018 was expanded further 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. The internal outsourcing policy was adapted to the EBA Guidelines on Outsourcing Arrangements and an Outsourcing Officer was appointed in 2019.

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 2019. 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 of OeKB 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 majority stake that was acquired in ÖHT in 2019 was integrated into the group ICAAP based on the figures from the subsidiary’s solo ICAAP. As data integration improves, ÖHT is to be integrated on an individual transaction basis and risk budgets are also to be allocated in future.

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 83.7% bonds (2018: 91.1%) and 12.9% equity shares (2018: 8.9%). 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 € 17.2 million at 31 December 2019 (2018: € 23.3 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 2019 was as follows (the shown fair values are present values):

€ (2018: € thousand)	Notional amount at 31 Dec 2019	Fair values 2019		Notional amount at 31 Dec 2018	Fair values 2018	
		Positive	Negative		Positive	Negative
Interest rate derivatives						
Interest rate swaps (OTC)	21,120,893,920.34	392,289,808.95	255,017,382.30	22,396,438	185,093	288,898
Currency derivatives						
Currency swaps (OTC)	20,302,242,606.96	292,270,251.86	290,253,270.16	19,127,105	412,754	149,834
Total	41,423,136,527.29	684,560,060.81	545,270,652.46	41,523,543	597,847	438,732

The substantial change in the positive and negative 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. 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.

Unlike financial risks, non-financial risks (which include operational risks) can only be measured and managed through key figures to a limited extent, so the risk appetite is defined primarily on a qualitative basis. Regular assessments are depicted in risk maps that facilitate effective monitoring and control by management.

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. The internal outsourcing policy was adapted to the EBA Guidelines on Outsourcing Arrangements and an Outsourcing Officer was appointed in 2019.

Regular checks conducted by Internal Audit and an effective Internal Control System contribute to the mitigation of operational risks.

Liquidity risk (ILAAP)

OeKB differentiates between three forms of liquidity risk:

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

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.

In 2019, the average survival period determined by this methodology was over six months.

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.

Sustainability and climate risks

OeKB has been applying an effective sustainability management system for many years. OeKB's sustainability policy reflects the responsibility of the company for the positive development of the economy over the long term and for the stakeholders within and outside of the Group. It is submitted to the Executive Board once per year as part of the management review and is adapted when needed. The effects on environmental and social issues are assessed on a business segment basis in the form of an income statement as part of the annual environmental aspects review. The EMAS-certified environmental management system that was introduced in 2001 and the annual sustainability reports that have been published since 2003 ensure the continuous improvement of our sustainability management system. A sustainability programme is defined, published, and implemented every year. Specific measures in 2019 included the issue of a sustainable bond for refinancing in the Export Financing Scheme and the "Exportinvest Green" instrument that was created in conjunction with the Federal Ministry of Finance.

The growing importance of the ESG (environmental, social, and governance) factors and especially of climate change and the associated social and political reactions are a source of rising reputation and business model risks. At the same time, this harbours opportunities for future growth. Thus, OeKB has increased its focus on climate risks in its risk management and business strategy. In 2020, climate-based risks and opportunities will be explicitly integrated into the risk policy and strategy of OeKB Group, and the implementation of the TCFD (Task Force on Climate-related Financial Disclosure) recommendations will be continuously improved on the basis of a gap analysis.

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.

The complex combination of needs resulting from different generations in the company, a lack of qualified specialists on the labour market, and advancing digitalisation make a flexible personnel strategy indispensable. Knowledge management and transfer are just as crucial as the improvement of digital skills, solidarity between generations within the company, and a new style of leadership.

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 in every career stage. 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 € 624,690.88 (2018: € 492 thousand), OeKB spent € 1,546.26 per employee on training and development in 2019 (2018: € 1 thousand).

The headcount decreased from 369 full-time equivalents in 2018 to 367 at the end of 2019. The profit for the year per full-time equivalent came to € 117,193.37 (2018: € 357 thousand).

Employees of OeKB ¹

	2019	2018	2017
Total as at 31 December	404	406	379
<i>Of whom part-time employees</i>	<i>118</i>	<i>115</i>	<i>110</i>
Total employees in full-time equivalents	367	369	344
Average number of employees pursuant to the UGB	362	355	343
Turnover rate	3.5%	4.1%	3.2%
Sick days per year and full-time employee	9.6	8.3	8.3
Training days per year and employee ²	3.9	1.8	2.6
Proportion of total positions held by women	55.0%	56.2%	55.1%
<i>Of whom part-time employees</i>	<i>42.8%</i>	<i>41.2%</i>	<i>44.0%</i>
Proportion of management positions held by women	39.2%	38.0%	37.0%

¹ Including employees posted to OeKB CSD, Acredia AG and Exportfonds (until 31 Dec 2017).

² Since 2019 including internal educations.

Outlook for 2020

We expect business with export guarantees and aval endorsements to be weaker in 2020 than in 2019. The economic projections and global economic growth will continue to decline. The political uncertainty will persist at varying levels from region to region. This poses significant challenges for the Austrian export industry. Against this backdrop, OeKB continues to provide exporters with extensive assistance, both through export loans and with guarantees for the financing of business acquisitions and new investments. We expect our lending volume for export financing operations to increase again in 2020, but at a lower rate than in recent years due to the slowdown in export and foreign investment activity by Austrian companies. OeKB will continue to offer attractive financing conditions and products in the coming year despite the exceptionally low interest rate levels.

We expect our securities investments to continue delivering marginal earnings in 2020 due to the low interest from re-investments. The Federal Reserve System (Fed) has indicated that USD interest rates will further decrease. Interest rates in the Eurozone will remain low in 2020 due to the various central bank measures. The risk premiums on Austrian government bonds are still low, which means that the terms of access to the international capital markets should remain attractive for OeKB (due to the AFFG guarantees of the Republic of Austria).

We are planning further digitalisation projects in 2020 to meet the needs of our customers more rapidly and in a simpler manner and to make our internal processes better and above all faster.

