Annual Financial Report 2014

OESTERREICHISCHE KONTROLLBANK AG

OeKB

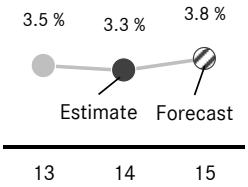
Contents

Group management report 2014

Economic environment in 2014

Against all expectations, the world economy did not improve significantly in 2014 compared to the year before. As in 2013, the International Monetary Fund (IMF) currently expects the global economy to have grown by 3.3%. The subdued economic trend also affects global trading activity: In the course of the year, the World Trade Organization (WTO) lowered its forecast for growth in world trade from 4.7% to 3.1%. The main reason lay in lower export and import trajectories in Europe and South America. On the other hand, a net positive impetus for global trade came from the USA and Asia's emerging markets. The market for trade finance underwent a pronounced contraction in 2014: The data vendor Dealogic reports that, in the first half of the year alone, the worldwide volume of trade financings fell by almost 30% from the year-earlier period.

World
Real GDP Growth
in %

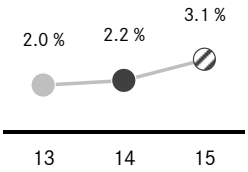


Sources: WIFO, EU Commission, IMF

Positive economic trend in the USA

The US economy continued to recover in 2014, unlike other leading industrial nations. The IMF is currently projecting growth of 2.2% in US gross domestic product (GDP) for the year under review. One of the stabilising factors was the decision of the House of Representatives to suspend the legislated debt ceiling until the middle of March 2015. As well, encouraging data about the American labour market strengthened consumer confidence, which in turn boosted domestic consumption. The Federal Reserve announced that, in view of the improved outlook, it would end its economic stimulus programme of asset purchases in October 2014. The Fed also hinted that 2015 would see the first increase in its benchmark interest rate in years.

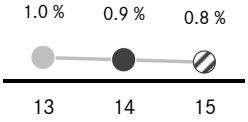
United States



Renewed recession in Japan

To the surprise of many economists, in 2014 the Japanese economy slid back into recession. Unlike the USA, Japan suffered from disappointing household spending, which contributes about 60% of the country's economic output. 'Abenomics', the economic policies of Prime Minister Abe, came under mounting criticism, as the very loose monetary policy lifted the capital market but not the real economy. In reaction to the unexpectedly poor economic trend, a further increase in the consumption tax originally planned for 2015 was postponed and an early election was called. Accordingly, Japan, with a public debt more than twice its annual GDP, is facing somewhat uncertain times.

Japan

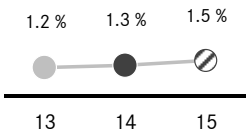


Growth slows in emerging and developing economies

In emerging markets and developing countries, economic growth in 2014 eased to 4.4%. The impetus from these regions, on which hopes had long been pinned as a driver of global economic recovery, thus continued to fade. This was particularly apparent in the BRIC countries – Brazil, Russia, India and China – of which only India achieved GDP growth in 2014. Brazil's economic output was hurt by a significant slump in commodity prices, while Russian GDP was badly set back by the repercussions of the Ukraine conflict. For both countries, the latest economic forecasts are effectively for stagnation in 2014. In China, although the national economy continued to expand relatively strongly at a rate of 7.4%, the pace of growth still marks a slowdown compared with the longer-term pattern. The current growth rate is the lowest since the beginning of the China boom in the 1990s.

Restrained economic growth in Europe

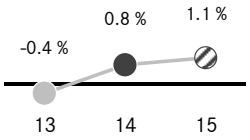
EU-28



In Europe the economic optimism that had prevailed as recently as in early 2014 was dampened sharply in the second half of the year. With aggregate economic growth of 1.3%, the EU-28 as a group lagged behind expectations. Sentiment suffered primarily under the escalation of the Russia-Ukraine conflict and the associated sanctions. Other factors weighing on the European economy were poor industrial production and the threat of deflation in parts of the region. However, there also were some positive developments: The economic output of the United Kingdom, for example, grew by more than 3%, and even the permanently crisis-ridden countries of the European periphery showed obvious signs of recovery. Notably, Greek GDP expanded in 2014 for the first time after a deep, six-year recession. Spain and Portugal, in light of healthier economic signals, were able to formally end their reliance on the EU bailout programme.

Sluggish recovery in the Euro area

Euro area



In the Eurozone (the EU excluding the UK, Sweden, Denmark, Poland, and others) the recovery continued to progress more slowly than in the EU as a whole. Economic output only rose by 0.8% from the prior year, owing partly to the lacklustre growth in the major economies of the currency union. Thus, Italy and France are confronted with persistent structural problems, and in the latter half of the year the German economy slowed as well. Against this backdrop the European Central Bank (ECB) decided in September 2014 both to ease its headline interest rate to a record low of 0.05% and to launch a sweeping programme of purchases of covered bonds and asset-backed securities. These measures are intended to help kick-start economic activity in the Euro area by stimulating credit flows to the real economy and actively countering potential deflation.

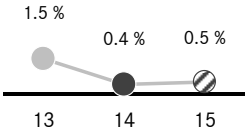
Heterogeneous picture in Central and Southeastern Europe

Macroeconomic conditions in the Central and Southeastern European region were mixed last year. Casting a shadow over the economic trend were the hostilities between Ukraine and Russia, a crisis which threw the Ukraine into a severe recession. As for Russia, the Vienna Institute for International Economic Studies (WIIW) estimates that the conflict and the related sanctions are costing the Russian economy about 1% of GDP. Comparatively favourable economic growth in 2014 was recorded in Poland (3.3%), the Czech Republic (2.5%) and Slovakia (2.4%). On balance, however, foreign direct investors in Central and Eastern Europe are slightly less optimistic about the future, as demonstrated by recent values of the OeKB CEE Business Climate Index. In the fourth quarter of 2014 this indicator of business expectations fell precipitously, pointing to a declining business performance of companies in the region. Nonetheless, most foreign direct investors plan to maintain their presence there.

Deteriorating economic outlook for Austria

Austria is closely tied to the European economic trend. The country's economic outlook therefore turned progressively gloomier in the course of 2014. the economic outlook for Austria turned progressively gloomier in the course of 2014. Especially the unexpectedly weak autumn prompted a downward revision in the forecast for Austrian economic growth to 0.4%. Both consumer confidence and companies' willingness to invest were shaken by the lack of an upswing, with buying decisions increasingly put on hold or delayed. Although the export industry was a mostly positive driver in 2014, real growth in Austrian merchandise exports, at 1.2%, was less than expected. Economists are not very optimistic in their forecasts for 2015, projecting that GDP growth will increase to a rate of only 0.5%.

Austria



Volatility in international capital markets eased

Government bonds

In comparison to the previous years, international capital markets were less volatile overall in 2014. Particularly government bonds of countries with strong credit ratings benefited from the uncertainty generated by the poorer global economic environment and the geopolitical tensions. Thus, the yield for AAA-rated Eurozone bonds fell below the 100 basis point mark (year-end level: 0.65%). Besides the stability of these countries, a contributing factor was the ECB's monetary policy designed to deliver economic stimulus. For comparison, in the USA, where a turning point in the accommodative monetary policy was already emerging towards the end of 2014, the yield on 10-year treasuries at the end of the year was 2.17%.

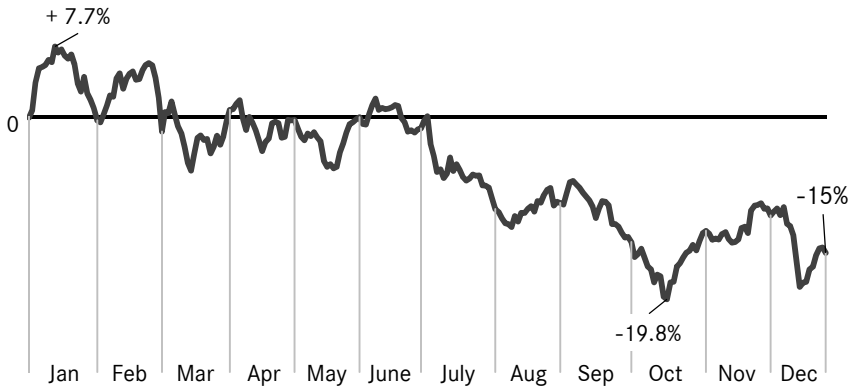
Equity markets

World equity markets were rocked (though usually only briefly) by crises such as the Russia-Ukraine conflict, the Ebola epidemic and IS extremism, as was especially evident in the share price plunges in October 2014. Yet, this was typically soon followed by rallies, particularly in the US stock market. Thus, the key S&P 500 index gained 11.4% last year. Not quite as strong, but still positive, was the performance of the Euro Stoxx 50 (up 1.2%) and the Nikkei (up 7.1%). Greater calm also returned to emerging financial markets in 2014, contrasting with the 2013 trend towards withdrawal by international investors. Although the slower economic growth continues to detract from investor sentiment, portfolio flows into emerging markets strengthened again on balance.

Difficult market setting for Vienna Stock Exchange

The Vienna stock market reflected an adverse environment in the year under review, with the ATX declining by 15% to close the year at 2,160.08. The market capitalisation also eased slightly in 2014. The volume of equity corporate actions remained below average by international standards. The talks to merge the Vienna Stock Exchange with the Warsaw exchange were discontinued. In the year, aircraft component supplier FACC became the first company to go public in Vienna since 2011.

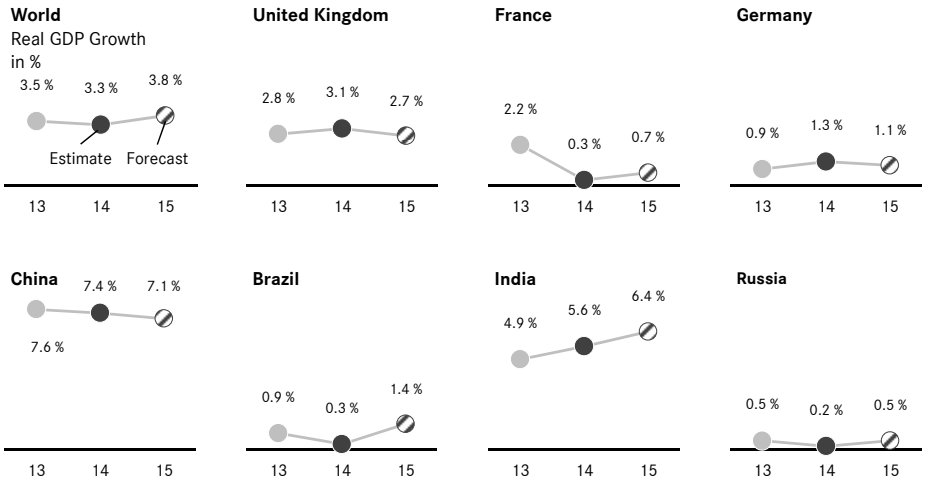
ATX performance 2014



Positive trends for corporate bonds

The Austrian market for corporate bonds had another strong year: In 2014 a total of 39 corporate bonds worth € 7.2 billion were placed. The positive trend which has been building for this form of financing in the past several years thus continued.

Real GDP growth 2014/2015 in % in selected countries and regions



Sources: WIFO, EU Commission, IMF

Financial results in 2014

In the year under review, Austria's low rate of export growth continued to detract from the volume of funding provided by OeKB Group. Lending exposure under the Export Financing Scheme of OeKB saw a decline of € 2,445 million as a result of early repayments and lower financing of direct investments. Meanwhile, the balance of loans outstanding from OeKB's subsidiary Exportfonds to small and medium-sized businesses was held nearly steady, at about € 1,029 million as of 31 December 2014. OeEB, the official Austrian development bank that is a subsidiary of OeKB, expanded its total project portfolio from approximately € 625 million to € 807 million.

Consolidated statement of comprehensive income

In the important measure of operating profit, the Group's result for 2014 exceeded expectations. The net gain on financial instruments was far above budget.

Thanks to higher distributions from investment funds, income from securities investments rose to € 14.1 million from the 2013 level of € 13.3 million (the securities investments consist of the Group's own investment portfolio, the liquid assets portfolio that supports the Export Financing Scheme, and investments of the development bank). Income from unconsolidated investees increased to € 1.5 million (2013: € 1.2 million).

Net interest income

Incorporating these results as well as one-off effects from early loan repayments, the Group's net interest income was € 79.9 million (2013: € 81.0 million).

The share of results of equity-accounted investees (joint ventures) increased from € 5.2 million in 2013 to € 5.5 million. This was made possible primarily by an improved technical result and better net financial items at the credit insurance subsidiary.

The item ‚impairment losses on loans and advances and other credit risk provisions' represents the year's change in individual impairment charges recognised in respect of microcredits extended by OeKB. No other new loan loss provisions were required.

Net fee and commission income

Reflecting higher income from custody fees, net fee and commission income in the securities business rose by € 0.9 million year-on-year to € 26.8 million. Net fee and commission income in the energy clearing activities was almost constant at € 2.6 million.

In the lending business, net fee and commission expense was up by € 2.0 million to € 2.7 million. The reason lay in higher guarantee premiums for the increased volume of funding for OeEB, the development bank.

A decline occurred in income from fees for the processing of export guarantees on behalf of the Austrian government and for the administration of guarantees under the Corporate Liquidity Support Act (ULSG). Net fee and commission income from the guarantee business of the development bank grew slightly on the higher project volume, from € 16.6 million in the prior year to € 18.0 million.

In total, OeKB Group posted net fee and commission income of € 45.7 million (2013: € 47.9 million).

Administrative expenses, at € 78.8 million, were somewhat lower than in the prior year (2013: € 80.2 million). The reasons were reductions in staff costs (down € 0.4 million), other administrative expenses (down € 0.6 million) and depreciation and amortisation (down € 0.2 million).

Net other operating income, at € 7.6 million, was off from the prior year's figure of € 8.6 million. This was accounted for largely by lower revenue from service agreements and a higher stability tax expense.

Operating profit

Operating profit, at € 59.9 million, was down by approximately € 2.5 million from the year-earlier amount of € 62.4 million.

The net gain of € 24.0 million on financial instruments reflected the volatility in financial markets (2013: net gain of € 8.2 million). The net gain on disposal and valuation of securities (€ 23.9 million; 2013: € 8.2 million) was driven by realised gains on bond redemptions and positive valuation effects for equities and bonds, which, because of the measurement of securities at fair value through profit or loss, are recognised directly in the income statement. As in the prior year, no impairment was recognised on investments in unconsolidated companies.

Total comprehensive income

Profit before tax in 2014 amounted to € 83.8 million (2013: € 70.6 million). Profit for the year was € 65.3 million, of which € 65.0 million (2013: € 54.8 million) was attributable to the owners of the parent company. With other comprehensive expense taken into account, total comprehensive income for the year attributable to owners of the parent was € 53.9 million (2013: € 52.4 m.).

Balance sheet

At 31 December 2014, liquid assets in the form of balances at central banks stood at € 271.8 million (2013: € 520.6 million).

Loans and advances to banks decreased with the lower lending under the Export Financing Scheme, to € 19,311.8 million (2013: € 21,364.3 million). Loans and advances to customers increased from € 1,489.2 million to € 1,510.3 million. A result of the lower volume of lending to banks was a reduction in debt securities in issue (2014: € 23,541.1 million; 2013: € 24,590.0 million).

In 2014, holdings of other financial instruments changed from € 1,612.0 million to € 1,789.3 million.

The share of profits of the private credit insurance group, at € 5.5 million in 2014, was near-constant compared to the prior year's result of € 5.2 million. In total, the value of interests in equity-accounted investees (joint ventures) expanded to € 67.7 million in 2014 (2013: € 67.8 million).

Total assets at 31 December 2014 amounted to € 28,001.6 million (2013: € 28,964.3 million).

Financial performance indicators

The cost/income ratio of 56.8% in 2014 was steady at the year-ago level (2013: 56.2%).

In 2014 the Group's equity was boosted from € 684.5 million to € 718.4 million.

At the balance sheet date, OeKB Group had € 651.0 million of consolidated regulatory capital under Regulation (EU) No 575/2013. One year previously, the corresponding amount under section 24 Austrian Banking Act was € 551.7 million.

As a result of changes introduced by Basel III, a new basis is used for calculating the Tier 1 capital ratio. The Tier 1 capital ratio at the balance sheet date was 67.4%. The prior-year comparative value was 64.6% (see note 36; formula: Tier 1 capital, divided by regulatory capital requirement, divided by 8%).

Return on equity (total comprehensive income attributable to owners of the parent, divided by Tier 1 capital attributable to owners of the parent) eased in 2014 from 7.7% to 7.5%.

Research and development

In view of the nature of OeKB Group's business activities (banking and insurance), no research and development is conducted.

Claims for damages

Ancillary to the capital calculations, it should be noted that a test-case lawsuit (served 25 November 2011) alleges that OeKB, as issuer of the MEL certificates, breached the requirements of the Stock Exchange Act on ad-hoc notices, causing the two plaintiff investors damages of about € 48,500. The likelihood of success of this suit has been assessed by the permanent legal counsel of OeKB as virtually nil. The action was dismissed by the Vienna Commercial Court in a decision on 28 January 2014. The Vienna Higher Regional Court as the court of appeal dismissed the plaintiffs' appeal in a decision on 23 December 2014. A further appeal to the Austrian Supreme Court has been filed by the plaintiffs. The assessment of the action's chance of success has not changed.

Events after the balance sheet date

There were no reportable events after the balance sheet date.

System of internal control and of risk management

OeKB's system of internal control (the 'internal control system', or ICS) is predicated on the COSO framework, which has five components: the control environment, risk assessment, control activities, information and communication, and monitoring ('COSO' stands for the Committee of Sponsoring Organizations of the Treadway Commission). The ICS is intended to ensure compliance with policies and regulations and to create the necessary conditions for control activities in the key processes within accounting and financial reporting. Another purpose is to assure the efficiency of business processes. The key objectives include safeguarding the presentation of a fair and transparent view of the financial position, results of operations and cash flows.

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 (i.e., transactions require approval by at least two individuals). The Internal Audit function independently and regularly verifies the adherence to internal rules, including also the accounting rules. The head of Internal Audit reports directly to the Executive Board and Supervisory Board.

Risk assessment

The goal of risk management at OeKB Group is to file risks and take measures to avert or mitigate 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 functions are regularly evaluated.

Control activities

OeKB Group has a governance system that sets out structures, processes, functions and responsibilities within the company. 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.

Control activities regarding information technology security represent a cornerstone of the internal control system. Thus, the separation of sensitive responsibilities is supported by restrictiveness in the assignment of IT permissions (need-to-know basis). For accounting and financial reporting, the software SAP is used. The functioning and effectiveness of this accounting system is assured, among other ways, by automated IT controls installed in the system.

In subsidiaries, the respective management has ultimate responsibility for the internal control and of risk management appropriate to the respective company's requirements, particularly in relation to the accounting process, and for 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 management accounting and risk data. The Executive Board receives this information in regular, significantly more detailed reports prepared monthly or even more frequently. The Executive Board monitors the appropriateness and effectiveness of the system of internal control. The Executive Board also maintains an Asset Liability Management Committee and a Risk Management Committee that receive, analyse and monitor this data.

Monitoring

Financial statements intended for publication undergo a final review by management staff of the Accounting & Financial Control department and by the Executive Board before being forwarded to the Audit Committee of the Supervisory Board. By monitoring compliance with all rules and regulations, OeKB Group aims to achieve maximum assurance of all business processes and Group-wide conformity with policies and procedures. The staff members responsible manage identified risks and shortcomings in controls through prompt mitigative measures. To be able to assure compliance with requirements within OeKB Group, compliance is monitored in accordance with the annual audit plan of the Internal Audit department.

Risk management

Risk management – essentially, the identification, monitoring, assessment, reporting, planning and treatment of risks – consists of important processes integrated in Group strategy that are designed to ensure the lasting stability and profitability of the enterprise. Every risk assumed by OeKB Group is accepted consciously and is consistent with the Executive Board's risk policy and strategy, which aims to assure a stable return on equity through a conservative approach to all risks, including financial risks and risks arising from business operations in general. The risk policy and strategy sets out the risk management principles, the risk appetite and the principles for the measurement and control of the risk categories used.

*Details on the risk management of OeKB Group are provided in **notes 48 to 52 to the consolidated financial statements**.*

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 great majority of assets on the balance sheet represent the Export Financing Scheme, which is treated as a separate accounting entity. In this respect, OeKB is exempt from certain relevant legislation, such as the Capital Requirements Regulation or CRR (Regulation (EU) No 575/2013). Further major exemptions for OeKB apply in connection with the European and national provisions for banking union (such as the Bank Recovery and Resolution Directive, or BRRD).Similarly, these exemptions apply to the core businesses of the two banking subsidiaries, "Österreichischer Exportfonds" GmbH and Oesterreichische Entwicklungsbank AG. In OeKB Group's process for assessing risk coverage, the Export Financing Scheme is treated as investee risk for which risk coverage is calculated separately.

Complementing the regular risk reporting by the Executive Board to the Supervisory Board, the Supervisory Board maintains a Risk Committee in accordance with section 39d Austrian Banking Act.

ICAAP and ILAAP

Despite the exemptions referred to above, OeKB uses a risk management system, centred on the Internal Capital Adequacy Assessment Process (ICAAP) of OeKB Group. As a measurement and control tool, the ICAAP forms an integral part of the management process. In its ICAAP, the Group applies both the 'going concern' approach (designed to ensure sufficient regulatory capital to continue in business even amid severe loss events) and the 'gone concern' approach (focusing on protecting creditors and the ability to repay deposits and other senior debt in the event of liquidation). Besides the management of credit, market and operational risks, the control of liquidity risk represents a key process of risk management.

Key variables used in risk management

A key variable in the measurement and management of OeKB Group's risk is economic capital; it is calculated using the concept of Value at Risk (VaR) as well as Credit Value at Risk (CVaR), over a one-year time horizon. Key components of aggregate risk are market risk, credit risk and operational risk. Other risks, such as model risk and business risk, are incorporated in the risk coverage calculation through flat percentage-based amounts.

Risk appetite

OeKB Group defines risk appetite primarily through the confidence levels at which economic capital is determined. In the gone concern approach, the confidence level regarding the unexpected loss (the statistical probability that the unexpected loss will not exceed a given level) is set at 99.98%, which on the internal rating master scale corresponds to the current rating of OeKB (S&P: AA+/Moody's: Aaa).

In the calculation of risk coverage, the economic capital required is compared to the economic capital available, using a multi-tiered system that takes into account the different coverage objectives, and limit compliance is monitored.

Liquidity risk is managed primarily via the specified survival period, which is determined using liquidity gap analysis under stress scenarios. The specified minimum survival period under stress is one month.

New developments

In 2014 the dominant theme was the assurance of compliance with the new European and national regulations and reporting requirements. Part of this effort, in keeping with the 'Fit & Proper' set of requirements for appropriate personal and professional qualifications of leadership staff, was a focus on the training of people in key positions, including managing directors and Supervisory Board members. In 2015 as well, the focus will remain on safeguarding conformity with the evolving supervisory rules, since various details of the regulatory framework are still to be elaborated.

Non-financial performance indicators

Well-qualified and motivated employees are of key importance to OeKB and its subsidiaries. Critical success factors in view of the institution's central role in the capital market and Austria's export industry are service quality and expertise combined with far-sighted awareness of revenues, costs and risks.

In 2014 the Group began to establish an expert career path as an alternative to the traditional management career model, in order to remain an attractive employer for specialists and technical experts. The Group has a flat management hierarchy with few layers, which makes specialist and technical staff particularly important to the success of the enterprise. This significance of expert staff is to be given greater visibility in the future.

OeKB Group's long-term success depends on the commitment of its people. Family-friendly measures such as flexible working hours, teleworking and a company day-care centre appeal to every employee who values the compatibility of work and family life. The high share of positions held by women, the large number of part-time employees and low staff turnover testify to the popularity of these features.

Compensation at OeKB has a variable component that is based on personal performance and corporate results. The compensation policy was reviewed for conformity with the legal requirements. Comparable remuneration models are in place at Oesterreichische Entwicklungsbank and at Exportfonds.

For details on the compensation policy, see ***note 54 to the consolidated financial statements***

The Group's staff count at the end of 2014 was 400 full-time equivalents (prior year: 406). The average count during the year was 400 FTE (prior year: 403).

Despite the difficult market situation, the Group generated an operating profit of € 149,699 per full-time equivalent (2013: € 154,903).

OeKB Group's staff [1]

As at	31 Dec 2012	31 Dec 2013	31 Dec 2014
Total number of employees	**434**	**437**	**435**
Of whom part-time employees	*93*	*99*	*99*
Of whom part-time employees (in per cent)	21.4%	22.7%	22.8%
Total employees in full-time equivalents	406	406	404
Average number of employees	398	403	400
Average age in years	43.9	44.2	44.6
Average length of service in years	15.5	15.6	16.2
Sick days per year and employee	8.2	8.6	7.8
Proportion of total positions held by women	57.4%	58.1%	58.4%
Proportion of management positions held by women	34.4%	34.4%	35.4%
Turnover rate [2]	1.6%	2.5%	1.9%

[1] Including the fully consolidated subsidiaries OeEB and Exportfonds, and employees seconded to Acredia AG.

[2] The turnover rate is calculated as follows: the number of separations during the year (excluding retirement), multiplied by 100, divided by the average number of employees in the year. As a result of the low turnover, presenting an analysis by gender and age group would not be meaningful.

Outlook for 2015

Macroeconomically, 2015 will be another difficult year. The environment of uncertainty (with some regional variation) will persist. This poses a big challenge for the Austrian export industry. As in the past, in these demanding times OeKB continues to assist exporters both through export credits and with guarantees for the financing of business acquisitions and start-ups. In addition, OeKB recently created the Export Services Consulting team. Since January 2015, it visits companies throughout Austria to present smart solutions for their international business. In this the team works closely with the financing teams of the commercial banks. Nonetheless, depending on the business trend, credit disbursements can be expected to decrease by approximately € 500 million in 2015. The reason is the expiry profile of the portfolio of export financing contracts, especially as a result of the reduction in financing of direct investments

For 2015 we expect our investments in securities to generate a reduced return as a result of lasting low interest rates, despite the recent improvement in economic forecasts for the USA. The risk premiums on Austrian treasury instruments continue to be stable and the terms of OeKB‘s access to the market should thus remain unchanged.

Effective 1 January 2015 the employees of the subsidiary OeKB Business Services GmbH were integrated into OeKB AG. The company itself continues to operate. It provides IT solutions to the market as before, with support from the IT Services department. By the end of the third quarter of 2015, in order to comply with the EU's Central Securities Depositories Regulation, the CSD.Austria division is to be spun off as a separate company; the preparations for this are underway. Neither of these two changes will have a material impact on the financial position, results of operations and cash flows of OeKB Group. Overall, the Group’s companies are well prepared to meet the challenges ahead and are expecting a sustained stable trend in operating income.

We wholeheartedly thank all our employees for their commitment and their contribution to the business results achieved. This sincere ‘thank you‘ also goes to the Staff Council, whose members, true to tradition, represented the interests both of the employees and the bank.

Vienna, 25 February 2015

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

RUDOLF SCHOLTEN ANGELIKA SOMMER-HEMETSBERGER

Consolidated financial statements 2014

Contents

Totals may not add due to rounding.

OeKB Group 2014 consolidated financial statements

Consolidated statement of comprehensive income

€ thousand	Notes	2014	2013	Change in %
Interest and similar income		344,436	461,084	-25.3%
Interest and similar expense		(264,512)	(380,053)	-30.4%
Net interest income	14	**79,924**	**81,031**	**-1.4%**
Share of results of equity-accounted investees	14, 28	5,503	5,156	6.7%
Impairment losses on loans and advances and other credit risk provisions	15	(91)	(145)	-37.2%
Fee and commission income		56,044	56,403	-0.6%
Fee and commission expense		(10,302)	(8,495)	21.3%
Net fee and commission income	16	45,742	47,908	-4.5%
Administrative expenses	17	(78,808)	(80,175)	-1.7%
Net other operating income	18	7,609	8,651	-12.0%
Operating profit		**59,879**	**62,426**	**-4.1%**
Net gain or loss on financial instruments	19	23,979	8,200	192.4%
Profit before tax		**83,858**	**70,626**	**18.7%**
Income tax and other taxes	20	(18,596)	(15,577)	19.4%
Profit for the year		**65,262**	**55,049**	**18.6%**
Items that will not be reclassified to the income statement				
Actuarial (losses) on defined benefit plans	33	(14,894)	(3,167)	370.3%
Tax effects	20	3,723	792	370.1%
Other comprehensive (expense) after tax		**(11,171)**	**(2,375)**	**370.4%**
Total comprehensive income for the year		**54,091**	**52,674**	**2.7%**
Profit for the year attributable to:				
Owners of the parent		65,017	54,800	18.6%
Non-controlling interests		245	249	-1.6%
		65,262	**55,049**	**18.6%**
Total comprehensive income for the year attributable to:				
Owners of the parent		53,875	52,440	2.7%
Non-controlling interests		216	234	-7.7%
		54,091	**52,674**	**2.7%**

Earnings per share

	2014	2013
Total comprehensive income for the year attributable to owners of the parent, in € thousand	53,875	52,440
Average number of shares outstanding	880,000	880,000
Earnings per share, in €	**61.22**	**59.59**

At 31 December 2014, as one year earlier, there were no exercisable conversion or option rights. The stated earnings per share therefore represent basic earnings per share and are not subject to dilution.

Consolidated balance sheet of OeKB Group

Assets

€ thousand	Notes	31 Dec 2014	31 Dec 2013	Change in %
Cash and balances at central banks	22	271,838	520,631	-47.8%
Loans and advances to banks	23	19,311,835	21,364,329	-9.6%
Loans and advances to customers	24	1,510,321	1,489,161	1.4%
Allowance for impairment losses on loans and advances	7, 25	(562)	(471)	19.3%
Other financial instruments	26	1,789,342	1,611,969	11.0%
Derivatives designated as hedging instruments	45	4,872,878	3,748,107	30.0%
Interests in equity-accounted investees	28	67,670	67,766	-0.1%
Property and equipment and intangible assets	27	26,173	29,936	-12.6%
Current tax assets		409	409	0.0%
Deferred tax assets	34	83,209	72,465	14.8%
Other assets	29	68,456	59,959	14.2%
Total assets		**28,001,569**	**28,964,261**	**-3.3%**

Liabilities and equity

€ thousand	Notes	31 Dec 2014	31 Dec 2013	Change in %
Deposits from banks	30	513,146	381,077	34.7%
Deposits from customers	31	814,380	674,745	20.7%
Debt securities in issue	32	23,541,088	24,589,960	-4.3%
Derivatives designated as hedging instruments	45	1,026,694	1,546,460	-33.6%
Provisions	33	1,237,201	964,316	28.3%
Current tax liabilities		4,359	1,197	264.2%
Deferred tax liabilities	34	26,478	20,876	26.8%
Other liabilities	35	119,799	101,140	18.4%
Equity	36	718,424	684,490	5.0%
Attributable to non-controlling interests		*4,352*	*4,273*	*1.8%*
Total liabilities and equity		**28,001,569**	**28,964,261**	**-3.3%**

Consolidated statement of changes in equity of OeKB Group

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

More information on equity is provided in note 36.

Consolidated statement of changes in equity 2014

€ thousand	Called-up share capital	Capital reserves	Retained earnings	Attributable to shareholders of the parent	Non-controlling interests	Total equity
At 1 January 2014	130,000	3,347	546,870	680,217	4,273	684,490
Profit for the year	-	-	65,017	65,017	245	65,262
Other comprehensive (expense)	-	-	(11,142)	(11,142)	(29)	(11,171)
Total comprehensive income for the year	**-**	**-**	**53,875**	**53,875**	**216**	**54,091**
Transactions with owners (dividends)	-	-	(20,020)	(20,020)	(137)	(20,157)
At 31 Dec 2014	**130,000**	**3,347**	**580,725**	**714,072**	**4,352**	**718,424**

Consolidated statement of changes in equity 2013

€ thousand	Called-up share capital	Capital reserves	Retained earnings	Attributable to shareholders of the parent	Non-controlling interests	Total equity
At 1 January 2013	130,000	3,347	524,438	657,785	4,180	661,965
Profit for the year	-	-	54,800	54,800	249	55,049
Other comprehensive (expense)	-	-	(2,360)	(2,360)	(15)	(2,375)
Total comprehensive income for the year	**-**	**-**	**52,440**	**52,440**	**234**	**52,674**
Transactions with owners (dividends)	-	-	(30,008)	(30,008)	(140)	(30,148)
At 31 Dec 2013	**130,000**	**3,347**	**546,870**	**680,217**	**4,273**	**684,490**

Consolidated statement of cash flows of OeKB Group

From 2014, changes in loans and advances to banks and customers are assigned to cash flows from investing activities. At the same time, changes in deposits from banks and customers and debt securities in issue are assigned to cash flows from financing activities.

Further detail on cash and cash equivalents is given in note 22. Additional information on the cash flow statement is provided in note 37.

Consolidated statement of cash flows of OeKB Group

€ thousand	2014	2013 Restated	2013 as reported
Cash and cash equivalents at beginning of period	**520,631**	**124,266**	**124,266**
Net cash from/(used in) operating activities	154,076	92,177	580,780
Net cash from/(used in) investing activities	1,922,881	3,035,266	(154,407)
Net cash (used in) financing activities	(2,325,750)	(2,731,078)	(30,008)
Cash and cash equivalents at end of period	**271,838**	**520,631**	**520,631**

€ thousand	2014	2013
Profit before tax	**99,868**	**225,462**
Non-cash items included in profit before tax, and adjustments to reconcile profit before tax to cash flows from operating activities:		
Depreciation, amortisation and impairment of property and equipment and intangible assets	4,798	5,034
Changes in provisions	5,150	4,233
(Gains) from disposal and/or valuation of property and equipment	-	1
Unrealised (gains) from valuation of investments	(22,658)	(4,682)
Unrealised foreign exchange differences	(1,162,736)	255,230
Unrealised (gains)/losses from valuation of exchange rates	1,162,676	(255,059)
Foreign exchange differences	(277)	(719)
Other non-cash items	(2,276)	4,955
Changes in operating assets and liabilities, after adjustment for non-cash components:		
Other operating assets	5,971	(12,273)
Other operating liabilities	35,433	(5,584)
Interest and dividends received	346,347	461,726
Interest paid	(285,286)	(408,580)
Income tax paid	(16,924)	(22,731)
Net cash from operating activities	**170,086**	**247,013**
Proceeds from disposal of:		
Securities at fair value through profit or loss	99,868	225,462
Property and equipment and intangible assets	-	48
Purchase of:		
Securities at fair value through profit or loss	(205,465)	(378,164)
Property and equipment and intangible assets	(1,059)	(1,753)
Changes in:		
Loans and advances to banks	2,050,921	3,152,257
Loans and advances to customers	(21,384)	37,416
Net cash from investing activities	**1,922,881**	**3,035,266**
Changes in:		
Deposits from banks	132,288	(1,318,401)
Deposits from customers	139,635	488
Debt securities in issue	(2,577,653)	(1,383,157)
Issue of shares	-	-
Dividends paid	(20,020)	(30,008)
Net cash (used in) financing activities	**(2,325,750)**	**(2,731,078)**

Notes to the consolidated financial statements of OeKB Group

Accounting policies

(1) General information

Oesterreichische Kontrollbank Aktiengesellschaft ('OeKB AG' or 'OeKB') is a special-purpose bank with its registered office in 1011 Vienna, Austria. The activities of OeKB Group consist largely of export services and capital market services.

The export guarantee system is based on the provisions of the Export Guarantees Act and the respective regulation issued by the Federal Minister of Finance. OeKB, as the agent of and at the risk of the Republic of Austria, offers cover for non-marketable risks, focusing on exports of capital goods and Austrian direct investment abroad.

The Export Financing Scheme also operated by OeKB serves to fund export credits extended by banks (with OeKB providing finance to the bank that lends to the customer) and to fund direct lending by OeKB for the same purposes. Thanks to the Austrian government guarantees on the great majority of the lending under the Export Guarantees Act, OeKB does not incur significant credit risk. The Export Financing Scheme is managed as a separate accounting entity within OeKB Group. The accounting entity encompasses most of the loans, interim investments and money market transactions on the one hand, and the required funding items (including derivatives used for hedging) on the other hand. Exchange rate risks essentially exist only in connection with raising long- and short-term funds for the Export Financing Scheme. These risks are largely secured by the exchange rate guarantee of the Republic of Austria under the Export Financing Guarantees Act. OeKB Group thus does not bear any exchange rate risk from the Export Financing Scheme. All surpluses from the Export Financing Scheme are recognised in an interest rate stabilisation provision and are available for future market support measures.

With a broad offering of services for the capital market, OeKB is a hub for numerous activities required before and after the purchase or sale of securities. For decades now, these services have benefited financial services providers, issuers, investors and the Republic of Austria.

OeKB AG prepared the consolidated financial statements for the year ended 31 December 2014 in accordance exclusively with International Financial Reporting Standards (IFRS) as adopted by the European Union, thus also satisfying the requirements of section 59a Austrian Banking Act and section 245a Austrian Commercial Code.

In preparing these financial statements, OeKB Group applied all IFRS (including IAS) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC, formerly Standard Interpretations Committee or SIC) that were effective at the balance sheet date. Uniform accounting policies are used throughout the Group.

The consolidated financial statements were prepared on a historical cost basis, except for the following items:

- Derivative financial instruments (measured at fair value)
- Financial instruments at fair value through profit or loss.

Changes in accounting methods

With the exception of the new and amended accounting standards described below, the same accounting methods were applied in preparing these consolidated financial statements as in the preparation of the consolidated financial statements for the prior (2013) financial year.

IFRS 10 – Consolidated Financial Statements

This standard introduces a new and comprehensive definition of control. Where one company has control of another company, the parent must consolidate the subsidiary. Under the new concept, control exists when the potential parent company (the investor) has decision-making power over the relevant activities of the potential subsidiary (the investee) through voting rights or other rights, has exposure to positive or negative variable returns from the investee, and can use its decision-making power to affect these variable returns.

In accordance with the transition rules of IFRS 10, the Group reassessed the control of its investees at 1 January 2014. The control relationships in OeKB Group are clear-cut and the application of IFRS 10 will not have an impact.

IFRS 11 – Joint Arrangements

IFRS 11 changes how joint arrangements are accounted for. The new concept requires distinguishing between joint operations and joint ventures. A joint operation exists when the parties with joint control have direct rights to the assets, and have obligations for the liabilities, of the arrangement. Each party with joint control reports its share of the assets, liabilities, revenue and expenses of the joint operation in its consolidated financial statements. By contrast, in a joint venture, the parties with joint control have rights to the net assets of the arrangement. These rights are reflected in the – required – use of the equity method of accounting in the consolidated financial statements; the option of using proportionate consolidation is eliminated.

As joint ventures are already accounted for using the equity method in OeKB Group's consolidated financial statements, the adoption of IFRS 11 in conjunction with the amended IAS 28 does not result in a change for the Group.

IFRS 12 – Disclosure of Interests in Other Entities

This standard specifies the required disclosures regarding investments in other companies (such as subsidiaries, joint arrangements and associates). The requirements are significantly expanded from the disclosures currently required under IAS 27, IAS 28 and IAS 31.

We have provided the expanded disclosures as required.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

The amendments contain a definition of the term 'investment entities' and exclude such companies from the scope of IFRS 10.

Under the amendments, investment entities do not consolidate their subsidiaries in their IFRS consolidated financial statements. The application of this exemption from the general consolidation principles is not optional but mandatory. Instead of being consolidated, the investees held for investment purposes are measured at fair value, with changes in value from period to period recognised in profit or loss.

The changes have no impact on consolidated financial statements that include investment entities, unless the group parent itself is an investment entity. Accordingly, the amendments have no effect on the consolidated financial statements of OeKB AG.

Amendments to IAS 27 – Separate Financial Statements

With the issuing of IFRS 10, the provisions regarding the principle of control and the requirements for the preparation of consolidated financial statements were removed from IAS 27 and covered conclusively in IFRS 10 (see discussion of IFRS 10). As a result, IAS 27 now governs only the accounting for subsidiaries, jointly controlled entities and associates in IFRS separate financial statements.

The amendments have no impact on the consolidated financial statements of OeKB AG.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

In connection with the publication of IFRS 11 – Joint Arrangements, amendments were also made to IAS 28. The IAS standard continues to cover the application of the equity method of accounting. However, the scope of IAS 28 is significantly expanded by the introduction of IFRS 11, as equity accounting will now be required not just for investments in associates but also for investments in joint ventures (see IFRS 11). The use of proportionate consolidation for joint ventures is thus no longer an option.

Another change relates to situations where only part of an investment in an associate or joint venture is held for sale: that portion is accounted for in accordance with IFRS 5, while the remaining portion (to be retained) continues to be accounted for using the equity method until the time of disposal of the portion held for sale.

The amendments have no impact on the consolidated financial statements of OeKB AG.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

This clarification of IAS 32 provides additional guidance on when financial instruments may be offset. It explains the meaning of a 'current legal right of set-off' and clarifies which gross settlement systems would meet the criteria for net settlement as the term is understood in the standard.

The amendments have no material impact on the consolidated financial statements of OeKB AG.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Under certain conditions, the amendments to IAS 39 allow derivatives to remain designated as hedging instruments in an existing hedge relationship despite their novation to a central counterparty, where that novation is required by legislation or regulation.

The amendments have no material impact on the consolidated financial statements of OeKB AG.

New standards and interpretations not yet applied

The following major new or changed standards and interpretations (some of which have already been adopted into European Union law) will become effective in the future and have not yet been applied:

			Effective date
IFRS 9	Financial Instruments	New	1 January 2018
IFRS 15	Revenue from Contracts with Customers	New	1 January 2017
IFRS 14	Regulatory Deferral Accounts	New	1 January 2016
IAS 16/IAS 41	Agriculture: Bearer Plants	Amendments	1 January 2016
IAS 16/IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	Amendments	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Amendments	1 January 2016

IFRS 9 – Financial Instruments

The version of IFRS 9 issued in July 2014 replaces the existing guidelines of IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 includes revised requirements, including a new model of expected credit losses for measuring impairment of financial assets, and the new general hedge accounting model. It also carries over from IAS 39 the requirements for recognition and derecognition of financial instruments. Application of IFRS 9 is mandatory for periods beginning on or after 1 January 2018, with early adoption permitted.

We are currently analysing the potential impacts of the adoption of IFRS 9 on our consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 provides a comprehensive framework for determining whether, in what amount and when to recognise revenue. It replaces existing standards and interpretations on revenue recognition, including IAS 18 – Revenue, IAS 11 – Construction Contracts, and IFRIC 13 – Customer Loyalty Programmes. The application of IFRS 15 is mandatory for periods beginning on or after 1 January 2017, with early adoption permitted.

We are currently analysing the potential impacts of the adoption of IFRS 15 on our consolidated financial statements. However, at present we do not expect an impact on revenue recognition.

The following new or changed standards are not expected to have a material impact on our consolidated financial statements:

- IFRS 14 - Regulatory Deferral Accounts
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRS 2010-2012
- Annual Improvements to IFRS 2011-2013

Critical assumptions, judgements and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the Executive Board to make judgements and to proceed on assumptions about future developments. These judgements and assumptions can have a material effect on the recognition and measurement of the assets and liabilities, the disclosure of other obligations at the balance sheet date, and the amounts of income and expenses reported for the financial year.

The following assumptions involve a not insignificant risk that they may lead to a material change in the carrying amounts of assets and liabilities in the subsequent financial year.

- The inputs used for the determination of fair value are based in part on assumptions about future developments, which can fluctuate significantly in times of volatility (notes 6, 45 and 46).
- The measurement of existing retirement and termination benefit obligations involves assumptions regarding interest rate, age at retirement, life expectancy, employee turnover and future increases in pay and benefits (notes 10 and 33).
- The recognition of deferred tax assets is based on the assumption that sufficient taxable income will be realised in the future to utilise them (notes 12 and 20).
- The off-balance sheet obligations from guarantees and from other contingent liabilities are regularly reviewed as to whether they require recognition in the balance sheet.

The estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the respective standards. The estimates are based on experience and other factors, such as budgets and currently reasonable expectations for or forecasts of future results. The actual amounts and results may differ from the assumptions and estimates made if the factors and circumstances cited above do not match the trends expected at the balance sheet date. Changes are recognised in profit or loss as they become known, and the assumptions are adjusted accordingly.

(2) Scope of consolidation

A list of all entities that are represented in the consolidated financial statements of OeKB Group is provided in note 28, Companies wholly or partly owned by OeKB AG. Three companies are fully consolidated: Oesterreichische Kontrollbank AG ('OeKB', the Group parent) and the Vienna-based Oesterreichische Entwicklungsbank AG ('OeEB') and "Österreichischer Exportfonds" GmbH ('Exportfonds'). There was no change during the financial year in the scope of consolidation, i.e., in the lists of entities that are fully consolidated, included by the equity method, or unconsolidated and held at cost.

Representing the unconsolidated entities held at cost, two subsidiaries were not consolidated (prior year: two); they are of minor overall significance to the Group's financial position and results of operations. The combined total assets of these two entities represent less than 0.01% of the Group's consolidated total assets, and their combined profit for the year represents less than 0.01% of the Group's consolidated profit for the year. In OeKB Group's consolidated financial statements, two companies (prior year: two), which are joint ventures, were accounted for by the equity method.

Number of companies included in the consolidated financial statements or held at cost, by accounting method

	31 Dec 2013	31 Dec 2014
Fully consolidated companies	2	2
Equity-accounted investees (joint ventures)	2	2
Unconsolidated subsidiaries held at cost	2	2
Other investments in companies held at cost	9	9
Total	**15**	**15**

(3) Methods of consolidation

The consolidation of the Group accounts involves purchase-method accounting; equity-method accounting; consolidation of intercompany balances, expenses and revenues; and the elimination of intercompany profits. The separate annual accounts of the fully consolidated entities and of the entities accounted for by the equity method are uniformly made up to 31 December.

The Group elected to make use of an option under IFRS 1 on 1 January 2004 (the date of transition to IFRS) by adopting the carrying amounts from the initial consolidation that was performed under the Austrian Commercial Code, or UGB. Acquisitions of subsidiaries are thus accounted for by the purchase method. Under this method, the cost of the acquired ownership interest is offset against the Group's share of the subsidiary's net assets at the time that control passes to the Group. As in the prior periods, the provisions of IFRS 3 on business combinations were not yet applied in the year under review, as no relevant transactions occurred. Intercompany balances, expenses, revenues, profits and losses are eliminated when significant.

Companies classified as joint ventures are accounted for under the equity method and are reported as interests in equity-accounted investees. Measurement by the equity method is based on local financial statements, adjusted to adhere to the Group's uniform accounting methods. The annual results are obtained from the latest available annual separate financial statements and sub-groups' consolidated financial statements, and the changes in equity are thus recognised in the year in which they occur. Dividends paid by joint ventures to the Group parent company are eliminated by reversing entries. Profits or losses for the year generated by joint ventures are shown in the consolidated income statement within share of results of equity-accounted investees.

(4) Foreign currency translation

The consolidated financial statements are presented in thousands of euros, rounded by the standard round-half-up convention. The euro is also OeKB Group's functional currency.

Assets and liabilities denominated in foreign currencies are translated at the reference exchange rates of the European Central Bank at the balance sheet date of 31 December 2014.

Foreign exchange reference rates at 31 December 2014

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.4829	AUD	7.4453	DKK	145.23	JPY	9.393	SEK
1.4063	CAD	0.7789	GBP	9.042	NOK	1.2141	USD
1.2024	CHF	7.658	HRK	4.2732	PLN		
27.735	CZK	315.54	HUF	4.4828	RON		

Foreign exchange reference rates at 31 December 2013

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.5423	AUD	7.4593	DKK	144.72	JPY	8.8591	SEK
1.4671	CAD	0.8337	GBP	8.363	NOK	1.3791	USD
1.2276	CHF	7.6265	HRK	4.1543	PLN		
27.427	CZK	297.04	HUF	4.471	RON		

(5) Financial instruments

Loans and advances to banks and customers

Loans and advances to banks and customers, to the extent that they are originated by the Group, are carried at their nominal amount or at amortised cost, before deduction of impairment losses and including accrued interest. Individual allowances for impairment losses are recognised for identifiable individual credit risks and for country risks. Impairment losses are not deducted from the corresponding loans and advances but are reported as a separate line item on the face of the balance sheet. As a result of OeKB's business model, most of its assets are in loans and advances to banks. Most of the loans and advances to banks made under OeKB's Export Financing Scheme are guaranteed by the Republic of Austria, and therefore no provision for credit losses was required (see note 1, General information).

Other financial instruments

The item 'other financial instruments' consists of all fixed income and variable income securities (including equities) and investments in unconsolidated subsidiaries and smaller shareholdings in other companies. In other words, investments consist of all securities and all unconsolidated investees. Effects on profit or loss are shown in the statement of comprehensive income within net gain or loss on financial instruments. The date of initial recognition or derecognition of other financial instruments is the settlement date.

Bonds and other fixed income securities as well as equity shares and other variable income securities are designated at fair value through profit or loss, consistent with the business model. The business model of the investment portfolio calls for taking long-term positions in bonds and investment funds. The portfolio is managed on the basis of market values. These securities are measured by OeKB Group at fair value through profit or loss. The Group does not have a trading portfolio.

The investments in unconsolidated subsidiaries and other companies are initially measured at amortised cost.

Financial liabilities

Financial liabilities are initially measured at their actual proceeds. As a rule, financial liabilities are held at amortised cost, in keeping with the business model. Where derivatives are used to hedge the interest rate risk or currency risk associated with liabilities, the hedged debt instruments are recorded at fair value in order to avoid accounting mismatches. Premiums, discounts or other differences between the proceeds and the repayment amount are realised over the term of the instrument by the effective interest method and recognised in net interest income (at amortised cost). Zero coupon bonds are recognised at present value.

Derivative financial instruments

To manage market risks, the Group uses derivative financial instruments (derivatives), especially to hedge future variable cash flows against changes in market interest rates and thus to mitigate the revenue risk on the lending side. The derivatives involved are largely interest rate swaps and cross currency interest rate swaps, which are traded over the counter (OTC) and used as hedging instruments, primarily for debt securities issued by OeKB Group. Credit exposures arising from fluctuations in value are secured with collateral. Derivatives are not used for speculative purposes.

The fair value of derivative contracts is calculated by generally accepted methods. Derivatives are recognised at the trade date. Derivative contracts are reported at their market value (the clean price) as a separate item in assets or liabilities. To avoid accounting mismatches (based on FVTPL measurement), the change in market values of the hedged balance sheet items, like that of the derivatives, is recognised in profit or loss within net gain or loss on financial instruments.

The exchange rate guarantee of the Republic of Austria under the Export Financing Guarantees Act (in German: Ausfuhrfinanzierungsförderungsgesetz, published in Federal Law Gazette No 216/1981, as amended), which is used to hedge exchange rate risks under the Export Financing Scheme, is treated as a derivative contract and measured at fair value.

(6) Determination of fair value

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

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 respective valuation team reviews the evidence, obtained from the third parties, supporting the conclusion that such measurements meet the requirements of IFRS, including the level of the fair value hierarchy to which these measurements are to be classified.

Significant measurement results are reported to the Audit Committee.

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

Listed financial instruments are recognised at market values, using those values determined on the basis of quoted market prices or, in the case of investment fund units, on the basis of the net asset values calculated in accordance with the Investment Fund Act. These financial instruments are reported under ‘other financial instruments’ and assigned to level 1 of the fair value hierarchy under IFRS 13.