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, 3 March 2020

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

Oesterreichische Kontrollbank AG – Financial statements 2019

Balance sheet

		31 Dec 2019	31 Dec 2018
		€	€ thousand
Assets			
01	Balances at central banks	786,645,400.49	306,041
02	Treasury bills and similar securities eligible for rediscounting by the ECB	45,665,531.06	60,787
03	Loans and advances to banks	12,993,867.07	96,725
	a) Repayable on demand	12,993,867.07	6,725
	b) Other loans and advances	0.00	90,000
04	Loans and advances to customers	4,445,075.13	3,844
05	Bonds and other fixed-income securities	242,016,258.05	217,217
	a) Of public issuers	1,512,794.18	1,513
	b) Of other issuers	240,503,463.87	215,705
06	Equity shares and other variable-income securities	267,157,216.38	259,862
07	Interests in investments other than subsidiaries	7,980,171.44	7,980
	<i>Of which in banks</i>	<i>0.00</i>	<i>-</i>
08	Interests in subsidiaries	73,880,193.17	49,277
	<i>Of which in banks</i>	<i>50,377,049.65</i>	<i>25,774</i>
09	Non-current intangible assets	1,594,089.00	1,426
10	Property and equipment	9,374,771.55	11,855
	<i>Of which land and buildings occupied for own business use</i>	<i>5,153,844.90</i>	<i>7,372</i>
11	Other assets	10,548,393.09	21,781
12	Prepayments and accrued income	2,578,503.74	2,381
13	Deferred tax assets	80,497,639.63	83,435
14	Assets related to export financing	25,425,805,730.51	22,281,952
14.1	Treasury bills and similar securities eligible for rediscounting by the ECB	1,397,588,679.29	1,500,125
14.2	Loans and advances to banks	23,193,083,920.06	19,824,214
	a) Repayable on demand	293,708,067.67	195,857
	b) Other loans and advances	22,899,375,852.39	19,628,357
14.3	Loans and advances to customers	154,940,319.39	186,620
14.4	Bonds and other fixed-income securities	626,968,521.66	668,028
14.5	Equity shares and other variable income securities	25,308,569.56	78,366
14.6	Other assets	4,988.34	-
14.7	Accruals and deferred income	27,910,732.21	24,598
	<i>Of which for issue of own debt securities</i>	<i>21,413,732.21</i>	<i>18,101</i>
Total assets		26,971,182,840.31	23,404,562
Memo items			
1	Foreign assets	3,100,052,834.37	1,909,381

Balance sheet

	31 Dec 2019	31 Dec 2018
	€	€ thousand
Liabilities and equity		
01 Deposits from banks	619,574,062.28	197,275
a) Repayable on demand	199,859,509.49	189,100
b) With agreed maturity or notice period	419,714,552.79	8,175
02 Deposits from customers (miscellaneous, repayable on demand)	83,354,286.25	102,094
03 Other liabilities	5,330,707.77	13,413
04 Prepayments and accrued income	9,932,814.27	8,076
05 Provisions	190,391,597.04	175,057
a) Termination benefit provisions	28,228,009.00	26,710
b) Pension provisions	121,424,170.00	107,495
c) Tax provisions	1,373,624.47	-
d) Other provisions	39,365,793.57	40,852
06 Subscribed share capital	130,000,000.00	130,000
07 Allocated capital reserves	3,347,629.63	3,348
08 Retained earnings	443,595,347.56	434,195
a) Statutory reserve	10,601,796.47	10,602
b) Other reserves	432,993,551.09	423,593
09 Liability reserve pursuant to § 57(5) BWG	26,935,000.00	26,235
10 Profit available for distribution	32,915,665.00	32,917
11 Liabilities related to export financing	25,425,805,730.51	22,281,952
11.1 Deposits from banks	637,591,071.13	332,324
a) Repayable on demand	450,500,494.22	332,324
b) With agreed maturity or notice period	187,090,576.91	-
11.2 Deposits from customers (others)	570,099,426.59	574,109
a) Repayable on demand	542,272,607.16	546,260
b) With agreed maturity or notice period	27,826,819.43	27,849
11.3 Debt securities issued	22,985,042,248.21	20,043,218
a) Bonds issued	17,465,561,078.80	15,909,170
b) Other debt securities issued	5,519,481,169.41	4,134,047
11.4 Other liabilities	758,214.03	1,074
11.5 Accruals and deferred income	114,404,968.54	140,464
11.6 Provisions (EFS interest rate stabilisation provision)	1,117,909,802.01	1,190,764
Total liabilities and equity	26,971,182,840.31	23,404,562
Memo items		
1 Credit risks	3,692,959,851.83	3,302,865
2 Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	631,917,189.56	583,231
3 Minimum regulatory capital requirement pursuant to Article 92 of Regulation (EU) No. 575/2013	886,508,639.63	829,696
Minimum regulatory capital requirement pursuant to Article 92(1) lit. a of Regulation (EU) No. 575/2013 - core tier 1 ratio in %	66.9%	64.0%
Minimum regulatory capital requirement pursuant to Article 92(1) lit. b of Regulation (EU) No. 575/2013 - tier 1 ratio in %	66.9%	64.0%
Minimum regulatory capital requirement pursuant to Article 92(1) lit. c of Regulation (EU) No. 575/2013 - total capital ratio in %	71.3%	70.3%
4 Foreign liabilities	23,797,424,575.73	20,578,893