Unlisted instruments are measured using the present value method or suitable option pricing models. To the extent possible, the input parameters used for these models are the relevant market prices and interest rates observed at the balance sheet date that are obtained from widely accepted external sources. The present value method is based on the present value of discounted future cash flows. The option pricing models are concerned with the value determined by applying option pricing formulas under the Black-Scholes model, multifactor HJM model or Hull-White model.

Financial instruments whose market value is determined using the present value method are assigned to level 2 of the fair value hierarchy under IFRS 13.

For derivatives held for hedging, fair value is measured by discounting the future cash 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 debit 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: Market values at specific future points in time; calculated using Monte Carlo simulation.
- Probability of default: Default probabilities at these points in time are calculated from the counterparty's CDS spreads or the own CDS spreads.
- Loss given default: Estimation of the expected recovery in the case of counterparty default or own default.

Loans and advances to banks and loans and advances to customers consist predominantly of loans guaranteed by the Republic of Austria under the Export Guarantees Act. In the measurement of these assets, the discounting of contractual cash flows is based on a yield curve adjusted by the credit spreads of the Austrian government.

The market values of deposits from banks and customers and of debt securities in issue are determined by discounting the contractual cash flows by reference to OeKB's credit spreads as at the measurement date.

For items repayable on demand, the fair value equals the carrying amount; this applies both to financial assets and financial liabilities.

Financial instruments falling neither into level 1 nor level 2 must be assigned to a separate category (level 3), within which fair value determination is based on special quantitative and qualitative information. OeKB Group does not hold any level-3 financial instruments.

Reclassifications between levels of the fair value hierarchy are recognised at the end of the reporting period in which the change occurred. No reclassifications were made in the financial year or the prior year.

(7) Allowance for impairment losses on loans and advances and other credit risk provisions

The allowance for impairment losses on loans and advances and other credit risk provisions relates to impairment of loans and advances, and any provision for credit guarantees. The allowance and provisions are raised for all identifiable credit risks. As part of its risk management system, OeKB Group employs a credit analysis system and an internal rating procedure. 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, Fitch) and on internal ratings. Credit ratings are monitored on an ongoing basis for changes. As a result, all banking book assets and off-balance sheet business can be classified according to creditworthiness and collateralisation. As by far the largest share of the credit portfolio falls under the Export Financing Scheme described in note 1, the requirement for loan loss provisions is small.

(8) Property and equipment and intangible assets

Property and equipment comprises land and buildings used by the Group, and fixtures, fittings and equipment. Land and buildings used by the Group are those which are used primarily for the Group's own business operations. Intangible assets comprise only purchased software.

Property and equipment and intangible assets are recorded at cost less accumulated depreciation and amortisation. The following useful lives are assumed:

Useful life

	Years
Buildings	40
Fixtures, fittings and equipment, other than information technology	3 to 10
IT hardware	3 to 5
Software	3 to 5

Asset values are periodically reviewed.

(9) Sundry liabilities

Sundry liabilities are recorded at amortised cost.

(10) 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 by 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 periods of service of the participating employees. The method differentiates between interest cost (which is the amount by which the obligation increases over a given year because benefits have moved closer to payment) and service cost (the benefits newly accrued by employees in the year through their employment). The service cost and interest cost are recognised in staff costs, i.e., within operating profit. By contrast, actuarial gains and losses are recognised in other comprehensive income under items that will not be reclassified to the income statement.

The calculation of the defined benefit obligation involves actuarial assumptions regarding discount rates, rates of salary increase 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 as at the balance sheet date. There are no plan assets (i.e., no fund-held assets against which to offset the DBO).

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

To most of its eligible employees, OeKB Group offers the opportunity to participate in defined contribution plans. The Group has an obligation to transfer a set percentage of 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.

For a small number of key employees the Group still maintains defined benefit plans, which are generally based on length of service and on salary level. These defined benefit retirement 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 biometric basis for the calculations consists of the version of the current computation tables by Pagler & Pagler specific to salaried employees. The key parameters are:

- A discount rate of 2.40% (prior year: 3.25%),
- An overall rate of salary and pension increases of up to 3.0% (prior year: 3.0%) – which represents the collective-agreement trend and regular multi-employee increases and unscheduled individual-employee increases
- An assumed age at retirement of 59 years 3 months for women (prior year: 59 years) and 64 years 3 months for men (prior year: 64 years) based on the transitional provisions of the Austrian public pension scheme (ASVG) under the Budget Implementation Act 2003.

(11) Other provisions

Other provisions are recognised where all of the following conditions are met:

- OeKB Group has a legal or constructive 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 assessed at 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.

In support of the Export Financing Scheme, an interest rate stabilisation provision is maintained to stabilise the interest rates on export credits. The provision is based on the constructive obligation regarding the use of surpluses from the Export Financing Scheme. This de facto obligation has a dual basis: it arises from the rules for the setting 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 fixed interest facilities.

The additions to and utilisation of the provision are determined by 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 scheme's funding. The net effects from the measurement of the derivatives and financial liabilities in the Export Financing Scheme are also reflected in this item. In accordance with these rules, the provision is used to stabilise the terms of export credits. The nature of the interest rate stabilisation provision allows either a one-year or a multi-year liquidation plan to be assumed for it, depending on the stress scenario. To take account of the short-term stress scenario, the provision was classified as current.

(12) Current and deferred taxes

The recognition and calculation of income taxes is performed in accordance with IAS 12. Current income tax assets and liabilities are measured by reference to local tax rates. Deferred taxes are determined by the balance sheet/liability approach. Under this approach, the carrying amounts of the assets and liabilities in the balance sheet are compared with the respective tax base for the particular Group Company. Any temporary differences between the two sets of valuations lead to the recognition of deferred tax assets or liabilities.

(13) Consolidated statement of comprehensive income

Composition of net gains and losses on financial instruments

Net gains and losses on financial instruments are affected by fair value changes recognised through profit or loss, by impairment losses, reversal of impairment through profit or loss, exchange rate movements and derecognition. For financial assets designated on initial recognition as at fair value through profit or loss, and thus measured as such, interest and dividend income is recorded within net interest income.

Revenue recognition

Income and expenses are recognised as they accrue. Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time of the decision to pay the dividend.

Segmental information

In the segmental analysis presented below, the activities of OeKB Group are divided into business segments. The delineation of these three segments – Export Services, Capital Market Services and Other Services – is based on the internal control structure and the internal financial reporting to the Executive Board as the chief operating decision-making body. The financial information for these segments is regularly reviewed to allocate resources to the segments and judge their performance. In the segmental analysis, unlike the presentation in the statement of comprehensive income, actuarial gains and losses under IAS 19 are presented as an element of staff costs, within administrative expenses.

The Export Services segment encompasses the management of guarantees provided by the Republic of Austria through OeKB as the government's official agent under the Export Guarantees Act (in German: Ausfuhrförderungsgesetz); OeKB's Export Financing Scheme; and the shareholding in "Österreichischer Exportfonds" GmbH.

The Capital Market Services segment comprises all services provided by Oesterreichische Kontrollbank AG relating to the capital market, clearing and settlement of on-exchange and off-exchange securities transactions, the CentralSecuritiesDepository.Austria (CSD.Austria), and clearing services for the energy market.

The Other Services segment consists of OeKB's information and research services, its own-account investment portfolio and investments, the activities of OeKB Group in private sector credit insurance, and Oesterreichische Entwicklungsbank AG.

Key figures are operating profit (in all segments), net interest income in Export Services, and profit for the year in the Other Services segment.

Segment performance in 2014

Results by business segment in 2014

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Interest and similar income	319,707	-	24,729	**344,436**
Interest and similar expense	(264,293)	-	(219)	**(264,512)**
Net interest income	**55,413**	**-**	**24,510**	**79,923**
Share of results of equity-accounted investees	-	(73)	5,576	**5,503**
Impairment losses on loans and advances and other credit risk provisions	-	-	(91)	**(91)**
Fee and commission income	18,778	31,159	6,107	**56,044**
Fee and commission expense	(2,189)	(1,577)	(6,536)	**(10,302)**
Net fee and commission income	16,589	29,582	(429)	**45,742**
Administrative expense	(42,813)	(28,736)	(22,153)	**(93,702)**
Net other operating (expense)/income	(812)	2,854	5,567	**7,609**
Operating profit	**28,377**	**3,627**	**12,980**	**44,984**
Net gain or loss on financial instruments	114	-	23,865	**23,979**
Profit before tax	**28,491**	**3,627**	**36,845**	**68,963**
Income tax and other taxes	(6,882)	(783)	(7,207)	**(14,872)**
Profit for the year	**21,609**	**2,844**	**29,638**	**54,091**
Attributable to non-controlling interests	*(216)*	-	-	***(216)***
Attributable to owners of the parent	*21,393*	*2,844*	*29,638*	***53,875***
Segment assets	26,446,078	13,751	1,541,740	**28,001,569**
Segment liabilities	26,883,819	41,868	357,458	**27,283,145**

The following factors are worth noting:

- Net interest income in the Export Services segment fell as a result of the reduction in the financing of exporters by their own banks, and increased in the Other Services segment amid the growth in lending by Oesterreichische Entwicklungsbank AG (OeEB), the development bank.
- Net fee and commission income fell in Export Services due to low processing fees, rose in the Capital Market Services segment thanks to higher income from custody fees, and decreased in Other Services as a result of higher guarantee premium payments by OeEB.
- The share of results of equity-accounted investees (joint ventures) in Capital Market Services reflected a year-on-year improvement in the result of CCP.A.
- The visible increase in administrative expense in all segments was caused mainly by the actuarial losses from the change of parameters under IAS 19.
- The significant rise in net gain on financial instruments in Other Services was attributable both to realised gains in connection with bond redemptions and to the higher measured fair value of the investment portfolio.

Results by business segment in 2013

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Interest and similar income	441,772	-	19,311	**461,084**
Interest and similar expense	(379,911)	-	(142)	**(380,053)**
Net interest income	**61,861**	**-**	**19,169**	**81,031**
Share of results of equity-accounted investees	-	(140)	5,297	**5,156**
Impairment losses on loans and advances and other credit risk provisions	-	-	(145)	**(145)**
Fee and commission income	**20,843**	**30,133**	**5,426**	**56,403**
Fee and commission expense	(2,430)	(1,598)	(4,467)	**(8,495)**
Net fee and commission income	18,414	28,536	958	**47,908**
Administrative expense	(37,838)	(25,352)	(20,151)	**(83,342)**
Net other operating (expense)/income	(862)	2,310	7,203	**8,651**
Operating profit	**41,574**	**5,353**	**12,330**	**59,259**
Net gain or loss on financial instruments	72	-	8,129	**8,201**
Profit before tax	**41,646**	**5,353**	**20,459**	**67,459**
Income tax and other taxes	(9,452)	(1,156)	(4,178)	**(14,786)**
Profit for the year	**32,195**	**4,197**	**16,281**	**52,674**
Attributable to non-controlling interests	*(233)*	-	-	***(234)***
Attributable to owners of the parent	*31,962*	*4,197*	*16,281*	***52,440***
Segment assets	27,530,788	13,254	1,420,219	**28,964,261**
Segment liabilities	27,829,522	37,603	412,646	**28,279,771**

Transactions offset between segments 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, as the consolidation items are assigned directly to the segments.

The segment information is based on the same presentation and accounting policies as the consolidated financial statements, with the exception of actuarial gains and losses under IAS 19, which are reported in the segmental analysis within administrative expenses.

The regional focus of OeKB Group's activities lies with the Austria-based banks of end-customers. A geographic segmentation is provided in note 50.

Notes to the consolidated statement of comprehensive income of OeKB Group

(14) Net interest income and share of results of equity-accounted investees

€ thousand	Amortised cost 2013	Fair value option 2013	Total 2013	Amortised cost 2014	Fair value option 2014	Total 2014
Loans and advances and money market instruments	446,574	-	446,574	328,874	-	**328,874**
Fixed income securities	-	8,295	8,295	-	8,212	**8,212**
Equity shares and other variable income securities	-	4,970	4,970	-	5,896	**5,896**
Investments in unconsolidated subsidiaries and other companies	1,243	-	1,243	1,453	-	**1,453**
Interest income	**447,817**	**13,265**	**461,082**	**330,327**	**14,108**	**344,436**
Money market instruments and current accounts	(11,031)	-	(11,031)	(8,988)	-	**(8,988)**
Debt securities in issue	(204,741)	(164,280)	(369,021)	(132,758)	(122,766)	**(255,524)**
Interest expense	**(215,772)**	**(164,280)**	**(380,052)**	**(141,746)**	**(122,766)**	**(264,512)**
Net interest income	**232,045**	**(151,015)**	81,031	**188,581**	**(108,658)**	**79,925**
Share of results of equity-accounted investees	5,156	-	5,156	5,503	-	**5,503**

(15) Impairment losses on loans and advances and other credit risk provisions

In the 2014 financial year an impairment loss of € 91 thousand (2013: € 145 thousand) was recognised in respect of microcredits extended by OeKB.

(16) Net fee and commission income

Net fee and commission income

€ thousand	2013	2014
Credit operations	(729)	(2,703)
Securities services	25,866	26,800
Export guarantees	18,033	16,641
Energy clearing	2,580	2,615
Other services	2,157	2,389
Net fee and commission income	**47,908**	**45,742**

The export guarantee activities represent services provided by OeKB on behalf of the Austrian government; additional detail is provided in the Segmental information section of this report.

(17) Administrative expenses

The costs for the audit of the annual financial statements were € 401 thousand (2013: € 311 thousand) and are included in other administrative expenses.

Administrative expenses

€ thousand	2013	2014
Salaries	37,011	36,606
Social security costs	8,294	8,423
Pension and other employee benefit costs	7,288	7,123
Staff costs	52,593	52,152
Other administrative expenses	22,548	21,856
Depreciation, amortisation and impairment of property and equipment and intangible assets	5,034	4,800
Administrative expenses	**80,175**	**78,808**

(18) Net other operating income

Net other operating income

€ thousand	2013	2014
Other operating income	9,995	9,239
Other operating expenses	(1,344)	(1,630)
Net other operating income	**8,651**	**7,609**

The item 'other operating income' relates largely to service fees received by OeKB for providing outsourced services (for instance, accounting & financial control, information technology, human resources, internal audit and other services). 'Other operating expenses' relate mainly to the stability tax on Austrian banks.

(19) Net gain or loss on financial instruments

Net gain or loss on financial instruments represents gains and losses from the disposal and valuation of securities, interests in investments and other companies.

Net gain or loss on financial instruments

€ thousand	2013	2014
Net gain or loss from measurement at fair value through profit or loss		
Foreign exchange differences	255,059	(1,162,676)
Debt securities in issue and derivatives	(255,230)	1,162,736
Subtotal	**(171)**	**60**
Securities	8,325	23,919
Subtotal	**8,154**	**23,979**
Net gain or loss on disposal of investments in unconsolidated companies	46	-
Net gain or loss on financial instruments	**8,200**	**23,979**
Of which at fair value through profit or loss	*8,030*	*23,843*
Of which at amortised cost	*170*	*136*

Foreign exchange differences and the fair-valued debt securities in issue and derivatives relate to the Export Financing Scheme and are to be regarded as a single unit from an economic point of view. The net loss from foreign exchange differences arose predominantly from the trajectories of the USD and CHF. Thanks to the hedging function of the derivatives and the exchange rate guarantee by the Republic of Austria, the foreign exchange differences are very closely offset by the measurement gain on debt securities in issue and derivatives.

The gains of € 23.9 million on other financial instruments (2013: € 8.3 million) can be analysed as follows:

- Gains of € 1.3 million realised on disposal (2013: gains of € 3.7 million)
- Valuation losses of € 0.5 million (2013: losses of € 6.3 million)
- Valuation gains of € 23.2 million (2013: gains of € 10.9 million)

The change in fair values of financial liabilities resulted exclusively from changes in market interest rates.

(20) Income tax and other taxes

Tax recognised in profit or loss

€ thousand	2013	2014
Current year	18,689	20,128
Adjustment for prior years	(94)	(121)
Total current tax expense	**18,595**	**20,007**
Origination and reversal of temporary differences	(90)	(9)
Change in recognised deductible temporary differences	(2,928)	(1,402)
Net deferred taxes	**(3,018)**	**(1,411)**
Income tax and other taxes	**15,577**	**18,596**

Tax recognised in other comprehensive income

€ thousand	2013	2014
Actuarial (losses) on defined benefit plans	(792)	(3,723)

The actual taxes are calculated on the tax base for the financial year, at the local tax rates applicable to the individual Group companies.

The taxation at the standard Austrian income tax rate is reconciled to the reported actual taxes as shown in the following 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 prior experience.

Effective tax rate reconciliation

€ thousand		2013		2014
Profit before tax	**70,626**	**100.0%**	**83,858**	**100.0%**
Tax expense at Austrian standard corporate income tax rate of 25%	17,657	25.0%	20,965	25.0%
Non-deductible expenses	(50)	-0.1%	131	0.2%
Tax-exempt income	(1,894)	-2.7%	(2,578)	-3.1%
Change in recognised deductible temporary differences	(230)	-0.3%	(43)	-0.1%
Change in estimates related to prior years	94	0.5%	121	0.1%
Total	**15,577**	**22.1%**	**18,596**	**22.2%**

(21) Appropriation of profit

The Executive Board will propose to the 69th Annual General Meeting on 12 May 2015 that the profit available for distribution recorded in the parent company financial statements for the year 2014 in the amount of € 20.3 million be used to pay a dividend of € 22.75 per share.

The amount of the resulting total proposed dividend is € 20.0 million. This represents approximately 15% of the participating ordinary share capital for 2014 of € 130.0 million. After payment of the Supervisory Board performance-based compensation, the balance is to be carried forward.

The dividend payment for the 2013 financial year, which was made in May 2014, amounted to € 22.75 per share or a total of € 30.0 million.

Notes to the consolidated balance sheet of OeKB Group

(22) Cash and balances at central banks

This item consists solely of cash and balances with central banks and corresponds to cash and cash equivalents reported in the cash flow statement.

(23) Loans and advances to banks

Loans and advances to banks

€ thousand	Repayable on demand		Other maturities		Total	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
Domestic	515	25,925	18,958,528	16,629,551	18,959,043	16,655,476
Foreign banks	21,135	8,609	2,384,151	2,647,750	2,405,286	2,656,359
Total	**21,650**	**34,534**	**21,342,679**	**19,277,301**	**21,364,329**	**19,311,835**

The analysis by rating category is presented in note 50.

(24) Loans and advances to customers

Loans and advances to customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
Public sector	1,113	3,590	400,432	359,468	401,545	363,058
Other	982,480	1,014,970	105,136	132,293	1,087,616	1,147,263
Total	**983,593**	**1,018,560**	**505,568**	**491,761**	**1,489,161**	**1,510,321**

The analysis by rating category is presented in note 50.

(25) Allowance for impairment losses on loans and advances and other credit risk provisions

The allowance for impairment losses on loans and advances relates only to loans and advances to customers, and concerns only credit risks. The item also includes interest arrears at the balance sheet date. The amount of non-performing loans and advances before impairment allowances was € 599 thousand (2013: € 584 thousand).

At the balance sheet date there were no arrears and thus no financial assets ‘past due but not impaired’.

(26) Other financial instruments

Other financial instruments

€ thousand	31 Dec 2013	31 Dec 2014
Treasury bills	740,222	775,672
Bonds	518,689	607,068
Bonds and other fixed income securities	**1,258,911**	**1,382,740**
Of which listed bonds	*1,258,811*	*1,382,740*
Equity shares	-	-
Investment fund units	333,477	387,020
Equity shares and other variable income securities	**333,477**	**387,020**
Of which listed equity shares and other variable income securities	*2,011*	*1,995*
Investments in unconsolidated subsidiaries	1,536	1,536
Investments in other unconsolidated companies	18,045	18,045
Unconsolidated companies	**19,581**	**19,581**
Total other financial instruments	**1,611,969**	**1,789,341**
Of which at fair value through profit or loss	*1,592,388*	*1,769,761*
Of which at amortised cost	*19,581*	*19,581*
Due in the subsequent year		
Bonds and other fixed income securities	99,460	166,161
Investment fund units (with fixed maturity)	-	10,000
Accrued interest	4,287	3,582
Total	**103,747**	**179,743**

Beginning in 2010, as part of liquidity management for the Export Financing Scheme, a liquid assets portfolio has been established that had a market value of € 1,121.1 million (2013: € 1,032.2 million) at 31 December 2014.

(27) Property and equipment and intangible assets

Property and equipment and intangible assets 2014

€ thousand	Cost at 1 Jan 2014	Additions in 2014	Disposals in 2014	Cost at 31 Dec 2014	Accumulated depreciation and amortisation	Net book value at 31 Dec 2014	Net book value at 31 Dec 2013	Current-year depreciation and amortisation
Land and buildings	82,378	-	-	82,378	(61,759)	20,619	23,975	(3,356)
Fixtures, fittings and equipment	22,366	574	(3,008)	19,932	(15,731)	4,201	4,858	(1,203)
Assets under construction	-	120	-	120	-	120	-	-
Property and equipment	**104,744**	**694**	**(3,008)**	**102,430**	**(77,490)**	**24,940**	**28,833**	**(4,559)**
Software	3,739	305	(482)	3,562	(3,087)	475	405	(240)
Assets under construction	697	60	-	757	-	757	698	-
Intangible assets	**4,436**	**365**	**(482)**	**4,319**	**(3,087)**	**1,232**	**1,103**	**(240)**
Total	**109,180**	**1,059**	**(3,490)**	**106,749**	**(80,577)**	**26,172**	**29,936**	**(4,800)**

Within the carrying amount of land and buildings used by the Group, the value of the land itself was € 4.4 million (2013: € 4.4 million).

Property and equipment and intangible assets 2013

€ thousand	Cost at 1 Jan 2013	Additions in 2013	Disposals in 2013	Cost at 31 Dec 2013	Accumulated depreciation and amortisation	Net book value at 31 Dec 2013	Net book value at 31 Dec 2012	Current-year depreciation and amortisation
Land and buildings	82,302	76	-	82,378	(58,403)	23,975	27,255	(3,355)
Fixtures, fittings and equipment	23,670	1,303	(2,607)	22,366	(17,509)	4,857	4,949	(1,349)
Assets under construction	-	-	-	-	-	-	-	-
Property and equipment	**105,972**	**1,379**	**(2,607)**	**104,744**	**(75,912)**	**28,833**	**32,204**	**(4,704)**
Software	3,564	176	(1)	3,739	(3,334)	405	559	(330)
Assets under construction	499	198	-	697	-	697	499	-
Intangible assets	**4,063**	**374**	**(1)**	**4,436**	**(3,334)**	**1,103**	**1,058**	**(330)**
Total	**110,035**	**1,753**	**(2,608)**	**109,180**	**(79,246)**	**29,936**	**33,262**	**(5,034)**

(28) Companies wholly or partly owned by OeKB AG

Companies wholly or partly owned by OeKB AG

Company name and registered office	Banking Act Category	Type of investment		Share-holding	Financial information		
	Credit Institution/ Other Company	Directly held	Indirectly held	in %	Reporting date of latest annual accounts	Equity as defined in sec. 224(3) UGB, in € '000	Profit for the year, in € '000
Fully consolidated companies							
Oesterreichische Entwicklungsbank AG, Vienna	CI	x		100.00%	31 Dec 2014	13,281	4,283
"Österreichischer Exportfonds" GmbH, Vienna	CI	x		70.00%	31 Dec 2014	11,734	1,324
Equity-accounted investees (joint ventures)							
OeKB EH Beteiligungs- und Management AG, Vienna	OC	x		51.00%	31 Dec 2014	93,079	9,708
Acredia Versicherung AG, Vienna	OC		x	51.00%	31 Dec 2014	89,748	11,250
PRISMA Risikoservice GmbH, Vienna	OC		x	51.00%	31 Dec 2014	12,738	2,873
PRISMA Risk Services D.O.O., Belgrade	OC		x	51.00%	31 Dec 2014	483	9
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	x		50.00%	31 Dec 2014	11,420	(157)
Unconsolidated subsidiaries, held at amortised cost							
OeKB Business Services GmbH, Vienna	OC	x		100.00%	31 Dec 2014	1,741	(330)
OeKB Zentraleuropa Holding GmbH, Vienna	OC	x		100.00%	31 Dec 2014	4,540	6
Investments in other unconsolidated companies, held at amortised cost							
AGCS Gas Clearing and Settlement AG, Vienna	OC	x		20.00%	31 Dec 2013	2,778	(212)
APCS Power Clearing and Settlement AG, Vienna	OC	x		17.00%	31 Dec 2013	2,814	458
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	x		18.50%	31 Dec 2013	3,293	2,493
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	x		0.10%	31 Dec 2013	77	-
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	x		8.06%	31 Dec 2013	2,857	439
"Garage Am Hof" Gesellschaft m.b.H., Vienna	OC	x		2.00%	31 Dec 2013	4,296	1,109
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	x		12.60%	31 Dec 2013	5,514	468
CEESEG Aktiengesellschaft (former Wiener Börse AG), Vienna	OC	x		6.60%	31 Dec 2013	333,324	18,835
Budapest Stock Exchange Ltd., Budapest	OC	x		18.35%	31 Dec 2013	18,405	1,902

The tables below provide material information on a non-wholly owned subsidiary and on joint ventures.

"Österreichischer Exportfonds"GmbH, Vienna, Austria

€ thousand	2013	2014
Export Services segment	Minority shareholding 30%	Minority shareholding 30%
Net interest income	3,151	3,101
Operating profit	1,149	1,099
Profit for the year	828	818
Profit – attributable to non-controlling interests	249	245
Other comprehensive (expense)	(52)	(98)
Total comprehensive income for the year	776	720
Total comprehensive income for the year - attributable to non-controlling interests	234	216
Current assets	1,027,123	1,029,494
Non-current assets	1,918	1,919
Current liabilities	1,001,212	1,003,077
Non-current liabilities	13,583	13,834
Equity	14,246	14,502
Attributable to owners of the parent	9,973	10,150
Equity – attributable to non-controlling interests	4,273	4,352
Net cash from operating activities	1,280	779
Net cash from/(used in) investing activities	12,186	(2,313)
Net cash (used in)/from financing activities	(13,464)	1,536
Net cash	2	2
Dividend payments to non-controlling interests	140	137

The carrying amount of the equity-accounted joint ventures at the balance sheet date was € 67.7 million. Of this total, € 62.0 million represented OeKB EH Beteiligungs- und Management AG and € 5.7 million represented CCP Austria Absicherungsstelle für Börsengeschäfte GmbH.

The financial information for OeKB EH Beteiligungs- und Management AG is based on its IFRS consolidated financial statements. The data for CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH is based on national accounting standards (Austrian Commercial Code); the amounts under the Austrian Commercial Code largely match those under IFRS.

There are no contingent liabilities for the equity-accounted joint ventures.

OeKB EH Beteiligungs- und Management AG, Vienna, Austria

Other Services segment	2013	2014
Shareholding	51%	51%
Share of voting rights	51%	51%

OeKB EH Beteiligungs- und Management AG is a holding company not listed on the stock exchange. It is the sole owner of Acredia Versicherung AG. Acredia was created by the merger of OeKB Versicherung AG into PRISMA Kreditversicherungs-AG in 2014. Acredia markets its products under the same familiar brands: 'PRISMA – Die Kreditversicherung' and 'OeKB Versicherung'. It offers a wide range of credit insurance choices for Austrian industry.

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

Insurance contracts are accounted for by applying IFRS 4, with due regard to the provisions of the Insurance Supervision Act. In accordance with IFRS 4, the claims equalisation reserve under the Act (after deduction of deferred taxes) is reported in IFRS equity.

€ thousand	2013	2014
Earned premiums	26,509	26,057
Technical result	9,897	9,001
Profit before tax	13,201	14,335
Of which depreciation	*1,132*	*279*
Of which interest income	*1,414*	*1,404*
Of which interest expense	-	-
Profit for the year	10,909	11,687
Other comprehensive (expense)	(523)	(753)
Total comprehensive income for the year	**10,386**	**10,934**
Current assets	50,050	44,946
Of which cash and cash equivalents	*25,755*	*19,412*
Non-current assets	141,038	152,313
Current liabilities	17,837	20,412
Non-current liabilities	51,716	55,354
Equity	**121,535**	**121,493**
OeKB Group's share of equity at beginning of period	63,909	61,983
OeKB Group's share of total comprehensive income for the period	5,297	5,576
Dividend payments received	(7,223)	(5,599)
OeKB Group's share of equity at end of period	**61,983**	**61,960**

CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna, Austria

Other services segment	2013	2014
Shareholding	50%	50%
Share of voting rights	50%	50%

CCP Austria ('CCP.A') is operated as a joint venture with Wiener Börse AG, Vienna, and is equity-accounted in the consolidated financial statements.

CCP.A is not a publicly traded company. It acts as the clearing agent for the Vienna Stock Exchange and as the central counterparty for all trades concluded on the exchange.

€ thousand	2013	2014
Revenue	2,477	2,553
Operating loss	(299)	(176)
Loss before tax	(271)	(157)
Of which depreciation	-	-
Of which interest income	*27*	*18*
Of which interest expense	-	-
Loss for the year	(280)	(146)
Other comprehensive (expense)	-	-
Total comprehensive (expense) for the year	**(280)**	**(146)**
Current assets	11,462	30,313
Of which cash and cash equivalents	*11,322*	*30,147*
Non-current assets	413	-
Current liabilities	247	18,758
Non-current liabilities	62	135
Equity	**11,566**	**11,420**
OeKB Group's share of equity at beginning of period	73	5,783
Capital increase	5,850	-
OeKB Group's share of total comprehensive (expense) for the period	(140)	(73)
Dividend payments received	-	-
OeKB Group's share of equity at end of period	**5,783**	**5,710**

(29) Other assets

€ thousand	Dec 31 2013	Dec 31 2014
Sundry assets	34,756	48,768
Prepayments and accrued income	25,202	19,688
Other assets	**59,958**	**68,456**

(30) Deposits from banks

€ thousand	Repayable on demand		Other deposits		Total	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
Domestic banks	85,715	50,950	-	-	85,715	50,950
Foreign banks	92,579	46,226	202,783	415,970	295,362	462,196
Total	**178,294**	**97,176**	**202,783**	**415,970**	**381,077**	**513,146**

(31) Deposits from customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
Public sector	544,602	696,826	1,432	1,423	546,034	698,249
Other	76,967	65,956	51,744	50,175	128,711	1,161,311
Total	**621,569**	**762,782**	**53,176**	**51,598**	**674,745**	**814,380**

(32) Debt securities in issue

€ thousand	Debt securities in issue		Of which listed	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
Bonds issued	18,371,773	18,165,493	18,371,773	18,165,493
Other debt securities in issue	6,218,188	5,375,595	-	-
Total	**24,589,960**	**23,541,088**	**18,371,773**	**18,165,493**
Of which at fair value through profit or loss	*17,288,446*	*17,118,531*	-	-
Of which amortised cost	*7,301,514*	*6,422,557*	-	-

The amount repayable on maturity for debt securities in issue that are measured using the fair value option was € 14,112.3 million (2013: € 15,727.0 million).

Maturities in 2015

€ thousand	Maturities in 2014	Maturities in 2015
Debt securities in issue	9,511,117	8,523,015
Accrued interest	132,545	110,531
Redemption and coupon payments in the course of transmission to security holders	128	128
Fair value measurement	19,660	19,419
Total	**9,663,449**	**8,653,094**

(33) Provisions

Movement in provisions

€ thousand	1 Jan 2014	Amounts used or released	Additions	31 Dec 2014
Non-current provisions for employee benefits	115,650	(4,108)	227,192	131,100
Current provisions for employee benefits	4,900	(6,697)	4,900	10,645
Other current provisions	843,766	(14,161)	1,671,574	1,095,457
Of which interest rate stabilisation provisions	*-*	*(7,204)*	*827,686*	*1,090,983*
Provisions	**964,316**	**(24,966)**	**1,903,666**	**1,237,201**

Included in current employee benefit provisions are provisions for vacation pay and similar obligations, as well as bonus payments.

The item ‘other provisions’ at 31 December 2014 included an interest rate stabilisation provision of € 1,090.0 million (2013: € 834.9 million) created in order to stabilise the interest rates for the Export Financing Scheme. For an explanation on measurement of the provision, see note 11. In the fiscal year, an addition of € 117.9 million to the interest rate stabilisation provision was made from the net interest income of the Export Financing Scheme and an addition of € 145.4 million was made from the Scheme's valuation results (also see note 1).

Movement in provisions for non-current employee benefits was as follows:

Movement in non-current employee benefit provisions

€ thousand	Pension	Termination benefits	**Total 2014**	Total 2013
Present value of defined benefit obligation (DBO), representing the total non-current employee benefit provisions at 1 January	91,781	23,869	115,650	112,554
Service cost	548	742	1,290	1,532
Interest cost	2,638	758	3,396	3,583
Benefits paid	(3,483)	(648)	(4,131)	(5,184)
Actuarial gain/(loss)	12,676	2,218	14,894	3,167
Of which actuarial gain/(loss) arising from change in parameters	*15,942*	*1,949*	*17,891*	*3,273*
Of which actuarial gain/(loss) arising from experience adjustments	*(3,266)*	*269*	*(2,997)*	*(106)*
DBO at 31 December	104,160	26,939	131,099	115,650
Non-current employee benefit provisions at 31 December	**104,160**	**26,939**	**131,099**	**115,650**

Historical information on defined benefit obligation

€ thousand	2009	2010	2011	2012	2013
Pension provision	79,027	81,368	84,016	88,051	91,781
Termination benefit provision	21,604	23,027	23,500	24,503	23,869
Non-current employee benefit provisions	100,631	104,395	107,516	112,554	115,650

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 € 0.9 million were paid to the pension fund in 2014 (2013: € 0.8 million).

Staff costs also included the contributions of € 0.2 million to the termination benefit fund (2013: € 0.2 million).

The following table presents the sensitivity of the obligations to key actuarial assumptions. It shows the respective absolute amount of the provision recognised at 31 December 2014 when a single assumption is varied at a time with the other assumptions held constant.

Analysis of sensitivities to changes in principal assumptions (minus signs denote resulting higher expenses to the Group, plus signs denote savings to the Group)

€ thousand	Pension expenses	Termination benefit expenses
Increase in discount rate by 1.00%-point	12,786	2,271
Decrease in discount rate by 1.00%-point	(15,951)	(2,613)
Increase in expected salary growth by rate by 0.50%-point	(909)	(1,246)
Decrease in expected salary growth by rate by 0.50%-point	876	1,173
Increase in pension trend by 0.50%-point	(6,362)	-
Decrease in pension trend by 0.50%-point	5,820	-

Principal assumptions

	2013	2014
Discount rate	3.25%	2.40%
Salary trend	1.75%	1.25%
Pension trend	1.25%	1.75%
Total trends	**3.00%**	**3.00%**

The sensitivity analysis was performed by an independent actuary using the projected unit credit method. Information on the manner of arriving at the assumptions underlying the sensitivity analysis is provided in the section 'Accounting policies'.

Maturity profile of the pension provisions

€ thousand	DBO at 31 Dec 2013	DBO at 31 Dec 2014
Not more than 1 year	3,757	4,390
Over 1 year but not more than 3 years	8,753	9,667
Over 3 years but not more than 5 years	9,469	10,199
Total not more than 5 years	**21,979**	**24,256**
Duration	12.8 years	14.2 years

(34) Tax assets and tax liabilities

Tax assets and liabilities respectively 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. No deferred taxes were recognised for any interests in companies nor for measurement effects under the Export Financing Scheme.

Deferred taxes arose on the following items:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
Financial investments at fair value through profit or loss	-	-	19,724	25,411
Securities	7,680	9,133	1,152	1,067
Employee benefit provisions	11,956	15,744	-	-
Other provisions	52,828	58,332	-	-
Total	**72,465**	**83,209**	**20,876**	**26,478**
Net deferred taxes	51,589	56,731		

(35) Other liabilities

€ thousand	31 Dec 2013	31 Dec 2014
Accruals and deferred income	31,243	31,833
Sundry liabilities	69,897	87,966
Other liabilities	**101,140**	**119,799**

Accruals and deferred income included deferrals of up-front payments received for services in connection with the export guarantee business, and deferrals related to the issue of debt securities by the Group.

(36) Capital and capital management

The share capital of € 130 million is divided into 880,000 no-par-value shares. These registered ordinary shares with restricted transferability are represented by global certificates made out in the name of each individual shareholder. In 2014 the return on assets under section 64(1)19 Austrian Banking Act attributable to the owners of the parent was 7.5% (2013: 7.7%).

Section 3(1)7 Austrian Banking Act provides that Regulation (EU) No 575/2013 and section 39(3) and (4) Austrian Banking Act do not apply to transactions of Oesterreichische Kontrollbank Aktiengesellschaft related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. As well, under section 3(2)1 Austrian Banking Act, the following legal provisions are not applicable: Part 6 of Regulation (EU) No 575/2013, and the Austrian Banking Act's sections 25 and 27a, section 39(2b)7 in conjunction with 39(4), section 39(3), and section 74(6)3a in conjunction with 74(1).

The banking group as defined under section 30 Austrian Banking Act consists of Oesterreichische Kontrollbank AG, "Österreichischer Exportfonds" GmbH and Oesterreichische Entwicklungsbank AG. The strategic aim of capital management in OeKB Group is to ensure a sustained stable capital base. There were no material changes in capital management. At all times during the reporting period, the Group satisfied the capital requirements of the national supervisor.

The 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 by the Basic Indicator approach. The banking 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 measures are monitored.

OeKB AG is the parent institution of the OeKB 'banking group' for the purposes of section 30 Austrian Banking Act. OeKB Group's regulatory capital determined in accordance with Regulation (EU) No 575/2013 showed the following composition and movement:

Regulatory capital

	2013 € thousand	2014 €
Regulatory capital requirement pursuant to article 92 CRR (EU) No 575/2013 (Capital Requirements Regulation) (2013: section 22 Austrian Banking Act)		
Risk-weighted assets (Standardised approach to credit risk)	269,612	596,171,309.88
Trading book	-	0.00
Total risk-weighted assets	**269,612**	**596,171,309.88**
Regulatory capital requirement for:		
Credit risk	21,569	47,693,704.79
Foreign exchange risk	8,293	7,508,697.46
Operational risk (Basic Indicator approach)	23,105	22,098,417.07
Total regulatory capital requirement	52,967	**77,300,819.32**
Consolidated regulatory capital under Part 2 CRR (2013: under section 24 Austrian Banking Act)		
Paid-up share capital	130,000	130,000,000.00
Reserves (2013: incl. Goodwill or gains on acquisition) [1]	303,996	519,055,517.21
Non-controlling interests	3,123	3,148,931.19
Less deductions		
Intangible assets	(1,103)	(1,228,165.91)
50% of investments under section 73b Insurance Act in insurance companies and insurance holding companies under section 23(14)8 in conj. with section 23(13)4a Banking Act	(8,049)	0.00
Common Equity Tier 1	**427,967**	**650,976,282.49**
Non-controlling interests	-	5,324.89
Additional Tier 1 capital	**-**	**5,324.89**
Less deductions under article 472(4) CRR		
Intangible assets	-	(5,324.89)
Tier 1 capital	**427,967**	**650,976,282.49**
Non-controlling interests	-	7,099.86
Reserve for general banking risks under section 57 Banking Act	131,815	-
Less deductions		
50% of investments under section 73b Insurance Act in insurance companies and insurance holding companies under section 23(14)8 in conj. with section 23(13)4a Banking Act	(8,050)	-
Tier 2 capital	**123,765**	7,099.86
Available regulatory capital under Part 2 CRR	**551,732**	**650,983,382.35**
Surplus regulatory capital	**498,765**	**573,682,563.03**

[1] Under article 26(2) CRR, earnings for the year are included in Common Equity Tier 1 capital only after the official adoption of the final annual financial results.

The resulting consolidated capital adequacy ratio (regulatory capital resources as a percentage of total risk-weighted assets) at the end of the financial year was 67.4%. The consolidated Tier 1 capital ratio was 67.4%, compared to113.8% one year earlier. The high excess cover was reflected in a cover ratio (capital resources as a percentage of the capital requirement) of 842.1%.

Other information and risk report

(37) Information regarding the statement of cash flows

The statement of cash flows presents the cash position and cash flows of OeKB Group. The cash position recorded, in the narrow sense, consists of cash and balances with central banks.

In cash flows from operating activities, all income and expense components are adjusted for non-cash items, including especially depreciation, amortisation and impairment, changes in provisions, deferred taxes and unrealised currency translation gains and losses, as well as all other items whose cash effects represent cash flows from investing or financing activities. Foreign currency translation losses and gains essentially occur only in connection with raising long-term and short-term funds for the Export Financing Scheme. These exchange rate risks are largely secured by the exchange rate guarantee of the Republic of Austria under the Export Financing Guarantees Act. OeKB Group thus does not bear any exchange rate risk from the Export Financing Scheme. Changes in exchange rates have little or no impact on cash and cash equivalents held or due in foreign currency.

Cash flows from investing activities represent changes in the investment portfolio, in non-current assets and in loan assets.

Cash flows from financing activities consist of the funding movements and of the payments related to the equity of the parent company.

(38) Analysis of remaining maturities

Residual maturities at 31 December 2014

€ thousand	Repayable on demand	Not more than 3 months	Over 3 months but not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	**Total**
Loans and advances to banks	34,534	1,723,063	6,633,816	8,291,634	2,628,788	**19,311,835**
Loans and advances to customers	110	372,680	682,654	191,310	263,567	**1,510,321**
Securities at fair value through profit or loss	375,852	16,984	162,759	562,959	651,206	**1,769,760**
Total	**410,496**	**2,112,727**	**7,479,229**	**9,045,903**	**3,543,561**	**22,591,916**
Deposits from banks	97,175	378,616	-	5,000	32,355	**513,146**
Deposits from customers	783,595	-	-	1,285	29,500	**814,380**
Debt securities in issue	-	4,939,035	3,714,059	10,507,467	4,380,527	**23,541,088**
Total	**880,770**	**5,317,651**	**3,714,059**	**10,513,752**	**4,442,382**	**24,868,614**

Residual maturities at 31 December 2013

€ thousand	Repayable on demand	Not more than 3 months	Over 3 months but not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	**Total**
Loans and advances to banks	21,650	1,460,841	7,051,794	9,735,730	3,094,314	**21,364,329**
Loans and advances to customers	155	365,084	633,275	218,683	271,964	**1,489,161**
Securities at fair value through profit or loss	332,268	73,913	29,834	415,130	741,243	**1,592,388**
Total	**354,073**	**1,899,838**	**7,714,903**	**10,369,543**	**4,107,521**	**24,445,878**
Deposits from banks	178,294	172,266	640	5,000	24,877	**381,077**
Deposits from customers	649,265	-	-	-	25,480	**674,745**
Debt securities in issue	-	5,090,687	4,572,762	11,401,636	3,524,875	**24,589,960**
Total	**827,559**	**5,262,953**	**4,573,402**	**11,406,636**	**3,575,232**	**25,645,782**

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. Accrued and deferred interest is assigned to the maturity class of 'Not more than 3 months'.

(39) Subordinated assets

The balance sheet contains no subordinated assets.

(40) Assets pledged as collateral

€ million	2013	2014
Securities pledged as collateral (market value)		
With OeNB for tender	4,387	3,993
For trading on futures exchanges (EUREX)	26	20
For energy trading (ECC)	7	6
For stock exchange trading in Vienna (CCP.A)	1	-
For Eurex Repo platform	659	687
Collateral for credit risks of derivatives transactions		
Collateral pledged	658	485
Collateral received	172	379

(41) Contingent liabilities and commitments

The off-balance sheet contingent liabilities of € 102.7 million (2013: € 82.0 million) were related to guarantees given by Oesterreichische Entwicklungsbank AG, which in turn are backed by a guarantee of the Republic of Austria. At the balance sheet date OeKB Group had total undrawn credit commitments of € 2,463.9 million (2013: € 2,353.5 million).

(42) Sundry off-balance sheet obligations

As part of the deposit insurance system operated by the Vienna-based Banken and Bankiers GmbH, in accordance with section 93 Austrian Banking Act, OeKB and Exportfonds are required to guarantee a proportionate amount of deposits.

Obligations arising under rental agreements for 2015 amounted to € 1.2 million (at the end of the prior year the obligations for 2014 were € 1.5 million). The corresponding obligations for the five-year period from 2015 to 2019 were € 9.0 million (at the end of the prior year the obligations for the five-year period from 2014 to 2018 were € 9.3 million). Rent paid for 2014 was € 0.5 million (2013: € 0.5 million).

(43) Fiduciary assets and liabilities

Fiduciary positions recognised in the balance sheet

€ thousand	31 Dec 2013	31 Dec 2014
Loans and advances to banks	11,835	10,407
Other assets	51,212	73,304
Fiduciary assets	**63,047**	**83,711**
Deposits from customers	11,835	83,711
Other liabilities	51,212	73,304
Fiduciary liabilities	**63,047**	**83,711**

Off-balance sheet fiduciary transactions amounted to € 17.9 million (2013: € 18.5 million). This item consists largely of development-aid credits processed on behalf of the Republic of Austria.

(44) Supplementary information on assets and liabilities under the Austrian Banking Act

Supplementary disclosures under sections 43 and 64 Austrian Banking Act.

€ thousand	31 Dec 2013		31 Dec 2014	
	Assets	Liabilities	Assets	Liabilities
Denominated in foreign currency	1,652,693	19,096,938	1,720,885	18,190,928
Issued or originated outside Austria	3,114,279	23,552,755	3,451,566	21,120,571

(45) Derivative financial instruments

Derivative financial instruments are used for hedging (see note 5 for details).

Derivative financial instruments 2014

€ thousand	Notional amount at 31 Dec 2014 - by remaining maturity				Fair values	
	Not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	**Total 2014**	Positive	Negative
Interest rate derivatives						
Interest rate swaps (OTC)	4,157,904	10,775,362	1,837,657	**16,770,924**	274,700	289,344
Currency derivatives						
Currency swaps (OTC)	7,379,581	8,022,232	934,250	**16,336,064**	4,598,178	729,706
Foreign exchange transactions	58,996	-	-	**58,996**	-	7,644
Total	**11,596,482**	**18,797,594**	**2,771,908**	**33,165,984**	**4,872,878**	**1,026,694**

Derivative financial instruments 2013

€ thousand	Notional amount at 31 Dec 2013 - by remaining maturity				Fair values	
	Not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	**Total 2013**	Positive	Negative
Interest rate derivatives						
Interest rate swaps (OTC)	3,878,695	12,079,888	1,118,759	**17,077,342**	327,067	305,161
Currency derivatives						
Currency swaps (OTC)	6,250,086	8,158,490	119,574	**14,528,150**	3,421,040	1,145,796
Foreign exchange transactions	1,136,592	59,204	-	**1,195,796**	-	95,503
Total	**11,265,373**	**20,297,582**	**1,238,333**	**32,801,288**	**3,748,107**	**1,546,460**

(46) Fair value of financial instruments

The table below presents the carrying amounts and fair values of financial assets and liabilities, analysed by category.

Fair values are determined as described in note 6. The market values of loans and advances to banks and customers and of deposits from banks and customers are based on inputs that in the case of assets and of liabilities are directly or indirectly observable. The same is true of the market values of derivatives reported in other assets and other liabilities (level 2).

The determination of the market values of other financial instruments is based on prices quoted on an active market (level 1). No reclassifications occurred in the financial year or prior year. OeKB Group does not have level-3 holdings.

Fair value at 31 December 2014

€ thousand	Notes	Carrying amount				Fair value		
		Loans and receivables	Other financial instruments, at amortised cost	Financial instruments at fair value	**Total**	Level 1	Level 2	**Total**
Financial assets measured at fair value								
Other financial instruments	26	-	-	1,769,760	**1,769,760**	1,769,760	-	**1,769,760**
Derivatives held for hedging	45	-	-	4,872,878	**4,872,878**	-	4,872,878	**4,872,878**
Total		**-**	**-**	**6,642,638**	**6,642,638**			
Financial assets not measured at fair value								
Cash and balances at central banks	22	-	271,838	-	**271,838**	-	271,838	**271,838**
Loans and advances to banks	23	19,311,835	-	-	**19,311,835**	-	19,940,811	**19,940,811**
Loans and advances to customers	24	1,510,321	-	-	**1,510,321**	-	1,563,757	**1,563,757**
Allowance for impairment losses on loans and advances	7, 25	(562)	-	-	**(562)**	-	(562)	**(562)**
Other financial instruments	26	-	19,581	-	**19,581**	30,712	-	**30,712**
Total		**20,821,593**	**291,419**	**-**	**21,113,012**			
Financial liabilities measured at fair value								
Debt securities in issue	32	-	-	17,118,531	**17,118,531**	-	17,118,531	**17,118,531**
Derivatives held for hedging	45	-	-	1,026,694	**1,026,694**	-	1,026,694	**1,026,694**
Total		**-**	**-**	**18,145,225**	**18,145,225**			
Financial liabilities not measured at fair value								
Deposits from banks	30	-	513,146	-	**513,146**	-	515,869	**515,869**
Deposits from customers	31	-	814,380	-	**814,380**	-	814,468	**814,468**
Debt securities in issue	32	-	6,422,557	-	**6,422,557**	-	7,167,273	**7,167,273**
Total		**-**	**7,750,083**	**-**	**7,750,083**			

Fair value at 31 December 2013

€ thousand	Notes	Carrying amount				Fair value		
		Loans and receivables	Other financial instruments, at amortised cost	Financial instruments at fair value	**Total**	Level 1	Level 2	**Total**
Financial assets measured at fair value								
Other financial instruments	26	-	-	1,592,388	**1,592,388**	1,592,388	-	**1,592,388**
Derivatives held for hedging	45	-	-	3,748,107	**3,748,107**	-	3,748,107	**3,748,107**
Total		**-**	**-**	**5,340,495**	**5,340,495**			
Financial assets not measured at fair value								
Cash and balances at central banks	22	-	520,631	-	**520,631**	-	520,631	**520,631**
Loans and advances to banks	23	21,364,329	-	-	**21,364,329**	-	21,783,754	**21,783,754**
Loans and advances to customers	24	1,489,161	-	-	**1,489,161**	-	1,494,365	**1,494,365**
Allowance for impairment losses on loans and advances	7, 25	(471)	-	-	**(471)**	-	(471)	**(471)**
Other financial instruments	26	-	19,581	-	**19,581**	30,712	-	**30,712**
Total		**22,853,019**	**540,212**	**-**	**23,393,231**			
Financial liabilities measured at fair value								
Debt securities in issue	32	-	-	17,288,446	**17,288,446**	-	17,288,446	**17,288,446**
Derivatives held for hedging	45	-	-	1,546,460	**1,546,460**	-	1,546,460	**1,546,460**
Total		**-**	**-**	**18,834,906**	**18,834,906**			
Financial liabilities not measured at fair value								
Deposits from banks	30	-	381,077	-	**381,077**	-	382,446	**382,446**
Deposits from customers	31	-	674,745	-	**674,745**	-	680,413	**680,413**
Debt securities in issue	32	-	7,301,514	-	**7,301,514**	-	7,743,188	**7,743,188**
Total		**-**	**8,357,336**	**-**	**8,357,336**			

(47) Risk management

OeKB is a special-purpose bank for capital market services and the Austrian export industry. It does not conduct retail banking or deposit-taking business. In significant business segments, OeKB acts as a contractor to the Republic of Austria. This also applies to its roles in the promotion of exports through guarantees and financing.