Income statement

		2019		2018
		€	€	€ thousand
01.	+ Interest and similar income	144,441,671.41	120,657,238.40	151,347
	Minus loss from negative interest from money market business	(928,903.59)		(2,333)
	Minus loss from negative interest from credit operations	(18,152,402.32)		(14,697)
	Minus loss from negative interest from securities	(4,703,127.10)		(4,026)
	<i>Of which from fixed-income securities</i>		2,443,472.09	2,029
02.	- Interest and similar expenses	171,263,747.27	57,037,519.98	186,356
	Minus budget underrun from negative interest from money market business	(3,241,031.33)		(1,994)
	Minus budget underrun from negative interest from refinancing business	(110,985,195.96)		(110,810)
I.	Net interest income		63,619,718.42	56,741
03.	+ Income from securities and investments		19,464,908.00	86,753
	a) Income from equity shares, other ownership interests and variable-income securities	6,918,193.47		75,671
	b) Share of results of investments other than subsidiaries	1,700,964.53		2,227
	c) Dividends from subsidiaries	10,845,750.00		8,855
04.	+ Fee and commission income		29,078,737.66	29,048
05.	- Fee and commission expenses		2,875,970.43	3,043
06.	+/- Income/expenses from financial operations		(30,251.21)	(347)
07.	+ Other operating income		18,267,366.72	18,539
II.	Operating income		127,524,509.16	187,691
08.	- General administrative expenses		83,311,822.41	74,181
	a) Staff costs	66,328,969.50		56,370
	<i>Of which:</i>			
	aa) Salaries	34,385,787.47		34,181
	bb) Statutory social security costs, pay-based levies, and other compulsory pay-based contributions	7,836,311.17		7,713
	cc) Other social expenses	1,294,646.95		1,175
	dd) Expenses for retirement and other post-employment benefits	6,157,292.81		6,001
	ee) Additions to pension provision	13,928,943.00		2,190
	ff) Expenses for termination benefits and contributions to termination benefit funds	2,725,988.10		5,111
	b) Other administrative expenses	16,982,852.91		17,811
09.	- Impairment losses on asset items 9 and 10		4,528,610.74	5,530
10.	- Other operating expenses		2,782,721.70	2,692
III.	Operating expenses		(90,623,154.85)	(82,403)
IV.	Operating profit		36,901,354.31	105,288
11.	- Impairment losses on loans and advances and amortisation on securities held as current assets		298,978.00	446
12.	+ Income from impairment reversals on loans and advances and from write-ups on securities held as current assets		16,822,191.68	13,572
13.	+ Profit from the sale of investments		0.00	754
V.	Profit before tax		53,424,567.99	119,167

Income statement

		2019	2018
		€	€ thousand
V.	Profit before tax - carryover	53,424,567.99	119,167
14.	+ Merger gain	0.00	3,124
15.	- Income tax	10,414,599.36	27,572
VI.	Profit for the year	43,009,968.63	94,719
16.	- Transfer to reserves	10,100,698.63	61,842
	<i>Of which transfer to liability reserve</i>	<i>700,000.00</i>	<i>676</i>
VII.	Unallocated profit for the year	32,909,270.00	32,876
17.	+ Profit brought forward from the previous year	6,395.00	41
VIII.	Profit available for distribution	32,915,665.00	32,917

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 of OeKB prepared the present annual financial statements as at 31 December 2019 according to the provisions of the Austrian Uniform Commercial Code (UGB), the relevant regulations of the Austrian Banking Act (BWG), the CRR (Regulation [EU] No. 575/2013), and the Stock Corporation Act (AktG) 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 a going concern basis. 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 (only in German). Further information can be found on the OeKB website (www.oekb.at).

Legal basis for the export guarantee and for the Export Financing Scheme

Liability according to the Export Guarantees Act (AusFG)

According to the AusFG, 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) AusFG, 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. OeKB receives fair compensation for the processing of the AusfFG guarantees, which it recognises in fee and commission income.

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. The fees paid by OeKB to the Federal Ministry of Finance for guarantees pursuant to § 1(2) AFFG are directly related to the refinancing costs of the Export Financing Scheme. For this reason, the guarantee fees are shown under interest and similar expenses on the income statement.

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 as well as 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 Austria (from 6 December 2018) 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 also 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 balance sheet items in the own account section

- **Balances at central banks** are recognised at their nominal value.
- **Treasury bills and similar securities, bonds and other fixed-income securities as well as equity shares and other variable-income 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 UGB). Write-ups are recognised when the reasons for the impairment no longer apply. Current income from securities funds is 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 other 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 deemed permanent. Write-ups (up to the cost of acquisition) are recognised when the reasons for the impairment no longer apply.
- **Non-current 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 1.02% (2018: 1.95%) and a salary trend of 3.25% (2018: 3.50%),
 - A retirement age of 65 years for women and men (2018: 65 years), and
 - The computation tables by Pagler & Pagler.
- 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.
- **Interest that is to be deferred** is recognised in the respective interest-bearing balance sheet item.

Information on the measurement of balance sheet items concerning the export financing (Export Financing Scheme)

- **Treasury bills and similar securities, 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. The measurement method specified in § 57(1) BWG was used.
- **Loans and advances to banks, loans and advances to customers, and other assets** are recognised at their nominal value. Individual allowances for impairment losses are recognised for identified risks with borrowers. The measurement method specified in § 57(1) BWG was used.
- **Liabilities and debt securities issued** are generally recognised at their settlement amount. The majority of the debt securities issued are subject to guarantees pursuant to § 1(2)a and b AFG. Derivative financial instruments were also entered into, to hedge 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 AFG. 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 expenses is allocated to the EFS 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 AFG.
- **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 2019	End of 2018		Change
	€	€ thousand	€ thousand	in %
Balances at central banks	786,645,400.49	306,041	480,604	157.0%
Treasury bills and similar securities eligible for rediscounting by the ECB	45,665,531.06	60,787	-15,122	-24.9%
Loans and advances to				
banks	12,993,867.07	96,725	-83,731	-86.6%
customers	4,445,075.13	3,844	601	15.6%
Bonds and other fixed-income securities	242,016,258.05	217,217	24,799	11.4%
Equity shares and other variable-income securities	267,157,216.38	259,862	7,296	2.8%
Interests in subsidiaries and other investments	81,860,364.61	57,257	24,603	43.0%
Property, equipment, and intangibles	10,968,860.55	13,281	-2,312	-17.4%
Other assets	13,126,896.83	24,162	-11,035	-45.7%
Deferred tax assets	80,497,639.63	83,435	-2,937	-3.5%
Own account	1,545,377,109.80	1,122,610	422,767	37.7%

Liabilities and equity

Deposits from				
banks	619,574,062.28	197,275	422,299	214.1%
customers (other)	83,354,286.25	102,094	-18,740	-18.4%
Provisions	190,391,597.04	175,057	15,334	8.8%
Other liabilities	15,263,522.04	21,489	-6,226	-29.0%
Equity	636,793,642.19	626,695	10,099	1.6%
<i>Of which profit available for distribution</i>	<i>32,915,665.00</i>	<i>32,917</i>	<i>-2</i>	<i>0.0%</i>
Own account	1,545,377,109.80	1,122,610	422,767	37.7%

Balances at central banks

Terms to maturity pursuant to § 64(1)4 BWG	2019	2018
	€	€ thousand
Repayable on demand	786,645,400.49	306,041
Total	786,645,400.49	306,041

Investment portfolio

€ (2018: € thousand)	31 Dec 2019		31 Dec 2018	
	Net book value	Fair value	Net book value	Fair value
Treasury bills and similar securities	45,665,531.06	47,175,471.06	60,787	62,433
Bonds and other fixed-income securities	242,016,258.05	247,064,955.07	217,217	219,612
Equity shares and other variable-income securities	267,157,216.38	267,266,130.76	259,862	259,862
Total	554,839,005.49	561,506,556.89	537,866	541,906

OeKB does not hold a trading portfolio and therefore has no trading book. The asset items contain subordinated assets in the amount of € 4,885,527.78 (2018: zero).

The equity shares and other variable-income securities consist primarily of a dividend-bearing and non-dividend-bearing investment fund, which meets all requirements for earnings recognition in the AFRAC opinion no. 14 “Non-current and current financial assets” question 7b. In the business year 2019, dividend-equivalent earnings were made in the amount of € 6,918,170.56 (2018: post-capitalisation of dividend-equivalent income € 73,168 thousand).

Of the bonds and other fixed-income securities held, securities in the amount of € 55,100,290.00 are maturing in 2020 (2018: € 62,538 thousand maturing in 2019).

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 € 5,442,181.21 (2018: € 3,124 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 € 144,487.68 (2018: € 154 thousand) are admitted for public trading and are listed; unlisted securities total € 267,012,728.70 (2018: € 259,708 thousand). According to a decision of the Executive Board, all investments are to be treated as current assets.

The **loans and advances to banks** consist primarily of claims from money market business with subsidiaries.

Loans and advances to banks

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	12,993,867.07	6,725
Up to 3 months	0.00	90,000
Total	12,993,867.07	96,725

Loans and advances to customers

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	51,782.86	54
Up to 3 months	311,156.29	207
More than 3 months up to 1 year	490,400.61	322
More than 1 year up to 5 years	2,374,039.01	2,710
More than 5 years	1,217,696.36	552
Total	4,445,075.13	3,844

Companies wholly or partly owned by OeKB

Name and registered office	BWG category	Type of investment		Share-holding	Financial information			
	Credit institution/ Other company	directly held	indirectly held	in %	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 2019	1,024,463	45,857	5,756
OeKB CSD GmbH, Vienna	CI	x		100.00%	31 Dec 2019	29,514	27,707	4,442
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	CI	x		68.75%	31 Dec 2019	1,018,494	35,165	2,858
OeKB Business Services GmbH, Vienna	OC	x		100.00%	31 Dec 2019	954	910	75
OeKB Zentraleuropa Holding GmbH, Vienna	OC	x		100.00%	31 Dec 2019	4,541	4,541	-
Associated companies								
OeKB EH Beteiligungs- und Management AG ¹ , Vienna	OC	x		51.00%	31 Dec 2019	91,607	91,533	8,148
Acredia Versicherung AG, Vienna	OC		x	51.00%	31 Dec 2019	149,205	90,770	8,009
Acredia Services GmbH, Vienna	OC		x	51.00%	31 Dec 2019	13,730	12,138	2,273
Acredia Services D.O.O., Belgrade	OC		x	51.00%	31 Dec 2019	521	518	(18)
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	x		50.00%	31 Dec 2019	52,651	12,206	108
Other interests								
AGCS Gas Clearing and Settlement AG, Vienna	OC	x		20.00%	31 Dec 2018	24,140	4,040	407
APCS Power Clearing and Settlement AG, Vienna	OC	x		17.00%	31 Dec 2018	33,895	3,538	469
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	x		18.50%	31 Dec 2018	4,662	3,084	2,284
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	x		12.60%	31 Dec 2018	543,880	5,956	381
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	x		8.06%	31 Dec 2018	7,181	2,562	144
CEESEG Aktiengesellschaft, Vienna	OC	x		6.60%	31 Dec 2018	372,330	372,063	21,474
Einlagensicherung AUSTRIA Ges.m.b.H., Vienna	OC	x		0.19%	31 Dec 2018	900	515	-
Einlagensicherung der Banken und Bankiers Ges.m.b.H. in Liqu., Vienna	OC	x		0.20%	31 Dec 2018	2,713	77	-

¹ Joint venture

No interests in investments other than subsidiaries and no interests in subsidiaries are listed on an exchange.

The restructuring plan of OeKB CSD GmbH, as a central depository pursuant to the CSD Regulation, submitted as part of the licensing application, stipulates the option of a capital increase to as much as € 9,200,000.00 by OeKB by no later than 31 December 2020 after an assessment of the economic sustainability.

A 68.75% stake in Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. was acquired during the 2019 financial year.

Non-current assets in 2019 - Cost

€	1 Jan 2019	Additions	Transfers	Disposals	31 Dec 2019
Non-current intangible assets	5,984,883.23	776,881.52	218,880.00	0.00	6,980,644.75
Assets under construction (intangible assets)	127,650.00	91,230.00	(218,880.00)	0.00	0.00
Non-current intangible assets	6,112,533.23	868,111.52	0.00	0.00	6,980,644.75
Fixtures, fittings, and equipment	87,861,086.79	1,237,650.65	0.00	(656,230.89)	88,442,506.55
Low-value assets	0.00	126,010.57	0.00	(126,010.57)	0.00
Property and equipment	87,861,086.79	1,363,661.22	0.00	(782,241.46)	88,442,506.55
Interests in investments other than subsidiaries	7,980,171.43	0.00	0.00	0.00	7,980,171.43
Interests in subsidiaries	49,277,112.35	24,603,080.82	0.00	0.00	73,880,193.17
Total	151,230,903.80	26,834,853.56	0.00	(782,241.46)	177,283,515.90