To ensure the stability and profitability of the bank in the interests of all stakeholders (especially customers, owners, and the Republic of Austria), its risk management – essentially, the identification, monitoring, assessment, reporting, planning and treatment of risks – consists of important processes integrated in the business strategy. OeKB's risk management systems are appropriate to the risk profile and business model.

Every risk assumed by OeKB Group must be consistent with the Executive Board's risk policy and strategy for the Group, which is subject to annual review and aims to assure a sustained stable return on equity through a conservative approach to all risks, including financial risks and risks arising from business operations in general. The risk policy and strategy sets out the risk management principles, the risk appetite and the principles for the measurement and control of the risk categories used.

Market risk, credit risk and operational risk are recognised as key risks; OeKB also emphasises conservative management of liquidity risk, with the objective of being able to meet all payment obligations at all times even in stress periods.

Most of OeKB's total assets by far are made up by the Export Financing Scheme, which is treated as a separate accounting entity distinct from the rest of the business (see note 1). In this respect, OeKB is exempt from certain relevant legislation, such as the European Union's CRR, or Capital Requirements Regulation (Regulation (EU) No 575/2013), which took effect on 1 January 2014. Further major exemptions for OeKB apply in connection with the European and national provisions for banking union (such as the Bank Recovery and Resolution Directive, or BRRD). Similarly, these exemptions apply to the two banking subsidiaries, "Österreichischer Exportfonds" GmbH and Oesterreichische Entwicklungsbank AG, which together with OeKB form a banking group for the purposes of section 30 Austrian Banking Act.

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

In accordance with OeKB's control principles and the segregation of the Export Financing Scheme (EFS) as a separate accounting entity, OeKB performs a separate calculation of risk coverage for the EFS. This is done by valuing the EFS's residual risks not covered by security and comparing them to the interest rate stabilisation provision, which forms the dedicated capital available to cover the risks of the EFS.

In the Internal Capital Adequacy Assessment Process (ICAAP) used by OeKB Group, the Export Financing Scheme is treated as investee risk, a component of credit risk. Any risk exceeding the Export Financing Scheme's dedicated pool of economic capital thus becomes part of the Group's credit risk and enters into the calculation of risk coverage for OeKB Group.

The Supervisory Board receives comprehensive quarterly reports from the Executive Board on the risk situation; in addition, there is an annual consultation and approval process in the context of the Supervisory Board's Risk Committee under section 39d Austrian Banking Act.

Risk management organisation

Against the backdrop of OeKB Group's major business activities and its specific business and risk structure, the bank has adopted a clear functional organisation of the risk management process; well-defined roles are assigned to the following organisational units:

Executive Board: In accordance with the responsibilities prescribed in the Austrian Banking Act, the Executive Board sets the Group's risk policy and strategy, in consultation with and subject to the approval of the Risk Committee of the Supervisory Board. As part of the Group's enterprise-wide risk management, the Executive Board, working with the Risk Management Committee, determines the acceptable aggregate amount of risk (based on the calculated capacity to assume risk), approves risk limits derived from this aggregate and decides on the procedures for risk monitoring.

Risk Management Committee: The function of the Risk Management Committee is derived from the risk policy and consists of strategic risk control and risk monitoring. The Risk Management Committee is the primary recipient of the risk reports, monitors and manages the risk profiles for the individual risk types, and, as needed, decides actions based on the risk reports. The committee consists of the Executive Board, the Chief Risk Officer (CRO) and Deputy CRO, the Operational Risk Manager (ORM), Financial Risk Manager (FRM), internal control system officer, Legal Compliance Officer and representatives from the Accounting & Financial Control department and business segments.

Chief Risk Officer: The implementation of the measures decided by the Risk Management Committee is overseen by the Chief Risk Officer, supported by the Financial Risk Manager, the Operational Risk Manager and the Chief Information Security Officer (CISO).

Risk Controlling department: The 'Risk Controlling' department is responsible for the measurement and assessment of financial risks, the operating-level financial risk accounting and the implementation and monitoring of internal controls in respect of financial risk, including the monitoring of internal limits and the actual implementation of the Internal Capital Adequacy Assessment Process.

Operational risk management: The directions on the management of operational risk are implemented in the Group's business operations by the Organisation, Construction, Environmental Issues and Security department (known as OBUS), with the exception of information security matters, which are the responsibility of the Chief Information Security Officer. The activities falling into the areas of operational risk management, of information security and of the internal control system officer are subject to ongoing coordination.

Asset and Liability Management Committee: The principal responsibilities of the Asset and Liability Management Committee (ALCO) are to manage the balance sheet structure and market risks and to set lending rates under the Export Financing Scheme.

Internal Audit: The organisational units involved in the risk management process and the procedures applied are regularly reviewed by the Internal Audit department.

Supervisory Board: The Supervisory Board has oversight of all risk management arrangements in OeKB Group and receives quarterly reports on the Group's risk situation. These risk reports present a detailed view of the risk situation of OeKB Group. The Supervisory Board also maintains a Risk Committee under section 39d Austrian Banking Act, which convened for one meeting in 2014. The Audit Committee of the Supervisory Board also monitors the effectiveness of the system of internal control.

Risk appetite and approaches to risk control

The ICAAP serves to assure the maintenance of the defined bank-specific level of capital adequacy and, as a measurement and control tool, forms an integral part of the management process. The risk appetite is set annually by the Executive Board in consultation with and subject to the approval of the Risk Committee of the Supervisory Board.

In its ICAAP, OeKB applies both the 'going concern' approach (designed to ensure sufficient regulatory capital to continue in business even amid severe loss events) and the 'gone concern' approach (focusing on protecting creditors and the ability to repay deposits and other senior debt in the event of liquidation). The key difference between the two approaches lies in the definition of the economic capital available to cover risk, and the choice of confidence level for the risk (99.9% for the going concern approach and 99.98% for the gone concern variant). Additionally, early-warning levels are defined.

Another measure for expressing risk appetite is based on 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 one month and a target survival period of two months have been set for OeKB Group.

Principles of risk measurements and of risk coverage calculation

The key variable in the measurement and management of risk is economic capital. It is calculated using the concept of Value at Risk (VaR) over a one-year time horizon. The calculation of risk coverage particularly takes into account credit risk, market risk and operational risk, with risk defined here as the danger that the actual outcome will be less favourable than the expected outcome (unexpected loss). The Internal Capital Adequacy Assessment Process is used only at the level of the whole OeKB Group. No ICAAP is performed at the level of individual institutions (OeKB AG, Exportfonds and OeEB).

Liquidity risk is measured and managed primarily by using the survival period. The survival period is determined on the basis of cash-flow and funding projections (using idiosyncratic and systemic stress assumptions) that are compared critically with the liquidity buffer. The survival period is the period for which OeKB Group's liquidity buffer is sufficient to allow it to meet all payment obligations without having to restrict its business activities.

In the calculation of risk coverage, the economic capital required is compared with the economic capital available. This is done for different risk coverage objectives and approaches ('going concern' and 'gone concern'). Compliance with these limits is monitored by the Risk Controlling department and reported to the Risk Management Committee and the Executive Board. Concentrations of risk are also monitored through these processes. In the calculation of risk coverage, concentrations of risk between risk types are taken into consideration by determining the aggregate risk as the sum of the type-specific risk capitals and thus assuming a perfect positive correlation.

Risk assessment is performed at least 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. The results of liquidity and market risk analysis are also dealt with by the ALCO. Credit risks that are individually material are measured using Credit Value at Risk (CVaR); individually material market risks are measured using VaR. Credit and market risks that are not individually material are measured analogously to the material risks, or are assessed by allowing a lump sum for them.

Other risks, such as reputation and business risk, are recognised through flat percentage-based amounts. The assessment of operational risk employs the Basic Indicator approach, expanded by a distribution assumption for estimation at a high confidence level.

The economic capital calculations are supplemented with stress tests. This involves both univariate tests for key risk drivers, and multivariate market-specific tests.

The systems used for this purpose are SAP, QRM, Bloomberg and proprietary systems.

Risk management is supported by the system of internal control, which serves to assure compliance with rules, standards and risk mitigation procedures. Extensive automated IT general controls, as well as reviews performed particularly by the Internal Audit department, contribute to the effectiveness of this internal control system. To mitigate legal risks, OeKB has a Legal Compliance Officer. The LCO reports to the Executive Board and has the role of ensuring that OeKB has a cohesive and comprehensive view of the impact of the various legal matters on the Group.

In 2014 the dominant theme was ensuring compliance with the new European and national regulations and reporting requirements. Part of this effort, in keeping with the 'Fit & Proper' set of requirements for appropriate personal and professional qualifications of leadership staff, was a focus on the training of key personnel, including managing directors and Executive Board and Supervisory Board members. In 2015 as well, the focus will remain on safeguarding compliance with the evolving supervisory rules, since various details of the regulatory framework are still pending.

Comparison of risk under ICAAP with regulatory capital requirement under article 92 Regulation (EU) No 575/2013

€ thousand	Value at Risk under ICAAP (99.98% confidence)		Regulatory capital requirement under EU Regulation 575/2013 (2013: section 22 Banking Act)	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
Credit risk	25,636	20,754	21,569	47,694
Commodity and foreign exchange risk	24,138	22,342	8,293	7,509
Other market risk in the banking book	41,280	30,382	-	-
Other risks	15,637	13,611	-	-
Operational risk	29,399	28,119	23,105	22,098

The increase in regulatory capital requirement for credit risk resulted primarily from the new measurement rules under the CRR. These differ from the old measurement methods in two key ways. One is that from 2014, the carrying amount of the insurance sub-group is based on the IFRS value (previously: carrying amount based on Austrian Banking Act), which must be weighted at 250%. The other main change is that deferred taxes are now given a weighting of 100% (previously: 0% weighting).

(48) Risk types in detail

Market risk

Market risks arise from a potential change in risk factors that may lead to a reduction in the market value of the financial items. The types of market risk distinguished are specific and general interest rate risk; foreign exchange risk; and equity price risk. The Group's market risks relate only to banking book positions, as no trading book is maintained.

Risks are assessed by using the Value at Risk concept to estimate maximum potential losses at given confidence levels. The economic capital determined in this manner is then taken into account in the calculation of risk coverage.

In addition, the effects of extreme market movements are calculated through stress tests. These tests comprise both the determination of Value at Risk under stress conditions (e.g., credit migration and correlations) and multivariate stress tests based on specific historical scenarios (e.g., Black Monday, September 11, and the 2007/08 financial crisis).

The largest amount of economic capital arises in connection with the Group's investment portfolio (see note 26, Other financial instruments), which had a composition of 16.2% investment funds and 83.8% bonds owned by the Group. Of these bonds, € 1,121.1 million served as a liquidity buffer in the Export Financing Scheme; the buffer's interest rate risk is hedged by interest rate swaps. The Value at Risk of the rest of the investment portfolio is determined monthly. At 31 December 2014 the VaR amounted to € 35.0 million for a holding period of one year at a 99% confidence level. The interest rate risk is also monitored by using stress scenarios. Thus, it was calculated that a positive interest rate shock of 200 basis points would have led to a reduction of € 26.9 million in market value. In the risk management of the investment portfolio, the in-house portfolio management is supported by an external overlay manager.

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. For interest rate risks under the Export Financing Scheme (which are measured using Earnings at Risk), an interest rate stabilisation provision is maintained. It forms the dedicated capital available to cover the risks determined in the calculation of risk coverage for the Export Financing Scheme.

The following table shows the interest rate sensitivity gap analysis for OeKB Group (including the Export Financing Scheme).

Interest rate sensitivity gap analysis at 31 December 2014

€ thousand	Not more than 3 months	Over 3 but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	Total carrying amount
Cash and balances at central banks	271,838	-	-	-	-	271,838
Loans and advances to banks	10,828,364	484,145	763,708	5,036,114	2,199,504	19,311,835
Loans and advances to customers	1,299,081	197,105	1,599	8,647	3,889	1,510,321
Bonds and other fixed income securities	243,990	15,000	137,000	436,000	550,750	1,382,740
Subtotal	**12,643,273**	**696,249**	**902,306**	**5,480,761**	**2,754,143**	**22,476,733**
Deposits from banks	(483,194)	(29,952)	-	-	-	(513,146)
Deposits from customers	(786,041)	(45)	(355)	(4,918)	(23,020)	(814,380)
Debt securities in issue	(6,086,486)	(712,428)	(2,987,689)	(9,492,259)	(4,262,226)	(23,541,087)
Subtotal	**(7,355,721)**	**(742,425)**	**(2,988,045)**	**(9,497,176)**	**(4,285,246)**	**(24,868,613)**
Effect of derivative contracts	(4,831,837)	71,961	1,107,575	2,866,620	785,682	0
Total	**455,715**	**25,785**	**(978,163)**	**(1,149,796)**	**(745,421)**	**(2,391,880)**

Interest rate sensitivity gap analysis at 31 December 2013

€ thousand	Not more than 3 months	Over 3 but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	Total carrying amount
Cash and balances at central banks	520,631	-	-	-	-	520,631
Loans and advances to banks	11,192,633	545,642	1,072,867	5,921,202	2,631,985	21,364,329
Loans and advances to customers	1,253,821	222,140	210	8,928	4,063	1,489,162
Bonds and other fixed income securities	224,911	9,100	12,000	343,900	669,000	1,258,911
Subtotal	**13,191,996**	**776,882**	**1,085,077**	**6,274,030**	**3,305,048**	**24,633,033**
Deposits from banks	(363,414)	(17,663)	-	-	-	(381,077)
Deposits from customers	(647,348)	(200)	(543)	(6,614)	(20,040)	(674,745)
Debt securities in issue	(6,386,704)	(4,018,549)	(122,190)	(10,590,165)	(3,472,353)	(24,589,960)
Subtotal	**(7,397,466)**	**(4,036,412)**	**(122,732)**	**(10,596,779)**	**(3,492,392)**	**(25,645,782)**
Effect of derivative contracts	(3,001,686)	217,747	2,104	3,422,110	(640,275)	(0)
Total	**2,792,844**	**(3,041,783)**	**964,448**	**(900,639)**	**(827,620)**	**(1,012,749)**

Hedging

To assist in controlling market risks, the Group employs derivative financial instruments. The derivatives involved are interest rate swaps and cross currency interest rate swaps, which are traded over the counter (OTC) and used largely as hedging instruments for debt securities issued by OeKB Group. Instead of applying hedge accounting under IAS 39, these hedged financial liabilities are designated at fair value through profit or loss in order to avoid accounting mismatches. The changes in value of the derivative and of the respective hedged liability are thus recorded directly in profit or loss. Credit exposures arising from fluctuations in value are secured with collateral. From 2016, in conformity with EMIR (Regulation (EU) No 648/2012, the European Market Infrastructure Regulation), OeKB plans to clear interest rate swaps via a central counterparty.

(49) Liquidity risk

Liquidity risk is the risk of not being able to meet present or future payment obligations fully as they fall due. In the wider sense, liquidity risk also includes funding liquidity risk (the risk that funding can be obtained only on unfavourable market terms), and market liquidity risk (the risk that assets can be sold only at a discount).

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

The goal of the liquidity strategy is to ensure sufficient access to required liquidity on acceptable terms even in difficult market situations. OeKB's decades-long excellent standing in international financial markets coupled with the high diversification of its funding instruments, markets and maturities and especially the Austrian government guarantee protecting the lenders, combine to facilitate market access for the Group even when markets are under special stress. The approach to measurement and management of liquidity risk is documented in the liquidity risk management manual.

The central tool for the measurement of liquidity risk in its narrow 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 in 2014 determined by this methodology was about three and a half months. OeKB defines the survival period as that period for which the current liquidity buffer is sufficient, under an assumed combination of simultaneous idiosyncratic and systemic stresses, to meet all payment obligations without having to raise additional capital in 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. For crisis situations, a liquidity contingency plan is in place.

In addition to monitoring the daily liquidity position, long-term liquidity is assessed based on the gap analysis of the maturity profile of assets and liabilities.

Liquidity gaps based on long-term asset/liability maturity analysis at 31 December

€ thousand	Not more than 2 years		Over 2 but not more than 5 years		Over 5 but not more than 10 years		More than 10 years	
	2013	2014	2013	2014	2013	2014	2013	2014
Liquidity gap	(1,023,304	(1,774,834	(1,397,720	466,841	1,931,428	136,578	(909,789)	(460,311)

Maturity analysis of liabilities

The tables below show the schedule of future cash outflows and inflows based on the nominal amounts of the gross transaction. There were no netting agreements.

The mapping into time buckets is based on the contractual maturity structure; liabilities payable on demand are assigned to 'Not more than 1 month'.

Liabilities at 31 December 2014

€ thousand	Net book value	Total	Not more than 1 month	Over 1 but not more than 3 months	Over 3 months but not more than 1 year	Over 1 but not more than 5 years	Over 5 years
Deposits from banks	513,146	513,031	475,676	-	-	5,000	32,355
Deposits from customers	814,380	812,156	781,683	355	1,421	4,531	24,165
Debt securities in issue	23,541,087	23,040,978	1,470,315	3,350,062	3,700,117	10,258,258	4,262,226
Undrawn credit commitments and offers	-	2,463,894	371,306	991,823	690,587	410,178	-
Total	**24,868,613**	**26,830,058**	**3,098,980**	**4,342,240**	**4,392,126**	**10,677,967**	**4,318,746**
Derivatives	1,026,694						
Outflows	-	4,336,897	-	1,081,615	423,766	2,698,945	132,571
Inflows	-	3,583,455	-	879,397	389,163	2,204,300	110,595

Liabilities at 31 December 2013

€ thousand	Net book value	Total	Not more than 1 month	Over 1 but not more than 3 months	Over 3 months but not more than 1 year	Over 1 but not more than 5 years	Over 5 years
Deposits from banks	381,077	381,011	343,994	6,500	640	5,000	24,877
Deposits from customers	674,745	672,379	647,274	168	543	4,354	20,040
Debt securities in issue	24,589,960	24,030,454	2,000,943	2,955,673	4,554,501	11,046,985	3,472,353
Undrawn credit commitments and offers	-	2,353,526	185,832	846,508	764,348	554,713	2,125
Total	**25,645,782**	**27,437,370**	**3,178,042**	**3,808,849**	**5,320,033**	**11,611,052**	**3,519,394**
Derivatives	1,546,460						
Outflows	-	13,826,904	1,156,399	2,180,899	2,838,553	7,521,203	129,849
Inflows	-	12,522,909	1,126,130	2,109,860	2,729,265	6,438,079	119,574

(50) Credit risk

Credit risk is the risk of unexpected losses as a result of the default or deterioration in credit quality of counterparties. In view of its business structure, OeKB Group distinguishes the following types of credit risk: counterparty risk/default risk, investee risk and concentration risk. The critical measure used for credit risk is Credit Value at Risk, representing the difference between absolute VAR at a given confidence level (99.98% in the gone concern approach) and the expected loss associated with the respective default.

Counterparties are classified into internal credit rating categories on the basis of external ratings from internationally recognised rating agencies and internal credit ratings. A detailed 22-point internal master scale and clearly defined rating and mapping rules are used; the assignment of probabilities of default within the segment of very good credit ratings differentiates between sovereign and other counterparties.

The credit exposure of OeKB Group consists largely of export credits. In keeping with the Group's exacting lending standards, the approval of these loans and commitments is subject to high loan security requirements (such as, notably, guarantees of the Republic of Austria). To secure credit risks in connection with derivative transactions, collateral agreements are concluded with all counterparties, and downgrade trigger provisions are in place with all counterparties. These trigger clauses permit contracts to be assigned to third parties, or to be cancelled, upon a pre-defined deterioration in rating. Credit derivatives are not used.

In OeKB Group ICAAP, the Export Financing Scheme (EFS) is treated as investee risk. It forms its own accounting entity and is managed through a separate calculation of risk coverage. This means that the residual risks in the EFS not covered by security (which consists primarily of Austrian government guarantees) are valued like market and credit risks (including credit valuation adjustment risk and funding liquidity risk) and are compared to the interest rate stabilisation provision (which represents the dedicated capital available to cover the risks of the EFS). In accordance with the main underlying management principle, market risks are measured using Earnings at Risk. Any risk exceeding the dedicated economic capital of the EFS thus becomes part of the Group's credit risk and enters into the calculation of risk coverage for OeKB Group. Thanks to the risk-averse management of the EFS, this contingency has not arisen since the inception of the calculation of risk coverage in 2007.

The extensive security and guarantees provided by the Austrian government, inherent in the business model, involve a high concentration of risk with the Republic of Austria.

The distribution of assets in the banking book (including the investment portfolio) across rating categories was as shown in the table below. Guaranteed assets are, to the extent of the guarantee, assigned to the rating category of the guarantor; assets guaranteed by the Republic of Austria are assigned to rating category 1.

Credit portfolio by rating category 2014

€ thousand	Rating category 1 (AAA/AA)	Rating category 2 (A)	Rating category 3 (BBB)	Rating category 4 (BB)	Rating category 5 (B)	Rating category 6 (CCC and below)	Total carrying amount
Cash and balances at central banks	271,838	-	-	-	-	-	271,838
Loans and advances to banks	18,648,469	466,009	197,235	32	6	83	19,311,835
Loans and advances to customers	1,460,528	43,772	-	-	47	5,974	1,510,321
Allowance for impairment losses on loans and advances	-	-	-	-	-	(562)	(562)
Other financial instruments	1,452,048	61,033	273,426	2,173	630	31	1,789,342
Derivatives	3,859,006	1,013,872	-	-	-	-	4,872,878

Credit portfolio by rating category 2013

€ thousand	Rating category 1 (AAA/AA)	Rating category 2 (A)	Rating category 3 (BBB)	Rating category 4 (BB)	Rating category 5 (B)	Rating category 6 (CCC and below)	Total carrying amount
Cash and balances at central banks	520,631	-	-	-	-	-	520,631
Loans and advances to banks	20,453,421	910,511	337	25	-	35	21,364,329
Loans and advances to customers	1,445,388	24,199	13,350	-	4	6,220	1,489,161
Allowance for impairment losses on loans and advances	-	-	-	-	-	(472)	(472)
Other financial instruments	1,303,352	57,368	248,109	2,102	655	383	1,611,969
Derivatives	3,223,112	524,996	-	-	-	-	3,748,108

The table below analyses the banking book assets by country category; export credits backed by a guarantee under the Export Financing Act are included under 'Austria'.

Banking book assets by country category

€ thousand	31 Dec 2013	31 Dec 2014
Austria	26,162,330	24,445,331
EU (excluding Austria)	2,323,054	3,179,666
Other countries	248,341	130,654

As at 31 December 2014 the highest exposures within the region 'EU (excluding Austria)' were with the United Kingdom (€ 993.2 million), France (€ 561.7 million) and Denmark (€ 420.0 million). The highest exposure under 'Other countries' was with the United States, at € 81.8 million.

The Group's business operations are subject not only to the regulatory requirements but also to the volume limits set by the Executive Board at the transaction type, portfolio and counterparty level.

(51) Operational risk

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

Standards, rules and processes are derived from the risk policy and documented in the operational risk manual. This also includes emergency management manuals and emergency plans, as well as crisis scenarios, all of which are annually reviewed. The maintenance and evaluation of the loss database on an ongoing basis helps to assure a permanent process of optimisation of operational risks.

In view of the high importance of information security, the Group has a dedicated information security officer. Legal risks are mitigated through ongoing monitoring by the business segments, through the activities of the bank's Legal Officer, and through coordination by a Legal Compliance Officer.

The economic capital required is determined by scaling the regulatory capital requirement under the Basic Indicator approach to the respective confidence level.

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

Concentration risks

OeKB Group is subject to various concentrations of risk. The most material instances of this are business segment concentration as a special-purpose bank, and the guarantees by the Republic of Austria under the Export Financing Scheme. These concentrations are inherent in the business and integral to the business model; the scope for diversification in this regard is limited.

Other than this, significant risk concentration within risk types is given only in the Export Financing Scheme (EFS), where it relates primarily to credit risk concentrations with banks and with guarantors, for which economic capital is calculated in the EFS ICAAP. Through a limit system implemented in SAP, compliance with defined customer-specific credit limits and with the large-loan limits set by the Supervisory Board is verified daily.

Concentration risks across risk types – i.e., concentration risks created only by combinations of the different risk types – are accounted for in the ICAAP through the assumption of perfect correlation between risk types (credit risk, market risk, etc.). Additional risk estimation is performed using multivariate stress tests.

Other risks

Strategic risks, reputation risks and business risks are not explicitly assessed. For these risks it is assumed that they are proportional to the explicitly measured risks; in the calculation of risk coverage they are therefore included as percentage-based add-ons to the economic capital determined for the measured risks.

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

Regarding risks from the macroeconomic environment as well, OeKB differs markedly from commercial banks. Thus, significantly, OeKB is not subject to the risk of a run on savings deposits. Other risks, such as swings in interest rates or share prices, are already covered in the ICAAP through other risk types or, like potential reductions in income caused by macroeconomic weakness, are income statement risks that are the subject of multi-year profit projections. Therefore, no additional economic capital is recognised for these risks.

(52) Staff count

During the financial year, the Group had an average of 400 employees (2013: 403), based on full-time equivalents.

(53) Boards' compensation and loans

The following table gives details of the aggregate compensation of the Executive Board and Supervisory Board members and the termination benefits and pension expenses for Executive Board members, key management and other employees (including changes in entitlements and provisions).

Boards' compensation and loans

€ thousand	2013	2014
Aggregate compensation		
Current members of the Executive Board	Not disclosed	Not disclosed
Former members of the Executive Board	138	459
Members of the Supervisory Board	275	275
Pension and termination benefit expenses for		
Executive Board (and former members)	2,741	2,755
Key management	2,001	1,178
Other employees	2,546	3,190

As permitted under section 266(7)b Austrian Commercial Code, the aggregate remuneration of current Executive Board members is not stated. At 31 December 2014 there were no outstanding loans to members of the Executive Board or Supervisory Board. There were also no guarantees by OeKB for these individuals. There are no management share option plans for the Executive Board or for key managers.