Non-current assets in 2019

€	Accumulated depreciation and amortisation				Net book value	
	1 Jan 2019	Additions	Disposals	31 Dec 2019	1 Jan 2019	31 Dec 2019
Non-current intangible assets	4,686,885.23	699,670.52	0.00	5,386,555.75	1,297,998.00	1,594,089.00
Assets under construction (intangible assets)	0.00	0.00	0.00	0.00	127,650.00	0.00
Non-current intangible assets	4,686,885.23	699,670.52	0.00	5,386,555.75	1,425,648.00	1,594,089.00
Fixtures, fittings, and equipment	76,006,191.42	3,702,929.65	(641,386.07)	79,067,735.00	11,854,895.37	9,374,771.55
Low-value assets	0.00	126,010.57	(126,010.57)	0.00	0.00	0.00
Property and equipment	76,006,191.42	3,828,940.22	(767,396.64)	79,067,735.00	11,854,895.37	9,374,771.55
Interests in investments other than subsidiaries	0.00	0.00	0.00	0.00	7,980,171.43	7,980,171.43
Interests in subsidiaries	0.00	0.00	0.00	0.00	49,277,112.35	73,880,193.17
Total	80,693,076.65	4,528,610.74	(767,396.64)	84,454,290.75	70,537,827.15	92,829,225.15

The property and equipment includes land and buildings in an amount of € 5,153,844.90 (2018: € 7,372 thousand), of which € 4,398,853.90 (2018: € 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 decrease compared with the previous year is largely the result of tax prepayments with the financial authorities.

Other assets (other loans and advances)

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	10,548,393.09	21,781
Total	10,548,393.09	21,781

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 2019	31 Dec 2018	Change
	€	€ thousand	€ thousand
Impairment losses pursuant to § 57 BWG	39,034,000.00	52,046	-13,012
Equity shares and other fixed-income securities	(53,315,824.43)	(53,316)	-
Property and equipment	37,792.93	113	-76
Termination benefit provision	15,123,421.00	13,723	1,400
Pension provision	71,807,951.00	57,364	14,444
Other provisions	28,736,165.92	28,781	-44
Untaxed reserves	(3,014,908.27)	(3,125)	110
Total OeKB	98,408,598.15	95,586	2,822
EFS interest rate stabilisation provision	223,657,456.45	238,153	-14,495
Total Export Financing Scheme	223,657,456.45	238,153	-14,495
Total differences	322,066,054.60	333,739	-11,673
Resulting deferred taxes	80,516,513.63	83,435	-2,918
<i>Of which attributable to OeKB profit</i>	<i>24,602,149.55</i>	<i>23,897</i>	<i>706</i>
<i>Of which attributable to the profit of the Export Financing Scheme</i>	<i>55,914,364.08</i>	<i>59,538</i>	<i>-3,624</i>

The deferred tax assets decreased by € 2,918 thousand from € 83,435 thousand to € 80,516,513.64 in the reporting period.

The tax income from the Export Financing Scheme (€ 3,623,813.78; 2018: tax income € 2,646 thousand) will be credited to the scheme and has no impact on the income statement of OeKB.

Deposits from banks

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	199,859,509.49	189,100
Up to 3 months	419,714,552.79	8,175
Total	619,574,062.28	197,275

Deposits from customers

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	83,354,286.25	102,094
Total	83,354,286.25	102,094

The decrease 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 of payables to regional authorities in the amount of € 728,915.11 (2018: € 717 thousand), and deposits from goods deliveries and rendered services in the amount of € 1,890,510.81 (2018: € 1,953 thousand).

Other liabilities

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	5,330,707.77	13,413
Total	5,330,707.77	13,413

Other provisions

	31 Dec 2019	31 Dec 2018
	€	€ thousand
Legal consulting, tax consulting, and financial auditing	310,748.00	434
Performance-related compensation	5,632,718.83	5,682
Unused holiday and overtime credits	3,327,215.95	3,538
Other employee benefit provisions	629,433.78	1,565
Software projects	140,957.30	171
General business risks and IT projects	28,485,000.00	28,485
Other provisions	839,719.71	977
Total	39,365,793.57	40,852

Equity disclosures

The share capital of € 130,000,000.00 (2018: € 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 allocated capital reserves remained unchanged at € 3,347,629.63.

The other reserves increased by € 9,400,698.63 (2018: € 61,166 thousand). The retained earnings came in at € 443,595,347.56 in 2019 (2018: € 434,195 thousand). The liability reserve amounted to € 26,935,000.00 on the reporting date (2018: € 26,235 thousand).

Proposal on the distribution of profits

The following distribution of profits will be proposed to the Annual General Meeting:

	2019	2018
	€	€ thousand
Unallocated profit for the year	32,909,270.00	32,876
Profit brought forward from the previous year	6,395.00	41
Profit available for distribution	32,915,665.00	32,917

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	165,000.00	193
To be carried forward	32,265.00	6

Export finance section of the balance sheet

Assets	End of 2019	End of 2018	Change	
	€	€ thousand	€ thousand	in %
Treasury bills and similar securities eligible for rediscounting by the ECB	1,397,588,679.29	1,500,125	-102,537	-6.8%
Loans and advances to				
banks (others)	23,193,083,920.06	19,824,214	3,368,869	17.0%
customers	154,940,319.39	186,620	-31,680	-17.0%
Bonds and other fixed-income securities	626,968,521.66	668,028	-41,059	-6.1%
Equity shares and other variable-income securities	25,308,569.56	78,366	-53,057	-67.7%
Other assets	4,988.34	-	5	100.0%
Prepayments and accrued income	27,910,732.21	24,598	3,312	13.5%
Export financing	25,425,805,730.51	22,281,952	3,143,854	14.1%
Liabilities and equity				
Deposits from				
banks	637,591,071.13	332,324	305,267	91.9%
customers	570,099,426.59	574,109	-4,010	-0.7%
Debt securities in issue	22,985,042,248.21	20,043,218	2,941,824	14.7%
Other liabilities	758,214.03	1,074	-316	-29.4%
Accruals and deferred income	114,404,968.54	140,464	-26,059	-18.6%
Provisions (EFS interest rate stabilisation provision)	1,117,909,802.01	1,190,764	-72,854	-6.1%
Export financing	25,425,805,730.51	22,281,952	3,143,854	14.1%

The asset items contain no subordinated assets.

Liquidity portfolio of the Export Financing Scheme

€ (2018: € thousand)	31 December 2019		31 December 2018	
	Net book value	Fair value	Net book value	Fair value
Treasury bills and similar securities	1,397,588,679.29	1,455,705,550.00	1,500,125	1,517,853
Bonds and other fixed-income securities	626,968,521.66	641,327,237.70	668,028	678,683
Equity shares and other variable-income securities	25,308,569.56	25,308,569.56	78,366	78,366
Total	2,049,865,770.51	2,122,341,357.26	2,246,519	2,274,902

Of the bonds and other fixed-income securities held, an amount of € 253,073,580.00 is maturing in 2020 (2018: € 233,221 thousand maturing in 2019).

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 € 48,673,141.20 (2018: € 27,792 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 5,050 loans (2018: roughly 4,850 loans) with a volume of € 23,348,024,239.45 (2018: € 20,010,835 thousand) were serviced under the Export Financing Scheme.

Loans and advances to banks and customers consist primarily of loans for which guarantees have been issued by the Republic of Austria pursuant to the AusfFG.

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	293,708,067.67	172,806
Up to 3 months	2,126,455,639.37	417,900
More than 3 months up to 1 year	6,561,367,211.71	6,327,827
More than 1 year up to 5 years	9,836,278,366.91	8,561,777
More than 5 years	4,375,274,634.40	4,343,904
Total	23,193,083,920.06	19,824,214

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.

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	2,571,435.25	1,703
Up to 3 months	2,953,028.60	3,032
More than 3 months up to 1 year	33,194,118.57	30,268
More than 1 year up to 5 years	66,416,419.67	89,143
More than 5 years	49,805,317.30	62,475
Total	154,940,319.39	186,620

The **equity shares and other variable-income securities** include an investment fund for USD liquidity management purposes. This fund invests solely in highly liquid American government bonds. Investments and redemptions in this fund can be made daily without issue premiums.

The **deferred items and accruals** consist of up-front payments on derivative financial instruments and the issue discount on debt securities issued and anticipated interest on commercial paper.

Deposits from banks (repayable on demand) consist of collateral agreements (without AFFG guarantees). Collateral agreements are concluded to compensate for fluctuations in the value of arising credit exposures. The deposits with agreed maturity or notice period pertain to newly concluded repurchase transactions.

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	450,500,494.22	332,324
Up to 3 months	187,090,576.91	-
Total	637,591,071.13	332,324

The increase in the position repayable on demand is the result of the gradual switch to a central settlement facility (especially 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).

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	542,272,607.16	646,260
More than 1 year up to 5 years	27,826,819.43	27,849
Total	570,099,426.59	674,109

The **debt securities issued** rose by € 2,941,824 thousand to € 22,985,042,248.21 (2018: € 20,043,218 thousand). Of the settlement amount, € 4,526,008,089.74 (2018: € 4,354,734 thousand) was placed in guarantees pursuant to § 1(2b) AFFG.

Within the balance sheet item debt securities issued, the following principal amounts are due in the coming year:

	Due in 2020	Due in 2019
	€	€ thousand
Bonds issued	3,491,114,363.74	3,169,799
Other debt securities in issue	4,923,880,649.00	3,592,546
Total	8,414,995,012.74	6,762,346

Loans and advances to banks in the amount of € 9,390,381,212.38 (2018: € 7,610,803 thousand) are pledged as collateral for debt securities issued 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 2019 (2018: € 6,000,000 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.

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.

	2019	2018
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	758,214.03	1,074
Total	758,214.03	1,074

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 issued.

Change in the EFS interest rate stabilisation provision

	2019	2018
	€	€ thousand
As at 1 January	1,190,763,557.92	1,232,218
Merger of Exportfonds	0.00	11,465
Allocation	314,479.17	-
Use	(73,168,235.08)	(52,920)
As at 31 December	1,117,909,802.01	1,190,764

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 € 1,228,779.93 (2018: € 9,992 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 2019	31 Dec 2018
	€	€ thousand
Fiduciary assets		
Loans and advances to banks	3,220,499.99	4,316
Fiduciary liabilities		
Deposits from customers with agreed maturity or notice period	3,220,499.99	4,316

These fiduciary transactions are soft loan financing (preferential loans with an interest rate below market level) for selected countries and projects. 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 cash 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 cash 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 issued).

Notional amount in € (2018: € thousand)	2019		2018	
	Fair values positive	Fair values negative	Fair values positive	Fair values negative
Interest rate swaps	392,289,808.95	255,017,382.30	185,093	288,898
Currency swaps	292,270,251.86	290,253,270.16	412,754	149,834
Total	684,560,060.81	545,270,652.46	597,847	438,732

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 cash flows were not recorded with their gains and losses at the start of the year because these cash flows are almost certainly offset by cash flows recognised in the income statement for the underlying transactions. As at 31 December 2019, the hedging period extends into 2038.

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.

	2019	2018
	€	€ thousand
Collateral pledged	293,748,646.61	108,480
Collateral received	450,642,541.68	297,030

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 with material results during the financial year.

Notes to the income statement

Condensed income statement

	2019	2018	Change	
	€	€ thousand	€ thousand	in %
Net interest income and income from securities and investments	83,084,626.42	143,494	-60,409	-42.1%
Net fee and commission income	26,202,767.23	26,005	198	0.8%
Financial operations and other operating income	18,237,115.51	18,193	44	0.2%
Operating income	127,524,509.16	187,691	-60,167	-32.1%
Staff costs including social security and pension costs	66,328,969.50	56,370	9,959	17.7%
Other administrative expenses	16,982,852.91	17,811	-829	-4.7%
Impairment losses on property and equipment and intangible assets	4,528,610.74	5,530	-1,002	-18.1%
Other operating expenses	2,782,721.70	2,692	91	3.4%
Operating expenses	90,623,154.85	82,403	8,220	10.0%
Operating profit	36,901,354.31	105,288	-68,386	-65.0%
Net gain on the measurement of current loans and advances, and securities	16,523,213.68	13,126	3,398	25.9%
Profit from the sale of investments	0.00	754	-754	-100.0%
Profit before tax	53,424,567.99	119,167	-65,743	-55.2%
Merger gain	0.00	3,124	-3,124	-100.0%
Income tax	(10,414,599.36)	(27,572)	17,157	62.2%
Profit for the year	43,009,968.63	94,719	-51,709	-54.6%
Transfer to reserves	(10,100,698.63)	(61,842)	51,741	83.7%
Unallocated profit for the year	32,909,270.00	32,876	33	0.1%
Profit brought forward from the previous year	6,395.00	41	-35	-84.4%
Profit available for distribution	32,915,665.00	32,917	-2	-0.0%

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 € 6,879 thousand to € 63,619,718.42. 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 € 2,094,605.55 (2018: € 1,606 thousand).