Based on the corporate business strategy, and in harmony with the Group's risk policy, the Executive Board of OeKB sets the compensation policy for OeKB. The compensation policy is reviewed annually. The Supervisory Board of OeKB maintains a Compensation Committee, to which the compensation policy is submitted for approval and which supervises the policy's implementation.

In implementing the compensation policy, the principle of proportionality was followed by taking into account the size of OeKB AG (about 400 employees), the complexity of the business model and the need for a relatively conservative compensation structure.

The human resources (HR) strategy seeks to foster sustainability and quality assurance. A key pillar of the HR strategy is to offer appropriate compensation, both for employees and management. Compensation is benchmarked annually against the market. OeKB also takes care to achieve a sound relationship between fixed and variable pay.

The design of the variable compensation policy ensures that the incentive structure is aligned with the long-term interests of OeKB Group. The variable pay represents an appropriate share of total compensation. It is based both on individual performance and on the performance of the company or Group against one-year and multi-year targets.

The quantitative measurement of performance focuses on a mix of corporate performance metrics. One-third of the amount of the total bonus pool to be paid out is dependent on corporate earnings, one-third is tied to sustained growth in enterprise value and one-third is determined by risk parameters. At OeEB and Exportfonds, slightly modified performance indicators are used.

For OeKB Group (including the fully consolidated institutions OeEB and Exportfonds) for all staff, including the Executive Board, the aggregate variable compensation for 2014 amounted to approximately 9% (2013: approximately 9%) of aggregate gross total salaries (including the variable component). For the Executive Board, the individual variable component payable is capped at an upper limit of 40% of the individual's total compensation. From the second tier of management (department heads) on down, the upper limit for the variable component is 20% of individual total compensation. At the balance sheet date, the Group's provision for unearned performance-related compensation was € 5,778 thousand (2013: € 5,438 thousand).

If the variable compensation accrued exceeds 20% of individual total compensation (or exceeds the materiality threshold of € 30 thousand set by the Financial Market Authority), a deferred-payment process is applied to honour the regulatory requirements of sustainability and risk awareness: In this case, 40% (or for particularly large amounts, 60%) of the variable compensation is deferred by paying it out over a period of five years. Until the actual disbursement of deferred compensation, the beneficiary has only a non-vested future interest in the deferred amount. The annual instalment payable from the deferred amount is reassessed every year. The size of the individual tranches follows the relative movement in Tier 1 capital as defined in the written compensation policy.

In the event of an unfavourable financial position and low or negative profitability, the Executive Board and/or Supervisory Board (Compensation Committee and Nomination Committee) reserve the right to reduce the current variable compensation and deferred bonus payments. To the extent consistent with the law, this may include the complete cancellation of the current and deferred variable compensation.

In the table below, the item 'fixed compensation' includes not just current salaries but also miscellaneous compensation in kind as well as contributions to pension and termination benefit funds. The 'variable compensation' represents the amounts paid in the financial year under review, including also deferred bonuses from prior periods that were paid in the year under review.

Analysis of annual compensation of senior management

€ thousand	2013	2014
General managers of the banking group and OeKB department heads and compliance officer		
Fixed compensation	5,475	5,087
Variable compensation	787	828
Total compensation	**6,262**	**5,915**
Variable compensation as a share of total compensation	*12.57%*	*14.00%*
Number of persons included	*25*	*24*

All variable compensation is paid in cash, as OeKB does not have suitable non-cash instruments.

As permitted under the Data Protection Act, the compensation of the Executive Board, the amount of deferred compensation and any reductions of deferred compensation are not disclosed separately.

For senior management and for OeKB Group's employees in general, the fixed salary represents the major share of total compensation. This leaves scope for a high degree of flexibility regarding the policy for variable compensation, including the possibility of not paying a variable component at all.

In keeping with sound and effective risk management, the low ratio of variable to total compensation helps to ensure that no staff member has a bonus-related incentive to take risks that exceed the intended corporate risk appetite or risk tolerance.

At OeKB Group, guaranteed variable pay is not considered compatible with the principle of performance-based compensation and is therefore not used.

(54) Other related party transactions

As a specialised institution for export services and capital market services, OeKB engages in many transactions with its shareholders, such as in their role as banks of the export financing customers of OeKB and as issuers of securities. All these transactions are conducted at arm's length.

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

There were no transactions with Executive Board or Supervisory Board members.

Related party transactions

€ thousand	31 Dec 2013	31 Dec 2014
Related party transactions with shareholders of OeKB Group that have significant influence		
Loans and advances to banks	16,043,896	14,253,189
Other financial instruments	72,816	22,004
Deposits from banks	40,720	36,330
Related party transactions with unconsolidated subsidiaries		
Deposits from banks	6,694	6,176
Related party transactions with equity-accounted investees		
Deposits from customers	30,029	22,211
Related party transactions with other investees		
Deposits from customers	10,406	6,641

(55) Board members and officials

Members of the Executive Board

Rudolf Scholten
Angelika Sommer-Hemetsberger

Members of the Supervisory Board

Erich Hampel, Chairman
Walter Rothensteiner, 1st Vice-Chairman
Franz Hochstrasser, 2nd Vice-Chairman
Helmut Bernkopf
Peter Bosek
Gregor Deix (until 21 May 2014)
Michael Glaser
Matthias Heinrich (since 21 May 2014)
Dieter Hengl
Herbert Messinger
Heimo Penker (until 21 May 2014)
Christoph Raninger (since 21 May 2014)
Karl Sevelda
Herta Stockbauer (since 21 May 2014)
Herbert Tempsch
Susanne Wendler (until 21 May 2014)
Robert Zadrazil
Franz Zwickl

Staff representatives:

Martin Krull
Erna Scheriau
Alexandra Griebl
Anish Gupta (until 13 March 2014)
Elisabeth Halys
Christian Leicher
Claudia Richter (until 13 March 2014)
Ulrike Ritthaler (since 14 March 2014)
Christoph Seper (since 14 March 2014)
Markus Tichy

Government commissioners
under section 76 Austrian Banking Act

Harald Waiglein, Commissioner
Johann Kinast, Deputy Commissioner

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

Government commissioners
under section 27 of the Articles of Association (supervision of bond cover pool)

Beate Schaffer, Commissioner
Edith Wanger, Deputy Commissioner

(56) Date of approval for publication

The date of submission of these financial statements to the Supervisory Board for approval is 18 March 2015. Expanded disclosures in accordance with Part 8 of Regulation (EU) No 575/2013 are provided on the OeKB website (*www.oekb.at*).

Vienna, 25 February 2015

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

RUDOLF SCHOLTEN ANGELIKA SOMMER-HEMETSBERGER

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

Oesterreichische Kontrollbank AG,

Vienna,

for the year from 1 January 2014 to 31 December 2014. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2014 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to §§ 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2014 and of its financial performance and its cash flows for the year from 1 January to 31 December 2014 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements.

In our opinion, the management report for the Group is consistent with the consolidated financial statements.

Vienna, 25 February 2015

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by

DDR. MARTIN WAGNER

Austrian Chartered Accountant

ppa. MAG. RENATE VALA

Austrian Chartered Accountant

Statement by the Board of Executive Directors

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, 25 February 2015

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Board of Executive Directors

DR. RUDOLF SCHOLTEN

MAG. ANGELIKA SOMMER-HEMETSBERGER

OeKB AG company financial report 2014

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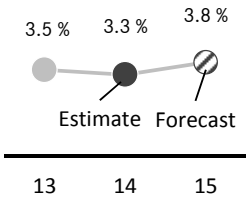
Management report 2014

Economic environment in 2014

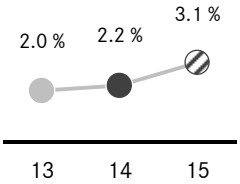
World
Real GDP Growth in %



Against all expectations, the world economy did not gain strength in 2014. As in the year before, the International Monetary Fund (IMF) currently expects the global economy to have grown by 3.3%. This relatively subdued pace of economic expansion is also reflected in global trade activity: In the course of the year, the World Trade Organization (WTO) lowered its forecast for growth in world trade from 4.7% to 3.1%. The main reason lay in lower export and import trajectories in Europe and South America. On the other hand, a net positive impetus for global trade came from the USA and Asia's emerging markets. The market for trade finance underwent a pronounced contraction in 2014: The data vendor Dealogic reports that, in the first half of the year alone, the worldwide volume of trade financings fell by almost 30% from the year-earlier period.

Positive economic trend in the USA

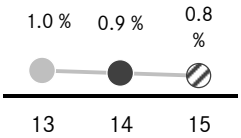
United States



Unlike other leading industrial nations, the world's largest economy consolidated its recovery in 2014. The IMF is currently projecting growth of 2.2% in US gross domestic product (GDP) for the year under review. One of the stabilising factors was the decision of the House of Representatives to suspend the legislated debt ceiling until the middle of March 2015. As well, encouraging data about the American labour market strengthened consumer confidence, which in turn boosted domestic consumption. The Federal Reserve announced that, in view of the generally benign outlook, it would end its economy-bracing programme of asset purchases in October 2014. The Fed also hinted that 2015 would see the first increase in its benchmark interest rate in years.

Renewed recession in Japan

Japan



To the surprise of many economists, in 2014 the Japanese economy slid back into recession. Unlike the USA, Japan suffered from disappointing household spending, which contributes about 60% of the country's economic output. 'Abenomics', the economic policies of Prime Minister Abe, came under increasing criticism, as the extremely loose monetary policy lifted the capital market but not the real economy. In reaction to the unexpectedly poor economic trend, a further increase in the consumption tax originally planned for 2015 was postponed and an early election was called. Accordingly, Japan, with a public debt more than twice its annual GDP, is facing somewhat uncertain times.

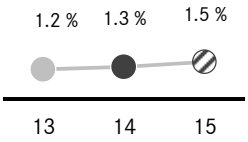
Growth slows in emerging and developing economies

In emerging markets and developing countries, economic growth in 2014 eased to 4.4%. The impetus from these regions, on which hopes had long been pinned as a driver of global economic recovery, thus continued to fade. This was particularly apparent in the BRIC countries – Brazil, Russia, India and China – of which only India achieved GDP growth in 2014. Brazil's economic output was hurt by a significant slump in commodity prices, while Russian GDP was badly set back by the repercussions of the Ukraine conflict. For both countries, the latest economic forecasts are effectively for stagnation in 2014. In China, although the national economy continued to expand relatively strongly at a rate of 7.4%, the pace of growth still marks a slowdown compared with the longer-term pattern. The current growth rate is the lowest since the beginning of the China boom in the 1990s.

Restrained economic growth in Europe

In Europe the economic optimism that had prevailed as recently as in early 2014 was dampened sharply in the second half of the year. With aggregate economic growth of 1.3%, the EU-28 as a group lagged behind expectations. Sentiment suffered primarily under the escalation of the Russia-Ukraine conflict and the associated sanctions. Other factors weighing on the European economy were relatively poor industrial production and the threat of deflation in parts of the region. However, there also were some quite positive developments: The economic output of the United Kingdom, for example, grew by more than 3%, and even the perennially crisis-ridden countries of the European periphery showed obvious signs of recovery. Notably, Greek GDP expanded in 2014 for the first time after a deep, six-year recession. Spain and Portugal, in light of healthier economic signals, were able to formally end their reliance on the EU bailout programme.

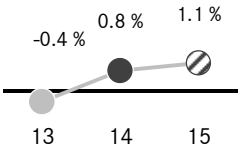
EU-28



Sluggish recovery in the euro area

In the eurozone the recovery continued to progress more slowly than in the EU as a whole. Economic output only rose by 0.8% from the prior year, owing partly to the lacklustre growth in the major economies of the currency union. Thus, Italy and France were confronted with persistent structural problems, and in the latter half of the year the important German economy stumbled as well. Against this backdrop the European Central Bank (ECB) decided in September 2014 both to ease its headline interest rate to a record low of 0.05% and to launch a sweeping programme of purchases of covered bonds and asset-backed securities. These measures are intended to help kick-start economic activity in the euro area. Specifically, they are to foster the flow of credit to the real economy and counteract a possible deflationary spiral.

Euro area

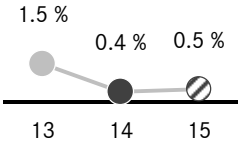


Heterogeneous picture in Central and Southeastern Europe

Macroeconomic conditions in the Central and Southeastern European region were mixed last year. Casting a shadow over the economic trend were the hostilities between Ukraine and Russia, a crisis which threw the smaller country into a severe recession. As for Russia, the Vienna Institute for International Economic Studies (WIIW) estimates that the conflict and the related sanctions are costing the Russian economy about 1% of GDP. Comparatively favourable economic growth in 2014 was recorded in Poland (3.3%), the Czech Republic (2.5%) and Slovakia (2.4%). On balance, however, foreign direct investors in Central and Eastern Europe are slightly less optimistic about the future, as demonstrated by recent values of the OeKB CEE Business Climate Index. In the fourth quarter of 2014 this indicator of business expectations fell precipitously, pointing to a declining business performance of companies in the region. Nonetheless, most foreign direct investors plan to maintain their presence there.

Deteriorating economic outlook for Austria

Austria



Amid the sluggish European environment, the economic outlook for Austria turned progressively gloomier in the course of 2014. Especially the unexpectedly weak autumn prompted a downward revision in the forecast for Austrian economic growth to 0.4%. Both consumer confidence and companies' willingness to invest were shaken by the lack of an upswing, with buying decisions increasingly put on hold or delayed. Although the export industry was a mostly positive driver in 2014, real growth in Austrian merchandise exports, at 1.2%, was less than expected. Economists are not very optimistic in their forecasts for 2015, projecting that GDP growth will increase to a rate of only 0.5%.

Volatility in international capital markets eased somewhat

Government bonds

In comparison to the previous years, international capital markets were less volatile overall in 2014. Particularly government bonds of countries with strong credit ratings benefited from the uncertainty generated by the poorer global economic environment and the geopolitical tensions. Thus, the yield for AAA-rated eurozone bonds fell below the 100 basis point mark (year-end level: 0.65%). Besides the stability of these countries, a contributing factor was the ECB's monetary policy designed to deliver economic stimulus. For comparison, in the USA, where a turning point in the accommodative monetary policy was already emerging towards the end of 2014, the yield on 10-year treasuries at the end of the year was 2.17%.

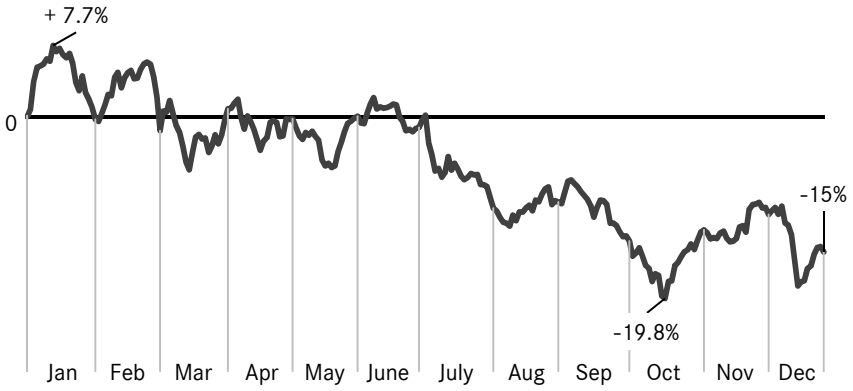
Equity markets

World equity markets were rocked (though usually only briefly) by crises such as the Russia-Ukraine conflict, the Ebola epidemic and IS extremism, as was especially evident in the share price plunges in October 2014. Yet, this was typically soon followed by rallies, particularly in the US stock market. Thus, the key S&P 500 index gained 11.4% last year. Not quite as strong, but still positive, was the performance of the Euro Stoxx 50 (up 1.2%) and the Nikkei (up 7.1%). Greater calm also returned to emerging financial markets in 2014, contrasting with the 2013 trend towards withdrawal by international investors. Although the slower economic growth continues to detract from investor sentiment, portfolio flows into emerging markets strengthened again on balance.

Difficult market setting for Vienna Stock Exchange

The Vienna stock market reflected an adverse environment in the year under review, with the ATX declining by 15% to close the year at 2,160.08. The market capitalisation too eased slightly in 2014. Even if aircraft component supplier FACC became the first company to go public in Vienna since 2011, the volume of equity corporate actions remained below average by international standards. Added to this was the failure of negotiations to merge the Vienna Stock Exchange with the bourse in Warsaw, an important financial hub for Eastern Europe.

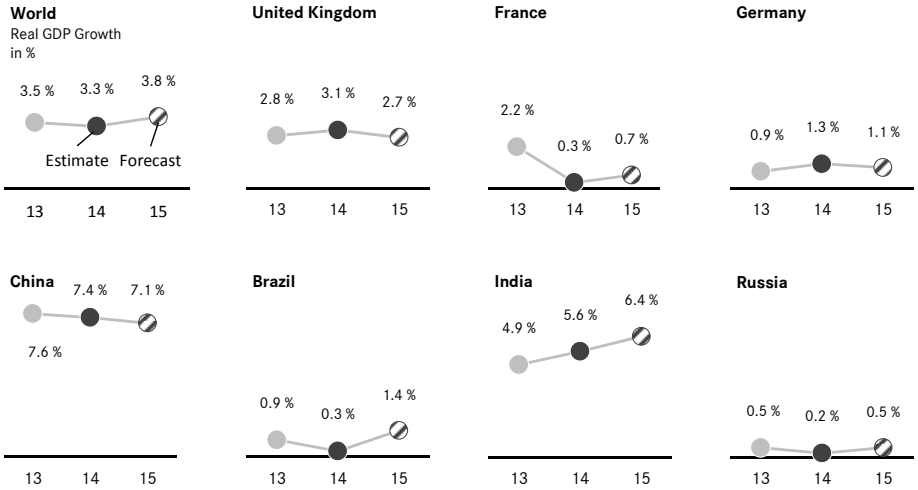
ATX performance 2014



Positive trends for corporate and government bonds

The Austrian market for corporate bonds had another strong year: In 2014 a total of 39 corporate bonds worth € 7.2 billion were placed. The positive trend which has been building for this form of financing in the past several years thus continued.

Real GDP growth 2014/2015 in % in selected countries



Financial results in 2014

In 2014 the amount of funding provided under the Export Financing Scheme continued to decrease. The reason was the generally weak demand for large loans.

Income statement of OeKB AG

On balance, the low-interest-rate environment in 2014 created some challenges that were reflected in the results for the year. Thus, it resulted in a high volume of early loan repayments, which meant lower net interest income. It also led to a significant provisioning expense for employee benefits as a consequence of a substantially reduced discount rate.

Net interest income

Loan disbursements of € 2,771,430 thousand were exceeded by repayments of € 5,216,029 thousand received. Despite positive one-off effects from early loan repayments, the decrease in net export loans outstanding made itself felt in net interest income, which in 2014 amounted to € 63,204,252.40 (2013: € 69,911 thousand).

Income from securities and investees

Income from securities and investees, at € 10,085,680.03, was € 1,428 thousand less than the year-earlier result of € 11,524 thousand. This was attributable mainly to a decrease in dividends from the investments in private credit insurance companies.

Net fee and commission income

Net fee and commission income rose in Capital Market Services. The income from fees for the processing of export guarantees on behalf of the Austrian government declined. OeKB's net fee and commission income in 2014 was € 44,662,720.32 (2013: € 44,312 thousand).

Net income from financial operations, at € 37,994.40, constituted a year-on-year improvement from the 2013 net expense of € 160 thousand.

Other operating income

Other operating income of € 11,541,087.80 (2013: € 12,128 thousand) represented mainly service fees and staff costs (for seconded staff) charged to subsidiaries.

Total operating income

Total operating income was € 129,531,734.95 (2013: € 137,715 thousand).

Within administrative expenses of € 83,318,582.42 (2013: € 73,041 thousand), slight cost reductions were achieved both in current staff costs and in other administrative expenses. At the same time, an increase in additions to pension and termination benefit provisions contributed materially to a rise in total staff costs.

Operating expenses

Operating expenses overall, at € 89,720,083.61, were up from the prior year's € 79,389 thousand as a result of the higher additions to provisions noted above.

Operating profit

Operating profit in 2014 was € 39,811,651.34, a decrease of 31.7% from the year before.

The result on disposal and valuation of loans, advances and securities was a significant net gain of € 26,487,307.48. It was driven by the reversal of impairment losses under section 57 Austrian Banking Act which are no longer eligible as regulatory capital under the Capital Requirements Regulation (CRR).

Profit for the year

With all of the above effects accounted for, profit before tax amounted to € 66,298,958.82 (2013: € 61,366 thousand). After income tax, profit for the year of € 52,234,735.37 was above the prior-year result of € 48,723 thousand.

Profit available for distribution

In view of the more stringent regulatory capital requirements, OeKB transferred € 31,936,475.00 to reserves in 2014 (2013: € 28,426 thousand) to strengthen the capital base. 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. OeKB recorded € 20,305,294.50 of profit available for distribution, which was steady relative to the year-earlier level of € 20,302 thousand.

Balance sheet

At 31 December 2014, liquid assets in the form of balances at central banks amounted to € 271,650,323.26 (2014: € 520,361 thousand). In liabilities, deposits from banks fell from € 495,626 thousand in 2013 to € 432,802,765.55 at the end of 2014.

Loans and advances to banks increased (as a result mainly of repurchase agreements) from € 88,642 thousand one year ago to € 276,524,439.46 at 31 December 2014.

The size of OeKB's investment portfolio increased slightly in 2014. The portfolio's carrying amount at 31 December 2014, determined by conservative measurement at the lower of cost or market value, was € 420,171,677.65 (2013: € 386,248 thousand), while the market value was € 521,789,253.09 (2013: € 465,127 thousand).

The liquid assets portfolio, used to support the Export Financing Scheme and consisting of bonds, grew by € 40,000 thousand in terms of nominal value, to a nominal value of € 995,000,000.00.

The balance sheet amount related to export financing decreased in 2014 by € 2,303,579 thousand or 9.7%, to € 21,521,681,358.15. A major reason for this was the decrease in loans and advances to banks. Accordingly, the volume of debt securities in issue was reduced.

Total assets

Total assets at 31 December 2014 amounted to € 22,689,586,414.52 (2013: € 25,019,090 thousand).

Financial performance indicators

The cost/income ratio rose to 69.3% from the prior year's 57.6%, driven especially by higher operating expenses owing to the significant increase in employee benefit provisions.

Available regulatory capital under the CRR eased in 2014 by € 10,875 thousand to € 527,666,492.13. The decrease in regulatory capital was due solely to a new method of calculation under the CRR. Starting in 2014, movements in reserves are recognised as regulatory capital only after the adoption of the annual financial statements.

The calculation of the Tier 1 capital ratio under the CRR also uses a new method of measuring risk-weighted assets (see 'Regulatory capital under the CRR' in the notes to the company financial statements). The Tier 1 capital ratio (CRR Tier 1 as a percentage of risk-weighted assets) in 2014 was 54.4%, reflecting the higher capital requirement for credit risk (2013 under old method: 63.9%).

Return on equity (profit for the year as a percentage of Tier 1 capital), at 11.3%, was narrowly below the prior-year level of 11.4%.

Research and development

In view of OeKB's business purpose, no research and development is conducted.

Claims for damages

Ancillary to the capital calculations, it should be noted that a test-case lawsuit (served 25 November 2011) alleges that OeKB, as issuer of the MEL certificates, breached the requirements of the Stock Exchange Act on ad-hoc notices, causing the two plaintiff investors damages of about € 48,500. The likelihood of success of this suit has been assessed by the permanent legal counsel of OeKB as virtually nil. The action was dismissed by the Vienna Commercial Court in a decision on 28 January 2014. The Vienna Higher Regional Court as the court of appeal dismissed the plaintiffs' appeal in a decision on 23 December 2014. A further appeal to the Austrian Supreme Court has been filed by the plaintiffs. The assessment of the action's chance of success has not changed.

Events after the balance sheet date

There were no reportable events after the balance sheet date.

Risk management

Risk management – essentially, the identification, monitoring, assessment, reporting, planning and treatment of risks – consists of important processes integrated in the business strategy that are designed to ensure the sustained, long-term stability and profitability of the enterprise. Every risk assumed by OeKB is taken consciously and is consistent with the Executive Board's risk policy and strategy, which aims to assure a sustained stable return on equity through a conservative approach to all risks, including financial risks and risks arising from business operations in general. The risk policy and strategy sets out the risk management principles, the risk appetite and the principles for the measurement and control of the risk categories used.

The bank's special position by virtue of its public mandate from the Austrian government and in its role as a central provider of essential services to the capital market, along with the associated responsibility for supporting the Austrian economy, all shape OeKB's business policies and approach to risk management.

Most of OeKB's total assets by far represent the Export Financing Scheme (EFS), which is managed as a separate accounting entity. In this respect, OeKB is exempt from certain relevant legislation, such as the Capital Requirements Regulation or CRR (Regulation (EU) No 575/2013). Further major exemptions for OeKB apply in connection with the European and national provisions for banking union (such as the Bank Recovery and Resolution Directive, or BRRD). In OeKB's process for assessing risk coverage, the Export Financing Scheme is treated as investee risk for which risk coverage is calculated separately.

The Internal Capital Adequacy Assessment Process (ICAAP) implemented as a measurement and control device forms an integral part of the management process. Risk measurement is based on the concept of economic capital: In the calculation of risk coverage, the economic capital required is compared to the economic capital available. This risk coverage calculation is multi-tiered, using both a 'going concern' approach (designed to ensure sufficient regulatory capital to continue in business even amid severe loss events) and a 'gone concern' approach (focusing on protecting creditors and the ability to repay deposits and other senior debt in the event of liquidation). Consistent with the risk appetite defined, the gone concern scenario uses a confidence level of 99.98%. The going concern calculations are based on a confidence level of 99.9%.