The fees paid by OeKB to the Federal Ministry of Finance for guarantees pursuant to § 1(2) AFG amounted to € 94,605,374.00 (2018: € 94,927 thousand).

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 debt securities issued 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 dividend-equivalent earnings in the amount of € 6,918,170.56 (2018 post-capitalised: € 73,168 thousand).

The **income from unconsolidated investments** comprises dividends and profit disbursements from the interests in investments other than subsidiaries. The change in annual comparison is primarily the result of a lower dividend from CEESEG Aktiengesellschaft.

The **dividends from subsidiaries** increased from € 8,855 thousand to € 10,845,750.00. The change is largely the result of the dividend from Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H. in annual comparison.

The **fee and commission income** increased by € 31 thousand to € 29,078,737.66 (2018: € 29,048 thousand). The following table shows the changes in fee and commission income in the individual segments. The **fee and commission expenses** decreased by € 167 thousand to € 2,875,970.43.

Fee and commission income

	31 Dec 2019	31 Dec 2018
	€	€ thousand
Credit operations	2,184,614.61	2,486
Securities services	10,545,688.17	10,715
Guarantees	12,425,540.22	12,477
Energy clearing	2,489,375.74	2,451
Other services	1,433,518.92	919
Total	29,078,737.66	29,048

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 € 18,267,366.72 (2018: € 18,539 thousand) is mostly the result of lower income from service agreements with subsidiaries.

The **staff costs** increased by € 9,959 thousand from € 56,370 thousand to € 66,328,969.50. This increase is due largely to the allocation of employee benefit provisions. The **discount rate** for the calculation of the employee benefit provisions decreased from 1.95% to 1.02% in the reporting period. We also decreased the sustainable salary trend for calculating the employee benefit provisions from 3.50% to 3.25% on the basis of the inflation trend and the results of the last collective wage and salary negotiations. A provision for the death quarter pursuant to the collective bargaining agreement for the banking industry was also formed in the amount of € 1.8 million.

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 € 2,782,721.70 (2018: € 2,692 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 € 16,523,213.68 (2018: € 13,126 thousand).

Income tax

	31 Dec 2019	31 Dec 2018
	€	€ thousand
Corporate income tax for financial years	11,120,165.98	5,576
Corporate income tax for previous years	0.00	47
Change in deferred tax assets	(705,566.62)	21,949
Income tax	10,414,599.36	27,572

The **return on assets** (profit for the year/total assets) of OeKB came to 0.16% for 2019 (2018: 0.40%).

Supplementary disclosures

Obligations from the use of off-balance sheet property and equipment

Non-current liabilities

€ (2018: € thousand)	2019 for		2018 for	
	2020	2020-2024	2019	2019-2023
Rent	1,216,291.35	5,912,870.35	1,202	5,925
Leasing	69,372.22	89,502.63	291	378
Total	1,285,663.57	6,002,372.98	1,493	6,303

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 € 3,692,959,851.83 shown as memo items relate largely to undrawn credit facilities and commitments to lend, which are related to the Export Financing Scheme (2018: € 3,302,865 thousand).

Assets and liabilities denominated in foreign currency

The balance sheet contains foreign currency-denominated items in the following equivalent euro amounts, largely related to export financing:

- Assets: € 3,651,012,586.70 (2018: € 1,948,670 thousand)
- Liabilities: € 19,787,189,917.46 (2018: € 17,481,382 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 2019	31 Dec 2018
	€	€ thousand
Own account		
Loans and advances to banks	8,375,910.34	3,044
Bonds and other fixed-income securities	29,289,201.44	18,432
Deposits from banks	59,134,945.23	35,261
Export financing		
Loans and advances to banks	14,167,387,792.18	13,414,687

Loans and advances to and deposits from subsidiaries and other investments

Loans, advances, and deposits

	Subsidiaries		Other interests	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	€	€ thousand	€	€ thousand
Own account				
Loans and advances to banks	300.00	-	0.00	-
Deposits from banks	89,805,900.17	101,872	0.00	-
Deposits from customers	27,900,553.23	32,143	16,451,219.56	17,875
Export financing				
Loans and advances to banks	967,385,442.11	708,449	0.00	-

Staff costs

	2019	2018
Average number of employees pursuant to the UGB	362	355
	€	€ thousand
Staff costs in items dd, ee and ff of the income statement		
Executive Board members (including former members or their surviving dependants)	8,499,174.19	6,780
Senior managers	1,915,354.00	(1,218)
Other employees	12,397,065.72	7,740
Total	22,811,593.91	13,302
Contributions to pension funds (included in "Expenses for retirement and other post-employment benefits")	933,307.65	890
Contributions to termination benefit funds (included in "Expenses for termination benefits and contributions to termination benefit funds")	256,963.35	218
Aggregate compensation paid to officers		
Executive Board members: Not disclosed pursuant to § 242(4) UGB	Not disclose	Not disclose
Supervisory Board members	165,000.00	193
Former members of the Executive Board or their surviving dependants	1,831,601.07	1,791

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 decrease in the discount rate from 1.95% to 1.02%.

The expenses for retirement benefits pertain to defined-benefit commitments in the amount of € 19,152,928.16 (2018: € 12,194 thousand) and defined-contribution commitments in the amount of € 1,190,271.00 (2018: € 1,108 thousand).

There were no transactions with key management personnel.

Action for damages

The Bank was not aware of any legal action for damages at the reporting date.

Events after the balance sheet date

There were no events that required reporting after the balance sheet date.

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

	2019	2018
	€	€ thousand
Total risk-weighted assets	886,508,639.63	829,696
Minimum regulatory capital requirement for credit risk (8% of the total risk-weighted assets)	45,236,003.74	40,182
Minimum regulatory capital requirement for foreign exchange risk	4,286,274.34	5,210
Minimum regulatory capital requirement for operational risk (Basic Indicator Approach)	21,398,413.09	20,984
Risk-weighted item amounts	70,920,691.17	66,376
Available regulatory capital pursuant to Part 2 CRR		
Paid-up capital instruments	130,000,000.00	130,000
Retained earnings and reserves	473,877,977.18	463,777
Less transfer to retained earnings ¹	(9,400,698.62)	(61,167)
Other intangible assets	(1,594,089.00)	(1,426)
Common equity tier 1 (CET 1)	592,883,189.56	531,185
Tier 2 capital (reserve for general banking risks pursuant to § 57 BWG), weighted at 30% (2018: 40%) of the 2013 basis ²	39,034,000.00	52,046
Tier 2 capital (T2)	39,034,000.00	52,046
Total regulatory capital resources	631,917,189.56	583,231
Surplus regulatory capital	560,996,498.39	516,855

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

In %	2019		2018	
	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	7.372	66.88	6.377	64.02
Tier 1 ratio	8.872	66.88	7.877	64.02
Total capital ratio	10.872	71.28	9.877	70.29

The net debt ratio (tier 1 capital/risk-weighted assets pursuant to Art. 429 of Regulation [EU] No. 575/2013) was 39.85% in 2019 (2018: 52.77%).

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 %	2019	2018
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	2.500	1.875
Anti-cyclical capital buffer pursuant to § 23a BWG in conjunction with § 103q line 11 BWG	0.372	0.002
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including combined capital buffer requirements	7.372	6.377
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including combined capital buffer requirements	8.872	7.877
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including combined capital buffer requirements	10.872	9.877

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

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	Robert Zadrazil	19 May 2009	AGM 2021
First Vice Chairman	Walter Rothensteiner	2 Aug 1995	AGM 2021
Second Vice Chairman	Willibald Cernko	29 May 2019	AGM 2022
Member	Ingo Bleier	29 May 2019	AGM 2020
Member	Rainer Borns	29 May 2018	AGM 2021
Member	Mary-Ann Hayes	29 May 2019	AGM 2024
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Gerda Holzinger-Burgstaller	29 May 2019	AGM 2020
Member	Peter Lennkh	18 May 2017	AGM 2022
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Herta Stockbauer	21 May 2014	AGM 2024
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	31 Dec 2019
Second Vice Chairman	Stefan Dörfler	18 May 2017	29 May 2019
Member	Reinhard Karl	29 May 2018	29 May 2019
Member	Jozef Sikela	12 May 2015	29 May 2019

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

Audit Committee

Position	Name
Chairman	Walther Rothensteiner
Member	Robert Zadrazil
Member	Martin Krull

Working Committee

Position	Name
Chairman	Robert Zadrazil
Member	Walther Rothensteiner
Member	Martin Krull

Compensation Committee

Position	Name
Chairman	Robert Zadrazil
Member (since 29 May 2019)	Willibald Cernko
Member	Walther Rothensteiner
Member	Martin Krull
Member	Erna Scheriau
Member (until 29 May 2019)	Stefan Dörfler

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, 3 March 2020

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 2019, 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 of 31 December 2019, 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 EU Regulation 537/2014 ("AP Regulation") and the 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 and banking law as well as 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

Risk for the Financial Statements

As of 31 December 2019, loans and advances to banks of the Export Financing Scheme (EFS) amount to 23,193 mio EUR or 86.0 % of the total assets.

The EFS of OeKB serves primarily as source of refinancing for domestic and foreign banks. This is provided that these banks meet OeKB's credit rating criteria ("house bank status") and, above all, the legal requirements for the assumption of federal liabilities in the form of guarantees with regard to the financed transactions including the fulfillment of the requirements for management of financing (collateral management).

Therefore, the main criteria for the valuation of loans and advances to banks of the EFS is OeKB's assurance that both the legal and contractually-defined management criteria are met. To this end, the bank's management has established processes and implemented manual and automated controls within its IT systems. The risk to the financial statements is that a failure in controls will increase management risk, which, in particular, may impact the valuation of loans and advances to banks of the EFS within the financial statements of OeKB.

Our Response

We have identified the processes over the legal and contractually-defined requirements in the respective operating departments and have analyzed whether the processes and their implemented controls are suitable for an adequate valuation of loans and advances to banks of the EFS, within the financial statements of OeKB.

In addition, we have tested the automated and manual key controls established in these areas and essential for the preparation of the financial statements, partly with the involvement of our IT specialists. In the course of our audit, we have tested their design, implementation and operating effectiveness, on a sample basis. In particular, we have focused on the following key controls:

1. Implementation and compliance of manual controls with regard to legal requirements for the assumption of federal liabilities with regard to the financed transactions as well as for the management of these transactions;
2. Automated reconciliation between the loan amount and the deposited liability;
3. General IT controls for SAP, especially access restriction and change management.

Furthermore, we have reconciled the subledger with the general ledger regarding the loans and advances to banks in the EFS and analysed the development of the portfolio.

Responsibilities of Management and the 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 the 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 the 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, misrepresentations 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 assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast considerable 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.

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.

Other Information

Management is responsible for other information. Other information is all information provided in the annual financial report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Additional Information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 29 May 2018, we were elected as auditors for the financial statements of the year ended 31 December 2019. We were appointed by the Supervisory Board on 12 June 2018.

Furthermore, at the Annual General Meeting dated 29 May 2019, we were elected as auditors for the financial statements of the year ending 31 December 2020. We were appointed by the Supervisory Board on 7 June 2019.

We have been the Company's auditors from the year ended 31 December 1995, 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 Wilhelm Kovsca.

Vienna, 3 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by
WILHELM KOVSICA
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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 (1) of the Austrian Commercial Code (UGB) applies.

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