In 2014 the dominant theme was ensuring compliance with the new European and national regulations and reporting requirements. Part of this effort, in keeping with the 'Fit & Proper' set of requirements for appropriate personal and professional qualifications of leadership staff, was a focus on the training of key staff, including managing directors and Executive Board and Supervisory Board members. In 2015 as well, the focus will remain on safeguarding conformity with the evolving supervisory rules, since various details of the regulatory framework are still pending.

Risk management organisation

Against the backdrop of OeKB's major business activities and its specific business and risk structure, the bank has adopted a clear functional organisation of the risk management process; well-defined roles are assigned to the following organisational units:

Executive Board: In accordance with the responsibilities prescribed for it in the Austrian Banking Act, the Executive Board sets the risk policy and strategy. As part of the Group's enterprise-wide risk management, the Executive Board, working with the Risk Management Committee, determines the acceptable aggregate amount of risk (based on the calculated capacity to assume risk), approves risk limits derived from this aggregate and decides on the procedures for risk monitoring.

Risk Management Committee: The function of the Risk Management Committee is derived from the risk policy and consists of strategic risk control and risk monitoring. The Risk Management Committee is the primary recipient of the risk reports, monitors and manages the risk profiles for the individual risk types, and, as needed, decides actions based on the risk reports. The committee consists of the Executive Board, the Chief Risk Officer (CRO) and the Deputy CRO, the Operational Risk Manager (ORM), the Financial Risk Manager (FRM), the Internal Control System Officer, the Legal Compliance Officer, and representatives from the Accounting & Financial Control department and business segments.

Chief Risk Officer: The implementation of the measures decided by the Risk Management Committee is overseen by the Chief Risk Officer, supported by the Financial Risk Manager, the Operational Risk Manager and the Chief Information Security Officer (CISO).

Risk Controlling department: The 'Risk Controlling' department is responsible for the measurement and assessment of financial risks, the operating-level financial risk accounting and the implementation and monitoring of internal controls in respect of financial risk, including the monitoring of internal limits and the actual implementation of the Internal Capital Adequacy Assessment Process.

Operational risk management: The directions on the management of operational risk are implemented in OeKB's business operations by the Organisation, Construction, Environmental Issues and Security department (known as OBUS), with the exception of information security matters, which are the responsibility of the Chief Information Security Officer. The activities falling into the areas of operational risk management, of information security and of the internal control system officer are subject to ongoing coordination.

Asset and Liability Management Committee (ALCO): The principal responsibilities of the ALCO are to manage the balance sheet structure and market risks and to set lending rates under the Export Financing Scheme.

Internal Audit: The organisational units involved in the risk management process and the procedures applied are regularly reviewed by the Internal Audit department.

Supervisory Board: The Supervisory Board has oversight of all risk management arrangements at OeKB and receives quarterly reports on OeKB's risk situation. These risk reports present in detail the financial risk situation and the economic capital for operational risk. In addition, the Supervisory Board maintains a risk committee under section 39d Austrian Banking Act. The Audit Committee of the Supervisory Board also monitors the effectiveness of the system of internal control.

Market risk

Market risks arise from a potential change in risk factors that may lead to a reduction in the market value of the financial items. The types of market risk distinguished are specific and general interest rate risk; foreign exchange risk; and equity price risk. OeKB's market risks relate only to banking book positions, as no trading book is maintained.

Risks are assessed by using the Value-at-Risk concept for estimating maximum potential losses. 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 arises in connection with OeKB's investment portfolio, which at year-end had an asset mix of 51.1% investment funds and 48.9% bonds in the banking book. The Value at Risk is determined monthly. At 31 December 2014 the VaR for general and specific interest rate risk amounted to € 35.0 million for a holding period of one year at a 99% confidence level. In the risk management of the investment portfolio, the in-house portfolio management is supported by an external overlay manager.

Exchange rate risks exist above all in connection with raising long-term 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. For interest rate risks under the Export Financing Scheme (which are measured using Earnings-at-Risk), an interest rate stabilisation provision is maintained. It forms the dedicated capital available to cover the risks determined in the calculation of risk coverage for the Export Financing Scheme.

Derivative financial instruments

Derivative financial instruments are used to assist in controlling market risks. The derivatives involved are largely interest rate swaps and cross currency interest rate swaps, which are traded over the counter (OTC) and are used largely as hedging instruments for debt securities issued. Credit exposures arising from fluctuations in value are secured with collateral. In 2014 the preparations were made for the implementation of the EMIR regulations (Regulation (EU) No 648/2012) on the clearing of derivative contracts through a central counterparty.

Total derivatives positions at 31 December 2014 were as follows (fair values shown represent clean prices):

€	Notional amount at 31 Dec 2014 - by remaining maturity				Fair values	
	Not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	Total 2014	Positive	Negative
Interest rate derivatives						
Interest rate swaps (OTC)	4,157,904,430.44	10,775,361,943.75	1,837,657,378.60	16,770,923,752.79	274,145,897.46	287,222,912.16
Currency derivatives						
Currency swaps (OTC)	7,379,581,408.66	8,022,231,997.53	934,250,383.70	16,336,063,789.89	1,078,118,649.27	724,357,148.92
Foreign exchange transactions	58,996,075.19	0.00	0.00	58,996,075.19	0.00	7,587,849.49
Total	**11,596,481,914.29**	**18,797,593,941.28**	**2,771,907,762.30**	**33,165,983,617.87**	**1,352,264,546.73**	**1,019,167,910.57**

Liquidity risk

OeKB distinguishes three forms of liquidity risk:

- Generalle, the risk of not being able to meet present or future payment obligations fully as they come due;
- Funding liquidity risk – the risk that additional funding can be obtained only on unfavourable market terms; and
- Market liquidity risk – the risk that assets can be liquidated only at a discount.

The goal of OeKB's liquidity strategy is to secure sufficient access to required liquidity even in difficult market situations, on acceptable terms. The liquidity strategy of OeKB is designed to secure required liquidity on the best possible terms even in difficult market situations. OeKB's excellent standing in international financial markets, the guarantee of the Republic of Austria which protects the lenders, coupled with the broad diversification of the Bank's funding instruments (commercial paper, certificats de depot, credit lines, bonds, etc.), all combine to greatly facilitate market access even when markets are under stress.

Liquidity management and liquidity risk management are conducted jointly for OeKB's banking business 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, for the time being, assigned to individual business segments. The economic capital for the funding liquidity risk is entirely allocated to the Export Financing Scheme.

The adequacy of available liquidity is ensured by means of a survival period analysis. At the core of this risk measurement are cash-flow and funding projections – based on combined idiosyncratic and systemic stress scenarios – that are set against the counterbalancing capacity (represented primarily by securities eligible for rediscounting by the ECB). For crisis situations, a liquidity contingency plan is in place. Long-term liquidity is assessed based on the gap analysis of the maturity profile of assets and liabilities.

Credit risk

Credit risk is the risk of unexpected losses as a result of a counterparty's default or deterioration in credit quality. Given its business structure, OeKB distinguishes the following types of credit risk: counterparty risk/default risk, investee risk and concentration risk. The critical measure used for credit risk is Credit Value at Risk (CVaR). It represents the difference between absolute VAR at a given confidence level (99.98% in the gone concern approach) and the expected loss associated with the respective default.

Counterparties are classified into internal credit rating categories on the basis of external ratings from internationally recognised rating agencies and internal credit ratings. A detailed 22-point internal master scale and clearly defined rating and mapping rules are used.

The credit exposure of OeKB consists largely of export credits. In keeping with OeKB's exacting lending standards, the approval of these loans and commitments is subject to high loan security requirements (such as, notably, guarantees of the Republic of Austria). To secure credit risks in connection with derivative transactions, collateral agreements are concluded with all counterparties, and down-grade trigger provisions permit contracts to be assigned to third parties, or to be cancelled, upon a pre-defined deterioration in rating. Credit derivatives are not used.

In the OeKB ICAAP, the Export Financing Scheme is treated as investee risk for which risk coverage is calculated separately, taking into account any concentrations of risk. The extensive security and guarantees provided by the Austrian government involve a high concentration of risk, a fact that is inherent in the business model.

Operational risk

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

Enterprise-wide standards, rules and processes are derived from the risk policy and documented in the operational risk manual. This also includes emergency management manuals and emergency plans, as well as crisis scenarios, all of which are annually reviewed.

The maintenance and evaluation of the loss database on an ongoing basis helps to assure a permanent process of optimisation of operational risks. In view of the high importance of information security, OeKB has a dedicated information security officer. Legal risks are mitigated through ongoing monitoring by the business segments, through the activities of the bank's Legal Officer, and through coordination by a Legal Compliance Officer.

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

System of internal control and risk management

OeKB's system of internal control (the 'internal control system', or ICS) is predicated on the COSO framework, which has five components: the control environment, risk assessment, control activities, information and communication, and monitoring ('COSO' stands for the Committee of Sponsoring Organisations of the Treadway Commission). The ICS is intended to ensure compliance with policies and regulations and to create the necessary conditions for specific control activities in the key processes within accounting and financial reporting. Another purpose is to assure the efficiency of business processes. The key objectives include safeguarding the presentation of a fair and transparent view of the financial position, results of operations and cash flows.

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 (i.e., transactions require approval by at least two individuals). The Internal Audit function independently and regularly verifies the adherence to internal rules, including also the accounting rules. The head of Internal Audit reports directly to the Executive Board and Supervisory Board.

Risk assessment

The goal of risk management at OeKB is to recognise all identifiable risks and, as appropriate, take measures to avert or mitigate risks through optimised processes. 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. Risks 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 functions are regularly evaluated.

Control activities

OeKB has a governance system that sets out structures, processes, functions and responsibilities within the company. 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.

Control activities regarding information technology security represent a cornerstone of the internal control system. Thus, the separation of sensitive responsibilities is supported by restrictiveness in the assignment of IT permissions (need-to-know basis). For accounting and financial reporting, the software SAP is used. The functioning and effectiveness of this accounting system is assured, among other ways, by automated IT controls installed in the system.

Information and communication

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

Monitoring

Financial statements intended for publication undergo a final review by management staff of the Accounting & Financial Control department and by the Executive Board before being forwarded to the Audit Committee of the Supervisory Board. By monitoring compliance with all rules and regulations, OeKB aims to achieve maximum assurance of all business processes and Group-wide conformity with policies and procedures. When risks and shortcomings in controls are identified, mitigative measures are promptly developed and their implementation is monitored. To be able to assure compliance with requirements within OeKB, compliance is monitored in accordance with the annual audit plan of the Internal Audit department.

Non-financial performance indicators

Given OeKB's central significance for Austria's capital market and export industry, OeKB is very aware of the importance of highly qualified and motivated staff. Service quality and expertise, combined with sustained earnings-, cost- and risk-consciousness, are the critical success factors.

In the year under review, important work was done to establish an expert career path as an alternative to the traditional management career model, in order to remain an attractive employer for specialists and technical experts. In the Group's flat management hierarchy of few layers, our experts play a critical role in OeKB's success. This significance of expert staff is to be given greater visibility in the future.

OeKB's long-term success depends on the commitment of its people. Family-friendly measures such as flexible working hours, teleworking and a company day-care centre appeal to every employee who values the compatibility of work and family life. The high share of positions held by women, the large number of part-time employees and low staff turnover testify to the popularity of these features.

In 2014, at a total cost of € 454,034.43 (2013: € 512 thousand), OeKB spent € 1,170.19 per employee for training and development (2013: € 1 thousand). The average time spent in training and development activities eased to 5.1 days per employee (2013: 5.5 days).

OeKB's staff [1]

	2012	2013	2014
Total number of employees as of 31 December	395	393	388
Of whom part-time employees	*91*	*97*	*96*
Total employees in full-time equivalents	368	363	358
Average number of employees	362	363	356
Indicators			
Turnover rate	1.8%	2.3%	1.8%
Sick days per year and employee	8.5	8.6	7.8
Training days per year and employee	5.3	5.5	5.1
Proportion of total positions held by women	56.0%	56.7%	57.0%
Of whom part-time employees	*38.5%*	*40.4%*	*38.9%*
Proportion of management positions held by women	32.1%	32.1%	32.1%

[1] Including employees posted to OeEB, Acredia Versicherung and Exportfonds.

The staff count eased from 363 full-time equivalents in the prior year to 358 at the end of 2014. Profit for the year per full-time equivalent was € 145,907.08.

Proposal for the appropriation of profit

Unallocated profit for the year 2014	20,298,260.37	€
Profit brought forward from the prior year	7,034.13	€
Profit available for distribution 2014	20,305,294.50	€
Proposed use:		
Payment of a dividend of € 22.75 per share on 880,000 no-par value shares	20,020,000.00	€
Payment of performance-based compensation to the Supervisory Board	275,000.00	€
Profit to be carried forward	10,294.50	€

Outlook for 2015

For the macroeconomy, 2015 will be a difficult year and the uncertainties will continue, albeit with regional differences. This poses a very real challenge for the Austrian export industry. As in the past, in these demanding times OeKB will continue to offer exporters support both through export credits and through guarantees for the financing of business acquisitions and company start-ups. In addition, we recently created the Export Services Consulting team. Since January 2015, it is visiting companies throughout Austria to present smart solutions for their international business. In this the team works closely with the financing teams of the commercial banks. Nonetheless, depending on the business trend, credit disbursements can be expected to decrease in 2015 by approximately EUR 500 million. The reason is the expiry profile of the portfolio of export financing contracts, especially as a result of the reduction in financing of direct investments.

For 2015 we expect our investments in securities to generate a reduced return as a result of lasting low interest rates, despite the recent improvement in economic forecasts for the USA. The risk premiums on Austrian treasury instruments continue to be stable and the terms of OeKB's access to the market should thus remain unchanged.

Effective 1 January 2015 the employees of the subsidiary OeKB Business Services GmbH were integrated in OeKB. The company itself continues to operate. It provides IT solutions to the market as before, with support from the IT Services department. By the end of the third quarter of 2015, in order to comply with the EU's Central Securities Depositories Regulation, the CentralSecuritiesDepository.Austria (CSD.Austria) division is to be spun off as a separate company; the preparations for this are underway. Neither of these two changes will have a material impact on the assets, liabilities or income statement of OeKB. Overall, OeKB is well prepared to meet the challenges ahead and is expecting a sustained stable trend in operating income.

The Executive Board would like to express its gratitude and appreciation to all employees for their commitment and contribution to the good business performance achieved. This sincere 'thank you' also goes to the Staff Council, whose members, true to tradition, represented the interests of both the employees and the bank.

Vienna, 17 February 2015

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

RUDOLF SCHOLTEN ANGELIKA SOMMER-HEMETSBERGER

OeKB AG company financial statements 2014

Contents

Balance sheet of OeKB AG		31 Dec 2014	31 Dec 2013
Assets		€	€ thousand
01	**Cash and balances at central banks**	**271,650,323.26**	**520,361**
02	**Treasury bills and similar securities eligible for rediscounting by the ECB**	**80,692,471.30**	**73,936**
03	**Loans and advances to banks**	**276,524,439.46**	**88,642**
	a) Repayable on demand	34,320,300.57	21,442
	b) Other loans and advances	242,204,138.89	67,200
	Of which to subsidiaries	*70,000,000.00*	*67,200*
04	**Loans and advances to customers**	**5,520,917.59**	**5,753**
	Of which to:		
	Subsidiaries	*0.00*	-
	Investees other than subsidiaries	*0.00*	-
05	**Bonds and other fixed income securities**	**157,903,269.33**	**131,064**
	a) Of public sector issuers	-	-
	b) Of other issuers	157,903,269.33	131,064
	Of which:		
	Own bonds	*0.00*	-
	Debt issued by investees	*0.00*	-
06	**Equity shares and other variable income securities**	**175,105,218.49**	**175,121**
07	**Interests in investees other than subsidiaries**	**18,013,832.40**	**18,014**
	Of which in banks	-	-
08	**Interests in subsidiaries**	**34,490,658.35**	**34,491**
	Of which in banks	*10,987,514.80*	*10,988*
09	**Non-current intangible assets**	**1,232,380.80**	**1,103**
10	**Property and equipment**	**24,897,911.18**	**28,794**
	Of which land and buildings occupied for own business use	*20,306,270.90*	*23,476*
11	**Other assets**	**7,682,453.65**	**6,752**
12	**Prepayments and accrued income**	**114,191,180.56**	**109,799**
13	**Assets related to export financing**	**21,521,681,358.15**	**23,825,260**
13.1	Treasury bills and similar securities eligible for rediscount at the central bank	641,880,863.54	642,114
13.2	Loans and advances to banks:		
	Others (with agreed maturity or notice period)	20,052,649,182.53	22,383,050
	Of which to subsidiaries	*1,393,213,672.79*	*1,259,820*
13.3	Loans and advances to customers	390,818,146.35	398,844
13.4	Bonds and other fixed income securities	413,791,787.09	374,405
	Of which own bonds	*21,470,738.27*	*18,903*
13.5	Other assets	366,320.63	204
13.6	Prepayments and accrued income	*22,175,058.01*	26,643
	Of which for issue of own debt securities	*22,175,058.01*	*26,643*
	Total assets	**22,689,586,414.52**	**25,019,090**
	Memo items		
1	Foreign assets	**2,900,634,927**	2,720,385

Balance sheet of OeKB AG		31 Dec 2014	31 Dec 2013
Liabilities and equity		€	€ thousand
01	**Deposits from banks**	**432,802,765.55**	**495,626**
	a) Repayable on demand	151,791,496.59	**223,270**
	b) With agreed maturity or notice period	281,011,268.96	272,356
	Of which from subsidiaries	*54,615,770.22*	*44,976*
02	**Deposits from customers (sub-item: Non-savings deposits)**	**66,805,719.02**	**82,257**
	Of which:		
	aa) Repayable on demand	*66,805,719.02*	*82,257*
	bb) With agreed maturity or notice period	*0.00*	-
	From subsidiaries	*28,387,149.87*	*36,726*
	From investees other than subsidiaries	*6,640,694.78*	*10,406*
03	**Sundry liabilities**	**5,519,064.62**	**4,628**
04	**Accruals and deferred income**	**8,043,466.74**	**7,023**
05	**Provisions**	**173,749,117.69**	**155,251**
	a) Termination benefit provisions	26,173,476.00	23,151
	b) Pension provisions	103,409,164.00	91,073
	c) Tax provisions	3,618,926.60	961
	d) Other provisions	40,547,551.09	40,066
06	**Called-up share capital**	**130,000,000.00**	**130,000**
07	**Allocated capital reserves**	**3,347,629.63**	**3,348**
08	**Retained earnings**	**299,078,977.35**	**266,799**
	a) Statutory reserve	10,601,796.47	10,602
	b) Other reserves	288,477,180.88	256,197
09	**Liability reserve under section 57(5) Austrian Banking Act**	**23,850,000.00**	**23,850**
10	**Profit available for distribution**	**20,305,294.50**	**20,302**
11	**Untaxed reserves**	**4,403,021.27**	**4,746**
	a) Valuation reserve from special depreciation	4,403,021.27	4,746
	b) Other untaxed reserves	0.00	-
12	**Liabilities related to export financing**	**21,521,681,358.15**	**23,825,260**
12.1	Deposits from banks	97,492,382.12	66,819
	a) Repayable on demand	*0.00*	-
	b) With agreed maturity or notice period	*97,492,382.12*	*66,819*
12.2	Deposits from customers	718,510,640.77	568,890
	a) Repayable on demand	*689,904,505.77*	*541,151*
	b) With agreed maturity or notice period	*28,606,135.00*	*27,739*
12.3	Debt securities in issue	19,433,824,196.04	22,028,199
	a) Bonds issued	*14,362,719,670.10*	*16,016,081*
	b) Other debt securities in issue	*5,071,104,525.94*	*6,012,118*
12.4	Sundry liabilities	27,223,077.02	24,263
12.5	Accruals and deferred income	94,645,762.45	97,648
12.6	Provisions (sub-item: Other provisions)	1,149,985,299.75	1,039,441
	Total liabilities and equity	**22,689,586,414.52**	**25,019,090**
	Memo items		
1	Off-balance sheet credit risks	2,520,000,164.86	2,610,224
2	Available regulatory capital under Part 2 of Regulation (EU) No 575/2013 (prior year: section 23(14) Austrian Banking Act)	527,666,492.13	538,541
3	Minimum regulatory capital requirement under article 92 of Regulation (EU) No 575/2013 (prior year: section 22(1) Austrian Banking Act)	62,643,843.64	52,498
4	Foreign liabilities	21,083,099,839.00	23,522,831

Income statement of OeKB AG				2014	2013
				€	€ thousand
01.		Interest and similar income		433,662,083.86	514,299
		Of which from fixed-income securities		*8,193,357.12*	*8,251*
02.	-	Interest and similar expense		370,457,831.46	444,388
I.		**Net interest income**		**63,204,252.40**	**69,911**
03.	+	Income from securities and investees		10,085,680.03	11,524
		a) Income from equity shares, other ownership interests and variable income securities	2,503,011.70		*2,503*
		b) Share of results of investees other than subsidiaries	1,253,594.03		*1,243*
		c) Dividends from subsidiaries	6,329,074.30		*7,778*
04.	+	Fee and commission income		50,840,349.01	51,702
05.	-	Fee and commission expense		6,177,628.69	7,390
06.	+/-	Income/(expense) from financial operations		37,994.40	- 160
07.	+	Other operating income		11,541,087.80	12,128
II.		**Operating income**		**129,531,734.95**	**137,715**
08.	-	Administrative expenses		83,318,582.42	73,041
		a) Staff costs		62,548,267.69	51,551
		Of which:			-
		aa) Salaries	*33,325,865.74*		*33,872*
		bb) Statutory social security costs, pay-based levies, and pay-based other compulsory contributions	*7,450,041.48*		*7,383*
		cc) Other social expenses	*1,475,170.50*		*1,345*
		dd) Expenses for retirement and other post-employment benefits	*4,219,668.58*		*4,193*
		ee) Additions to pension provision	*12,336,296.00*		*3,711*
		ff) Expenses for termination benefits and contributions to termination benefit funds	*3,741,225.39*		*1,047*
		b) Other administrative expenses		20,770,314.73	21,490
09.	-	Impairment losses on asset items 9 and 10		4,786,574.76	5,021
10.	-	Other operating expenses		1,614,926.43	1,327
III.		**Operating expenses**		**-89,720,083.61**	**- 79,389**
IV.		**Operating profit**		**39,811,651.34**	**58,326**
11.	+/-	Net gain on disposal and valuation of loans and advances and securities		26,487,307.48	2,994
12.	+/-	Net gain on disposal and valuation of securities measured as non-current financial assets and of interests in subsidiaries and other investees		0.00	46
V.		**Profit before tax**		**66,298,958.82**	**61,366**
13.	-	Income tax		14,064,223.45	12,643
14.	-	Other taxes (unless shown under item 13)		0.00	-
VI.		**Profit for the year**		**52,234,735.37**	**48,723**
15.	-	Transfer to reserves		31,936,475.00	28,426
		Of which transfer to liability reserve		*0.00*	-
VII.		**Unallocated profit for the year**		**20,298,260.37**	**20,297**
16.	+	Profit brought forward from the prior year		7,034.13	5
VIII.		**Profit available for distribution**		**20,305,294.50**	**20,302**

Notes to the company financial statements

General information

The separate financial statements of Oesterreichische Kontrollbank Aktiengesellschaft ('OeKB' or 'the Bank') were prepared in accordance with the provisions of the Austrian Commercial Code (UGB, or 'Commercial Code') and the bank-specific portions of the Austrian Banking Act (BWG, or 'Banking Act').

OeKB elected to make use of the capitalisation option under section 198(7) Commercial Code.

Section 3(1)7 Austrian Banking Act provides that Regulation (EU) No 575/2013 and section 39(3) and (4) Austrian Banking Act do not apply to business of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. As well, under section 3(2)1 Austrian Banking Act, the following legal provisions are not applicable: Part 6 of Regulation (EU) No 575/2013 and the Austrian Banking Act's sections 25 and 27a, section 39(2b)7 in conjunction with 39(4), section 39(3), and section 74(6)3.a in conjunction with 74(1).

The disclosures required under articles 431-455 Regulation (EU) No 575/2013 are provided in the consolidated financial statements of OeKB Group.

Format of the balance sheet and income statement

For greater clarity, the format of the balance sheet provides more detail than the format set out in annex 2 to section 43 Banking Act, in that items related to the OeKB-operated Export Financing Scheme are shown separately. The use of this expanded format is permitted by section 43(2) Banking Act.

Measurement principles

Assets and liabilities are measured in accordance with the provisions of sections 201 to 211 Commercial Code, subject to the departures arising from sections 55 to 58 Banking Act.

Measurement of key balance sheet items:

- Securities are measured at cost (using the weighted average cost formula), applying conservative valuation at the lower of cost or market value (section 207 Commercial Code, subject to section 57 Banking Act).
  In respect of 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 hedging periods and amounts of the hedged items and corresponding derivatives are identical, which means that hedge effectiveness is given. The respective hedged items and hedging instruments thus qualify for hedge accounting. Any valuation effects from changes in credit spreads are accounted for by conservative measurement at the lower of cost or market.
- Interests in investee companies are measured at cost less any impairment.
- Property and equipment and intangible assets (buildings, fixtures, fittings and equipment, leasehold improvements, software and other non-current assets) are measured at cost less depreciation and amortisation. The valuation reserve from accelerated tax depreciation effected in prior years is presented as a separate item under reserves, in accordance with the standard format set out in the Austrian Banking Act.
- Foreign currency items are ordinarily measured at middle rates of exchange in effect at the balance sheet date. Where the Republic of Austria has furnished an exchange rate guarantee under the Export Financing Guarantees Act (AFFG, as amended), measurement is made at the guaranteed exchange rate.
- 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 International Accounting Standard 19. The following assumptions and tables are used:
  - a discount rate of 2.40% (2013: 3.25%),
  - an age of retirement of 64 years 3 months for men (2013: 64 years) and 59 years 3 months for women (2013: 59 years), and
  - the computation tables by Pagler & Pagler.
- Deferred taxes are recognised in accordance with section 198(9) and (10) Commercial Code.
- The provision for interest rate stabilisation relates to the future support of interest rates on export credits for which OeKB carries the interest rate risk, and also to the interest rate risk from the funding of the Export Financing Scheme. Any surplus of (i) interest income (after deduction of OeKB's required interest margin) on financing facilities not subject to interest support over (ii) the respective funding costs is added to the interest rate stabilisation provision; in the event of a deficit, this provision is used to cover the shortfall, which is the purpose of the provision.
- In the case of swap contracts the interest payable both on the hedged transaction and on the swap is recognised in the time periods in which it accrues. The swap contracts relate almost exclusively to funding operations for export financing. To the extent of any timing differences between the interest payment obligations of OeKB and of the swap counterparty, the amounts payable are recognised within other loans and advances to banks. Where covered by an exchange rate guarantee under the Export Financing Guarantees Act, foreign currencies are translated at the guaranteed rates of exchange.

Notes to the balance sheet

Financial position

Total assets decreased by about € 2,329,504 thousand (-9.3%) compared with the prior year, to a new balance of € 22,689,586,414.52. The decline was attributable largely to a reduction in lending under the Export Financing Scheme.

Financial position - divided into two sections

	31 Dec 2012	31 Dec 2013	+/- Change		31 Dec 2014
Assets	€ thousand	€ thousand	€ thousand	in %	€
Cash and balances at central banks	124,162	520,361	-248,711	-47.8%	271,650,323.26
Treasury bills and similar securities	61,887	73,936	6,756	9.1%	80,692,471.30
Loans and advances to:					
Banks	441,392	88,642	187,882	212.0%	276,524,439.46
Customers	5,666	5,753	-232	-4.0%	5,520,917.59
Securities	316,958	306,185	26,823	8.8%	333,008,487.82
Interests in subsidiaries and other investees	46,686	52,505	-1	0.0%	52,504,490.75
Property and equipment and intangibles	33,214	29,897	-3,767	-12.6%	26,130,291.98
Other assets	108,880	116,551	5,323	4.6%	121,873,634.21
I. Own account	**1,138,845**	**1,193,830**	**-25,925**	**-2.2%**	**1,167,905,056.37**
Treasury bills and similar securities	**470,973**	**642,114**	-233	0.0%	641,880,863.54
Loans and advances to:					
Banks	24,976,905	22,383,050	-2,330,401	-10.4%	20,052,649,182.53
Customers	466,377	398,844	-8,026	-2.0%	390,818,146.35
Bonds and other fixed income securities	485,520	374,405	39,387	10.5%	413,791,787.09
Other assets	46	204	162	79.6%	366,320.63
Prepayments and accrued income	27,822	26,643	-4,468	-16.8%	22,175,058.01
II. Export financing account	**26,427,643**	**23,825,260**	**-2,303,579**	**-9.7%**	**21,521,681,358.15**
Total assets	**27,566,488**	**25,019,090**	**-2,329,504**	**-9.3%**	**22,689,586,414.52**
Liabilities and equity					
Deposits from:					
Banks	441,405	495,626	-62,823	-12.7%	432,802,765.55
Customers	96,472	82,257	-15,451	-18.8%	66,805,719.02
Employee benefit provisions	111,212	114,224	15,359	13.4%	129,582,640.00
Other liabilities	59,156	52,678	5,051	9.6%	57,729,009.05
Equity	400,317	428,743	31,937	7.4%	460,679,628.25
Profit available for distribution	30,283	20,302	3	0.0%	20,305,294.50
I. Own account	**1,138,845**	**1,193,830**	**-25,925**	**-2.2%**	**1,167,905,056.37**
Deposits from:					
Banks	1,281,403	66,819	30,673	45.9%	97,492,382.12
Customers	545,138	568,890	149,621	26.3%	718,510,640.77
Debt securities in issue	23,506,908	22,028,199	-2,594,375	-11.8%	19,433,824,196.04
Sundry liabilities	34,169	24,263	2,960	12.2%	27,223,077.02
Accruals and deferred items	86,391	97,648	-3,002	-3.1%	94,645,762.45
Provisions	973,634	1,039,441	110,544	10.6%	1,149,985,299.75
II. Export financing account	**26,427,643**	**23,825,260**	**-2,303,579**	**-9.7%**	**21,521,681,358.15**
Total liabilities and equity	**27,566,488**	**25,019,090**	**-2,329,504**	**-9.3%**	**22,689,586,414.52**

Own-account section of the balance sheet

The reduction of € 25,925 thousand in overall assets in the own-account portion of the balance sheet reflected mainly a lower credit balance with Oesterreichische Nationalbank (the Austrian central bank), while loans and advances to banks and securities holdings increased. On the liabilities side, deposits from banks were reduced, employee benefit provisions were increased and equity was built up.

The item 'land and buildings' includes land valued at € 4,398,853.90.

For the purposes of section 64(1)10 and 11 Banking Act, the analysis of securities holdings is as follows:

€	Admitted to trading on exchange and listed	*Of which securities held as non-current assets*
Treasury bills and similar securities eligible for rediscounting by the ECB	80,692,471.30	*0.00*
Bonds and other fixed income securities	157,903,269.33	*0.00*
Equity shares and other variable income securities	1,994,829.76	*0.00*

Of the securities held, securities in the amount of € 28,141,273.24 are maturing in 2015.

As a disclosure under section 56(4) Banking Act, the difference between the market value and carrying amount of securities held as current assets was € 10,112,463.35.

For the entire investment portfolio, the difference between market value and carrying amount was a total of € 101,617,575.44.

Interests in subsidiaries and other investees by their nature represent non-current assets. The Executive Board has adopted rules for the other securities categories to the effect that the classification of securities to non-current assets is made on the basis of, among other factors, maturity and the relationship between cost and face amount. As at 31 December 2014, like one year earlier, all securities holdings were classified as current assets. OeKB does not hold a trading portfolio and therefore has no trading book. The asset items contained no subordinated assets.

The item 'other assets' in the condensed balance sheet consists mainly of prepayments and accrued income and other receivables, including accounts receivable from subsidiaries. The increase of 4.6% compared to the prior year was attributable to a rise in deferred tax assets. The increase in the item 'other liabilities' (which consists primarily of sundry liabilities, accruals and deferred items, and provisions) stemmed from higher tax provisions.

Prepayments and accrued income included deferred tax assets under section 198(10) Commercial Code in the amount of € 112,024,199.72 (2013: € 107,654 thousand).

Companies wholly or partly owned by OeKB AG

Company name and registered office	Banking Act Category[1]	Type of investment		Shareholding	Financial information		
	Credit Institution/ Other Company	Directly held	Indirectly held	in %	Reporting date of latest annual accounts	Equity as defined in sec. 224(3) UGB[2], in € thousand	Profit for the year, € thousand
Subsidiaries							
Oesterreichische Entwicklungsbank AG, Vienna	CI	x		100.00%	31 Dec 2014	13,281	4,283
"Österreichischer Exportfonds" GmbH, Vienna	CI	x		70.00%	31 Dec 2014	11,734	1,324
OeKB EH Beteiligungs- und Management AG, Vienna	OC	x		51.00%	31 Dec 2014	93,079	9,708
Acredia Versicherung AG, Vienna	OC		x	51.00%	31 Dec 2014	89,748	11,250
PRISMA Risikoservice GmbH, Vienna	OC		x	51.00%	31 Dec 2014	12,738	2,873
PRISMA Risk Services D.O.O., Belgrade	OC		x	51.00%	31 Dec 2014	483	9
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	x		50.00%	31 Dec 2014	11,420	-157
OeKB Business Services GmbH, Vienna	OC	x		100.00%	31 Dec 2014	1,741	-330
OeKB Zentraleuropa Holding GmbH, Vienna	OC	x		100.00%	31 Dec 2014	4,540	6
Other investees							
AGCS Gas Clearing and Settlement AG, Vienna	OC	x		20.00%	31 Dec 2013	2,778	-212
APCS Power Clearing and Settlement AG, Vienna	OC	x		17.00%	31 Dec 2013	2,814	458
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	x		18.50%	31 Dec 2013	3,293	2,493
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	x		0.10%	31 Dec 2013	77	0
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	x		8.06%	31 Dec 2013	2,857	439
"Garage Am Hof" Gesellschaft m.b.H., Vienna	OC	x		2.00%	31 Dec 2013	4,296	1,109
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	x		12.60%	31 Dec 2013	5,514	468
CEESEG Aktiengesellschaft (former Wiener Börse AG), Vienna	OC	x		6.60%	31 Dec 2013	333,324	18,835
Budapest Stock Exchange Ltd., Budapest	OC	x		18.35%	31 Dec 2013	18,405	1,902

[1] 'Other Company' (OC) refers to companies that are neither Credit Institutions nor Financial Institutions by the definitions of the Austrian Banking Act.

[2] 'UGB' refers to the Austrian Commercial Code.

Export finance section of the balance sheet

In the year under review, € 2,771,429,807.54 was used for the disbursement of export loans. € 5,216,028,958.50 was received in loan repayments. At the end of the year, export finance loans and advances outstanding had thus decreased by € 2,444,599,150.96. The export financing loan book comprised a total of about 2,800 credits at the year end.

The securities holdings totalling € 1,062,532,420.19 are all classified as current assets. All are admitted to trading on a stock exchange and are listed. The aggregate carrying amount of these securities exceeded their market value by € 742,809.81. Of the securities held, securities in the amount of € 144,280,500.00 are maturing in 2015.

New borrowings in 2014 amounted to € 29,163,404,787.52, and OeKB repaid € 31,608,003,938.48 on debts (both new borrowings and the serviced existing debt instruments were denominated in euros and foreign currencies). At 31 December 2014, OeKB had access to € 3,475,240,872.21 of overnight funds under the ECB's marginal lending facility.

In the reporting period, as in the prior year, most of the debt securities were issued abroad. In 2014 the amount of export finance lending thus rose by 13% from the 2013 level.

Within the balance sheet item of debt securities in issue, the following principal amounts come due in 2015:

a) Bonds issued: € 3,431,693,595.65

b) Other debt securities in issue: € 4,481,577,190.98

Total: € 7,913,270,786.63

In 2014 the total assets associated with export financing decreased by about € 2,303,579 thousand, or 9.7%, from one year earlier.

Fiduciary assets and liabilities

The transactions overseen by OeKB as trustee represent neither financial nor legal exposure for the Bank. They are recognised in the balance sheet within the following items:

Export financing

	31 Dec 2013	31 Dec 2014
	€ thousand	€
Fiduciary assets		
Loans and advances to banks	11,835	10,406,807.77
Fiduciary liabilities		
Deposits from customers with agreed maturity or notice period	11,835	10,406,807.77

These fiduciary transactions are soft loan financings (preferential loans with an interest rate below market level) for selected countries and projects, as well as start-up loans. Soft loan financings are used in accordance with the Federal Ministry of Finance's Austrian soft loan policy for supporting the competitiveness of Austria's export industry in the international market. The loans are funded through a co-financing agreement with the World Bank and with monies from the ERP Fund and Wirtschaftskammer Österreich, the Austrian Chamber of Commerce.

Provisions

Other provisions

	31 Dec 2013	31 Dec 2014
	€ thousand	€
Legal consulting, tax consulting, and audit of annual financial statements	516	595,500.00
Performance-related compensation	4,948	4,745,788.00
Software projects	405	462,400.00
Vacation pay and overtime credits	4,656	4,912,848.64
General business risks and IT projects	28,485	28,485,000.00
Sundry provisions	1,056	1,443,314.45
Other provisions	**40,066**	**40,644,851.09**

Provisions recognised in connection with export financing

	31 Dec 2013	31 Dec 2014
	€ thousand	€
Interest rate stabilisation provision	1,039,441	1,149,985,299.75

The provision recognised in connection with export financing consisted entirely of an interest rate stabilisation provision to stabilise interest rates on export lending facilities.

Non-current assets in 2014

€	Costs at 1 Jan 2014	Additions in 2014	Disposals in 2014	Accumulated depreciation and amortisation	Net book value at 31 Dec 2014	Net book value at 31 Dec 2013	Depreciation and amortisation 2014
Non-current intangible assets	4,283,023.64	363,828.63	481,604.69	2,932,866.78	1,232,380.80	1,103,006.00	240,018.95
Property and equipment	104,586,285.43	679,375.93	3,005,263.55	77,362,486.63	24,897,911.18	28,793,700.43	4,546,555.81
Subtotal	**108,869,309.07**	**1,043,204.56**	**3,486,868.24**	**80,295,353.41**	**26,130,291.98**	**29,896,706.43**	**4,786,574.76**
Interests in investees other than subsidiaries	26,324,154.95	0.00	0.00	8,310,322.55	18,013,832.40	18,013,832.40	0.00
Interests in subsidiaries	34,490,658.35	0.00	0.00	0.00	34,490,658.35	34,490,658.35	0.00
Total	**169,684,122.37**	**1,043,204.56**	**3,486,868.24**	**88,605,675.96**	**78,634,782.73**	**82,401,197.18**	**4,786,574.76**

Valuation reserves from special depreciation

€	At 1 Jan 2014	Additions in 2014	Releases in 2014	At 31 Dec 2014
Land and buildings	1,573,596.00	0.00	299,982.00	1,273,614.00
Fixtures, fittings and equipment	160,163.00	0.00	43,502.00	116,661.00
Securities	3,012,746.27	0.00	0.00	3,012,746.27
Total	**4,746,505.27**	**0.00**	**343,484.00**	**4,403,021.27**

The valuation reserves under section 12 Austrian Income Tax Act (EStG, 'Income Tax Act') resulting from special depreciation under sections 8 and 122 Income Tax Act 1972 were drawn down through use for their intended purpose.

Regulatory capital under the CRR

Pursuant to section 3(1)7 Banking Act, transactions in connection with the Export Financing Scheme are exempted from the administrative regulations of the Regulation (EU) No 575/2013 and section 39(3) and (4) Banking Act. In the year under review, no transfer to the liability reserve was required. € 32,280,000.00 was transferred to the uncommitted reserve.

Oesterreichische Kontrollbank AG has a share capital of € 130 million, divided into 880,000 shares of no par value. These registered ordinary shares with restricted transferability are represented by provisional share certificates made out in the name of each individual shareholder. The ownership of OeKB as at 31 December 2014 is presented in the Group's Integrated Report.

Regulatory capital

	2013	2014
	€ thousand	€
Regulatory capital requirements pursuant to Article 92 CRR (EU) No 575/2013 (2013: section 22 Austrian Banking Act)		
Total risk-weighted assets (risk-weighted assets based on Standardised approach to credit risk)	**656,225**	**783,048,045.48**
Regulatory capital requirement for credit risk (8% of total risk-weighted assets)	22,421	34,295,650.81
Regulatory capital requirement for exchange risk	8,292	7,501,555.21
Regulatory capital requirement for operational risk (Basic Indicator approach)	21,785	20,846,637.62
Risk-weighted item amounts	**52,498**	**62,643,843.64**
Available regulatory capital under Part 2 CRR		
Paid-up capital instruments	130,000	130,000,000.00
Retained earnings and reserves	298,743	329,578,872.93
Less transfer to retained earnings [1]	-	-32,280,000.00
Other intangible assets	-1,103	-1,232,380.80
50% deductions under section 23(13)4a Banking Act (investments in insurance companies)	-8,050	0.00
Common Equity Tier 1 capital (CET 1)	**419,590**	**426,066,492.13**
Tier 2 capital (reserve for general banking risks under section 57 Banking Act), weighted at 80% [2]	127,000	101,600,000.00
50% deductions under section 34(13)4a Banking Act (investments in insurance companies)	-8,049	0.00
Tier 2 capital (T2)	**118,951**	**101,600,000.00**
Total regulatory capital resources	**538,541**	**527,666,492.13**
Surplus regulatory capital	486,043	465,022,648.49

[1] Under article 26 (2) CRR, earnings for the year are included in Common Equity Tier 1 capital only after the official adoption of the final annual financial results.

[2] Under article 486 (4) Regulation (EU) No 575/2013 in conjunction with section 20 Austrian CRR Companion Regulation.

Notes to the income statement

Condensed income statement

	2012	2013	+/- Change		2014
	€ '000	€ '000	€ '000	in %	€
Net interest income and income from securities and investees	95,447	81,435	-8,145	10.0%	73,289,932.43
Net fee and commission fee	44,800	44,312	351	0.8%	44,662,720.32
Income and expense from financial operations and other operating income	9,439	11,968	-389	3.2%	11,579,082.20
Operating income	**149,686**	**137,715**	**-8,183**	**5.9%**	**129,531,734.95**
Staff costs, including social security and pension costs	51,891	51,551	10,997	21.3%	62,548,267.69
Other administrative expenses	21,525	21,490	-720	3.3%	20,770,314.73
Depreciation, amortisation and impairment losses on property and equipment and intangible assets	4,516	5,021	-234	4.7%	4,786,574.76
Other operating expenses	1,458	1,327	288	21.7%	1,614,926.43
Operating expenses	**79,390**	**79,389**	**10,331**	**13.0%**	**89720083.61**
Operating profit	70,296	58,326	**-18,514**	31.7%	39,811,651
Net gain on disposal and valuation of loans and advances, securities and interests in subsidiaries and other investees	7,126	3,040	23,447	771.3%	26,487,307.48
Profit before tax	**77,422**	**61,366**	**4,933**	8.0%	66,298,958.82
Taxes	17,962	12,643	1,421	11.2%	14,064,223.45
Profit for the year	**59,460**	**48,723**	**3,512**	**7.2%**	**52,234,735.37**
Net movement in reserves	-29,181	-28,426	-3,510	12.3%	-31,936,475.00
Unallocated profit for the year	**30,279**	**20,297**	**1**	**0.0%**	**20,298,260.37**
Profit brought forward from the prior year	4	5	2	40.7%	7,034.13
Profit available for distribution	**30,283**	**20,302**	**3**	**0.0%**	**20,305,294.50**

As the table shows, operating profit declined by 31.7% from the prior year. This was driven largely by the decrease in net interest income and increase in employee benefit provisions.

As a result of the reversal of impairment losses under section 57 Austrian Banking Act, there was an increase of about 771.3% to € 26,487,307.48 million in the item 'net gain on disposal and valuation of loans and advances, securities and interests in subsidiaries and other investees'.

Income tax

	31 Dec 2013	31 Dec 2014
	€ thousand	€
Corporation tax for financial year	14,518	13,057,422.74
Corporation tax for prior years	-90	-119,063.52
Income from prepaid capital yield tax from investment funds	-156	-31,396.54
Change in deferred tax assets	-1,629	1,157,260.77
Income tax	**12,643**	**14,064,223.45**

After taxes, profit for the year is € 52,234,735.37, representing an increase of 7.2% compared to the prior year. OeKB's return on assets in 2014 was 0.23% (2013: 0.19%).

The costs for the audit of the annual financial statements of € 283,930.00 (2013: € 216 thousand) are included in other administrative expenses.

As the regional focus of the activities lies in Austria, a geographic segmentation is omitted.

Supplementary disclosures

- Obligations from the use of off-balance sheet property and equipment:
  a) In the subsequent financial year: € 1,212,803.42
  b) In the subsequent five financial years (total): € 6,065,117.10.
- Derivative financial instruments at the balance sheet date:

€	Notional amount	Fair values positive	Fair values negative
Interest rate swaps	15,775,923,752.79	274,138,004.16	180,300,201.67
Assets swaps for liquid assets portfolio	995,000,000.00	7,893.30	106,922,710.49
Of which to subsidiaries	*0.00*	*0.00*	*0.00*
Currency swaps	16,336,063,789.89	1,078,118,649.27	724,357,148.92
Of which to subsidiaries	*0.00*	*0.00*	*0.00*
Foreign exchange forwards	58,996,075.19	0.00	7,587,849.49
Total	**33,165,983,617.87**	**1,352,264,546.73**	**1,019,167,910.57**

The fair values shown represent the clean prices of the derivatives. These transactions to hedge the interest rate risk and exchange rate risk are managed entirely in conjunction with export finance funding operations (debt capital raising) and thus form an economic unit with these debt instruments. In view of the exchange rate guarantee under the Export Financing Guarantees Act, no provision was made for negative market values of these derivatives. The fair values of derivative financial instruments are calculated by generally accepted methods.

- Other off-balance sheet transactions:
  The off-balance sheet credit risks of € 2,520,000,164.86 shown as memorandum items relate to undrawn credit facilities and commitments to lend, all of which are in connection with the Export Financing Scheme.
- Assets pledged as collateral:

	2013	2014
	€ thousand	€
Securities pledged as collateral		
With OeNB for tender	4,387,326	3,992,941,870.00
For trading on futures exchanges (EUREX)	25,742	19,604,890.00
For energy trading (ECC)	6,526	6,390,900.00
For stock exchange trading in Vienna (CCP.A)	516	0.00
For EUREX Repo platform	659,288	686,522,000.00
Collateral for credit risks of derivative transactions		
Collateral pledged	658,000	485,000,000.00
Collateral received	172,200	378,500,000.00

- Assets and liabilities denominated in foreign currency:
  The balance sheet contained foreign-currency-denominated items in the following translated amounts, largely related to export financing:
  Assets: € 1,505,999,393.98 Liabilities: € 17,978,451,453.44
- Maturity analysis of loans and advances and financial liabilities not repayable on demand:

Remaining maturities

	Credit balances at banks and loans and advances to banks and customers		Deposits from banks and customers and debt securities in issue	
	2013	2014	2013	2014
	€ thousand	€	€ thousand	€
Not more than 3 months	1,424,596	1,475,587,488.38	4,737,343	4,760,321,544.71
Over 3 months but not more than 1 year	8,011,976	7,580,408,328.28	4,563,380	3,083,042,557.88
Over 1 year but not more than 5 years	10,497,579	8,457,874,314.67	10,308,872	8,437,299,304.23
Over 5 years	3,998,115	2,728,843,262.77	2,773,743	3,292,713,155.82

- Related-party transactions:

  As a specialised institution for export services and capital market services, the OeKB AG engages in many transactions with its shareholders. All these transactions are conducted at arm's length. The following balance sheet items include transactions with related parties of OeKB AG:

Related party transactions with shareholders of OeKB

	31 Dec 3013	31 Dec 2014
	€ thousand	€
Loans and advances to banks	16,043,896	14,228,042,633.15
Bonds and other fixed income securities	72,816	22,003,585.00
Deposits from banks	40,720	36,330,366.64

- Analysis of loans and advances to, and deposits from, unconsolidated subsidiaries and other investees.

Loans and advances and deposits

	Unconsolidated subsidiaries		Other investees	
	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014
	€ thousand	€	€ thousand	€
Loans and advances				
Loans and advances to banks	1,329,820	1,463,213,672.79	-	0.00
Deposits				
Deposits from banks	44,976	54,615,770.22	-	0.00
Deposits from customers	36,723	28,387,032.87	10,406	6,640,694.78

- There were no transactions with key management personnel.

	2013	2014
Average number of employees (all were salaried)	363	356
	€ thousand	€
Analysis of staff costs in items dd, ee and ff of the income statement		
Executive Board members (including former members or their surviving dependants)	3,447	7,849,616.64
Key managers	2,514	3,358,596.85
Other employees	2,990	9,088,976.48
Total	**8,951**	**20,297,189.97**
Contributions to termination benefit funds (included in the item 'expenses for termination benefits and contributions to termination benefit funds')	122	133,082.62
Total remuneration of the Boards		
Executive Board: Not disclosed, in reliance on section 241(4) Austrian Commercial Code	Not disclosed	Not disclosed
Supervisory Board	275	275,000.00
Former members of the Executive Board or their surviving dependants	138	459,193.64

- Members of the Executive Board

  Rudolf Scholten
  Angelika Sommer-Hemetsberger

- Members of the Supervisory Board
  Erich Hampel, Chairman
  Walter Rothensteiner, 1st Vice-Chairman
  Franz Hochstrasser, 2nd Vice-Chairman
  Helmut Bernkopf
  Peter Bosek
  Gregor Deix (until 21 May 2014)
  Michael Glaser
  Matthias Heinrich (since 21 May 2014)
  Dieter Hengl
  Herbert Messinger
  Heimo Penker (until 21 May 2014)
  Christoph Raninger (since 21 May 2014)
  Karl Sevelda
  Herta Stockbauer (since 21 May 2014)
  Herbert Tempsch
  Susanne Wendler (until 21 May 2014)
  Robert Zadrazil
  Franz Zwickl

  Staff Delegates:
  Martin Krull
  Erna Scheriau
  Alexandra Griebl
  Anish Gupta (until 13 March 2014)
  Elisabeth Halys
  Christian Leicher
  Claudia Richter (until 13 March 2014)
  Ulrike Ritthaler (since 14 March 2014)
  Christoph Seper (since 14 March 2014)
  Markus Tichy

- Government commissioners under section 76 Austrian Banking Act
  Harald Waiglein, Commissioner
  Johann Kinast, Deputy Commissioner
  The above government commissioners are also representatives of the Austrian Minister of Finance under section 6 Export Financing Guarantees Act.

- Government commissioners under section 27 of the Articles of Association (supervision of bond cover pool)
  Beate Schaffer, Commissioner
  Edith Wanger, Deputy Commissioner

Vienna, 17 February 2015

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

RUDOLF SCHOLTEN ANGELIKA SOMMER-HEMETSBERGER

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

Oesterreichische Kontrollbank AG,
Vienna,

for the fiscal year from 1 January 2014 to 31 December 2014. These financial statements comprise the balance sheet as of 31 December 2014, the income statement for the fiscal year ended 31 December 2014, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and Austrian Banking Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the statutory audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance for the year from 1 January 2014 to 31 December 2014 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Vienna, 17 February 2015

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by:

MARTIN WAGNER	ppa. RENATE VALA
Austrian Chartered Accountant	Austrian Chartered Accountant

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In the event of discrepancies or dispute, only the German version of the report shall be deemed definitive.

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